

Informal Real Estate in São Paulo's peripheries: illegalisms under a rent-seeking logic

Produção imobiliária em periferias de São Paulo: ilegalismos sob lógica rentista

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Abstract

The production of São Paulo's peripheral territories has changed due to the crisis in salaried employment, changes in socio-economic profile, access to credit, public housing policies, and the formation of a multi-scalar market arbitrated by illegal market operators. Entrepreneurial business networks, including real estate, have emerged as an investment opportunity for the money accumulated in these territories. New buildings in border areas with a rent-seeking use point to new power arrangements based on illegalisms that articulate scales in a market-based production, disputing the forms of political association of the previous period. The methodology is based on secondary sources and direct field research in São Paulo's slums, carried out by a multidisciplinary team over the last five years.

Keywords: informal real estate; rent-seeking; illegalisms; PCC; entrepreneurship.

Resumo

A produção dos territórios periféricos em São Paulo se alterou com a crise do assalariamento, a mudança de perfil socioeconômico, o acesso ao crédito, as políticas públicas de habitação e a formação de ambiente de mercado multiescalar com arbitragem por operadores de mercados ilegais. Redes de negócios empreendedores, entre eles, a produção imobiliária, surgem como oportunidade de investimento para o dinheiro acumulado nesses territórios. Novas edificações em áreas de abertura de fronteira, de uso rentista, indicam novos arranjos de poder, baseados em ilegalismos que articulam escalas de uma produção para mercado, disputando as formas de associativismo político do período anterior. A metodologia se baseia em fontes secundárias e de pesquisa direta de campo em favelas de São Paulo, realizada por equipe multidisciplinar nos últimos cinco anos.

Palavras-chave: produção imobiliária informal; rentismo; ilegalismos; PCC; empreendedorismo.



Introduction

Understanding the forms of production of peripheral territories is an important analytic key in the Brazilian critical tradition. The theme articulates the dispute over land, the formation and social reproduction of popular and working classes, political dynamics in several scales, state intervention and relevant processes for the accumulation of capital in the country. The inseparability of these elements is taken as an analytical assumption and point of departure. It is not possible to understand the current situation of the rise of armed groups and new disputes in power relations engendered by them without an articulated analysis of this phenomenon in the face of the ongoing intensive urbanization of the peripheries.

This analysis is centered on the context in Sao Paulo City based on ethnographic incursions of several researchers collaborating in the research network of the Observatory of Evictions and its partners. Methods of action research were employed in the peripheries of Sao Paulo City during the last five years. In addition to the secondary sources mentioned above, responsible for providing a scale for the phenomenon and helping to systematize it, field research was conducted directly by the researcher in the Sao Remo slum, located in the Western Zone of the city, between 2022 and 2024. Semi-structured interviews were conducted within the work of a university extension program.

Both the posts of direct observation and the secondary sources indicate that the production of peripheral territories in Sao Paulo has been permeated, directly and indirectly, by new actors, formed in the context of the consolidation of these areas. This article aims

to contribute to these studies by analyzing the articulation of these new actors within the dynamics of the operation of illegal markets. The latter have increasingly participated whether as a conditioning factor for the existence of a thriving real estate market, or in its arbitration or directly in its production, in specific contexts. The direct or enunciated presence of the criminal organization *Primeiro Comando da Capital* (PCC) [First Command of the Capital] is what is being dealt with specifically. As will be further discussed in this article, it has singular characteristics, which differentiate it from the factions associated to drug trafficking in Rio de Janeiro. As will be observed, while it is possible to speak of territorial dominance by armed groups in Rio de Janeiro, with monopolistic control of activities, including real estate (Hirata et al., 2022), the same does not hold true for São Paulo. In this city, an informal market with open arbitrated competition from a variety of businesses, including real estate, is being formed. In new areas under dispute, the operators of illegal markets will have a different role, as this is an activity that involves the mobilization of new illegalisms. Self-construction already involved games with the law to enable the social reproduction of life within the framework of ownership of the land (Rolnik, 1997). Now illegalisms are mobilized for the commodification of the production of this space linked to urban extractive forms that generate precariousness within a state of permanent transience (Rolnik, 2019).

Empirical material will be discussed – both from direct research and secondary sources – as well as bibliographic sources, that indicate how the production of peripheral territories is increasingly disputed by new privatist and rentier logics, which appear as a growing trend

mainly in more valued locations. This tendency towards the form of market production of spaces previously self-built for families' direct use or a primary source of income is made possible, among other elements, by the diffuse presence or activity of agents linked to illegal markets. This happens not through territorial domination (with the delimitation and closure of borders), but through dominance in the governance of the popular businesses, capacity to mobilize financial as well as political resources and the articulation, by means of illegalisms, with the law and its representatives.

It shall be demonstrated that these dynamics of profitability of peripheral territories have internal differences, and the participation of illegal market operators does not occur in every situation. This participation occurs in a specific way, mainly in areas where real estate frontiers are being opened and are most contested. These dynamics, that involve the participation of illegal market operators, are not implemented in a centralized and directed manner by the PCC as an organization. The way the latter functions is not focused on this type of activity, on the one hand, and, on the other, it is a complex dynamic that involves several actors and a broader situation. In other words, the PCC is just one of the specific agents of illegal real estate markets operating in São Paulo. Furthermore, its presence is often only enunciated, without there being, necessarily, any correspondence with reality, or its presence is instrumentalized by internal territorial disputes (Lacerda, 2022). The consolidation of illegal markets and the rise of rentier real estate markets in the peripheries, as will be indicated, are part of a broader analytic framework of changes in popular life amid the crisis of wage society. At this

juncture, based on empirical examples, it will be seen that there is a transformation in the power relations, increasingly anchored in the security configuration of a society of emergency and risk, in which social forces construct and dispute the management of precariousness in peripheral territories, within an entrepreneurial rationality, linked to rent-seeking. According to Lacerda, "what's at stake is the management of precariousness and the urgencies of life under a mercantile logic, which is developing in the midst of a situation in which insecurity permeates and constitutes the ways of life of a growing number of people" (ibid., p. 277).

As will be demonstrated, through examples, this entrepreneurial rationality works within a network of articulated agents and businesses, which generate investment and work opportunities – different from the labor market regulated by the State of the wage society or from self-construction. Real estate businesses become part of this market environment, making the current intensive urbanization of the peripheries of São Paulo take place in the dispute and multi-scale articulation of agents – including the PCC *brothers* or their enunciation. Concomitantly, there is an expansion of the processes of formation and monopolization of private property and power relations that articulate local alliances with regional power networks.

In the final considerations, the need to complexify analyzes and public policies with respect to the nation's peripheries will be discussed. The traditional gaze at the "lacks" and precariousness of these territories – as though they were constituted exclusively by the logic of the need for survival – have had as a response either point solutions or a totalizing planning solution, the result of which always

escapes initial intentions and projections, benefitting rentier forces rather than the resident population and their ways of life.

