

THE IDEOLOGY OF ECONOMIC LIBERALISM AND THE POLITICS OF HOUSING IN ROMANIA*

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Abstract

The privatization of housing (linked to the privatization of means of production), respectively the creation of a new private housing fund, have been crucial for the emergence of capitalist property regime and market economy in Romania. The state withdrew from its position as a developer (of housing stock, but not only), however it did not remain passive, contrary, it assumed a central role in the creation of the (housing) market through modifying legislation and creating new institutions that administered this process. The article is addressing how the ideology of economic liberalism is working through housing politics as a core medium of the transformation of really existing socialism into neoliberal capitalism. In particular, it describes how – through privatization – this ideology creates material effects in the housing sector, i.e. accumulation on the one side and dispossession on the other side of the class structure. Moreover, the article insists that the housing stock's privatization after 1990 happened in relation with the housing politics of state socialism, which allowed the existence of three types of property on housing. The

* The documentation work that stands behind this article have been realized together with Simona Ciotlăuș and George Zamfir in a recent research under the project *Strengthening the Housing Justice Coalition in Romania through reframing the political claims for public housing* ran by Foundation Desire from Cluj, Romania in the period February-July 2017 and sustained by Rosa Luxemburg Stiftung. More information about this project and its actions can be found here – http://www.desire-ro.eu/?page_id=3038. This article is related to another study produced under the same research, one that is describing several general characteristics of the production of the private housing stock and how these processes happened after 1990 in the city of Cluj through real estate development (manuscript, June 2017). The article was translated from Romanian to English by Noémi Magyar.

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creation of a new private housing fund was tied to post-socialist primitive accumulation resulted from the privatization of state enterprises and from the investment of profit obtained in the due process into real estate businesses. After some introductory ideas about ideologies and housing politics, the article discusses the privatization of housing and the creation of the private housing stock as central pillars of capitalist political economy. The description of some features of housing production and personal ownership of dwellings in state socialism is followed by an account on the promotion of privatization after 1990 by local-national-transnational actors using the example of the city of Cluj. The last chapter of the article concludes on the process of transformation of state socialism into neoliberal capitalism through the politics of housing sustained by the ideology of economic liberalism.

Keywords: ideology as productive practice, material effects of the ideology of economic liberalism in the housing sector, housing politics as a core factor of transforming state socialism into neoliberal capitalism

1. Ideologies, politics and "the management of housing sector" in World Bank style

Policies are not neutral problem-solving instruments (Shore and Wright, 1997), but are objectifications of politics driven by class interests and naturalized by ideologies. At their turn – starting with the definition of "the problem" – policies and politics are becoming part of the problem, i.e. of how capitalism works, by sustaining accumulation on the one side, and dispossession on the other side of class structure (Harvey, 2003).

Ideologies are not simply cultural systems or world views, but are processes that construct realities and subjects, and are functioning as battlegrounds of politics in the largest sense of the term. Dominant classes create and maintain their dominant positions not only via economic exploitation but also through productive ideologies or by ruling through hegemony (Gramsci, 1971). Ideologies are tools of justifying power regimes, while they do not only legitimize inequalities, but also work as one of the forces that reproduce the conditions of production, among them the labour power submitted to the rules of the established order (Althusser, 1970). Ideologies produce the subjects by particular discursive formations, but they also have material effects unevenly affecting different social classes (Therborn, 1999).

Ideologies embodied in politics and policies are productive practices that inform other actions, which create the frame where a political economy is functioning. In my article I am addressing how the ideology of economic liberalism is working through housing politics as a core medium of transforming really existing socialism into neoliberal capitalism. Housing politics is not only about the housing sector, but about the whole economy while embodying the interests of dominant classes. Therefore, the regulation of this domain by state apparatuses was always a core element of political economy as a whole, and in particular of both economic and social politics and policies.

Nowadays, the ideology of economic liberalism is a constitutive force of neoliberal politics of privatization that aims to solve the problem of over-accumulation experienced by capitalism since 1973 (Harvey, 2003). In Romania, a new wave of privatization of public assets and austerity measures as a thought-to-be-solution to crises were sustained by an anti-communist discursive frame and made appeal to the old (false) promise that the "efficientization of market" could not only bring economic growth but also social welfare among others to the poor. In my article I am focusing on one of the elements of economic liberalism, which is privatization, in particular on how this ideology creates material effects in the housing sector.

The regulation of the housing sector happened now only via the proceedings of some local or national actors, but at the intersection of the actions of the local, national and international or transnational institutions. Under the conditions of the development of global capitalism after the second world war, the so-called Bretton Woods international financial organizations (the International Monetary Fund and the World Bank) played exactly this crucial role of regulating global capitalism and to "assist" post-colonial or "underdeveloped countries" in a way that served the interests of the core countries or of the former colonial empires. They orchestrated the process of (re)producing the "underdeveloped" and "developed" countries while (re)creating uneven development (Smith, 1990) as endemic feature of capitalist world system divided among core, periphery and semi-periphery countries (Wallerstein, 1974). Nowadays these international financial institutions continue acting as instruments of global capitalism in relation with countries where really existing socialism

was dismantled: they offer them "assistance" and loans conditioned by respecting their "advices" (Vincze, 2015). But these recommendations are not technical/neutral matters, even if they are presented as such, but are informed by the ideology of economic liberalism, and they do keep reinforcing the imperative of privatization. As "emergent markets", these semi-periphery countries are supposed to continuously privatize their public assets, including public housing, transforming the whole domain of housing into a terrain of market. Among others, they are offered the model of United Kingdom under the Thatcher era, when the council houses were sold out and the right-to-buy ideology became the engine of privatization of housing as part of generalized neoliberal policymaking.

