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## Some theoretical formulations on the production of popular residential land developments in Belo Horizonte, Brazil\*

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### Abstract

*This paper discusses some theoretical elements and concepts, which are fundamental to the analysis of the process of production of urban space in Brazil, through the development of land and access to housing by low income sectors of the population. In Section 1 the definition of the "urban" and the issues of collective consumption are briefly examined, both from a general perspective, and taking into account the particular forms that capitalist urbanization has taken in Brazil.*

*Section 2 concentrates on housing from the viewpoint of its production. It identifies the different forms that the production of housing assumes in Latin American countries, the articulation between such forms, and the historical processes underlying them.*

*The question of urban land is discussed in Section 3, focusing, on the one hand, on the issue of landownership and the social relations that the pattern of ownership in force - basically private - presupposes. The mechanisms of formation of land prices are considered as determinant elements for the understanding not only of the expansion and structure of the urban space, but also of the way in which the different social classes are located in such space.*

*The role and activities performed by property developers in the production of the built environment are discussed in Section 4, with special emphasis on the particular way in which popular land developers manage to overcome the barriers to the performance of their specific activity, that is, the production of residential land developments for the low income sectors of the population. Finally, the main hypotheses and assumptions that orient the thesis are presented in the last section.*

**Key- Words** - Housing, property development, urban land rent, Brazil.

## Algumas formulações teóricas sobre a produção de loteamentos residenciais populares em Belo Horizonte, Brasil

### Resumo

*O texto discute alguns elementos teóricos e conceito, que são fundamentais para a análise do processo de produção do espaço urbano no Brasil, por meio do parcelamento do solo e do acesso à habitação pelos setores de mais baixa renda da população. Na Sessão 1 são examinadas brevemente a definição de "urbano" e questões*

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\* Este texto é uma versão revisada do capítulo de discussão conceitual de minha dissertação "The production of popular residential land developments in Belo Horizonte, Brazil", apresentada à Architectural Association School of Architecture, Londres, Inglaterra, em 1983, para obtenção do Master of Philosophy in Urban and Regional Planning.

*ligadas ao consumo coletivo, tanto em termos gerais quanto considerando as formas particulares assumidas pelo desenvolvimento capitalista no Brasil.*

*A Sessão 2 se concentra na habitação vista a partir de sua produção. São identificadas as diferentes formas assumidas pela produção da habitação em países latinoamericanos, a articulação entre tais formas, bem como os processos históricos a elas subjacentes.*

*A questão da terra urbana é discutida na Sessão 3, enfocando, por um lado questões associadas à propriedade da terra e às relações sociais que o padrão de propriedade vigente – basicamente privado – pressupõe. Os mecanismos formadores do preço da terra são considerados elementos determinantes para a compreensão não somente da expansão e estruturação do espaço urbano, como também dos modos como as diferentes classes sociais se localizam neste espaço.*

*O papel e as atividades desenvolvidas pelos empreendedores imobiliários na produção do ambiente construído são discutidos na Sessão 4, enfatizando-se a forma particular segundo a qual os loteadores populares conseguem suplantar as barreiras impostas ao desenvolvimento de suas atividades, ou seja, a produção de loteamentos residenciais para os setores de baixa renda da população. Finalmente, as principais hipóteses e pressupostos da dissertação são apresentados na última sessão.*

**Palavras-Chave** – Habitação, Produção imobiliária, renda fundiária urbana, Brasil.

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## 1. Definition of the "Urban" and the issue of collective consumption

The first important, though obvious, point to be considered is that the object under analysis is essentially an urban phenomenon. Besides, it is an urban phenomenon that takes place in a developing capitalist country. So, it is necessary to outline what the characteristics of capitalist urbanization are, trying to relate them to the specific context of urban Brazil.

Within a Marxist perspective, the urban cannot be seen in isolation from the overall movement of capital in the capitalist mode of production. The organization of space in a capitalist city, therefore, follows some laws, which are connected with the more general law of capital accumulation prevailing in each social formation. The urban structure, however, does not simply reflect in terms of space the needs of capital, but rather it will express the contradictions and conflicts inherent to the whole process of capitalist development, as they manifest themselves in each case to be considered.

This approach has been developed in recent years by so-called French School of urban Sociology, whose most prominent members are Manuel Castells and Jean Lojkin. Their work, though differing in several aspects, is very important in the sense that they put forward theoretical propositions aiming at explaining and analysing the urban question as a whole, and not just specific aspects of it.

The starting point of Castells<sup>1</sup> propositions is that the capitalist system, in order to survive, must reproduce its means of production, its labour power and its relations of production. The means of production, in the present stage of capitalist development are increasingly organised and reproduced at regional, national or international levels. The labour power and the relations of production, however, are organised and reproduced within a spatial level, which is the urban unit. The reproduction of labour power presupposes the consumption of a series of goods and services that can be classified either as individual or as collective consumption. Castells argues that the process of

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<sup>1</sup> See Castells, 1977 (specially "Afterwards") and 1978.

production is becoming ever dependent on the availability of elements which are nowadays regarded as necessary for the reproduction of labour power, such as adequate housing, public transport, education, health and so on. Those elements constitute the collective means of consumption, which he defines as the characteristic elements of the urban system nowadays. This does not mean that production does not take place in the urban system. The point he makes is that what is generally known as urban problems are issues related to the collective means of consumption. As the provision of those means is not profitable enough, in general, to be assumed by private capital, the state is increasingly forced to take responsibility for their provision.

