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## Urbanization of poverty: comparison of Brazil, Bolivia and Chile

**Abstract.** The article deals with the urbanisation of poverty and new poverty connected with different social and environmental problems. We examine whether the positive relation between population growth and poverty growth exists in urban areas in Brazil, Bolivia and Chile. Our analysis is based on the comparison and regression analysis of relation between the urban population ratio and the urban poverty ratio. The results do not confirm the given hypothesis that the rapid urbanisation has led to a higher rate of poverty in urban areas in Latin American countries. We argue that urban poverty has been decreased whereas the urban population has grown in the chosen countries.

**Keywords:** Urbanisation; Poverty; Brazil; Bolivia; Chile

**JEL Classification:** I31; I32; I38

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#### Урбанізація бідності: порівняння Бразилії, Болівії та Чилі

**Анотація.** У статті розглядається феномен урбанізації бідності, а також виникнення нових її проявів у зв'язку з наявністю різних проблем соціального й екологічного характеру. У цьому дослідженні порушено питання того, чи існує зв'язок між зростанням населення та зростанням бідності в міських районах Бразилії, Болівії та Чилі. В основу проведеного дослідження було покладено регресійний аналіз і зіставлення співвідношення кількості міського населення та рівня бідності у містах. Висунута гіпотеза відносно того, що швидка урбанізація призвела до підвищення рівня бідності в містах країн Латинської Америки, не знайшла підтвердження в результаті проведеного дослідження. Було виявлено, що, незважаючи на зростання кількості міського населення, рівень бідності в означених країнах знизився.

**Ключові слова:** урбанізація; бідність; Бразилія; Болівія; Чилі.

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#### Урбанизация бедности: сравнение Бразилии, Боливии и Чили

**Аннотация.** В статье рассматривается феномен урбанизации бедности, а также возникновение новых ее проявлений в связи с наличием различных проблем социального и экологического характера. В данном исследовании затронуты вопросы того, существует ли связь между ростом населения и ростом бедности в городских районах Бразилии, Боливии и Чили. В основу проведенного исследования было положено регрессионный анализ и сопоставление соотношения городского населения и уровня бедности в городах. Предложенная гипотеза относительно того, что быстрая урбанизация привела к повышению уровня бедности в городах стран Латинской Америки, не нашла подтверждения в результате проведенного исследования. Было обнаружено, что, несмотря на рост численности городского населения, уровень бедности в указанных странах снизился.

**Ключевые слова:** урбанизация; бедность; Бразилия; Боливия; Чили.

### 1. Introduction

Urbanisation is a phenomenon accompanying economic development. Since 2007, the urban population has reached 50% (World Bank, 2016) and in the next year it surpassed the rural population. The European Union, the United States, Japan and other developed countries belong to the most urbanised. However, in the last years, mainly countries in Asia and Africa have faced urbanisation. Urbanisation plays a specific role as a long-term problem in Latin America which concerns 78% of the urban population of one of the most urbanised regions in the world (World Bank, 2016). In addition, Latin American countries not only profit from urbanisation but also have to fight against negative externalities.

Urbanisation without efficient social and public services many to obstacles regarding development, among which are the creation of informal settlements, drug cartels, violence, criminality, environmental degradation, overcrowding in urban peripheries and other socio-economic problems. Migration to urban areas has moved the location of global poverty to cities, triggering the process known as the urbanisation of poverty (Jaitman, 2015) [7]. Consequently, in the unplanned and new urbanised places, there arises a situation called the «*new poverty*» (The Economist, 2010) which means a complex problem connected with drug addiction, violence, family breakdown,

teenage pregnancy, residential segregation and environmental degradation [10]. Violence and insecurity are still high in Latin America. Such phenomena are concentrated mainly in urban areas, which is sometimes interpreted as «*new violence*» (Briceno-Leon & Zubillaga, 2002) [3]. It is a consequence of new poverty which is caused by the transformation of urban areas. New violence includes non-state armed actors using violence as an instrument to control their territory, and they often collaborate with the police and military forces in many cases. Thus, the situation in cities is sometimes called as «*hybrid states*» or «*violent democracy*» (Glebbeek & Koonings, 2015) [6]. Besides, drug bosses and gangs have real power in the newly urbanised areas. These street gangs, *pandellas* in Spanish, are illegal groups organising arms and drugs trafficking. They act according their own unwritten laws which must be respected in the area of their control. They operate in the periphery of cities and towns, in the areas called as slums or shanty towns.