Urbanization by monetizing precariousness

The thesis of the functionality of non-modern aspects (linked to the immediate and self-promoted need for survival) for Brazilian development (Oliveira, 2003 [1972]), far from being discarded, would need to be updated within this scenario. It would also be necessary to accompany its urban foundations – to the same extent that they were considered central to the formulation of Oliveira’s thesis, with an important contribution from Kowarick (1979). In fact, self-construction – as the self-promotion of social reproduction in the urban context – must be understood today as a form that gains significance in the broader social world: “*viração*” (Telles, 2006), as a set of survival expedients, articulates the world of labor and of social reproduction without precise limits and also articulates the world of rights with the popular world in various shades of grey. In this scenario it is appropriate here to update the meanings and materiality of urban spoliation, to which it seems that a new layer has been added: urban extractivism (Gago, Mezzadra, 2017) linked to a new informal market. The great capacity of production and the expansion of urban extractivism, associated with its rentier character, resets spoliation by capturing a considerable part of workers’ income.

This configuration gains functional particularities from the current financial predominance in the economy – mainly

regarding the expansion of rentier and entrepreneurial markets following the wage crisis -, one of which is the articulation between real estate markets and urban illegalisms (Telles, 2008) promoted by agents associated with the “world of crime” (Feltran, 2011). This is because real estate production does not have the same nature as other businesses within the popular economy, for real estate commodity is also a means of disputing power in urban space. Through its production not only profits, but also dominance is acquired over the form of appropriation and over who occupies space. Therefore, one thing is self-construction as a form of social reproduction – including the production of rooms for rent within the family lot; and another thing is the intensive production of real estate projects that expand the boundaries of spaces that can generate income in the peripheries in a specific historical situation. Unlike the first, this last form of urban production is also a power struggle. It expands the forms of appropriation of space by rentier logics, including temporary and unregulated housing through which anyone’s permanence can be controlled. It maintains the use of space linked to extractive forms, which includes the permanence of a population which is vulnerable and non-productive for capital. In the former manner of hegemonic production of peripheral space, the reproduction of life was associated with the defense of rights and illegalisms appeared as enablers of ways of life. These were only possible by circumventing the law, using its folds – making clandestine electrical energy connections, using non-regularizable land, using a de commodified labor force – as cracks of existence that, upon gaining the public world, supported the notion of social rights. Whereas the commercial production of peripheral urban

space mobilizes other illegalisms – corporate association with state agents of urban supervision and regulation, payment of rackets, use of legal companies, use of organized, contract and unregulated workforce, use of mixed formal and informal credit, among other commodified forms in which the legal and the illegal are intertwined – with the objective of expanding extractive forms of appropriation of space which, in turn, upon gaining access to the public world, support authoritarian and segregating forms of power.

Revealing this fact are the field reports and those found in the bibliography in which some recent real estate developments with a rentier nature are identified by the interlocutors as constructions “made by the world of crime” – being differentiated from others mainly because of the violent appropriation of land through land grabbing and/or by compulsory displacement of its occupants, or due to confrontations with previous pre-established powers, linked to the defense of rights. In addition to its character as a commodity in itself, these constructions mark a new articulation of capillarized power in São Paulo, in which the seizure of land for production and management of residential and commercial spaces takes place as a dispute with other territorial forces linked to previous matrices of power such as social movements, NGOs, left wing parties and collectives, Catholic pastorals, etc. An overlap is therefore perceptible linked to the transformations of illegalisms, between the popular rentier entrepreneurial production and the more recent development of real estate production linked to organized illegal business operators. The latter is differentiating itself as a specific branch of popular rentier entrepreneurial production. It is mainly

responsible, as will be seen, for expanding the frontiers of these markets, confronting the powers previously instituted over the land occupied for social reproduction or reserved for that purpose, with the use or threat of violence.

The conjuncture of the last two decades in which these transformations take place is quite complex, but five elements are presented below that will help to establish the causes of the rise of the phenomenon of real estate rentism in the peripheries. They will also help to explain its most recent stage, the transformation of the illegalisms mobilized, articulated to a “world of crime” organized and legitimized in the peripheries, for the expansion of real estate frontiers. The first element is the intensification of interventions and public investments in peripheral areas, without effectively combating the housing deficit, with more evictions than resettlements. They promoted imbalances between land availability (that became scarce) and demand profile (with greater service proportional to non-priority income groups for the housing deficit), resulting in an increasingly large population without the possibility of a housing solution – not even through self-construction.

This situation was largely generated by housing policies involving the association between public authorities and the private market. That is, housing provision policies carried out through publicly traded companies that began to compete for empty land or land occupied by low-income populations. Slum upgrading policies promoted internal spatial differentiation in areas that were previously more homogenous, generating an increase in value, expulsion and, consequently, encouraging local rentier markets that begin to operate and reproduce the logic of differential income

(Marx, 1986). Also, the land regularization policies that, since the Land Regularization Law n. 13.465/2017, can now be carried out by private companies that mediate the purchase of the area with the owner, avoiding its expropriation by public authorities (Milano, Petrella e Pulhez, 2021) – which also results in the expulsion of the population that cannot pay for what should be their right.

Furthermore, such upgrading and regularization policies, by evicting more people than they attend, generated an explosion in Rental Assistance in Sao Paulo – which reached a peak of more than 30 thousand families attended in 2016. Different from the north American Rental Vouchers, the public policy of Rental Assistance guarantees a flow of resources to the deregulated rental market, that is now being encouraged, is growing, and is forming a whole new class of tenants and large landlords in the slums (Guerreiro, 2020).

Real estate production, however, does not happen just because of incentives: financial resources are necessary both for construction and for those who want to have access to property. The second important element of the situation, therefore, is that there is more wealth circulating in the peripheries, which gives rise to disputes over its appropriation. This took place due to economic policies that increased the value of the minimum wage, created new forms of aid, programs of inclusion and tax exemption for popular goods, which changed the socioeconomic profile of the Brazilian population, particularly its consumption capacity. In the territorial dimension, this situation was amplified by the generational issue: children and grandchildren of the pioneer generations in the peripheries no longer needed to invest in self-construction of their homes, having family assets to rely on.

Also, the “pacification” (Feltran, 2018) of the peripheries by the PCC opened an era of prosperity. In which a variety of popular businesses were able to develop:

The faction’s hegemony should guarantee peace in the territories, principally in the peripheries. [...] When the police arrive in a slum in Sao Paulo, it isn’t usually received with gun shots, as in other states. A pacified area is good for everyone, including the businesses. (Ibid., p. 149)

There is, therefore, more money, state benefits and assets in the hands of the popular classes – who begin to endeavor and, also, who have greater spatial mobility with the option of renting instead of cohabiting. This territorial and social consolidation, however, does not eliminate precariousness, but renovates it in the form of greater housing insecurity (with the advancement of a tenancy process), smaller and denser homes – generating problems in illumination, ventilation and humidity – and the persistence, now with extreme consequences due to populational density, of the lack of underground infrastructural elements (sewerage and drainage). Thus, the commodification of the production of the popular peripheral territory carried out by new illegalisms is characterized by the management of precariousness as a way of expanding informal mercantile logics and their associated powers.

