Latin American Cities:
Their Evolution Under Neoliberalism and Beyond

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ABSTRACT

We summarize the history of Latin American urbanization with a focus on the evolution of cities from the colonial and post-colonial era to the adoption of the import-substitution model of development and its subsequent replacement by a neoliberal adjustment model. Consequences for the urban system of both import substitution and neoliberal policies are examined with a particular focus on the evolution of the urban population and trends in several strategic areas. We examine indicators of unemployment and informal employment; poverty and inequality; and urban crime and victimization rates as they evolved from the import substitution era to the implosion of the neoliberal model that replaced it in the early XXI century. Consequences for cities of the disastrous application of this model are summarized as a prelude for the analysis of more recent trends. Based on the latest statistical indicators available, we document a significant decline in unemployment and inequality in six Latin American nations that jointly comprise 80 percent of the population of the region. These improvements have not been accompanied, however, by significant reductions in the informal sector or in economic inequality. This situation is reflected in the rise of property crimes and victimization rates, as thefts and other forms of property crime become normative among some sectors of the impoverished population as an alternative to both absolute and relative deprivation. Consequences of this situation for the citizenry and alternative government policies to address it are discussed.

Keywords: Urbanization, Latin America, informal economy, inequality, urban crime.
The Latin American urban system differs greatly from that of the European colonial powers that created it, as well as from North America. Rather than arising gradually as commercial centers for settled rural regions, they were created by fiat by the colonizers as instruments for control of vast land areas and their indigenous populations. The Spanish, in particular, were quite adept at founding cities, either in suitable bays or at strategic crossroads in the hinterland. The Portuguese were not far behind, with the result that most of the major cities in today’s Latin America were already in existence by the XVII century (Portes and Walton 1976.).

These colonial cities did not produce anything. Instead, they were administrative and military centers aimed at subjugating the indigenous and, subsequently, exploiting their labor in mines and plantations. When the extremely hard work conditions, together with the imported European diseases against which natives were defenseless, wiped out this population, colonists resorted to the mass importation of African slaves. The situation gave rise to a sharp dichotomy between city and countryside marked by political, economic, and racial disparities: the country was the place where natives and then African slaves toiled in pitiless conditions to produce crops and precious metals for export to the metropolis. Cities were the places where owners of mines and plantations lived, investing their acquired wealth in luxurious mansions, impressive cathedrals and monuments after the fashion of the European countries they came from (Hardoy 1969; Morse 1971).

Such cities were entirely parasitic, their economic roles limited to that of markets for the few agricultural products of their local hinterlands and, in the case of ports, as conduits for the export of mines, ranches, and plantations to Europe. With limited local variations, this general landscape -- few cities, sharp discontinuities between city and countryside, and a lopsided urban
system dominated by a few port-cities and administrative centers was the norm throughout the colonial centuries in Latin America and continued, with few exceptions, after independence and well into the XV century. (Hardoy 1969; Roberts 1978).

Such urban landscape contrasted sharply with that of the English settler colonies of North America where cities emerged gradually and only in response to the economic and administrative needs of an expanding agricultural frontier. As a result, urban centers were created later and gradually, as the economy and an expanded population required. For illustration, Table 1 presents the years of foundation of the principal Latin American and North American cities. In contrast with the North, the urban system of the southern hemisphere was largely consolidated in the early days of the Spanish and Portuguese empires.

Table 1 about here

In these colonial and then post-colonial cities, the social classes distributed themselves in a simple spatial arrangement in which higher status and power were directly linked to proximity to the central plaza surrounded by the cathedral and the main administrative buildings. The subordinate classes settled at progressive longer distances from the main square -- the longer the distance, the poorer in general the condition of the inhabitants. Eventually, all urban features disappeared in a sparsely settled hinterland marked by roads, and subsequently railroads, going to the mines and plantations from where the wealth came from (Morse 1971; Roberts 1978; Portes and Johns 1989).

This spatial and social arrangements corresponded well with the role of the region -- first as colonies and then as quasi-independent republics playing a subordinate role as producers of mining and agricultural commodities and importers of manufactured products from the centers of
the global economy. The benefits of this system were concentrated in a small proprietor class that resided in the cities and allied itself, after independence, first with British “free trade” imperialism and then with that originating in North America (Arrighi 1994). The situation only changed in the midst of the XX century when one Latin American country after another sought to make their way into the ranks of the industrialized world. The advent of this radical new policy and its consequences for the urban systems of the region are summarized next.

The Advent of ISI and the Urban System

Following in the footsteps of “late industrializers”, such as Germany and Japan, major Latin American countries turned in the 1930s and 1940s toward a policy of import substitution industrialization in an attempt to overcome their permanent dependency from the centers of the world economy. The policy was strongly supported by the United Nations Economic Commission for Latin America (CEPAL in its Spanish acronym) under the leadership of Argentine economist Paul Prebisch. He was, in turn, deeply influenced by the writings of German economic historian Friedick List, a strong defender of protectionism for nascent German industry in the XIX and early XX centuries (Prebisch 1964; Sunkel 2004; Quijano 1998).