The housing policy recommendations given to World Bank "borrowers", including former socialist countries, were presented in the document entitled '*Housing: Enabling Markets to Work*' (1993) that articulates the housing policy of the World Bank as it has evolved during the 1980s and early 1990s. The document explicitly stresses: "governments are advised to abandon their earlier role as producers of housing and to adopt an enabling role of managing the housing sector as a whole," which means "to rationalize the broad regulatory framework within which the sector operates." This imperative should be reached via several instruments, continues the argument, such as: developing property rights, developing mortgage finance, rationalizing subsidies, providing infrastructure for residential land development, regulating land and housing development, organizing the building industry by creating greater competition in the building industry, and developing the institutional framework for managing the housing sector. Far from being a simple recipe implemented in each and every country receiving conditioned IMF and/ or World Bank loans, this ideology informs economic restructuring across the globe while naturalizing these actions as taken-for-granted and hiding their driving interest, which is supporting the accumulation of capital via housing development.

2. Privatization of housing and creation of the private housing stock – central pillars of capitalist political economy

In state socialist Romania, around 30% of the housing stock belonged to the public sector (70% of it being in personal property).

Nowadays, this percentage dropped to under 2% (the percentage of private property rising to more than 98%). The privatization of housing (linked to the privatization of means of production), respectively the formation of a new private housing fund, have been crucial for the emergence of capitalist property regime and market economy in Romania. This took place because – on the one hand – they restructured social relations between people and, on the other hand, they contributed to the creation of a new commodity, i.e. housing, or differently put – instead of its use value – they brought to the foreground the exchange value of housing. Therefore, I propose an understanding of privatization and of the creation of the private housing stock as central pillars of capitalist political economy that contributes to the development of the class structure specific to capitalism, and – on the one side – to capital accumulation, and on the other side to dispossession. My study's approach is marked by the emphasis placed on housing politics or on the role of the state in the transformation of state socialism based on an industrialized economy into post-industrial neoliberal capitalism.

The housing stock's privatization after 1990 happened in relation with the housing politics of state socialism. The creation of the private housing stock was tied as well to post-socialist primitive accumulation resulted from the privatization of state enterprises and from the investment of profit obtained in the due process into real estate businesses¹. The state, through its law enactment mechanisms – at national level via the normative acts emitted by the Parliament and Government, and at local level via the Local Council Decisions of the Municipality of Cluj-Napoca – played a crucial political and economic role in these processes central to the formation of capitalism in Romania.

I notice that in parallel with, but related to the transfer of ownership of the dwellings and the creation of the new stock of private dwellings, the primitive accumulation of capital through the privatization of state-owned enterprises was carried forward by subsequent investments in the real estate business. The latter process was also sustained by the state through attribution of public land and / or by granting of building permits under a

¹ In defining primitive accumulation, I rely on David Harvey who emphasizes that this did not take place in just a unique moment in the emergence of capitalism, but that, under the form of accumulation by dispossession, it is a continuous capital accumulation process at global scale. See David Harvey, *New Imperialism*, Oxford: Oxford University Press, 2003.

preferential regime, or at least by a deregulated urbanization shaped by a politics sustaining private investors.

Real estate development in Romania over the past almost three decades illustrates the role it played in the evolution of capitalism by the commodification of urban space, by the investment of capital in the built environment, as well as its embeddedness into an urban policy as a class politics that determines what, for whom and where it was built.² All these material factors functioned as the main sources of profit in the post-industrial and neoliberal society, being sustained and justified by the ideology of privatization, as well as by the discursive practices of fetishization of housing as commodity. The latter aspects of this phenomenon are discussed in chapter three of this article with reference to the relationship of this ideology with anti-communism, as well as in its chapter four in the context of analysing how privatization after 1990 was promoted at the intersection of local-national-transnational, but also in the concluding chapter of the study.

After 1990, privatization was encouraged as a condition for Romania's connection to global capitalism from an emerging market status and a developing country both through its pre-accession, accession and post-accession process to the European Union, and through the memorandums concluded with the Bretton Woods financial international institutions. To a great extent, privatization was ideologically justified as part of de-legitimization of communism. On the one hand, through the appeal to the need to ensure the efficiency of production as a condition of the competitiveness of goods produced on the unregulated free market actually sustained by the state. And – on the other hand – by emphasizing the need to ensure the rights, freedoms and protection of the individual against the oppressive state with its tendencies to control its private life. In fact, the privatization of state property accumulated between 1945-1990 both in the form of state-owned enterprises and in the form of a stock of

² These characteristics of capitalism from the second part of the 20th century and from the 21st century are described in details by Harvey. Connected to critical urban theory, among others he starts his analysis from the investigation of Henri Lefebvre on the role of the production of space and of urban processes in contemporary capitalism. See David Harvey, *The Urbanization of Capital: Studies in the History and Theory of Capitalist Urbanization*, Baltimore: The Johns Hopkins University Press, 1985.

public housing, as well as putting private property into the core of post-socialist ethos, were central mechanisms of the formation of capitalism, respectively of the formation of the capitalist class structure and the accumulation of capital in Romania. All this happened at a time when capitalism became global in its neoliberal form, Romania being integrated into the global capital circuit as a source of capital accumulation through privatizing state property and natural resources, as a sales market for goods produced elsewhere, but also as a source of cheap labour.

