

THE FAILURE OF URBAN ENTREPRENEURIALISM ON PATRIMONIAL LANDS – THE RIO DE JANEIRO OF MEGA-EVENTS AND THE LIMITS OF PERIPHERAL NEOLIBERALIZATION

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Abstract

Based on a comparative perspective involving the growth machines that have propelled cities in the US and the recent experiences of urban localism that have spread across Europe, this paper analyzes the specific path that peripheral cities such as Rio de Janeiro have followed in adhering to the model of urban entrepreneurialism. It contends that, on one side, due to a lack of organization by the economic agents and on the other, insufficient state capacities, peripheral cities like Rio have been unable to replicate either the European pathway or that of US cities in implanting the tenets of urban entrepreneurialism. With the support of a case-study on the main urban interventions and economic actors involved during the mega-events in Rio, the study has developed a hypothesis, according to which, to a large extent, the project of the entrepreneurial city was mainly hailed as an ideological construct that reiterated “rent-seeking” strategies on the part of economic actors who, for decades, have occupied a central position in commanding the political economy of the city.

Keywords

Urban entrepreneurialism, economic actors, peripheral neo-liberalization, mega-events.

O FRACASSO DO EMPREENDEDORISMO URBANO EM TERRAS PATRIMONIALISTAS – O RIO DE JANEIRO DOS MEGAEVENTOS E OS LIMITES DA NEOLIBERALIZAÇÃO PERIFÉRICA

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Resumo

Com base em uma perspectiva comparada com as máquinas de crescimento que movem cidades dos Estados Unidos e nas recentes experiências de empreendedorismo urbano que se espalharam pela Europa, analisa-se o caminho específico que cidades como o Rio de Janeiro seguiram ao aderirem ao modelo da cidade neoliberal. O argumento em que se baseia o artigo é o de que, em razão da escassa organização dos atores econômicos, de um lado, e da capacidade estatal insuficiente, de outro, cidades como o Rio de Janeiro se viram impossibilitadas de replicar a trajetória estadunidense ou europeia de implantação do empreendedorismo urbano. Apoiados no estudo de caso das principais intervenções urbanas e dos principais atores econômicos associados aos megaeventos no Rio de Janeiro, desenvolve-se a hipótese segundo a qual o projeto da cidade neoliberal, aqui, se tratou sobretudo de um construto ideológico que reiterou estratégias de extração de renda por parte de atores que vêm comandando a economia política da cidade há décadas.

Palavras-chave

Empreendedorismo Urbano; Atores Econômicos; Neoliberalização Periférica; Megaeventos.

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Introduction

Throughout the trajectory of urban restructuring experienced by US cities between the 1940s and 1970s, it is possible to locate the direction of a local economic elite, driven primarily by economic imperatives, but also guided by civic and community commitments (FERMAN, 1996). Even considering that the role of political actors was far from insignificant inside the coalitions of power that fostered the growth machines in US municipalities (MOLOTOCH, 1976), within them, the economic actors most certainly played a central role. Although the coalitions that stood behind the regimes of urban development (STONE, 1989) have been characterized by different morphologies, regarding both the nature and weight of the political and social actors, when such regimes are described and analyzed, it is the actors who have emerged from the economic sphere that are always highlighted.

Whereas, in the US, the recent path of building growth machines has been pushed forward by agents situated in the social and more particularly, the economic domains, contrary to this, in Europe, the process of embarking upon models of urban entrepreneurship has been initiated and led most notably by the State. As anticipated by Gramsci (1971) in the Prison Notebooks, the US stands out as a critical

1. This paper was developed at the intersection between two institutions, to which I would like to express my gratitude: Ippur/Observatório das Metrópoles and the George Washington University. I am also extremely grateful to Luiz Cesar Ribeiro de Queiroz, Orlando Santos Junior, Clarence Stone and Harrold Wolman for the fruitful dialogue on local power and urban policy. I would also like to thank the precious suggestions made by the two anonymous reviewers and the editor, Pedro de Novais Lima Jr.

counterpoint to Europe, most markedly in the major role that politics has played in the old continent, where the State has invaded, shaped and restrained the social structure. Thus, while the regimes of growth and urban entrepreneurialism were developed in the US as an offspring of society, more precisely as a result of the actions of economic actors, in Europe such experiments were mainly State induced.

In the wake of the spread of neoliberalism in Latin American peripheral economies, Rio de Janeiro and other cities across the continent have experienced local versions of urban entrepreneurialism, which in the case of this particular Brazilian city apparently intended to provide it with the conditions to compete for the capital surplus of consumption associated with entertainment economies (HARVEY, 1989); the mega-events and the refurbishment of the port figured as emblematic interventions within this strategy (CARVALHO; RIBEIRO, 2019). From the vantage point of the current failure of the city's entrepreneurial experiment, this paper explores the hypothesis, according to which, in the case of Rio de Janeiro, the assemblage of its model of urban entrepreneurialism followed neither the Americanist model (based on the central role of the market and economic actors) nor the European model (centered on state induction).