The ISI policy registered some notable successes during its early years, but was gradually compromised by a series of factors. Crucial among them was the role of multinational corporations (MNCs) that jumped the tariff barriers established by ISI policies in order to exercise oligopolistic control over domestic markets and by a capital-intensive pattern of industrialization, decisively influenced by the MNCs, that retarded employment creation and put increasing pressure on the balance of payments (Pozas 2002; Sunkel 2004; Portes 1997). The application of ISI policies had a profound influence on the urban systems of Latin American
nations, as documented in an extensive research literature. The principal features of this changed urban landscape may be summarized as follows:

- A rapid process of urbanization, concentrated in one or two cities per country, which were the same where import substitution industries clustered. Massive internal migration toward these cities led to their extraordinary growth and to the exacerbation of a condition of “primacy” where the population of these cities exceeded, by several multiples, that of the next three largest urban areas.
- Within major cities, labor demand by ISI industries led to the emergence of a modern, legally protected industrial working-class along with a middle-class employed in government service and private industries.
- The imbalance between labor demand created by capital-intensive ISI industries and the supply generated by massive internal migration in search of such jobs gave rise to an unprotected “informal” working-class employed in multiple self-invented activities outside the formal sector.
- Within large cities, a growing population put upward pressure on land and housing markets leading to prices that bore no relation to wages either in formal industry or informal services. The working-classes were thus compelled to create their own housing solutions in vast and rapidly growing squatter and other unregulated settlements in the periphery of these cities.
- Despite limited employment creation and growing spatial polarization, economic growth during the ISI period led to multiple articulations between the formal and informal sectors of the urban economy and to a slow, but sustained upward
mobility by the migrant poor. This pattern was evident in their gradual access to formal industrial employment and in their eventual acquisition of legal titles to land and dwellings in formerly precarious settlements.

- Despite multiple tensions and frequent protests, urban society during the ISI period was fundamentally “orderly”, with different social classes occupying accepted places in the urban hierarchy and with credible expectations of gradual upward mobility by formal and informal workers alike. Organized protest by trade unions and left-wing parties were common, but social disorganization in the form of widespread crime and anomic violence was rare and, when it existed, was commonly confined to certain well-known lumpen areas (Mangin 1967; Goldrich 1970; Roberts 1978; Leeds 1969).

This panorama was to change dramatically, however, in the wake of deep economic crises followed by an altered insertion of the region in the global economy during the last decades of the twentieth century. We review next the principal features of the new neoliberal model of development and its likely effects on urban systems and urban life. These key features included:

1. Unilateral opening to foreign trade.

2. Extensive privatization of state enterprises.

3. Deregulation of goods, services, and labor markets.

4. Liberalization of the capital markets, with privatization of pension funds.

5. Fiscal adjustment based on a drastic reduction of public expenditure.
6. Restructuring of state-supported social programs, focusing on compensatory schemes for the neediest groups.

7. The end of “industrial policy” and any other form of state-sponsored enterprise and concentration on macro-economic management (Diaz 1996; Portes 1997; Sunkel 2004).

By and large, neoliberal expectations concerning effects of free markets on society were based on the emergence of a trickle-down effect of sustained growth leading to better employment, higher incomes, and a stronger basis for social peace and order after an initial period of adjustment (Williamson 1994; Balassa et. al. 1986). In agreement with the neoliberal metaphor of a “tide that lifts all boats”, we extend predictions from that theory to three central areas to be examined empirically in the following sections:

- Urban unemployment and informal employment
- Urban inequality and poverty
- Urban crime and victimization

These neoliberal predictions are summarized in Figure 1. For comparison, we also summarize existing conditions during the ISI period and alternative expectations concerning effects of neoliberal policies based on an empirically-grounded sociological perspective.

Figure 1 about here

Urban labor markets could be expected to be transformed under the neoliberal model for several reasons. Market-friendly policies privileged deregulation and the shrinking of the state, with a consequent stagnation or decline of the public sector which had been previously a key source of middle-class employment. Simultaneously, as formerly protected ISI industries closed
their doors because of their inability to compete with cheap imports, the formal working-class employed by them could also be expected to decline.

According to neoliberal theorists, a market-friendly environment with less taxation and regulation would stimulate capital investments producing, in turn, a surge in labor demand. As labor markets tightened under this pressure, wages and work conditions would improve naturally without need for state intervention (Williamson 1994; Balassa et. al. 1986). To promote this result, governments were encouraged to adopt “labor flexibilization” policies that reduced the security and benefits enjoyed by the formerly protected working-class. The result would be less unemployment and a more dynamic and productive labor force.

On the other hand, if the expected wave of private investments did not materialize, the contraction of the public sector and reduction in formerly protected industrial employment could lead, alternatively, to an increase in open unemployment or a significant rise in the informal sector. Even if labor demand materialized under conditions of widespread deregulation, the new jobs could be of poorer quality than those lost since they would lack a number of benefits, including a measure of protection against arbitrary dismissal (Diaz 1996; Salinas and Wormald 2003). Though legal, these “flexible” jobs would come to resemble those formerly labeled informal. The end result of the new model would thus be exactly the opposite of that predicted: a decline of the formal working-class along with a rise in open unemployment, informal self-employment, and unprotected work (Klein and Tokman 2000).

Along the same lines, the straightforward neoliberal expectation was that, after a short period of adjustment, poverty would be significantly reduced through a dynamic process of job creation fueled by new capitalist investments. On the other hand, if such a wave of new
investments did not materialize or if it did not produce the expected rise in labor demand, the
combined effects of public employment reduction, the decline in the old formal working class,
and the end of government subsidies for popular consumption could lead to the opposite
consequence: a significant rise in poverty and, along with it, an increase in already high levels of
inequality. By the end of the 1990s, a number of analysts concluded that this was indeed what
was happening in Latin America. According to Klein and Tokman:

Most of the positive impacts (of the open markets policies)
benefted those sectors already in the upper echelons of the income
distribution. They favored the rich. Negative effects have taken
place in labor markets as a result of the application of these
policies – precarization of work, informalization, and
unemployment. These effects have affected primarily those
sectors that were already poor. In this manner, inequality has risen
(Klein and Tokman 2000: 28).

Finally, the consequences for social order and stability of the implementation of the free
markets model can be read as a direct reflection of its success in reducing unemployment,
poverty, and especially inequality. If this were the case, beneficial consequences for peace,
security, and public order could be expected to follow and indeed this was one of the predictions
made by architects of the “Washington Consensus” and their followers (Williamson 1994).

