

Notes on housing policies of Latin America*

Emilio Pradilla

FIVE ESSENTIAL POINTS

1. When we speak of the *Housing Policies of the State*, we are referring to the complex and entire range of interventions of the constituent elements of the state - its different branches (executive, legislative, judiciary and armed forces); organisms (ministries, decentralised institutes, offices, etc.); and social agents (state bureaucracy, political leaders, etc.) - on the different elements and processes that are an integral part of the process of production, exchange, distribution and consumption of housing. We are also referring to the social agents, structured into classes and fractions of classes, who participate in it.

This conception, then, goes much further than what is traditionally included in "the housing plans and programmes" that are formulated and/or implemented by government institutions: it embraces the entire range of activities that directly or indirectly affect the whole housing process, and goes beyond the restricted framework of the mere functions of the state apparatus. It thus includes: *economic activities* (direct state investment in the acquisition of lands and the production of housing; state credits to financial institutions and institutions promoting housing; incentives for the production of building materials ...); *legal activities* (legislation on the ownership of land, on the sale of rental of housing, on the relations between capital and wage labour in the construction sector, legislation on the savings and borrowing systems ...); *political activities* (regulation of movements that attempt to regain possession of land and housing, legal and police defense of property rights ...); *ideological activities* (the reproduction of the ideological values of housing through various types of plan, the actual activities of its institutions, publicity ...). Although these activities are isolated for the purpose of analysis, they are in reality inter-related in a complex manner: for example a law on the financial system for housing, saving and borrowing (a legal action) acts in the economic realm (in the workings of the financial system) equally in the actions of the state (private credit to the state for housing) as in those of private capital and the users of credit.

2. The *state* to which we refer does not correspond to the liberal allegory of a "Social Institutions whose legitimacy rests, by delegation on the will of all the people and whose function is to guarantee the interests of all citizens within the limitations

* Vertaald uit het Spaans door Rod Burgess. Onderwijspaper van AA-School in Londen.

set by another citizen's rights". The mystifying ideological content of this notion has been made obvious as much by theoretical and political criticism, as by the real political process experienced in Latin America in recent years. These two facts have led to the complete rejection of the old demo-liberal demagoguery of representative democracy.

From our viewpoint, the *bourgeois state*, a specific type of the state in the mature or dependent capitalist countries, has a clear class character that is determined by the antagonistic nature of the contradictions between the fundamental social classes of capitalism - the bourgeoisie and proletariat. As a cohesive organ of bourgeois society, its essential functions are those of guaranteeing the *simple and expanded reproduction of the capitalist regime of production*, of exercising in the name of the bourgeoisie, its *domination* over the working class and other exploited classes, and of *conciliating* the secondary contradictions between the fractions of the bourgeoisie, and the contradictions between the bourgeoisie and those dominant social classes inherited from former modes of production (e.g. the landowners).

The bourgeoisie, however, is not monolithic: inside it the economic process differentiates fractions that are secondarily opposed in relation to the distribution of surplus-value (agricultural, industrial, commercial and financial); whilst the politico-ideological processes differentiate political fractions as a function of their conception of the role of the state in the process of reproduction of capital, and as a function of their conception of the forms of exercising class-domination. In addition to the internal differentiation of the bourgeoisie, there also exists the class of owners inherited from other pre-existing modes of production, now articulated to the dominant capitalist form in concrete social formations (landowners, small agricultural and urban petty-bourgeoisie ..) whose interests also enter into the play of secondary economic and political oppositions that are conciliated inside the state. This means that state power can be exercised (through political expressions) by a bloc of classes and fractions of classes that are organised around the class or fractions of a hegemonic class, according to the correlation of forces in play in the historical conjuncture, which will define in the last instance the terms of their conciliation. For their part, the *dominated classes* are also characterised within concrete social formations by a mass of classes (proletariat, small peasantry, etc.) and strata (industrial and agricultural, lumpen proletariat, reserve army, etc.), who develop their basic opposition to the dominant classes, and who are equally differentiated by their economic interests as by their political position.

The confrontation between classes or fractions of classes takes place not only in the realm of the political - its highest form - but also in the ideological and economic realm. Capitalist accumulation is in itself a confrontation between capital and wage-labour in terms of the distribution of the product.

In each concrete social formation, in each historical stage of development, the bourgeois state is specified in the form of a *Political Regime*, defined by the level of development of antagonistic conflicts between classes and secondary conflicts inside them, in the political, ideological and economic realms, and from the concrete correlation of forces derived from this struggle: the state of development of the capitalist regime of production, and the demands of the accumulation process, the correlation of forces between exploiters and exploited in the economic realm - the level and forms of exploitation -, the composition of the bloc in power and the hegemonic political fraction within it, the dominant political tendencies inside the social classes, class-alliances, the level reached in the political confrontation between classes, etc. The analysis of both the state, and the political regimes that specify it and its policy interventions, including those in housing processes, is impossible if we put ourselves at the margin of the analysis of the development of class struggles.

The housing policies of the state in a given historical conjuncture are determined by:

- a. the composition of the bloc in power and the distinct conceptions of the housing problem and the state's intervention in this problem;
- b. the hegemonic fraction in the state and its conception of the role of the state in the housing process;
- c. the concrete requirements of the process of reproduction of capital and its correlate, the reproduction of labour-power in general;
- d. the demands of the reproduction of capital tied up in the housing process and the correlation of forces between these demands;
- e. the pressure exercised by the different social classes, and in particular by the exploited classes, on the state in relation to the components of the housing process.

3. The state is not society; economic-social processes are not identified and reduced to the operation of the state and its interventions. Though it is true that the process of capitalist development, particularly in its monopoly phase, determines a progressively greater intervention of the state into different aspects of social life, it does not replace this social life. The degree, level and real forms of state intervention in a given process, in our case housing, are determined by the functions that are assigned to the state in the economic, political and ideological realms by the particular structure of each social formation in each phase of its development. Thus, the direct intervention of the state in the housing process will depend on the degree of development of *State Monopoly Capitalism*, in the sector, in each concrete situation. This development neither replaces nor eliminates its natural development of capitalism; on the contrary, it complements and reproduces it. In short, the intervention of the state in the housing process does not eliminate its capitalist character,

nor its structural laws of development, nor the contradictory nature of social production and private appropriation based on the exploitation of wage-labour: it can accelerate or retard its rhythm, modify its course without changing its central character.

All analyses of state housing policies proceed from the precise determination of the degree, level and specific forms of state action in the different components of the housing process, and from the level of development of state monopoly capitalism in the sector.

4. The state needs to legitimate its own action before all classes, and particularly before the exploited classes so that it can maintain its political-ideological relations of domination, by making the exploited classes recognise the interests of the dominated classes that are guaranteed by the policies of the bourgeois state, as their own. This need will determine the presentation of the state policy in the form of a *conciliatory ideological discourse*. In this discourse, "the economic and social development of the country", "the common good", the "welfare of the least-favoured classes", etc. appear as policy objectives or as justifying reasons for this or that "social sector" or determined "distribution of public funds", etc. This discourse will never debate the real interests that this policy guarantees, nor the real effects that it will have on distinct social classes. Behind it, however, and concealed by it, the *real content* of the policy can be found. This real discourse, that manifests the real character of state interventions, their real mechanisms, the class interests they benefit, the effects really sought after (i.e. their class content), is to be found hidden under the excessive foliage of ideological discourse. The discovery of this real discourse requires that these policies are confronted with knowledge acquired from real social processes and, in particular from their confrontation with the specific class character of the state.

But this real discourse is not identical to the *real actions* carried out by the state: between the one and the other are to be found:

- . The relative autonomy of political-ideological discourse determined by the need for legitimacy.
- . The non-correspondence between the global techno-bureaucratic rationality of policies and the short-term individual, fractional or class rationality of the social agents involved in real actions.
- . The independence of individual, fractional or class practices in relation to the conciliation of the components of the bloc in power expressed in the policies.
- . The non-identity of state policies and social processes that in the last instance determine them. The "natural" workings of capitalism determine the actions of the state and not the inverse.