In the article, the focus is on poverty in urban areas, the creation of slums and gated communities, urban quarters secured by alarms and separated by fences, walls, gates and other physical barriers from other parts of city or town. They arise to protect the citizens in the neighbourhood of slums. In the next part, we will define whether that the rapid urbanisation has led to a higher rate of poverty in urban areas in the

Latin American countries of Chile, Brazil and Bolivia. We are researching these three countries because each of them belongs to a different group of human development. We have used the Human Development Index obtained from the United Nations survey to measure the level of development. Chile, as one of the most developed countries in the region, represents a country with a very high level of human development; Brazil is also a highly developed country according to the index, and Bolivia, the least developed country in South America, represents a country with a medium level of human development.

On the basis of this research, we wish to investigate whether the rapid urbanisation has led to a higher rate of poverty in urban areas in Latin American countries. Thus, we are testing data for the three countries of Latin America, namely Chile with a very high level of human development, Brazil representing a country with a high level of human development and Bolivia representing medium development according to the Human Development Index (HDI). Our analysis is based on the comparison and regression analysis of the relation between the urban population ratio and the urban poverty ratio. Further, we will research poverty reduction in urban areas and poverty reduction in rural areas and compare them with regard to the analysis of the urbanisation of poverty. The data and information which will help us answer the abovementioned questions come from the World Bank, CEPALSTAT, the United Nations Population Division and we are studying various indicators of urban population and the population from late 1980s to the present.

## 2. Brief Literature Review

Chile and Brazil have always been highly urbanised countries. Chile, as the most developed country in Latin America, had already belonged to the urbanised countries before the 1950s. To be precise, 58.36% (CEPALSTAT) of urban population was living in Chile in the middle of the last century. In Brazil, the urban population surpassed the rural population at the beginning of the 1970s, after the military coup. Meanwhile, the urbanisation process in Bolivia started approximately twenty years later, in the 1980s. The main reasons were droughts (1983-1985) in the Andean area and the economic crisis (1985-1990), which resulted in bankruptcy of tin mines (Alvarez-Berrios, Perez-Ramos, & Aide, 2013) [1]. These key events significantly influenced internal migration in Bolivia and the urban population was surpassed in 1985 for the first time.

Today, Chile and Brazil belong to the top 5 most urbanised countries in the region, and they are more urbanised than the average number of Latin American and South American countries. The urbanization ratio of both countries is higher than 80%. Within Latin American and the Caribbean region, in Argentina, Uruguay and Porto Rico, more people live in urban areas than in Chile. Brazil is the 5<sup>th</sup> most urbanised country together with Venezuela.

Nevertheless, the case of Bolivia is a different story. Nowadays, the urbanisation ratio is 67.7% and is still below the average of both Latin and South America. However, the urbanisation rate is growing and it is estimated that Bolivia will get closer to the Latin and South American average. In addition, the new phenomenon called sub-urbanisation is linked to Bolivia. The sub-urbanisation, migration from city centres to the suburbs is typical not only for Bolivia but also for other Latin American countries, including Chile and Brazil. This process can cause negative externalities such as the creation of slums and then gated communities. In the future, it is also estimated that the urbanisation rate gap between Brazil and the averages of both regions (also Chile and the averages) will be eliminated.

### *The negative consequences of urbanisation*

#### *Shanty towns*

Slums or shanty towns are consequences of unequal and unplanned urban development. Urban areas are divided into parts with different a social status and slums represent the poorest and the most excluded places. Due to new poverty, the urban areas are associated with fragmentation and segregation. Slums represent an obstacle for the development and improvement of living conditions for the urban population. The expansion of shanty towns brings not only deepening of poverty and inequality but also threats such as criminality, violence,

environmental hazards, lack of living place and opportunities in labour and housing market. Because there is high homicide rate in these areas, they are named as *no-go areas*. In addition, people living in social exclusion can suffer psychological problems, which is why shanty towns represent an urgent problem which should be solved. Slums, permanent or temporary, are located worldwide; they have special features in each region. Shanty towns «*tend to be a permanent rather than a transitory phenomenon*» (Jaitman, 2015) in Latin America [7].