In addition to this accumulated wealth, a third element of the situation is the growing availability of credit for the low-income population, provided by unprecedented popular banking – resulting, in large part, from the generalization of public aid. There is also more availability of informal credit and resources in search of productive application, whether due to the prosperity of popular

markets (also leveraged by the popularization of digital delivery and service platforms); or to the internationalization of illegal markets, which made the scale of these businesses grow disproportionately. Both businesses now need productive and rent-seeking reinversion – the wall of money (Aalbers, 2017) of the periphery. Such credit markets, by causing debt on a larger scale, are another risk factor for this population, whose lives are in the hands of both financial institutions and illegal markets or even large popular entrepreneurs.

The fourth element that makes up the situation is the crisis in wage labor – with its scarcity and low pay (particularly in construction) –, which has generated an increasing search for alternative forms of income, including forms of retirement. Younger families – mainly single parents with children, especially those led by women – have a high demand for housing in urban locations that reduce their dependence on public transportation. As a result, real estate production becomes, at the same time, a source of income for pioneer families and a business opportunity for those whose income derives from instable or even illegal activities. The latter need forms of investment/savings but cannot depend on the banking/financial system due to the lack of formality of these inputs including commercial activities, services and even criminal activities in various scales.

Finally, the PCC appears as the fifth element of the situation that opens the possibilities of the existence of real estate entrepreneurship, in the peripheries of Sao Paulo, as will be described below. As a central articulation of agents that operate the new popular illegalisms, the PCC provides authority and pre-constituted devices to those that declare their connections with the “brotherhood” (Feltran, 2018) to carry

out: 1) Protection in relation to police control of state inspection, through pre-established agreements that regulate the *arrego* [racket] – the corruption tax that permits “pacification” (ibid.) – both for construction and for the use of spaces (commercial or residential) that generate income; 2) Arbitration of local entrepreneurial dynamics and punishment in the case of deviations or resistance, mobilizing or threatening to use violence either through access to arms, or through the authorization of the use of physical violence; 3) Availability and freedom to use financial resources in the hands of local entrepreneurs, due to the stability and prosperity of popular and illegal markets after “pacification”. As an articulation of items 1 and 2, PCC’s authority is also mobilized by local agents that enter or take over decision-making spaces or local organizations that could resist the advancement of real estate entrepreneurial activities. Thus, a market environment with resources, arbitration and security emerges, bringing confidence to investors and entrepreneurs, with the formation of business networks with agents that circulate between territories and compete for the wealth generated.

The consolidation of this multi-scale market environment – insofar as it articulates local agents with a regional power network, with international insertion – has, in real estate, a specific sector of economic rentability. Real estate is, at the same time, a means of reinverting extraordinary mercantile profits¹ and a means of income generation from private land monopoly – which has a differential character, as it appropriates specific locations disputed by popular classes. Consequently, there is an expansion of governance control over territories previously included in communitarian logics that hindered the growth of spaces for business.

These real estate activities are marked by some specific characteristics, which differ greatly from the production of peripheral space observed in a previous moment of urban development in the industrial period. Firstly, instead of the homogeneous space of “lacks and precariousness” of the peripheries, the production of differential locations, either through policies or public interventions, or through the diversity of territorialities produced from arrangements and disputes over space by local entrepreneurial markets is observed. Secondly, the phenomenon of standardized verticalization of buildings was identified. It is characterized by great construction speed, typological reproduction and productive centralization of machinery and workforce. This is due to different forms of access to the consumption of construction materials, such as direct credit from large franchises – which currently have a wider range of popular industrialized products –; and resources and network contacts for access to equipment such as machine concrete pumping, foundation drilling machines, tractors and trucks, etc. Although this has not resolved the financing for the purchase of a fully finished house or a lot for the resident, it significantly altered the production conditions, which became larger in scale, faster and more standardized.

This phenomenon is articulated to the third characteristic, which is the presence of a dynamics of profitability through the rental of spaces (commercial and residential), with the formation of local and regional monopolies of real estate assets and diversification of specialized agents (Zuquim et al., 2018), not necessarily residents of the same territory (although they need local alliances), as will be seen below.

This process generates greater commodification and housing insecurity in the peripheries. It therefore seems to result from successive layers of transformations in the social fabric since the 1980s, with the loss of the centrality of the social matrix that legitimizes work (Feltran, 2011) to the current entrepreneurial matrix (Dardot e Laval, 2016) – even though it is supported by the restructuring and neoliberal capture of decades of popular self-organization (Gago, 2015). The existence of the PCC in Sao Paulo is, therefore, not a single cause and driving force and direct beneficiary of this process, which takes place in several places in the country without its presence. It is important, however, to capture the extent to which its presence affects this process, characterizing it in a specific way.

A real estate production that has diversified

Research on informal, illegal and irregular urban land is long-standing. It indicates that mercantile processes in urban peripheries have always been a dynamic coexisting with or in dispute with the formation of precarious settlements due to immediate necessity. In the periphery, popular allotments (Rolnik and Bonduki, 1982) and, in the center, the tenements are long-lasting forms of monetizing the living space of the most vulnerable sectors of the population. Entire properties or fractions thereof are commonly bought, sold or leased. However, these transactions used to occur on a local scale – undertaken by family members or real estate agents of a limited territorial scope of action – with direct access to the residents that self-constructed their homes (Kowarick, 1979; Ferro, 2006; Maricato, 1982).

In the turn of the 21st century, such markets seem to be increasingly relevant in access to land by the popular classes – or at least there is a growing interest in academic and entrepreneurial analyzes (vide De Soto, 2001) on the topic. Calderón Cockburn (1998, p.39) states that, *“Los mercados informales de tierras constituyen actualmente el canal principal por el cual los pobres del tercer mundo acceden a un espacio para edificar su vivienda y desarrollar otro tipo de actividades urbanas”* [informal land markets currently constitute the main channel through which the Third World's poor have access to a space to build their homes and develop other kinds of urban activities]. Still, entrepreneurial real estate production beyond the land market did not yet appear in the bibliography and, if it existed, it did not seem relevant.

At the beginning of the 2010s, however, a signal emerged: the dynamics of intensive growth in the construction of buildings in slums was systematically recorded, with data from the Census, in Brazil, by Pasternak and D'Ottaviano (2010). In Sao Paulo, the population living in slums grew four times more than the municipal population between 2000 and 2010, with great densification. Almost 70% of the houses in these territories had more than one floor and, in 84% of these, there was no space between neighbors. Moreover, in those territories closest to the central area, there were very high densities, of more than 200 inhabitants/ha, up to 97% of which without spacing between neighbors and 90% with at least two floors. Today, even without Census data available, it is noticeable in the field, that the better located slums already have buildings with more than 4 floors; in several of these, mainly those which were upgraded, 6-story buildings have emerged, carried out in a standardized way as real estate projects.

