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From state-controlled finance to privatized financial regime: Revisiting the legacy of Romanian socialist housing policy[1]

Enikő Vincze, November 2023

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Introduction: context and the aims of this paper

The socialist political economy that emerged in Central and Eastern Europe after World War 2 aimed to construct an alternative to capitalism. However, existing within the same global order in the context of the Cold War, state socialism was influenced by its rival (state capitalism), with both sides seeking to prove their superiority. Neoliberal capitalism, which enabled the financialization of housing as we know it today, arose in opposition to both state socialism and state capitalism, advancing unevenly in different socio-economic contexts from the 1980s on. It promised to create a new system out of the crisis of the two political-economic regimes, but ended up promoting market fundamentalism, including the transformation of housing into a financial asset, and a situation in which adequate housing became unaffordable for a significant segment of the population. Studying the two transformations, from capitalism to socialism and from socialism to so-called neoliberal capitalism, provides a unique opportunity for us to think about possible future systemic changes — for example, through the perspective of the housing question.[2] The latter stays at the core of any political economy; however, it manifests differently across time and space. Despite these divergencies, the housing question was always about how political decisions and economic processes organized and financially sustained the production, exchange, distribution, and consumption of housing, and who were the beneficiaries or losers of these systemic activities.

In Romania, state socialism created a mixed housing regime with a significant share of residences in a form of personal property controlled by the state;[3] it also had a functioning financial system in state ownership, while productive enterprises were in social property. In regard to how the state assured personal property in homes, the country's 1965 Constitution affirmed: "the right to personal property is protected by law. Therefore, incomes and savings from work, the house, the household next to it, and the land on which they are located, as well as goods for personal use and comfort, can constitute an object of the right of personal property". Further legal norms regulated personal property in housing — citizens had the right to own a single home; construction or purchase of housing by citizens for the purpose of resale or rental was prohibited (Law 4/1973); the owners and their family had the right to living space corresponding to their needs (each member of the family was to be provided with one room, and one household was allowed to have at most two additional rooms; rooms exceeding the personal living needs of the owner and their family were to be rented out by the owner; if the owner failed to rent out these rooms, the executive committee of the people's council was empowered to rent them out to entitled persons (Law 5/1973, Decision 860/1973).

[2] Engels, 1872.
[3] Vincze, 2022.

Post-socialist capitalism in Romania meant the destruction of both the mixed housing regime and the state-controlled financial system and planned economy. Capitalist transformations were facilitated by state restructuring, a process through which the legislative and executive branches of the institutionalized political power supported the formation and maintenance of an unregulated housing market and de-risking capital investments.

The major question of this paper — what were the conditions enabling the construction of three million public housing units between 1950 and 1989? — leads us to discover the systemic arrangements that made this possible in state socialist Romania. The further question why, between 1990 and 2021, only around 190,000 flats were built with public money takes us into the analysis of how the state created the framework for capitalist transformation by destroying the socialist financial and economic infrastructure in this country. On the basis of these findings, I conclude that today, the possibility of creating a significant public housing sector under the democratic control of the tenants can only be imagined occurring as part of the formation of a socialist system that directs investments towards serving people's needs rather than the interests of capital accumulation.

In this article, I offer a perspective on the transformations mentioned above through an analysis of (i) the Romanian state-socialist financial system that enabled the creation of a mixed housing regime and (ii) the creation of a capitalist financial system, which led to the financialization of housing as part of Romania's integration into neoliberal global capitalism as an emerging market. Additionally, (iii) I revisit the legacy of Romanian state socialism with the aim of enriching the debate about alternatives to contemporary capitalism.

I. The state-socialist financial system that enabled the construction of three million homes

Between 1951 and 1989, the Romanian state constructed 2,984,083 homes.[4] This constituted 54 percent of the new residences built in this period. My aim here is to explain how this was possible financially; or in other words, to describe the nature and functioning of the system that ensured the financial conditions for the fulfillment of the plan to provide homes for the labour force engaged in socio-economic (re)production. This study does not focus on the international context facilitating such developments, but it acknowledges the crucial role of the Council for Mutual Economic Assistance, established in 1949 as a response to the capitalist Organization for European Economic Co-operation created in 1948 (since 1961, the Organization for Economic Co-operation and Development). For the mutual support of socialist countries, the International Investment Bank was also important. The latter was created in 1970 by

[4] *Anuarul Statistic al României 1990,* p. 520

the governments of Bulgaria, Czechoslovakia, Hungary, East Germany, Mongolia, Poland, and the Soviet Union. Romania joined it in 1971 and left in 2022.

The main feature of the Romanian socialist financial system was that the state functioned as a set of societal relations, political structures, and institutional mechanisms by which it managed to direct financial resources into a centralized pool and redistribute them across the sectors and domains of the national economy and territories. I describe these processes based on information employed in Văcărel (1974), Pintea and Ruscanu (1995), Constantinescu (2000), and two socialist political economy handbooks (*Economie politică socialistă* 1978, 1980) published by collectives of economists from the Political Economy Departments of the Faculty of Philosophy at the University of Bucharest and the Academy of Economic Studies. When these manuals were written, Romanian state socialism was, on the one hand, combining non-capitalist modes of social organization with adaptation of market principles of efficiency and competitiveness in economic production, and, on the other hand, delivering its greatest successes, before entering into the crisis period of the 1980s.

Other major sources for this part of my analysis are data provided by the 1990 statistical yearbook (*Anuarul Statistic al României 1990)*, the socialist legislation regarding financial institutions, and some documents found in the National Bank of Romania archives that reflect aspects of housing provision and organization of financing in the Socialist Republic of Romania. I planned to interview economists to gather more information, and contacted ten individuals from different generations with this aim. Two agreed to talk, but disclaimed any expertise in the socialist financial system. Others referred me to already published literature in their replies, still others argued that younger economists are not interested in this topic because it belongs to the past and they only need to understand the functioning of the capitalist economy, and a few refused to speak about their lived experience of involvement in the socialist institutions. I was better able to understand the ideological basis of the refusal to talk about this topic, when, during a presentation of our findings,[5] a person from the audience objected to the fact that we had spoken about Romanian socialism and its housing policy in affirmative terms or in the sense of what one might learn from it. This made clear, once again, that in many places in Europe, even after over thirty years of a capitalism that has transformed housing into a super-commodity and financial asset and the resultant unaffordability crisis, there are still voices that aim to delegitimize any positive reception of state socialism, especially if it is connected to Eastern Europe or in particular to Romania.

Official data shows that between 1966 and 1977, in Romania, 1,733,894 new apartments were constructed using state funds or state-supported population funds, covering both urban and rural areas. The plan in the mid-1970s was to accelerate the construction of blocks

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[5] *Romania – State-funded mass housing for the working class from the 1960s to the 1990s*, presentation made by George Iulian Zamfir and myself in the frame of the Forgotten Utopias of Living project, conducted by the Berlin Tenants' Association and the New Municipal Housing Initiative, supported by the Rosa-Luxemburg-Stiftung, Berlin, 17 November 2023.

of flats to create between 2.5 and 3 million additional apartments by 1990, and thus solve the Romanian housing question by that time, i.e., cover existing demand and respond to workers' housing needs. However, these plans were disrupted by the collapse of the regime at the end of 1989, leading to the capitalist transformations that radically changed the housing regime as well as profoundly altering the state and the entire economy.