I sustain that the privatization of the old state-owned housing stock must be addressed together with the production of the new private housing fund for the following three reasons:

(1) Looking for the causes of changing of social relationships through housing, but also of the transformation of housing into commodity or of the formation of the housing market as part of the real estate market, we cannot confine ourselves to define the privatization of the old state housing stock and retrocession as the only or the most important cause of this transformation. This privatization, which is particularly characteristic of the 1990s (although it continues in the upcoming decades), is at most only one of the factors that create the necessary conditions for the formation of the housing market, namely a product (privately owned dwellings), which has the potential to become a good merchandised on the market.

The other factor in the formation of capitalist relations in the field of housing and the transformation of the dwelling into a commodity is that of the private production of a new stock of private dwellings, which contributes to the formation of the real estate market and the housing market as part of the first. The creation of the latter is sustained by the land market, by the construction market, by the real estate market and by the development of bank-credit system. All these markets are developing in Romania especially after 2000, even if regulations in this area begin to appear beforehand.

(2) The ideology of privatization and private property is manifested both in the process of transferring of dwellings from state property to private ownership, and in the process of producing a new private property fund on the one hand by individuals and on the other hand by real estate investors.

(3) The state contributes to both of the processes from above by legislating and by creating institutional conditions, even if it does it in various ways. On the one hand, directly, by transferring state property to private ownership; and indirectly, by sustaining private housing production through assigning land in concession from state property on the behalf of the new private property constructions, by using public budget for various land consolidation works or for feasibility studies sustaining private housing construction, or by other means.

On the other hand, I argue that the production of the new private housing fund should be discussed in connection with the privatization of state-owned economic units, because:

(1) Those who became majority shareholders of some of the privatized production units were mostly former managers / directors of these companies, thus having positions of leadership in the former factories as administrators of socialist property, acting in the sense of the communist regime as kind of private owners of common goods.³ After 1990, after the state-owned enterprises were transformed into business companies (*societăți comerciale*), in some cases these former administrators began to use the infrastructure, the buildings, the equipment and other assets of the former factories for the construction of dwellings. They actually invested the capital achieved through the primitive accumulation that happened via the privatization of state property into their own real estate business, which promised to bring more profit than the possible continuation of production (an example in Cluj is the construction of the Sports Hall Ensemble on the site of the former Silk Factory "Working Romania").

(2) Those who accumulate capital in other domains, at one point they invest their profit into a real estate development (for example, in Cluj, Platinia Mall Residence was built by a real estate developer as a result of the purchase and demolition of the building of the former Ursus Beer

³ According to Verdery, the right to administer, and not only ownership in the strict sense of the word was a property right. The right to administer could be established in the socialist economy because there was a need for state property to be operationalized or put into practice. There was necessary to regulate how exactly the so-called good of all people or the abstract socialist property would function in practice. See Verdery, Katherine, "Property and Politics in and After Socialism", in *Revista Română de Sociologie*, Serie nouă, Anul XIX, Nr. 1–2: 37–55, 2008.

Factory, which is a case of a developer investing capital generated by its waste industry companies into this project).

(3) Former state-owned companies from the housing sector, based on Law no. 15/1990, were reorganized as autonomous administrative companies (*societăți administrative*) or as business companies (*societăți comerciale*).⁴ Besides some new companies created by Local Council Decisions, with which the City Hall or the Local Council was associated as a shareholder, these new privatized units became the managers of the public housing stock on behalf of the Romanian state.

Last, but not least, one cannot address housing politics without observing the intrinsic links between the latter and employment politics in the process of creating and developing of a political economy of any kind. Because production needs labour force, and labour force is reproduced through consumption, respectively, among other things, through housing. The definition of the need for housing and the way this need is met at a certain point on the level of the entire population, are products of economic development and of political decisions:

(1) Socialist industrialization presupposed the construction of dwellings according to the labour force which was needed in the production process (that was largely ensured through the migration from rural to urban areas), so that the state contributed significantly (but not totally) to the provision of the needed housing stock.

(2) Capitalist production in the post-industrial and neoliberal economy - changing the occupational structure of the population and thus leading to new types of inter-urban migration or of urban-rural relationship - creates conditions for the predominance of private housing construction practices, among them also those made by the real estate developers who accumulate capital by investing into the built environment.

Therefore, it is not possible to discuss housing outside its relationship with labour. Nor because, as can be seen in all political

⁴ *Regiile autonome* are organized in strategic fields of national economy (such as weapon industry, energy, mining, natural gas, railway, post), respectively in some other domains defined by the government. State economic units, with the exception of those who are supposed to be formed as "regii autonome", will be organized under the form of shareholder societies or societies with limited responsibility, under the conditions provided by the law.

regimes, the housing structure of the city always reflects the class structure of society, or because socio-economic status and class differences are also manifested and reproduced territorially. One may conclude that the production of class inequalities in and through housing is part of the urbanization process, characteristic of modernization, and its various types, both socialist and capitalist one. The transformation of the built environment and of the population living in this environment is a long-term process of accumulation through dispossession or of passing of public goods into the hands of private individuals who use them to increase their profits while expelling the poor into peripheral territories and social positions. Accumulation through dispossession takes place in the urban-rural relationship or in the relationship between the various urban areas and ultimately in the relation between the dominant classes and the oppressed classes of the various regimes, all of which are justified by the ideologies of meritocracy and the classification of people into deserving respectively unworthy of adequate housing.

