

Neoliberal Housing Policy:
Adaptation for Housing Frameworks in Latin America

Ka Yan Lee
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University of Minnesota – Twin Cities
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Public policies are the deciding frameworks for how cities become structured. The laws become the guides that push the city towards meeting the standards cities have set. In Latin American countries, many cities have a prominent housing crisis in the form of slums, a type of informal housing. Cities, such as Rio de Janeiro and Guatemala City, face a relentless housing crisis with an insufficient housing stock to support the growing urban population. The intent of this paper is to critique current housing policies in Latin America and the variances in housing policies between two specific cities. This paper utilizes neoliberal ideals as a solution to creating a structured framework for Rio de Janeiro and Guatemala City. It is crucial to identify how the framework provides a structured system, implicates the economic system, and if the housing policies are meeting the goals of the cities. Idealists of neoliberalism, Malpass and Murrie, define it as “housing was not an area of policy to be developed in relation to evidence of need but was principally about extending home ownership and the role of the market.”¹ The intentions of neoliberal housing policies are viewed through the lens of government to incorporate the private sector taking a strong role in the housing market. Through the analysis of Rio de Janeiro and Guatemala City, this paper examines the differences in public policies on housing and identifying how neoliberalism impacts housing policies differ from traditional frameworks.

Parameters of neoliberalism incorporate a strong leading role of the private sector. The roots of neoliberal ideals are viewed through an economic lens, where *laissez-faire* (government hands off, free market) is the main goal. Therefore, neoliberal economists believe in a government unregulated, free market, and free trade world. When neoliberalism is viewed in a housing market, it is impossible for a fully government-free housing sector to sprout. This is due to the need of regulations on market pricing rates and rents to be contained and not be

¹ Malpass, Peter and Murrie, Alan, 1999, *Housing Policy and Practice*, Macmillan Press Ltd, London.

astronomical and unobtainable for residents of all income levels. Neoliberal housing ideals have strong benefits from the ability to strengthen two main cores of each city (economically and through housing). In the case of Rio de Janeiro and Guatemala City, first is to identify the current housing framework. Second is to determine housing detriments each city's framework holds. Both components will develop a strong basis for how neoliberal housing frameworks can be adapted to each country. Successful incorporations of business sectors with local governments are very much present in the European housing models. Therefore, adaptations of neoliberal ideas in the housing market are referencing towards how the government does not have to carry the burden of housing pressure alone. This creates a tradeoff when private sectors become key players in housing market roles because the government provides incentives to private companies that help create public/private housing.

Latin American housing policies vary from place to place due to the vast spectrum of conditions. Rio de Janeiro and Guatemala City are the comparison cities which identify variances between public policies. Brazilian federal government legislates on general matter and the states focus on specific interests/local matters.² Article 21 of the Brazilian Federal Constitution provides that the federal government has the obligations to issue guidelines for urban development, housing, sanitation, and transportation.³ Brazil uses establishes the framework that it is within the federal government's role to provide housing. The National System for Social Interest Housing and the National Housing Fund aims to provide dignified, affordable housing to citizens. An apparent framework for Brazilian housing is formed, but the real world situation of housing in Brazil differs greatly.

² "Mattos Filho." *Cyrus R. Vance Center and Catalytic Communities*, 24 Jan. 2014. Pg. 3-6

³ Mattos Filho. *Cyrus R. Vance Center and Catalytic Communities*, 24 Jan. 2014. Pg. 6-7

