

DEINDUSTRIALIZATION AND THE REAL-ESTATE- DEVELOPMENT-DRIVEN HOUSING REGIME. THE CASE OF ROMANIA IN GLOBAL CONTEXT¹

Enikő VINCZE²

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ABSTRACT. The article examines how deindustrialization as economic restructuring and housing regime changes evolved interconnectedly in Romania during the Great Transformation from state socialism to neoliberal capitalism. This article also explores how they acted as conditions for the emergence of a real-estate-development-driven housing regime (REDD-HR) alongside other factors. The analysis is from the perspective of the geographical political economy on the variegated pathways of these phenomena across borders and secondary statistical data collected by two research projects conducted in Romania in the past two

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- ² ORCID: 0000-0002-8281-0650. Professor at the Faculty of European Studies, Babeş-Bolyai University, str. Em. De Martonne nr. 1, Cluj-Napoca, Romania, e-mail: eniko.vincze@ubbcluj.ro, eniko.vincze10@gmail.com

years. In the Eastern semiperiphery of global capitalism or a country of the Global East with a socialist legacy, after 1990, the state restructured the economy by privatizing industry and public housing. During state socialism, the housing regime supported industrialization-based urbanization, whereas deindustrialization-cum-privatization in emerging capitalism facilitated the appearance of real estate development. On the one hand, the article enriches studies on deindustrialization by highlighting the role of housing in the transformation of industrial relations; on the other hand, the paper revisits housing studies by analyzing deindustrialization as a process with an impact on the changing housing regime. Altogether, deindustrialization-cum-privatization and the changing housing sector are analyzed as prerequisites of the REDD-HR.

Keywords: deindustrialization, housing, real estate development, Romania, semiperiphery, capitalism

Introduction: Theoretical and methodological concerns, contribution to existing knowledge

In this article, I explore deindustrialization in an East-European semiperiphery country evolving on the path of dependent development in the milieu of global capitalism. Speaking about Romania in a larger context, one should note the country's long history of dependency on and subordination to both Western and Eastern structures of the Cold War (Ban, 2012, 2014, 2019; Chari & Verdery, 2009; Clark & Bahry, 1983; Vincze, 2015), and that – from the late 1970s and even more strongly after 1990 – it was affected by the changes in the global economy under the influence of neoliberalism (Bartel, 2022; Harvey, 2005). I address three big questions from this broad picture: (a) how deindustrialization advanced in post-1990s Romania as an effect of the state-owned industries' privatization and (re)created Romania's dependent development; (b) how did the changing property relations in the housing sector evolved in this context; and (c) how these two processes of the Great Transformation from state socialism to neoliberal capitalism triggered the formation of the REDD-HR. I argue that among all the other conditions needed for the formation of the latter, deindustrialization and housing regime changes acted as core factors because they reshaped the economy, created opportunities for the renewal of the capital accumulation regime, and mediated the integration of Romania into global financialized capitalism.

The article is supported by longitudinal secondary statistical datasets collected from the national and city levels under the umbrella of two research projects, covering four second- and five third-tier cities (Baia Mare and Cluj-

Napoca, Reșița, Brașov, Craiova and Tg. Jiu, Iași and Bârlad, and Bragadiru) in six out of eight of Romania's unevenly developed regions (North-West, West, Center, South-West, North-East, and South). I refer to statistical data about the private sector; employees and contribution to GDP in industries; external debt; foreign direct investment; imports; remittances; mobile citizens; profit, employees and gross value added in construction and real estate transactions; number of homes; housing price; loans granted to population – to sustain my diagnosis and not analyze them as such. Relevant figures are collected in the Appendix.

The core concepts of my investigation situate this inquiry at the intersection of studies on deindustrialization that focus on economic restructuring on the one hand and real estate development, which stress the increased role of real estate in late capitalism on the other hand.

I follow Schindler et al. (2020), who investigated the connections between deindustrialization and urban transformations in the Global South. They revisited the mainstream literature on deindustrialization that referred to the North Atlantic (including the recent High et al., 2017), whereas my focus is on Central and Eastern Europe. Therefore, I also join the conversation about urbanization in the Global Easts (Müller & Trubina, 2020) and the experiences of the former Second World as part of them (Müller, 2020). Most importantly, my contribution to this literature is to highlight the relationship between deindustrialization and the real-estate-development-driven housing regime in a former state socialist country undergoing great transformations in the context of 21st-century capitalism. The postsocialist economic restructuring via deindustrialization created capital investment opportunities in Romania both in reindustrialization and real estate development, in addition to the growing service sector. By acknowledging the internationalization of deindustrialization, through this article, I enrich existing knowledge about the semiperipheries of global capitalism. My investigation of deindustrialization connected to privatization and dependent development (see Section 4 of the article) takes the path opened by scholars inquiring about the uneven changes generated in an interdependent global context. They have used the tools of a geographical political economy that contributed to international studies on deindustrialization (Pike, 2020). I follow the idea that geography and history matter in how capitalism evolves across the globe; hence, I analyze the advancement of deindustrialization in the transformation of state socialism into neoliberal capitalism in Romania since 1990, during a period when capitalism needed new spaces for the global flows of capital and integrated Central and Eastern Europe (CEE) in its sphere of interest.

Because the article also explores the transformation of the Romanian housing regime, my analysis is related to the literature that puts housing and real estate at the center of the political economy (Aalbers & Christophers, 2014;

Aalbers et al., 2020; Hofman & Aalbers, 2019). I follow the arguments of these studies and adapt them to show how the centrality of real estate development in the political economy is also rooted in its connections with deindustrialization/economic restructuring (see Section 5). I am interested in real estate development as a capital investment into housing-cum-land, which extracts profit from commodified housing and land and uses homes as a financialized asset class. Relying on Harvey (2010), who described switching capital investments in the productive economy into speculative investments in the built environment, I adapted his analysis to my topic. I observed that the shift from the first to the secondary circuit of capital also happened when the privatized material industrial heritage emptied of production was transformed into real estate development. From the housing financialization literature, I borrow the idea that this phenomenon unfolds unevenly across borders, as it is highly context- and path-dependent, creating, among others, situations of subordinate or (semi) peripheral financialization (Aalbers, 2017, 2019; Büdenbender & Aalbers, 2019; Fernandez & Aalbers, 2019; Gabor, 2012; Gabor & Kohl, 2022; Gagyí et al., 2021; Rodrigues et al., 2016).

The existing literature on CEE (and Romania), and in particular on housing, has hardly addressed the interlinkages of deindustrialization and changes in the housing regime, while it studied housing transformations in the region through a variety of theoretical perspectives and around numerous topics, such as policies (Kroes & Ambrose, 1991; Lux, 2003; Tsenkova, 2009); privatization (Anderson et al., 1997; Clapham, 1995; Clapham et al., 1996; Vincze, 2017); restitution (Chelcea, 2003; Fisher & Jaffe, 2000; Lux & Mikeszova, 2012; Lux et al., 2018); reform/ transition (Baross & Struyk, 1993; Turner et al., 1992); marketization (Cirman, 2008; Ionaşcu et al., 2019; Leetmaa & Bernt, 2022; Mandič, 2010; Pichler-Milanovich, 2001; Pósfai & Nagy, 2017; World Bank, 1993); finance (Hegedüs & Struyk, 2005; Renaud, 1996, 1999; Struyk, 2000); welfare regime (Stephens et al., 2015); gentrification/ evictions: Chelcea, 2006; Chelcea et al., 2015; Sýkora & Špačková, 2022; Zamfir, 2022; Zamfirescu & Chelcea, 2021); segregation/ gated communities (Marcinićzak et al., 2014; Polanska, 2010; Rufat & Marcinićzak, 2020); social housing/ public housing (Hegedüs et al., 2013; Lux & Sunega, 2014); homeownership (Lux et al., 2021; Mandič, 2018; Soaita, 2015); private rental (Hegedüs et al., 2014; Lux & Mikeszova, 2012); housing estates and quality (Soaita, 2017; Soaita & Dewilde, 2019); stratification (Soaita & Dewilde, 2021); housing tenure (Cirman, 2006); retail real estate (Kok, 2007); financialization (Gagyí & Mikuš, 2022; Gagyí et al., 2021; Mikuš & Rodik, 2021); mortgages (Florea & Dumitriu, 2022; Mikuš, 2022; Roy, 2008); or housing struggles (Florea et al., 2018; Lancione, 2017, 2019, 2020).

Nevertheless, a few exceptions should be noted while addressing postindustrial sites' transformation to real estate development in Romania (Chelcea, 2008, 2015; Simion, 2016; Vincze & Zamfir, 2019; Vincze et al., 2019), and the analysis of the relations between the postindustrial and the housing/real estate development-related transformations in other CEE countries should necessarily be looked at (Audycka, 2021; Büdenbender & Aalbers, 2019; Polukhina, 2022). My article completes the above resources by focusing the analysis of real estate development on the linkages between the changing housing sector and the restructuring of the economy via deindustrialization while acknowledging that this happens in an East European semiperiphery country of global capitalism.

One may say, however, that the proposed discussion about the relationship between deindustrialization, privatization, and housing currently is no longer the main interest of any field of study because, since the 1990s and 2000s, other (related) processes have shaped the economies in CEE, such as reindustrialization/industrial policy (Aralica & Nebojša, 2015; Chivu et al., 2017; Czirfusz et al., 2008; Krawczyński et al., 2016; Nagy et al., 2017; Stojčić & Aralica, 2017; Westkämper, 2014) and financialization (Büdenbender & Aalbers, 2019; Florea & Dumitriu, 2022; Gabor, 2012, 2013, 2018; Gagyí & Mikuš, 2022; Mikuš & Rodik, 2021). Contrary, in the conclusions of the article, I argue that it is still relevant "to go back" and revisit deindustrialization-cum-privatization and its understudied links with housing and real estate development and discuss the result of this connection via the concept of the real-estate-development-driven housing regime.

After clarifying in Section 2 its core concepts (deindustrialization and real estate development), the article proceeds in three analytical parts: Section 3 describes the country context on a regional and global stage; Section 4 outlines how deindustrialization is related to privatization and dependent development; Section 5 briefly characterizes real estate development as an economic sector in Romania and, most importantly, highlights the role of deindustrialization and changes in the housing sector in the formation of the REDD-HR. The paper ends with conclusions that stress its contribution to studies about deindustrialization, housing, and real estate development (Section 6).

Central concepts: deindustrialization and real estate development

Considering the theoretical frames mentioned above, in this section I elaborate on the core concepts of my analysis in two steps: (2.1) deindustrialization as economic restructuring; (2.2) real estate development as part of a financialized

accumulation regime. One of the conditions of possibilities for both to happen was the privatization of industries and the housing sector, triggered through state politics informed at its turn by international organizations guiding Romania towards a market economy starting with the 1990s.

Deindustrialization: Restructuring the economy

Wherever it happened, measurable with the decrease in industrial production, the number of its employees, or contribution to GDP, deindustrialization did not imply the disappearance of the industry but a restructuring of the economy. It led to job losses, unemployment, declining trade unionism, wage bargaining, and urban shrinkage. International organizations with a critical influence on “structural adjustment” worldwide sustained that “deindustrialization is the natural outcome of successful economic development and is generally associated with rising living standards” (Rowsthorn & Ramaswamy, 1997, p. 5).

Since the 1970s, deindustrialization in advanced capitalist countries meant closing the plants of the manufacturing sector and moving them to other parts of the world, i.e., Third World countries (Lord & Price, 1992). According to Michael Roberts, the mature capitalist economies lost their industrial base because ‘it was no longer profitable for capital to invest in ... OECD industry in the late 20th century. Capital counteracted this falling profitability by ‘globalizing’ and searching for more labor to exploit ..., because (in capitalism) the drive is always for reducing the amount of labor power to boost profits’(Roberts, 2014). The transnational movement of capital invested into industrial production was headed toward countries with a cheap labor force. The economic crisis of capitalism in the 1970s and its solution to assure the free movement of capital across national borders triggered this change. The neoliberal turn facilitated the expansion of capitalism across continents and countries.

During the 1980s, in parallel, the International Monetary Fund (IMF) and the World Bank (WB) introduced Structural Adjustment Programs in the Global South. During this era, these institutions made access to loans by “poor countries” conditional on a set of policies enforcing privatization, opening their economies to international trade and Foreign Direct Investment (FDI). Besides, multinational corporations started to develop global value chains creating unprecedented economic dependencies between the Global North and Global South.

In the case of CEE countries, deindustrialization did not mean two decades of delay in post-Fordist deindustrialization (as some analysts imply, Kovács, 1999); however, one may argue that deindustrialization was inevitable due to the economic logic of post-Fordist capitalism. Instead, I emphasize here that a different political economy logic induced deindustrialization in this

region when political decisions triggered the formation of capitalism via the destruction of the public sector. International organizations implied that former state socialist countries must enter the path toward a service- and knowledge-based society to catch up with the advanced economies, opening up towards foreign investments and playing a role in the global market economy.