Pedro Abramo (2009 and 2012) has articulated a Brazilian research network during the same period and has also systematized data and modes of production and agency of what he calls Informal Urban Land Markets. He developed comparative research between several cities, from 2006 to 2016, and observed the transformations that have occurred. In Sao Paulo, the NapPlac [Nucleus of Support to Research: Production and Language of the Constructed Environment] team from FAU-USP [School of Architecture and Urbanism of the University of Sao Paulo] (Zuquim et.al., 2018) was responsible for research in Paraisópolis. According to their research, during that decade, there was a 5.5% increase in households in this slum, whereas, on the municipal level, the average increase in households was 1%. This growth was due to processes of verticalization and an increase in rented homes – these rose from 12% to 30% of the households in the slum (whereas, in the city, this percentage was 23.5%). Accompanying this trend, there was a decrease in usable area in the rentals: 70% of which are one-room homes, measuring around 20m². A relevant piece of data in this research is the presence of typical agents from the formal real estate market:

- 1) Real estate brokers (including real estate agencies within the slum, a different reality from that found ten years earlier), responsible for real estate intermediation and some formality of contracts. Field research conducted by the author of this article indicates, in addition, the new role of social networks and digital real estate in expanding the scope of the market, bringing, to territories previously closed to pioneer families and their sociability networks, other residents, often with no prior relationship to that territory;

2) Rentier investors: large owners of rental units (which already indicates processes of proprietary monopolization), who may or may not be residents of the territory, and obtain higher incomes than would be possible in the formal market;

3) Developer: linked to the rentier-investor, this person promotes vertical ventures through the purchase and demolition of single-story or low-rise houses, without a slab, or takes over free spaces, or those with low construction density, previously designated for common use;

4) Builder: presence of hired groups of builders who follow the developer's project or are hired by families for their own projects – which marks a transformation in the old forms of self-construction through mutual help.

Such transformations were observed precisely in the ten years since the beginning slum upgrading in Paraisópolis, that occurred in 2005. Thus, the research group states that “it is unquestionable that the enormous public investments made in the area brought more upgrading to the slum; but they also contributed to an internal and surrounding real estate valuation” (Zuquim et al., 2018, p.2). Furthermore, the slum upgrading process in Paraisópolis resulted in an enormous quantity of evictions in the area, and a permanent housing solution for those evicted either took a long time or has not yet been resolved. Consequently, a large number of families began to receive municipal Rental Assistance, which peaked in 2015, when approximately 4,600 families from that territory received this benefit (Cunha, 2020), which represented 27% of the total number of households in the slum at that time. Evidently this injection of resources had an impact on the rental market in the region,

encouraging the construction of new typologies to capture them – given that these resources are poorly regulated, most being used in the informal land market (Guerreiro, 2020 and 2021). Therefore, it is relevant to consider the role of public housing policies in the current shape of this market, both in the valuation of areas and in the direct contribution of resources for rent.

This hypothesis is also present in Stiphany's work (Stiphany, 2022 e Stiphany, Ward e Perez, 2023). She researched the rise of renting in upgraded slums in the neighborhoods of Heliópolis and Sao Francisco (Sao Paulo). The researcher builds the hypothesis that people benefitting from such slum upgrading policies are building to leave the slum, not to remain there as a family home. In relation to leasing, her data closely correlates with that of Zuquim et al. (2018): according to her, between 2000 and 2010 (Census data) while, in Sao Paulo, leasing grew from 22% to 23%, it practically doubled in more peripheral regions (from 15% to 26%), with greater intensity in recently upgraded areas. In Heliópolis, Stiphany points out, in 2010, rented homes represented more 50% of the households in most areas and, in 2017, rented homes represented more than 75% of large areas in that slum. She characterized this process of verticalization and consolidation of an informal submarket of rental through the historicity incorporated in five typologies found concomitantly in the field (that are related to the agents identified in the study by Zuquim's research team). They are:

1) “Family plus rental”: the presence in the household of the original or long-time squatters /owners who add slabs on top of the house without changing the family use of the ground floor (normally residential with shops in front);

2) “Family transition”: the original family starts to occupy the second or third floor of the building, making specific modifications for rental, with a conversion of the ground floor, with the intention of moving out of the slum;

3) “Cooperative association”: type of investment consortium, with several owners who each rent a floor (each floor of the property can be built by an owner, or a local contractor is hired to build everything and then the owners divide the property among themselves.

4) “Peripheral tenement”: modern, peripheral versions of the tenement, in which the original owners are absent, that have multiple units with shared bathroom and kitchen, without shops and with external circulation;

5) “*giro à intimidação*” [spin towards intimidation]: a form of incorporation, a typology closer to the production relations of the formal market, in which an entrepreneur (external agent or intermediary) demolishes low-occupancy properties to build from “scratch”, with a standard verticalized typology, so it can be replicated in the neighborhood.² Stiphany calls this typology “coerced inversion”, because it is an arrangement that “protects” the original owner, with the developer paying rent for the family to leave during construction and return later; an action similar to that of the public authorities (Rental Assistance) and that of construction companies, but often of a compulsory nature.

This scenario, also present in Rio de Janeiro, makes up what Abramo and Ramos (2022) identified, in slums that are representative of the city, as an increase in rental transactions in relation to purchase and sale transactions between 2002 and 2011. Rentals increased from 48% to 79% during this period, now being the main form of access to the slums in this city (in

2017, it reached 81,56%). This phenomenon leads the authors to define a “new informality”, which is not reproduced through new settlements, but through the consolidation of old ones, with intensification of the construction dynamics for verticalization and densification, with family fragmentation and impoverishment of the population. The new inhabitants, most of which were tenants, had an average income of up to 1 minimum-wage in 2006 and represented 20% of the selected slums’ rental market. In 2017, this share grew to 35% of the same slums’ rental market, with a reduction of the population earning more than 3 minimum-wages – in line with what the authors call “precarization of precarity”.

This precarization of the peripheries by means of rentals observed in Rio de Janeiro was also identified by Zuquim’s team and by Stiphany in Sao Paulo. It shapes what these authors define as a contradictory scenario in which processes of upgrading and regulating slums, by promoting real estate valuation, end up triggering illegal markets and intensifying informalization and precariousness in new ways of living. The poorer population tends to live in smaller homes, denser buildings with many tenants and great housing insecurity, due to relations between landlords and tenants being arbitrated in a unidirectional manner by operators of monopolized rentals.

This entire scenario is part of the understanding of the significant change that occurred in the Brazilian housing deficit. In Sao Paulo the housing deficit’s profile is even more radical. From 2008 to 2011, its inhabitants experienced the beginning of the rise of the excessive rent burden.³ Its increase as been intensive from then on, replacing cohabitation as the main factor of the housing deficit,

currently representing 52% of the national deficit. In the Metropolitan Region of Sao Paulo, the situation is even more dramatic. In 2022, the excessive rent burden represented 70.1% of the deficit (FJP, 2021 and 2024) – with a specific female component: 66.2% of the excessive rent burden factor is composed of families headed by women. The transition from the predominance of cohabitation to excessive rent burden indicates both a repressed demand which, with a greater circulation of money among the popular classes, is now able to access rent, and a greater supply of this alternative in the peripheries.