For Lojkine (1976), the capitalist city is a particular form of concentration in space of the means of production, circulation and collective consumption. This concentration reduces the costs of production, circulation and consumption, and therefore speeds up the rotation of capital in the system (1976: 127). For him, the collective means of consumption represent "the totality of material supports of the activities devoted to the extended reproduction of social labour power" (1976: 121). So it not only includes the most basic needs for the reproduction of workers and their families, such as housing, transport, etc., but also other elements which are nowadays considered as necessary for the reproduction of labour power, at least in developed capitalist societies, such as health care, training facilities, leisure, etc.<sup>2</sup>

His definition of the urban, however, is not limited to those aspects related to the reproduction of labour power, but

conversely the urban agglomeration is "a spatial combination of the various elements of production and reproduction of capitalist social formations", (1976: 123) which of course includes those elements which are necessary for the process of production and circulation of commodities (e.g. means of communication). Although all those elements are necessary for capital accumulation, there are obstacles in the process of providing them. Lojkine identifies three obstacles to the socialization of urban development. First there are financial limits to the provision of the services or "useful effects" inasmuch as they are produced by devalorised capital. In other words they do not produce surplus value. So the financing of the means of consumption increases the mass of capital used unproductively in relation to that productively used. Secondly, there is an obstacle related to the anarchic competition of capitalist firms as far as the use of space is concerned. This causes increasing congestion in the better-equipped areas and reinforces differentiation patterns in the urban space.

And finally the third obstacle is posed by the fragmentation and private ownership of land, which is a hindrance to the adequate concentration (i.e. combination) of the means of production and reproduction of a social formation.

Due to the unprofitable character of the means of collective consumption, they are provided by the intervention of the state. So the capitalist state ensures the provision of all those elements, which are necessary for accumulation, including some aspects of the reproduction of labour power, as a way of relieving capital from unproductive expenditures. This intervention of the state, however, especially insofar as the reproduction of labour power is concerned, is not just an automatic reflex of the requirements of capital. It is also an answer to the

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<sup>2</sup> Lojkine's definition of collective means of consumption presents some difference from Castells' definition. For the former they have the three following characteristics: 1. what is being provided is not a commodity, but a service, a "useful effect which is inseparable from the material means which produced it; 2. they are not destroyed during the consumption; and 3. they have to be consumed collectively. (Lojkine, 1976: 122).

demands posed by the labour power. That is, it will be determined by the level of development of the class struggle in a given social formation. There is always a contradiction between the requirements of capital and those of labour, which will be expressed at the level of the urban agglomeration by the degree of provision of collective means of consumption, by the degree of control over land uses and ownership, and by the extent to which segregation will take place in the urban space.

The above is just a brief sketch of the formulations presented by the two authors. The arguments that are generally raised in relation to their propositions and to the so-called French School of Urban Sociology in general, are various and controversial, and are no doubt beyond the scope of the analysis I want to present. It is important to emphasize, however, that the relevance of their contribution lies in the fact that so-called urban questions are analysed in the light of a wider context, namely in its relationship with the functioning of the capitalist mode of production. Urban processes are not seen as having a logic of their own, but rather, the logic prevailing in the urban is part of a general law of capital accumulation and expansion.

There is one point, however, that has to be developed further. These approaches to the capitalist urbanization were formulated taking into account the developed capitalist societies, mainly in periods of economic expansion. They are therefore based on the assumption that the means of collective consumption are fundamental and necessary elements for the reproduction of labour power. State financing and/or provision of those means of collective consumption is therefore justified and explained by the fact that they are needed for capital accumulation, together with the fact that they are demanded by the working class. So, the development of the social relations and the class struggle have reached such a level that housing, socialized health and

educational facilities, public transport, basic sanitation, and many other elements are considered as minimum needs for the reproduction of workers and their families.

The concept of minimum requirements or needs is of course socially determined; it is a conquest of the workers' movement, and therefore expresses the bargaining power and the political representativeness of the working class in a specific place and at a specific time.

As my analysis is concerned with Brazil, it is essential to be very clear about what reproduction of labour power actually means in that context.

As a developing country in the process of rapid economic expansion, especially during the late sixties and early seventies, Brazil achieved high rates of industrial growth through the over-exploitation of the labour power. The pattern of capital accumulation established in the country was mainly characterized, as I shall show later in more detail, by the establishment of all the necessary conditions for the accumulation of capital, and particularly foreign industrial capital, to take place. Among the requirements of the model, a very important role is played by the existence of an abundant and readily available labour force, which has no other alternative than to sell its labour at a very low price. The maintenance of that pattern is therefore ensured by an authoritarian regime which not only provides for the availability of those conditions required by capital - economic infrastructure, credit mechanism, institutional apparatus, opportunities of investment, just to mention a few - but also exerts a rigid control over the political system as a whole, and particularly over the political organization of the labour power. Thus, generally speaking, the working class in the present stage of capitalist development in Brazil is subject to very low wages, instability of work, extended working hours, and still very weak

bargaining power at a political level. The consequences of this are the poor levels of nourishment, health, education, and living conditions in general, which are manifested at the urban level by inadequate housing and sanitation conditions, precarious public transport, in short a deficient provision of the means of collective consumption mentioned before.