A very different set of predictions emerges if the neoliberal model were to be an
instrument for the perpetuation or increase of inequality. In this case, the end of subsidies for
popular consumption and the disappearance of programs of social protection at a time when large
numbers of formerly protected workers and new entrants into the labor force were forced to “sink or swim” in deregulated markets could promote new forms of social instability. When jobs are not available or are of such poor quality as to keep those holding them in permanent poverty, former workers and new entrants into the labor force may resort to alternatives to destitution, in a pattern that may be labeled forced entrepreneurialism. Various criminal activities – including drug selling, robberies, and kidnappings for ransom – could be interpreted, from this perspective, as one such mode in which the perpetrators seek to avail themselves of the material resources denied to them through legal channels.

The Urban Situation at the End of the XX Century

To examine the extent to which these alternative perspectives on contemporary Latin American urbanization held in reality, we conducted a comparative study of six Latin American nations that jointly comprised over 80 percent of the region’s population in the late 1990s. The study was based on collaborative agreements with research teams in these countries that carried out detailed inquiries into each substantive topic summarized above, based on a common methodological framework. This framework included analysis of the most recent census data and existing surveys, along with fieldwork in urban settlements deemed emblematic of patterns of popular mobilization and demand-making. The data assembled by country teams at that time, constituted the most up-to-date assessment of urban conditions in the region. Results of that earlier study are summarized next as a prelude to the presentation of updated findings on the urban situations in the six countries.
Evolution of the Labor Markets

As noted previously, and as summarized in Figure 1, expectations stemming from neoliberal theorists were that labor markets would respond quickly to the stimulus provided by new capital investments, leading to sustained declines in unemployment and underemployment. The reality during the following two decades bore little relationship to these expectations. In country after country, rates of open unemployment and informal employment either remained stagnant or increased significantly.

The countries of the River Platte (Argentina and Uruguay) were the most visibly affected by declines in formal protected employment. In Argentina, the open unemployment rate doubled during the 1990s and in Buenos Aires, it went from just 3 percent in 1980 to over 20 percent in 2001. This dramatic deterioration of labor market conditions is portrayed in Figure 2. Its evolution in time coincided perfectly with the period of strict application of neoliberal policies to the Argentine economy. As noted by various observers, no other Latin American country witnessed a more fervent implementation of the free market model than Argentina during the years of the Menem presidency (Sunkel 2004; Altimir and Beccaria 2001; Grimson 2003).

During the same period, employed workers also suffered a significant deterioration in their work conditions. The formal working-class employed by large firms in the Buenos Aires metropolitan area declined from close to half of the economically active population (EAP) in 1980 to less than one-third in 2001. Conversely, the informal proletariat rose from 13 percent to
34 percent of the EAP during the same period, when the traditional ILO measurement of informality is applied, and to 44 percent when a more modern measure based on lack of social security protection is used.

Across the River Platte, labor market conditions were not much better. Although neoliberal policies were applied in Uruguay with somewhat less enthusiasm than in its neighbor, the labor market results were essentially the same: as in Argentina, there were large declines in the proportion of workers employed in formal industry and in the public sector and a concomitant rise in open unemployment. Figure 3 presents the evolution of the unemployment rate in the Montevideo metropolitan area. Simultaneously, the proportion of the self-employed and precariously employed also increased, although not as rapidly as the unemployment rate. As a consequence of these trends, Uruguay – formerly the country enjoying the highest levels of labor protection and lowest unemployment in Latin America – exhibited indicators of labor vulnerability encompassing half of its labor force in 2001, exactly the same figure as its larger neighbor.

Chile is commonly cited as the success story of the neoliberal experiment and, from a labor market perspective, there is evidence backing this assertion. Open unemployment declined to just 5.4 percent of the Santiago metropolitan labor force in the mid-nineties and just 6 percent nationwide. However, the figure climbed right back to close to 10 percent in 2001. There was also a sustained increase in the proportion of unprotected workers, both in the capital city and in the country as a whole during the 1990s. This rise is attributable to the rising number of workers
in large firms without social security protection. Thus, while the Chilean economy managed to create sufficient jobs to avoid the record unemployment level registered by its neighbors, many of these jobs were of poor quality – without protection against arbitrary firing or social services (Wormald et. al. 2003; Diaz 1996). This trend reflects the policy of “labor flexibilization” introduced as part of the neoliberal model.

The same trends were evident, with variations, in the other countries. In Mexico, the new export-oriented model took the form of entry of the country into the North American Free Trade Agreement (NAFTA). The increasing use of Mexico as an industrial export platform for the huge U.S. market resulted in significant labor demand in the maquiladora sector in border cities such as Tijuana and Juarez, (Ariza and Ramirez 2005). Unemployment and informal employment followed an erratic pattern. In the case of informality, measured by modern indicators that incorporate unprotected workers, it reached half of the labor force in 2000. Hence, even in Mexico, and despite the labor demand generated by export platform industries, the results of the new model of development were not impressive. Whatever economic growth there was, it did not translate into a rapid increase in formal employment or a drastic decline in unemployment.

Poverty and Inequality

A study of Latin American class structures, published in the Latin American Research Review in 2003 showed that the dominant classes – defined as large and mid-size employers, administrators and executives of these firms, and elite professionals – compose approximately one-tenth of the Latin American EAP and, in several countries, less than that (Portes and Hoffman 2003). This “privileged decile” received average incomes equivalent to 14 times the
average Latin American poverty line in the early 1990s; by contrast, the informal proletariat, comprising approximately 40 percent of the regional EAP, had incomes of just twice the poverty line or about half the amount needed to lift them out of poverty.  

These economic differences, which made Latin America as a whole the most unequal region in the world, tended to become exacerbated during the decades in which the neoliberal model was implemented. In Argentina, the income share of the top decile increased almost 10 percent between 1980 and 2000; the incomes of employers alone went from 19 times the national poverty line in 1980 to 24 times in 1997. The incomes of informal workers declined substantially in the same period. The percentage of individuals in poverty, which in 1980 was just 5 percent increased by 2002 to a remarkable 38 percent of the metropolitan population. As a result, Argentina went from being one of the most egalitarian countries in the region to resemble their neighbors’ traditional economy inequality. By 1996, according to Altimir, the national Gini Index had surpassed the .50 threshold. Figure 4 portrays this evolution for the capital city and environs.