In Rio de Janeiro, and possibly other Latin American cities, the model of urban entrepreneurialism should be understood as a path-dependent process whose particular trait is the articulation between the State and the market broadly centered on clientelism and patrimonialism, i.e., a pattern in which a select group of companies has privileged access to resources and regulations deployed by the State. In a political-institutional hybrid that brings together signs of the modern – such as the new forms of regulation embodied in the public-private partnerships (PPPs) and in the urban partnership operations (UPOs) – and the archaic, through the reproduction of economic actors who have long been present in the local power coalition, Rio de Janeiro's experiment of urban entrepreneurialism, due to its hybridism, exemplifies the broader dynamics of the global neoliberalization process as described by Brenner, Peck and Theodore (2010).

This paper is divided into three sections. The first section presents a summary of the literature, which describes how the American way of building growth machines (MOLOTOCH, 1976) or setting up entrepreneurial cities (HARVEY, 1989) has relied heavily on the organization of the economic actors. This section also provides a summary of the literature that has identified a second, alternative path of transforming cities according to the rationale of urban entrepreneurialism, a process of state rescaling that took place in Europe, and which was based on State agency (BRENNER, 2004).

In the second section, the study contends that due to the social and institutional traits of Brazilian cities, the process of neoliberalization that spread across Latin America and Brazil during the early 1990s, was able to reproduce neither the European nor the American pathway in building entrepreneurial cities. It also argues that the ineffectiveness of associative life in Brazil and its cities, especially the pattern of organizational scarcity of the economic actors, both nationally and locally, has figured as a major obstacle to the spread of growth regimes in Brazilian cities according to the US model. Furthermore, a second factor is also highlighted, which has also contributed to this impediment: the origin of the main economic actors in most Brazilian localities. As heirs of the mercantile, speculative capital that enjoyed a central position in the Brazilian agriculture export economy, nowadays, the hegemonic economic actors in Brazilian cities belong to the secondary circuit of accumulation. As indicated by the literature (HARVEY, 1985; STROM, 2008), these actors focus on specific, speculative interventions in the urban space and both their civic agenda and their entrepreneurial perspective, with regard to the urban space, clearly have a limited scope in terms of life in the cities. With respect to the European pathway of establishing competitive urban regimes, it must be stressed that if the European States were able to redirect their respective projects and strategies toward local urban policies, this redirection has depended on state capacities, which were missing in the Brazilian institutional setting. Despite the increased bureaucratization of the Brazilian State over the last few decades, it still lacks a reasonable degree of autonomy regarding private actors, not only lagging behind European countries, but also Latin American neighbors, when Weberian measures of state institutionalization are considered (CARDOSO, 1974; NUNES, 1997). It is an unquestionable fact that this insufficient degree of institutionalization has been a hindrance to the Brazilian State in fostering entrepreneurial urbanism from above, as occurred on the European continent.

The third section analyzes three emblematic projects of urban entrepreneurialism in Rio de Janeiro – the refurbishment of the port, the reform of the urban mobility system and the privatization of the Maracanã Stadium – projects that unveil the hybrid nature of our version of the neoliberal city. Despite the presence of new regulatory mechanisms in the modeling of these projects, such as PPPs, the study supports the hypothesis according to which, rather than being a strategy of urban entrepreneurialism, under a new guise, a mechanism of rent transfer was designed for actors that have been governing the political economy of the city for decades, namely the public works and utility companies. If this is a fact, it is possible to work on the hypothesis, which considers that the failure of our local version of urban entrepreneurialism is due less to the internal contradictions

of the model, such as the zero-sum nature of intercity competition or a shift in the city's position in the international division of consumption (for internal reasons to the failure of the entrepreneurial model, see Peck's (2017) analysis of Atlantic City), and more to the archaic motivation of the actors; less to the creation of a favorable business environment, the adage of the entrepreneurial city, and more to the exhaustion of one more strategy of rent-seeking through the activation of new regulatory mechanisms.

Economic actors and the State: The American and European pathways toward the construction of the neoliberal city

As research into the nature of power in the life of North American cities (DAHL, 1961; HUNTER, 1953; POLSBY, 1963) became mired in unsolvable methodological questions, the urban dynamics of these cities began to be interpreted chiefly in terms of the political economy paradigm (PETERSON, 1981; ELKIN, 1987; MOLOTOCH, 1976; STONE, 1989). This paradigm was underpinned by three assumptions: (i) federalism of a competitive nature, where cities compete for firms and resources; (ii) the idea that cities mainly pursue policies of growth and development; and (iii) the supposition according to which economic actors have a leading role in the design of these policies. This protagonism stemmed from the fact that (LINDBLOM, 1977) in capitalist and liberal-democratic societies, political power is split into two separate spheres of influence: (i) the economic domain, in which a business elite controls critical resources of capital investment and (ii) the political domain, in which there is popular control over the public machine. From the perspective of political economy, the economic elite enjoys a privileged position in the power structure since government alone is unable to command or even coordinate the market forces. From this limit derives the systemic power attributed to economic actors (STONE, 1989).

