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Introduction: the research issues and strategy

State intervention and the urban poor: major issues concerning housing, planning and servicing in Latin American cities

The main objective of this study is to improve understanding of the social conditions and the role of the poor within urban society in Latin America. More specifically, the aim is to understand how the needs of the urban poor with respect to housing and servicing are articulated and satisfied. The study examines the aims, development and implementation of government policies towards low-income housing dwellers, tries to relate those policies to the wider interests of the state and the constraints within which it acts, and examines governmental success in meeting the needs of the poor. We examine the needs of the poor, their understanding of the main constraints on barrio servicing and improvement, their involvement in community organizations and the role that the community and its leaders play in influencing state action. Since housing and servicing directly impinge on the interests of politicians, bureaucrats, landowners, and real-estate developers, as well as those of the poor, they represent critical elements in the relationship between the poor and the wider urban society. Essentially, therefore, the research is interested in how resources are allocated within urban society and how political and administrative power operates at the municipal level.

The research was conducted in three Latin American cities, Bogotá, Mexico City and Valencia, as a reaction to the dominant trend in urban studies to concentrate on a single centre. Most previous work has either sought to generalize across much of the globe or has focused on individual cities or even individual settlements. Our study seeks to combine many of the virtues of both approaches in order to make generalizations across cities about the nature of urban development, government practice and local politics. While the analysis has been confined to countries with non-military governments, Colombia,
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Mexico and Venezuela, there are sufficient differences between the chosen countries and cities to make interesting comparisons about the nature of poverty and urban growth. We construct a series of statements about urban development since 1965, specifically concerned with the prospects for self-help housing development.

We are primarily concerned with housing and the poor, but we try to place our discussion within its broad social setting. That housing is not merely a matter for architects and planners has been a recurrent theme in recent literature. Decisions about housing, land and services are part and parcel of the wider economic and political scene. For this reason we dedicate more time than previous studies of housing to the economic, political and social context. We seek to emphasize that the housing of the poor is an outcome of the overt and covert policies of the state and that the form and role of the state must be understood if those policies are to be correctly explained. Whom the state seeks to help through its policies, where its priorities lie, and how it responds to the poor as a social class are vital factors in an understanding of housing.

In the following sections of this introduction we raise the principal issues to be discussed in the study. These issues include some which have received unsatisfactory answers in previous work and others on which little work has been carried out. We have no wish to examine the huge literature in the field with which we are concerned since there already exist several excellent reviews. On housing in Third World countries we would recommend Drakakis-Smith (1981), Dwyer (1975), Grimes (1976), Lloyd (1979), Payne (1977) and Ward (1982a); on the urbanization process in poor countries Abu Lughod and Hay (1977), Friedmann and Wulff (1976), Gilbert and Gugler (1982) and Roberts (1978); on the nature of the state Saunders (1979), Roxborough (1979), Miliband (1977), Castells (1977) and Poulantzas (1973); and on community participation and self-help Nelson (1979). More specific works will be noted in our detailed discussions below. Here there is only room to identify current issues. We are not concerned with describing the current state of knowledge nor do we wish to describe the current housing situation in poor countries. Our aim is simply to explain our principal hypotheses and to show why they are important.

*The nature of the state*

Recent work in the social sciences has profoundly changed academic perspectives on the state (Castells, 1979; Saunders, 1979; Poulantzas,
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1973). Previously, the state was often viewed as a liberal entity that was interested in developing a form of welfare society, engaging in rational planning, and spreading the benefits of economic growth to most groups in society. Such a conception underlay much of the writing on housing, urban planning and economic development; the state was seen to be acting in the best interests of society. Recent work has taken a different stance: the role and nature of the state is an outcome of the class structure of society and of the role that the society performs in the international division of labour. The form of insertion of a given society in the world system broadly conditions the structure of classes, the level of economic development and the nature of the state. To understand specific state responses, therefore, a more holistic, class-based, political-economy approach is required. Since most nation states contain highly unequal societies, few governments will represent all social groups fairly. As a result, most analyses of state policy have ceased to examine the neutral decisions of a technical and objective state; they have begun to examine the policies of a state which responds to class conflict and the constraints posed by the international situation. The state is no longer seen to choose freely between alternatives on the basis of rational judgement; it chooses policies in the light of the major constraints on its action. The state is once again regarded as a political entity not as a futuristic, benign and fair-minded arbiter of change.