Chile is the country that registered the best results in terms of a sustained reduction of poverty during the last two decades of the twentieth century. The proportion of persons in poverty declined by more than half between 1980 and 2000: from 45 to 21 percent. However, this occurred at a time when the wage share of the dominant classes in the capital city remained disproportionately high, keeping the Gini Index at close to .60, second only to Brazil in the region. Clearly, the economic tide in Chile “lifted” some boats higher than others. It is possible
to conclude that the Chilean population did enjoy the benefits of economic growth in the form of steady reduction of poverty, but not in terms of a fairer distribution of the economic pie.

In the two largest countries, Brazil and Mexico, the evidence also points to a consolidation of the economic position of the dominant classes, a stagnation in the average incomes of informal workers, and, as a consequence, a rise in economic inequality. In Brazil, easily the most unequal country in the region, the national Gini index inched upwards during the nineties; in metropolitan Rio it rose from .57 to .60 and, in Sao Paulo, it increased by four points to .55. Nationwide, the top decile increased its income share by almost 10 percent reinforcing a pattern of extreme inequality.

In conclusion, the decade of most consistent application of neoliberal policies led to sustained increases in poverty in most countries, with the exception of Chile. Yet what increased uniformly was inequality. Whether the economic tide lifted all boats, as in Chile, or sank them all as in the River Platte, elites did manage to hold to or increase their positions of privilege, while those at the bottom of the class structure saw their relative share remain stagnant or decline. National indicators of inequality moved upwards everywhere, a condition aggravated in the major urban areas.

Crime and Victimization

The influence of imported consumer expectations have never been absent from the region; however, the radical market opening following implementation of the neoliberal model meant even readier access to the goods and lifestyles imported from the developed world. As several Latin American authors have indicated, Latin American societies had never before been so exposed to the standards of living and consumer values of the global North (Sunkel 2004;
Diaz 1996). Naturally, it was in the cities where this influence was more evident. Property crime can rise in these contexts as at least some members of the subordinate classes take matters into their own hands in order to redress both absolute and relative deprivation. This is what theories of crime suggested and the context that gave rise to the concept of *forced entrepreneurialism* (Ayres 1998; Londoño 1996).

The evidence from the six countries studied pointed toward significant rises in crime, victimization, and citizen insecurity by the turn of the century. Reported crimes are feeble indicators of any trend because of the reluctance of the citizenry in many countries to contact the police. The latter is often perceived as corrupt and inefficient and often “more of a threat than the thieves themselves” (Lomnitz 2002). In countries where the quality of the public force is sufficiently high to take crime statistics seriously, such as Chile, the evidence points to a significant rise in national and urban delinquency, in particular property crimes (Sabatini and Wormald 2005).

Property crimes per 100,000 in Chile doubled between 1977 and 2000 and robberies (thefts with personal violence) more than tripled during the late nineties. The situation in metropolitan Santiago was even worse, with the property crime rate skyrocketing from 600 per 100,000 in 1977 to 1,650 in 2000. In just three years (1998-2001), the rate of felonies (robberies, thefts, homicides) reported to the police went from 1,540 to 2,118. The long-term evolution of property crimes in Chile and its capital city is graphically portrayed in Figure 5.

*Figure 5 about here*
These results were not compatible with the image of economic growth, declining poverty, and increasing well-being that have made Chile a showcase of neoliberalism. As seen previously, poverty did decline markedly in the 1990s, but inequality remained unchanged. Persistently high inequality in a context of increasing wealth and modern consumption by the upper and middle-classes may well represent the key structural factor behind the serious Chilean crime wave of the late 1990s.

The situation was similar or worse in neighboring countries. In Argentina, previously regarded as a relatively tranquil country, the property crime rate per 100,000 inhabitants rose 113 percent in the 1990s. In metropolitan Buenos Aires, the same rate more than tripled. The evolution of the total crime rate makes clear two important trends: First, delinquency rose everywhere, but where the situation reached truly crisis proportions was in the capital city; second, the crime rates actually declined during the early 1990s and it was only during the second half of the decade, coinciding with the years when the neoliberal experiment unraveled, when crime rates virtually exploded (Cerrutti and Grimson 2005).

The evolution of serious crimes in metropolitan Lima is based on estimates compiled by a private research center because of the low number of crimes actually reported to police. According to these estimates, the absolute number of crimes in the city almost tripled – from 85,000 to 213,000 – in the short span of five years in the mid-1990s. The result was a sharp increase in the level of felt insecurity of the urban population and in the defensive strategies adopted by the dominant classes. In Brazil, where police statistics on thefts and robberies are notoriously unreliable, analysts focused on homicide rates. In metropolitan Rio,
the homicide rate increased 223 percent between 1985 and 1995, far ahead of the national growth rate, 88 percent (Valladares et al. 2005; Joseph et al. 2005).

All studies about urban property crimes coincide in noting that the perpetrators are mostly young males, either unemployed or informally employed. While there may be some bias in these figures due to the greater vulnerability of the poor to be arrested and incarcerated, the figures are so overwhelming as to denote a clear trend. While the spatial origins of delinquents can be traced to the relatively more deprived urban neighborhoods, the location of the actual crime is not necessarily confined to these areas. The available evidence shows that the location of thefts and armed robberies were not confined to exclusively poor neighborhoods but extended to: a) central city areas; and b) middle and upper-middle class neighborhoods.

As Figure 6 shows, reported property crime in metropolitan Santiago became most frequent in the middle- and upper-middle class comunas of Providencia, La Reina, Vitacura, and Las Condes. While working-class municipalities also reported high rates of property crime, what is notable about this map is that most low-income areas in the eastern, southern, and northern periphery of the city appeared relatively tranquil, while delinquent activity concentrated in the high-income neighborhoods. It is likely that this trend is exaggerated by the greater propensity of middle-and upper-class families to report property crimes to the police for insurance purposes. Despite this bias, the data clearly show that the crime wave in Santiago was not just a case of “the poor preying on the poor”, but that it also affected well-to-do individuals and neighborhoods (Arriagada and Godoy 2000).

