or as a future gift or inheritance for their children. Less than one quarter stated that the lack of existing services was an issue. More than half expressed no future intention to move onto the lot, and of those who do intend to move, very few plan to do so in the next 5 to 10 years. In reality I anticipate that few will ever move. Some even said they would sell at any time if the price was right.

Land market performance for both populations during the past two decades is unlike other residential land markets. Land value trends in colonias have remained "flat" in real terms, and the rate of return has been low, especially compared with other sectors of the land and housing market. This suggests that the poor are not benefiting significantly either from their land purchase investment or from their sweat equity (in the case of residents). Although a modest level of market sales continues to take place (more than was anticipated), colonia land markets are not being valorized significantly.

Policies for Fixing the Market

Vacant lots are both a cause and an effect of this poor market performance. It is important to note that the "build-it-and-they-will-come" notion is badly misconstrued. Policies to develop urban services in order to catalyze lot occupancy and densification may be helpful, but other land market interventions are also required to make land markets in colonias operate more efficiently. These might include revising legislation to facilitate urban productivity, such as allowing for some nonresidential land use for income production, or for subdivision and rental. Indeed, one reason why land is not being valorized is the restriction placed upon approved land uses. The 1995 moratorium on lot sales also limits development. Although the law is widely breached, doing so deflates prices, distorts turnover and drives sales underground. The prohibition upon internal lot subdivision (especially of large lots) inhibits rent-seeking and cost-sharing among kin.

Another need is to free up the landlocked areas that belong to owners who can no longer be traced. Sequestration of lots for nonpayment of taxes could be one approach, especially if tied to the creation of a public holding company or land trust that would subsequently promote the supply and redistribution of lots through mechanisms such as land pooling and land readjustment. In Texas, at least, tackling the "problem" of large-scale absentee lot ownership would offer a number of positive outcomes and solutions.

Understanding and widening our analysis of homestead subdivisions in Texas and elsewhere offers the potential that policy makers will be better informed, and that we may begin to develop more sensitive and appropriate land policies to address the issue. In so doing, we may substantially increase the supply of homesteading opportunities to the most disadvantaged income groups in U.S. society.

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Participatory Budgeting and Power Politics in Porto Alegre

William W. Goldsmith and Carlos B. Vainer

Responding to decades of poverty, poor housing, inadequate health care, rampant crime, deficient schools, poorly planned infrastructure, and inequitable access to services, citizens in about half of Brazil's 60 major cities voted in October 2000 for mayors from left-wing parties noted for advocacy, honesty and transparency. These reform administrations are introducing new hopes and expectations, but they inherit long-standing mistrust of municipal bureaucrats and politicians, who traditionally have been lax and often corrupt. These new governments also confront the dismal fiscal prospects of low tax receipts, weak federal transfers, and urban land markets that produce segregated neighborhoods and profound inequalities.

The strongest left-wing party, the Workers' Party (in Portuguese, the Partido dos Trabalhadores or PT), held on to the five large cities it had won in the 1996 election and added 12 more. These PT governments hope to universalize services, thus bypassing traditional top-down methods and giving residents an active role in their local governments. In the process these governments are reinventing local democracy, invigorating politics, and significantly altering the distribution of political and symbolic resources. The most remarkable case may be Porto Alegre, the capital of Brazil's southernmost state, Rio Grande do Sul, where the PT won its fourth consecutive four-year term with 66 percent of the vote, an example that may have encouraged Brazilians in other cities to vote for democratic reforms as well.

Porto Alegre, like cities everywhere, reflects its national culture in its land use patterns, economic structure and distribution of political power. Brazil's larger social system employs sophisticated mechanisms to assure that its cities continue to follow the same rules, norms and logic that organize the dominant society. Because Brazilian society is in many respects unjust and unequal, the city must constantly administer to the effects of these broader economic and political constraints.

At the same time, no city is a pure reflection, localized and reduced, of its

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national social structure. Any city can bring about and reproduce inequality and injustice itself, just as it can stimulate dynamic social structures and economic relations. To the extent that the city, and especially its government, determines events, then the effects can be positive as well as negative. It is not written in any segment of the Brazilian social code, for example, that only the streets of upper- and middle-class neighborhoods will be paved, or that water supply will reach only the more privileged corners of the city.