It should be stressed herein that the empirical research on US cities largely confirms the perspective and assumptions of political economy: as Hanson et al (2010) stated, if, during the four decades that followed World War II, the chronicle of US cities was the urban setting adapting to the transition from industry toward the service economy, then behind the redevelopment projects that marked this transition there was a powerful network of business associations and organizations of economic actors, such as the Allegheny Conference, the Twin Cities Citizen League, the Greater Baltimore Committee, the Dallas Citizen's Council and similar organizations in Atlanta, Cleveland, Detroit, Kansas City and San Francisco. These organizations acted as the driving force for the growth machines that spread into North American cities, which, from Gramsci's perspective, implied a process of

modernization from below where the social and economic structures enjoy a place of prominence and determine the orientation of the political sphere.

One exemplary case of Americanism in the field of urban politics may be highlighted in what Elkin (1987) distinguished as a pure entrepreneurial political economy. This model of growth machine was observed in several US cities where the policy of superstructure was practically canceled out by structure. The purest expression of this was illustrated in Dallas, which, according to Elkin (1987), was the ideal type of city for businessmen. Throughout the city's process of economic growth, economic actors were at the forefront of the growth process and managed to control and subordinate the political authorities: "[...] public officials did not have the independent basis of support of their counterparts in many cities; and more important, both those who were elected and those who were appointed had views in common with leading businessmen. But it was business views that were shared, not vice versa" (ELKIN, 1987, p. 63). Therefore, as Elkin (1987) described, the key to corporate political economy resided in an experience which was responsible for the total dilution of superstructure within the economic and social structure.

Thus, as of the first decades that followed World War II, in the field of urban politics, cities in the US were already experiencing versions of what Harvey would later call, in 1987, urban entrepreneurialism, i.e., land use policies aimed at local growth. Unlike the European pathway, whereby the State, as described below, played a leading role in the assemblage of growth machines, the US experienced forms of growth policy driven from the bottom up by organized economic actors rationalized by community life, expressing the "well-understood interest" (TOCQUEVILLE, [1835] 1969), which is capable of articulating private interest and ethical-moral attributions without needing the State. It is as Elkin's (1987, p. 39) synthesis on Dallas highlighted: "The pure entrepreneurial political economy brought together civic pride, civic efficiency and business expansion. In this fashion, it was quintessentially American: morally edifying, economically efficient, and for some, personally enriching".

Whereas economic actors in the US had set in motion a policy model that the literature now describes as urban entrepreneurship, in Europe, urban locational policies have essentially been fostered by the national State as a response to the Fordist-Keynesian state crisis during the 1970s. For the sake of this discussion, it should be emphasized that, since the 1980s, Europe has been the stage for a process of state rescaling (BRENNER, 2004) and of decentralization, which has endowed the cities and city regions with more power and leverage to design competitive urban policies aimed at attracting volatile capital flows. Hence, growth machines and the entrepreneurial, competitive stand regarding the design of urban policies were

stimulated from the top down, both as a national state strategy and project. Thus, Jessop, Peck and Tickel (1999, pp.145-155) observed that in the United Kingdom, “the political capacity of business elites in local and regional politics derives in large part from the state’s attribution to them of public status. It depends less on the native energy and cunning of its individual members and more on their effective licensing and legitimation by the national state”.

Therefore, state rescaling in Europe implied that the neoliberal rationale of intercity competition emerged both as a state strategy and project, as an imperative imposed from above onto local and regional economies, which were stimulated to design local strategies in order to attract new, volatile capital flows. In the words of Brenner (2004, p. 213), “national state institutions actively promoted such policies [...] in order to facilitate the strategic positioning of their major local and regional economies within Europe-wide and global circuits of capital”.

Building upon Brenner’s conclusion that urban location policies in Europe relied on new spatial projects and strategies by the State, it should be stressed that this lurch toward new state projects and strategies, in turn, demanded a sufficient degree of state capacities and autonomy. As Skocpol (1985) observed, the outcome of comprehensive State-sponsored strategies for change, such as a “revolution from above” relies on variations in the state capacities among the advanced market-economy countries and, obviously, among central and peripheral market-economy countries. Doubtless, if setting up urban locational policies and growth machines on the European continent may be identified as a “a revolution from above”, this process required state capacities that would scarcely be observed in peripheral or semi peripheral national states. In the words of Tilly (2007, p.16), “in a high-capacity regime [...] whenever state agents act, their actions affect citizen’s resources, activities and interpersonal connections significantly. In a low-capacity regime, state agents have much narrower effects no matter how hard they try to change things“. Simultaneously setting up competitive local urban dynamics and growth machines from above demanded and resulted in high-capacity regimes.

