

Housing Inequalities in Rio de Janeiro

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INTRODUCTION

The quality of housing in which individuals are living is often a reliable, yet overlooked, indicator of the economic shape of the area. Quality housing has an impact on everything from the health of individuals living in the area to how the city is spatially set up. Many cities, like Rio de Janeiro, have different groups of people living in different areas of the city. This separation can be by economic or social standing, race, education level, or a number of other characteristics. By addressing housing inequalities, those separations are also confronted.

Rio De Janeiro History and Statistics:

- Portuguese navigators first arrived on January 1, 1502
- Rio de Janeiro means 'River of January'
- Capital and largest city in the state of Rio de Janeiro
- Popular tourist destination with sites and places such as Christ the Redeemer and Copacabana Beach
- Population (in 2017): 6+ million
 - Of those 6+ million, roughly 1.3 million live in favelas (~22%)
 - In 2010, 6% of Brazil's total population, or 11.25 million people lived in favelas

GOAL

The goal for this study is to determine the effect that improvements in the quality of housing has on economic growth of an area and how that influences the spatial makeup of the city. There are many factors that influence the housing situation and by addressing those issues, it is possible to combat the circumstances that result from them. To clarify, this study is not advocating or suggesting that everyone should live in the same kind of housing. Quality housing refers to living conditions in which there are reliable utilities (electricity, water, etc.), solid and updated infrastructure, better neighborhoods, etc.



Picture of Rocinha, the largest favela in Brazil

ZONA SUL

- "South Zone"
- Consists mainly of coastline neighborhoods
 - Botafogo, Copacabana, Flamengo, Ipanema
- Richest region of Rio de Janeiro



Zona Sul

As the wealthiest region in Rio de Janeiro, many wealthy Brazilians and tourists choose to live or stay in this part of the city. Tourism is a large part of the economy in Rio de Janeiro, as Carnival brought in R\$5.8 billion in 2017. Increases from tourism can be used in other areas of the city but as tourism remains a major focus, the funds are reinvested into the already wealthy area, which drives up prices of homes. This furthers the housing inequalities as only the wealthiest can afford to live in these areas, as evidenced by the Lorenz curve below.