Participatory Budgeting

In Porto Alegre, a popular front headed by the PT has introduced "participatory budgeting," a process by which thousands of residents can participate each year in public meetings to allocate about half the municipal budget, thus taking major responsibility for governing their own community. This reform symbolizes a broad range of municipal changes and poses an alternative to both authoritarian centralism and neoliberal pragmatism. Neighbors decide on practical local matters, such as the location of street improvements or a park, as well as difficult citywide issues. Through the process, the PT claims, people become conscious of other opportunities to challenge the poverty and inequality that make their lives so difficult.

Participatory budgeting in Porto Alegre begins with the government's formal accounting for the previous year and its investment and expenditure plan for the current year. Elected delegates in each of 16 district assemblies meet throughout the year to determine the fiscal responsibilities of city departments. They produce two sets of rankings: one for twelve major in-district or neighborhood "themes," such as street paving, school construction, parks, or water and sewer lines, and the other for "cross-cutting" efforts that affect the entire city, such as transit-line location, spending for beach clean-up, or programs for assisting the homeless. To encourage participation, rules set the number of delegates roughly proportional to the number of neighbors attending the election meeting.

Allocation of the investment budget among districts follows "weights" determined by popular debate: in 1999, weights were assigned to population, poverty, shortages (e.g., lack of pavement), and citywide priorities. Tension between city hall and citizens has led to expanded popular involvement, with participatory budgeting each year taking a larger share of the city's total budget. Priorities have shifted in ways unanticipated by the mayors or their staffs.

Participants include members of the governing party, some professionals, technocrats and middle-class citizens, and disproportionate numbers of the working poor (but fewer of the very poor). This process brings into political action many who do not support the governing party, in contrast to the traditional patronage approach that uses city budgets as a way to pay off supporters. As one index of success, the number of participants in Porto Alegre grew rapidly, from about 1,000 in 1990 to 16,000 in 1998 and 40,000 in 1999.

The participatory process has been self-reinforcing. For example, when annoyed neighbors discovered that others got their streets paved or a new bus stop, they wondered why. The simple answer was that only the beneficiary had gone to the budget meetings. In subsequent years, attendance increased, votes included more interests, and more residents were happy with the results. City officials were relieved, too, as residents themselves confronted the zero-sum choices on some issues: a fixed budget, with tough choices among such important things as asphalt over dusty streets, more classrooms, or care for the homeless.

Participatory budgeting in Porto Alegre is succeeding in the midst of considerable hostility from a conservative city council and constant assault from right-wing local newspapers and television programs, all of them challenging participation and extolling unregulated markets. The municipal government depends for its support on the participants and their neighbors, on radio broadcasting, and on many who resisted two decades of military dictatorship, from 1964 to 1985. In electing four consecutive reform administrations, a majority of the population has managed to pressure a hostile city council to vote in favor of the mayor's budget proposals, keeping the progressive agenda intact.

Changes in Material Conditions

In 1989, despite comparatively high life expectancy and literacy rates, conditions in Porto Alegre mirrored the inequality and income segregation of other Brazilian cities. A third of the population lived in poorly serviced slums on the urban periphery, isolated and distant from the wealthy city center. Against this background, PT innovations have improved conditions, though only moderately, for some of the poorest citizens. For example, between 1988 and 1997, water connections in Porto Alegre went from 75 percent to 98 percent of all residences. The number of schools has quadrupled since 1986. New public housing units, which sheltered only 1,700 new residents in 1986, housed an additional 27,000 in 1989. Municipal intervention also facilitated a compromise with private bus companies to provide better service to poor peripheral neighborhoods. The use of bus-only lanes has improved commuting times and newly painted buses are highly visible symbols of local power and the public interest.