In what follows, I will first (I.1) describe the framework conditions for mass public housing construction in Romania, detailing the role of the labour force and the state, the relation between the accumulation fund and the social consumption fund, and housing as an investment and collective-consumption good. In a second step (I.2) I am going to discuss the Romanian state socialist financial system that enabled the mass production of public housing.

I.1. The framework conditions of mass public housing production

I.1.1. How did the labour force contribute to creating goods of collective consumption?

The socialist economic system recognized that the social product, including means of production consumed by economic activities as well as goods consumed by the population, was constituted by three factors: the value of means of production; the value created by labour for itself (allowing for individual consumption using the compensation paid for this work); and the value created by labour for society. The labour of each individual as part of the labour of the whole society was considered being one of the manifestations of social labour also understood as the labour incorporated in the products valorised in the process of exchange and consumption. In socialism, labour could be regarded as directly social due to the double capacity of owners-workers.

As within capitalism, in a socialist economy the labour force creates surplus value. Under capitalism, however, this surplus value is appropriated as profit by the private owners of the means of production (of which they only reinvest a part; the other part is kept for their individual consumption). Under socialism, on the contrary, the surplus value was used to finance investments into goods that the population could consume collectively (schools, hospitals, housing, cultural institutions, sports facilities) and to supply the means for further economic activities, ensuring long-term socio-economic development.

Due to the fact that the workers as owners of the means of production were not supposed to appropriate as personal property the entire product of their labour, a distinction was made between the labour-for-itself and labour-for-society. Therefore, in socialism, the labour force benefited not only from its salary, but also from goods of collective consumption and from societal economic growth. Even if wages were not equivalent to the entire value that the labour force produced, workers ultimately gained access to free school education, medical care, and cheap housing in the form of low rents or low prices. The labour force's access to goods of collective consumption, including housing, at lower prices or for free was not about state generosity. Rather, the workers were entitled to public housing because their labour power created surplus value that they were not directly compensated for. This surplus value was administered and redistributed by the state to ensure economic production and broader social reproduction.

The rental of a flat in a state-owned block was conditional on having a job (as a right and duty) at a state enterprise. Although the Romanian socialist Constitutions (1948/1952, and 1965/1974) did not recognize housing as a right, it was acknowledged as being a fundamental human need that had to be met so that the labour force could reproduce itself and contribute to society's productivity. The state could not afford to lose any labour power, as this was the productive element that created surplus value and financial resources for socioeconomic development. The right to housing was effectively ensured through people's labour rights.

I.1.2. How was the state able to control the redistribution of financial resources?

The socialist state functioned as a complex system of societal relations, political structures, and institutional mechanisms that enabled it to (a) collect financial resources in a centralized manner and (b) redistribute these resources across various sectors and regions of the national economy.

The socialist state was able to redistribute surplus value for the benefit of society and to create goods for collective consumption because it saw itself as the representative of the entire population and acted as the emanation of its will. This was in contrast to the capitalist state, which served the interests of the bourgeois class. Furthermore, the labour force created surplus value within economic units that were in socialist or social ownership or the property of cooperatives, while both types of economic organizations functioned according to a single plan elaborated by the central state. The state also established a financial system composed of financial institutions in state ownership and mechanisms that allowed the collection of financial resources in a single fund, enabling centralized redistribution of money.

State property in industrial enterprises was meant to belong to the entire society. Those administrating state enterprises and workers' collectives did not have independent ownership of the concrete means of production, as these were assigned to their administration according to the state's development plan. Additionally, the surplus value and benefits produced by these entities belonged to the state as the representative of the entire population. However, a portion of the product of labour performed for the benefit of society remained within the enterprise to be used according to its needs.

In state socialism, labour power was not considered a commodity as it is in capitalism, as workers' collectives were both owners and producers of the material and financial goods entrusted to them. This double attribute enabled them to administer these goods. In capitalism, labourers are forced to sell their labour time to the owners of the means of production for wages gained within a relation of exploitation.

I.1.3. How was the relationship between production and consumption, as well as between funds of accumulation and funds of social consumption, conceptualized?

In state socialism, the use of national income (the value of all the goods created in the productive branches of the economy) was structured to support the satisfaction of people's needs through investments in economic production (industry, agriculture, construction) as well as providing goods for people's consumption. On the one hand, these could be purchased by individuals with their salaries and other income, and, on the other hand, collective goods and services were provided for free or at a very low cost by the state. The socialist labour force not only created value in productive economic activities but also contributed to the reproduction of the individual worker and to social reproduction more broadly.

In state socialism, consumption was valued as one of the elements of expanded reproduction (or economic growth) alongside production, distribution, and circulation of goods, all of which served to fulfil human needs. This is different from capitalism, where economic growth is seen as an objective in itself and measured as an indicator of social well-being, neglecting the fact that economic growth does not benefit everyone without a fair system of redistribution. This is because capitalist production is organized so as to generate surplus value for appropriation by the capitalist class rather than serving the society's individual and collective consumption needs.

In the socialist system, to respond both to the general needs of the society and people's individual needs, the national income was distributed in two phases. The primary distribution of national income aimed to ensure the functioning of economic spheres where material production took place, by allocating money for the labour force, the productive enterprises, and the socialist state. In the second phase, called redistribution, a part of the national income was transferred from the productive to the nonproductive spheres, including for the salaries of employees of social and cultural institutions and the state administration. Most importantly, redistribution aimed to ensure funds for further enlargement of production and economic development. The main pillar of the (re)distribution of national income was the financial system of the country, with the state budget at its core.

As mentioned above, a part of national income was used in the socialist redistribution system to ensure resources for further development and was thus channelled toward what was called the national fund for economic-social development, also named the accumulation fund. The latter actually consisted of monetary funds, and was used to cover the costs of productive investments, expand and technologically improve labour instruments, provide monetary support for the development of social and cultural institutions, and expand the housing stock by constructing new residences, roads, and bridges. Most of the accumulation fund was supported by the budgets of the state and productive units. The direct contribution by the labour force to the formation of the socialist accumulation fund (via taxes) was less than 1 percent. External credit and the balance of population's deposits at the Savings Bank were other sources for the accumulation fund.[6]

Besides the accumulation fund, the consumption fund was the other use to which national income was put to satisfy the society's needs. The consumption fund covered, on the one hand, individual consumption, i.e., the spending by the population on goods and services out of their salaries or other forms of income. On the other hand, the consumption fund included social consumption costs, i.e., the costs of educational, healthcare-related, cultural, or other activities and services — creating and maintaining urban public infrastructure, ensuring the renovation of public housing, sustaining scientific research, and financing the state administration and the military. The social consumption fund could be considered as supplementing people's individual incomes since they had access to these services and the results of these activities for free or at a very low cost; therefore, the amounts spent on them were calculated to show how these benefits contributed to improving living standards. For example, the average income per family obtained from the social consumption fund was 9,563 lei in 1977 and was expected to grow to 11,766 lei in 1980,[7] which, using an average exchange rate for the period, meant between 2,100 and 2,600 USD.