As mentioned above, this greater supply may be either the result of family constructions, built by pioneer families now leaving the area, or from new ventures already created for this purpose, whose new owners are increasingly central in disputes over hegemony in the territory, given that they monopolize a large part of the residences and the commercial locations. There is, then, a tendency that is beginning to emerge more and more frequently in the field reports of several researchers in Sao Paulo. In the first processes of commodification, it was the residents' associations and several local leaders – linked to entities, churches or legitimized due to different factors – which mediated the management of the construction of space (preserving a certain balance between private spaces and common spaces, necessary for community life). At present, the involvement in this dynamic, of agents linked to illegal markets is increasingly mentioned. Although often devoid of concrete evidence (Lacerda, 2022), this certainly represents a change in power configurations with respect to the previous period.

Field observations utilized in this study – including the direct observations of the researcher in Sao Remo slum; those carried out by the broader research group in new occupations in urban frontiers in Serra da Cantareira (Lacerda, 2022); and, in the eastern zone of Sao Paulo (Milano et al., 2021; Prieto, Verdi, 2023) – show that there are internal differences in the typology described by Stiphany as “spin towards intimidation”, that perhaps configure a sixth typology. This sixth typology mobilizes different forms of illegalisms, for it consists of the incorporation of new lands to the informal market through occupation. This necessarily involves confrontation with public or proprietary surveillance and therefore, requires the presence, even if only enunciated, of an authority that uses, threatens to use or arbitrates the use of violence.

The PCC and entrepreneurial markets

Mediatic views – superficial and spectacular – tend to treat the relationship between the PCC and real estate production as a way for the faction to earn direct profits and a means of “money laundering” from the illegal drug market and other of the brothers' criminal businesses. In other words, there would be interest and gains for the faction itself. First, it is not possible to speak of money laundering from local traffic, as these are still informal businesses. But it is possible to talk about investment diversification, in times of greater competitiveness in increasingly vigorous markets. However, although there may occasionally be real estate developments

promoted by faction members or local retail drug dealers, these entrepreneurs do not transfer their real estate profits to the PCC nor do they pay fees linked to this business to the faction.⁴ This is because, unlike Rio de Janeiro, there is no armed territorial dominance by the PCC in São Paulo:

[...] a slum in Rio de Janeiro tends to have several sales points belonging to the same “*dono*” [owner] whereas in São Paulo each *firma* [company] operates a single sales point. There may be “*donos de morro*” [hill’s owners] with few sales points and “*patrões*” [bosses] with several sales points, but what seems to be more recurrent is a greater territorial extension and organizational complexity in Rio de Janeiro and a dynamic, fluid, and fragmented trade in São Paulo. (Grillo e Hirata, 2017, pp. 81-82)

The entrepreneurs of this “dynamic, fluid and fragmented” market, in this case real estate production, are responsible for taking over or purchasing land or properties in an intimidating manner (unlike other entrepreneurs who incorporate through purchase proposals or eventually by exchange) and subsequent contracting and construction protection. In these specific cases, it is not, therefore, just about having a large sum of resources, something that other local traders also have, operating in the real estate market as a diversification of investments – in these cases, with a more typical market production, with relations of monetary exchange at all stages, even if informal and precarious. The latter mainly seek safer locations: more consolidated areas, in which there is less danger of losing their investments. However, real estate production with the involvement of illegal market operators, although similar

from a constructive point of view, is positioned differently from others, for it seeks areas where frontiers are opening up, which are still unstable, have greater visibility and are submitted to greater control either by the public authorities or by the original owners. A certain amount of power is necessary to access land, or properties occupied by people who don’t want to leave, or empty land that is in dispute, or communal common spaces that are arbitrated by other local forces. This involves the formation of new real estate assets, which incorporate land which was outside the market – a typical dynamic of absolute and not differential income, (Marx, 1986), that mobilizes more brutal dynamics of value formation, such as forms of primitive accumulation.

According to the hypothesis presented herein, PCC’s presence in the process of restructuring peripheral territories is accomplished through paths other than those utilized in Rio de Janeiro, where there are direct gains arising from sovereign territorial dominance. São Paulo distinguishes itself, in the first place, by the formation of a multi-scale market environment, with varied entrepreneurial agents who are not necessarily residents of the territory but have local alliances. Their confidence in the business is assured by the arbitration of the faction and, at the limit, by the possibility that it may resort to violence. The second element is the creation of an “open market”⁵ environment with competitiveness, allowing business diversification, enabling the presence of varied credit agents and investments through the consolidation of a thriving market – whether criminal or not – in the territories, “pacified” and stabilized by PCC’s normativity and control of violence, which generates capital accumulation in search of reinvestment.

More recently, a third element was identified – which ends up configuring this new typology linked to the expansion of frontiers and creation of new locations. It consists of the expansion of PCC's hegemony in the peripheries by means of disputes with other local normativities, mainly those engaged in struggles defending the improvement of the quality of life, solidarity networks and permanence in the territory. This process takes place materially through the compulsory seizure of physical and decision-making common spaces, which prevents or limits the action of other logics, resulting in the transformation of the territory from a space for the communitarian reproduction of life into spaces for extraction of varied income. There is an active production of housing insecurity in already consolidated territories – expanding tenancy – insofar as the management of precariousness (Lacerda, 2022) maintains and reproduces the faction's hegemony.

These hypotheses are based on the fact that the peripheries are undergoing profound transformations in their dynamics since the 2000s. The phenomenon of the rise of the PCC needs to be considered within this context. Feltran (2001) has identified the coexistence, in the daily lives of families from the popular classes, of the figure of the “worker” and the “bandit”. Feltran (ibid) describes the tension at the frontier between these two worlds, which are now permeated by shared ordering principals of confidence and mutual respect, promoting daily survival in precarious territories.

The organicity between the “world of work” and the “world of crime” through the organization of the PCC as a “secret society”:

The territory for a secret society is very different from that for a company or a military command [...]The PCC does not dominate

territories by force of arms, it does not display its arms at their frontiers [...] (Feltran, 2018, p.147). Unlike a centralized company that commands the workforce and centralizes earnings, it provides a support network, instruments (access to arms), services (lawyers), as well as a code of ethics to be followed and its own judgment structure, strengthening the environment of illegal businesses and providing prosperity to its members and to those that “run at the same pace”. According to Rodrigues, Feltran and Zambon (2023), we would be facing the rise of a regime of power of “factional networks” characterized by:

- 1) A diffuse *normative* instance in popular everyday life propagating values about how the life of the poorest could be prosperous if the “system” were confronted and which, therefore legitimizes itself in minority portions of the youngest and poorest strata of the workforce;
- 2) A *transnational articulation of specialized knowledge and networks of illegal market operators*, which have acquired the capacity to regulate or directly operate, in an articulated manner, an enormous accumulation of capital;
- 3) A *governance structure* for this normativity and accumulation centered on the logic of the secret society (PCC) and network companies (CV), which is, at the same time, decentralized to the point of allowing great economic and decision-making freedom to its operators, but with a strong capacity for central coordination so as to judge and punish internal deviations and potential fragmentation;
- 4) A *political structure* capable of integrating into the government from economic interests and ideologies to a material base of accumulation, that, ultimately, comes from the possession of heavy weapons. (Ibid., p. 12; highlight added)