Real estate development in a financialized capital accumulation regime

When discussing real estate development, one should remember that it “includes a range of sub-sectors (e.g., residential, offices, leisure), locations and modalities (e.g., construction, use, exchange, investment). Moreover, the real estate market is intricately interwoven with several other economic and financial markets, including but not limited to construction, development, mortgage, and equity markets” (Hofman & Aalbers, 2019, p. 90).

My article focuses on residential real estate development, which allows me to address the formation of a REDD-HR. Comprising land with buildings and other resources, real estate becomes a site for residential real estate development when an institutional developer purchases it on the market to produce housing for profit. The REDD-HR is one where the exchange value of homes replaces their social or use value, or where housing becomes a commodity to be sold and bought, and an asset class where the developers or the investment funds invest or store money capital. From a systemic point of view, a REDD-HR is characterized by the negligible number of public housing, and, consequently, by the fact that homes are accessible almost exclusively through the real estate market, while private developers become the most influent actors of housing production and transaction supported by banks, investment funds, and global consultancy firms. Even if they are actors and beneficiaries of this field, the small home builders and homeowners structurally do not have a say in how it evolves. An investment in real estate is an investment in the property market. However, as the domain became increasingly financialized, these investments diversified from building and transacting buildings to investing in real estate funds and buying residential mortgage-backed securities or derivatives on real estate debt (Hofman & Aalbers, 2019).

For orthodox economists, real estate development is an economic matter ruled by the law of the market, i.e., by the game of supply and demand (Strom, 1996). However, for those who apply a political economy framework, like in housing studies (Aalbers & Christophers, 2014), state politics is crucial in the historical evolution of real estate development in different contexts. Dependent on other economic sectors, such as industry, construction, and financial transaction, it also plays an essential role in political economy because it provides

essential building blocks for the reproduction of the regime. Various instances illustrate this relationship, such as the investment in the built environment as a secondary circuit of capital when productive economic sectors such as industry are not profitable enough for the capital (Harvey, 1985) and the 2008 financial crisis induced by the real estate bubble grown during the 2000s. The transnational move of real estate companies is an example of how spatial fix (Harvey, 2001) works to provide real estate capital with new opportunities for accumulation.

As a process that evolved unevenly across geographies, deindustrialization everywhere contributed to restructuring the economy and, together with other forces, created the possibilities for the rise of a financialized capital accumulation regime in which the REDD-HR plays a vital role.

The country context on a regional and global stage

The formation of neoliberal capitalism in Romania is part of a critical movement in Central and Eastern Europe, one of the century's Great Transformations (Burawoy, 2009; Polanyi, 2001). In a European semiperiphery, it is not only a case of the transformation of state socialism after over four decades of its existence into a form of late capitalism (Vincze, 2019, 2020), but it is also an episode of the centuries-long spread of the capitalist economy globally (Kornai, 2006). In the long history of capitalism, the formation of its characteristic institutions (private property, waged labor, market-based exchanges, credit system) was linked to industrialization, urbanization, and marketization. In the advanced capitalist countries, deindustrialization went along with the transformation of capitalism within capitalism, i.e., from state capitalism to neoliberal capitalism, and it included the relocation of industrial production via multinational companies into countries with a cheap labor force. The formation of capitalism from the ruins of state socialism did not occur through industrialization. In contrast, it occurred alongside deindustrialization-cum-changing property regimes leading to dependent development, and it exploited the infrastructure of the destroyed socialist regime. The latter included the state-owned industrial patrimony and housing stock, which had to be privatized first, transformed into a commodity, and then turned into financial assets via real estate development.

The privatization of industries needed capital to purchase the factories that the state aimed to sell. Sometimes, the plants losing state subsidies ended in bankruptcy, and emerging local entrepreneurs bought them at a meager price. However, the state sold its assets to foreign companies in several cases. In all cases, the decline or closedown of production after privatization created a surplus labor force looking for new opportunities to sell itself in the country or abroad. Therefore, the privatization of the socialist means of production

contributed to the primitive accumulation of capital as “the historical process of divorcing the producer from the means of production” (Marx, 1887, p. 508). Moreover, this privatization was a process of accumulation by dispossession (Harvey, 2003), when the state created the possibility for foreign and local capital to acquire public goods from all societal sectors, including the built environment, and transform them into sources of profit. In 1992, the Romanian state formed the State Ownership Fund, the authority responsible for privatizing the industrial units transformed into state commercial companies. Furthermore, the state also established five Private Ownership Funds covering different regions of Romania, whose initial capital was constituted by allocating 30% of the state commercial companies’ joint stocks to them. Later, the state transformed these property funds into Financial Investment Funds, which became vehicles for the financialization of formerly public goods, trading its assets on the stock exchange market. State-mediated politics coordinated privatization and deindustrialization; however, in Romania, the IMF and the WB acted as facilitators of these global processes. The tools they used were loans conditioned by structural adjustments or economic reforms and their monopoly on technical expertise in reforming governmental policies in all domains and levels. Romania became a member of the IMF in 1972 when it needed loans for its developmental objectives. Refusing their conditionings in the 1980s, its political leaders decided to reimburse the loans with the price of the austerity measures paid by the population.

The new wave of Memorandums of Understanding between the Romanian government and the IMF regarding new loans and their conditions started in 1991. The conditions were mainly related to privatization, adjustment programs dedicated to the emergent private sector, and the reform of the state.³ As a result, new austerity waves affected the population. The WB stimulated Romania’s switch to market economy in similar ways. The government respected its recommendations about developing the housing market via privatizing the housing and banking sector (World Bank, 1993); however, the Bank expressed discontent about the rhythm of these processes. To accelerate them, in October 1998, it invited the Romanian government to become a pilot country to implement the Comprehensive Development Framework.⁴ In 2001, it recalled that its strategy for Romania

³ Out of the hundreds of documents reflecting this collaboration, I mention here as an example The Letter of Intent and *Memorandum on Economic Policies of the Government of Romania* sent by the Romanian government to the IMF in 1999, <https://www.imf.org/external/np/loi/1999/072699.htm>, Accessed 10 September 2022.

⁴ Later the WB analyzed this experience as a case study entitled the Implementation of CDF principles in a transition economy, disclosed to the public in 2006, <https://documents1.worldbank.org/curated/en/298071468776742845/pdf/293880CDF1Romania.pdf>, Accessed 10 September 2022.

focused on “the important role that the private sector must play for generating growth and reducing poverty: 60 percent of its commitments were for private sector development” (World Bank, 2005, p. v). It was observed that the 1999 crisis was a turning point in Romania’s reform process, and the Bank accompanied its adjustment lending with technical assistance loans to ensure the country had the right kind of technical expertise to implement the reforms.⁵

Furthermore, the position from which the Eastern enlargement of the European Union affected Romania was also one of dependency on foreign capital and imports, enforced via the politics of conditionality and civilizational discourse used in the unification process, (re)creating unevenness across countries (Vincze, 2019, 2020). The former state socialist countries of CEE were scored and hierarchized according to their readiness to accommodate the FDI looking for new opportunities in this region, pending how fast they privatized their industries and housing stock. The Eastern peripheries’ moment in the EU accession (Bulgaria and Romania) came only in 2007, four years after the Central European countries, which proved to be more successful in this competition.

Forms and dynamics of real estate development did not unfold uniformly across geographies. The conditions behind its formation in Romania were multiple, including the privatization of state-owned industries, housing stock, and land; attraction of FDI and capital according to its country score promoted by international organizations; accession to the EU; investor-friendly national policies; advertising Romania by different consultancy companies as a country in which it is worth investing; and a new housing ideology centered on personal merit and financial credibility. Today, after three decades of capitalist transformations, when the capitalist accumulation regime in advanced economies is finance- and real estate-driven (Hofman & Aalbers, 2019), Romania is in another phase of real estate development (and financialization). This stage is characterized briefly by the following: the number of mortgages is growing; households are financialized via consumption credits; investing in real estate is celebrated as the most brilliant strategy for all; ruined industrial platforms are transformed into sites of new real estate development; investment funds and real estate investment trust started to enter the residential sub-market, too; housing market prices in the regional cities⁶ are skyrocketing as real estate developers dominate housing

⁵ WB, Report No. 32452, *Romania country assistance evaluation*, 2001, <https://documents1.worldbank.org/curated/en/173931468294053526/pdf/Romania-Country-assistance-evaluation.pdf>, Accessed 10 September 2022.

⁶ Besides the capital city (Bucharest), these are the county seats that became the growth poles or magnet cities of the post-1990s territorial policies, designated as such by Governmental Decision 998/2008: Cluj-Napoca, Braşov, Timişoara, Iaşi, Craiova, Ploieşti, and Constanţa.

provision; the housing property structure is fragmented between millions of small private owners whom all may contribute to the real estate market, but – compared to institutional developers and the state – they do not have a crucial role in framing the systemic trends of this domain. Besides, real estate consultants often “sell” Romania as the European country with the most affordable housing prices; they argue that the housing prices increased slower in this country than the mean income,⁷ moreover, compared to other countries in CEE, house prices in Romania have grown by “only” 40% since 2015.⁸ These arguments miss that over 80% of employees earn less than the mean income in this country, and even such a “low” increase makes adequate housing unaffordable for many. However, for developers, a country with lower housing prices means good investment opportunities with the hope that prices will grow.

Deindustrialization, privatization, and dependent development

In Romania, privatization evolved in several phases triggered by specific legislation. It started in the early 1990s with the privatization and restructuring of large-scale industries. In the middle of the 1990s, the government reduced the subsidies to these enterprises. Between 1997-1999, the mining sector was the next targeted domain. The recession in these years continued to weaken industry and caused a strong wave of urban out-migration. With the increase in FDI in the 2000s and the strengthening of domestic manufacturers, the industrial production growth rate recorded positive values, culminating at 10.6% in 2008. A multiplication of low-paid jobs accompanied this evolution, an uneven territorial development characterized by the concentration of private sector industrialization in several leading regions, and a depletion of many small towns of the working-age population (Popescu, 2014). Nevertheless, in 2013, when the Romanian government launched its intention to propose a strategy for reindustrialization, the Ministry of Economy continued to push for further privatization. The ministry said: “one of the main directions for industrialization is the responsibility of the Ministry of Economy to privatize everything that can be privatized. Industrialization will have three levels, one of which is the cleaning of the economic space from loss-generating areas.”⁹ Eventually, the idea of such a reindustrialization was recalled in 2018 and 2022.

⁷ <https://www.romania-insider.com/kiwi-housing-affordability-ro-jan-2022>, Accessed 10 September 2022.

⁸ <https://www.erstegroup.com/en/research/report/en/SR287305>, Accessed 10 September 2022.

⁹ Reindustrializarea României, aprilie 4, 2013, <https://www.focus-energetic.ro/reindustrializarea-romaniei-10308.html>, Accessed 10 September 2022.

As a result of continuous privatization, the percentage of state-owned companies reduced to 12% by the end of 2019, while out of the 88% of companies with private capital, 44% were Romanian and 41% were foreign, the rest being mixed (Georgescu, 2021, p. 234). Figure 1¹⁰ illustrates the gradual increase in the private sector in the total economy, respectively, in the major domains of the national economy.

Privatization and dependent development should be explored together while discussing Romania's deindustrialization. The two reasons are described in sections 4.1 and 4.2 focusing on how privatization induced deindustrialization, and how deindustrialization resulted in a dependent development.

Deindustrialization-cum-privatization

The transfer of ownership of industrial patrimony from the state to private property resulted in the privatization of over 1,250 factories.¹¹ Before this transfer, through Law 15/ 1990, the state transformed them into commercial societies with state participation but with decreasing subsidies, dramatically reducing the intensity of their production and the number of employees. As a result, most former factories were bankrupted and liquidated a few years after they were sold based on consequent privatization laws (59/1991, 137/2002). This process was administered through the institutions created by the state with this aim, which demonstrates that a fully centralized economy could be disassembled only through a centralized political process.

In parallel with this dismantlement, hundreds of thousands of new enterprises with Romanian or foreign capital emerged in different economic sectors (Figure 2), many small and middle-sized. In industry, they usually manufacture sub-assemblies for a global chain of production owned by multinationals, which is a radically different production/management structure than the one that characterizes the centrally planned economy.

Despite the set-up of new enterprises, Romania's unemployment rate continued to increase (Figure 3). However, unemployment became hidden as transnational migration of the Romanians became possible due to the opening of the borders and later the country's EU accession (Figures 10 & 11). Because of the latter, after 2011, unemployment continued to be relatively low, but its figures statistically became irrelevant.

Figures 4 and 5 show the decreasing number of employees in the industry and the industry's contribution to GDP in Romania since 1990. The two variables show that even if the number of employees in this sector slowly but

¹⁰ This Figure and all the article's figures are placed in the Appendix.