Table 1 shows that the accumulation fund increased from 9 billion lei in 1950 to 207 billion in 1986 but declined in the second half of the 1980s, falling to 110 billion lei in 1989.[8] Additionally, the total consumption fund value in Romania grew consistently from 29 billion lei in 1950 to 440 billion in 1986 and 478 billion lei in 1989. However, it is important to note that the social consumption fund increased from 2 billion lei in 1950 to 18 billion in 1985 but then dropped to 15 billion lei in 1989.[9]

Table 1. The evolution of the funds of accumulation, consumption, and social consumption.[10]

	1950	1986	1989
Accumulation fund	9 billion lei	207 billion lei	110 billion lei
Consumption fund	29 billion	330 billion	478 billion
Social consumption fund	2 billion	18 billion	15 billion

[6] *Economie Politică* 1978, pp. 374–376.
[7] *Economie Politică* 1978, pp .397–399.
[8] *Anuarul Statistic al României 1990*, p. 241.
[9] Ibid.
[10] Ibid.

The need for a robust development or accumulation fund was justified by the constant expansion of the means of production, necessary to ensure the basis of individual and collective consumption. Plans in Romania between 1976 and 1989 proposed that the accumulation fund receive 34 percent of the total national income, compared to the period between 1961 and 1965 when its share was only 24 percent. The argument for increasing the accumulation fund was that its growth was also needed for the enlargement of the consumption fund, which increased from 29 to 47 percent. These figures are derived from political economy handbooks analysed in preparation for this study. **Table 2** synthesizes the data on these matters according to the *Anuarul Statistic al României 1990*, which claims to provide the actual statistics about the former decades, not those reported during that era.

Table 2. The evolution of the percentages of consumption fund and accumulation fund from the total national income.[11]

	% of consumption fund	% of the accumulation fund
1951–1955	75.7	24.3
1956–1960	82.9	17.1
1961–1965	74.5	25.5
1966–1970	70.5	29.5
1971–1975	66.3	33.7
1976–1980	64.9	36.0
1981–1985	69.3	30.7
1986–1989	74.3	25.7

I.1.4. Housing as investment and as collective-consumption good

Under state socialism, the costs of construction, including the building of industrial facilities, housing, and social and cultural edifices, were considered major investments, alongside the production or purchase of new means of production for manufacturing and providing means for extractive industries.[12]

[11] Source*: Anuarul Statistic al României, 1990*, p. 240.

[12] *Economie Politică* 1978, p. 381.

The costs of building new housing were considered investments to produce homes as consumption goods needed for individual and societal reproduction. As previously mentioned, the socialist economy viewed production and consumption as interdependent economic processes. Therefore, investments in housing construction were regarded as a productive activity that created state-owned houses as goods of collective consumption. This option was consistent in a system where consumption has been treated as a condition of production, a phase of reproduction rather than a cost that burdens the public budget. In particular, housing as a consumption good was sustained as a factor contributing to economic production because at the level of the individual, it satisfied a basic human need; and, at the level of the society, it ensured the reproduction of the labour force needed for production. Public housing also contributed to returning that part of social labour to the workers that they did not access in the form of wages, as well as to the benefit of the collective of labourers, at a very low (accessible) cost. Public housing could be both an individual and collective consumption good because it was distributed to individuals, and, at the same time, it remained in public ownership and contributed to social reproduction at the level of the economy at large.

The socialist economic structure consisted of two divisions: social production branches (*ramurile producției sociale*) and productive branches (*ramurile de producție*). Social production branches were responsible for making goods for individual and collective consumption, while productive branches, including industry, agriculture, and construction, were responsible for creating goods for productive consumption (such as means of production for manufacturing) or goods for individual and collective consumption (including housing).

Even if housing was one of the goods of collective consumption that the state paid for out of the state budget to respond to the fundamental need for housing, its related costs were covered by both the social consumption fund and the accumulation fund dedicated to economic development. According to a socialist political economy handbook from 1978, the rents supported by the state enterprises and the repairs to state-owned housing made available to workers were paid out of the social consumption fund alongside the costs of urban public infrastructure (*gospodărire comunală*) including sanitation, public lighting, and repairs to roads and bridges;[13] while the accumulation or economic development fund covered the costs of constructing new homes or extending the existent housing stock.[14]

During state socialism, the amount of new residential construction paid for from the state budget fluctuated over time, as evidenced by **Table 3**.

Table 3. The evolution of the construction of new housing units in Romania between 1951 and 1989.[15]

[13] Ibid., p.397–398.

[14] Ibid., p. 376.

[15] Source: *Anuarul Statistic al României 1990,* pp. 540–541.

	Number and percentage of apartments constructed on the state budget	Number of housing units built with the funds of the population	Total number of new housing units built
1951–1989	2,984,083 (53.98%)	2,544,382	5,528,465
1971–1980	1,267,850 (79.61%)	324,690	1,592,540
1981–1989	1,012,771 (93%)	76,152	1,088,923

As a result of austerity measures imposed by the Romanian state in the 1980s to ensure repayment of the country's public debts, accumulated during three decades of heavy investments into economic and social development, in this period the number of annually built new housing units decreased, as **Table 4** reflects.

Table 4. The decrease in newly built homes during the 1980s.[16]

	1981–1983	1989
Apartments built by the state	150,000	54,979
Housing units built by the population without state support	11,257	5,421

Still, it is worth noting that the percentage of apartments constructed by the state from the total of new homes built was around 54 percent for the entire period between 1951 and 1989, being much higher during the 1970s (approximately 80 percent) and even higher in the 1980s (93 percent). These figures reflect the shift from early state socialism, when more new housing construction was paid for out of the funds of the population, to its last decade, when the state budget covered over 90 percent of new housing construction. Personal property construction was supported through cheap credit, and individuals could also receive grants of land and logistical support for their construction efforts. Additionally, the state sometimes sold the apartments it constructed to the population. From 1951 to 1989, 411,584 such flats, which accounted for 14 percent of the housing stock built by the state during this period (2,984,083 homes), were sold.[17] In the following section, I will discuss the socialist financial system that enabled investments in the large-scale construction of public housing.

[16] Ibid.
[17] Vincze, 2022.

I.2. The socialist financial system under centralized planning

Between 1951 and 1989, in Romania, 5.5 million new homes were constructed, with almost three million block apartments built by the state using its funds. Moreover, the state provided loans at low-interest rates to those who wished to build homes on personal property or purchase state-built housing units. This mixed property regime was made possible by a socialist financial system that was part of the centralized national economy[18] and was connected to an organized market where commodities, including housing as a means of production and consumption, circulated (supplied and demanded) under state control.

In what follows, the paper will discuss the general role of the financial system, the state budget, the banks and related credit systems, as well as the price system in state socialism.

I.2.1. The role of the financial system in socialism

The socialist financial system encompassed the totality of financial institutions, relations, and processes that created and redistributed financial means in a planned manner. Therefore, on the one hand, it included the transfer and concentration, in the form of money, of a part of the value created by social labour. On the other hand, it consisted of mechanisms through which the state elaborated the comprehensive national development plan, owned the economic enterprises and the banks, and redistributed the financial means across economic sectors and divisions.