3. Housing production and personal ownership of dwellings in state socialism

During the time of the Groza and Dej governments, the socialist state was preoccupied with the production of housing through decrees which regulated the struggle against capitalist exploitation in this domain (through the nationalization of the buildings of the great capitalists regulated by Decree 92/1950).⁵ After 1965, the Romanian state drew up a series of laws which aimed at developing housing construction and regulating relations between landlords and tenants.⁶

⁵ In this sense, on the domain of housing, the following normative acts were issued: Decree 78/ 1952 regarding the standardization, allocation and use of housing spaces and the regulation of relationships between owners and renters; Decree no. 493/1954; Decree no. 524 from 1955 modifying Decree no. 92/1950; Decree no. 409/1955 regarding the transmission of goods into the property of state; Decree no. 144/1958; Decree no. 144 from 29th of March 1958 regarding the construction permits, respectively permits for reparations or demolitions, and those regarding their sale.

⁶ First of them was Law 9/1968 for the development of housing construction, selling the homes from the state fund towards the population and the construction of holiday houses in personal property. This law was repealed by Law 4/1973 on the same issue, being completed by the regulations of Law 5/1973 regarding the administration of housing fund and the

For those who believe that during the socialist period the housing stock was only or predominantly owned by the state or that the state supported only, or predominantly the production of the public housing stock and its maintenance in state property, would be surprised by the fact that Law 4/1973 pays so much attention to housing construction in the personal property of citizens, but even to the sale of dwellings constructed from centralized state investments, to citizens. Far from being merely technical procedures for housing production, the regulations of Laws 4/1973 and 5/1973 also had the role of transposing the politics of the socialist state regarding ownership on the domain of housing, even more so, they contributed to the development of the socialist property regime with some peculiarities that resulted from the way the state responded to the need for housing linked in turn with the politics of industrialization. Knowing this property ownership regime in the housing domain, which was a mixed property regime, helps us understand why the privatization occurred in this sphere just as it did after 1990, noting that this privatization is actually continuing some existing trends which existed during state socialism.

relationship between owners and renters that were put into practice by Decisions nr. 860 from the 13th of July 1973. These normative acts were playing an important role in the articulation of the concept of the Romanian Communist Party and the Romanian state about the function of housing politics in the context of launching the five year plan 1971-1975 with provisions till, which gave start to the program of multilaterally developed socialist society (*societatea socialistă multilateral dezvoltată*). The latter aimed: "the intensive growth of forces of production, the formation of an advanced economy, i.e. modern industry and agriculture, sustained by the development of science, education and culture, the increase of material and spiritual wellness of working people, the continuous improvement of relations of production and of the whole social organization." Among other, the plan defined the need to construct in urban areas a number of 522 thousand apartments. The way how housing politics was integrated into this program was defined in the preamble of Law 4/1973: "The development of national economy in an increased rhythm, the modernization of towns and working class centres, the increase of the number of workers and specialists, the continuous increase of salaries and other incomes of workers, make necessary the development of the construction of homes and the improvement of their comfort - a necessary condition for increasing the wellness of people. In order to satisfy the growing need for housing, the rhythm of constructing new houses will be increased and measures for improving their comfort will be taken, in accordance with the rhythm of the development of national economy and with the provisions of the unique national plan of socio-economic development."

From the point of view of property, housing was regulated as a domain of consumption, not of production. While in the domain of production the socialist state was seeking to install the socialist property on all means of production (even if it did not entirely exclude other types of property from this domain), in what regards housing as a sphere of consumption it maintained three types of property (state property at its turn having two sub-forms; co-operative property; and personal property). These are described in Law 4/1973 and Law 5/1973 from four points of view: of the entities that can build dwellings; from the perspective of the type of property; of housing management; and from the point of view of the relationship between the owners and the tenants of these dwellings. Thus, state socialism has defined the right to housing and regulated this right by distinguishing between:

- dwellings built from centralized government-owned investments, being in the property of the state and managed by companies subordinated to people's councils (*sfatul popular*) or other state-owned companies, which could be rented but could also be sold to citizens (via whole payment or via loans managed by House of Savings and Consignments "CEC");
- dwellings built from the funds of the state-owned companies, being in the direct administration of the companies, which could be rented by these companies for their own employees;
- dwellings built from the funds of the cooperative organizations and other public organizations with economic and social character, being hold in co-operative property, these organizations administering and renting the dwellings to their members, since the latter could also benefit from loans for the construction or purchase of personal property dwellings;
- dwellings owned by the citizens, which were built from the incomes/ economies of the population or through state loans, or which came into their personal property as a result of the purchase of dwellings from the state-owned housing stock managed by the local council companies, through full payment or "CEC" credit.

It is important to note that the state has regulated the use of dwellings in all of its details, and not only the state-owned housing, but also housing hold in the personal property of citizens. This is precisely the

difference between – on the one hand – personal ownership of the dwelling as it was understood in state socialism, and – on the other hand – between the private property of the dwelling as it was naturalized after 1990.

One may conclude that housing functioned as a field of consumption also during state socialism, through which the reproduction of the labour force was carried out, a process to which the state had a partial contribution. Faced with the challenge of providing sufficient labour force for the industries developed in the cities, but at the same time with the need to reduce the cost of housing construction as much as possible, the state found the following solutions: through housing legislation it sustained the possibility of housing construction in personal property, as well as the purchase of dwellings built from the state budget; promoted commuting from villages to cities of urban workers living in rural areas; through the systematization programs that implemented the politics of transforming villages into urban centres.

The emphasis on the systematization of villages in the 1980s was precisely the reaction to the sub-urbanization of the cities in Romania, which resulted from the discrepancy between the high investments in the industry and the lower investments in the urbanization of the cities. Housing construction has been considered to be a costly investment, while the development of industries was thought being a win-win investment. Thus, during this period, even if the state has built a lot and nationalized the bourgeois properties, the state housing fund has reached only 30% of the total housing stock, the remaining 70% of the existing housing fund being owned by the population.