PCC's secret society structure, far from the centralizing form of an employer organization or territorial domain – such as the militias and factions in Rio de Janeiro – creates the conditions for the existence of a market for entrepreneurial forms of work, in which each subject does their own thing, within an environment of network connections that allows him to enhance his business and diversify investments in an “open market”. Thus, there seems to be a second coexistence: that of the “bandit” with the figure of the entrepreneur. This proximity would not lead to confusion of identities – as there remains a division between brothers (baptized by the organization) and those that “run together” [*correm juntos*]. The proximity is quite pragmatic -in the sense of the possibility of making a business prosper – and, given the hegemonic dominion of the PCC in Sao Paulos's territories, increasingly necessary or compulsory, even if it is tacit consent. In this sense, the type of governance established is closely linked to the formation, maintenance, and management of an arbitrated and “pacified” market environment (protected from public inspection and regulation agents). Therefore, its power grows with the strengthening of entrepreneurship, which, in turn, is largely based on networks of territorial alliances.

Knowledge and technologies shared through networks, therefore, allowed the factions – particularly the PCC, whose structure favors expansion by means of local alliances – a huge increase in the ability to connect the right people for each action or criminal enterprise project, but also to launder and make the money obtained from the economic activities of its members' yield profits. (Ibid., p. 12)

For real estate activity to take place, a large network of agents is necessary, as described above, as well as local alliances that open up spaces for action. This economic sector, more than any productive activity, changes the dynamics of the territory as it inserts and organizes uses of space and specific ways of life, shaped by the way this built space is produced. Real estate, therefore, is a network that articulates productive activities, income extraction and power relations. Thus, more than the direct intervention or participation of the PCC *brothers* in these activities (that can eventually occur as a form of diversification of businesses), what is important here is the formation of this multi-scaler network of shared knowledges, technologies as well as financial and political resources, that has the aptitude to connect people and to expand by means of local alliances, with its own normativity and governance capacity to control violence.

This is because this network significantly alters the logic of production and the ways of life of self-built territories around local exchange relationships the scale of which was limited to interpersonal and kinship resources and repertoires. The gain in scale achieved after the end of the dictatorship was this network's articulation with social movements, technical consultancies, Universities, NGOs and social as well as business entities. These enlarged networks, in their dispute for public funds, placed these territories within the “world of rights” that made sense in its articulation to the “world of work” – a stable world, with housing security and benefits from wage society, whose permanence and development of communities were articulated with networks of power capillarized between these actors and the democratic State of social rights.

The entry of rentier logics changes this scenario and brings an end to expectations concerning this always distant world. Other power networks are constructed in which rent extraction agents, with local alliances, can be situated outside the territory. Unlike the previous power networks their interests do not include the cohesion, permanence and stability of pioneer families in the territory. The new principals established include achieving prosperity through the expansion of networked entrepreneurial markets, whose scale of agents and resources is no longer just local.

The form of income extraction through rentals (housing or commercial) serves these principals well, insofar as it uses the production of space as an anchor of incomes that will not necessarily remain in the territory. Thus, the most recent phase of the real estate production processes described above is the monopolization of rental units and seizure of land and spaces for common use within the consolidated communities, resorting to threats or direct violence as a resource. The economic, normative and political environment that sets the stage for this to happen is permeated by the enunciated or concrete presence of the PCC *brothers* in the territories. What matters most is the possibility of its activation as an arbiter of practices linked to this new business environment. Furthermore, real networks of regional, national and international alliances between entrepreneurs and financiers provided by the faction contributes towards the construction of this environment.

Thus, the real estate valuation of the peripheries is disputed in a multi-scale market environment, both by its producers and its users – as residents and traders begin to have greater mobility between different territories.

This opening of territories to population and wealth mobility – which, by not remaining in the territory, keep it precarious – is accompanied by a greater feeling of insecurity among the residents (with the circulations of “outsiders”). “Pacification” (Feltran, 2018) in this scenario, takes the shape of “trust in the market”, transforming itself in a new form of government supported by mercantile forms that compete daily for each millimeter of space – with new forms of violence, linked more closely to rentier extraction.

Some cases exemplify this dynamic, as demonstrated in Campolim’s research (2022) in *Jardim Panorama* slum, located in an upscale neighborhood of Sao Paulo and neighboring a luxury mega-development (shopping mall, residential and corporative towers). Campolim describes how the implementation process of this mega-development was accompanied by an adverse possession process carried out by the residents’ association. This first generated disputes over land (described by D’Andrea, 2008) and, subsequently, a dynamic of joint growth of the two spaces in which the community began to meet the needs of the complex. The community, then with highly limited space verticalization, supplied the complex with popular restaurants and private or rented housing for the construction workers and, afterwards, for the employees in addition to a variety of services – from workforce provision to affordable parking. The thriving market was increasingly being arbitrated by people associated with the retail drug market linked to the PCC’s *discipline*. This group ends up taking over the space of the residents’ association and dominating relations with partner entities and the entire network of corporate social work in the affluent neighborhood.

Once it had secured this political and normative control, as well as the management of the entry of business resources into the slum, real estate developments began to grow in its still empty frontier areas. In addition to the income generated by these real estate ventures, they promoted the expansion of the group's territorial domain, necessary to consolidate its presence in the face of other internal and external community management agents. An entire common area of the slum was occupied by shacks for rent: a level of precariousness that, from the point of view of this author, demonstrates not a lack of resources, but a still ongoing situation of territorial dispute. In other words, there is an entire tenant population that is kept in housing insecurity to protect a new area in dispute and guarantee the consolidation of the power of the faction in the territory as a whole. It is called the *Fourth Sector* locally (Campolim, 2022), certainly an allusion, in dispute, to the third sector entities operating there (D'Andrea, 2008).

A similar situation can also be seen in the Sao Remo slum and in the neighboring *Sem Terra* settlement (more regular and valued), next to the *Cidade Universitária* [University City, the name of the campus] of the University of Sao Paulo (USP) in the district of Butantã, where direct fieldwork was conducted. With a strategic location and consolidation of its oldest nucleus, the area already presented a verticalization of around four floors before the pandemic, with a large percentage of rental homes, some of which in 6-story buildings:

In Sao Remo and Sem Terra, 34% of the household are rented. [...] Among the properties rented in Sao Remo, 55% belong to male or female residents who live in the same territory. The proportion in Sem Terra is 48%. The numbers suggest

that part of the households available for rent is the result of local investment by families, who built new homes, possibly as a means of obtaining extra monthly income. But it is also possible that the other part available for rent corresponds to a very active rental market, to the point of encouraging people from outside to invest in the construction of new households in both slums. (Silva, Peçanha e Gonçalves, 2021, p. 63; highlight added)

During the pandemic, the economic crisis and the absence of public supervision, combined with the good location of the area, gave rise to the occupation of the last free block between the two communities. The area was not reintegrated due to the sanitary crisis and, between necessity and business, the real estate dynamics there was central to the economic and political strengthening of groups associated with the retail drug market. Previously, these had limited themselves to commercial spaces in the area. With a larger area and population under their normative domain, these groups override power relations constructed historically in the community – residents' associations, churches, social and cultural entities – and begin to radiate the residential and commercial rental market from the new occupied area. They take over common spaces (sidewalks and walkways), leisure spaces, squares and green or sparsely populated areas, mainly those used by more vulnerable populations, such as children and elderly, maintained by women. In one of these areas – a square by the side of a 9-meter embankment – the land was removed for construction; however, the money ran out and the ravine was destabilized, turning into a risk area. The square was no longer a safe area for the children, that are now prohibited from going

there. According to reports, part of the huge sum spent there was to ward off inspection, within agreements previously established by operators of local illegal markets.