The financial system was not only an instrument for redistributing financial resources but also a means for the socialist state to organize, lead, and control the entire society. Through the financial system, the state determined developmental priorities, defined needs based on scientific criteria, controlled expanded reproduction, and redistributed financial resources. The financial plan of the country was integrated into the national development plan, allowing the state to allocate funds to achieve the goals of this plan.

In addition to the national development plan and socialist ownership of means of production, state ownership of financial institutions allowed for the transfer, concentration, and redistribution of money.

I.2.2. The state budget

One of the main pillars of the socialist financial system was the state budget, which acted as an executive financial plan and was strictly linked to the formation and redistribution of the

[18] Ibid.

state's centralized financial means. It played a crucial role in the socialist relations of production.

The state budget was fuelled mostly by incomes from state enterprises, in the form of taxes and fees, which were paid according to their respective revenues. There were also the taxes paid by cooperative organizations, contributions from the population based on their income, and by trade tariffs. External loans taken by the state from commercial banks or international financial organizations were also occasionally used to supplement the budget.

The state budget was used to pay for productive investments in means of production, provide state reserves, ensure the development of the material base of social and cultural institutions, carry out social-cultural activities (including providing salaries for the non-productive sectors), and allocate funds for defence and the functioning of the different elements of state power. A distinct segment of the state budget, called state social insurance (*asigurare socială de stat*), maintained by the contributions of companies and institutions, was meant to cover pensions, social assistance, and free medical treatments. The state budget also included the insurance fund (*fond de asigurări*) created to cover damages from different calamities suffered by enterprises or individuals.

The state budget was responsible for allocating money according to the objectives defined in the economic plan, reflecting how the financial system was integrated with the unitary national development plans.

I.2.3. The banks and the credit system

In socialist Romania, the banking system consisted of the National Bank of the Socialist Republic of Romania (RSR), the Investment Bank, the Savings Bank (*Casa de Economii și Consemnațiuni*), the Bank for Agriculture and Food Industry, and the Romanian Bank of Foreign Trade (both established in 1968).

The concentration of most of the available money in society in the accounts of these banks, also known as temporarily disposable monetary means (*mijloace bănești temporar disponibile*), allowed the state to act as a creditor and maintain control over the centralized economy. The planned socialist credit system played a significant role in this control, as the state imposed financial discipline over enterprises, ensuring they repaid their loans on time. The system also encouraged enterprises to produce according to their contractual agreements with other units and fulfil their part of the national plan.

The new National Bank, which resulted from the nationalization in 1947 of the prior National Bank, was transformed a year later into the State Bank, while the private credit institutions were abolished, and in 1968, into the National Bank of RSR. This bank was organized as an instrument of the state to coordinate and control the non-profit lending activities characteristic of the socialist banking system. Due to the nature of the state-coordinated economy, the National Bank concentrated all the temporarily available money in society and used it, through the credit system, to make allocations according to developmental and societal needs. Loans from the state bank supplemented the state budget funds allocated for the state-owned enterprises and enhanced people's individual purchasing power. According to the administrative documents issued by the General Directorate of the National Bank, archived at its central premises, employees' requests to be provided with housing from the state-owned housing fund were collected from the country branches by the central office of the National Bank, which in turn forwarded them to the state planning committee. Available residential units were distributed similarly to the way they were distributed in the case of all state-owned enterprises, i.e., through the specialized structures of the county and local councils. There were also cases where the National Bank, from its non-centralized investment fund, approved the construction of blocks of flats in different localities. The National Bank's administration of housing stock diminished after the establishment of specialized banks, described below. The employees of these banks also needed accommodation in the localities where they had their offices.

The Investment Bank was initially established in 1948 as the Credit Bank for Investments, a specialized bank regulated by subsequent decrees from 1970 to 1971. It was ruled by the Ministry of Finances and worked in close collaboration with the State Committee of Planning and the National Bank. The Investment Bank was responsible for financing and providing credit to a wide range of economic sectors, including industry, construction, education, healthcare, culture, and more. Additionally, it played a crucial role in elaborating investment, financial, and credit plans and controlling their fulfilment alongside the supervision of how the enterprises used their credits. The socialist companies had to wire the Investment Bank their revenues for financing centralized investments as temporarily available resources, while this bank was also provided with funds from the Ministry of Finance and the structures of local administrations. Socialist companies with accounts at the Investment Bank could also use their funds for non-centralized investments.

The new Savings Bank was established in 1948, using the assets of two former private banks with similar functions. The Savings Bank attracted the population's savings and offered credit for the population, most importantly for housing construction on personal property.

I.2.4. The price system

Another pillar of the socialist financial system was the method of establishing the prices of goods and services, which allowed for better planning. In socialism, the law of value meant that the price of a commodity was determined by the socially necessary labour time and other costs required for its production. This allowed for prices to be predicted and planned before goods were exchanged on the market, and could remain relatively fixed for some time. As a result, the law of value and the law of planned development were interconnected in state socialism.

In socialism, the market, as a space where commodities circulated and sales-purchase relationships evolved, had an organized character due to the planned nature of economy, and did not "spontaneously" regulate the relations between demand and supply, as is claimed under capitalism. The state used the market as an instrument by which it could monitor whether production was responding to societal needs, because a perfect equilibrium between planned and effective demand and supply could never be reached. The discrepancies between demand and supply were used to improve the planning system and production to better match people's needs as they were expressed on the market. The planned character of prices guaranteed monetary stability in the long term, with the aim of reducing the prices of goods by increasing labour productivity through technological improvements while also bettering workers' salaries to ensure the purchasing power of the population. The price system worked as an instrument for stimulating state enterprises to produce what was needed, make efficient and rational use of means of production, and improve the quality of products that could be sold at higher prices, bringing in more income than the costs of production.

Housing sector prices were established based on similar principles and mechanisms to those described above. Thanks to this pricing system and the regime's commitment to respond to the housing needs of the labour force, rents on state-owned housing could be kept at a very low level. For example, in the middle of the 1970s, the rent for a 55-square-metre flat was 99 lei (equivalent to 22 USD at the time) for those earning less than 800 lei (177 USD), and went up to 149 lei (30 USD) for those with monthly incomes of more than 1600 lei (355 USD) — i.e., rent cost between eight and twelve percent of tenants' income. The price of housing units built by the state and sold to the population was also low. For example, in 1977, a high-quality two-room apartment of 55 square metres cost 98,010 Romanian lei (19,700 USD), which, for someone with an average monthly income of 3,000 lei (600 USD), could have been purchased in three years (compared to the 14 years needed nowadays to pay off a two-room apartment costing 149,000 USD from an average income of 850 USD). To support access to homes through its Savings Bank, the state offered loans at low annual interest, around two to five percent, depending on income. A specific office, institutionally part of the local state administration, managed the cases of tenants who wanted to buy the apartments allocated to them and put them into contact with the Savings Bank.

The socialist price system ensured the financial affordability of housing while also ensuring that the costs of all necessary goods and services for social reproduction were established in a way that could maintain people's purchasing power. The distribution of the national income among the population was based on the recognition that a series of social needs could not be satisfied solely based on salaries allocated corresponding to the quantity, quality, and social importance of work performed by people, but that the division of national income also had to happen according to their needs.