Figure 6 about here
The same trend was evident in Buenos Aires. As seen previously, property crime for the capital city increased 340 percent in the 1990s; this crime wave was particularly heavy in relatively wealthy areas such as San Isidro and Vicente Lopez. In Mexico City, the most dangerous neighborhoods were in the city center – the delegaciones of Cuauthemoc and Benito Juarez. The rate of armed robbery per 100,000 in both areas exceeded 2000 when the overall urban average was just 866. By 1997, the overall Mexico City robbery rate had surpassed 1,800 per 100,000 but in Cuauthemoc and Benito Juarez, it reached 4,000 per 100,000 (Ariza 2003: Table 3.3).

From a theoretical standpoint, the key finding is that the significant rise in crime affecting major Latin American cities at the end of the century was not random or “anomic”, but evidenced a pattern of clear entrepreneurial rationality. It was not limited to just poor areas, but frequently involved young men from these areas going to where the wealth was and where some of it could be appropriated without undue risks of arrest and incarceration. Both the social origins of delinquents and the place where property crimes were committed fit well the hypothesis of forced entrepreneurialism.

As Marcela Cerrutti (2003: 46) put it for the case of Buenos Aires: “The association between deterioration of labor market conditions, in particular the significant increase in open unemployment, and crime rates is uncontestable.” Once criminal enterprise becomes habitual, a process of cumulative causation sets in where young persons in poor areas of the city are socialized into alternative, deviant lifestyles and where their connection to the regular labor market and the world of work becomes progressively tenuous.
The Present Urban Landscape

As anticipated in the conclusion to the study just summarized, “something” had to change because the human costs of the neoliberal victories in taming inflation and encouraging export industries were simply too high. With unemployment, poverty, and inequality running rampant by the start of the millennium, one government after another was compelled to abandon the Washington Consensus, the advice of the International Monetary Fund, and the tutelage of Washington.

This retrenchment took two main forms in the region. First, a radical populist reaction accompanied by a wave of nationalizations, massive re-distribution benefitting the poor, and a return to a dirigiste role for the state in the economy. Bolivia, Ecuador, Nicaragua, and Venezuela followed this route, with the latter country adopting the more extreme populist and anti-capitalist policies. Results of this new model have varied greatly.

In Venezuela, the outcome has been catastrophic -- marked by rapid increases in poverty and hunger, runaway inflation, and massive out-migration (The Economist 2018a).

The second reaction to the implosion of the neoliberal model took the form of pragmatic adaptation, combining a number of new redistributive policies and an expanded state role in the economy with continuous incentives for private enterprise and foreign investments. All six countries included in our original study followed that route. Although Argentina toyed with radical populism in the wake of the economic catastrophe brought about by the fervent application of neoliberal policies, the subsequent administration of Nestor Kirchner rescued the nation through a combination of economic nationalism and massive subsidies for the popular classes. While these policies reached their limits by the second decade of the century, triggering
capital disinvestment and rapid inflation, they fulfilled their mission of restoring social peace and
guaranteeing minimum living standards for the urban working-classes (Grimson 2003; The
Economist 2018b).

Within this general panorama, we may ask how the cities have evolved and what have been the major changes in their indices of poverty, unemployment, and informality. The overall picture in the last fifteen years following the implosion of neoliberalism has been marked by continuity plus a gradual recovery from the worst consequences of the crisis. The principal trends are described next.

*Urban Growth and Urban Primacy*

During the first decades of the XXI century, the growth of the urban population of Latin America has remained stable or has declined. This is due primarily to a ceiling effect since, in many countries, the urban population is now approaching 90 percent of the total. That is certainly the case in the Southern Cone nations (Argentina, Uruguay, and Chile). Corresponding to a trend already observed at the end of the last century, the proportion of the urban population concentrated in the largest cities has remained stable. This reverses the pattern of earlier decades when urban primacy -- the concentration of the population in the largest cities -- appeared to grow inexorably (Roberts 1978; Hardoy 1969).

This reversal reflects the end of the ISI period during which import-substitution industries concentrated in the major cities, adding to their primacy. The new export-led model reversed the trend because export-oriented industries did not have to concentrate in primate cities and often located elsewhere, by reason of proximity to ports or areas of agricultural or mining production. In the case of Mexico, the fastest urban growth was registered in border cities because of the
locational preference of “maquiladora” industries exporting to the U.S. market to the north (Ariza and Ramirez 2005).

The recent evolution of the process of urbanization in the six countries included in our comparative study is presented in Table 2. Primate cities still retain their dominance over the rest of the urban system, absorbing 40 percent or more of the urban population in the countries of the Southern Cone and in Peru. Primacy is less marked in Brazil and Mexico due to these countries’ larger size that reduce the proportional concentration of the population in the capital (Mexico City) or in the largest urban agglomerations (Sao Paulo and Rio).

Table 2 about here

*Unemployment, Self-employment, and the Informal Sector*

The recent evolution of unemployment, self-employment, and informal employment in the six countries has not been uniform. Unemployment tended to decline in those countries most affected by the neo-liberal experiment, in the wake of efforts by succeeding governments to ameliorate the social crisis caused by it. In Argentina, unemployment was halved from 2000 to 2015 and the proportion of the labor force classified as informal declined by 10 percent. Across the River Platte in Uruguay, the trend was similar under successive administrations of the progressive Frente Amplio coalition: open unemployment was cut almost in half and the proportion of the labor force in informal employment was reduced by 15 percent. Relevant figures are presented in Table 3.