- . The contradictory character of economic, political and ideological relations in capitalism that is reproduced in each stage of the development of the system.
- . The defensive and/or offensive struggle of the exploited classes in relation to the policies of the dominant classes.

The non-correspondence between real content and real actions, i.e. the 'breakdown' of state policies, can be explained by these factors and not as some would have it by 'technical errors' or 'adverse circumstances' of whatever type.

The conditions for the analysis of state policies are to be found by identifying the real content of ideological discourse, and by establishing the non-correspondence between the real content and real actions, and what determines it.

5. Because of the complex articulation of social relations, a state intervention into a sphere that explicitly and directly has nothing to do with housing, in practice can have decisive repercussions on it. For example, a law on agrarian reform can have a fundamental impact on the housing problem by bringing about rural-urban population movements; a labour law that fixes the relations between capital and wage-labour will affect the price of the house by defining the legal framework for the relations of exploitation in the construction sector.

Thus, the policies that affect the housing process greatly go beyond those that are explicitly recognised as *housing policies*.

In spite of the fact that the provisional limitations and preliminary character of these notes and the absence of available empirical material prevent the full development of these suggestions that there may not be a correspondence between 'intentions' and 'real results', the author is confident that the points outlined above will tentatively throw light on it, and can serve as a starting point for their subsequent development.

CONJUNCTURAL LOCATION

The interventions of Latin American states in the housing process, understood in the broader framework outlined in the previous section, have not been a recent event. In fact, they date back to the last century when the Political Constitutions of the recently independent countries embodied the 'right to private property' in rural and urban land, and their improvements, including housing. This constitutional norm and the civil and mercantile codes that regulated the use, possession, and disposal of property, institutionalised the commodity character of housing and land at the highest level.

At the same time, they regulated, together with the penal codes, the defensive action of the owners and their property, developed by the state through judicial and/or police means.

The later introduction (generally in the middle of the 20th century) of the 'social function of property' and its correlate 'the right of the state to expropriate property', as legal norms, did not substantially modify this right; rather it introduced the state to the commodity circuit of land and housing through the mechanism of the forced sale to the state of private property.

In practice, the Latin American state has been an important instrument in the process of generalizing private property in land through its role in the liquidation of communal forms of land inherited from the colony (indian *requeardos* and municipal *ejidos*), and through the delivery of state lands and '*baldios*' to individual owners. This process came about as an immediate result of the natural tendency towards the concentration of landed property. As extreme examples of this process, we can point to Paraguay where almost all those properties, put into state by Dr. Francia in 1824, reverted to private property at a rapid rate after 1870; and more recently there is the case of Ciudad Guyana in Venezuela where the state, which owns almost all of the land involved in the project, will cede it quickly to commercial promoter, in the process of so-doing ignoring all those opinions that propose the municipalisation of land as precondition for an inable and wide-ranging state housing policy.

The creation of the first state housing organisations to directly intervene in housing production in the first half of this century was an uneven process (*Banco Obrero* in Venezuela 1928, *Dirreccion General de Pensiones Civiles y de Retiro* in Mexico in 1925, *Instituto de Crédito Territorial* in Colombia in 1938, *Comision Nacional de Casas Baratas* in Argentina in 1915, etc.). It would be difficult to generalise the determinants of their creation, and the social sectors to which they were directed, since this varies for each particular case. What is certain is that the scale of their actions was relatively limited.

The end of the Second World War marked a new phase in direct state intervention into the housing process. In the countries where industrial capitalism started in the inter-war period (Argentina, Mexico, Colombia, Brazil) and whose rhythm increased after 1945, or in those countries which initiated industrial capitalism at this time (Peru and Venezuela), there was the correlated development of capitalist agriculture, the dissolution of precapitalist forms of production, and with them peasant migration to the cities. This migration, whether it was absorbed or not by an expanding industry, was concentrated in the large cities and gave rise to the 'housing problem'. This was a particularly sensitive issue for the industrial bourgeoisie because it affected the size of workers' wage. The problem of

'workers' housing' appeared in the political panorama of some Latin American countries and gave a relative stimulus to state intervention in this area (Peronist Argentina 1947-1957, Venezuela under Perez Jiménez, Colombia under Rojas Pinilla, etc.).

Even though this growing state promotion of housing construction did not particularly benefit working class sectors, but rather middle and high income groups, state action was ideologically tied to the rise of the urban housing problem, and its reflection in the 'populist' ideology of these political regimes.

However, it was in the sixties that a 'leap forward' in this intervention can be clearly observed. The reasons appear to be obvious: the process of urbanisation was generalised throughout the region, at the same time as the class-struggle intensified in the countryside partly as a result of a new phase of industrial development which now more or less involved, all countries on the continent - including those of Central America where it had started slowly -, and partly as a result of the intensification of migration to the cities itself the product of the ever-growing surplus population created by the capitalist development of agriculture in response to the demand of the world market for primary raw materials. In the urban centres, at a time when the urban population was growing rapidly, there was a rapid increase in the 'army of the unemployed' as a result of the monopoly concentration of industry, the increase in the organic composition of capital and the periodic cycles of recession (the decade commenced in the middle of such a recessive tendency). All of this intensified the housing problem.

The emerging industrial bourgeoisie developed reformist tendencies at the political level, which arose out of its need to modernise the state apparatus, and to introduce modifications in those other spheres of social life that had to be adapted to the requirements of capitalist accumulation (e.g. the domination of landed property in order to facilitate agricultural development). Strengthened in this way, it directly assumed the hegemonic role in the political regimes installed after the fall of the various military regimes (Venezuela, Colombia, Argentina, Peru), or it took over in those regimes that had been controlled by other fractions. It thus contributed to a proliferation of bourgeois reformist regimes.

Foreign industrial capital (largely North American), rapidly began to penetrate the productive structures of the Latin American countries and began to express the same need for 'modernisation'. On the other hand, the strategy of 'armed struggle' popularised by the triumphant Cuban Revolution and taken up by many organisations on the left, led to a sharpening of class struggles in the countryside. The articulation of these two determinants induced the United States to formulate its 'Alliance for Progress' programme, and under the incentive of promises of substantial aid, committed

Latin American governments, at least on a formal level, to a process of modernisation and all manner of 'reforms' (Punta del Este, 1961).

In this conjuncture, the capital that was tied to the construction process, which had been undergoing a process of consolidation in periods when accumulation had been increasing, received a double impulse:

- a. state investment in housing built by the private sector was increased, and with the financial support of US-AID, many large housing projects were completed.
- b. Throughout the decade and in almost every Latin American country, 'financial systems of saving and borrowing' were introduced with the financial assistance of US AID.

As in the past, these housing programmes were largely for the benefit of middle income sectors (state bureaucracy, urban petite bourgeoisie small sectors of the upper strata of the workers). The 'saving and borrowing' systems tended to have an even more limited sphere of action: those sectors whose high incomes were based on the extraction of profits. However, capital tied to the housing process was strengthened in two ways. First, by the levels of accumulation achieved as a result of state investments, and the consolidation of its representative associations (Cámaras de Construcción). Second, through the creation of the financial systems that expanded the availability of rotating capital for its activities, improved the conditions for the realisation of the commodities it produced, and which stimulated the process of monopoly concentration in the sector by articulating together capitalists who were tied to the building materials industry with land-owners and developpers, housing promoters, etc., all beneath the protection of finance capital that now began to assume the dominant role in the sector.