4. Promotion of privatization after 1990 at the intersection of local-national-transnational level – the case of the city of Cluj

The period of "post-socialist transition" in Cluj Napoca between 1990-2004 took place under the regime of Mayor Gheorghe Funar. He was renowned and publicized mainly because of his nationalist politics. Besides its cultural-symbolic effects, this created a favourable space for capital accumulation in the hands of local entrepreneurs without completely excluding foreigners. At the local level, in the context of an ongoing making of national legislation, this meant the transfer of state capital into private capital both in the area of housing and of economic production, and as well

as the creation of two banks with local interest (*Banca Dacia Felix* and *Banca Transilvania*).

One may observe how are the Local Council Decisions functioning as instruments of political economy of housing. While transposing into local level the emerging national legislation, they contribute massively to the privatization of the public good and the state property in the broad sense of the word as mentioned above. The Funar regime was the one that, through all the administrative regulations implemented and by the lack of urban regulations, which both contributed to privatization, prepared the ground for the further development of Cluj - under neoliberal governance - as an entrepreneurial city or a "competitive city" or "magnet city".

While Funar used his several mandates in Cluj-Napoca, at national level Romania had the following governments: between 1990-1992 the National Salvation Front's three governments (FSN - Roman 1, Roman 2 and Stolojan); between 1992-1996 the government of Democratic Front of National Salvation (FDSN - Văcăroiu); between December 1996 - December 2000 three governments of the Romanian Democratic Convention (CDR), consisting of the National Peasant Christian-Democrat Party, the Democratic Party, the National Liberal Party and the Democratic Union of Hungarians in Romania; between December 2000-2004 the government of the Social Democracy Party of Romania (PDSR) transformed later into the Social Democrat Party (Năstase).

As far as housing politics is concerned, the observation that after 1990 the state was withdrawing from its position as a developer (of housing stock, but not only), was valid throughout this whole period. But the state did not remain passive, contrary, it assumed a central role in the creation of the (housing) market through modifying legislation and creating new institutions that administered this process. There were, however, nuances of the emphasis made on this approach by one government or other. During the National Salvation Front government, the sale of houses from the old state fund to its former tenants at a low price was a process that contributed to the creation of a small homeowner's capital that enabled impoverished people to survive financially in case of losing their jobs. The Democratic Front of National Salvation government drafted the housing law, which made important provisions regarding the social housing fund. Article 42 of the law, in its original version (in force since October 1996),

stipulated that "families with a net average monthly income for which social assistance is granted, increased by 10%, have access to housing to rent." Thus the law - in this variant - advocated access to social housing for the most disadvantaged social categories (or, without using this term, for the pauperized working class)⁷. Furthermore, the Romanian Democratic Convention's governments have oriented the housing politics towards the creation of the housing market, among others, through Law no. 152 of 15 July 1998 regarding the establishment of the National Housing Agency. The latter has among its attributions the construction, renting and selling of dwellings created for young people, having its field of activity also the housing construction program through mortgage "as a modern form of stimulating the construction of housing."⁸

The sustaining of privatization on national and local levels must also be seen in the context of connecting our country as an emerging market to global capitalism. On the one hand, however, we must observe that Romania's diplomatic relations with the European Union date back to the period of state socialism. Since the 1970s Romania has signed a number of agreements with the European Economic Community to facilitate commercial trade. New agreements of this kind have been put into operation starting from 1993. Romania submitted its application for membership of the European Union on June 22, 1995, and began negotiations in 2000. These ended with an EU decision in December 2004 that provided the signing the Accession Treaty in April 2005 and joining the EU on 1 January 2007. According to the Report of the Commission of the European Communities from October 2005, Romania fulfilled both the political criteria to become a Member State and the criteria of a functioning

⁷ This article was modified through Emergency Enactment nr. 57/2008 in the sense of redefining income that classifies the applicants for social housing into eligible and non-eligible. The level of income under which people were supposed to be entitled for social housing was set under the monthly medium income per person. As a result, the sphere of those who were eligible for social housing enlarged, while the production of new social homes (via construction, refurbishment or other means) was stalled. This made the local public administration, for example the City Hall and the Local Council of Cluj-Napoca, on the base of its autonomy, to introduce among the criteria of distribution of social homes ones that favoured the better-off and well educated social categories, against unemployed, less educated and pauperized working people.

⁸ More information about these programs might be read here: [<https://www.anl.ro>].

market economy. However, the UE noted the country's obligation to seriously implement its own structural reform program that "will enable it to cope with competitive pressures and market forces within the EU." In the centre of this reform program, as well as of other reforms after the accession, was precisely the imperative of privatization.

On the other hand, between 1990-2004, the International Monetary Fund (IMF) concluded several Memoranda with all the Romanian governments after 1990⁹ (Roman, Stolojan, Văcăroiu, Ciorba, Radu Vasile, Năstase). Thus, by the end of 2004, there were seven stand-by agreements signed between IMF and Romania on macroeconomic policies, all of which have conditioned the given loans on the privatization imperative. Concerning the latter, the most important act was signed in May 1999 under the second CDR government (Radu Vasile), namely PSAL I (the Private Sector Adjustment Program), followed in October 1999 by signing PSAL II (with an important chapter on *Privatization and outsourcing of large state-owned companies*). It should be noted that Traian Băsescu, a constant figure as the transportation minister in almost all of these governments, was appointed chief negotiator with the World Bank in 1999.¹⁰ In July 1999, the Minister of Finance and the Governor of the National Bank of Romania addressed a letter of intent, namely a Memorandum on behalf of the

⁹ It has to be mentioned, though, that this moment does not mark the beginning of Romania's relationships with the financial international institutions established after the Second World War. Romania became member of International Monetary Fund in 1972, and it concluded three loan agreements under Ceaușescu in 1975, 1977 and 1981. However, IMF, similar with World Bank, opened its office in Romania only in 1991.