Thus the elements considered as socially necessary for the reproduction of the labour power in a social formation like the Brazilian one are quantitative and qualitatively less than those in the developed capitalist societies. So, considering the case of housing, which is the most relevant for this study, neither are the wages sufficiently high to cover the costs of adequate housing, nor does the state act significantly in order to provide subsidized housing. The labour surplus and the control over the trade-union movement and political participation in general prevent both the state and (industrial) capital from being too pressed over issues concerning the reproduction of labour power. At the same time, partially released from that pressure, the state is freer to concentrate on the provision of those elements (unproductive expenditures), which are at present more immediately required by capital (e.g. economic infrastructure).

The first assumption, which underlies my analysis is, therefore, that as far as housing is concerned, the majority of the labour force must reproduce itself at its own expense<sup>3</sup>. The necessary elements for the reproduction of both capital and labour power are provided to the extent that they are effectively demanded, given the actual power of each side. In the case of Brazil, the state assumes little responsibility for the provision of such necessary elements for the reproduction of labour power.

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<sup>3</sup> In the metropolitan region of Belo Horizonte, 67% of the houses are obtained through the action of the user of the house, and are located in districts and 'vilas'. (PLAMBEL, 1974: 23).

The relationship between the exploitation that occurs in the workplace and that of the urban level, that is, at the point of residence, namely those concerning adequate housing and the services and facilities connected with it, is very clearly expressed in the following quotation by Lúcio Kowarick:

Thus the so-called housing 'problem' must be solved bearing in mind two interconnected processes. The first one refers to the condition of exploitation of labour as such, or more precisely to the conditions of absolute or relative impoverishment to which the different segments of the working class are subjected. The second process, which derives from the former and which can only be fully understood when analysed in view of the contradictory movements of capital accumulation, can be named urban extortion<sup>4</sup>: it is the adding up of the extortions which happen through the inexistence or precariousness of the services of collective consumption, which are socially necessary in relation to the subsistence levels and which sharpen still more the dilapidation that happens at the level of the work relations. (Kowarick, 1979: 59)

Thus the concept of "urban extortion" refers basically to the precarious housing conditions, which include both the house and the availability of means of collective consumption. While they are both a direct consequence of the level of intervention of the state, the quality of the house itself is also very much influenced by the specific form in which it is produced.

## 2. Forms of Housing Production

The first point I want to make is that in a capitalist mode of production, housing and all its components - land, building materials, infrastructure, etc. - are commodities like any other product. Although housing may be built or exchanged for its use-value, at least potentially it has an exchange value and

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<sup>4</sup> "espoliação urbana", in Portuguese

therefore is a potential commodity. As such, its production is aimed at those who can afford it, rather than at those who actually need it.

Secondly, housing traditionally has been seen as a commodity produced on an industrial basis. That is, most of the housing units are commodities which derive from the activities of the building industry and which are provided on an industrial scale. This does not apply as a general rule to Brazil, particularly considering it in quantitative terms. In fact, different forms of housing production co-exist, each one presenting different characteristics both in terms of their own processes of production and in terms of whom they are produced for.

Emilio Pradilla Cobos (1977) identifies three forms, which the process of housing production assumes in Latin-American social formations:

- A. Self-help housing: in this form, the social agent that produces the house is the same that consumes it. The building is constructed with labour resulting from the extension of the working hours of the dweller and his family, together with, in many cases, collective labour from friends and neighbours and/or small-scale professional services. This may be paid or unpaid labour, but in both cases it usually is extended work outside the normal working hours. The building materials may be second-hand or not, and are usually poor in quality. The actual building period can be extended indefinitely according to the financial and work capacity of the builder, and the construction is usually done in stages, so that it can be combined with the use of the completed parts. The general outlook is one of precariousness and lack of services. Built as a use-value, this form of housing can be considered as a "virtual commodity", that is a potential exchange-value. This
- B. Manufacturing production (or artisanal production): In this case a group of wage labourers work under the supervision of an architect or a builder who controls the process on behalf of the owner. There is a limited amount of machinery and workers, and production is carried out on an artisanal basis, sometimes combining highly-skilled manual activities with non-skilled ones. Productivity is very low and the final costs involved are very high, due to the process of production used. Such individual houses or small apartment blocks are for the consumption of the groups with the medium or higher levels of income in society, who can afford the costs of design and construction on an almost individual basis.
- C. Industrial production: There is no direct relationship between producers and consumers in this form. Capital is invested in this process with the sole objective of being expanded and reproduced. Building materials are produced on a large-scale and the skills required for the labour force will depend on the techniques used in the process and on the degree of standardization of the project design. In this case, commodities are being produced for exchange and its realization will be performed by a different intermediary agent, the property agent (Pradilla Cobos, 1977: 4-5)

Having identified the forms that housing production assumes in Latin-American countries, Pradilla Cobos develops the models of articulation between them. The industrial form is considered the determinant one due to the dynamic characteristics of the

relations of production prevailing in the sector, and to its articulation with other industrial sectors related to the building industry. The other forms occupy a subordinate position in relation to the determinant one.