¹¹ <http://www.socialistul.ro/articole/254/>, Accessed 10 September 2022.

continuously increased in the last post-crisis cycle, its input to the country's GDP declined between 2010-2020. Diagrams show a decline of 20% of the employed persons in Romania from 1992-2020, a decrease of 43% of those employed in industries, and a drop of 45% in the percentage of the industry's contribution to GDP. While, during state socialism, after 1975 the "big enterprises increased both in number and employment; so there were 140 at the end of 1980s, which employed over 1,2 million persons" (Popescu, 2014, p. 187), after 1990, due to economic restructuring, all the industrial giants hiring over 10,000 workers, slowly disappeared.

Deindustrialization induced by the privatization of state-owned industrial giants led to the fact that in 2019, out of the total of 689,700 companies, only 9% (65,400) were active in the industrial sector, 6,400 in manufacturing, and 1,400 in the extractive industry. This situation had a damaging effect on the whole economy because these were the sectors with a high added value (Georgescu, 2021, p. 8).

Affected by the tendencies of uneven territorial development, the evolution of the number of people employed in the industry was different at county levels, as Figure 6 reveals. For example, after a decrease until 2008, in Cluj, Maramureş, Braşov, and Dolj counties, the employed population grew slightly by 2020, whereas in others such as Iaşi, Gorj, Caraş-Severin and Vaslui continued decreasing.

Dependent development-cum-deindustrialization

The privatization of former factories stayed at the core of the emerging market economy, i.e., the formation of capitalism. As already said, this process was enforced by the WB and the IMF. Liberal economists explained privatization as the need to end the public-resource-consuming and uncompetitive state industries and hidden unemployment. According to some, privatization took place too slowly in Romania (Popescu, 2014), and "the hesitant ... way in which the reform package has been implemented by Romanian post-communist governments raises doubts regarding the country's commitment to real reform" (Stan, 1995, p. 433).

Figures 7, 8, and 9 show that the external debt increased in Romania in parallel with the growing values of imports and FDI between 1990-2020. These also indicate that the disintegration of the public sector and the lack of Romanian capital for re-technologization created business opportunities for transnational corporations. Romania was and still is marketed in global capitalism as a country with a cheap labor force, low taxation on profit, and a permissive business environment. The upsurges of all these indicators are signs of development depending on loans, imports, and FDI. This dependency was strengthened in parallel with the processes by which former industrial units were increasingly

privatized, diminished, and finally liquidated across the country. Even if Romania lagged behind other former state socialist countries of the region in this matter, it also displayed a growing trend until this situation changed by the effects of the 2008 financial crisis. FDI increased from 0.96 billion EUR in 1996 to 8.68 billion in 2006 and approximately 9 billion in 2008. It decreased in 2011 to under 2 billion, rose again in 2015 to 3,840,47 billion, and fell back to 2,321 billion euros in 2022 (Horobeț & Popovici, 2017, pp. 26-27).

The number of emigrants from Romania has continuously increased since 1990, rising to approximately 4 million in 2020.¹² Moreover, approximately 200,000 persons yearly leave the country as long-term emigrants (Figures 10, 11), exposing Romanian citizens' dependency on jobs and living conditions abroad.

As a result, according to the National Statistical Institute, Romania's population decreased from 23,211,395 (1990) to 19,201,662 (in 2021). According to Statista,¹³ in 2019, Germany hosted 23.3% of Romanian emigrants, the U.K. 17%, Italy 15.7%, Spain 11.2%, Austria and Belgium 5%, and France 3.1%. Being such a mass phenomenon, the dependency on transnational migration includes not only direct persons who emigrated for a (better) job, but it also translates into a dependency on the remittances or the money transfers into Romania from citizens working abroad (Figure 12).

Figure 13 on EU mobile working-age citizens reveals that this Romanian condition is highly unusual in the EU. Moreover, this tendency has remained the same since the very critical 1990s; and it has continued even during economic stabilization and growth periods. Without such systemic transnational emigration flows, at-risk-of-poverty and at-risk-of-poverty-and-social-exclusion rates would have been even higher than in the 1990s, when they were 24.6% and 47% (in 2007), and 23.4% and 30.4% (in 2020), respectively.¹⁴

Housing, deindustrialization, and the formation of the REDD-HR

The former state socialist countries were expected to privatize all their state-owned companies and offer business opportunities for new private firms. Beyond this, because these changes happened in financialized global capitalism,

¹² UN International Migration Stock, <https://www.un.org/development/desa/pd/content/international-migrant-stock>, Accessed 10 September 2022.

¹³ <https://www.statista.com/statistics/1096052/destinations-of-romanian-emigrants/>, Accessed 10 September 2022.

¹⁴ Eurostat statistics: at-risk-of-poverty and at-risk-of-poverty-and-social-exclusion rates, Accessed 10 September 2022.

CEE countries also became territories for housing financialization and real estate development for profit. Even if the number of newly constructed homes between 1990-2021 increased in Romania only by 1,58 million, this new private supply and the old privatized state-owned stock became commodities and an asset class attractive to investors.

In what follows, I will briefly characterize real estate development as an economic sector in Romania (5.1.) and describe the road leading to the formation of REDD-HR in two steps, via housing privatization (5.2) and through the process of privatization-cum-deindustrialization (5.3).

Real estate development as an economic sector in Romania – a brief description

This economic sector only emerged around the 2000s (and it did advance unevenly across the country) because the conditions for real estate development in Romania were also linked to the privatization of the industrial platforms and the housing stock. Via the extension of the private sector in the productive economy, capital gained from businesses could reach a level of over-accumulation to invest in real estate. Moreover, foreign capital flowed into the country increased as Romania's EU accession was secured. After being bankrupted and demolished, the former industrial platforms made a place for new real estate development. Furthermore, a housing market emerged via privatizing the housing stock, which real estate development could use (and expand). Deindustrialization destroyed the idea of state-provided jobs linked to state-provided homes. Market specialists and investment consultants promoted the new housing ideology and created the desire for a new lifestyle that only real estate developers could offer. After kickstarting, the fiscal facilities offered by the state to investors, and in particular, the ones supporting the construction sector, as well as the marketing efforts of the Directorate for Foreign Investments ("Invest Romania"), pushed real estate development in the capital and regional cities of Romania to high levels. All the investors in Romania benefit from "one of the lowest flat tax, VAT and income tax rates in the EU as well as tax exemption on reinvested profit ..., and also a highly skilled workforce at competitive prices, (third lowest minimum wage in EU)." ¹⁵

The evolution of the percentage of profit made in real estate sectors (construction and transactions together) of all sectors at city levels reflects its growing importance. This percentage increased gradually but displayed different

¹⁵ <http://investromania.gov.ro/web/doing-business/competitive-advantages/>, Accessed 10 September 2022.

trends according to the local contexts (Figure 14).¹⁶ For example, in the case of Cluj-Napoca, which between 2008-2020 created the highest total profits in the sample of our selected localities (Figure 15), this percentage is lower than in two other big cities (Iași and Brașov), probably because the former has other vital economic sectors, such as IT that generate highest profits. Over time (2018 compared to 2008), in all our selected cities, except Bragadiru, the percentage of profit gained from constructions, relative to the total profit of constructions plus real estate transactions, slightly decreased, which shows the strengthening of real estate transactions from this point of view (Figure 16).

The advancement of the percentage of employees in real estate sectors (construction plus transactions) of the total employees (Figure 17) is also an indicator of their role in the economy. This percentage was everywhere at high levels in 2008; it decreased during the crisis and started to grow again after 2014. Bragadiru, the town created as an extension of the capital city, dominated by the construction sector, leads the hierarchy of our selected localities from this point of view.

Several online platforms promote Romania for its potential in real estate investments. Global Property Guide offers up-to-date information, for example, regarding the rental yields in Romania, which, compared to other EU countries, are very high, at approximately 6%.¹⁷ The platform “Move to Romania” is a general invitation to the country, among others, as a good site for real estate investment owing to the following arguments: there are no restrictions on foreign nationals acquiring dwellings in Romania, and since 2012 they can also acquire land; the demand for real estate properties dramatically outstrips the supply; there is a great scope for a rise in the prices of the properties; the central bank of Romania implements 100% mortgage scheme for property buyers; and the foreign investors take advantage of the current low real estate prices in Europe, which is inevitable to increase in the future.¹⁸ The “boutique media company” Investment Reports in 2021 noted: “Romania is a rapidly developing country, and an established EU and NATO member. In 2019, the World Bank promoted Romania to the High-income group of countries. By 2021, the European Commission projects that Romania will enjoy the EU’s third highest GDP growth rate of 5.1%.”¹⁹

¹⁶ Statistical data for Figures 14, 15, 16, and 17 were collected and prepared by my colleague Ionut Foldes in a way that allowed me to compare the selected cities.

¹⁷ <https://www.globalpropertyguide.com/Europe/Romania/rent-yields>, Accessed 10 September 2022.

¹⁸ <https://movetoromania.com/real-estate-investment/>, Accessed 10 September 2022.

¹⁹ <https://www.investmentreports.co/article/real-estate-in-romania-low-risk-high-reward-313/>, Accessed 10 September 2022.

The road to the REDD-HR via housing privatization

Housing construction was an engine of the economy during state socialism as well. It created jobs and contributed to GDP; however, it consumed public money due to the subsidies it enjoyed. The housing sector was not only a core part of the productive economy but was also linked to the need to produce a new and extensive public housing stock to support industrialization. More specifically, new industries needed a labor force, and the new labor force migrating from rural to urban areas needed new homes. All these interventions were coordinated via the instruments provided by Planned Socio-Economic Development Law 8/1972 and the Systematization Law 58/1974. Between 1946-1989, the Romanian state constructed circa 6,8 million new homes. After 1990, the concepts of planning and systematization were erased from public policies, and during this period, the state produced across the whole country only 189,139 new homes (which represented 13.9% of the total homes constructed between 1990-2021).

Most socialist blocs of flats built for the workers were rented at a meagre price, but the state constructed them, too, to sell them, while also supporting the construction of homes from the households' budget. State socialism created a market in which the state itself was an important actor, both as a supplier and regulator. The price of homes was low, and the state-owned savings bank offered the population loans at a reduced interest rate. In 1990, Romania had approximately 8 million homes,²⁰ out of which, nationally, approximately 30% were in state ownership. This percentage was higher in urban areas (approximately 50-60%) because industrialization triggered their construction at an intense rhythm, especially in the cities, acting as an engine for urbanization. These figures also reveal that state socialism, in the housing domain, allowed people to own personal property. Personal property on homes resulted from buying state-constructed homes and houses constructed by people before or during socialism. Nevertheless, according to the housing laws from the 1970s, the state strictly controlled personal property by measures such as the number of homes one could own, allocating compulsory renters to those who were considered to have too large homes for their families, and strictly regulating the possibility of selling them.

Among the conditions of the emergence of real estate development, the privatization of the old state-produced and state-owned housing stock and the advancement of private construction of new private homes had a crucial role (Vincze, 2017). As a result, homes became accessible almost exclusively through

²⁰ Ministerul Dezvoltării Regionale și Administrației Publice: Strategia Națională a Locuirii, Mai 2022, Accessed 10 September 2022.

the unregulated market. The state played a critical role in such processes via legislative measures (Laws 85/1992, 112/1995) and programs supporting the private sector, both construction and banks (*Prima Casă 2009/Noua Casă 2020*) while withdrawing from its earlier roles of a housing producer and urban development regulator. Changing housing policy happened in the context of the decentralization of public administration (Laws 69/1991, 215/2002); hence, social housing production was transferred from central to local governments. Administrative decentralization (Law 22/2006; New Administrative Code, 2019) triggered further territorial unevenness due to financial inequalities between poor and rich localities/ local governments. Nevertheless, across the country, there was a consensus between the local public administrations – facilitated by the national laws of housing privatization and property restitution – regarding selling as much public housing as possible and restricting the production of new social housing to the minimum.

During the first part of the 1990s, the need for new homes was met by completing several blocs of flats that started being built during the last years of state socialism. In the second part of the 1990s, the need for new housing was mainly fulfilled via the construction of family homes by small private owners of lands. The transactions with the old housing stock started in the 1990s, when privatization and deregulation transformed housing into a commodity, nationally reducing the percentage of public housing from 30% to below 2%. As a result, the real estate market and transactions had an earlier start in Romania than the real estate development as a business that involves investors buying land or old buildings to demolish and construct new residential complexes.

The process of land retrocession in the outskirts of the cities, in the first part of the 2000s, created the possibility for private companies to buy land there and begin constructing blocs of flats. The latter was also facilitated by the deregulation of urban planning and the rapid growth of city limits. As the first wave of the REDD-HO, this phenomenon mainly happened in big urban areas of Romania, which attracted investors and the population needing new homes and triggered the first boom in housing prices by the middle of the 2000s. During this phase, the relations between deindustrialization and REDD-HO were indirect; privatization leading to deindustrialization-cum-dependent development and the restructuring of the economy, alongside the privatization of land and housing, created the conditions for capital accumulation in real estate and speculative businesses in this sector.