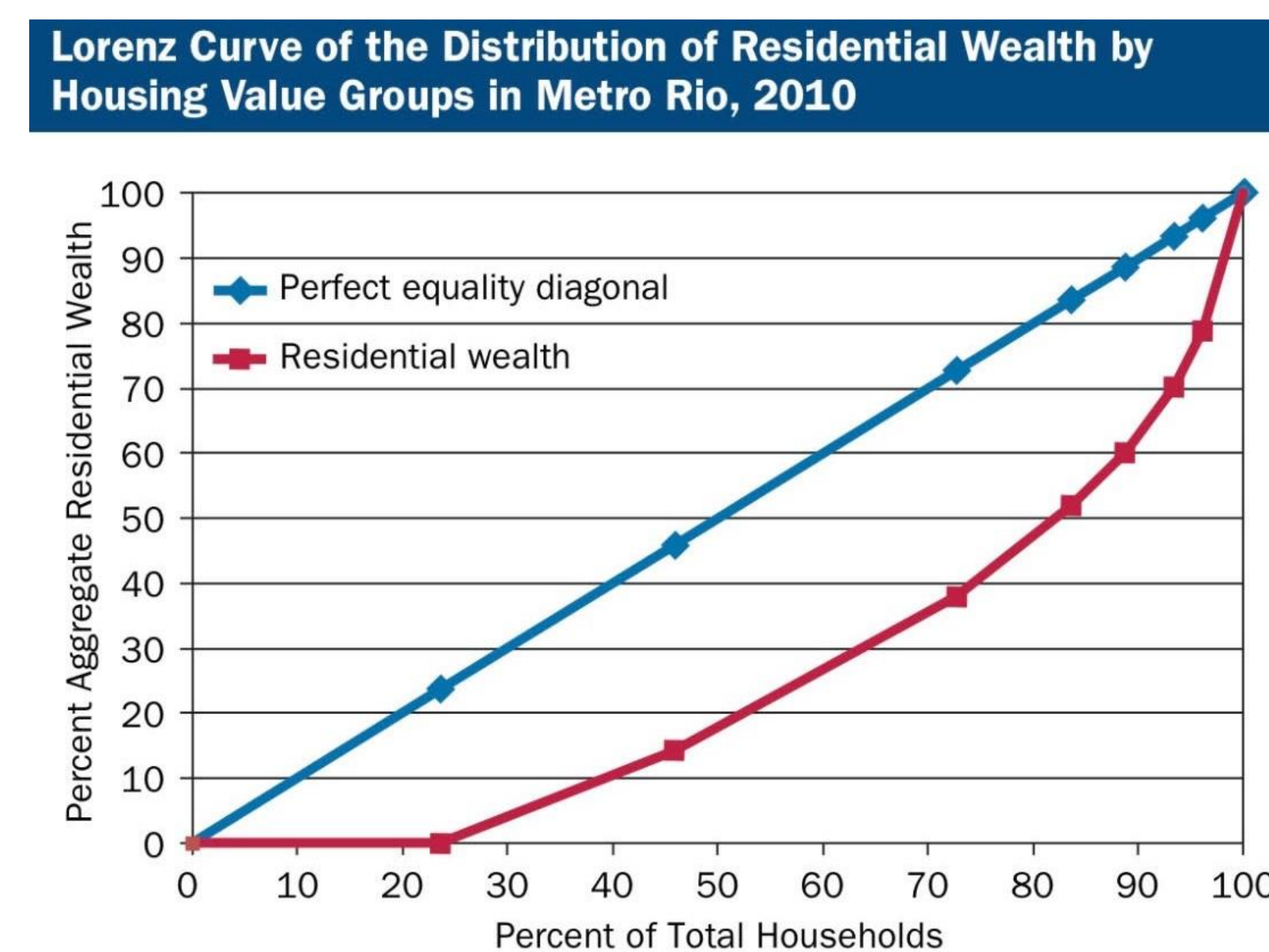


Figure 1: Lorenz Curve of Distribution of Residential Wealth from 'Residential Wealth Distribution in Rio de Janeiro, created by David M. Vetter, Kaizô I. Beltrão, and Rosa M. R. Massena - Lincoln Institute of Land Policy (2014)

ROCINHA

History of favelas*:

- Brazil abolished slavery in late 1800s
- Former slaves gathered in settlements in the city
- Migrants began looking for opportunities in Rio in the 1930s
- Migrants could not afford proper housing and lived in dwellings that the government considered illegal

Rocinha Facts and Statistics:

- Largest favela in Brazil
- Population: 180,000**
- Average monthly wage: R\$ 768 (\$240/month)
- 65% of residents belong to Brazil's middle class
- Most homes have running water, about 99% have electricity
- Sanitation is problematic as sewage flows down a channel in homes



Aerial view of Rocinha from Washington Post

*:From "What is a Favela? Five Things to Know About Rio's So-Called Shantytowns, NBC News (2016)

**:Unofficial population estimate, from 'Favela Life: Rio's City Within a City, BBC News (2014)

FINDINGS AND MOVING FORWARD

- In order to address housing inequalities, must also address issues like income
- Higher wages may help, to some extent
 - This is tricky because higher wages usually means higher prices
- Education is important (making individuals aware of services) - Fintechs could play a major role
- Better allocation of funds and investing
 - Tourism is an important source of revenue for Zona Sul and Rio de Janeiro, but the funds do not necessarily reach all areas (Rocinha is located on the mountains, in Zona Sul).

HOW DOES THE ECONOMICS TRIP RELATE TO HOUSING INEQUALITIES?

Studying housing outright during the study abroad trip to Brazil was not possible as the trip was geared more towards business. Furthermore, the current state of Rio de Janeiro and the fact that the military is present made it unsafe to visit the favelas in order to gather data. However, finance and income play a role in the issue of housing inequalities. Income inequalities and disparities influence who can afford to live in certain area. Thus, by lowering the high levels of income inequality, that can affect the housing inequalities as well

POTENTIAL ROLE OF FINTECHS, E.G. NUBANK

- Low rates for consumers
 - 7-8% interest rate compared to 300+% from other companies
- Marketed to those with little to no banking/finance experience
 - Has the potential to increase financial literacy, help people establish credit/savings, etc.

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