Table 3 about here
Similarly, in Brazil, unemployment was drastically reduced by the left-leaning administration of President Lula da Silva between the start of the century and 2014. A major economic crisis under his successor, Dilma Rousseff, partially reversed the trend with the unemployment index rising rapidly during the last two years. Unlike Venezuela, the Brazilian economic crisis was not brought about by radical anti-capitalist policies, but by the discovery of massive instances of corruption involving ties between the state and many of the largest capitalist enterprises of the nation (Watts 2017; Felter and Labrador 2018).

In Chile, open unemployment declined steadily, although informal employment remained at high levels. This dual trend reflects the continuation of pro-capitalist policies that stimulated investment by maintaining and expanding labor market flexibility. As a result, employment expanded significantly, but the proportion of workers in precarious and socially unprotected jobs also grew. The widespread use of subcontracting and temporary work contracts without social security coverage is reflected in an informal sector still employing 40 percent of the Chilean labor force (Diaz 1996; Sabatini and Wormald 2005).

In Mexico and Peru, unemployment indicators are less significant. In the first case, because the Mexican statistical institute defines open unemployment narrowly, artificially depressing the figures (Ariza and Ramirez 2005). In Peru, the nearly complete absence of protection for the unemployed, forces the poor to find any form of employment in order to survive. In both instances, the more telling indicators are those focused on informal employment (Joseph et al. 2005). In Peru, the rigorous application of neoliberal policies under the administration of President Alberto Fujimori led to a massive increase in precarious employment. The trend continued in the early years of the XXI century, reaching a remarkable
84 percent of the labor force in 2005 before declining in subsequent years. Even then, close to 40 percent of the Peruvian labor force toiled in unprotected jobs in 2016.

In Mexico, as seen previously, the shift toward neoliberalism was signaled by the signing of the North American Free Trade Agreement (NAFTA) that did away with much of the national industrial sector and converted the country into a consumer market and labor reservoir for the much larger U.S. economy. In-bond export (maquiladora) industries did generate substantial labor demand, but neither the number nor the quality of these jobs compensated for the loss of industrial employment in the now largely defunct national manufacturing sector (Pozas 2002; Ariza and Ramirez 2005). What is new in the last fifteen years is that little has changed, despite official rhetoric to the contrary. No sustained effort has been made to revive national industry and the country continues to depend on exports under the control of foreign multinationals. As a result, the labor market has stagnated, featuring levels of informal employment comprising over half of the labor force (See Table 3).

**Poverty and Inequality**

National and urban poverty declined significantly in the River Plate nations in the wake of progressive policies aimed to reverse the worst effects of the neoliberal model. In Argentina, according to official figures, urban poverty declined from 34 percent of the population in 2005 to less than 5 percent in 2013. In Uruguay, there was a parallel decline from 37 to 10 percent. In both countries, the Gini Index of inequality also came down to its historic, pre-neoliberal level of around 40. Statistical series for all six countries are reported in Table 4.

In Chile, poverty indicators continued the decline already observed in the 1990s and, along with it, there were also declines in overall inequality and in the income share of the top
decile, although the Gini Index remained the highest in the Southern Cone. The application of a pro-capitalist, but pragmatic model of development by successive Chilean administrations is reflected in these figures. Peru also followed the same trend, with both national and urban poverty rates declining markedly. Inequality also declined, although more gradually. The Gini Index dropped from its height of 51.8 in 2005 to 44.3 ten years later. As in the Southern Cone, the income share of the top decile declined by roughly 5 percent.

Table 4 about here

The only country where indicators barely budged was Mexico where the Gini Index remained close to 50.0 and where the proportion of both the national and urban population in poverty topped 50 percent. These results reflect the failure of successive Mexican administrations to address the fundamental social and economic disparities affecting the nation. Continuing reliance on NAFTA and on exports to the U.S. market under control of multinationals, instead of economic redistribution and support of domestic industry, reinforced the role of Mexico as fundamentally a labor reservoir for its northern neighbor (Ariza and Ramirez 2005; Portes 1997).

In summary, the sustained declines in unemployment, noted in the prior section, have been accompanied by declines in poverty for most of the region and by a less significant, but fairly consistent drop in inequality. A number of innovative social policies, in particular the widespread adoption of the *bolsa familia* program -- providing direct income support for poor families in exchange for vaccinating their children and keeping them in school -- seems to have played a significant role in poverty reduction (Sandberg 2014). Hence, it is possible to conclude that the region has been recuperating, albeit in an uneven and slow manner from the crisis.
brought about by the neoliberal economic model at the turn of the millennium. With the partial exception of Argentina, no country has attempted to return to the protectionist policies of the ISI period, but most have attempted to combine incentives for continuous capitalist investment with redistributive policies to alleviate the worst consequences of free market capitalism.

*Urban Crime and Victimization*

The statistics on urban crimes and victimization follow an erratic pattern throughout the region and do not correspond to the expected decline accompanying reductions in urban poverty in most countries. Part of this erratic pattern has to do with the poor quality of police statistics in most countries where, as noted previously, many robberies and other forms of crime go unreported. In Chile, where, as seen previously, police figures are more reliable, they show a gradual decline in violent assaults, but a sustained increase in property thefts (robberies) -- from 403 per 100,000 population in 2005 to 593.2 ten years later.

Figures on homicides are more reliable because such crimes are reported, but they show no clear pattern. The homicide rate has increased steadily in Mexico, the River Plate countries and Brazil, easily the most violent country of the six examined. The rate is constant in Chile and actually declined in Peru. More reliable than crime statistics are victimization rates and fear of crime, as reported in representative surveys of the urban population in each country. Victimization rates are the percentage of respondents who report that themselves or a member of their family have been victims of crime in the last twelve months. These figures are presented in Figure 7. Figure 8 presents the percentage of respondents who report that they are always concerned about becoming a victim.
Victimization rates fluctuate over time in all countries and they evidence no sustained decrease or increase in any. The common pattern is a significant decline on victimization between 2005 and 2010, coinciding with the implosion of the neoliberal model and sustained efforts by governments in the region to redress its worst effects. Thereafter, the rates increase steadily. In Chile, the rate dropped from 39 percent to 25 percent between 2005 and 2010, only to head up again to 38 percent in 2016. In Mexico, victimization rates declined from a dramatic 67 percent of the urban population in 2005 to less than half five years later, but then rose again to a remarkable 58 percent in 2015. The same trend is evident in the remaining countries.