In several years, especially in the rapidly growing regional cities, the available lands for new real estate developments became increasingly scarce. Therefore, in the 2010s, the closed industrial platforms were vigorously hunted by developers. In this second stage, deindustrialization and REED-HO exhibited

a more direct relation, not only in a physical/ spatial but also in a financial sense, because the material infrastructure of the ruined factories provided not only territories for real estate but also high profits. This trend went beyond the capital and the regional cities toward smaller towns, even if to a lesser extent. Because priorly, the socialist state constructed industrial platforms not only on the margins of the localities but also in the proximity of the new districts, and due to the spatial extension of the cities in time, several postindustrial ruins in their semi-central parts were targeted by new real estate development. The latter changed the built environment with new housing estates, corporate headquarters, business, and commercial centers, hotels, and tourist facilities, as well as the dwellers' social composition.

The path toward the REDD-HR through deindustrialization

As already stressed, deindustrialization in Romania had a distinctive trajectory and happened in a different period than in the Global North. In its case, this took place in the context of the financialized neoliberal capitalism of the 1990s and 2000s, when in the advanced countries, speculations on the real estate market, institutional landlordism, and the presence of investment funds in real estate development were already predominant (Aalbers, 2017; Gabor & Kohl, 2022; Hofman & Aalbers, 2019). Wherever this happened, deindustrialization implied restructuring the economy and, implicitly, the changes in the structure of contribution to GDP of different economic sectors.

Except for Ireland, Norway, and Finland – in the case of many CEE countries, in some years between 1995-2021, the value added by the industrial sector to GDP was higher than in the advanced capitalist countries (Figure 18).

This situation was the case, for example, in Romania. This value decreased between 1995-2005, but it grew in 2010 to the level of 1995 (30%) and – after falling to 20.3% in 2020 – re-increased in 2021 (21.1%). Real estate development in this country also exhibited different dynamics than those known today in the core countries of global capitalism. Even if it was among the countries where the contribution to GDP of real estate transactions was above 7% in 1995, between 1995-2021, Romania displayed a lower level than the EU average (Figure 19).

Nevertheless, the construction sector contributed to GDP with values slightly higher than the EU average while displaying a particular feature in 2010 when this value increased in comparison with 2005, whereas the other member states had a fall of several percentages (Figure 20).

Figures 21, 22, and 23 illustrate the direct impacts of economic reconstruction-cum-deindustrialization on the Romanian housing sector at the

national and city levels.²¹ At the national level, the percentage of new homes made from public funds decreased from 88% in 1990 to 2.28% in 2021. At the city level, there is an insignificant difference between the selected localities regarding the percentage of public housing in the total housing stocks: in Bârlad and Craiova, below one percent; in Baia Mare, Bragadiru, and Cluj-Napoca between one and two percent; in Iași and Reșița between two and three percent; and in Brașov above 3%.

Considering these localities, the population with domicile in 2021 was higher than in 1992, only in three cities: Cluj-Napoca, Iași, and Bragadiru. The latter is an exceptional case, being a residential extension for people attracted by the capital city Bucharest (+22,251). The population growth in Cluj-Napoca, North-West Development Region (+14,754 persons), and Iași, North-East Development Region (+71,863) is due to the economic revival of these cities. Although Brașov's and Craiova's populations with domicile decreased (-31,258, respectively -13,550), as regional cities of the Centre, respectively of the South-West Oltenia region, they maintained a magnetism after the collapse of their socialist industries, which has triggered current economic revival. Such a trend happened in Baia Mare as well (-9,681), the county seat of Maramureș county; nevertheless, its catch-up in development occurred to a lesser degree because of Cluj-Napoca's proximity. Therefore, the above mentioned third-tier towns have different trajectories than most of the shrinking Romanian localities, which have been depopulated due to the lack of economic activities because they do not present interest for private investors, and the state does not have a territorial cohesion policy that could support them in overcoming their difficulties. In Romania, a critical rupture was created between the regional cities and the rest of the localities, a new feature of territorial unevenness beyond the traditional rural-urban divide (Fina et al., 2021). Usually, the towns strongly relying on industries or having a mono-industrial profile during state socialism suffered the most from deindustrialization and overall capitalist transformations that left people without jobs. Moreover, the cities recovered from the crisis induced in its turn by the disintegration of socialist industries, are characterized by intense polarization and inequalities between the better-off and people with minimum or even below medium income.

²¹ Out of them, four are regional cities (Brașov, Iași, Cluj-Napoca, and Craiova, with approximately 300,000 residents), and four are third-tier towns with between 70,000-150,000 inhabitants (Baia Mare, Bragadiru, Reșița, and Tg. Jiu). At the same time, one is a town created in 2006 in the proximity of the capital city, Bucharest (whose population with domicile grew in the past 20 years by 244%, being over 25,000 persons in 2020).

The speculative housing market led to the first price boom by the mid-2000s, whereas the 2008 financial crisis steered its fall between 2012-2015 (Figure 24). However, due to the reduced number of mortgages at those times in Romania, it did not experience such a severe mortgage crisis as Greece, Spain, or Portugal; nevertheless, the country was affected by the austerity measures that the government implemented as a “solution” to this crisis in the frame of further neoliberal “state reform” enforced by conditioned WB and IMF loans. Since 2015, with the post-crisis economic growth, housing prices have been on an ascendent trend even during the COVID-19 pandemic. This trend is part of a larger paradigm in CEE; for example, a recent ERSTE report shows that house prices have been growing continuously since 2015 in Romania by 40%. Despite the sharp fall in GDP growth and severe recession in 2020, house price growth has not slowed during the pandemic.²²

Until now, most of the apartments constructed in the new real estate complexes were sold by the developers during their project phase. Currently, some forecasts predict an increase in stocks for renting.²³ The first tendency is inscribed into the dominant Romanian homeownership trend (in 2021, with 95.3% of its people residing in their own homes),²⁴ whereas the second one signals a potential change toward the rental model, or, at least, to a dual system of tenure in the future.²⁵

²² <https://www.erstegroup.com/en/research/report/en/ER2289>, Accessed 10 September 2022.

²³ “We lack institutional investors, and there is not a single big institutional player who amassed a sizeable portfolio of thousands of apartments for rent. Sooner or later, we will probably see a movement in this respect in the market.” - <https://ceelegalmatters.com/romania/19159-status-of-the-real-estate-sector-a-romanian-round-table> (February 2002); “There is a high level of liquidity among investors and a thirst for different products. This thirst comes as a result of high inflation but also a desire to preserve capital. As new asset classes, data centers and residential for rent (PRS) will increasingly attract investment.” - <https://www.property-forum.eu/news/there-is-a-high-level-of-liquidity-among-real-estate-investors/12607> (June 2022).

²⁴ Owning or renting? What is the EU’s housing situation?, Eurostat, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/wdn-20211230-1>, Accessed 10 September 2022.

²⁵ In a June 2022 report by the IMF on Romania, written in the current context of inflation and crisis, when the public debt of the country is rising, IMF recommends the increase in taxes on homes in private property, which may be considered a sign of promoting a potential switch from the till-now dominant homeownership paradigm – the report is accessible here, <https://www.imf.org/en/Publications/CR/Issues/2022/06/28/Romania-Technical-Assistance-Report-on-Improving-Revenues-from->

Even today, the population buys most of the new homes in cash.²⁶ Nevertheless, between January 2007 and June 2022, the number of loans granted to the population increased more than four times (Figure 25), and the percentage of mortgages from the total of loans granted to the population increased from 19.6% in January 2007 to 61.6% in June 2022 (Figure 26). This trend is also a sign of housing financialization, linked to the fact that the current access to homes almost exclusively occurs through the market.

Besides residential real estate, retail and office building investments have become preferred sites for capital accumulation since the 2010s.²⁷ The logistics and residential market registered an increase in 2021 when office and retail experienced a pandemic-induced decrease.²⁸ The service sector, which grew parallel with deindustrialization, induced a growing demand for non-residential spaces. The ruined industrial platforms created spaces for such new constructions. In Romania, supermarkets were built and owned by foreign capital functioning through multinational companies,²⁹ whereas the residential sector was mainly developed by Romanian investors who gained their profit invested in real estate from other businesses. The transactions with the office buildings are highly tempting for foreign investment funds, even if constructed by Romanian businessmen.

the-Recurrent-Property-Tax-520127. Several years earlier, the World Bank issued the report which recommends more firmly such a turn in policies supporting one housing tenure or another – this is accessible here, <https://www.worldbank.org/en/region/eca/publication/living-and-leaving>, Accessed 10 September 2022.

²⁶ In 2020, in Cluj-Napoca, approximately 70% of the homes were bought without credit, whereas in Bucharest, this percentage was approximately 50% (news quoting real estate developers, <https://stirileprotv.ro/stiri/financiar/din-ce-in-ce-mai-multi-romani-cumpara-locuinte-cu-banii-jos.html>), Accessed 10 September 2022.

²⁷ According to the Investment Reports platform in Romania, "historically, the market has been driven mainly by local or regional developers, but, especially in the last seven years, we have seen increasing interest from international institutional players. Some international office developers with a track record in Romania are Globalworth, Skanska, AFI Europe, GTC, IMMOFINANZ, and CA Immo. NEPI, AFI Europe, Sonae Sierra, S IMMO, and IMMOFINANZ have been active in the retail sector. The industrial sector has been shaped by developers such as CTP, P3, WDP, VGP, and Alinso Group." <https://www.investmentreports.co/article/real-estate-in-romania-low-risk-high-reward-313/>, Accessed 10 September 2022.

²⁸ <https://ceelegalmatters.com/romania/19159-status-of-the-real-estate-sector-a-romanian-round-table>, Accessed 10 September 2022.

²⁹ The major companies in the food-retail chains are Kaufland, Lidl, Auchan, Carrefour, Mega Image, Cora, Profi, Penny, Metro, and Selgros.

Conclusions: an East European contribution to studies on deindustrialization, housing, and real estate development

In any corner of global capitalism, deindustrialization restructured the economy and contributed to forming a financialized capital accumulation regime, in which real estate development played an essential role. Scholars have identified differences in how this happened in the Global North, South, and East; nevertheless, they have recognized that the expansion of neoliberal capitalism influenced all countries.

In the 1990s, the dismantlement of state socialism in CEE was needed for a new boost to global capitalism. Due to their state properties being privatized and their economic capacities being destroyed, CEE countries, including Romania, became dependent on foreign capital. Hence, they created new opportunities for FDI and provided markets and a cheap labor force for multinationals. When deindustrialization/the restructuring of the economy entered a mature phase in Romania in the 2000s, the transnational flow of capital, investment of speculative capital in real estate, and its financialization were already overwhelming phenomena on the global stage of capitalism and became even more potent because of the 2008 financial and mortgage crisis. Therefore, when foreign capital arrived in Romania, it was already a capital that looked for investment opportunities with an extensive and quick return.

The three research questions of my article referred to several aspects of the formation of a REDD-HR. More precisely, I inquired how economic restructuring via deindustrialization (Section 4) and the changing housing regime (Section 5.1) – interconnected in their formation and consequences – created the structural paths that enabled the formation of the REDD-HR (Section 5). Below I present a synthesis of the findings elaborated in the separate paper sections.

The study focused on Romania, viewed in a regional and global context, to enrich the literature on internationalized deindustrialization, housing, and real estate development. The timeframe of the analysis covered the post-1990s period when financialized capitalism needed new spaces for the global flows of capital and integrated the countries of CEE in its sphere of interest. The paper revisited the Great Transformation from state socialism to neoliberal capitalism at the semiperipheries of the EU. It supplemented the existing knowledge on the changing housing sector and deindustrialization in Romania with a perspective that described the linkages between the two as they led to a REDD-HR.

I observed that in parallel with the country's deindustrialization by dismantling the former state-owned industrial platforms, as well as with reindustrializing it through small- and medium-sized private enterprises, including multinational companies, the economic transformations of this country created

new investment opportunities for local and global capital via real estate development. The consolidation of a private sector in the industry, alongside construction and banking, was needed for this to happen. The sites of bankrupt industries became locations for real estate development, and the capital gained from new companies established on the ruins of destroyed industries could be invested in real estate. Due to the temporality, geography, and rhythm of the formation of capitalism out of the collapse of the socialist political economy, deindustrialization in Romania created the conditions for a dualist capital accumulation regime in which the new forms of (industrial) productive economy coexisted with financialized real estate development. The country became attractive for investors both due to its cheap labor force employable in the new industries and the emerging service economy, as well as because its emerging real estate market displayed a growing demand for new buildings (with residential, retail, office, and industrial functions) and the potential to increase prices/profits. State policies created a friendly environment for capital investment in all economic sectors.