Two broad sets of issues are of interest to this study. The first concerns the debate about the nature of the link between the form of the state and the level of economic development. Clearly, the relationship between economic and political development is bound to be complex but its nature has long exercised the minds of academics. Until recently, it was argued that rising levels of economic development would encourage the growth of political democracy. Writers such as Lipset (1959) and Johnson (1958) argued that economic growth would create numerous interest groups which would enter the political arena. This pluralism would encourage the emergence of political democracy with the state responding to and representing the different interest groups. The rise of a series of military dictatorships in Latin America during the sixties and seventies led to a reformulation of this model. Authors such as Cardoso (1978; 1979) and O'Donnell (1973; 1977; 1978) argued that, rather than leading to democracy, the special situation of Latin America would lead to a gradual change in the dominant form of state. The state dominated by an export-oriented oligarchy would give way first to a populist form of state, and thence
to more complex bureaucratic and authoritarian kinds of government. This debate is clearly vital to any analysis of state efforts in the fields of housing and service provision. There is little point in recommending community participation, for example, if the dominant form of the state relies on technocratic bureaucracies backed by authoritarian rule.

Linked to this issue is the question: who does the state represent? If it represents only the rich and powerful why should it adopt housing policies to help the poor? If on occasion the state does attempt to remedy the problems associated with low incomes, poor housing conditions and lack of services, what determines the form and timing of its actions? Alternative models of the state exist which we have discussed in detail elsewhere (Gilbert and Ward, 1982b). These models may be broadly characterized as the liberal state, the instrumentalist state and the structuralist state. We have already crudely summarized the liberal state. The instrumentalist perspective differs insofar as it argues that the state is the tool of the dominant class in society, and the state ensures that the interests of that class are maintained and extended. The state is manned by representatives of the dominant groups and fosters an ideology that is compatible with the interests of those groups. By contrast, structuralist perspectives show that the state frequently acts against the clearly defined interests of the dominant groups. Structuralism seeks to avoid this difficulty by arguing that the state responds to class conflict in ways that sustain and reproduce the conditions which favour the maintenance of the dominant groups. At times the state is required to act autonomously in order to maintain the structure of domination. It is no longer necessary for the capitalist class to dominate the state apparatus because it controls the structure to which the state responds.

Numerous difficult questions can be raised in connection with these three perspectives. First, is there a necessary conflict between the different perspectives at least in terms of our search for models with which we can understand the functioning of the state? Is it necessary to select one perspective or is it possible to combine the insights provided by each in turn? This question in turn raises another: what flexibility does the state have in choosing between different kinds of housing and servicing policies? Do urban administrators make the key decisions with respect to land allocation and service distribution, or are those decisions effectively resolved at higher levels by the budgets that are made available for housing or servicing (Pahl, 1975; Harloe, 1977; Saunders, 1979)? This is a critical issue in planning as it questions the
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autonomy and scope for action of rational decision-making processes such as planning. It tends to argue that the real decisions are made by those with power over the state apparatus or control over the economy. However we resolve these questions one point is clear. Without a broadly accurate view of the state’s relationship with the political, social and economic structure of society, little of use can be said about housing, servicing and community action. Integral to any interpretation of poverty and low-income settlement is an implicit or explicit view of the state.

The nature of the housing and land markets

Housing and land markets are often discussed in terms of a dichotomy consisting of the ‘formal’ and ‘informal’ sectors. Here we use the terms ‘formal’ and ‘informal’ not in the sense of ILO-type studies which imply that there is no link between the two (Hart, 1973; ILO, 1972; Sethuraman, 1976), but in the way of studies which object to the dichotomy argument on the grounds that the ‘petty commodity’ sector is linked to the dominant capitalist sector (Nun, 1969; Moser, 1978; Bromley and Gerry, 1979; Quijano, 1974; Bromley, 1978). Formal systems provide private housing and land for those who can afford to pay the market price on the legal market; such systems also supply a certain amount of public housing. Higher income groups either buy or rent completed houses and apartments or they purchase land and hire their own battery of architects, lawyers and builders to provide custom-built homes. Financing is usually arranged privately through the banks or mortgage companies and the state frequently gives tax relief on interest repayments. The size of the private formal market depends upon the distribution of income and the affluence of the city; in certain Latin American cities it may account for as much as half of all housing. The formal sector also provides public housing for limited numbers of the lower-middle income groups. Such housing is limited in quantity, usually constituting around 10 per cent of the housing stock. Public housing is limited because it costs more than most poor people can afford. As a result governments are often forced into a difficult position. They either subsidize such housing at great cost to provide benefits for a small group in society or the houses remain unsubsidized and few poor people can afford to buy or rent them. Characteristically, public housing is not allocated to the very poor and seems to serve three functions in society. It serves the ideological
The purpose of showing that the state is attempting to build housing for the poor. It helps to create jobs and more importantly helps to sustain the private construction industry. Finally, it provides homes for government supporters, for members of working-class groups in strategic industries (e.g. transport, armaments, etc.) and for government officials (Laun, 1976; Malloy, 1979). It serves, in short, both growth and legitimacy objectives.