Starting in 2010, the figures on fear of crime correspond to the increasing rates of victimization. The statistical series reveal a steady increase in the fear of crime for most countries. In Argentina, the rate goes from 27 percent in 2010 to 47 percent in 2015. In Chile, Brazil, Uruguay, and Peru, the series indicate similar rises of over 20 points between both years. Only in Mexico, the increase is more modest, but remains at over 40 percent of the population.

In all countries of the region, fear of crime has become a major, if not the major concern of the citizenry. The six countries examined in this study are representative of a broader trend which includes other nations such as Ecuador, where fear of crime reached 50 percent of the population in 2016, and Venezuela, where it rose to 58 percent (Latino Barometro 2016). The causes of this deterioration in the quality of urban life must be sought in the social damage inflicted by neoliberalism at the end of the last century and the halting and uneven recovery in its aftermath. As noted in a prior section, it is not poverty per se, but inequality that commonly
drives crime aimed at others’ property and, as just seen above, progress in reducing inequality has been quite modest.

The relatively tranquil Latin American cities of the ISI period have given way to an explosion of property crimes in the decades of neoliberal adjustment as a sector of the population -- poor young men, in particular -- resorted to violence as a way to make ends meet and to overcome the absolute and relative deprivations promoted by free market capitalism. Once in place, criminal patterns of behavior, that were exceptional in earlier years, can become normative. Fear of becoming a victim among the rest of the citizenry is the natural counterpart of this situation.

**Conclusion: The Persistence of the Divided City**

The adoption of neoliberal policies that did away with much of the economic and social progress achieved during the ISI period is now an episode of the past. It is defunct except in the minds of some economists of the World Bank and, especially, the International Monetary Fund who continue to prescribe the same Washington Consensus recipes that failed so thoroughly in the past (Galbraith 2012). As seen in the prior analysis, alternative policies have had mixed results and, as far as cities are concerned, they have not succeeded in overcoming the worst effects of the prior model. While poverty and indigence have declined thanks to targeted state programs, vast economic inequalities persist and, along with them, a massive informal sector that, in some countries, employs half or more of the labor force. As noted by several authors, informality does have some positive functions, providing workers with a means of livelihood and nurturing, in some cases, viable micro-entrepreneurial initiatives. Nonetheless, it perpetuates a low-level equilibrium where cheap goods and services produced informally contribute to
maintain low wages and salaries in the formal sector that, in turn, generates weaker consumer
demand for national industry (Centeno and Portes 2004).

Persistent inequality then leads to high levels of crime and citizen insecurity. The answer
of the wealthiest sectors of the population has been to barricade themselves in gated communities
protected by heavy security, but this response leaves exposed middle-class areas unable to afford
similar protections, as well as central areas where members of different social classes interact.
Unsurprisingly, such areas have become increasingly deserted at night (Ariza and Ramirez 2005;
Valladares et al. 2005).

High socio-economic inequality has its counterpart in persistent spatial segregation.
Figures 9 and 10 illustrate the situation for Mexico City and Santiago de Chile, respectively. In
Mexico’s capital, the upper and middle classes cluster in districts toward the northwest,
including Coyoacan, Cuajimalpa, and Hidalgo, merging with suburban sub-divisions in the state
of Mexico. The poor population spreads toward the southeast of the city in Iztapalapa, Tlahuac,
Milpa Alta, and suburban areas in the same direction. In-between are central city sub-divisions,
such as Alvaro Obregon, Azcapotzalco, and Cuauhtemoc that are meeting places of the different
classes during the daytime.

Figures 9 and 10 about here

The situation is more extreme in Santiago where the middle- and upper-class sectors of
managers and professionals are almost absent from three quarters of the metropolitan area,
concentrating instead in a triangle bounded by the city center toward the south and the Andes
mountains toward the northeast. As seen in the prior section, these wealthier comunas -- Nuñoa,
Providencia, Las Condes, and Vitacura have become targets of an increasing wave of property crimes in recent years (Sabatini and Wormald 2005; Roberts and Portes 2006).

The situation calls for more decisive intervention by the state in both the social and political fronts. At the height of the social crisis brought about by the implosion of the neoliberal model, Latin American states proved more capable to address the situation than conventionally expected. The Argentine government created an emergency work program, accompanied by cash and goods transfers that benefited two million poor families (Grimson 2003). Chile was able to implement an extensive program of social housing and infrastructural development that turned large numbers of a formerly marginalized population into full members of the citizenry (Sabatini and Wormald 2005; Roberts and Portes 2006). Similarly, the Mexican state, in particular the government of the Federal District, engaged in a number of proactive housing and welfare programs that improved significantly living conditions in its poorer urban sub-divisions (Ariza and Ramirez 2005).

Such energies and capabilities must be used not only for addressing crisis situations, but to implement long-term development programs in the economic and social fronts. While continuing instability in the world economy and recurrent economic crises in large countries like Argentina and Brazil do not augur well for the immediate future, the long-term road for national development is clear: free markets alone will not bring about this outcome, nor the advice of global agencies, such as FMI and the World Bank. Decisive and sustained intervention by a capable state apparatus will be necessary. As always, cities and urban life will reflect and embody whatever the future brings to these lands.
ENDNOTES

1 This and the following section are based on prior publications. See author (2005, 2006)

2 Informal employment was traditionally measured by the International Labor Office’s Program for Latin America as the sum of the self-employed minus professional and technicians; unpaid family workers; owners and employees of firms of up to five workers; and domestic servants
(Klein and Tokman 1988). The more modern measure, commonly used in the developed world is based on the number of workers hired casually and unprotected by social security, health, and other mandated legal coverage (Portes and Haller 2004).