The blockade of the American and European models in the assemblage of the neoliberal city in Brazil.

In terms of the Brazilian reality, the construction of the neoliberal city from below, as well as any other modality of entrepreneurial urbanism, was first thwarted by a unique characteristic of Brazilian social organization: a complete void of voluntary business organizations both at a national and subnational level. Even though research on business politics in Brazil is scarce, there is already ample evidence that Brazilian cities have never been the stage for those business

organizations that were the engines of the growth machines and development regimes in US cities (CARVALHO, 2017; SCHNEIDER, 2004).

Focusing on a national level, a comparative research by Schneider (2004), into the organization of economic actors in Latin America demonstrated that throughout the twentieth century, the business organization in Brazil was characterized by its ineffectiveness: contrary to patterns observed in other Latin American countries, Brazil has no history of lasting economic-wide peak associations. It should be stressed here that the absence of voluntary, encompassing business organizations in Brazil has been a long-standing characteristic of business politics and organization. Indeed, the resistance of economic actors in Brazil to engage in collective action has endured. There is no better example of this tendency than the fact that since the first decades of the twentieth century, only two very ephemeral economy-wide, voluntary, and encompassing associations were established in Brazil: The Brazilian Union of Businessmen (UBE) and the Institute for the Study of Industrial Development (IEDI).

In an attempt to explain the underdevelopment of the business organization in Brazil and the almost total absence of civic participation by economic actors at a local level, the focus shifts to a neo-institutionalist approach, centered on the State. This paper argues that, throughout the country's history, the two main institutional frameworks that have underpinned local governments in Brazil – state corporatism (SCHMITTER, 1974) and clientelism/patrimonialism – have been at the root of strong incentives encouraging economic actors not to organize or act collectively: (i) while prioritizing the production of distributive goods at the expense of regulatory and redistributive politics, patrimonialism and clientelism encourages business to foster individual, short-term, rent-seeking strategies that inhibit developmental strategies; and (ii) while simultaneously aiming to organize and accommodate the main social actors such as businesses and trade unions, the top-down hierarchical structure of state corporatism leads to short-lived organizations being put into place. In the absence of an ongoing stimulus from above, the corporatist structure faces the risk of disintegrating and of being replaced by a myriad of parochial and conflicting organizations. Therefore, the paper further argues that the nature of the Brazilian state has thwarted the autonomous organization of business at a local level from different, opposing directions, which in turn gives rise to cities and city regions in Brazil being less likely to pursue the type of developmental policies described by the political economy literature in its analysis of US cities. State structures at a local level in Brazil are therefore a hindrance to the development of collective action on the part of economic actors and to Americanism as a pathway to the entrepreneurial city.

The European pathway for promoting and incentivizing from above localized urban policies that foster city competition and the assemblage of growth machines is also highly unfeasible as far as Brazilian cities are concerned, since it relies on and demands strong state capacity and autonomy. As is widely known, in Brazil, both of these items are severely challenged by long-standing patrimonialist/clientelist practices that still rule and blur the relationship between the public and private sectors (NUNES, 1997). Although recent research has shed light onto the professionalization of Brazilian bureaucracy after the 1988 constitution (PIRES; LOTTA; OLIVEIRA, 2019) or has indicated that in certain areas of policy, such as foreign policy, Brazilian bureaucracy is highly professionalized, the overall situation of Brazil and all Latin American countries is characterized by low state capacities (SOUZA; FONTANELLI, 2020). It should be remembered that even among the developing countries, Brazil fails to appear among those with the top rankings of state capacity, understood according to the Weberian dimension of the degree of bureaucratization (EVANS; RAUCH, 1999).

It is important to highlight that state capacities vary not only when we compare policy areas, but also if different subnational governments are compared. If the definition by Marenco, Strohschoen and Joner (2017) is heeded, just 36% of Brazilian municipalities are endowed with high state capacities, while 64% however, display low state capacities.

Rio de Janeiro and its hybrid urban entrepreneurialism: retooling patrimonialism and rent-seeking strategies

It would not be unreasonable to state that the city of Rio de Janeiro was the stage of what seemed at first sight to be the most accomplished experience of urban entrepreneurialism in Latin America. The first seeds of this experience were planted in the early 1990s, when the city hall sponsored successive strategic plans that sketched out an entrepreneurial model of city development for Rio, which departed from the old models of managerialism toward the competitive track that the city should pursue. In Harvey's (1987) definition, this competitive track was supposed to improve Rio's position regarding the spatial division of consumption, which signified prompting urban strategies aimed at attracting mass consumption encouraged by the worldwide expansion of bank credit. This implied putting into place a city that was able to host large events which, in order for this to become possible, required the construction of convention centers, marinas, aquariums, food courts and sports stadiums. To meet this urban entrepreneurial strategy a city, in Harvey's (1987, p.335) words, "has to appear an innovative, exciting, creative and safe place to live or to visit, to play and consume in".

