

## Social Innovation, Reciprocity and the Monetisation of Territory in informal settlements in Latin American cities

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### Abstract

During the past two decades, access to urban land by the poor in Latin American cities has been achieved primarily through the informal land market. In all major Latin American cities, the informal land market has been instrumental in settling the most needy populations. And yet, that gateway has turned into a genuine social barrier for many urban dwellers in Latin American cities and access to land by the urban poor has become a key issue in the emerging urban agenda. Recent social indicators point to a major two-way movement of low-income urban settlements in Latin America. On the one hand, city outskirts are spreading and “extending” the metropolitan perimeter outward. On the other, there is a strong “densification” of existing lower income settlements, pointing to a “return” of the poor to the inner city. At both ends of this urban restructuring process, the informal land market acts as the key driver of land use change. Therefore, understanding the functioning of this market informal has become a central concern for urban policy-makers and local administrators.

This paper discusses some dimensions of the emergence, consolidation and transformation of what is considered one of the most important social innovations in Latin American cities: the rise of the informal city. In Latin America, the practice of collective land occupations –spontaneous or organized– and their transformation in a popular *habitat* can be considered an important social innovation of the poor in accessing urban land. The “founding act” of land occupation must allow the emergence of other enabling social innovations for the production of basic goods, such as urban infrastructure and collective services, required for the consolidation of that space and its transformation into a popular territory. Self-production of housing and urbanization processes, initiated by a communitarian type collective action transforms occupied land without urban infrastructure into an informal popular settlement which is effectively the territory (*habitat*) of social reproduction of the poor. That territory is the result of social innovations which accumulate and gain strength through time. These innovations are diffused and transformed into recurrent practices of the urban poor in the production of their daily urban life spaces. Now, contrary to what early institutionalist authors (Commons, 1924) expected, those practices do not transform the legal system that remains illegal or informal and, consequently, “local authorities” are set up to mediate in conflicts and practices in informal settlements. Informal cities are, therefore, regulated by their own institutions, which, often, operate on the margins of the State. At the same time, the reproduction of social and economic life in those settlements depends on reciprocity and redistribution economies of a Polanyian type where the market is viewed as an auxiliary economy (Polanyi, 1944).

Building upon this characterization of the institutional dynamics of informal settlements, this paper discusses the emergence of a land market that is soon transformed into the primary coordinating mechanism of residential mobility, replacing both occupation processes and/or reciprocity economies as the primary regulatory means of residents access and exit from these territories. However, the market that evolves within this informal settlements does not abide by the formal institutions that regulate market transactions. Every market transaction involves an exchange of property rights (Commons, 1924), but market transactions are also ruled by other rights such as

commercial, urbanistic or environmental rights. In the case of the informal land market, land or housing transactions are carried out without any regard for property, urbanistic and even environmental rights. Thus, land markets in irregular settlements are of an informal nature, that is, the regulatory institutions of market transactions are of a different nature from those integrated in the legal system of the State, the formal market. But, since all markets require institutions to regulate contracts, conflicts or, in the case of housing, the continuity of the informal sequence chain as coordinating mechanism, the informal market integrates those institutions that were built up socially during the process of territorial consolidation. In other words, the informal institutions established on the basis of reciprocity and distributive economics are now “sucked up” by the informal land market that transforms them in its regulatory institutions.

This paper examines two dimensions of the conversion of social innovations of the informal city into market valorisation elements. The first dimension relates to the individualization of innovations in the form of location preferences and is developed in the following section. Here, we discuss some aspects of the construction of familial rationalities in the context of transforming a social innovation in its market and monetary expression.