Those groups which are excluded from formal private or public solutions find accommodation mainly in the informal sector. Those members of the poor who want their own property are obliged to enter land markets of dubious legality and to participate in the construction of their own dwellings. The forms of this 'illegality' vary greatly from city to city but all informal housing suffers initially from a lack of services, because it lies beyond the main service grids, and from certain doubts about security of tenure.

While the distinction between formal and informal housing markets has a certain validity, recent work has clearly demonstrated the following problems with such a dichotomy. First, in reality the two markets are integrally linked. Second, housing and land often change categories through time; land that is occupied illegally may later be legalized and serviced, thereby turning informal housing into formal housing; former elite housing may be converted into rental slums that fail to abide by government regulations on rent rises and contracts. Third, the dichotomy omits the important distinction between those who own and those who rent or share accommodation. Renters and sharers are found in both sectors, although the proportions vary greatly from city to city; poorer renters were traditionally located in the city centre but are increasingly found also in most low-income settlements; in addition, many people – usually the old and recent arrivals to the city – share accommodation with kin.

Critical, therefore, is the relationship between the formal (public and private) and informal markets. The major issue relates to how land is allocated to different land uses and to different residential groups. To some extent historical factors affect the availability of land for the poor. In many African and Asian cities, land is owned by tribal communities whose land has been absorbed by the growth of the city (World Bank, 1978). In Latin America, communal land sometimes remains from the time of the Spanish Conquest or has been re-established by post-independence reforms. Most typically, however, land is allocated by the market with the passive and active intervention
of the state. In chapter 3 we argue that market forces are the primary determinant of land allocation with the state exerting a critical influence over prices by determining which areas will be serviced and which will be neglected. The outcome of these forces in Latin America is to divide cities socially: housing areas have become segregated according to income. The rich occupy the best-located and serviced areas, the poor the most-polluted, least-serviced and worst-located land.

Within this context it is interesting to consider how the poor acquire land, for the mechanisms whereby land is allocated differ markedly between countries (Gilbert and Gugler, 1982). In some countries the poor invade land (Collier, 1976; Leeds, 1969), elsewhere they purchase land from property developers (Doebele, 1975), in some places they rent it from private landlords (Payne, 1982), and where community land is widespread they may acquire temporary rights informally (Peil, 1976). Variations of this nature are not only observed between nations but also within each country between cities. There have been numerous detailed studies of particular forms of land acquisition by the poor but there is a remarkable lack of research analysing why these differences occur. For example, why are invasions of land permitted in some cities and not in others? How do the different forms of land acquisition relate to the political economy of individual cities and to the form and role of the state? It is only recently that research has sought to address the relationships between the various forms of land and housing development and the wider socio-political system. We still lack information and theories on this issue and this is a principal theme of this book.

Clearly, the reactions of the state are critical. In some countries illegal squatting on government land has won tacit approval, elsewhere invasions of land are strongly resisted. It is commonly assumed that public land has in the past offered major opportunities for low-income housing development and that attempts to increase public ownership of land are likely to benefit the poor. And yet, since many public agencies commercialize their land in similar ways to private landowners, such an outcome is uncertain; clearly the responses of the state are highly contingent on local circumstances.

Where governments have adopted a benign attitude to incursions upon their land, the poor are likely to benefit from cheap land. But, where this form of occupation is not permitted, what formal and informal initiatives have emerged to make land available? How has the
private sector responded and what has been the state’s response to the
often illegal processes that have emerged? How have government
decisions such as those concerning regularization and servicing affected
the value and demand for land from different groups? Answers to such
questions provide important insights into state–private sector rela-
tions, the workings of the land market and the housing situation of the
poor.

How land is allocated and alienated in different cities helps shape the
housing market. The form of land acquisition will affect land costs;
where squatting is resisted and land is scarce, prices will be high. The
likely outcome is either to restrict home ownership or to reduce lot
size. Clearly, there are important implications for the poor. We believe
that the proportions of the urban population owning, renting, and shar-
ing accommodation is largely explicable in these terms. Where land is
difficult or expensive to obtain, alternatives such as renting or sharing
with kin are likely to become essential and the proportion of owner-
occupiers will decline. So far these propositions have not been tested
for one city, let alone on a comparative or cross-cultural basis, and this
represents one of the major aims of this study (see chapter 3).