Having refurbished its port area, renovated degraded central areas, modernized the transport system and, finally, hosted the 2016 Olympic Games, Rio seemed to have followed the playbook for modelling a city in terms of urban entrepreneurialism. However, it turned out to be a resounding failure. Currently, the port area has almost become an empty space, with none of the office or residential buildings originally projected for the area. The 2016 Olympic park and arenas have been completely abandoned and are suffering severe degradation. Thus far, just 15% of the 3 thousand accommodation units built to host the athletes during the games have been sold. In a study that was sent to the judiciary in 2020 by the main sponsor of the port refurbishment, the state bank Caixa Economica Federal, it was suggested that the entire operation was erroneously projected. According to a report published by the newspaper *Folha de S.Paulo*, on June 4, 2020, “there were mistakes in the studies and assumptions that gave support to the whole operation [...] the construction potential created in the port area goes far beyond Rio’s market demand, even if we consider a scenario of economic growth”² (NOGUEIRA, 2020).

The miscalculated port operation and the failure of Rio’s entrepreneurial urbanism, as previously mentioned, were less referred to the internal contradictions of the entrepreneurial model and more related to the patrimonialist nature that guided the entrepreneurial experience from its very beginnings. To a large extent, the urban interventions, which emerged under the aegis of urban entrepreneurialism in Rio de Janeiro, amounted less to a city project and more to rent-seeking strategies pushed forward by economic actors – in close connection with local and central state governments – with a long trajectory in the Brazilian capitalist model and in the political economy of Rio de Janeiro. Through the port refurbishment, both central and local government transferred and granted rents to large public works companies; through the urban interventions aimed at hosting the 2016 Olympics, Rio’s local government transferred and granted rents to the hegemonic actors in the political economy of the city, namely, the public works companies, the real estate sector, and bus companies. Both on the national and local levels, state agencies have thus been hugely porous to rent-seeking strategies devised by economic actors. The next section demonstrates how three central urban interventions³ that would supposedly be strategies for the assemblage of the

2. This and all non-English citations hereafter have been translated by the author.

3. The analysis of the three interventions has benefited from a research carried out by Nelson Diniz (2014) and Igor Matela (2014), which built on previous work by Carvalho and Ribeiro (2019). DINIZ, N. *Porto Maravilha: antecedentes e perspectivas da revitalização da região portuária do Rio de Janeiro*. Rio de Janeiro: Letra Capital, 2014. MATELA, I. *Transição regulatória no transporte por ônibus na cidade do Rio de Janeiro*. Rio de Janeiro: Letra Capital, 2014.

urban entrepreneurialism, in fact retooled the patrimonialist connections between the State and private actors and reiterated the old political economy of the city. The interventions were: (i) the Porto Maravilha project; (ii) the reform of the mobility system; and (iii) the renovation of sports equipment.

1. The renovation of the city's downtown area: the Porto Maravilha Project

Despite a long history which dated back at least thirty years, the project to revitalize the Rio de Janeiro port area was only set in motion in 2009. Baptized the Porto Maravilha, the project represented the most significant urban intervention associated with the mega-events, both because of the extent of the revitalized area and of the resources involved. This revitalization project covered an area of approximately 5 million sqm. extending across six neighborhoods in the central region of the city, with investments of approximately 4 billion USD.⁴

The project was conducted through a public-private partnership – the largest in the country – with an estimated fifteen-year period to accomplish the totality of the works and services in the area. Despite being a PPP, in legal terms, – a governance model according to which, in theory, the private sector would play a leading role in both the design and funding of the intervention – in the case of the revitalization of the port of Rio de Janeiro, the federal government was solely responsible for contributing to the full cost of the initial resources required for the scheduled works, calculated at 2 billion USD. The immediate beneficiary of the project was a consortium that brought together three major players in the public works segment: OAS Empreendimentos Imobiliários, Odebrecht Infraestrutura and Carioca Engenharia.

The project was established by the Municipal Law 101, enacted on November 23, 2009. It was an Urban Operation Consortium (UOC) that changed the land use and occupation parameters of the central region and established priority interventions of infrastructure and transport, as well as public-private mechanisms of management and funding. Besides the changes embodied in the text of the municipal law, it is possible to highlight the following actions and projects related to the port refurbishment project: (i) the introduction of new forms of urban mobility, with emphasis on the implementation of the light rail vehicle (LRV) in the region; (ii) the so-called special projects, such as the Museu de Arte do Rio (MAR) and the Museu do Amanhã; and (iii) the Olympic Park, i.e., the 2016 Olympic equipment transferred, in 2010, from Barra da Tijuca to the port region.