Furthermore, I emphasized the changing role of housing in larger political economies. On the one hand, I highlighted how during state socialism, the Romanian housing regime served industrialization by creating affordable housing for workers and by distributing homes based on the criteria to possess jobs created in the new industries. Moreover, on the other hand, I stressed that the privatization, commodification, and financialization of land and housing had a crucial role in the constitution of the unregulated real estate market as a condition for real estate development. In addition to a predominantly private property regime and capital to be invested outside the first circuit of capital, real estate development was supported by a new housing ideology. The latter reified access to adequate homes as personal merit and celebrated housing financialization as an achievement of local capitalism.

After 1990, the emerging REDD-HR was sustained by transforming property relations in industry and housing. The parallel and interconnected privatization of factories, land, and housing created the real estate market and new asset classes for capital investment. The reintegration of Romania into the global market as a capitalist country and its accession to the EU opened its borders to foreign investors. Looking for large and quick returns, the foreign investment funds acquired substantial (including former industrial) lands across the country primarily used for retail, logistics, and office buildings. At the same time, local entrepreneurs with less capital invested in residential real estate of smaller sizes. Nevertheless, some of the latter grew gradually and, alone or in collaboration with foreign capital, began to make larger residential or mixed real estate assemblies. All these actors could only be successful in their

businesses with the contribution of a governmental politics that created market-oriented legislation, permissive urbanism, and a business-friendly fiscal system, and withdrew the state from investments into public housing.

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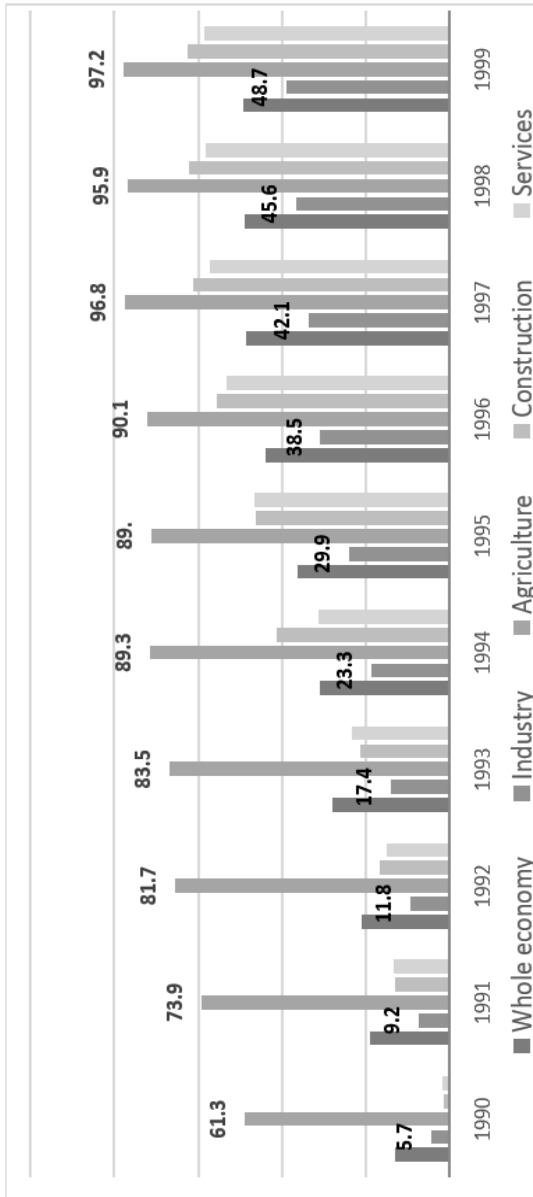
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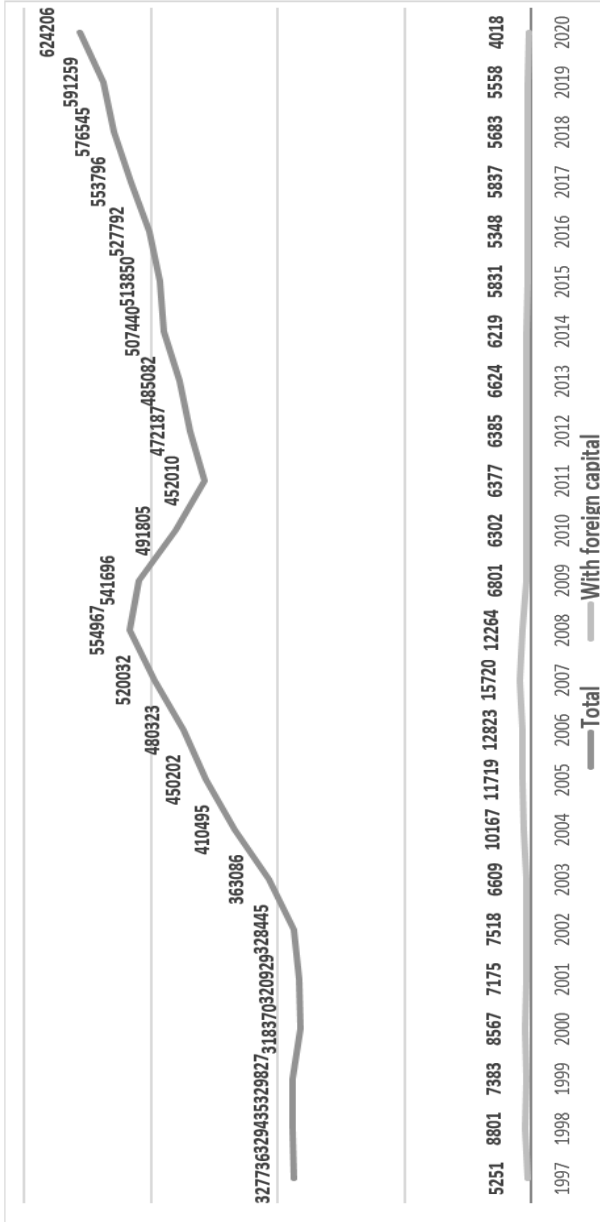
APPENDIX

Figure 1. Percentage of the private sector in the Romanian economy



Data Source: National Development Strategy of Romania 2000, the author

Figure 2. Number of active enterprises in Romania, total, and enterprises with foreign capital registered yearly
 Source: National Statistical Institute, Institutul Național de Statistică (INS), and



Data Source: National Trade Register Office, Oficiul Național al Registrului Comerțului (ONRC), the author

DEINDUSTRIALIZATION AND THE REAL-ESTATE-DEVELOPMENT-DRIVEN HOUSING REGIME.
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Figure 3. Evolution of the unemployment rate, Romania, Source: INS, the author

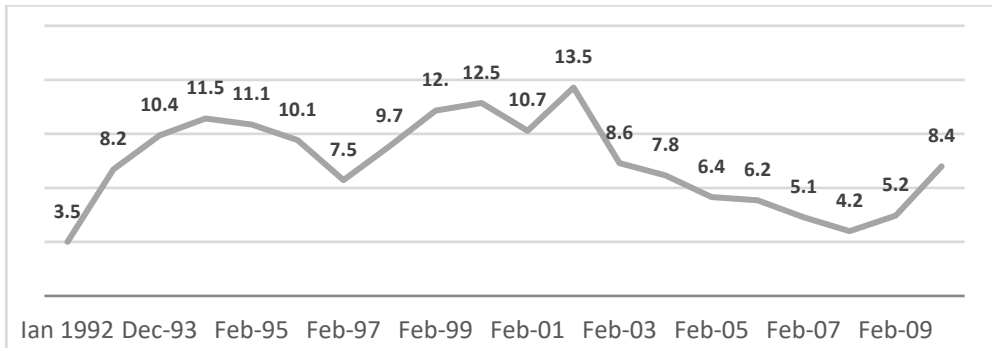
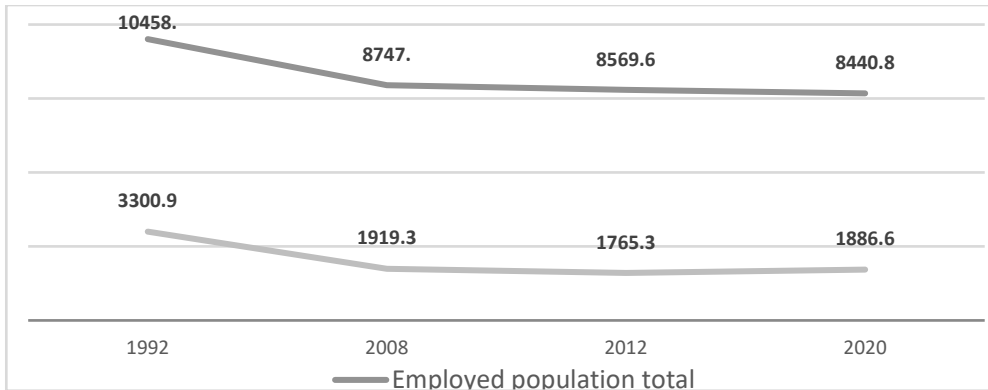
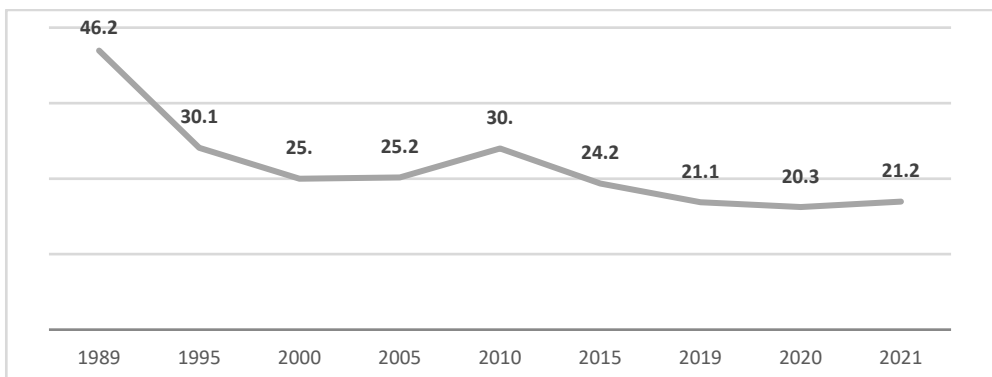


Figure 4. Evolution of the employed population, in total and in the industry, thousands of persons, Romania



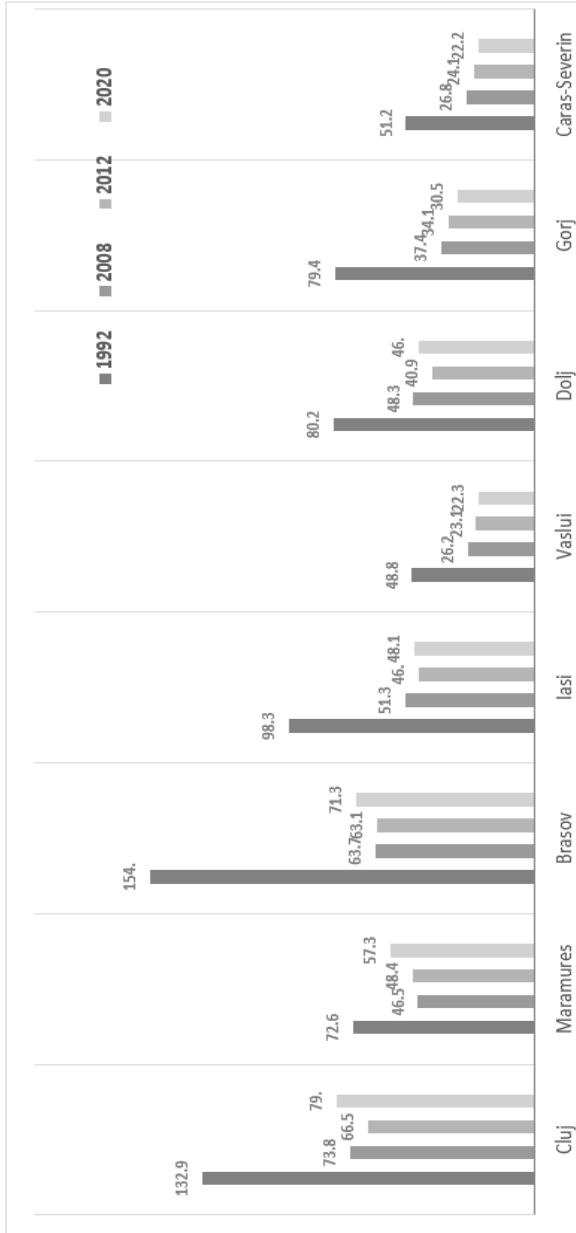
Data Source: INS, the author

Figure 5. Evolution of the percentage contribution of the industry to GDP, Romania