The bourgeoisie reformist impulse was rapidly extinguished without any change having occurred in the miserable living conditions of the impoverished peasantry; rather these conditions were aggravated by the acceleration of the process of capitalist development that was derived from the modernising action of the state; without the rhythm of urbanisation being modified; without the size of urban unemployment varying substantially, without this *evident* capitalist development being reflected in better living conditions for the working masses.

The fall of Goulart in Brazil in 1964, seemed to initiate a change in the dominant tendency within Latin American political regimes. Although there were significant differences between countries, there were indications of the displacement of the centre of gravity in the bloc in power towards large national monopoly capital, that was ultimately tied to imperialist monopoly capital. Throughout the decade of the sixties, the process of concentration of productive capital followed a rapid course, and

this affected both the capital invested in the sector and the uninterrupted flow of external credit towards direct state investment, industry, agriculture and the bank sector. At the same time as national and foreign finance capital that was integrated in large financial groupings was assuming control of the productive apparatus, it was also beginning to appropriate an important part of urban landed property, now becoming more profitable through rapid urban growth and capitalist accumulation. It did this through the financial 'savings and borrowing' systems for housing that were created during the period. On the other hand, the centre of gravity of the class struggle tended to be displaced from the countryside to the city, with an opening-up of the political and defensive struggles of the working-class.

The demands for capitalist accumulation and for the maintenance of political domination, led to large monopoly capital abandoning the old democratic liberal postures of representative democracy nationalism that for one reason or another flourished towards the middle and end of the decade. Instead they led to the installation of political regimes that articulated the most severe repression of political and trade union rights (suppression of political parties, suppression of the right to organise and mobilise, suppression of syndicalism, the illegalisation of all working-class struggles, the persecution of trade union leaders, the elimination of economic advantages acquired by the working-class, etc.), with a growing liberty of action for large national and foreign monopolies, and with a limitation on, or even a dismantling of state monopoly capitalism.

This generally, was achieved through the mediation of the military apparatus. This process can be observed in: Brazil after 1964 with the fall of Goulart and the restoration of military government; Argentina in 1966 with the fall of Illia, and after the short intermission of Peron's 'social pact', with the military coup of 1976; Chile, after the fall of the Popular Unity Government and the sharp phase of class struggle that preceded the 11th of September 1973; Bolivia since the fall of General Torres; Colombia - through civilian governments - since 1968 after which the tendency changed notably; Uruguay from 1973 onwards; Peru which after the nationalist-reformist experience of Velasco Alvarado seemed to reverse this tendency; the majority of Central American countries which seemed to have become accustomed to live under this type of regime. In sum, only Venezuela, Mexico and Costa Rica seem to have escaped this tendency. In relation to urban and housing problems, this political tendency resulted in an accentuation of the housing problem of the working masses in the following ways:

- a. the violent repression of union organisation and the struggle for the defense of wages and living conditions, which permitted high rates of capitalist accumulation through the over-exploitation of wage-labour, but also reduced the real wage of workers, and thus made their access to the housing market even more difficult;

- b. the reforms that tended to limit, albeit partially, the monopoly of urban land (controlled in part by finance capital which was now hegemonic in the bloc in power), now ceased to have any political viability;
- c. it reduced the state's intervention in housing production, because the legitimation of the state now no longer depended on its welfare actions;
- d. it displaced housing production more towards the private sector, dominated by monopoly finance capitalism, and this in turn diminished the already restricted possibilities of access of the low income sectors to the housing market;
- e. there was a marked tendency for the state to step up its repression of urban social movements that were aimed at acquiring land and housing, and improving services. This repression was justified by accrediting them with a politically subversive character;
- f. the hegemonic control of the state by large-scale national and foreign capital, oriented the political economy of the state towards a strengthening of the large-scale bourgeois path of urban and rural development. This implied an acceleration of the process of decomposition of the small peasantry, and a quickening of the rural to urban migration process. At the same time, the high rates of capitalist accumulation (e.g. the 'Brazilian miracle'), that had been based on the super-exploitation of the proletariat, the rapid monopoly concentration of industry, and the permanent increase in the organic composition of capital, were not reflected in a high rate of incorporation of labourpower, and a situation of massive unemployment was thus perpetuated.

Only in countries such as Mexico and Venezuela, where the political regimes sought the support of the organised working-class certain concessions were made, particularly in the area of the promotion and financing of housing of 'social interest'. In the past the 'housing problem' of the working masses of Latin America had been severe, and the actions undertaken by the state in order to maintain it within the limits needed for political equilibrium, had been limited in relation to social needs. This merely anticipated the expression of these new political tendencies in the form of a limitation on state intervention in favour of those sectors with the least incomes, and a further deepening of an already chronic housing shortage.

STATE CONCEPTIONS OF THE HOUSING PROBLEM

In general, Latin American states recognize four reasons for the housing problem:

- a. 'demographic growth';
- b. 'the low income of the population';
- c. 'the problem of finance';
- d. 'the valorisation of land'.

We can easily identify the ideological contents of these arguments:

A. The assertion that rapid demographic growth accentuates

housing need is obviously a platitude. The questions we must ask are: Why does the population grow? Why can't the productive structure respond to these new needs? Urban demographic growth has two components: vegetative growth and rural-urban migration. The latter is the most important for the majority of the large Latin American cities. The increase in the rates of vegetative growth of the population has its origins in the rapid decline in general mortality rates, both prenatal and infantile. This is a result of massive health campaigns and the generalisation of certain medical assistance programmes which although relatively cheap yielded significant political results.

However, this increase in the rate of vegetative growth was not matched by a correlated descent in the birth rate because of the domination of an 'ideology of birth-control' (led by religion and the conservative sectors of the ruling class), and because of the persistence of low cultural and economic levels amongst the majority of the population. These in turn, were tied to the conditions that governed the distribution of the social product, and to the limited and segregative character of state action in this field.

For its part, the growth in the rate of migration can be traced to the accelerated decomposition of precapitalist forms of production, as a result of the capitalist development of agriculture and its correlate - this pauperisation and massive expulsion of peasants from the rural area. In both cases, the reasons for demographic growth are to be found in the type of capitalist development in Latin America, in the conditions governing the distribution of the social product, and in the characteristics of state action imposed by this development.

It can thus be affirmed that it is not 'demographic growth' that determines the precarious living conditions of the population (including the housing shortage), but rather its opposite - the type of dependent capitalist development determines certain living conditions of the masses, and through them a determined rhythm of urban growth. The second question still remains to be answered: why doesn't the apparatus for producing houses respond to this growing demand?

B. Latin American states recognize that the 'limited incomes of a large part of the population' are one of the reasons for the growing housing shortage: i.e. this growing 'need' cannot be transformed into 'solvent demand' for state or private housing production. This brings us back to the two poles that confront each other in the housing market: the incomes of those in need of housing and its price.

For the states, the limited income of the masses is explained in terms of the 'slow process of economic development' and the 'marginal' situation of the mass of the population who await

their 'integration' into 'development' (capitalist development, of course). What recent Latin American history shows us is that the high rates of capitalist development that some countries have achieved, despite frequent cycles of recession, have not resulted in an improvement in the distribution of income, but rather have accentuated its unequal and concentrated character. From this it can be concluded - and it is very easy to prove - that this capitalist accumulation occurred thanks to the super-exploitation of wage-labour which implies the creation and maintenance of a 'reserve army' of great size, that is deprived of incomes. On the other hand, this population is not 'marginal' nor does its 'integration in the development process' resolve the problem, since they are precisely a product of this development and not a 'defect' of it.

The distribution of income can only be improved under conditions where unemployment is limited and where there is a sustained increase of *real wages* (increase in the nominal wage in relation to the cost of living) and/or *relative wages* (increase of real wage in relation to an increase in productivity). Only in this way could there be a slow transformation of 'need' into 'solvent demand'. Capitalist development in Latin America is moving in the opposite direction. The state recognizes two fundamental limitations on the price of the house: the financing and the valorisation of the land.