4. This and other values have been converted from Brazilian currency to US Dollars based on the exchange rate of December 2009, when the value of US\$ 1 was 1.7 BRL.

The beginning of the project was funded by resources from both the federal and municipal governments, with investments of around 82 million USD. The first interventions included the construction of water networks, sewage and drainage, in addition to the extending telecommunication networks and public lighting system in a 350,000 sqm. area. The second phase of the Porto Maravilha project was implemented by a PPP. The Porto Novo Consortium, formed by OAS, Odebrecht and Carioca Engenharia, was in charge of constructing the second phase and for providing urban services in the area for a fifteen-year period. It has taken approximately 4 billion USD to undertake the infrastructure interventions and services in the second phase.

In order to fund the second phase, the City Hall issued municipal bonds called 'Certificates of Additional Construction Potential' (*Certificados de Potencial Adicional de Construção*, CEPACs),⁵ with the intent of raising funds through the market. With a total of 6,436,022 bonds being issued, the building potential in the port area increased to 4,088,502 sqm. It was expected that, through this instrument, the revitalization project would be funded with private resources, in line with the guiding principle of the PPPs. However, the CEPACs issued by the municipal government did not attract private agents, and all the issued bonds were bought by the federal government through extremely heterodox means.⁶ Thus, despite the rhetorical emphasis on private funding for the revitalization of the port area, it was resources from the federal government that ensured that construction commenced in the second phase of the Porto Maravilha project.

While Rio's port refurbishment followed similar international experiences regarding the physical traits and scale of the urban intervention, the Porto Maravilha project must be appraised for its uniqueness. It is the offspring of a particular political economy that has ruled the city for decades, whereby economic actors related to the secondary circuit of accumulation have played a hegemonic role. It is no coincidence that in Rio the main beneficiary of the port project was a consortium – The Porto Consortium – that brought together three major players in the public works sector: OAS Empreendimentos Imobiliários, Odebrecht Infraestrutura and Carioca Engenharia. Furthermore, the entire operation revealed the extent to which these actors have become embedded in the state structure.

5. Such bonds are designed to allow for the construction of larger-scale buildings in the area (exceeding existing zoning standards on land use and occupation), giving the bearer additional building rights.

6. Thanks to pressure by President Lula, the state bank, Caixa Economica Federal, changed its internal rules, so that, for the first time ever, it could place money from the workers' pension fund into an urban operation. Until this casuistic change, the fund was only permitted for investments in mortgages.

Through an unorthodox maneuver, it was the central government who pressed the state-owned bank Caixa Economica Federal to change its internal governing rules so that it was able to buy the totality of bonds issued by the City Hall, thereby generating the necessary resources to initiate the port refurbishment.

2. The reform of the urban mobility system

In line with the rhetoric of urban entrepreneurialism, in 2010, the municipal government of Rio de Janeiro adopted measures aimed at reorganizing the city's urban mobility and rationalizing how the public transportation system functioned. Accounting for 75% of passenger displacements within the perimeter of the city, bus companies were the main object of the adjustment and rationalization measures of the city's public transport system. Two of these measures deserve mention: (i) a change in the sector's regulatory framework, by public procurement – open to international competition -, of all the bus lines operating in the municipal perimeter in 2010;(ii) the modernization and rationalization of the bus transportation sector through the construction of four express bus lanes (BRTs – Bus Rapid Transport), with an estimation of transporting 2 million passengers per day – equivalent to half of the city's public transport passengers.

In 2010, the City Hall launched a general public procurement for the city bus lines, with the declared purpose of standardizing and rationalizing the lines under the aegis of market logic.. For the first time in the city's history, the municipal government of Rio de Janeiro promoted a public procurement – open to international competition, for the private concession of the entire public bus transportation system. With this, there came a fundamental change in the relationship between the granting authority, the municipal government, and the bus companies: instead of permit holders they became concessionaires. With the rationalization of the circulation system through planning the lines, the concession model aimed to enhance productivity in the bus sector by introducing market principles into the system: companies would periodically have to compete for the offer of the service.

Despite the market rhetoric underpinning the new regulatory framework for the sector, the public procurement included clauses that were designed to guarantee the survival of the old model. Indeed, the companies which were successful in the public procurement were precisely those that already operated in the city, and thus, the monopolistic exploitation of the activity remained unchanged. In sum, through the rhetoric of modernization and competition based on market logic, the old economic actors in the bus sector renewed their hegemonic position within the city's economic policy.