The dominant form, however, refers to that form taken by the majority of units built. Thus, he argues that the tendency is that the determinant form of production will become also the dominant one. In other words the typically capitalist form of production will in the long run incorporate the two other forms.

The artisanal form of production still exists due to a series of factors such as the existence of a cheap labour force which makes the process profitable, the barrier of land ownership, the maintenance of values that perpetuate the status of the individualized house, restrictions in the improvement of technology in the building industry, lack of sufficient capital of circulation to develop the industrial form, among others. Once some of those limitations are overcome, this sort of production tends to disappear or to be restricted to a limited form of luxury housing production.

The existence of the self-help housing production, however, has its origins in the low wage levels' of a vast proportion of the population, in the inequality of the income distribution, in short, in the conditions of over-exploitation of the working class. So long as those conditions are maintained, self-help housing will remain the dominant form of production. To put it in another way, the various forms of self-help are the only manner by which vast sectors of the working class have access to housing.

From this, I can now bring out an important assumption underlying my analysis. The production of housing in fact presupposes a series of steps so that the finished product - the housing unit - can be achieved. First it is necessary to obtain urbanized land, that is, the piece of

land itself plus the infrastructure and services needed. Then building materials are needed, and finally the actual building process. Together with these, a capital of circulation is usually required, either for the financing of the building materials and the construction, or for the financing of the purchase of the house. All those elements will add up to form the final price of the housing unit. However if the housing unit is to be accessible to the vast majority of the population, it has to be as cheap as possible. The obvious way of reducing the costs of the final product is either by eliminating some of the elements mentioned above and/or by reducing their costs to the minimum possible. Thus, the self-help form of housing production is the "solution" found by the population for reducing costs, even if the price paid is the extension of the working hours and the precarious quality of the final product. So, building materials can be second-hand or recycled ones, the actual construction can be carried out by the user himself, and the interest rates on formally borrowed money can be eliminated.

There is one step, however, that cannot be avoided, and that is the purchase of the plot of land. Invasion of land exists in some contexts, but in terms of actual access to housing, land invasion cannot be considered as a secure alternative. Furthermore, as we shall see later, due to the characteristics of the process of formation of Belo Horizonte and the pattern of land ownership established there, land invasions are relatively not very widespread as an alternative practice. The dominant way the working class obtains access to housing is to purchase a plot of land and carry out whatever form of self-help construction.

In the same way as housing, the developed plot of land is a commodity, which is produced and sold in the market. Due to the characteristics of the demand (the low income sectors of the

population), this commodity 'urbanized plot' has also to be the cheapest possible. There is therefore a specific fraction of capital specialized in the production of developed land for residential use: the land developers.

The process of formation of land prices and the strategy of developers are therefore fundamental issues to the understanding of the production of popular land developments. They will be discussed in Sections 3 and 4 respectively.

### **3. The question of urban land**

From what has been said so far, it is clear that access to land is a fundamental stage to be achieved in the overall process of access to housing, at least for a significant part of the urban population in Brazil. Although in a sense the urban plot of land is produced and purchased like any other commodity in a capitalist system, land in itself and the relationships it brings about have some particular characteristics that have to be pointed out, so that the whole process of developing land can be understood.

The first evident point is that land is to a certain extent a scarce resource, that is, there are limits within which land can be made available for whatever use. Secondly, certain qualities of land will not be found on every location. So the qualities required for a specific use of land will make one site preferable to another, according to the activity that will take place on that land. Finally, the availability of land is controlled by a certain number of individuals, who will obtain revenue out of this right. The extent to which this revenue is obtained, its nature and conditions, will vary historically inasmuch as land ownership is a social relation.

The nature and origin of the revenue the landowners are able to obtain because of their relation of property were analysed by Marx for the case of agriculture and constitute the theory of

land rent. For the purposes of this study, it is sufficient to introduce briefly the main theoretical concepts used, so that they can be discussed in the specific case of urban land.

Rent is an income received by the landlord for the use of his land by the capitalist farmer. It is unearned income in the sense that no labour of his own is involved. The income he receives is therefore part of the surplus value created in agriculture production, or, in some cases, of the mass of surplus value created in society as a whole. The reason for this is that the landlord has the legal ownership of the land, which gives him the right to stipulate the terms of which land will be used. The monopoly of ownership enables him to appropriate

(...) a part of the surplus value produced on the land in the form of rent, and to raise the rent as and when the surplus value increases (either as a result of the farmer investing more capital, or of social developments or other causes raising the price of the product) (Eaton, 1952: 99).