¹⁰ Later, under the time of his presidency, Băsescu was the guarantee of the eighth agreement with IMF signed by Boc government in May 2009, more precisely with the troika formed by IMF, European Commission and World Bank. This act marked the beginnings of the austerity measures as part of the so-called reform of the state that had at its score the imperative of accelerating privatization in all domains. But till this moment, even if there were not concluded new loan agreements with these financial institutions, the "Alianța Dreptate și Adevăr" (Justice and Truth Alliance) (2004-2007) and afterwards the liberal government without the Democrat Party (2007-2008) prepared and administered the accession of Romania to the European Union, continuing the privatization of state enterprises. Further on, governments Boc 1 and Boc 2 between 2008-2012 had a yet stronger contribution to the capital accumulation of foreign and national investors in parallel with the withdrawal of the state from its developmental and social roles even more to the dramatic reduction of its contributions to social protection and to the privatization of several social and public services.

Government to the international financial institutions, requesting further support from the International Monetary Fund and the World Bank,¹¹ which mentions: "the economic problems of the country, namely the negative economic growth and the major fiscal deficit, are due to the structural weaknesses of the entrepreneurial and banking sector, or, in other words, the limited progress of privatization of these sectors, but also the weak corporate governance that led to excessive wage growth". Chapter IV of this Memorandum refers to the agreement with the World Bank under the PSAL on the 300 million USD loan for the privatization program, bank restructuring and losses in the public sector. *The national privatization strategy* from 2000 was developed in the spirit of these agreements, and reiterated the four major areas for accelerating the restructuring and privatization process, namely: restructuring the banking sector, privatization of state-owned companies, improvement of the business environment and mitigating the social costs of the reform.¹²

Since June 2004, the City Hall of Cluj-Napoca, except for the period when he was Romania's prime minister (2008-2012), has been conducted by Emil Boc. His name is linked not only to the development of the city in terms of its opening towards direct foreign investments, including towards real estate investments, but – on national level – also to the politics of "state reform" in a neoliberal sense. This whole period is marked by Romania's accession to the European Union (under the Tăriceanu government) and is coinciding with the crisis generated by global financial capitalism. The country's population was seriously affected by how neoliberal politics understood to "solve" crisis through austerity measures. The "saving buoy" of the international financial institutions was thrown towards the Romanian Government since 2009 in the form of new loans.¹³ But this

¹¹ *Memorandum of the Government of Romania on Economic Policies, 1999* – available here: [<https://www.imf.org/external/np/loi/1999/072699.htm>].

¹² [<http://www.monitoruljuridic.ro/act/strategia-nationala-de-privatizare-din-26-octombrie-2000-pentru-anul-2000-emitent-guvernul-publicat-n-monitorul-oficial-24894.html>].

¹³ They were established by the Memorandum of Boc government from the 4th of May 2009 (signed by the troika of IMF, European Commission and World Bank), this being the eighth such an accord concluded after 1990 by Romania. Through this, IMF approved for Romania a loan for two years in the amount of 12,95 milliard euro, besides other 2 milliards received from the World Bank and 5 milliards from the European Commission. And further on by

actually was a package of conditionality that acted as instrument of neoliberal governance incorporated into the Romanian government at that time. The "economic recovery" made in the spirit of "state reform" (putting the state into the service of the market and dismantling the social state) was justified by local political discourses articulated by President Traian Băsescu and Prime Minister of Romania Emil Boc (who, before and after his career as prime minister was the mayor of Cluj). In this context, wage and pension cuts were made, prices rose, more state-owned companies were restructured, dismantling of energy subsidies led to rising the price on electricity, heat and gas, and generally speaking the living costs were rising. At the same time, the introduction of the system of copulation into public health care, the reduction of subsidies for compensated medicines, as well as the proposal for the privatization of the whole health care system was launched. Policies during this period resulted in freezing wages, blocking public sector employment, eliminating many bonuses for public employees, reducing public spending on goods and services and, implicitly, spending on social protection. At that time the Labour Code also changed, restricting the possibilities for self-organization of employees and supporting employers by generalizing fixed-term employment contracts. This resulted in the even stronger precarization of workers.¹⁴

All these policies have led to increased material and housing deprivation among the population across the country. According to EUROSTAT data for 2015, the percentage of those under 60% of the median income (or at-risk-of-poverty) was 25.4 percent (and of those with incomes below 40% compared to median income was 14.5 percent – both being slightly increasing annually since 2007, more precisely from 24.6% and 13.5% respectively). In terms of living conditions, in the same year the percentage of those who had to allocate over 40% of their wages for housekeeping was 42.6 percent; the percentage of those affected by overcrowding among workers at-risk-of-poverty was 69.1 percent (this

the ninth agreement of Romanian with IMF from March 2011, which was a stand-by agreement or preventive surveillance accord.