The second measure of business modernization for bus transport was the construction of four BRT express lanes as the main response to meet the challenges of the city's transport system.. The BRTs are express lane systems, consisting of roadways set aside from the general traffic lanes and used by high-capacity articulated buses. They were designed in order to attend the high passenger demand from the conventional bus network. While the municipal government was responsible for providing the roadway infrastructure for the BRT lanes, the bus companies were in charge of providing the vehicles and all the necessary equipment for the system to operate. The four planned BRTs were to carry up to 2 million people a day, which would represent almost 45 percent of passengers on the city's public transport system. Once again, despite the market rationalization rhetoric, regarding the city's mobility system, the BRT project may be understood as a joint action on the part of the bus sector and the local government aimed at addressing the relative decline in public transport. Therefore, the BRT project should be regarded as the most important local economic policy in Rio's public transport system, aimed at repositioning the bus companies into their leading economic and political roles inside the city's hegemonic coalition, side by side with the public works enterprises. It is no coincidence that behind the huge infrastructure works needed in order to open the four bus lanes, there was a consortia composed of the very same companies who were in charge of the port revitalization project, i.e., Odebrecht, OAS and Carioca Engenharia.

3. The renovation of sports equipment: the case of the Maracanã Football Stadium

In 2012, the privatization of the Maracanã football stadium – a symbol of the city, built to host the 1950 World Cup and maintained, from that period, as a public space controlled by the State – consisted of a third policy in tune with the entrepreneurial rhetoric of reframing the model of the city, and exposes some of the main economic actors who, while promoting the privatization of the stadium, simultaneously benefited from it. The renovation of the Maracanã Stadium represents a textbook case regarding, on the one hand, Rio de Janeiro's new pathway toward a variety of urban entrepreneurship that aimed to insert the city into the international division of consumption, more precisely the international tourism market and entertainment economy, and on the other, the leading role of the secondary circuit of urban accumulation in the design and command of the strategy. As in the case of the port refurbishment and the construction of the

bus lanes, Odebrecht,⁷ the public works company, was the main stakeholder in the consortium responsible for operating the stadium over a period of thirty-five years. Once again, changes in the regulatory framework resulted in opening up of a new channel for an old pattern of articulation and rent transfer between the State and private actors.

As with the port refurbishment, the reconstruction of the Maracanã Stadium for the 2014 World Cup was announced as an operation to be funded by a PPP. However, as in the case of the port project, the reconstruction work relied on financial resources from the federal government, costing the public purse around 700 million USD. The renovated stadium was subsequently handed over, involving no costs, to a consortium of major companies that have been responsible for urban renewal works in the city. Indeed, a private consortium was formed – the *Complexo Maracanã Entretenimento S.A.* (Maracanã Entertainment Complex S.A.) – led by Odebrecht Properties and also comprising the IMX and AEG companies. The consortium was responsible for the management, operation and maintenance of the stadium for a thirty-five-year period and Maracanã would host major international events.

From this brief description of the three major interventions that were hailed as landmarks in Rio's turn toward a model of urban entrepreneurialism, associated to the creed of the neoliberal city, the paper highlights two central observations: (i) through state action and regulation, these projects implied either the direct transfer of rents to economic actors (the port refurbishment and the Maracanã privatization), or the indirect creation of monopoly rents to economic players (the reform of the mobility system); (ii) despite the new regulatory tools, such as PPPs and OUCs, and the new rhetoric of entrepreneurial urbanism, in truth, there was in fact a retooling of the old patrimonialist collusion between state agencies and economic actors, which has been a long-standing trait of the relationship between the State and the market both in Brazil as a whole, and specifically, in the city of Rio de Janeiro. As Table 1 demonstrates, the entrepreneurial city and its projects of urban renewal have been placed in the hands of a small group of public works companies that has acted as a cartel.

7. Odebrecht was ranked among the 10 most important economic groups in Brazil, with activities in Africa, Latin America and the United States. Since the 1990s it has entered the public services sector through PPPs and public concessions.

Companies\Projects	Port refurbishment	LRV	Olympic Park	BRTs
Odebrecht	37.5%	24.9%	33.4%	16.6%
OAS	37.5%			16.6%
Carioca				16.6%
OAS/Invepar		24.9%		
CCR*		24.9%		
Rio Par		24.9%		
Andrade Gutierrez			32.4%	16.6%
Carvalho Hosken			33.2%	
Queiroz Galvão				16.6%
Camargo Corrêa				16.6%

Table 1. The Participation of Economic Players in Urban Renovation Projects in Rio de Janeiro

Note: * CCR (comprising Camargo Corrêa, Andrade Gutierrez and Soares Penido).

Source: Carvalho and Ribeiro (2019).