The world ratio of people living in slums declines, as the following figures indicate. «*In Latin America and the Caribbean it fell to 20% in 2014 from 29% in 2000*» (UN, 2015), which means less than in almost all other developing regions. Despite many activities, Latin America still faces inequality between rural and urban areas. In Brazil, 22% of urban population live in slums and in Bolivia it amounts to 44% (World Bank, 2014). Although Chile belongs to the most developed countries in the world, almost 30 thousand families (TECHO, 2014) still live in shanty towns, *campamentos* in Spanish [9].

#### *Gated communities*

Gated communities were built up near the slums because the above mentioned *pandellas* threaten the citizens of the neighbourhoods. The word «*gated community*» signs an urban quarter secured by alarms and separated by fences, walls, gates and other physical barriers from other parts of city or town. They protect not only high income citizens but also the middle class and could be voluntary or involuntary. In the case of Latin America, particular proportion of urban population has been forced to move to the guarded because of the negative circumstances caused by unplanned urbanisation. Gated communities, also known as *golden prisoners*, *golden cages*, *fortified enclaves*, *barrios cerrados* or *barrios privados* in Spanish, are predominantly located «*in suburbs, in semi-rural zones, or amidst informal neighbourhoods in the urban periphery*» (Glebbeeck, Koonings, 2015) [6]. These communities are complexes including all what their citizens need: shops, services, health care, education institutions, parkland, etc. They were designed so that people living in them spent all time there and were physically separated from other citizens. However, they can also feel a distance from a rest of world because their way of life is different. This phenomenon is sometimes called as the «*gated live*» (Brunn, 2006) [4]. Furthermore, the «*gated minds*» (*Ibid*) can arise from the abovementioned social and spatial exclusion. This kind of thinking about others is linked with «*prejudice, harsh stereotyping, ethnicity, sexual preferences, religious practices, or skin colour.*» (*Ibid*).

The gated communities in Latin America are not only a feature of metropolises but are also seen in the medium-sized and small towns. However, the negative impacts of urbanisation are stronger in large cities than in cities which are less-urbanised. Thus, the *barrios cerrados* in metropolises such as Sao Paulo, Mexico City, Buenos Aires or Santiago de Chile can no longer be named this way. In these new urbanised areas in the suburbs, there often live more than 50,000 inhabitants who are provided with all public and private services, therefore they may be understood as the «*gated cities*» (Borsdorf, Hidalgo, & Sanchez, 2007) [2]. In different Latin American countries different names are used to mark gated communities, among which are «*condominium in Chile and Brazil, barrios privados in Argentina, conjuntos or urbanizaciones cerradas in Ecuador and fraccionamientos cerrados in Mexico*» (Borsdorf, Hidalgo, & Sanchez, 2007) [2].

## 3. Purpose

Poverty in urban areas leads to the formation of slums and gated communities. Because of this, there arise many negative problems in cities. Cities in Latin America belong to the most urbanised areas, hence, they are dangerous places. These areas are linked with the issues of urbanisation of poverty. Today, the relation between the growth of urban population and urban poverty has become one of the key problems for both the scientists and politicians in Latin America.

For these reasons, we deal with the impact of rapid urbanisation on poverty rate trying to decide whether the rapid urbanisation has led to a higher rate of poverty in urban areas in Latin American countries (Chile, Brazil and Bolivia).

#### 4. Results

We started by investigating the relations between urban growth and poverty growth in urban areas. The following graphs (Figure 1) show the evolution of growth of urban population and urban poverty from the end of 1980s and early 1990s to the present. In all of the selected countries, we observe growth of population in urban areas, which agrees with the phenomenon of urbanisation in Latin America in the last decades. At the same time, urban poverty has decreased in Bolivia, Brazil and Chile.