The Brazilian housing framework fails to accommodate for the informal housing market. The informal sector is the favelas, temporary structures created by the displaced Brazilians who cannot find/afford housing in the dense urban city. The urban population movement in Brazil is sprawling as the poor are forced to move further away from the city. Therefore, the informal housing sector is created densely on the outskirts with no sanitation, access to services, no transportation, and no government acknowledgement. The initial beginnings of favelas occurred in late 1800s with African migrant workers looking for work in Rio, but with little money they could not afford urban housing.⁴ By 1920s, favelas grew into communities and neighborhoods thus catching public attention. “In 1937, *Codigo de Obras* (building codes) Article 349 determined the first legal text to use the term ‘favela’ as a consolidated systematic associate between favelas and illegality, deeply influencing urban policies in relation to these. This decree established a *modus vivendi* (agreement to coexist peacefully) thus deepened the duality of the favela versus the city, making it impossible to systematically publically invest in these spaces since they did not exist officially.”⁵ Due to this decree the acknowledgment of favelas was deemed illegal with no government support, thus to this present day as there is a mutual silent relationship between Brazilian public housing policy and favelas. Residents in favelas created their own self-sufficient structure to provide amenities that the government cannot offer them. Therefore, favela residents do not own legal titles to land and favelas are on squatted lands. The conclusive analysis of current Rio housing frameworks is the ineffectiveness it has in creating sufficient housing thus leading to residents to fend for themselves in the informal world of favela.

⁴ Waite, Chelsea et. al. *Brazil Five Centuries of Change*. 2012. Brown University Library.

⁵ Gonçalves, Rafael Soares. *A construcao juridica das favela do Rio de Janeiro: das origens ao Codigo de Obras de 1937*. Vol. 9, n. 3. 2006

The counter comparison, Guatemala City, offers housing policies incorporating the acknowledgement of the informal sector as its current housing framework. “Housing and human settlements law of 1996 created the institutional framework for managing and monitoring the housing sector...in a new legal platform for the smooth transfer of invaded public lands to squatter families.”⁶ The acknowledgement and recognition of squatter homes is due to the 30% of urban growth in Guatemala City that is inhabited by squatters. Migration in Guatemala City is due to the intra-country migration of urbanization as rural residents flock to the metropolitan areas. Urbanization in Guatemala has taken on in a horizontal format versus vertical expansion. This leads to the current problem of the city’s peripheries are more than 20 kilometers from the city’s center. This type of urban growth drives the economic disparities and unwanted slum growth. “Of its 2.5 million inhabitants, approximately a third live in precarious settlements.”⁷ Due to the lack of affordable housing and poor housing framework, several classifications of slum housing have developed. 1) Settlements on private lands 2) Invasions of state/private lands 3) State sub-divisions 4) Urbanized villages 5) Renting 6) Occupation by permission. These are the methods classified by how the residents of slums have occupied land because of the low-stock on affordable homes. A crucial part of housing is the balance between housing stock and financial banking, when housing stock is deficient it relies heavily on mortgage finances in order to obtain proper funds to build. In the case of Guatemala City, the housing industry remains stagnant in growth because the framework does not provide mortgage loans easily to low-income residents.

⁶ Angel, Shlomo. *Housing Policies and Programs in Guatemala: Diagnosis, Evaluation and Guidelines for Action*. 1973. New York U, PhD dissertation.

⁷ Cerezo, Carlos Enrique Valladares. *The Case of Guatemala City, Guatemala*. London’s Global University. 2003

After exploring the present conditions and obstacles the current housing policies are insufficient for the current state of the growing cities, how does incorporating neoliberal ideals into policy frameworks solve the obstacles? Latin America's influences derive from Spanish conquests leading much European colonial influences. Guatemala City can continue to follow European influences by following the neoliberal housing model practices they have developed throughout the past 20 years. The neoliberal housing models implement use of the private sector. Examples of successful neoliberal agendas in housing include public/private partnerships by mixed-use buildings, which contain a commercial level one storefronts and residential units on top. These types of social housing alleviates partial burden from the government and places critical responsibilities for private developers to work with government to create more housing. In addition, a strong component of this housing model is the pressure alleviation off of the financial sector. As previously stated, the mortgage loans from banks are a primary reason for stagnant housing stock. The refusal to give out risky loans to people wanting to be homeowners. Therefore, the neoliberal model removes this financial aspect and housing stock will increase. This is a strong solution for Guatemala because it tackles both the crisis of insufficient housing and low economic growth. This neoliberal framework allows for the government to provide attention to two important sectors of housing and economic growth. Therefore, the question remains can neoliberal housing policies be possible for Guatemala City?