As Campos (2014) illustrated in his extremely well-documented research, public works companies such as Odebrecht, OAS, Queiroz and Galvão Camargo Correa were not newcomers to the game. Quite the contrary, their trajectory stretched across more than five decades in the Brazilian economy, and they chose the city of Rio de Janeiro as the base for their headquarters due to the proximity to central government. In the words of Campos (2014, p.73): “Rio de Janeiro was the birthplace of the oldest Brazilian contractors due to the proximity of central government [...] and to the capitalized public works market of the former Federal District”. Whereas in the beginning, public works companies concentrated on building highways and hydroelectric power plants, over the last few decades they have expanded both their activities and markets, penetrating the local economies of big cities. It should also be highlighted that, if in the past there had been an ideological commitment to a unique version of national developmentalism, on entering the local economies over the last two decades, they have embraced the neoliberal creed, praising new regulations such as PPPs and OUCs and the tenets of city entrepreneurialism.

Conclusion

By way of conclusion, it is important to include some comments regarding the underlying causes and implications of the centrality and long-term hegemony within the political economy of Brazilian cities, such as Rio de Janeiro, of public works companies, together with other economic players related to the service sector, such as the real estate and bus companies. The reason for the centrality of these actors may be encountered in the very dynamic of the capitalist accumulation in Brazil, baptized by Lessa and Dain as the “Holy Alliance” (1982). According to

this dynamic, the mediation of the Brazilian State has enabled an alliance to be constructed between foreign and national capital, based on a central clause: the industrial sector would be earmarked for the foreign companies provided that the State could guarantee high rates of return on national capital through heterodox means or, in the words of Lessa and Dain (1982), through “perverted patterns of valorization”. According to these authors, national capitals receive a profit yield that systematically surpasses the valorization opportunities they have been invested in. Through patrimonial practices, the State has been the means and the sponsor of these hypertrophied profits earmarked for national mercantile capitals that create these profits in cities through land speculation. In sum, as heirs of mercantile, speculative capital, the hegemonic economic players in Rio de Janeiro, and in most Brazilian cities (public works companies, bus and real estate enterprises) live on speculation and rent seeking as a result of a particular pattern of capitalist development, whereby the fate of cities is left in the hands of the speculative drive of local capitals with the support of state intervention.

If this is true, regarding Brazilian cities, there is a need to reformulate the manner in which David Harvey (1985) describes the articulation between the primary circuit of accumulation, which involves manufacturing capital and industrial production, and the secondary circuit of capital investment, which is related to inversions in land, real state, and the built environment. According to Harvey (1985), there is a dynamic of crises and circularity linking these circuits; a crisis of overaccumulation in the primary circuit drives capital towards the secondary. This movement would explain, for example, the growth of US suburbs after World War II.

In the case of the Brazilian modality of capital accumulation, there has been a political division of these two circuits of capital under the sponsorship of the State, in which the urbanization process and cities have remained in the hands of speculative capital. For our discussion, we should note that it is very unlikely, if not impossible, that economic actors committed to land speculation and to extracting rents would join in long-term projects and strategies similar to those that US cities have experienced under the label of “growth regime” or urban entrepreneurialism”. This point is indicated by Strom (2008, p. 48) regarding the narrower rationality of economic actors that comes from the secondary circuit of accumulation:

Real estate remains, in Harvey’s analysis, a secondary circuit of capital, auxiliary to primary production [...] real state owners and developers are probably not going to make significant material or symbolic investments of the kind made by companies like GM (in Detroit) or Prudential (in Newark) – it is not in their self-interest to

do so [...] when real state is one's primary business, the key question is to whether resources will be devoted to block X or block Y, and there may be less of an identification with and commitment to a larger civic agenda.

Therefore, it is time to ask whether urban entrepreneurialism may be furthered in a context where, on the one hand, economic actors lack organizational skills and long-term rationality, and on the other, where state institutional structures operate in line with patrimonial practices. In the case of Rio de Janeiro, the “growth machine” and the “urban entrepreneurialism” project, and their failure, have ultimately turned out to be more than just another “hybrid” experiment of neoliberal modernization. We have been able to testify through the projects of port refurbishment, of Maracanã privatization and the reform of the mobility system, “urban entrepreneurialism” was a fresh label to disguise old rent-seeking practices and that retooled the old political economy of Rio de Janeiro. Thus, the short-lived experience of Rio's urban growth machine, as previously stated, should be interpreted as being less of a failed project and more as the reiteration of a deeply rooted pattern of articulation between the State and economic actors in the city.

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Submitted: April 20, 2022.

Approved: September 25, 2022.

How to cite: CARVALHO, N. R. The failure of urban entrepreneurialism on patrimonial lands – the Rio de Janeiro of mega-events and the limits of peripheral neoliberalization. *Revista brasileira de estudos urbanos e regionais*. v. 25, E202307en, 2023. <https://doi.org/10.22296/2317-1529.rbeur.202307en>.

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