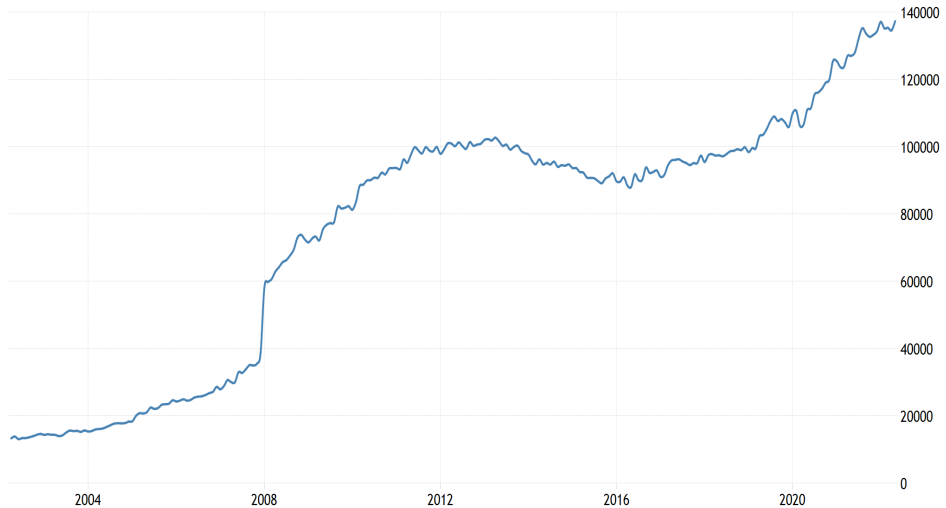
Data Source: Eurostat, the author

Figure 6. Evolution of the employed population in the industry, selected Romanian counties, thousands of persons



Data Source: INS, the author

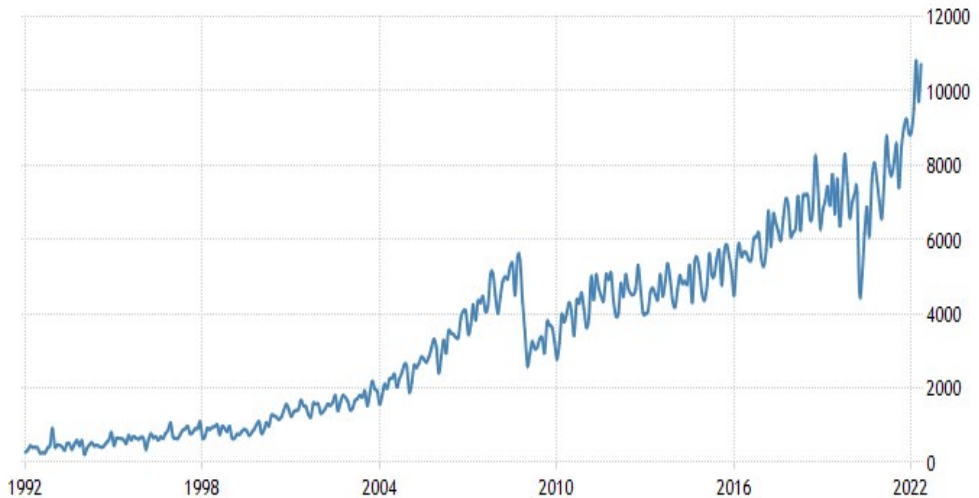
Figure 7. External debt in Romania, 2004-2022, million Euros



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Data Source: UN Statistics

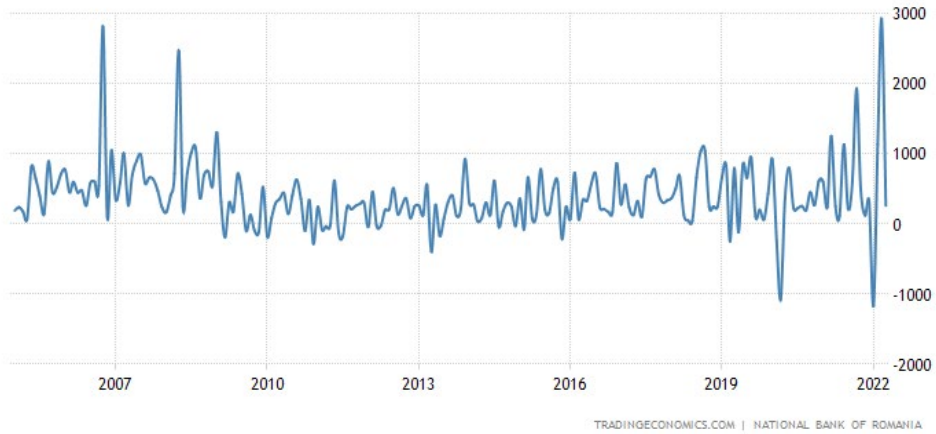
Figure 8. Imports made by Romania, million Euros



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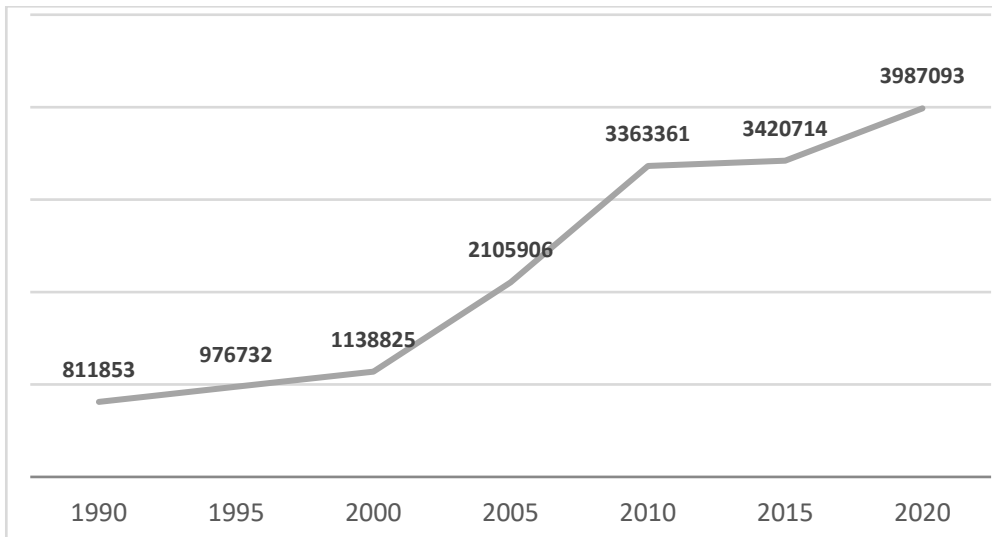
Data Source: UN Statistics

Figure 9. Foreign direct investment in Romania, million Euros



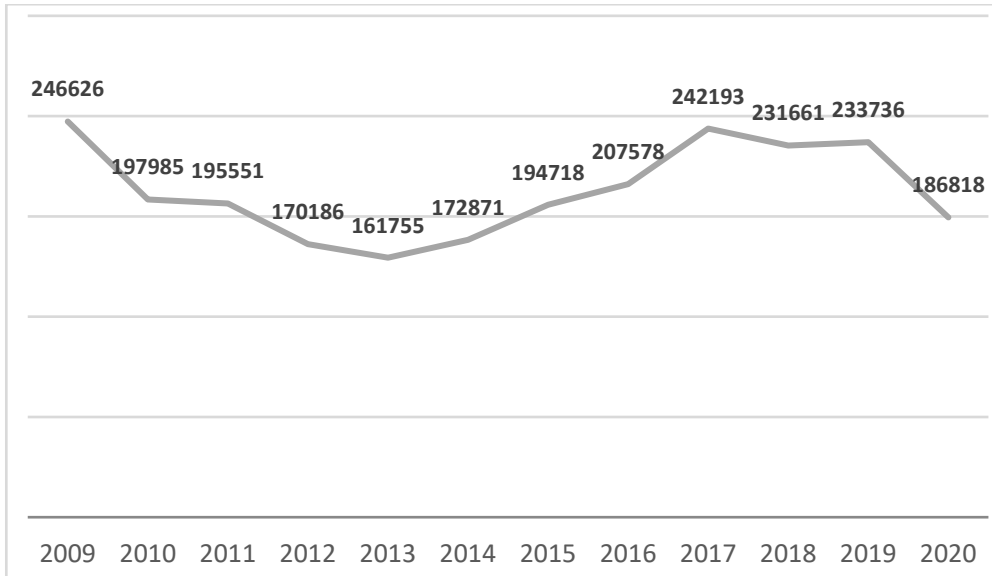
Data Source: UN Statistics

Figure 10. International migrant stock, country of origin: Romania



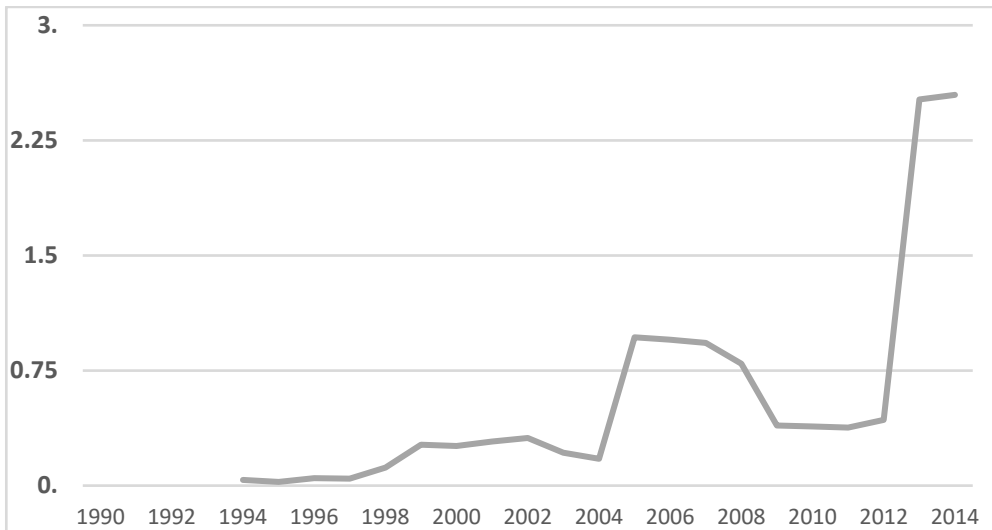
Data Source: UN Population Division, the author

Figure 11. Total number of long-term emigrants leaving Romania yearly, 2009-2020



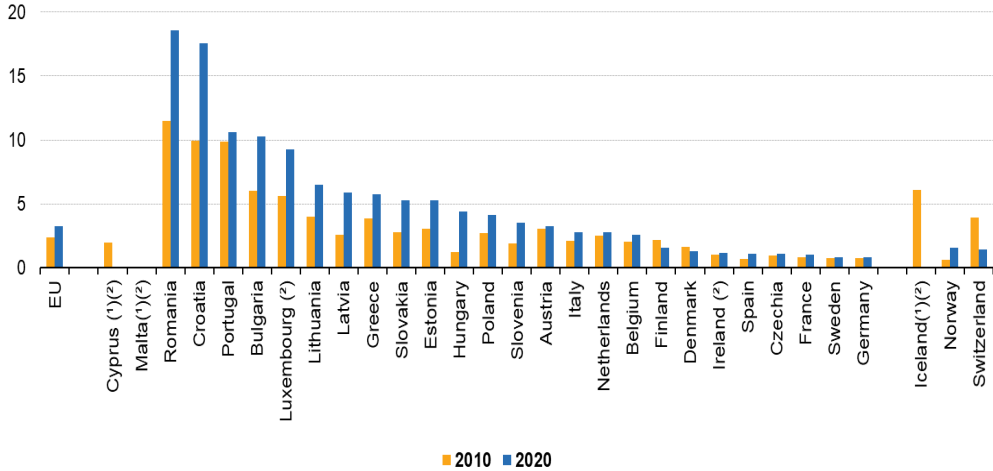
Data Source: Eurostat, the author

Figure 12. Percentage of the inflow of personal remittances of GDP, Romania



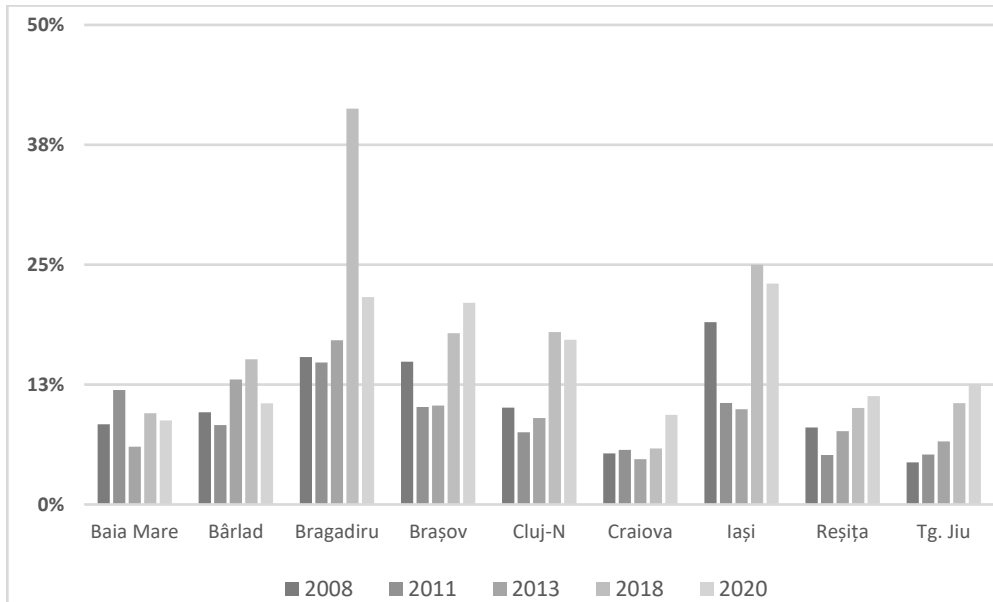
Data Source: UN Statistics

Figure 13. EU mobile citizens of working age (20-64), by country of citizenship, % of their home country resident population