3 The poverty line is calculated on the basis of the cost of a basket of goods and services for the average individual. As working-class households have more than four members on average in Latin America, an income of less than 4p.l.s for the principal breadwinner is insufficient to take a family out of poverty (Klein and Tokman 2000; Economic Commission for Latin America and the Caribbean 2000).

**Bibliography**


Valladares, Licia, Edmond Preteceille, Bianca Freire-Medeiros, and Filipina Chinelli.


Table 1. Population and Year of Foundation of the Twenty Largest Cities in Latin America and the United States

<table>
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<th>Latin American Cities</th>
<th>Metropolitan Area (2010)</th>
<th>US Cities</th>
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<td>Year City Was Founded&lt;sup&gt;b&lt;/sup&gt;</td>
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<td>ca. 1550*</td>
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<sup>b</sup>Source: Encyclopedia Britannica *Portes and Walton, 1976

<sup>c</sup>Source: U.S. Census Bureau, 2010 Decenial Census
Table 2

The Evolution of Urbanization in Six Latin American Countries

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### Table 3
The Evolution of Labor Markets in Six Latin American Countries

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*Equal to the sum of non-professional own-account workers, domestic workers, and family workers; \(^{a}\)Equal to all employment in unregistered and/or small-scale private unincorporated enterprises that produce goods or services including street vendors but excluding paid domestic workers.*

Sources: All data sourced from the World Bank Development Indicators using labor force surveys for the most recently available years and stored in the International Labour Organization ILOSTAT database. Unemployment statistics for Mexico 2000 and Chile 2000 and 2005 stored in the Organisation for Economic Co-operation and Development (OECD) repository.
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$^a$Poverty at national poverty lines; $^b$Urban poverty headcount ratio at national poverty lines.

Sources: All data sourced from the World Bank Development Research Group using Integrate household surveys (IHS) and country surveys for the most recently available years. Argentina, Instituto Nacional de Estadisticas y Censos (INDEC); Brazil, Instituto Brasileiro de Geografia e Estatistica; Chile, Encuesta de Caracterización Socioeconómica Nacional; Mexico, Encuesta Nacional de Ingresos y Gastos de los Hogares; Peru, Encuesta Nacional de Hogares 3; Uruguay, Encuesta Continua de Hogares (ECH).
Figure 1

Actual and Expected Effects of the Application of Different Models of Development to Urban Patterns

<table>
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<td>I. Unemployment and Informal Employment</td>
<td>Low levels of open unemployment. Large proportion of the labor force employed informally. Slow, but steady rise of the formal working-class.</td>
<td>Declining unemployment and informal employment as labor markets “tighten” under rising demand. Increasing labor productivity.</td>
</tr>
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<td>II. Poverty and Inequality</td>
<td>High levels of poverty and inequality declining gradually over time with relative increase of the formal proletariat and consolidation of working-class organizations.</td>
<td>Reduced poverty and declined inequality under dynamic labor markets.</td>
</tr>
<tr>
<td>III. Urban Crime and Public Insecurity</td>
<td>Crime mostly confined to low-income and <em>lumpen</em> areas. Relatively safe urban centers, despite high mix of social classes in public places.</td>
<td>Increasing public order and citizen security as unemployment and poverty decline.</td>
</tr>
<tr>
<td></td>
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<td>Increases in inequality and relative deprivation lead to “forced entrepreneurialism”, especially among the young. Rising urban crime, violence, and public insecurity.</td>
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</table>

Figure 2

Open Unemployment Rates

Figure 3
The Evolution of Unemployment Rates in Greater Montevideo

Source: Kaztman *et. al.* (2003) based on annual household surveys.
Figure 4
Per-Capita Household Income Inequality in Metropolitan Buenos Aires

Source: Altimir and Beccari (2001), reported in Cerruti and Grimson (2005).
Figure 5
Property Crime in Chile, 1977-2000

Source: Wormald et. al. (2003), based on annual police reports.
Figure 6
Santiago Property Crime Rates, 2002
(per 100,000 inhabitants)

Property Crime Rates

Legend:
-42 a 0
0 a 25
25 a 50
50 a 100
100 a 200
Mas de 200 (More than 200)
Figure 7. Victimization Rate (%) in Select Latin American Countries
Figure 8  Fear of Being Victim of Crime (%) in Select Latin American Countries
Figure 7. Poverty by municipality: Mexico City metropolitan area, 2010. Note. Poverty refers to the population with incomes below the poverty line, in Mexico, called “welfare line” which is the total value of the food and nonfood basic basket per person per month.

Legend: 1, Álvaro Obregón. 2, Azcapotzalco. 3, Benito Juárez. 4, Coyoacán. 5, Cuajimalpa de Morelos. 6, Cuauhtémoc. 7, Gustavo A. Madero. 8, Iztacalco. 9, Iztapalapa. 10, Magdalena Contreras. 11, Miguel Hidalgo. 12, Milpa Alta. 13, Tláhuac. 14, Tlalpan. 15, Venustiano Carranza. 16, Xochimilco. 17, Atlacomulco de Zaragoza. 18, Coacalco. 19, Cuautitlán. 20, Cuautitlán Izcalli. 21, Chalco. 22, Chiconcuapan. 23, Chimalhuacán. 24, Ecatepec. 25, Huixquilucan. 26, Ixtapaluca. 27, La Paz. 28, Naucalpan de Juárez. 29, Nezahualcóyotl. 30, Nicolás Romero. 31, Tecámac. 32, Tlalnepantla. 33, Tultitlán.

Source: Bayón, Maria Cristina and Gonzalo A. Saravi. 2017. “Place, Class Interaction, and Urban Segregation: Experiencing Inequality in Mexico City.” Space and Culture 12063331217734540.

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Figure 10

Managerial Professionals

Workers

Northwest
Northeast
Northwest
Northeast
Southwest
Southeast
Southwest
Southeast

Bellavista neighbourhood

- 0 to 5
- 6 to 10
- 11 to 15
- 16 to 25
- 26 to 34


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