There are some elements that influence the costs of production and determine the rent to be paid for a piece of land, like for instance accessibility and fertility. The different combinations of these elements will demand a higher or lower rent. But even the worst piece of land put into cultivation has a rent to be paid, due to the fact that land is privately owned, and the farmer will depend on its availability and on demand for his products in order to invest in agriculture. This basic rent which any piece of land commands regardless of its relative qualities is termed absolute rent. It will vary therefore with the availability of land to be put into use.

As the price of production of an agricultural product will be determined on the worst situated/fertile land, the profits obtained by production on better land will generate a differential rent, which will be charged in addition to absolute rent. Thus differential rent arises



from relative advantages in soil fertility, in location, or in other factors that may differentiate one piece of land from another. Those are not just natural advantages, but rather may be due to capital invested on land in order to improve quality and then generate further advantages. When equal amounts of capital are applied to pieces of land of varying- fertility, the rent resulting from the different outputs is termed differential rent I. When this rent is obtained throughout the investment of unequal amounts of capital, it is called differential rent II (Ball, 1977: 383).

Finally, the third form land rent assumes is monopoly rent which derives from the ownership of exceptional conditions that allow the farmer to sell his product under monopoly conditions. The landowner who provides the land needed for that production will claim a part of the excess profit.

The above is merely a quick summary of what land rent is and what the components that determine it are. Before going further, however, some restrictions have to be pointed out. Initially, it is important to mention that the theory of ground rent was formulated for the case of agricultural production in the context of 19th century in England. This presupposes, on the one hand, that the capitalist farmer did not have the ownership of land, which he had to hire from a different social agent, the landowner. The existence of private property is therefore a barrier for capital engaged in agricultural production. But even if the capitalist and the landowner were the same social agent, there would still exist the same differences in the qualities of different pieces of land, which would in the end generate different amounts of surplus profits. Those could just be appropriated by the capitalist. However, land prices would reflect that possibility of obtention of surplus profits, that is, higher prices would be charged for those pieces of land commanding high

rents and vice-versa. So, the land rent theory would still determine the elements of formation of agricultural land prices.

On the other hand, the theory is concerned with the effects that landed property had on the production of one specific product (crop). As Ball (1977: 400) points out, the urban situation does not correspond to that in agriculture, precisely because of differences in the type of production and consequently in the type of market structure. He continues by criticizing the mechanical application of rent categories to the urban case without taking into account its pertinence.

Although I agree with Ball's warnings, this is not a reason in itself to reject the concepts and method of analysis used to deal with the question of landownership. As far as urban land is concerned, the important points are: first, to understand to what extent landownership is a barrier to the development and expansion of capital within the context of capitalist urbanization in a given place and time. And second, instead of just trying to guess what fertility for instance would correspond to in an urban situation, the important thing is to retain the method of analysis, that is, to identify what the elements that influence the constitution of land prices in the urban case are. Once those elements are identified, their origin and their consequences, in terms of fixing the different sectors of the population over the urban space, can be understood.

There is no doubt that land rent is a part of surplus value produced either in society as a whole or in a specific branch of production, which is appropriated by whoever controls the ownership of land, a landowner or a property developer. However, there are some specific conditions for a part of surplus value to be transformed into land rent. It is necessary that

(...) the process of value expansion that originates those surplus profits brings in

itself conditions that are external to capital and not reproducible by it; on the other hand those conditions have to be monopolizable, that is, that capital does not have free access to them, once they are objects of private appropriation (Topalov, 1978: 30).

In other words, in general terms land is a barrier for the free expansion of capital insofar as it is not freely accessible. This could be manifested to the extent that land is needed for productive activities to take place; or more specifically within the building industry when land might increase the costs of production; or land can even be an element to increase the costs of reproduction of labour power if residential land or housing costs are very high. Although this is true as a general statement, it might not be so if specific cases are considered. Also it might be true for some land uses and not for others.

As Christian Topalov himself remarks, capitalism has a tendency towards "expanding the reproducibility of its conditions of increasing and reproducing value and its structural limits" (Topalov, 1978: 39)<sup>5</sup>. In other words, capitalism will tend to eliminate the barriers imposed on the free accumulation of capital. This can be achieved by the action of capital itself or it can be the product of the intervention of another agent, the state. The capitalist state will, therefore, to a greater or lesser extent, depending on the balance of social forces in each social formation, seek to provide the adequate conditions for capital accumulation.

In the case of the region of Belo Horizonte, as I shall show in Part II, the state will act decisively towards eliminating some of those barriers to those~ sectors leading the process of accumulation. Thus, as far as land for

industrial use is concerned, it did not constitute a barrier insofar as several schemes were put in operation in order to provide land at low costs for industrial capital.

The question of residential land, however, is left to be "solved by the market", not only because it is not a barrier for the leading sectors of productive capital in the present stage of capitalist development in Brazil (as we have seen in Section 1, adequate housing does not constitute a decisive requirement for capital to reproduce the labour power needed), but also because there is a sector of the capitalist class which specializes in the production of land for residential use, the land developers.

Finally, it is worth pointing out that the private property of land can also be a barrier for capital engaged in the building industry as a whole. The freeing of (potentially) urbanized land for construction will be therefore one of the major functions of the property promoters/developers.