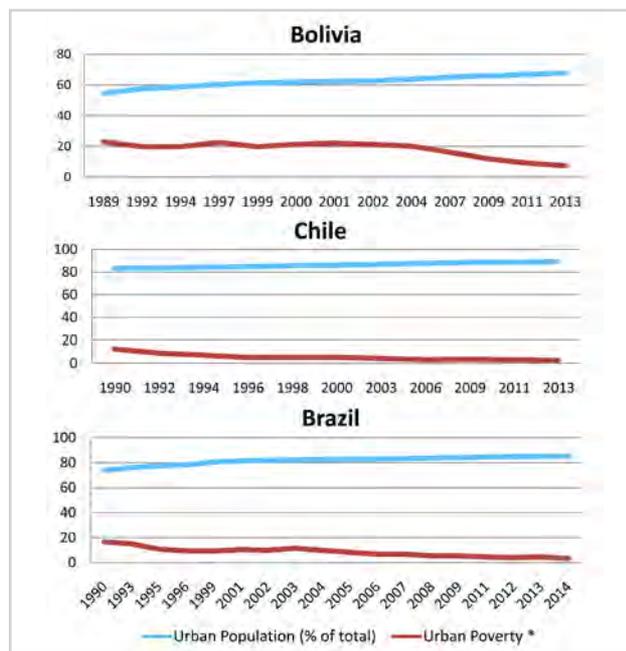


Fig. 1: Evolution of urban population and urban poverty in Bolivia, Brazil and Chile, 1989-2014  
Source: [5; 12]

In order to verify the validity of the hypothesis, we carried out a regression analysis. The obtained results clearly indicate a negative relation between the two observed indicators. The existence of this relation implies that the growth of urbanisation mitigates poverty in urban areas. The analysis shows the following findings: if urbanisation increases by 1%, the urban poverty will decrease by 1.31% (in case of Bolivia), 1.03% (in case of Brazil) and 0.94% (in case of Chile). The results do not confirm the given hypothesis: *the rapid urbanisation has led to a higher rate of poverty in urban areas in Latin American countries.*

Improvement of life conditions and reduction of poverty is a national trend in all the researched countries. Except for Bolivia, the level of basic services, such as access to water and electricity, sanitary, sewerage and telephone access, is high.

Brazilian *Bolsa Familia* is the biggest conditional cash transfer programme in the world. It was launched in 2003 by Luiz Inacio Lula da Silva, the 35<sup>th</sup> President of Brazil. The main aim of *Bolsa Familia* is to create conditions which will allow people to overcome their poverty, which, in turn, will lead to the growth of

equity. The national government provides direct money transfer to people living in misery after fulfilment of given conditions aimed at health care and school attendance. *Chile Solidario*, the programme launched in 2004 in Chile, tries to improve social capital quality through building stronger school and health care institutions. The *Bono Juancito Pinto*, the *Bono Juana Azurduy* and the *Renta Dignidad* were implemented in Bolivia. They are aimed at improvement of school attendance, health care of mothers and their children and unemployed poor Bolivians between the ages of 18 and 24 who live in the suburbs of cities. All those programmes are conditional cash transfer and focus on the improvement of the social capital quality in order to break the intergenerational transmission of poverty.

The results of the national strategies show that they have helped people living in poverty in countryside more than those in the cities with regard to the improvement of school attendance and health care. Taking into consideration each indicator, we conclude that rural areas have reached better results than urban territories, which adds new evidence to a discussion on effectiveness of poverty reduction programmes for cities.

These findings validate that the character of poverty is different according to territory. With respect to cities, in new urbanised places, there arises so called *new poverty* accompanied by the *new violence* phenomenon, which leads to the creation of gated communities where the upper middle class and the richest citizens live in order to protect their possessions and safety. Poverty reduction in cities is more complicated because of a complex problem connected with drug addiction, violence, family breakdown, teenage pregnancy, residential segregation and environmental degradation. As a result, children living in cities have worse school attendance and drop out from school earlier. This is a key obstacle for the improvement of social capital in society in order to fight poverty and inequality in the long term.

#### 5. Conclusions

The article deals with the phenomenon called the urbanisation of poverty or new poverty. Urbanization is a phenomenon accompanying economic development and plays a specific role as a long-term problem in Latin America which concerns 78% of the urban population in one of the most urbanised regions in the world. We have examined whether the relation between population growth and poverty growth exists in urban areas. We have tested data relevant to three Latin American countries, namely Brazil, Bolivia and Chile, the countries which are facing a high level of urbanisation today. Our analysis was based on the comparison and regression analysis of relation between the urban population ratio and the urban poverty ratio. The results do not confirm the set hypothesis: the rapid urbanisation has led to a higher rate of poverty in urban areas in the selected Latin American countries. As we have stated, the conditional cash transfer programmes which fight poverty and inequality have helped those countries to improve living conditions. However, they appear to be more appropriate for poverty reduction in rural areas. With respect to each indicator, rural areas have reached better results than urban territories. Summing up the results, it can be concluded that the national governments should pay more attention to reducing poverty and improving quality of life in the cities and slums.

This approach could also be applied to compare urbanization poverty in other countries or regions of the world.

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