The buildings that appear in these new occupied areas are large and are built very quickly – using machined concrete and pumping. The investment is clearly very large, and, through interviews, we determined that it comes from consortiums that include local investors (most of which linked to the retail drug market) and external ones. Some real estate entrepreneurs from the slum interviewed said they will not invest in that front because it is high risk. After all, it is in an area that is still unstable for occupation, being subject to reintegration – in other words, it is a business that involves more than just the resources necessary for construction, it involves the power arising from the threat of violence. In an interview, a resident commented: *“it’s not just that they have money, they can [build there], they have the power”*. There is a dispute among the several retail drug market operators to take up space for the construction of buildings for rent and spearhead these external investments. The residents and businesses renting these new spaces are mostly from outside the community.

Thus, a regionally disputed physical space for business and large circulation of people is being created. It is only after the consolidation of the area dominated by new rental buildings that the funk party arrives in this place. It is introduced by businesspeople from the Vila Nova Jaguaré slum – an event that combines rentism and power games with the police through regional agents. The older residents, particularly those that have communitarian projects using common spaces, resent this new

reality and mobilize strategies to contain the advancement of this rentier logic, with physical devices that “guard” the spaces.

This same dynamic is observed in the Vila Nova Jaguaré slum by Nazareth (2017); including the articulation of markets through *baile funk* [funk party] (whose organizer took the event to Sao Remo, both near the University of São Paulo campus in the Butantã district. It is responsible for opening the community to external circulation. Soon after the completion of the territory’s upgrading, during the first half of the 2010 decade, all the free areas left by the public project – new frontier areas – were being taken over by constructions for sale and rental. Those areas that were previously areas of risk that was mitigated by the municipalities works, such as large embankments, were also occupied.

The first constructions in areas of public domain were observed on this hill side, where an outdoor gym was located. It was a hidden place, with several available areas. During research, people pointed out that these were occupations led by crime, which began to sell public land in addition to renting and selling ready-made housing units. They also told us stories of residents who had denounced them to the authorities and were expelled from the community as a form of retaliation. (Ibid., p. 97; highlight added)

Reoccupation is very intense, with six-story buildings that even take over pedestrian walkways and access stairways, forming tunnels; the main plaza, as well as the squares, were divested of all their urban furniture and were occupied by new constructions. Small garages already constructed as an extension of the public constructions were verticalized.

Over time, I began to identify more easily which were the crime's constructions. They presented a similar typology, with autonomous units and very small square footage and working hours that coincided with the formal working day. Apparently, their production involved labor relations. They presented more elaborate construction techniques and even had workers wearing uniforms with the logo of an engineering company. Mainly, they demonstrated a detailed process of planning and management of construction. [...] The criminal's buildings present more than one unit per floor and have up to six floors built at once. [...] The speed and level of organization as well as the presence of rental housing were the main signs that indicated criminal constructions. (Ibid., pp. 104-105)

The residents of public production condominiums then began to fence the accesses to their buildings as a form of containing the expansion of these real estate businesses. Likewise, other residents began to occupy free spaces with plants and collective uses, indicating that the dispute over the production of space is a power struggle over different logics orienting its use. Without the power to react, fearing the use of violence, the residents

"[...] lamented the exhaustion of the improvements brought on by upgrading. They felt deprived of their voice, for they could not give their opinion on alternative uses for the space. In the case of constructions on containment structures, another concern was the return of risk situations, which also threatened adjacent homes." (Ibid., p. 115; highlights added)

From these examples, it can be observed that the scenario described in the previous item, concerning the growth of peripheral real estate markets, gains other layers. When, in

addition, the expansion of markets linked to agents that control violence and gain territorial dominance through real estate management is considered, the mobilization of entrepreneurial markets, which scale the community space previously limited to its local scale, directly impacts the territory's power relations. In relation to previous periods – in which the work of residents' associations was relevant (1970), and, afterwards, popular movements (1980) and, then the strong presence of third sector entities (1990 and 2020) -, the rise of the PCC as an agent of dispute and articulation of these various normativities brings in new elements. The latter are centered around rentier logics responsible for expanding the frontiers of these "open market" spaces based on illegalisms – power games based on local arbitration between the legal and the illegal – which are changing the balance of political forces and the logics of space production linked to the social reproduction of life that existed in the previous period. This does not occur exactly for the direct gain of the faction, but as a way of strengthening local powers interested in expanding entrepreneurial markets with diversified agents that extract that territories' wealth, keeping it precarious, despite all the new investment placed there.

In this sense, the production and use of space – unlike Rio de Janeiro's militias, who physically close off the territories they dominate - must occur through the expansion of frontiers. The latter involve the private capture of land and properties, their valorization and the monopolized income flows originating therefrom, assured by forms of power centered on normative disputes, which shape political and governance structures based on controlling the use of violence. As observed in the cases

discussed above, the political consequence of this is, contrary to expansion, the closure of possibilities for community organization around their interests and needs for the reproduction of life. Residents find themselves increasingly limited in their actions by the fear of reprisals and loss of common physical and decision-making spaces. These spaces are increasingly occupied by private forms of rentism with greater insecurity and housing precariousness for new residents.

Management of illegalisms under the rentier logic

This scenario, very different from that found by authors who looked at self-construction in the industrial era, during the 1960s and 1970s, is related to profound transformations in the social world following the crisis of wage labor and the rise of rentier forms of accumulation extracted from part of the survival expedients. These rentier forms, in their various typologies, bring the formal and the informal closer together – even blurring the narrow separation between the productive and reproductive – in increasingly similar modes of operation. In the real estate projects described herein there are also: rentier mechanisms and their agents, with a tendency to monopolize property; a search for greater constructive productivity through centralization of the workforce, typological standardization and introduction of machinery; networking of entrepreneurial businesses and investors in a competitive market; and, even, active promotion of housing insecurity, with the promotion of populational displacement, constituting a context of urgency in which risk management

promotes resource flows and guarantees power relations anchored in illegalisms. These same mechanisms are also frequently present in processes involving territorial restructuring promoted by the association between formal public and private powers.