I shall be returning to those two latter points in Section 4, but before that we have to look into another question namely, into the way in which urban land prices are formed and what the main elements that differentiate one piece of land from another are. This will be done with special emphasis on the formation of prices of residential land, which is my main concern in this thesis.

The private ownership of urban land, the differentiation of land prices over the urban space and its consequences have been the object of analysis of several authors. Among them it is worth pointing out David Harvey (1973), Edel (1975), Bruegel (1975), François Lamarche (1976), Jean Lojkine (1976 and 1979), Paul Singer (1979), Alain Lipietz (1974) and Christian Topalov (1974 and 1978). Their approaches tend to differ especially because of the fact that each of them was concerned with specific issues and,

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<sup>5</sup> Edel made the same sort of remark in relation to agricultural land. According to him, a point can be reached that "as capitalism develops technology and makes land quality less important, and as capitalists buy up land, landlords may disappear as a class and rent cease to exist as a distinct part of surplus value" (Edel, 1975: 5).

therefore, tended to generalize the conclusions obtained from the analysis of a particular situation. I do not intend to present a review of their works, but rather to select those formulations that can be most helpful in the analysis of our case<sup>6</sup>. It is my view, however, that the contribution presented by Lipietz is the most comprehensive one. Instead of just attempting to apply the Marxist theory of land rent to the urban case, he uses its concepts to build up a framework to explain the role played by the existence of private ownership of urban land, while at the same time he identifies the nature and the sources of the rents urban land can command. Moreover, he is mainly concerned with land for residential use, which is also my main objective.

Lipietz introduces the concept of "social and economic division of space", which is the manifestation at the level of space of the social and economic division of society. It superposes a "technical" division of space which determines areas for the different activities such as housing, commerce, industry, recreation, etc.; with a "social" division of the population over space, such as working class districts, bourgeois housing areas, middle class developments, slums, etc. This social and economic division of space is the manifestation of urban land rent, while at the same time the existence of urban land rent will legitimise and reinforce this social and economic division of space (Lipietz, 1974: 22-26). It in fact expresses the segregation of social classes in the urban space according to class composition, income levels and the attributes of each area as required by the different social groups.

The other concept proposed by Lipietz is that of a land tribute (*tribut foncier* in French). He argues that the word land rent is applicable mostly to the case of agricultural production where the

capitalist farmer is not the owner of land. In this case, the process of production of the agricultural product is one that is reproduced every year and as such presupposes a periodicity. The process of urban housing production, however, takes some months and will only be produced in the same land again after a considerable number of years. Also, the units built will be sold to their future occupiers. Thus, there is a definitive transaction taking place, which is the selling of the land. He is selling this right and the price will be determined not only by the control he has of a commodity needed so that construction can take place (the absolute rent concept), but the price will also be determined by the relative advantages that piece of land has when compared with others (the differential rent concept). Urban land price is not the capitalization of the rent-form,

(...) it is the land tribute itself, it is the form which reveals the social relation between the land owner and the property developer (the exchange of a right to dispose of the soil for a part of the profits), which are concealed under the appearance of buying and selling an economic good. (Lipietz, 1974: 105).

The land tribute is therefore a part of the surplus profits that the capital engaged in the property development realizes, and which is eventually transferred (to a greater or lesser extent) to the landlord, once the disposition of the soil is a condition for the development to take place.

The tribute on land comes from two sources, according to Lipietz. The first source, as I have already mentioned, is the fact that urban land is monopolized by a social group. It is a process of expanding the value of capital (in the form of land) invested in the building industry. It is the appropriation of a part of the surplus value as a whole. This tribute is generated process of circulation of the commodity (housing/residential land) (Lipietz, 1974: 119-125).

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<sup>6</sup> A review of the approaches on urban land put forward by some of those authors was the object of a previous study. See Costa, 1980.

The second source of land tribute is generated within the process of production of the building industry, that is, it comes from a part of surplus value produced in that branch which generally derives from the lower organic composition of capital in this industry. The landowner or the social agent controlling land will attempt to claim a part of surplus value produced (Lipietz, 1974: 125-133).

Having identified the sources of the land tribute, I can now characterize the main elements that differentiate land prices:

**A.** The first and by far the most important element is the location of the piece of land within the social and economic division of space, as I have referred to previously. It involves not only the social and ideological elements that identify a given area with a social class, but also physical elements like accessibility and availability of infrastructure and urban equipment that have originally formed the basis for such identification. This mechanism of differential tribute is, according to Lipietz (1974: 147)

(...) the economic operator of the reproduction of the social division of space", in the sense that by increasing land prices, it will exclude sectors of the population from access to land in some areas.

**B.** The differential tribute of constructibility, which involves the costs of preparing land for construction when any sort of additional investment is required (e.g. flooded areas, etc.).

**C.** The limits imposed by urban legislation either fixing the maximum legal density allowed, usually by means of establishing coefficients of occupation of plots, the maximum number of storeys allowed, or a similar restriction. These are limits imposed on the construction itself.

**D.** The requirements imposed also by urban legislation with reference to the provision of infrastructure or public works that have to be carried out by the developer in the areas to be incorporated into the already existent urban areas.