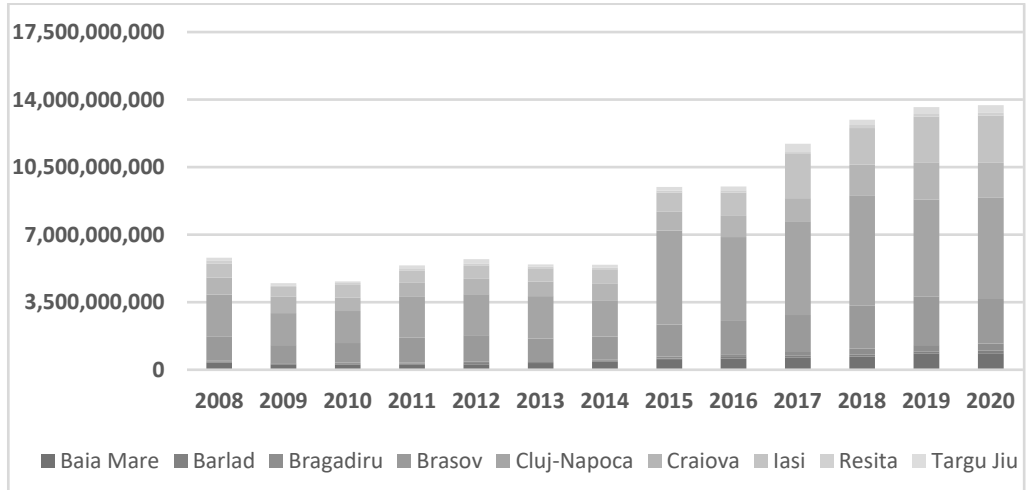
Data Source: Eurostat

Figure 14. Percentage of profit made in construction and real estate transactions of all sectors, selected cities



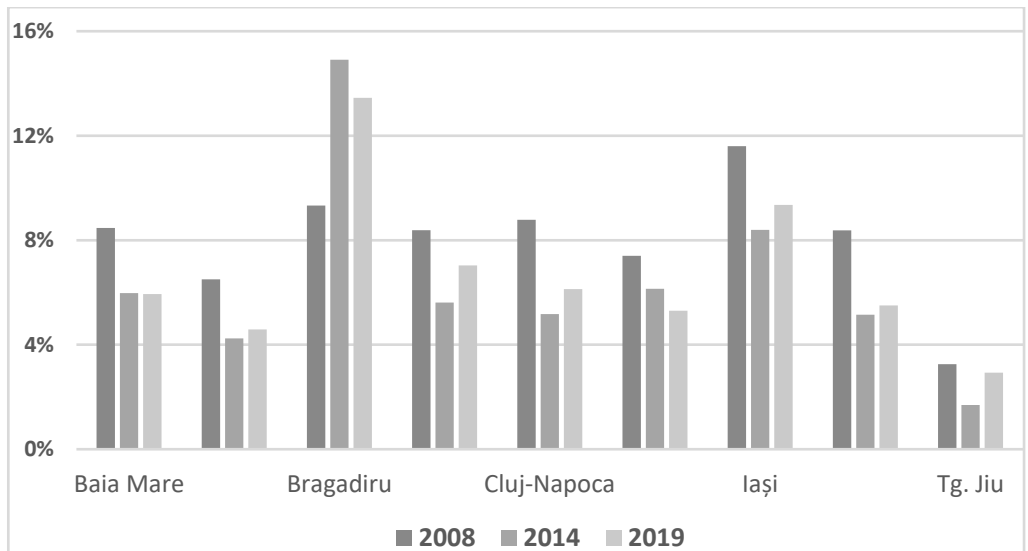
Data Source: datagov.ro, author

Figure 15. Share the yearly profit made in selected cities from the total profit produced in the nine cities, 2008-2020



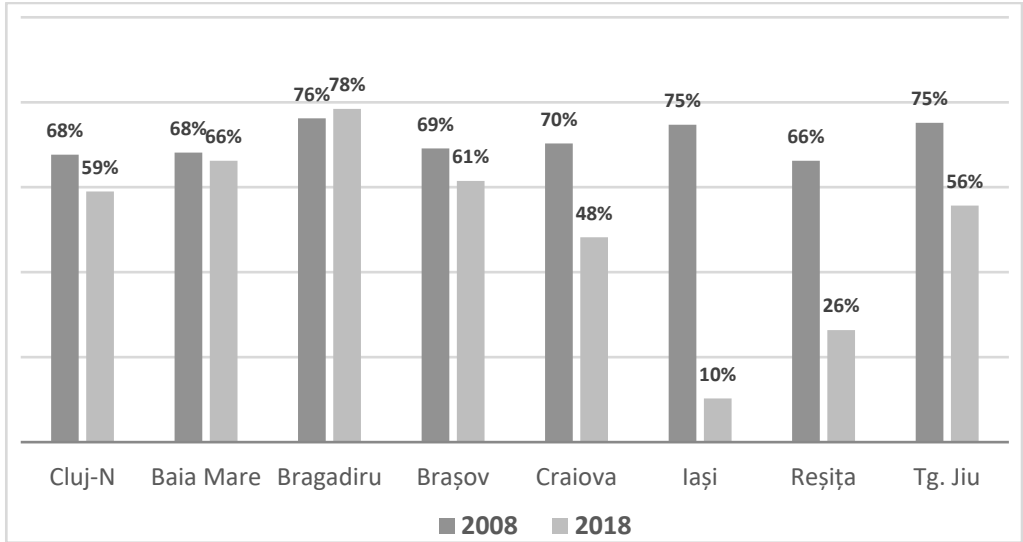
Data Source: datagov.ro, author

Figure 16. Percentage of employees in construction and real estate transactions of the total employees, selected cities



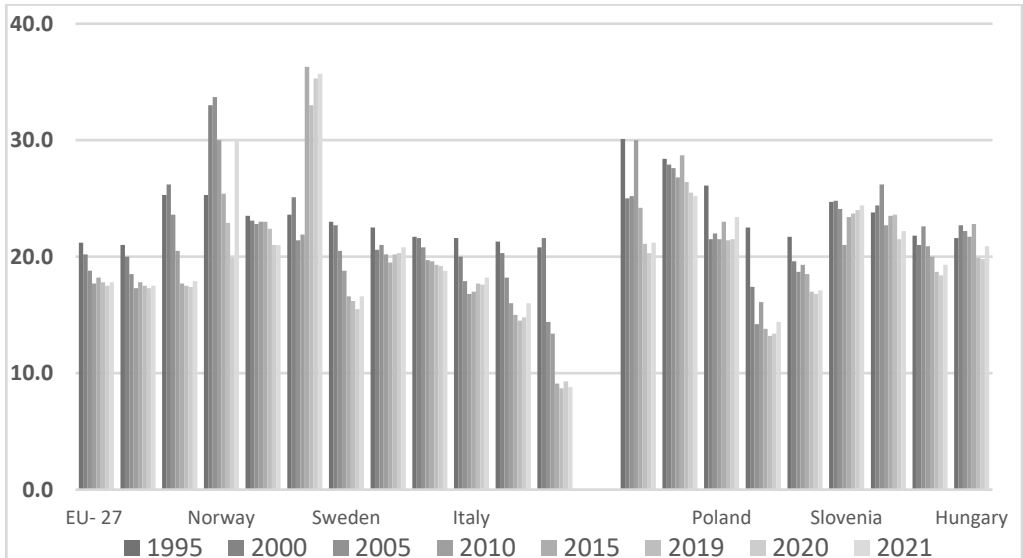
Data Source: datagov.ro, author

Figure 17. Percentage of profit made in the construction sector out of total profit in constructions and real estate transaction, selected cities



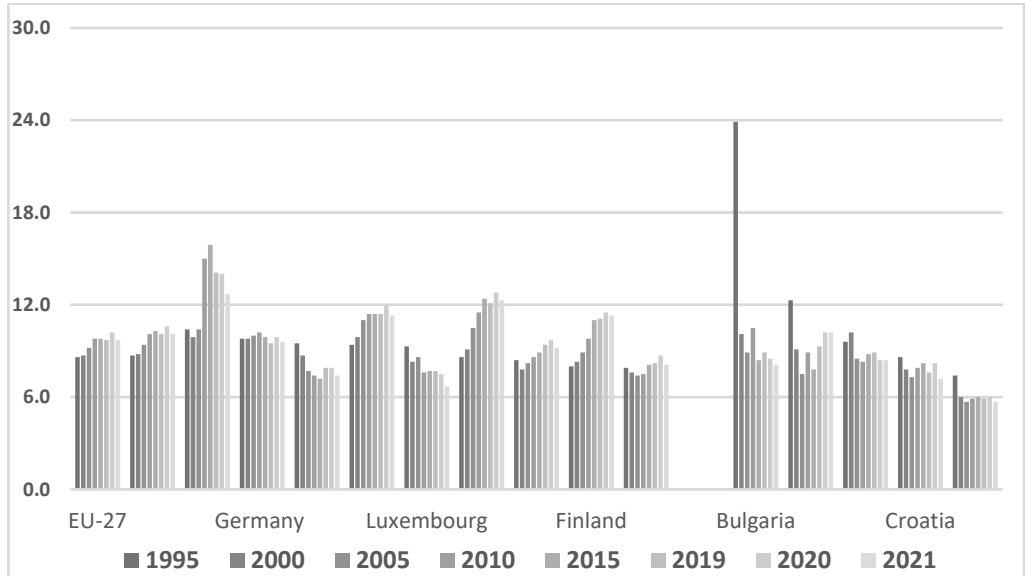
Data Source: datagov.ro, author

Figure 18. Percentage of gross value added by industry in U&EEA states with above 20% in 1995



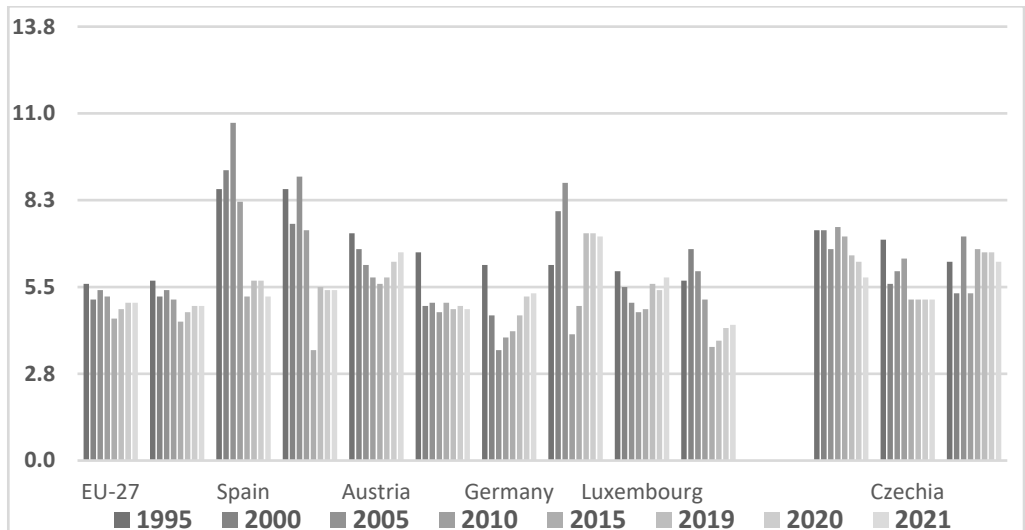
Data Source: Eurostat, the author

Figure 19. Percentage of gross value added by real estate transaction, EU & EEA states with above 7% in 1995