Changes in the housing and land markets

Recent work has tended to view the production of housing and social
systems as integral components of the process of peripheral capitalism
(Roberts, 1978; Castells, 1977; Portes and Walton, 1976; Peattie,
1974; Perlman, 1976). Within this approach, ‘formal’ and ‘informal’
housing processes are seen to form different but related parts of the
same production system: a marked contrast to the ‘dualistic’ view of
society in which the formal and informal sectors are viewed as being
separate and unrelated. The relationship between the ‘formal’ and
‘informal’ sectors is seen to be unequal. Economic groups linked to
international and national capital dominate the economy and dictate
the forms of employment and housing in the informal, petty commod-
ity and even the pre-capitalist economies. Poverty is a direct outcome
of this pattern of social relations. It is, moreover, an inevitable
outcome of peripheral capitalism. Without the different kinds of
subsidy produced by the cheap labour of the poor, the formal sector
would be unable to expand given the nature of the national economy’s
insertion into the world economic system. More specifically, different
studies of employment have demonstrated how various informal sector
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activities ‘serve’ the formal sector, directly, through providing the formal sector with inputs and, indirectly, through the provision of cheap services which lower production costs and cheapen the reproduction of labour (Bromley and Gerry, 1979; Roberts, 1978).

Similarly, recent studies of housing have shown how different forms of housing production are linked to the capitalist economy. Pradilla (1976) and Burgess (1978) identify two forms of housing production, the first dominant and expanding, the second subordinate and increasingly penetrated by the first. ‘Industrialized’ production, which is dominant, is characterized by large enterprises which use high-level technology to produce housing that is sold through exchange. The intervention of numerous actors (such as financiers, commercial developers, real-estate agents) in the production and sales process turns housing into an expensive product. The subordinate ‘petty commodity’ production of housing assumes two sub-forms: the ‘manufactured’ form, which is organized into small-scale enterprises with few paid workers, using labour-intensive methods of production and employing local, non-standardized raw materials; and the ‘self-help’ form in which the producer and consumer are the same and raw materials are purchased from the ‘manufactured’ sector or take the form of recycled throw-aways. This recent work argues that the capitalist economy is only viable if there is constant expansion in the production of commodities for exchange in the market. Hence, the ‘industrialized’ form of production will expand at the expense of the ‘petty commodity’ forms. Although some authors accept this proposition as a matter of faith, it is as yet unsubstantiated in many respects. Nevertheless, the proposition is important because it underlines the need for a better understanding of the relationship between the formal ‘industrialized’ and informal ‘petty-commodity’ sectors. The major issue here is to establish whether the relationship is ‘benign’, ‘complementary’ or highly ‘competitive’. Is the classic Marxist explanation correct in suggesting that the industrialized housing form and the related building-supplies industry will eventually displace petty-commodity production? Alternatively, will the latter form survive in the conditions of peripheral capitalism? Or, finally, might the expansion of the capitalist economy increase the ability of the ‘self-help’ and ‘manufactured’ forms to produce housing by raising income levels for the poor or by producing better construction materials? If more profitable opportunities are available to large-scale capital, might it leave housing construction to petty-commodity forms? Should real
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incomes rise among the poor, might the ability of ‘self-help’ builders not improve? At the present time, theory has not been matched by empirical investigation; how and to what extent do contemporary practices and policies threaten to undermine the viability of informal housing processes?

In order to answer this kind of question we need to examine how dependent the informal sector is upon the formal sector for the supply of construction materials, and how international monopoly pricing systems have affected the consolidation process. What arrangements has the formal sector made to develop its distributive systems to facilitate the penetration of informal housing markets? To what extent are industrialized building materials and components used in the construction of low-income housing compared with petty-commodity forms? Are the industrialized forms more expensive or cheaper than the petty-commodity forms?

The answers to these questions will allow us to discover more about the impact that penetration has upon the consolidation process. Is self-help consolidation today more expensive relative to incomes than it was ten or twenty years previously? In the event that housing costs are higher, it is probable that rates of home improvement will have fallen.

There is certainly evidence to suggest both that urban land prices are rising and that the land market is being dominated increasingly by large, integrated and powerful organizations (Baross, 1983; Durand Lasserve, 1983; Geisse, 1982). Similarly, it is possible that growing state intervention in planning, regularization and servicing has had a negative effect on the supposed beneficiaries of more rational and liberal planning policies. Has regularization of land tenure and the servicing of low-income settlements had a beneficial or negative impact on the poor? One of the points we seek to examine is the extent to which self-help housing solutions have become less or more accessible to the poor. What impact has the growth in formal bureaucratic procedures regulating informal housing development had upon the ease with which the poor gain access to a plot? In some instances greater bureaucratic complexity may have encouraged informal processes; elsewhere it may have reduced them. In short, where does state intervention fall along our ‘benign’ – ‘complementary’ – ‘competitive’ continuum?

Finally, what effects are changing patterns of employment and income distribution having upon low-income housing consolidation? A