Previous precedents of neoliberal housing in the Latin America was found in Chile in 1990. Under dictator Augusto Pinochet's rule, the government expenditures were too expansive and a growing debt crisis was imminent. To reduce government expenditures, a neoliberal housing framework was implemented. This was a 100% removal of housing creation burden moved from government to private developers. The effects of this framework had unintended

results creating further division in socioeconomic class. First, creating new affordable housing stock did not meet the expectations.⁸ Private market developers bought large amounts of land in the city peripheries of Valsparaiso. This urban development style concentrated poor families in social housing compounds. Local governments did not and could not utilize any resources to assist poor families in these housing complexes. This neoliberal housing implementation in Chile failed due to the inability for poor residents to act collectively to demand for policy changes. Private entrepreneurs did not have to listen nor concede to the concerns or inequality of equal access to housing for all economic statuses. The lesson of this framework implementation was the full housing burden was placed on the private market to carry alone. Thus, the Chile's housing policy was 100% dependent on the private market.

The ideals of neoliberalism may seem radical, but are practical. The incorporation of neoliberal housing policies in both Rio de Janeiro and Guatemala City is a solution to each present cities failing housing framework crisis. The current public policies with much government regulation creates much supply and demand constraints leading to less number of investments.⁹ Part of neoliberal housing is the removal of housing subsidies. With less government investment into the restrictions and constraints stifling the private sector, the heavy rock over the housing market is lifted. Previously, the restrictions were put into place to ensure that renters and buyers had protections on market rates and not unaffordable costs. Under neoliberal housing policies, the goal is to encourage private sectors to consume some responsibility to providing housing in Rio de Janeiro and Guatemala City. The cooperation

⁸ Zunino & Haldago. "Spatial and Socioeconomic Effects of Social Housing Policies Implemented in Neoliberal Chile: The Case of Valsparaiso". Online May 16, 2013. Pg. 514-524

⁹ Sandhu, Kiran, and Stanislaw Korzeniewski. "The Impact of Neo-Liberal Ideology on Housing Policy and Practice." *ITPI Journal*, vol. 1, 2004, p. 1-7.

between private business and local government have the potential to generate additional housing into the market still under government regulated rates. It is a flexibility between both sides which neoliberalism housing is the common ground. Yet, the real benefactors of neoliberal housing policies are the residents in need because the process of building more homes and complexes is quickened as money from the private business sectors flow in.

Neoliberal housing as an inclusionary housing policy solution in Latin America is possible. Lessons learned from Chile's implementation of neoliberal ideals was a risk because the housing market was completely controlled by private developers. This was the purest form of neoliberal housing that through empirical history has failed. Thus, the solution of incorporating neoliberal housing of allowing the private market to share the housing burden with the government is the solution. This method is considered as inclusionary housing where the government creates incentives for private developers are required to proportion some developments for affordable housing. This benefits the government because of 1) housing cost burden relief and 2) urban city renewal. First, these Guatemala City and Rio de Janeiro both face lack of government funding. The ability to incorporate private housing developers to create housing is a reprieve on federal expenditures. In addition, private enterprise develops poor, dilapidated sites thus revitalizing neighborhoods within the city. This is both a strategic business decision due to lower costs to purchase the land and the expansion of mixed use buildings to revitalize neighborhoods with businesses.

In conclusion, Guatemala City and Rio de Janeiro currently have housing policies that do not meet the need of housing stock and to relieve the burden off the government neoliberal housing frameworks should be adopted in place of current housing policy. Utilizing the private market creating mixed use buildings of commercial and affordable residential units with

incentives from the government. This dynamic combination of an incentivized private market working next to government level will create more housing stock than the housing policies in place in Guatemala and Rio de Janeiro.

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