It is clear from the points listed above that the role of the state in the establishment of land prices over the urban space is a very important one. Its action can be felt on several levels: in the provision of the collective means of consumption which will be one of the determinant elements in the social and economic division of space; in the establishment of urban legislation through a series of mechanisms such as zoning, levels of density considered adequate for different sectors of the urban space; by establishing regulations concerning the actual construction of (housing) units; in the establishment of requirements to be obeyed by land development firms, among others. This latter point will be of fundamental importance for this study.

One final point that has not been mentioned before and that nevertheless is of major importance, concerns the extent to which the state has any mechanisms of control over private property of land. I do not mean the abolition of land ownership, a proposition that does not seem to fit within the capitalist mode of production. I am referring to some instruments that discourage the speculative concentration of urban land by a number of individuals. Instruments such as higher taxes on unoccupied plots, progressive taxation for those who own a certain number of properties at the same time, taxation on constructions that surpass the maximum area allowed, among others. Those measures aim at avoiding the maintenance of empty urbanized plots in areas well-provided with means of collective consumption, while at the same time compensate the state and its institutions responsible for urban equipment and services, for the

investment made which are not being utilised at its full capacity. Those questions are at the core of the discussion about urban planning in Brazil, but actual action to restrict the permissiveness that exists in terms of land speculation is still to be taken.

So, the basic assumption underlying the question of urban land for residential use by the so-called "popular" market is that the price has to be affordable by that sector of population. Thus, according to what has been said, popular land developments will be located in areas, which command a low differential tribute/rent. This means that the different elements that contribute to the formation of land prices have to be minimized or even eliminated whenever possible.

It is worth remembering at this stage that the first reduction in costs as far as access to adequate housing is concerned, has already been achieved through the practice of the self-help type of housing production. So I am only talking about access to land as a means of access to housing.

Popular land developments will take place in the most deprived areas within the social and economic division of space, especially because land prices have to be low before development is undertaken. However, land prices have to remain low after development, which means that actual investment on works needed to urbanize land will be kept to a minimum. This will be obtained either by neglecting to follow the procedures required by urban legislation, or by choosing locations where requirements are low. And many times this can mean quite distant, isolated and unequipped areas. These actions are part of a well-defined strategy put forward by the social agent that specializes its activities in the production of popular land developments.

The series of practices that constitute the performance of land developers is the object of the next section.

#### **4. The property developers**

In general terms, property developers/promoters are the social agents responsible for the coordination and management of the set of activities that are necessary for the capitalist production of the built environment, and, more specifically in our case, for the capitalist production and circulation of housing. These activities refer to the availability of land, technical studies and projects, construction, promotion and commercialisation and financing. Each of those activities may be carried out by a different agent, some of them by the same agent that could be the property developer himself or not. In any case, the property developer himself latter has the role of providing for the adequate functioning of all these activities.

However, as mentioned previously, there are some barriers or obstacles to the reproduction of the conditions of capital accumulation in the (house-) building industry. The intervention of the property promoter will aim at providing the conditions for the elimination of some of those barriers<sup>7</sup>. This point is emphasized in a very clear form by some authors concerned with the role played by property promoters in the production of housing, namely Topalov (1974) and Lipietz (1974).

Those barriers are basically: the private ownership of urban land; the exceptionally long period of rotation of capital in the building industry; and the solvency of the demand.

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<sup>7</sup> The intervention of property developers seeks to eliminate mainly the barriers that exist at the level of circulation of the commodity housing. The problems that exist within the actual process of housing production (e.g. productivity in the house-building industry) are usually beyond the reach of property developers. For an analysis of the contradictions within the building industry, see Ball, 1978 and Pradilla, 1977.

As far as the private ownership of urban land is concerned, the role of the property promoter will be one of seeking land that would best fit the type of final commodity that will be produced. He will free the soil for the purpose of building. He will attempt to obtain land in such conditions that allow him to appropriate the surplus profit that the piece of land will command. The extent to which he will manage will depend on the landowner's awareness of the potential profit obtainable. Each side will struggle to retain the biggest part of the land tribute. The strategies concerning the freeing of soil for building or development may vary considerably; land can be either obtained for each specific enterprise to be carried out, or can be stocked for future use, or even both procedures can take place simultaneously as a strategy of a property promoter. The ideal land for a given undertaking will evidently depend on the final product to be sold. As Topalov notices,

(...) the nature of the land policy of promoters is in fact largely determined by the orientation of their 'production', either from the viewpoint of quantities or from the viewpoint of price levels (Topalov, 1974: 145).

The second barrier refers to the fact that the period rotation of capital (M-C-M') in the building industry is very long, both in the process of production and in the process of circulation. The solution is the interference of a commercial capital to finance both processes. In the process of production, property promoters will make sure that finance is available for the construction process itself.

The transformation of the capital from its commodity form to its money form in the building industry usually requires quite a long period (sometimes 15 to 20 years) and is directly related to the third barrier, that is, the solvency of the demand. A capital of circulation to finance the acquisition of the property is therefore essential so that the realisation

of the capital invested in the production process can be achieved.