I.3. Conclusion: covering people’s housing needs through state investments into housing as a collective-consumption good

The mass construction of public housing in state-socialist Romania was made possible by the nature and functioning of the economic and financial system as a whole. This system was based on a centralized development plan that put production, exchange, and consumption processes into motion to ensure the uninterrupted flow of economic and societal (re)production. In contrast to capitalism, where private enterprise plans, implements, and controls its activities for efficiency, performance, and competitiveness on the market, in socialism, the state plans, implements, and controls productive and non-productive activities at the level of the entire society and across all territories of the country.

The construction of three million homes by the state in Romania was made possible by the existence of public property over the means of production and financial institutions and instruments. The implementation of the plan over four decades required the availability of monetary means provided by a redistributive system focused on creating goods of collective and public consumption. This system was based on the use of surplus value produced by the labour force working in enterprises in social property and centralized by the state.

As the state was responsible for representing the interests of the entire society and the labour force that created surplus value, it had the capacity to redistribute financial resources in a manner that enabled the provision of collective-consumption goods, such as housing. This approach ensured the reproduction of the labour force within individual households and the society at large, as well as the necessary means of production for the economy’s expanded reproduction.

State socialism aimed to fulfil the housing needs of workers, whose housing rights were not explicitly recognized in the Romanian constitution but were implicitly dealt with through the insurance of the constitutional right to labour. The state could thus sustain the objective of full employment alongside the idea of covering the housing needs of the whole population. However, constrained by the high expenditures on housing construction and the costs of public rentals, the Romanian socialist state allowed for a mixed ownership regime. This regime realized universal access to housing via the state-owned housing fund and a non-profit price system within which homes in personal property could be constructed or bought at affordable prices with or without credit.

II. The capitalist financial system in Romania and the transformation of homes into an asset class

In Romania in 1989, 33.2 percent of the total housing stock (7,960,000 homes) consisted of apartments in state or cooperative ownership, the rest being in personal property regulated by the state.[19] This percentage was as high as 50 or 60 percent in the cities, the sites of industrialization and urbanization. By contrast, between 1990 and 2021 only 1,361,119 new housing units were built in Romania, with only 189,139 (14 percent) being constructed with public funds. This low level of state investment in housing resulted from the destruction of the state socialist financial system and its replacement with a regime adjusted to the needs of global financialized capitalism. The analysis in this section of the present study draws on secondary data about housing financialization, the Romanian legislation facilitating it, and information about the financial actors involved in real estate development, gathered from their websites. This analysis is related to a study of the advancement and financialization of real estate development in Romania,[20] which highlights how transnational actors (the World Bank, the International Monetary Fund, and the European Commission) pressured the Romanian state through their loans conditioned by privatisation and liberalisation of prices. These actors created the European and global conditions for the free movement of capital, while the Romanian state facilitated the formation of property relations, financial institutions, and fiscal and urbanistic regulations easing capital investment into real estate.

The post-1990 transitology literature supporting the idea of the inevitability of the transition from socialism to capitalism in Central and Eastern European countries, including Romania, put the gradual transition and progress towards the development of the idealized market-based system at the centre of its recommendations. As regards housing, this literature "provided practical policy recommendations on actions that need to be undertaken, designing a blueprint for housing reforms".[21] Analysts with ties to the World Bank were committed to policies enabling the creation of housing markets.[22] They advised governments to abandon their earlier role as producers of housing, develop property rights and mortgage financing, rationalize subsidies, provide infrastructure for residential land development, regulate land and housing development, reorganize the construction industry to generate greater competition, and develop a new institutional framework for the efficient management of the housing sector for the purpose of generating profit.

Experts supportive of capitalist transformations in Central and Eastern Europe aimed to prove that "the public housing experiments of centrally planned economies failed",[23] "the

[19] *Anuarul Statistic al României 1990*, p. 220.
[20] Florea and Vincze, 2023.
[21] Tsenkova, 2009, p. 7.
[22] World Bank, 1993.
[23] Renaud, 1999, p. 757.

public housing programs were wasteful",[24] "the purely government-managed institutions — while seemingly created in the public interest — ultimately become inefficient, monopolistic and bureaucratic";[25] further, that "the socialist housing policies treated housing exclusively as a social issue to be met by the state and they failed to appreciate the complex and specific features of housing as a major sector of any economy";[26] and finally that "the absence of a commercial housing finance system became one of the numerous problems of transition economies".[27] Their analysis also stressed that the socialist housing system was responsible for many of its problems because it created uniform and typically small apartments, there were long waiting lists, and the rents were "absurdly low (the total housing expenditures were much less than three percent of total household expenditures".[28]

The replacement of state socialism by the regime of neoliberal capitalism also required the so-called "modernization" of the old state financing mechanism and sweeping banking reforms. These included the transformation of the "monobank system … that acted as a treasury for the government and operated a monopoly savings bank that collected household deposits to finance the state plan".[29] In addition, Renaud argued that it was necessary to rewrite property laws to establish the concept of real estate.[30]

The total transformation of the former socialist financial system, alongside the privatization of housing stock, industrial enterprises, and urbanism, created the conditions for the formation and enlargement of the private sector. In a short time, the latter took over the production of residences, and gave rise to an unregulated market where housing was traded as a commodity and became a financial asset, as financial and housing markets increasingly intersected. The changing financial regime created the possibility for the appearance of real estate development as a private business, a terrain for capital accumulation, a means of capitalist (re)urbanization, and a site where class relations could be crystallized in post-1990 Romania.[31]

II.1. The privatization of the banking sector in Romania

The reorganization of the National Bank of Romania (*Banca Națională a României*, BNR) as an independent public institution, free from state control, and the privatization of state banks

[24] Ibid., p. 758.
[25] Ibid., p. 765.
[26] Ibid., p. 769.
[27] Ibid., p. 768.
[28] Renaud, 1996, p. 10.
[29] Ibid., p.12–13.
[30] Ibid., p. 17.
[31] The research project "Class formation and re-urbanization through real estate development in an East European semi-periphery" offers an empirically based, theoretically informed picture of these processes in Romania as they were shaped by local, national, and global forces and actors (www.redurb.ro).

paved the way for the integration of the country's financial system into the global circuits of capitalist accumulation.

The new statute of BNR was defined by Law 34/1991, which repealed the Decree from 1970 that constituted it as the major bank of the Socialist Republic of Romania. Because the nature and functions of the state changed as part of capitalist transformations, the BNR's role in ensuring monetary stability in the country manifested differently in the context of the new financial-economic system and market economy. In 1991, the BNR was defined as an agent of the state or a state authority, in 1998 as the bank of the Romanian state, and in 2004 as an independent public financial institution. The European Banking Union (EBU) was created in 2014, once Romania was already a Member State of the EU, so Romania also had to respect the EBU regulations. According to the Single Supervisory Mechanism, the European Central Bank gained a leading and supervisory capacity over the competent national authorities, including the BNR. Additionally, the Singular Resolution Mechanism defined uniform rules and procedures across all Member States (and not only in the eurozone countries) to resolve credit institutions and investment firms, including the resolution plans and schemes for banks in bad health and a single resolution fund to help finance them.[32]

Most of the other state-owned banks of socialist Romania were initially transformed into commercial societies or joint stock companies (by Law 15/1990), making them saleable to private investors, domestic or foreign. However, the means for privatizing commercial banks with state capital were defined only later, by Law 83/1997. **Table 5** provides a detailed overview of the fate of these banks.