¹⁴ I presented more details on this phenomenon in the article "Glocalizarea neoliberalismului în România prin reforma statului și dezvoltarea antreprenorială", in *Epoca Traian Băsescu*, Florin Poenaru, Costi Rogozanu (eds.), Cluj Napoca: Editura Tact, 2014, 245-277 (English version Vincze, 2015).

indicator knowing quite high levels for those with higher incomes as well, 49.4 percent, which is a much higher share than the EU average of 14.9%); and severe housing deprivation affected 49 percent of the poor, the most severe privations being related to sanitary facilities.¹⁵

What happened at the country level after 2005, and even mostly between 2009 and 2016, namely the supremacy of governance under the aegis of the "performing and efficient state", was also carried out in the city of Cluj. The economic crisis has been used for justifying neoliberalization (extending market principles in all areas of life, including housing), while performance and efficiency of the government has begun to be measured by the extent it renounced to its social roles (for example the construction of social housing) and supported the market (including the real estate and the housing market). In 2016, Cluj was ranked on the top of "Forbes 40 Best Business Cities", being "determined by the involvement of the authorities in supporting foreign investors and attracting as many companies as possible to Cluj." On that occasion, Emil Boc, the mayor of the city said the following for "Forbes Romania": "Things are very simple. Just as in the general economy, before you consume anything, you have to produce, just like in the case of a city, to have money for social and cultural projects, first of all you need to produce financial resources. [...] Investor requirements are normal and of common sense. The more stamps, the more sources of corruption; the fewer the stamps, the more efficiency and less corruption in an administration, be it on a local or national level".¹⁶

¹⁵ Data from EUROSTAT: statistics regarding housing: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_statistics/ro]; and statistics in what regards the distribution of income and the rate of at-risk-of-poverty and social exclusion: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Income_distribution_statistics/ro], discussed largely by Vincze, Ciotlăuș and Zamfir (2017), available here: [<http://www.criticatac.ro/29558/dupa-aproape-30-de-ani-de-masuri-propiata-imobiliara-se-impune-o-politica-antirasista-si-justa-de-locuire-publica>].

¹⁶ Information taken from [<http://www.forbes.ro/articles/forbest-best-cities-2016-locul-2-cluj- napoca-ascensiunea-continua-53906>], February 2016.

5. Transformation of state socialism into neoliberal capitalism through the politics of housing sustained by the ideology of economic liberalism

From the point of view of property, during the period of state socialism housing was regulated as an area of consumption. While in the sphere of production the state aimed to install socialist property on all means of production (even if it did not entirely exclude other types of property from this sphere either), in the domain of housing as a sphere of consumption it maintained three types of property: the state property (knowing two sub-forms), the co-operative property, and the personal property. The use of dwellings in personal property was strictly regulated by the state, even if in percentage it dominated the entire housing stock, the existence of the latter itself could not result in the transformation of housing into commodity. The latter became possible due to the two forms of housing fund privatization, through which:

(1) The state-owned housing fund became private property as a process in which the state was directly involved in remaking the relevant legislation and the setting-up of institutions managing this process (through selling apartments to people who were tenants before 1990, and by retrocession of buildings nationalized between 1945 and 1990). The sale of public dwellings which became private property following this process (and the accumulation of capital through these mechanisms) was not, however, the declared purpose of these measures, nor was it excluded from them, as it was forbidden in the case of personally owned dwellings during state socialism.

(2) Private actors produce a new housing fund for the purpose of selling them to private consumers, investing capital in this development and pursuing the goal of capital accumulation. As a result of this process, dwellings are produced as commodity, while the state sustains these processes (through housing programs that produce subsidized dwellings for certain categories of people; by expanding the urban area and the viability of the lands dedicated to the construction of new private dwellings; by concession of lands owned by the state to individuals or to commercial companies and real estate developers; by legalizing real estate activities; by legalizing and sustaining the bank credit system, etc.). In turn, the housing market as part of the real estate market could not grow without

the land market, without the financial / banking / capital market, and without the construction and real estate market.

The transformation of social relations through housing and the transformation of housing into commodity through the two processes described above, occurred in the context of the transformation of state socialism into neoliberal capitalism. Under these circumstances, primitive accumulation functioned as capital accumulation by privatizing socialist property assets. This happened during the de-industrialization of economy and the liberalization of capital flows on global stage. Even if in the early 1990s, after dismantling state socialism, there could still be plans for the transfer of state property into the property of workers, this transfer eventually happened through the transfer of private property to investors who could buy economic units in insolvency at a low price. As a result of these processes, many former workers have lost their jobs, many of them being forced to emigrate as a cheap labour force to the West, which was apparently opened to the former socialist states, and others got jobs at home at the new private companies, working for low wages. All this time, the housing politics has facilitated the introduction of urban space (including its building and land fund) into the flow of capital, therefore the investments into built environment became an important source of profit in the context of post-industrial economy (de)regulated by the neoliberal political doctrine.

In a way, post-socialist urbanization has continued the process of urbanization from the period of state socialism, but has radically changed it as regards the property regime in the housing sector. It has transformed personal ownership into private ownership, it has dropped from 30% to below 2% the percentage of public housing stock, and it has reduced the function of the state in the production of housing to a legislation-making role that sustains the formation of the housing and the financial market. While state socialism was grounded on the industrialization of the economy and cultivated the ideology of public property on the means of production, even if in the domain of housing it permitted the coexistence, and even more, the predominance of personal property, neoliberal capitalism imposes the ideology of total privatization in all areas of life and sanctions the investment into built environment or real estate development as a dominant practice for capital accumulation.

Over the last almost three decades, the creation of the (housing) market has been underpinned by the ideology of economic liberalism, with the imperative of privatization and promotion of private property at its core. It built the "fact" and insisted on it, that the housing problems in Romania are a legacy of socialism, and they will be solved by privatization, respectively by the development of an "efficient housing market". But the ideology of privatization has not only naturalized the option for home-ownership while delegitimizing public housing. It also concealed the fact that behind these processes, a series of class interests are hidden, and that buyers' efforts to pay high costs for housing are a source of profit for the real estate developers and banks (most of whom are indebted till the end of their labour career). In these processes one may recognize the fetishization of housing as commodity.¹⁷ Putting forward the features of the house-commodity that distinguishes it from other similar objects, this ideology conceals that beyond the production of the dwelling as commodity or beyond the economic relations between objects, there are social relations mediated by financial transactions, which result in capital accumulation on the side of the real estate and financial businessmen, as well as in increasing class inequalities.