C. The states, the different fractions of the bourgeoisie, the large centralised unions that are ideologically and politically controlled by the state, and the bourgeoisie all give the financial problem a fundamental responsibility for the failure to resolve the housing problem: this half-truth derives from the real fact that a series of factors demands that productive capital disposes of an ever-greater mass of money, capital to maintain and expand housing production. These factors are: the low level of development of the productive forces in the construction sector; the slowness of the process of the development of land and the construction of houses; and the slow cycle for the recuperation of the capital initially invested (through the sale of the house) because of the long amortisation periods based on sale by credit. Even if the problem of the high price of the house can be explained in terms of the *high price* of this capital (interests) or in terms of the major difficulties that some sectors have in meeting the amortisation payments for the house, it cannot explain the whole problem. In reality, the price of the housing object on the market consists of:

- a. the price of underdeveloped land, which is made up of capitalised ground-rents which landed property appropriates thanks to the condition of monopoly concentration of urban and semi-urban property and to the property title that it possesses;
- b. the capital invested by intermediaries acting in the sale of land (estate agents) and the profits on this capital;
- c. capital invested in the development (division of the land, urbanization) of land (machinery materials, labour-power, etc.)

- and the profits of this capital appropriated by the developer;
- d. 'valorisation' of land through its development, i.e. new differential ground-rents generated by investment realised in the development of the land, appropriated by the owner of the land (the developer);
 - e. 'valorisation' of land through state investment in general, road and service improvements, i.e. new differential ground-rents totally or partially ceded by the state to the developers;
 - f. capital invested in the commercialisation of developed land and its profits, appropriated by property-agents;
 - g. capital invested in housing construction (machinery, materials, labour, design, control and administration, etc.) and its profits appropriated by the constructor-capitalist;
 - h. 'valorisation' of land through construction, i.e. differential rents generated by capitalist investment and appropriated by the land-owner;
 - i. bank interests of the capital in a, c and f, which are appropriated as profits by finance-capital;
 - j. commercial and publicity costs - commercial capital - in the sale of houses and the profits from this, appropriated by the property agent.

Up to this point we have merely considered the *sale-price* of the house. To find the *final price* in terms of its common sale by credit, we would also have to add the interests on the sale price of the house, derived from its amortisation, which are appropriated by finance capital. Thus, the high price of the house is determined to a great extent, by the presence in this price of the profits of productive capital, commercial capital and finance capital, and the parasitic rents of landed property (an expression of the rights that the capitalist regime of production concedes to capital. These components of the price are independent of the fact that one capitalist agent, like the man of a thousand faces, can assume all these personalities. Of course, the great mass of finance capital needed in the sector is related to this accumulation of profits, an expression of the class interests of the social agents participating in the housing process.

In its formulation of the 'problem of finance', the state conceals the close interweaving of class interests, and at the same time gives finance capital a greater role in the profit makers in the sector, a fact that we shall analyse later. Of all these class interests, the state will only denounce those of landed property and even then in a limited form.

D. The 'valorisation' of land as an obstacle to the expansion of housing supply is recognized by the state, but only in a limited form: reference is made only to that valorisation which occurs as a result of state investments, and occasionally in a diffuse manner to urban development in general. What is not

accepted is the possibility that the landowners can expropriate these and other rents, which are not discussed by them (absolute monopoly rent, differential rents from location and case of construction). This possibility rests on the 'inalienable right to private property' in land, or on the capitalist nature of the production of urban objects. Neither do they mention the parasitic character of this appropriation.

The infrequent actions of the state attempting to dominate ground rents, are progressively limited by the marriage of finance capital and landed property, and as a consequence are reduced to measures of minimum taxation, which moreover prevent the recuperation of this sum through the sale price of the land. No Latin American country - with the sole exception of Cuba - has approved legislation that really attempts to limit landed property and the appropriation of parasitical rents by landowners.

Recognizing 'the problem of finance' as a basic obstacle in the 'solution of the housing problem' and restricting their activities to this area, the Latin American states recognize three necessary reasons for intervening in the problem: the need to increase the productivity of the workers' labour; the intensification of social conflicts around the housing problem, and the requirements of economic and social development.

It is common practice for the state and the employers to consider the need to resolve the workers' housing problem, so that they can increase the productivity of their labour. The formulation is valid, but the reasons for it are concealed, as indeed are the advantages that capital can derive from this 'solution'. In the first place, the improvement of the workers' living conditions brings about an increase in the productivity of his labour and independently of the fact that this benefits the worker and his family, it also produces a relative increase in the surplus-value that the capitalist appropriates - as long as this increase is not translated into a parallel increase in the relative wage. In second place, the reduction in the costs of workers' housing which is achieved through a state subsidy or through the total amortisation of its price, leads to a reduction in the reproduction costs of the worker that is an element of his wage. This allows the owner to reduce the wage by a proportionate amount and to appropriate a new relative increase in surplus-value. In third place, these benefits are obtained through state investment - based on general social taxation, and the owner does not have to risk his own capital in it. Finally, the owner will have at his disposition a mass of productive labour-power that is housed and ready to be incorporated into production whenever the accumulation process demands it. But the need of capital to reproduce labour power, the responsibility for which it assigns to the state, only refers to the labour power necessary for capital, and not to all the labour power that is available in society. It is for this reason that the state will direct the greatest part of its activities

to those workers incorporated in the productive process, and in exceptional cases to a limited number of the population who are not incorporated. This tendency can be clearly identified in the recent constitutions of state housing organisations that exclusively cater for those sectors of workers who are incorporated in large companies (INFONAVIT in Mexico, Fondo Social de la Vivienda in El Salvador).

The determination of state housing action by social conflicts is related to the need to maintain class-domination in society. The state tries to prevent the 'housing shortage' from pushing the masses in to attacks against private property in land, or from developing struggles aimed against the state itself. In these cases a variety of alternatives can be used: the repression of social movements; the transference of an important part of the process to the needy (site and services, self-construction and mutual aid, progressive development, etc.) with, as we shall see, fatal effects for the 'beneficiary', a permissive attitude that permits 'de facto' occupations in low-rent areas with the subsequent development or improvement of services using community help and small-scale subsidised investments or by charging the investment directly to the settlers. In these cases, the activities of the state are episodic, dispersed and on a relatively small scale. The state will, with reason, attach a greater importance to the demands of workers and employees who are strongly organised, potentially more correlative, and who have greater capacities for struggle, as a result of the requirements of the class struggle in this area.

In recent years the tendency to consider housing policies - not necessarily those directed to the low income sectors - as motors of economic and social development has appeared to grow. Its justification can be found in the following characteristics of housing production:

- a. it requires relatively little imported machinery and a large part of what is needed can be produced locally;
- b. it employs a great quantity of labour-power that is unskilled, and because of this it expands employment;
- c. it consumes raw materials from a wide range of industries;
- d. the sector depends on a high 'potential demand', in a word, it appears as a productive sector that presents favourable conditions for the reproduction of capital;

The experience of cases such as that of Colombia (The Four Strategies Plan 1971-1974) shows the strengths and weaknesses of these arguments:

- a. though it is certain that construction in itself offers little demand for machinery and imported raw materials, this is much less true for the building materials industry which experiences great pressure;
- b. it does consume abundant unskilled labour, but over very short periods of time. Moreover this labour is dispersed, lacks union organisation and is absorbed from the great mass

of the unemployed who maintain low wages - that is to say, it absorbs them in conditions of over-exploitation. For this reason, capital accumulation in the sector can be rapid in the short-term, but it does not modify the economic situation of the construction worker substantially;

- c. the 'housing strategy', as an anticyclical programme limited over time, puts pressure on the construction materials industry that works under monopoly conditions normally generating a tendency for a rapid increase in the price of materials;
- d. even though housing 'need' is enormous, 'solvent demand' is not. Existing solvent demand is located in medium and high income sectors, who prove to be the only ones capable of paying the high price of the house, which means that the strategy is directed at these strata, and means nothing for the working masses. The limitation on demand leads to a rapid saturation of the market and to abandonment of the strategy, and this frequently results in a greater monopoly concentration in the construction industry. As anticyclical conjunctural measures, housing construction policies tend to have a limited effect over time and lead more than anything to stagnation in the capital sectors involved in the housing process. In general terms, it can be affirmed that it is not the development of the construction sector that can generate a phase of overall economic development, but on the contrary, a sustained phase of expansion in capitalist accumulation, has repercussions in expanding construction activities, whilst the boom cycle lasts.