Table 5. The privatization of Romanian state-owned banks (compiled the author, based on legislation regarding the privatization of these banks).

The former state-owned bank	The bank that purchased it	Year of sale
Romanian Investment Bank	Société Genérale (France)	1999
Bank for Agriculture and Food Industry	Raiffeisen Zentralbank (Austria) and the Romanian-American Investment Fund	2001

[32] Vincze and Betavatzi, 2023.

Romanian Bank of Foreign Trade (taken over by the Romanian Commercial Bank when it collapsed due to non-performing loans)	Erste Group Bank (Austria)	2006

The former socialist Savings Bank was reorganized according to Law 66/1996 and remained under state ownership. It became a joint-stock banking company, with the Romanian state as the sole shareholder. The bank continued to carry out its former functions, which included attracting, preserving, and fructifying the monetary savings of the population, as well as granting loans to natural persons for various purposes. In addition, the bank diversified its operations to include granting loans to small and medium-sized private economic agents, supplying credits to the state, central, and local public administration, and investing in securities issued by the central and local public administration.

Privatizing banks was the first step toward transforming them into private real estate beneficiaries. The second step needed for this was the creation of the mortgage system. The 1999 Romanian Mortgage Law, prepared with the support of international financial bodies, crafted the legal opportunities to transform real estate development, including housing construction, into a profitable business both for banks and for investors and developers. The mortgage loan appeared as a banking product in Romania in September 2001 through the Alpha Housing program of Alpha Bank Romania. A short time later, specialized banks for mortgage loans were created, such as the Raiffeisen Bank for Housing (*Banca pentru Locuințe*), in June 2004, and BCR for Housing in July 2008, being regulated by Emergency Governmental Ordinance no. 99/2006 regarding credit institutions and capital adequacy, approved by Law 227/2007. In 2009, the government's First House (*Prima Casă*) program aimed to support private housing construction and the mortgage system in the context of the financial crisis. Additionally, the ANL public housing program (*Agenția Națională de Locuințe*, the National Housing Agency), established by law in 1998, producing homes for people under the age of 35 that could be sold to their tenants, also had a role in sustaining the private construction companies (since there was no public firm designated for this) and the bank mortgages. As a result of all of the above developments, in 2020, the share of mortgage loans in the Romanian GDP increased to 8.4 percent, which is not much from a global perspective, but it was a significant increase compared to 3.3 percent in 2007. Furthermore, in 2021, the loans granted to the population for housing increased by 12.9 percent compared to 2020, but this growth started to moderate from one semester to another in 2022 due to the growth of interest rates.

After the privatization of the socialist banks, the Romanian national legislation allowed for the establishment of new private banks. By 2010, 40 of the existing 42 banks, which owned 92.6 percent of the sector's total shares, were private. Of these, 26 were backed up by foreign capital, and nine acted as foreign bank branches. Austrian companies held over 38 percent, Greeks more than 16 percent, and French, 14 percent of bank assets. As of July 2023, there were 314 banks and 16 non-banking financial institutions from other EU Member States directly providing services in Romania.[33] One of the most profitable Romanian banks is Transilvania Bank, established in 1994 in Cluj-Napoca. It has since expanded its portfolio by creating an open investment fund called BT Real Estate, administered by BT Asset Management.

II.2. The investment funds in capitalist Romania

The formation of investment funds is an important element in the creation of capital markets, a term which covers a wide spectrum of markets where financial assets are bought and sold, including the trading of long-term debt. Capitalist financial instruments are the products offered on the capital market, which function as vehicles used to circulate money capital with the aim of profit-making. There are a large number of different financial instruments. According to asset classes (groupings of investments), they can be divided in two major types: equities, which can be bought by anyone who has money to invest, thus becoming a shareholder of some companies or trusts and earning a profit when they sell their shares; and debts, which can be purchased in the form of government bonds or corporate bonds, or certificates of deposit or collateral securities, earning regular profit from the interest paid by indebted persons/institutions.[34]

The creation of the five Romanian Private Property Funds (*Fondurile Proprietății Private*, FPPs) by Law 58/1991, on the privatization of state-owned enterprises, marked the beginnings of mutual investment funds in Romania. The law stated that these commercial societies, initially entitled to 30 percent of the social capital of the privatized enterprises, would be transformed into mutual funds within five years. The tasks of the FPPs included issuing ownership certificates that were to be given away for free to Romanian citizens over the age of 18, providing brokerage services, making new investments to increase the market value of the ownership certificates, and launching initiatives to accelerate the privatization of the enterprises assigned to each of them. FPPs could also purchase shares from the State Property Fund (*Fondul Proprietății de Stat*, FPS). To the latter, the National Privatization Agency distributed 70 percent of the state-owned enterprises' capital in the first stage of their privatization.[35] Since 1998, these funds, transformed into financial investment companies (*Societăți de investiții financiare*, SIF), have been listed on the Bucharest Stock Market.

In Romania, investment funds are regulated by several laws, including Law 297/2004 concerning the capital market (*Piața de capital*), Emergency Governmental Ordinance 32/2012

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[33] BNR, *Registre și liste instituții financiare*, accessed 15 July 2023.
[34] Investopedia, accessed 29 August 2023.
[35] Vincze and Vlad, 2023.

regarding Undertakings for Collective Investment in Transferable Securities and the Societies Administering Them (*Organismele de plasament colectiv în valori mobiliare şi societățile de administrare a* investițiilor), Law 126/2018 on the market in financial instruments market (*Piețele de instrumente financiare*), and Law 243/2019 regarding the regulation of Alternative Investment Funds (*Fondurile de investiții alternative*). Before these regulations, the National Investment Fund (*Fondul Național de Investiții*, FNI) was established in in 1995 and was the first investment fund to attract money from the Romanian population. Administered by SOV INVEST SA, it collapsed in 2000. In 2013, the Romanian Financial Supervision Authority (*Autoritatea de Supraveghere Financiară,* ASF) was created by the state, and is responsible for applying relevant national legislation and EU regulations in this field. The ASF was established by Emergency Governmental Ordinance 93/2012 (transformed into Law 113/2013). Florea and Vincze (2023) provide more details about this in their study on financialization and derisking of real estate development in the context of uneven development and deindustrialization. The study includes statistical information on open-end and closed-end or alternative funds operating in Romania, most of which are registered in cities outside the country.

II.3. The transformation of homes into a class of financial asset

When housing is predominantly accessible through the market, as in Romania, where public social housing constitutes less than two percent of the total housing supply, housing is transformed into a super-commodity whose exchange value prevails over its use or social value, resulting in a real-estate-driven housing regime.[36] Nevertheless, housing financialization is not limited to the commodification of housing. It also involves individuals and legal entities, including real estate developers, borrowing money from banks in the form of real estate loans or other loans for which real estate functions as security. This process allows banks to make profits by selling money with interest rates. Moreover, housing financialization can also involve investment funds specializing in buying non-performing loans, as seen during the 2008–2009 global financial crisis.