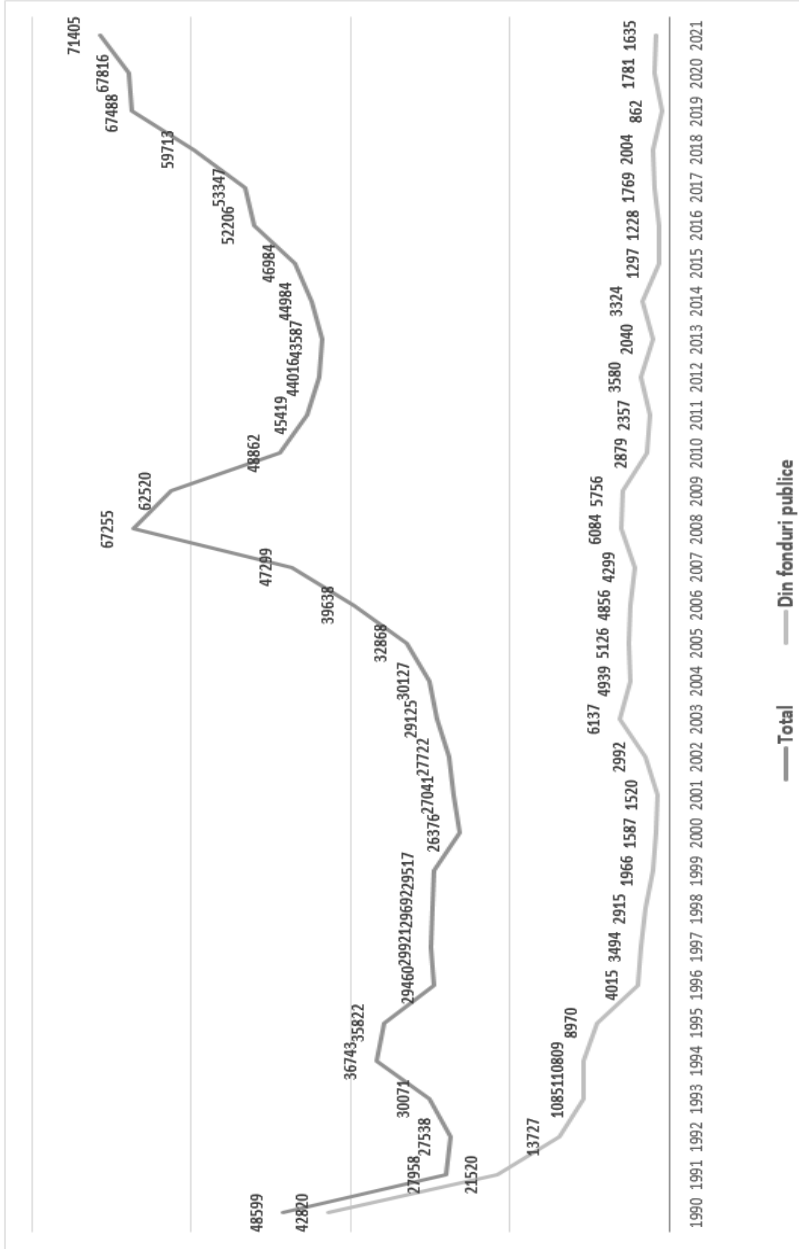
Data Source: Eurostat, the author

Figure 20. Evolution of gross value added by constructions, EU & EEA states with above 6% in 1995



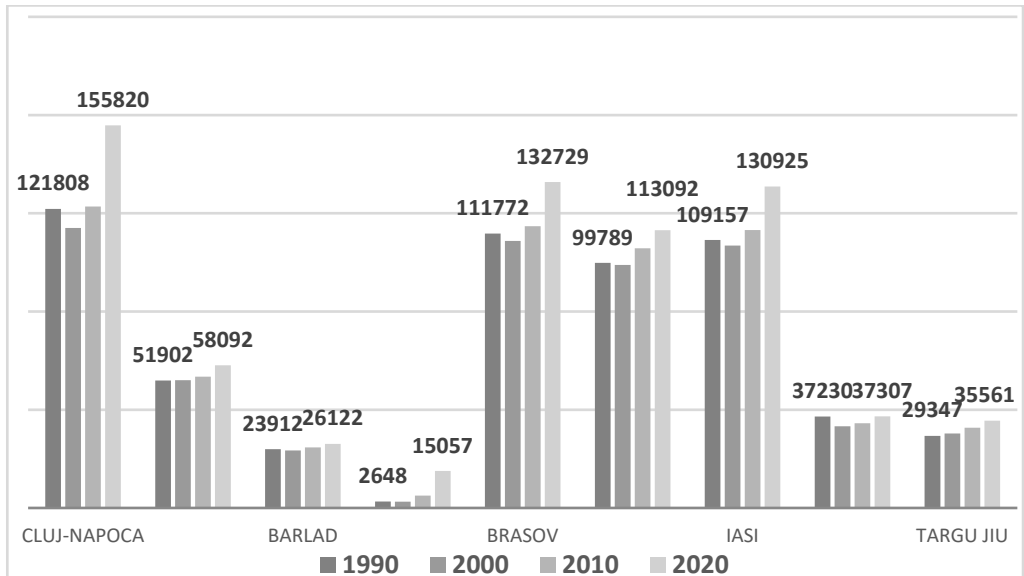
Data Source: Eurostat, the author

Figure 21. Number of finished homes, yearly, total, and from public funds, Romania



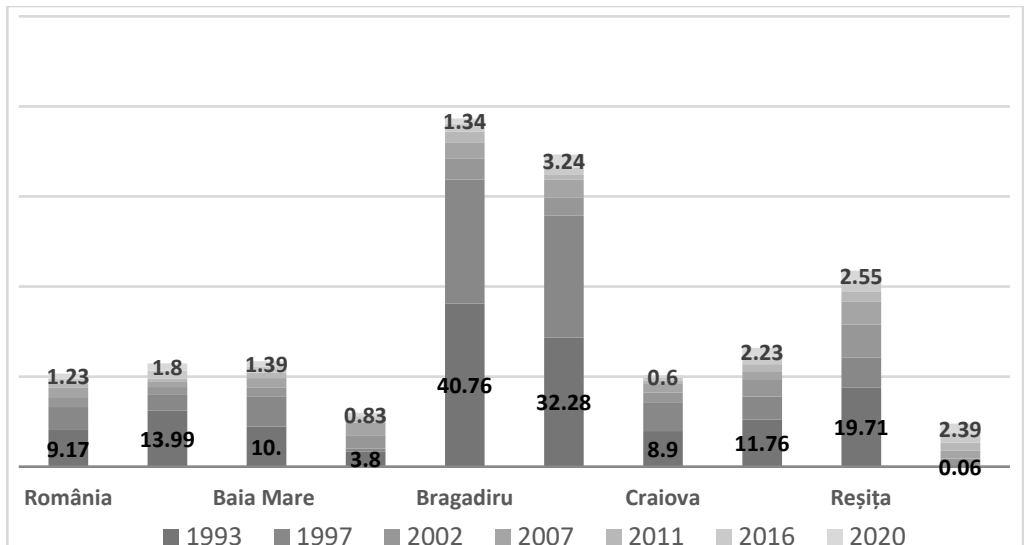
Data Source: INS, the author

Figure 22. Number of existing homes in selected cities



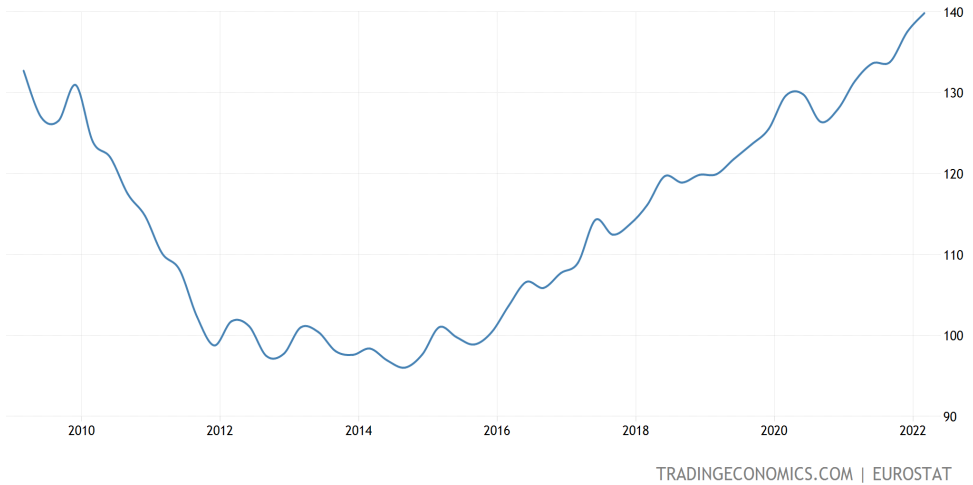
Data Source: INS, the author

Figure 23. Evolution of the percentage of public housing from the total existent housing stock in Romania and selected cities



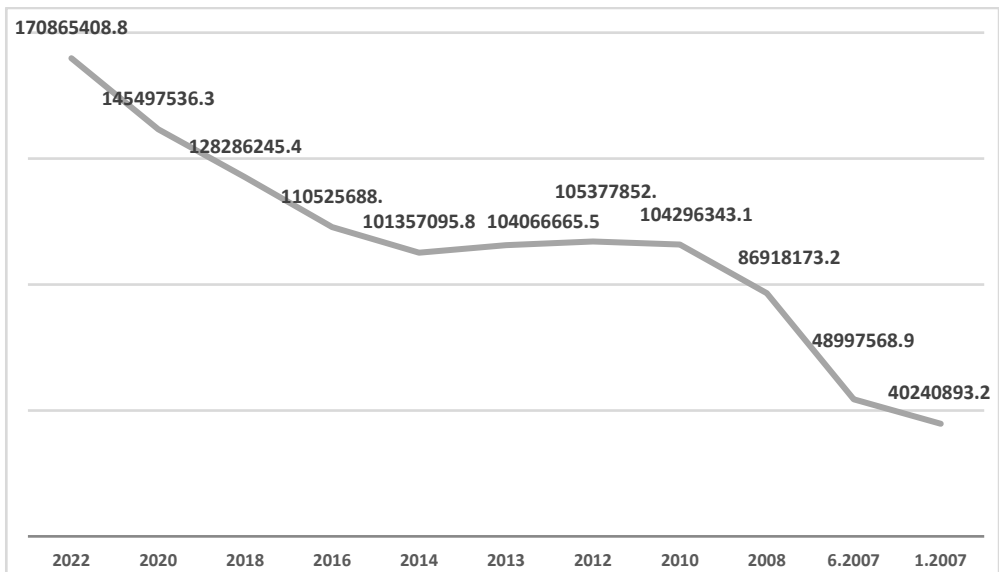
Data Source: INS, the author

Figure 24. Housing price index in Romania (2015=100)



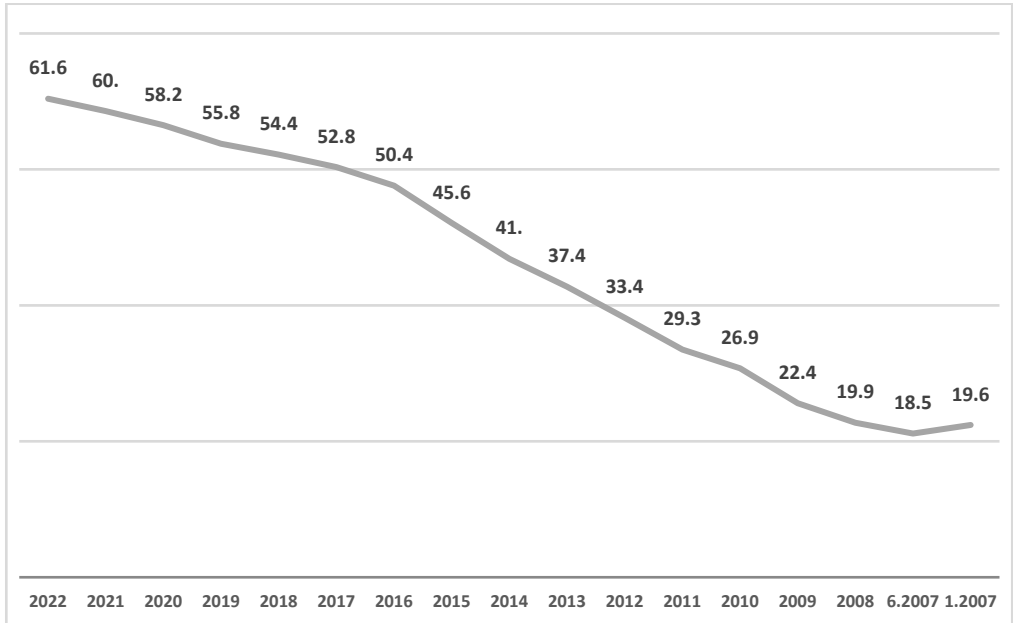
Data Source: Trading Economics

Figure 25. The total amount of loans granted to the population, thousands of Lei, Romania



Data Source: National Bank of Romania, Banca Națională a României (BNR), the author

Figure 26. Percentage of mortgages from the total amount of loans granted to the population



Data Source: BNR, the author