Up to this point, the attempt has been made to expose the states' understanding of the housing problem as the ideological justification for its multiple interventions in this area. It now only remains to locate the generalisation of private property in housing as the basic principle behind its activities. There are only a few examples that escape from this rule (rented houses built before 1963 in Mexico by social security institutions, or the example of the early work of the Centro Urbano Antonio Narino in Bogotá), or the partial nature of the Venezuelan governments' policies where the land for the cheapest housing solutions is delivered in the form of a loan, or the rented status of a number of the houses constructed in the 'cities in cities' programme for workers and employees carried out by the Popular Unity government in Chile. The general orientation of Latin American state housing organisms is best expressed in the motto of Colombi's Instituto de Crédito Territorial: 'una casa propia para cada familia colombiana'.

For the state, the irrefutable basis for this principle of private property is the constitutional norm - inherited from the earlier political regimes of the dominant classes. The state will seek to strengthen private property by increasing the number of property-owners, and by unconditionally defending private property whenever it is threatened by the desperate attempts of the homeless to acquire a plot of land on which to build their miserable homes. Private property in land and housing, which has

been historically linked, in a given form to the capitalist regime of the private ownership of the means of production, has been converted in to an ideological weapon of the bourgeoisie against all those who suggest the suppression of capitalism. It is for this reason that the bourgeois state reproduces and defends private property. It matters little whether the worker or employee looses his skirt or whether under the influence of publicity he looses his mobility and is imprisoned in 'his beautiful house with garden' some two kolometres away from his employment. Nor does it matter if this multiplication of property is subsequently turned against the state itself, by becoming a barrier in the provision of roads and services, etc. In these cases the ideological analysis takes priority over all analysis of reality. Sometimes in an act of formal boldness, the right of each family to their 'own house' can be included in the constitution (Paraguay and Guatemala). Unfortunately this does not occur, much to the relief of the rentier class and to the displeasure of the rest of capital, given the need within capitalism for the mobility of labour-power, and the impossibility of low-income sectors acquiring property, often including a miserable self-built house.

THE INTERVENTIONS OF THE STATE

In order to be brief we shall deal with the interventions of the state that are most central for our understanding, and we shall not deal with the complex range of indirect state interventions in the juridicial, economic and ideological realms.

A. Interventions in the Private Financial Apparatus

Motivated by the ideological fiction of the 'fundamental financial obstacle', and by the real pressures emanating from the different fractions of capital tied to the process of housing production, the Latin American states have for some time attempted to regulate the flow of finance and bank capital for housing production. It has done this through a variety of mechanisms: through legislation regulating the workings of the Mortgage Bank, the Savings Bank for Housing, and the bank departments extending credit for housing, through legislation on mortgage credit itself - relative and absolute credit sums, amortisation periods, rates of interest, the quantity of funds destined for 'social interest' housing, and the operation of the mortgage system itself; and through its direct participation in housing mortgage credit through its own mortgage institutions or through those created jointly with private capital.

However, the most effective attempt to create the legal conditions for a system that allows a permanent and growing supply of finance capital to the private construction sector, the SISTEMAS DE AHORRO Y PRESTAMO PARA VIVIENDA, has been in operation since 1960. They arose out of the multiple circumstances

existing at that Conjuncture: the level of development reached by the construction industry over the previous decade; the precocious tendency of this industry to develop a monopoly nucleus that was expanding; the rise of powerful trade associations representing the interests of construction capital (national chambers of construction); the relative crisis in the construction sector of some countries at the moment when the systems were created; the need to create a consumer sector for non-urban labour-power that was growing through peasant migration; the reformist whims of the political regimes of the period, a particular conception of the division of labour between the public and private sectors in favour of the latter; and above all the others - the policy of U.S. imperialism as presented in the form of the 'Alliance of Progress', convincingly backed-up by substantial credits from the *Agency for International Development* (US-AID), the *Interamerican Bank for Development* (BID) and the *World Bank*.

After 1960, a succession of legal statutes introducing the systems were passed: SISTEMA NACIONAL DE AHORRO Y PRESTAMO in Chile in 1960, SISTEMA PRIVADO DE AHORRO Y PRESTAMO in Argentina in 1961, SISTEMA NACIONAL DE AHORRO Y PRESTAMO in Venezuela in 1961, ASOCIACIONES DE AHORRO Y PRESTAMO PARA LA VIVIENDA in Paraguay in 1971, CORPORACIONES PRIVADAS DE AHORRO Y VIVIENDA in Colombia in 1972, SISTEMA BRASILENO DE AHORRO Y PRESTAMO, etc. In general this legislation served as the legal basis for a range of systems that permitted the creation of and regulated the operations of private financial institutions, or reoriented the already existing credit and bank institutions for this end. The function of these institutions was to correct and concentrate money-capital loaned by private borrowers, to be transformed into capital for the productive process through two routes:

- a. its direct transformation into productive capital by being lent out to companies promoting and constructing houses. In a secondary form, this capital can take the form of consumption credit, controlled by the builder or finance company;
- b. its immediate transformation into a consumer fund to be lent to the buyers of houses that have already been built. This takes the form of mortgage credit, thus being transformed in an immediate way into the housing commodity, and shifting the responsibility for the long-term recuperation of the fixed capital from the direct promoter to the financial institution.

In these two ways, the system created constitutes a response to the need of the promoter capital and/or builder to have a permanent and growing mass of money-capital available for this activity.

From the viewpoint of the 'saver', the system guarantees him a rate of interest (generally the average rate of profit), that is ultimately a parasitical profit. The depositors in the system are composed of: a mass of small borrowers who deposit a part of their wage or small quantities of money-capital that are derived

from their secondary participation in the distribution of surplus-value (small traders and industrialists, small peasant bourgeoisie, indirect agents in the productive process, etc.) and they provide only a minority part of the funds; and a limited number of large rentiers, finance or industrial capitalists who transform part of their monopoly profits into finance capital, and who control the greater part of the capital deposited.

In the examples of Colombia, Brazil and Paraguay, a mechanism for the periodic readjustment of money deposited and lent out was introduced. This readjustment was made according to the rate of monetary devaluation - a process that was occurring to the whole of Latin America during this period (UPAC in Colombia and UPC). In practice this readjustment means a rate of interest higher than in the rest of the financial system (sometimes up to two or three times the rate of bank interest) which attracts large quantities of money-capital even at the cost of depleting finance capital in other sectors of the economy.

The associations, institutions or corporations are generally the result of a fusion of bank capital, industrial capital, commercial capital, construction capital and landowning interests, and within each of these, international finance capital. A new step in the monopoly consolidation process of finance capital, its fusion with landed property and the monopolisation of housing production is thus achieved through the programming and promotion of the state. Profit is derived from the differential between the rate of interest paid to the depositor, and that charged to the user of credit, and from the advantages derived from the control of a large mass of finance capital, normally used by the associates of the corporation. For the credit user, the effect is different depending on whether it is capital used for producing or promoting housing, or whether it is capital for its consumption. In the first case, the rate of interest paid on the capital advanced will be transmitted into the final sale price - even if there has been a monetary readjustment. However, in phases of crisis in the housing market, particularly through the saturation of the upper sphere of its circulation, which has occurred periodically in cases such as that of Colombia, the producer will have to absorb these interests and will let the rate of profit fall below even the average rate. In these cases, the small-scale producer, in contrast with the large-scale producer, cannot survive, is forced to leave the market, and a new monopoly concentration is produced in the sector.