Furthermore, the financialization of housing in Romania involves an increasing role of financial actors in the sector,[37] where the capital market intersects with the housing market. This intersection occurs, for example, when residential developers are backed up by investment funds or appeal to bank loans to construct new homes or use the lands and buildings they own as collateral for other loans. For instance, Atterbury Europe, a South African investment fund, supported one of the biggest Romanian developers, Iulius Group, in its initiatives in several big cities of Romania. In turn, Atterbury Europe runs private pension funds. There are also companies in Romania that sell hotel and residential real estate to natural or legal persons for investment purposes. Nordis Group, for example, promotes itself as the owner and

[36] Vincze, 2023.
[37] Aalbers, 2016.

seller of real estate units from tourist cities that, if rented out, would ensure a seven percent annual return paid to the owner as a monthly income. Nordis Group also acts as a real estate management company, assuming the operation, maintenance, upkeep, and renovation of the buildings they sell to investors.

Housing units in Romania can also become financial instruments with tradeable monetary value, for example, on the stock exchange market. This occurs when developers involved in build-to-rent construction attract investors to whom they pay dividends not only from the rents but also from gains on the stock market. Impact Developer & Contractor is a Romanian example of this kind of enterprise, established around the middle of the 1990s and listed on the Bucharest Stock Exchange in 1996. Other Romanian developers listed on the stock market include Meta Estate Trust Holding, One United Properties, and STK Properties. Furthermore, in Romania, Impact Developer is also a leader in financialized real estate innovations. In 2020, it established the first Real Estate Investment Trust in Romania, Star Residence Invest, within a partnership with Reit Capital from Cluj, owned by BRK Financial Group, one of the country's most famous brokerage companies.

Overall, the financialization of housing in Romania involves an increased involvement of financial actors in the housing market, turning housing into an asset class.[38] Financial institutions produce and trade real estate assets using the built environment as part of the secondary circuit of capital.[39] According to Lapavitsas, the financialization of housing occurs not only through banks participating in open financial markets but also through non-financial companies such as developers, constructors, operators, and asset managers trading their bonds and equities, as well as households becoming indebted through various (not only mortgage) loans and investing in the financial market.[40]

In contemporary capitalism, financialization connects physical dwellings in different local geographies to global real-estate and financial capital flows. This is enabled by the liberalization of their circulation through neoliberal policies that nation-states, the European Union (and previous economic communities), and international financial organizations (such as the World Bank and the International Monetary Fund) have been implementing since at least the 1980s. Thanks to the liberalization of the transnational movement of capital and the institutional innovations through which this occurs, individuals or legal entities (such as pension funds or insurance funds) from one country can invest in properties (including housing) from any other country where this investment brings more profit, and register their income in a third country where income and profit taxes are lower. As a result, the physical home with social and use value transforms into a financial object, a financial asset, or an asset class with a financial value that is traded on global capital markets, rather than just real estate markets.

[38] Gabor and Kohl, 2022.
[39] Harvey, 1982.
[40] Lapavitsas, 2013.

The financialization of housing in Romania is also facilitated by global marketing that promotes the country as a place where rental yields are high compared to other EU countries, at around 6.6 percent,[41] as well as an EU Member State and NATO member that was included by the World Bank among the high-income group of countries in 2019.[42] Additionally, in Romania, there are no restrictions on foreign nationals acquiring dwellings and, since 2012, lands, where the demand for real estate properties dramatically outstrips the supply, and there is great scope for property prices to rise. Foreign investors are taking advantage of the current low real estate prices in Europe, which are inevitably going to increase in the future.[43]

The commodification and financialization of the housing sector in Romania have been facilitated over the past thirty years not only by the direct state interventions described above, but also by the indirect effects of governmental policies, particularly the state's insufficient production of public housing. The production and ownership of new social housing, which cannot be sold, were transferred to local public administration institutions under Housing Law 446/1996. While the latter were obligated to provide such housing, they could not be held accountable for ensuring that the housing stock met actual needs. Local governments could apply for additional funds from the federal government, but mayors reported that it was uncommon for a town hall to request and receive funds from the federal social housing program. According to the National Housing Strategy for 2022–2050, adopted under Governmental Decision 842/2022, only 90 socially owned blocks of flats, providing 3,911 social housing apartments, were built in the entire country through this program between 2007 and 2012.

Another agent that was supposed to build public housing in Romania is the National Housing Agency (*Agenția Națională de Locuințe*, ANL), established by Law No. 152/1998. The new type of ANL housing was intended for people under 35 with incomes below the national average, and its development took place using funds from the central government and lands provided by the local public administrations. However, the National Housing Strategy for 2022–2050, already mentioned above, noted that under this law, only 34,000 ANL apartments were built nationwide, with 6,000 sold to tenants. Furthermore, ANL planned to build 300 flats for Romanian citizens of Roma ethnicity under Governmental Decision 1237/2008, of which only 239 were delivered between 2015 and 2022. Despite its limited impact, ANL played a role in supporting the creation of the mortgage system in Romania via its specific program facilitating the purchasing of its new housing units through bank loans guaranteed by the state.

II.4. Conclusion: state support for profit-oriented housing investment under capitalism

Capitalism is organized around the exploitation of the labour force through the appropriation of surplus labour by the owner class. Additionally, through its private financial and

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[41] *Global Property Guide*, accessed 24 October 2023.
[42] *Invest Romania*, accessed 24 October 2023.
[43] *Move to Romania*, accessed 24 October 2023.

real estate actors, the profit-oriented capitalist housing system exploits people's need for housing. This need remains unmet, and people are forced to acquire housing on an unregulated market from the wages they are left with after their private employees appropriate the surplus value labour creates. Non-waged labour in capitalism is also put into the service of the ruling classes. This happens through expropriation.[44] Unwaged labour includes the unpaid work done in households (usually by women) for the social reproduction of the labour force, alongside the informal labour of (usually racialized) persons. Those who cannot afford the market value of homes, from the point of view of profit-oriented housing production, are considered a redundant population. As housing has now been transformed into a commodity appreciated according to its exchange value and into an asset class, the speculative use of land, buildings or the built environment generates profit decoupled from the surplus value created by the labour force in the productive economic sectors, including construction. This leads to a new form of expropriation, financialized expropriation.[45]

After 1990, the mass construction of public housing and the universal accessibility of homes as use value became impossible in Romania because of the destruction of the whole socialist economic and financial system via privatization and by integrating the country into global capital flows. The free circulation of (industrial, real estate, and financial) capital across national borders allows capitalists to benefit from uneven geographical development by seeking investment opportunities with high returns and exploiting some regions while leaving other territories underinvested in many aspects, including jobs, housing, and public infrastructure. The state's lack of investment in public services or goods of collective consumption, such as public housing or productive facilities, contributes to the unevenness of economic and social development across the national territory.

In capitalism, the surplus value created by the labour force is appropriated in the form of profit by the private owners of the means of production rather than going into state-controlled funds. As a result, there is less money for the state to invest into public goods, such as public housing, and services at an affordable price according to their income. The state, serving the bourgeoisie, willingly allows a lot of money sourced from people's labour to flow into privatized advantages for the capitalist class while providing business-friendly fiscal measures, leaving the state budget with less money for public investments, including public housing. The overwhelming privatization of land presents a further obstacle to the construction of new public housing.