As a result, the privatization of the housing stock, the creation of a new private housing fund through real estate development and the transformation of housing into commodity is a socio-economic and cultural-ideological process.

¹⁷ Some examples, taken from real estate developers' websites, can be very eloquent in this regard: "The Platina projects bring a new real estate concept to Cluj-Napoca, consisting of residential and class A office buildings, located in the most central locations, built with premium materials, offers a unique service package dedicated to the tenants." "Integrated in the urban landscape of Cluj-Napoca, the Sports Hall Residential Complex enjoys a unique position, being only a few minutes away from the city center but at the same time having the advantage of being located in a green area, in the vicinity of the Central Park and Victor Babes Park". "The Neo Park Complex from the Borhanci district has a neighbourhood where there is stream, next to the promenade and relaxation area. The on-site shopping facilities offer the majority of the facilities of the tenants." "The construction on Vaida Voievod Street, opposite the FSEGA (Economics Faculty of Babes-Bolyai University, and the luxurious Riviera Residential Complex, has direct access to Iulius Park, perfect for afternoon walks." "Grand Park Residence 'Imagine Your Future' is the place where time expands, life rhythm fades and worries disappear, the ensemble represents a phase in creating a community with facilities at the highest standards."

(1) In the due process, housing contributes to the emergence of the class structure of capitalism including the emergence of new actors on the housing market, namely the real estate developers as part of capitalist class. Moreover, housing functions as a mean of production. As such, it has a role in the creation of class inequalities or inequalities between the owner class and the working class (whose living conditions are becoming more and more distinct as both a symbol and a producer of social distances and inequalities). Furthermore, housing contributes to the stratification within the same social class according to the social status of people (school education, occupation) and their position on the labour market. It recreates the poverty of the pauperized working class since they are not sustained in their need for housing by a system of public housing that should be dedicated to categories who cannot afford an adequate housing from the housing market.

(2) Housing contributes to the production of cultural identities defined by values and meanings and associated with particular life styles. The quality and placement of the home, but as well as its degree of security produces in the dwellers the sense of belonging to particular communities well-delimited from others. Through all these processes the relationship between state-citizens-market is also built, defining the rights and obligations of each of these actors in terms of housing production and management. The ideas and practices of (re) distribution of (public and private) resources related to housing are also imposed by them and even more, generally speaking, the idea of the city, of how it has to be developed and of who has the right to belong to the city is also re-enforced.

As far as Cluj is concerned, today's estimates show that the development prospects of the city as a "competitive city"¹⁸ will also imply the development of the real estate business. Paradoxically, the "competitiveness" of the city is due to the labour force which, because it is still relatively cheap on the global labour market, attracts foreign investors.

¹⁸ It cannot be surprising, since this is the trend of the development paradigm assumed by Romania and its government, consulted by the World Bank, that the city of Cluj-Napoca in its Development Strategy 2014-2020 assumed the model of a competitive city in a relationship with the communes in the area and the region, as well as in relation with other major cities of the country. (World Bank, December 2013, [<http://www.sdtr.ro/upload/banca-mondiala/docs/Brochure%20-%20Competitive%20Cities.pdf>]).

On the other hand, the development of the IT and banking sectors attracts more and more labour force in Cluj with wages above the average ones, which, together with the re-launch of the real estate loans, sustain the illusion of demand for more expensive housing stock created by developers. In this context, neither the local government, nor private companies will be interested in subsidizing housing in a way that meets people's needs, rather than the need to increase the profits of real estate developers.

Thus, it is too likely that the decision-makers of Cluj will continue to neglect public housing as a form of housing that sustains the labour force of the poor working class with very low incomes, or only with income from social assistance rights, or only with incomes obtained from labouring in the informal economy that contributes invisibly to the welfare of the city. As a result, the public administration will continue to be the local actor of the national and global scene of neoliberal urbanism¹⁹ that re-creates exacerbated class inequalities in and through space and urban processes. Respectively, through its housing politics, it will contribute to the subordination of the development of the city to the interests of capital accumulation, being under the pressure of the cyclical crises of financial capital that is constantly seeking new investment objectives, for example the built environment. In turn, this trend becomes part of the city's marketing strategy with the aim of being competitive in terms of economic growth, while, in fact, it sustains the class of big owners of lands and buildings in the detriment of workers who are forced to spend more and more from their income on the reproduction of their labour force through housing, respectively on purchasing or renting of housing from the private market.

¹⁹ The phenomenon is analyzed in multiple geographic contexts. See, for example, Sònia Vives Miró, "Producing a 'Successful City': Neoliberal Urbanism and Gentrification in the Tourist City – The Case of Palma Majorca", in *Urban Studies Research*, Volume 2011, available at [<https://www.hindawi.com/journals/usr/2011/989676>]; Erik Swyngedouw; Frank Moulaert; Arantxa Rodriguez, "Neoliberal Urbanization in Europe: Large-Scale Urban Development Projects and the New Urban Policy", in *Antipode*, Volume 34, Issue 3, pp. 542–577, 2002; Tahl Kaminer; Robles-Duran, Miguel (eds.), *Urban Asymmetries: Studies and Projects on Neoliberal Urbanization*, Rotterdam: nai010 publishers, 2011.

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