In all the countries that have been analysed the user of consumer credit turns out to be from the high and medium-high income strata - 15-20% of the population. This is because of the very requirements receiving credit: to be able to make regular payments - to be a 'creditworthy subject', to own the land if construction is being undertaken under personal direction, and to be able to make an initial downpayment of between 20-30% of the housing price. As a result of all this, housing produced by and

for the *system* is of a high price. For these groups, the credit represents a form of increased access to property in housing. However, as cumulative effect of the monetary readjustment on the sale price, even these income strata can be made insolvent, and the market crisis accentuated (in the Colombian case in 1975, the readjustment and the rate of interest exceeded 26,9%). When the system has been used for middle income housing programmes (for employees and skilled workers), the effects have been catastrophic for the user, even when this financial system has been combined with other 'less costly' ones. The Colombian ICT tried to do exactly this with its 'sopera' programme which achieved interest rates of 18,7% for its 'minimum programmes' that are supposedly directed at low-income sectors. This is obviously not only extortion, but also an absolute barrier to the ability of these sectors to acquire housing financed in this way.

In fact, given the very characteristics of the system, the 'obligation' imposed on these institutions, to dedicate a proportion of their financial resources (e.g. 30%) towards 'housing of social interest' ends up as a piece of demagogy.

But the intervention of the state goes much further than this. In addition to the legal regulation of the system, the state is also composed of public organisations that are totally or partially financed by state funds. As well as acting as regulators of the system these organisations also give it technical assessment, financial support, guarantees of liquidity, rediscounts on mortgages, and acts as a guarantor on behalf of those in debt. The list of those institutions that act in this way to support private finance capital that is tied in with the 'systems' is as follows: the BANCO NACIONAL DE VIVIENDA in Paraguay, the FINANCIERA NACIONAL DE LA VIVIENDA in El Salvador, the BANCO NACIONAL DE AHORRO Y PRESTAMO in Venezuela, the BANCO HIPOTECARIO NACIONAL in Argentina, the FONDO DE AHORRO Y VIVIENDA and more recently the BANCO CENTRAL HIPOTECARIO in Colombia, and the BANCO NACIONAL DE LA VIVIENDA in Brazil. Institutions that have similar objectives, but are more related to the mortgage bank system and traditional credit associations include the INSTITUTO DE FOMENTO DE HIPOTECAS ASEGURADAS (F.H.A.) of Guatemala (1962), the FONDO DE GARANTIA Y APOYO A LOS CREDITOS PARA VIVIENDA (FOGA) in Mexico (1963). Through the state then, social taxation is put at the service of large-scale finance capital, and parasitical rentiers.

On occasions, and on the basis of the tentative results of activities carried out by private capital, the state will invest its own capital, creating savings and credit institutions that began by competing with private institutions on their own ground. On the other hand, the state acting through those of its institutions that are more directly concerned with promoting house-building will also become the most important user of private capital. It will transmit the high rates of interest that the state itself regulates, as profits to the fraction of finance

capital, and thus make the housing it promotes even more expensive.

This double aspect of state intervention - as a financial supporter and regulator of housing production was given a decisive stimulus by imperialism - equally in terms of political diplomacy as in financial support (credit from US-AID, BID, World Bank in the sixties).

Despite their ups and downs, and the phases of stagnation derived from the saturation of the upper sphere of circulation of the housing commodity, in general these *systems* have achieved their real objectives:

- a. to consolidate and articulate the different fractions of capital tied to the housing process within these institutions, and to advance the process of monopolisation;
- b. to provide in different ways a considerable mass of finance capital to capital promoting and/or building the house, that permits its activities to be permanently and cumulatively sustained, and allows for the mitigation of the phases of recession, and the expansion of the phases of reproduction;
- c. it has expanded the upper sphere of circulation of the housing commodity, and within limits it has facilitated access for high income groups to their own or to rented housing;
- d. it has succeeded, in certain conjunctural periods, in absorbing a relatively large mass of unemployed labour-power;
- e. it has generated an increase in ground-rents, in the phases of ascendancy in the system, by creating pressure on the land market. This increase has been appropriated by the landowning sector - which in turn has been converted into the counter-tendency of this ascendancy to reduce the profit rates of promoter and builder capital. However, by encouraging the fusion of finance capital and landed property, it has tended to lower the barrier that the latter presents to the free circulation of capital (towards the sector);
- f. the system of monetary readjustment make housing credit relatively more expensive and this is expressed in the increased cost of new housing. This in turn generates a tendency for the rent levels of housing rented to all social classes to rise. These levels, which are adjusted on the market according to interest rates, progressively intervene to increase the cost of working-class housing and to aggravate the very housing shortage that the state in its demagoguery, pretends to resolve.

B. *The State as a Promoter of Housing Production*

It is a common belief that Latin American states *build* houses. Nothing could be further from the truth. The functions of the state institutions most directly connected with the sector can be characterised as follows:

- a. it acts as a financial agent, acquiring money from a variety of sources;

- b. in its 'individual credit' programmes facilitating the acquisition of finished housing, the institution distributes the capital which it has collected, between individuals. This capital thus takes on the form of a consumers' fund for these individuals permitting the realisation of the housing commodity, and by so doing transforms itself into productive capital for the builder. The state replaces promoter and builder capital by undertaking the tasks and risks involved in the recuperation of the mass of capital through the amortisation payments on the 'beneficiary's' debt. The determination of the real price and the sale price in general is carried out in the manner already dealt with, and it is precisely because of state intervention that all the interests involved are realised. The role of the state then, is that of *finance capital*;
- c. in the majority of its interventions, the role of the state is somewhat more complex:
- . it acquires developed or undeveloped land, and controls it up to the moment when the product is sold. In doing this it pays the original owner the initial rents that have been capitalised (undeveloped land), or those rents that have been generated as a result of the process of 'land development' (developed land), and commercial capital, and the profits of the property agent. This sum, however, can be subsequently appropriated from the new rents. It thus acts as a *land-owner*;
 - . it supplies the productive capital needed for the development and construction of the house, and thus acquires the rights to appropriate the profits for itself, often concealed in the form of administrative costs or 'reinvestment funds'. When it cedes part of the profit, in the form of a subsidy to the purchaser, it makes a contribution to the process of reproducing social labour-power. The existence of state construction companies is unknown in Latin America - with the exception of the attempts made by the Chilean Popular Unity Government. They represent the only means of eliminating the profits of construction capital from the sale price, and of introducing large scale rational construction techniques;
 - . in almost every case, the state contracts construction work through private companies who are converted into 'capitalist partners', who then grant to its 'industrial partner' a considerable part of future profits;
 - . it takes possession of the final product and acts as *commercial capital* in its promotion and sale;
 - . it assumes the role of *finance-capital* in the process of recuperating money-capital from the amortisation payments on the sale price and the various interests incorporated in these payments.

Its character as promoter capital is defined through the accumulation of the different forms of capital (landed rentier, finance capital, and commercial capital), excluding that of construction-production capital;

- d. its intervention takes the form of promoter capital (case c above) in its 'self-building' and 'mutual help' programmes. In these programmes the users undertake the process of realising the productive process, that is assumed in case c by private construction capital. This implies the disappearance of the profits of construction capital.

In all of these cases, the state promoting institution acts as a *state capitalist agent* that is bound to the housing process, primarily by playing the role of finance capital in promoting construction. The final sale price and the real price paid by the 'beneficiary' will include all of the constituent elements analysed above. It does not matter if the agents who receive the profit are private and many, or if the state apparatus groups one, several or almost all of the multiple faces of capital. The state promotes the production of a commodity and in the process reproduces and expands the value of its own capital. It is this fact which explains why the state promotes housing which has a price more or less equal to that of a similar house produced by private capital.