Consumption in capitalism is mediated through private enterprises, which are able to profit not only from their retail activities but also from their actions as investors, developers, and managers of real estate assets. Bank loans facilitate consumption in capitalism, encouraging people to spend more than they need to by offering ostensibly attractive schemes of credit, which assure profit for the financial institutions at unregulated interest rates that are

[44] Fraser, 2016.
[45] Lapavitsas, 2013.

highly vulnerable to the global cycles of finances. Housing consumption becomes a private achievement, dependent on people's individualized capacities to mobilize financial resources to pay for the market value of homes, while people are at the same time deprived of the means by which to hold the state or their employers accountable for fulfilling their basic need for housing.

In the past three decades, Romania has undergone a capitalist transformation in which the owners of the means of production have appropriated profits and exploited the labour force and housing needs. At the same time, the state has withdrawn from producing public housing and implemented measures that facilitate the activities of private investors or save them with interventions during crises. The unregulated and speculative market within and across national borders has become normalized while trade unions, workers' collectives, and housing struggles are delegitimized due to their association with the communist past.

In the past ten years, a growing number of scholars have emphasized the need for an alternative financial system due to the existing mismatch between private finances and people's needs, which blocks productive investment that could improve the lives of millions of people.[46] Other scholars have proposed ways to de-financialize the housing sector by dismantling finance-led housing, identifying sustainable banking and alternative housing models, and adopting different modes of urban governance.[47] There are concrete proposals for de-financializing housing in the European Union[48] and inducing changes in the EU's economic and social policies.[49] My present study aimed to contribute to such endeavours and even go beyond them, proposing systemic changes, not just measures to regulate the financialized private housing system. The final section of the paper offers conclusions and suggestions in this regard.

46 Block, 2022.
47 Wijberg, 2020.
48 See Tulumello, 2020; Farha, 2022; Gabor and Kohl, 2022.
49 Vincze and Betavatzi, 2023.

III. Revisiting the legacy of the state-socialist financial system in the context of housing policy

The state's centralized planning system, with a financial plan of income and expenses at its centre, facilitated the construction of almost three million new housing units between 1951 and 1989. State ownership over financial institutions and state-controlled credit schemes allowed for state money to be allocated for the production of homes by state enterprises and the population. These residences were not considered items of mere individual consumption but rather investments into economic development and accumulation. Housing was viewed as a good of collective consumption that responded to the needs of the labour force and contributed to the extended reproduction of the economy.

Considering that housing in state socialism (the stock produced by the state) was viewed as a collective-consumption good, while construction costs (including the construction of housing) were regarded as investments (covered by the accumulation fund), one may conclude that in this regime the production of new state housing functioned as an investment into a collective-consumption good. Additionally, through other housing-related costs (such as repairs and renovations and the provision of infrastructure needed for urbanized residential areas), the housing sector not only benefited from investments covered by the accumulation fund but was also provided with money out of the social consumption fund.

All sources of national income contributing to the state budget and the whole national economy played a role in the production and maintenance of the state-owned housing sector, rented out to the population at a minimal cost, and in the construction or purchase of homes in personal property with the assistance of credits from the state (through its savings bank) at a very low rate of interest. Housing construction costs within the socialist system were established based on the law of value, which took into account the socially needed time for their production, and the law of planned development. Therefore, housing prices were established during the planning process, not through the demand-supply relationship in the market. However, because planning could not perfectly align planned and effective demand and supply, prices were occasionally regulated to re-adjust the imbalance.

In Romania, political-economic changes in the 1990s revealed that the centralized economic and financial system and the state-controlled mixed housing regime could not be altered without the centralized intervention of state institutions. International organizations persuaded the latter to radically transform everything in the country, most importantly through an all-encompassing privatization process. Even one of the major achievements of the system was ideologically contested, in order to delegitimize the whole socialist political economy, i.e., the development of an unprecedented urban and housing infrastructure responding to the needs of millions of households across the national territory. The main argument against this performance was that this system was not financially sustainable, and the state could not have continued investing in creating a public housing stock without significant returns. But, as I mentioned above, because the whole socialist economic and financial system functioned in a way that facilitated the production of a large stock of public housing, the former argument about the need for profit-making from housing construction would have been relevant only to the extent to which the whole system collapsed; otherwise, it would have been false. As the entire regime disintegrated in Romania and across the region, it became clear that the political and moral contestation against the state socialist mixed housing regime served the interests of annihilating the entire financial and economic system and creating investment opportunities for private capital. Encouraged by international financial organizations to "catch up"[50] with the core countries of the capitalist world in a phase when the latter were already integrated into a global financialized accumulation regime, Romania built up all the legal structures necessary for the privatization and commodification of housing, or in other words, the formation of a housing market. In parallel, the Romanian state also created the legal frameworks needed for the formation and de-risking of capital and financial markets that, in the profit-oriented and speculative paradigm of real estate development and transactions, transformed housing into an asset class.

In my paper, I began by exploring how the state-socialist financial system enabled the mass production of public housing; I then went on to explore this legacy as a source of inspiration for identifying alternatives to the contemporary market-dominated capitalist housing regime. The key takeaway from this legacy is that it was possible because the entire political economy was designed to prevent exploitation and ensure universal access to goods and services necessary to reproduce life at individual and collective levels. I therefore propose that a more-than-reformist political trend should prioritize putting the state to work for the people who provide the money for the state budget. This would mean making the state prevent the transformation of (housing) production and exchange into an instrument for private profit-making; or, simply put, make the state serve the public again. The analysis of the legacy of state socialism also highlights the need for integrated legal, institutional, and financial structures and instruments prioritizing people's housing needs, which should replace the current regime where the state supports capital accumulation via unregulated private housing production and speculation.

But because the state socialist housing regime collapsed (bracketing for now the question of the influence of transnational forces in this direction), we should revisit this regime to create a large public housing sector and protect it from privatization and market forces. This would enable us to consider the possibility of reviving further legacies of that system, including public ownership over the financial system and housing-producer companies. As part of this endeavour, we must avoid over-empowering the state, which could lead to neglecting public interests, including the production of housing as a good of collective consump-

[50] Vilenica et al., 2021.

tion, as happened in Central and Eastern Europe after 1990. Therefore, revisiting the state socialist housing system should include the definition of a set of new principles to realize and maintain a socialized public housing system.

> Public housing must be created by public money circulating across non-profit financial and productive companies, and its stock should be in the mixed ownership of municipalities and tenants' associations. This stock has to be administered democratically, with major prohibitions against its commodification, and the duty to protect it from the influence of the unregulated real estate and financial markets.
>
> A non-profit financial system to support the production and maintenance of public housing stock requires democratic political and financial decision-making processes. Without ensuring continuous review and revision of political representation, the decisions made in the name of society may transform the state, which formerly produced homes as goods of collective consumption, into a promoter of capital seeking to increase its profits from housing construction and transactions.
>
> A new socialist alternative to current capitalism should consider avoiding state authoritarianism while utilizing state planning for economic production, housing, and finances to serve people's socioeconomic needs.

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