Porto Alegre has used its participatory solidarity to allow the residents to make some unusual economic development decisions that formerly would have been dominated by centralized business and political interests. For example, in spite of promises of new employment and the usual kinds of ideological pressures from the Ford Motor Company, the nearby municipality of Guíaba turned down a proposed new auto plant, arguing along political lines established in Porto Alegre that the required subsidies would be better applied against other needs. (A state investigation in August 2000 found the former mayor not "at fault" for losing the Ford investment.) The city also turned down a five-star hotel investment on the site of an abandoned power plant, preferring to use the well-situated promontory as a public park and convention hall that now serves as the new symbol of the city. And, faced with a proposal to clear slums to make room for a large supermarket, the city imposed stiff and costly household relocation requirements, which the supermarket is meeting.

However, daunting constraints in the broader Brazilian economic and political environment continue to limit gains in economic growth, demands for labor and quality jobs. Comparing Porto Alegre and Rio Grande do Sul with nearby capital cities and their states during the years 1985-1986 and 1995-2000, one finds few sharp contrasts. Generally, GDP stagnated, and per capita GDP declined. Unemployment rose and labor-force participation and formal employment both fell.

MARTIM SMOLKA

Porto Alegre's new convention hall and surrounding park serve as a symbol of recent urban reforms.

Given this limited extent of economic improvement, how can we account for the sense of optimism and achievement that pervades Porto Alegre? The city is clearly developing a successful experience with local government that reinforces participatory democracy. We believe the PT's success lies in the way the participants are redefining local power, with increasing numbers of citizens becoming simultaneously subject and object, initiator and recipient, so they can both govern and benefit directly from their decisions. This reconfiguration is immediately discernible in the procedures, methods and behavior of local government.

After 12 years, Porto Alegre has changed not just the way of doing things, but the things themselves; not just the way of governing the city, but the city itself. Such a claim is clearly significant. Porto Alegre offers an authentic, alternative approach to city management—one that rejects not only the centralist, technocratic, authoritarian planning model of the military dictatorship, but also the competitive, pragmatic, neoliberal model of the Washington Consensus, to which the national government still adheres. This model imposes International Monetary Fund (IMF) orthodoxy and requires such "structural adjustment" imperatives as free trade, privatization, strict limits to public expenditures, and high rates of interest, thus worsening the conditions of the poor.

While most Brazilian cities continue to distribute facilities and allocate services with obvious bias and neglect of poor neighborhoods, the reconfiguration of power in Porto Alegre is beginning to reduce spatial inequalities through changes in service provision and land use patterns. We can hope that the effect will be felt in the formal structures of the city and eventually in other cities and in Brazilian society in general.

New Forms of Local Power

Political and symbolic resources normally are monopolized by those who control economic power, but radically democratic municipal administrations, as in Porto Alegre, can reverse power to block the favoring and reinforcing of privilege. They can interfere with the strict solidarity of economic and political power, reduce private appropriation of resources, and promote the city as a collective and socially dynamic body. In other words, a city's administration could cease to honor the actions of dominant urban groups—real estate interests and others who use various forms of private appropriation of public resources for their private benefit. These actions may include allocation of infrastructure to favor elite neighborhoods, privatization of scenic and environmental resources, and the capture of land value increments resulting from public investments and regulatory interventions. Thus, a reconfigured, publicly oriented city administration permits access to local power for traditionally excluded groups. Such a change constitutes a quasi-revolution, with consequences that cannot yet be measured or evaluated adequately by activists or hopeful governments.

Are Porto Alegre's experiences with municipal reform, participatory budgeting and democratic land use planning idiosyncratic, or do these innovations promise broader improvements in Brazilian politics as other citizens build expectations and improve the structure of their governments? The Interamerican Development Bank (IDB) is urging localities throughout Latin America to engage in participatory budgeting, following Porto Alegre's example. Can reform-minded city administrations override the constraints of international markets and national policy? In recommending the formal and procedural aspects of the participatory budgeting technique, does the IDB overestimate the practical economic achievements and underestimate the symbolic and political dimensions of radical democracy?

The lesson of urban reform in Porto Alegre emerges not so directly in the economic market as in new experiences with power, new political actors, and new values and meanings for the conditions of its citizens. Even as citizens weigh their expectations against stagnating macroeconomic conditions, they can find hope in new visions of overcoming spatial and social inequalities in the access to services. These new forms of exercising political power and speaking out about land use and governance issues give the city's residents a new capacity to make a difference in their own lives. L

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