However, the state does have specific functions that differentiate it from private-promoter capital: it must collaborate in the expanded reproduction of socially *necessary* labour-power, and it must secure the solution of political conflicts tied to housing in order to maintain the political-ideological domination of the bourgeoisie. For these purposes, it makes use of the *subsidy*, made possible through the decision not to appropriate a part or all of the profits derived from its role in the process (ground-rents, profits from productive and commercial capital, interests on capital). In fact, it usually cedes that part of its profits corresponding to the ground-rents, and a part of the interests on its own capital, or it undertakes to pay a part of these interests when recourse is made to external financing. However, it is essential to make clear that this subsidy in no way implies a change in the capitalist nature and structure of the state's promotional activity, and that it does not eliminate the burden of ground-rents, the profits of productive capital, and the interests on finance capital in the final price of the object.

Recent tendencies indicate the progressive reduction in the mass of subsidy provided by state organisms, bringing profitability in its housing activities nearer to the average in the sector by means of two expedients:

- a. to compensate for the subsidy delivered to one sector, by obtaining profits from another - this involves and justifies the displacement of a considerable part of the investment towards medium-high income sectors (state bureaucracy, professionals, small urban bourgeoisie, etc.), and the even greater abandonment of those activities directed to low-income groups;

- b. to adopt 'realist' policies that in one form or another imply the elimination of the subsidy, and thus a displacement of activities towards those sectors with the 'capacity to pay'. In the words of the World Bank: 'Many of the programmes undertaken in the past have not had a lot of success thanks to the fact that they are oriented towards the satisfaction of housing 'needs' rather than 'effective demand'. In contrast to estimates of need that are based on arbitrary norms, effective demand is derived from the capacity and ability of family units to defray the costs of the house' (Banco Mundial: Vivienda, Documento de Politica Sectorial 1975, p. 22). The conclusion is obvious: if the middle strata are those that have the capacity to pay, then activity has to be shifted towards them.

We shall now analyse a second element in the characterisation of state institutions: the origin of their capital. We can classify the Latin American state entities into three groups:

1. promoter institutions financed, directly through the national budget: Instituto de Crédito Territorial in Colombia, Instituto Nacional para el Desarrollo de la Comunidad y la Vivienda in Mexico, Instituto Paraguayo de Vivienda, etc. In this case the funds extracted from society in general are converted into promotional capital financing the activities of construction companies catering for the middle-income housing sector (see point 2).
In a marginal fashion they are also directed towards working-class sectors and other wage-groups with the capacity to pay. We can speak of a regressive mechanism in the distribution of income, even though obviously these are the only institutions that cater for certain lower income sectors, albeit in a sporadic form and from conjunctural requirements;
2. promoter institutions financed directly by capitalist entrepreneurs: Instituto del Fondo Nacional de la Vivienda para los Trabajadores - INFONAVIT - in Mexico, Fondo Social para la Vivienda in El Salvador, etc. These institutions are financed by direct contributions from the employers in the form of a percentage of the worker's or employee's wage and is carried out on behalf of him. It is these institutions that most clearly act as mediating instruments between capital in general and the reproduction of labour-power necessary for capital. They are only concerned with promoting the construction of housing for those wage-earners who the employer taxes, and they do this according to the slow rhythm at which employers' taxation takes place. Their sphere of action is limited to those registered with a higher wage than the legal minimum, and is never extended beyond this minimum threshold. In reality, it means a forced deduction from the workers' wage that can only be recuperated in part (40% in Mexico), since the remainder will go to make up the capital of the institution. It is the type of institution that is most adapted to the process of increasing relative surplus-value through the reduction in housing costs, previously described;

3. promoter institutions that acquire their capital in the same way as the private financial sector acquires it: Banco Nacional de la Vivienda in Guatemala, Banco Hipotecario Nacional Argentino, Banco Central Hipotecario Colombiano, etc. They are subjected to all the rules governing the operation of the finance capital market - payment of interest to saver rentiers, competition on the capital markets, rates of bank-interest charged to the users of credit, etc. More than this the radius of action is restricted to 'credit-worthy subjects' - i.e. to high and medium income sectors.

In reality, state organisations do not correspond in a pure form to any one of these types: they take in a combined form.

In their concrete practice, nearly all of them have permanent recourse to the credit of the *systems*, private banks and external credit, which subjects them to the domination of finance capital. This means they have to transmit the rates of interest that are found on the capital market, to the credit granted to their 'beneficiaries', and this subsequently is expressed in the real final price paid by the purchaser.

In general, the state seeks to resolve the 'housing problem' in three forms:

- a. individual credits for the acquisition of housing. This is the form in which the state simply plays the role of credit agent;
 - b. the promotion of completed housing complexes either directly or in association with private capital. These complexes correspond more or less to the average social housing conditions in each country. The accessibility of this housing is limited by the structure and levels of their prices to middle income sectors: professionals, state bureaucracy, small urban petty-bourgeoisie, wage-earners in the commercial and bank-sector, and to a limited number of skilled industrial workers, the sector varying according to the characteristics of the programme;
 - c. self-building programmes, sites and services, progressive development, mutual aid, etc. We shall concentrate on an analysis of these programmes given that they are the least costly, and thus accessible to slightly lower levels of income, and because they have been given the status of a 'solution' to the housing problem by almost every government and international organisation (World Bank).
- It can immediately be recognized that these schemes compound all of the vices of self-building systems on invaded land or illegal subdivisions, and none of their virtues. The process of housing construction, directed by the state or by an autonomous institution, is carried out on the basis of an investment of the labour of the 'beneficiary' and his family. This is achieved thanks to the prolongation of his working-day, and the drastic reduction of his period of rest (during which he recuperates his productive capacity) with all that this implies. The low level of skills involved in the use

of his labour-power in the construction process implies not only a very bad quality product, but also the disproportionate increase in the *real* price of the house. This is because of the fact that although this labour may not be quantified by the self-help builder it does have a price equal to what would be paid for another's labour. In order to obtain the necessary materials (whether he acquires them from speculators, or from the state organisation) he must restrict to the maximum his already limited consumer fund to the detriment of other consumption requirements such as health, education, food, etc. He will normally fall back upon the use of throw-away materials in order to reduce costs, and this leads to a deterioration in housing quality. The process of self-building proves to be very slow because of the low availability of labour-time, and the sheer impossibility of maintaining the payment of two rents. This leads to overcrowding in limited areas over long periods of time: He must deliver to the state payments that have very little importance in the legal subdivisions, and which he avoids in the illegal invasions. These include the price of the land (ground-rents), and the greater or lesser investments in services, administration and taxes. All this results in state programmes producing the inadequate, unhealthy and unstable forms that they pretend to resolve.

The state organisations are accustomed to locate their programmes on the urban periphery, and in this way reduce the price of land without affecting the interests of the owners. There are three consequences that follow from this: a deterioration in the beneficiary's situation by locating him far from his workplace, thus increasing transport costs; an expansion in urban dispersion, and the multiplication of the general installation costs of services and infrastructure at the urban level; and the generation of new processes of valorisation and an increase in rents in the surrounding land, and throughout the urban area.