Thus the function of property promoters is to assure the functioning of all activities concerned with the process of housing through the elimination of the obstacles to the capital engaged in the sector. And this applies also to the performance of land developers because although the final product is not a finished build unit but a plot of land, land has to be provided for, works have to be carried out in the process of developing the site, the plots have to be commercialised, and both the acquisition and development of the property have to be financed.

Also, the activities and strategies of land developers vary according to the final product. Thus land developers engaged in the production of luxury high-income sites have quite different strategies from those engaged in the production of popular land developments.

The practice of popular land developers will reflect their strategy in terms of eliminating the barriers that exist to the production of residential land directed to low-income sectors of the population. Their role will be to produce a commodity compatible with the solvency of the demand, and that will involve not only the freeing of land in areas commanding low differential rent/tribute together with the minimum amount of investments in the development itself, as I have mentioned in the previous section, but also a particular scheme of financing and commercialisation of the plots, so that the payment can be met by the buyers. In fact, I would argue that it is the capacity of payment of the demand that in the final analysis will determine the amount of investment to be undertaken by the land developer and the location of the site, in terms of the overall economic and social division of space and in terms of requirements in the development of land.

It is important to point out that the production of land developments in Brazil (instead of the development of land plus the construction) is not a practice restricted to the low-income sectors of the market. As we will see, especially in Part III, there is a considerable number of land developments directed to the upper levels of income, which evidently are characterized by a much superior quality of infrastructure and services, and a much better location in the division of the urban space. The reason for this is probably the existence of the manufacturing or artisanal form of housing production, according to Pradilla Cobos's (1977) definitions presented in Section 2, which will allow access to an individualized house to be a different process from access to the plot of land.

One final point is that the development of land is characterized as an activity performed by private capital. This private enterprise, however, is linked to and to a certain extent, determined by the intervention of the state in the urban areas and vice-versa. This intervention can be felt at the level of the urban legislation, the provision of collective means of consumption, the housing policy, in the financing mechanisms, and many other levels. So, it is the combined action of property developers and the state that will reproduce and reinforce the social and economic division of space.

## 5. Definition of the hypotheses and assumptions

On the basis of the conceptual ideas presented in the previous sections, the analysis of the process of production of popular land developments in Belo Horizonte is oriented by two main hypotheses.

The first one is that the way in which the state intervene in the urban makes it attractive for the private sector to intervene in popular housing. This

relationship between state and private sector, as far as popular housing is concerned, can be felt both directly and indirectly. The results of the direct intervention of the state in popular housing are such that as it takes little responsibility for the provision of popular housing, it opens up a large proportion of the market for the private sector. The indirect state intervention in housing through the mechanisms of urban policy - the provision of means of collective consumption, the urban legislation, among others - influences and establishes the conditions in which the private sector operates in the housing and land markets.

The second hypothesis is that the price to be charged for the commodity produced - the plot of land - is the element that determines not only the process of production but also the final product itself. The implicit assumption is that the price has to be the cheapest possible in order to be accessible to as many people as possible, that is, in order to expand the potential market. As a consequence, popular developers have a specific strategy of their own in the performance of their activities, which is oriented towards and conditioned by the socio-economic characteristics of the so-called popular market. Thus, the intervention of the private sector in popular housing through the production of land developments is based on the following points:

- a) The final product is the plot of land. The costs of construction of the house are in this way eliminated, inasmuch as they are transferred to the buyer. The actual house is obtained usually by means or self-help construction.
- b) As land has to be cheap before development, *popular* land developments are located in the urban areas commanding the lowest differential rents/tributes. Thus, the weight of the elements that contribute to the formation of land prices at the

level of the urban agglomeration is kept to a minimum.

- c) As land prices have to remain cheap after development, investments on the development process have also to be minimized. This is usually obtained by developers avoiding procedures required by urban legislation and/or choosing locations with low requirement levels.
- d) A very particular form of commercialisation and financing is required so that plots may be actually bought by the low-income sectors of the population.

These hypotheses are examined in the thesis, taking into account the specific context of the metropolitan region of Belo Horizonte, and using the concepts discussed here at a theoretical level.

Thus the historical account of the formation of the metropolitan space which follows, analyses the intervention of both the state and the private sector in issues of housing and urban development, with the objective of putting into context the production of popular land developments as an alternative form of access to housing, while at the same time characterizes the social and economic division of metropolitan space prevailing in the different periods of time. The mechanisms of formation of differentiated urban land prices and the pattern of segregation of the population according to their income are considered in general terms in the historical background. These mechanisms are analysed in more detail where I discuss the intense process of development of land during the seventies. The question of urban land is then examined both from the viewpoint of the results of the intervention of the private sector engaged in land development, and from that of the state intervening through the establishment of urban legislation. Thus, the conceptual ideas related to land and the spatial distribution of the land tribute are most

helpful for the understanding of the effects of urban legislation over land prices in the metropolitan region, and the consequences of that for popular residential settlements. Equally important is the methodology proposed by Topalov, and discussed in Section 4 above, for the analysis of the intervention of developers in the process of developing land for popular residential use.

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