All analyses of Latin American state housing policies demonstrate that the housing produced, is accessible only to restricted groups of the population that oscillate between 25-50% of high-income sectors. This leaves the remainder excluded from all access to public or private housing programmes which makes the 'inquilinato' and the 'tugurio' into the only forms of housing solution possible. The reasons for the non-correspondence between the formulations of the state, that invariably affirm that they are working for the least-favoured official sectors, and the reality outlined above, cannot be found in the bad intentions or the incapacity of the state and its agents, but rather in the objective conditions governing society. Over-exploited wage-workers and the unemployed and underemployed masses, who only have available subsistence incomes, are confronted in the market

with housing commodities whose price includes the satisfaction of the accumulated thirst for profit of landowners, capitalists producing materials, builder capitalists or subdividers, property agents, bankers and a mass of professional intermediary agents. The state organisations follow this law and as capitalist companies respond to the solvent demand of those worthy of credit - those possessing fixed and sufficient incomes - objectively minority groups in Latin America. The limits to state action in the 'solution' of the housing problem rest then on the very structures of dependent capitalism.

C. The State and Landed Property

We have already pointed out the contradiction between the unconditional defense of private property in land realised by Latin American *states*, and their denunciations of the speculative character of the 'valorisation' of urban land, which they identify as an obstacle in the solution of the housing problem. We have also outlined the mystifying nature and the limits of these denunciations. We must now look at the actions undertaken by the states to 'resolve' this obstacle.

Generally speaking the Latin American states fall back on two mechanisms: legislation on expropriation, and land taxes.

No matter how much the juridical instrument for the expropriation of land is refined, it remains merely the forced sale by the owner to the state that does not affect the property. Even in the most advanced bourgeois projects for regulating land-markets (e.g. the reform programme presented in Colombia in 1969) indemnification is maintained as a counterpart to expropriation, and the ground-rents capitalised in the price are only slightly penalised through recourse to an official value, that is only slightly lower than an official value. Expropriation is limited to very special cases, and in general it has an exceptional character that requires complex legislative or even administrative procedures. We can say then that private property in land is conserved intact in Latin America.

The second mechanism - the taxation of property and land including the 'valorisation' tax, does not limit property rights, but only affects the total sum of ground-rents in the land tax and the new differential rents created by the state through its instruments in infrastructures. In both cases the great mass of rents remains untouched, and the absence of price controls permits the landowner to transmit the sum paid in taxes to the sale price.

It has been generally maintained that there exists an opposition between urban owners and industrial capital because ground-rents affect and increase the price of housing, and this through its effect on the wage, is prejudicial to the interests of industrial capital. It has also been maintained with reason that promoter

and/or construction capital is opposed to landed property that blocks the free circulation of capital in the sector. However, the economic process and the general opposition of the bourgeoisie (including that tied to housing construction) to the legal proposals of some Latin American governments that wanted to improve the mechanism for expropriation, to regulate the land market, and to penalize ground-rents through taxation (6 projects for urban reform laws rejected by the Colombian Congress, the non-inclusion of any legislation prejudicial to private property in the Law on Human Settlements in Mexico, the Informe Lander in Venezuela), has brought to public notice the fact that these oppositions have begun to be resolved by the spontaneous development of monopoly capital through the territorialisation of finance capital.

This has been stimulated by the state with the creation of the financial systems of housing savings and loans. At present, both the political and the economic process have made every reform that limits the ownership of land or penalises rents.

On the other hand, there are many state interventions that tend to strengthen private or even monopoly property, and which generate new ground-rents: the handing-over of state or municipal land to the private domain; the legal or police defense of urban private property against the invasions of the homeless; the legislation of property in invasions and illegal subdivisions to facilitate the integration of land-markets; the handing-over of a large part of the differential rents created by state investment in infrastructure and services to the owners; the generation of new rents throughout the urban area by the action of state housing programmes in extending the perimeter; the concession to the owners on the urban periphery of the rents that have been generated by state investments in housing complexes. The list could be continued.

To sum up, we can say that despite its formal declaration (when it makes them), the state not only does not act to limit the right to property and the right of the property-owner to obtain a profit on the basis of this right, but that it is also one of the great stimulators of private property in land, and an artifice for the rapid increase in the rents that the landowners appropriate for themselves.

THE DETERMINANTS OF STATE POLICIES

By way of conclusion.

Stripped of their ideological wrapping, the real functions of Latin American state housing policies now become clear:

- a. to collaborate, through the housing subsidy to workers and wage-earners, or through the simple control of the state apparatus, in the reproduction of the labour-power that the different fractions of capital need for the continued

operation of the system of exploitation. Its purpose then is to increase the productivity of labour, to reduce the real wage and increase relative surplus-value;

- b. to support the process of valorisation-reproduction of that capital involved in the housing process (productive, commercial and financial capital) and in particular to regulate the flow of finance capital towards the housing construction sector;
- c. to preserve and expand the right to private property in urban land, that guarantees the right of appropriation of ground rents to its owners, and expands these ground-rents whenever possible;
- d. to conciliate the secondary oppositions between productive capital and landed property; and to support the process of consolidation and integration of landed property and finance capital;
- e. to mediate in the social conflicts that arise out of the housing shortage and the severe shortage of urban services in the houses of the working masses;
- f. within the limits that the natural development of dependent capitalism fixes for itself, to use housing policies as an anti-recessive mechanism through its effects on the production of construction materials, the utilisation of idle capital and the absorption of unemployed labour-power;
- g. to reproduce a housing ideology that legitimates its action, which, moreover, moves in the direction of increasing bourgeois political-ideological domination.

In terms of direct action, the state housing organisations act as:

- a. state capital companies that produce housing commodities for the middle sphere of circulation, fixing their prices according to the laws of the market;
- b. promotional finance capital that irrigates promoter capital or private building capital through the dual mechanism of the direct financing of construction, or through credit for consumption;
- c. a client-partner of private construction capital that realises its construction tasks;
- d. a client of national and foreign finance capital, from which it obtains the mass of necessary rotating capital and to which it guarantees the average rate of interest;
- e. the client of landed property from which it obtains, the land that it requires for its projects through the payment of capitalised rents;
- f. a credit institution that assumes the task and risk of recuperating the capital invested in housing through the amortisation payment, thus freeing productive capital from this task, and guaranteeing the rapid rotation of capital.

The real results of its actions are:

- a. the housing that it promotes is only accessible to a minority sector with middle and upper incomes which includes only

- limited sectors of the working-class and wage-earners with higher income levels;
- b. when it establishes self-building programmes, that are directed towards social sectors, with relatively lower incomes, it reproduces the slum and aggravates the economic situation of the beneficiaries;
 - c. it aggravates urban dispersion and increases the investment requirements for infrastructures and urban services, thanks to its locational policy;
 - d. it is an important factor in urban land speculation because it generates new ground rents and permits their appropriation by non-productive land-owners.

The barriers to the solution of the 'housing problem' are:

- a. the over-exploitation of the working-class and the absence of incomes amongst wide sectors of the population who are subjected to underemployment and unemployment in conditions that determine the inadequate incomes of the majority of the population and prevent it from being converted into solvent demand for the finished house;
- b. political repression that victimises the popular movements for land, housing and urban services;
- c. the high price of the house determined by the capitalist conditions of its production, and in particular, by the inclusion within this price of all the profits of the diverse capitalist agents participating in the process;
- d. the presence of ground-rents, the parasitical profit obtained by the land-owner thanks to the private character of land-ownership;
- e. the low level of development of the productive forces in the sector that is determined by: the obstacles presented by the monopoly in urban land on the circulation of capital, the tendency to monopoly concentration of construction activity; the dispersion of productive units, the variations in the rhythm of investment in the sector, and the limited size of the housing programmes;
- f. the dominant role played by finance capital in the housing process.

In these conditions, the majority of the population of Latin America have no other alternative than to continue to resolve their housing needs through recourse to the so-called 'subnormal' forms: the inner-city slum and the shanty town. It has to continue to run the gauntlet by invading land so that it can free itself of the yoke of landed property, and if this is not successful as a result of state repression, it will remain the prisoner of illegal land speculators, extortioners and usurers. The housing shortage of the workers and working masses will tend to be further aggravated by the maintenance of the existing model of capitalist accumulation and existing political tendencies.