This analysis assumes that, for agents linked to the formal market to effectively enter a given business, it is necessary to adapt this business to its logic beforehand. It seems that the moment has arrived in which the direct ties with the formal real estate market still represent a frontier for these businesses, whose profitability presupposes informality. However, a logic is being outlined that favors the entry of these agents, in the first place, opening the path, as it promotes the initial disputes, which are more violent and without public regulation; and, more immediately, it already implements a rentier logic of space production and management, with the same social consequences as the formal process: violent forms of dispossession; precariousness; loss of common spaces and community ties, impoverishment, etc.

Among the agents and typologies described, a difference can even be seen between local entrepreneurs that invest in real estate as a way of diversifying their businesses linked to the needs of the local consumer market – warehouses, bakeries, restaurants, internet services, etc.; and the agents associated with the illegal markets, who take over new lands using or threatening to use violence. In the case of the former, there is a closer approximation to the logic of formality, in which the process of commercial exchange takes place since the purchase of land, although informally, seeking to capture differential income. In the case of the latter, border illegalisms are formed, which manage the

articulations with the law to expand mercantile logic by creating, from the beginning, new territories shaped to its logic – a process in which the use or threat of violence is fundamental. This is a process of primitive accumulation of taking new lands, linked to absolute land income.

This form of space production is not only anchored but is one of the (potent) devices through which illegalisms are managed in the territories. The new web of power relations that emerges from this specific rentier form of production and the dispute over the circulation of wealth defines who can and who cannot build, where, with what resources and networks and then, who manages the distribution and appropriation of these spaces – which are not only physical, but also decision-making. If it is the presence of PCC normativity that redefines the frontier between the legal and the illegal in these territories, the exact moment in which these real estate businesses become linked to formality are of interest. This would increase the scale of their consequences more than their form. But even before that, the internal differentiation between what is and what is not allowed to be done are of interest, as it seems that it is in this game that community and family forms of production and management of space are hindered, prevented from occurring or controlled in the face of rentier and monopolized production. According to Telles, with respect to illegalisms:

By coining this notion in *Vigiar e Punir* [Discipline and Punish] (1975), Foucault shifts the discussion away from the tautological and sterile legal-illegal binary, bringing to the center of the investigation the ways in which laws operate, not to curb or suppress illegalisms, but to differentiate them internally, “draw the limits of tolerance, give ground to some, put pressure on others, exclude one part,

make another useful, neutralize these, take advantage of those”. [...] it would not be risky to say that [...] from the 20th to the 21st century, there is a considerable shift in the “internal economy of popular illegalisms”, following the current reconfigurations of contemporary capitalism. (Telles, 2009, p. 171)

Perhaps it is not too much to associate this scenario with the rise of new forms of government that emerge from the popular world – which increasingly seem to structure the political world in place of social rights linked to wage society. In São Paulo, the form of government that emerges in the peripheries is linked to a power network structured through competitive markets – including political ones. It is more linked to forms of government of populations in territories where markets are expanding (not to the closure of borders, like the militias in Rio de Janeiro, that have sovereign control over their territories) and, therefore, primarily exercise disciplinary power over their populations (Foucault, 2008). In territories with expanding markets and populations, forms of security power and population management develop which instrumentalize the risks to which people are submitted to maintain themselves in power. (ibid.) Hence the need to configure housing insecurity in opposition to previous social forces (such as social movements and residents' associations), that struggled for stability and decent housing.

This scenario indicates relevant transformations for thinking about the peripheries today in relation to three social forces linked to the form of government constituted since redemocratization: the place of social movements and their technical assistance in intermediating access to urban public policies; social management

of third sector entities; and the action of entrepreneurial agents of urban production. These are the agents that capillarize the action of the State – or its form of government – directly in the territories. In other words, the agents who work on the very constitution of the frontier between formal and informal which, because they are precisely in dispute over new forms of government, are those who have their physical and decision-making spaces either undermined or strengthened within the management of illegalisms.

As to the social movements and their technical advisors (legal and urban planning), these have witnessed a substantive change in the ways in which illegal market operators make themselves present – and the enunciation of their ties with the PCC, whether or not they are real - in territories in dispute, such as occupations or communities being threatened with eviction. About ten years ago, their presence was just a kind of coexistence in the same territory. If there was mutual respect between agents and the roles played by each was maintained, a dynamic of exchange would take place – almost always indirectly – between repertoires for the consolidation of communities, each mobilizing its specific resources (protection, contacts, articulations with public authorities or other forces). There was a kind of shared hegemony (Prieto e Verdi, 2023), from which the community established a pragmatic strategy of permanence in the territory, activating, inasmuch as it was in its interest, repertoires from one or another source of power.

However, this dynamic has changed in more disputed and valued territories, and it doesn't seem to be a mere coincidence that this has occurred concomitantly with the gain of territorial dominance through real estate

production managed by entrepreneurs linked to illegal markets. According to data from the Housing Secretariat, the number of occupations in the city of Sao Paulo accompanied by City Hall's Land Conflict Resolution Center was 206 (almost 46 thousand families), in 2018.⁶ In 2023, it had risen to 567 (more than 115 thousand families);⁷ and this closely monitored reality indicates that the vast majority of these occupations are not mediated by organized movements struggling for housing that have, on the contrary, retracted the strategy of new occupations precisely because of this situation.

Thus, the formation of consortia of agents that provide varied resources (not just financial ones) has been observed – including the mobilization of repertoires from housing movement struggles, which have become autonomous and are instrumentalized – to carry out new occupations (Lacerda, 2022). The presence of entrepreneurs who have ties with illegal markets has been noted, as well as the enunciation of the normative power of the PCC, which is used as a legitimization device (and which may or may not really be present). Moreover, such entrepreneurs have in fact activated the PCC's judgement mechanisms (the *debates* [debates]) to dispute normative legitimacy in the territories, establishing a context of constant risk for the political actions of the social movements, that have witnessed their leaders being threatened, as well as their consultancies – especially legal ones – being contested and expelled from communities that start to activate – and resolve – their conflicts with the law through varied illegalisms, and not through legal battles.

Therefore, as noted above, the arbitration of rentier markets starts to replace political logic in public arenas in dispute, depriving the

struggle for social rights of meaning: instead of universal demands, the language of the market meets, in a much more direct way, the immediate needs of the population in a constant situation of urgency. The permanence of this population in precarious situations is, therefore, relevant to maintaining these rentier markets – which shape new forms of government – and not for the reproduction of life within the logic of dignified and safe housing.

Such dispute within illegalisms also undermines the action of social entities in the third sector, which were part of this shared hegemony in the peripheries. Both in the research conducted by Nazareth and Campolim, and in the direct observation in the São Remo slum, disputes appear over the community's decision-making spaces (residents' associations or entity forums) in which the third sector has lost space to agents linked to real estate entrepreneurship with varied ties to illegal markets. This occurs through different mechanisms: when these spaces aren't completely taken over by real estate agents, the latter make themselves present directly within them or simply expel the third sector and close the spaces. Community work in the third sector, which provided financing to communities, is losing hegemony as the contribution of resources by new entrepreneurs is much more pragmatic and linked to the direct needs of families' individual reproduction through the market, many of these resources coming from dominance over production of space: rent (residential and commercial), access to services and goods, leisure on the scale of funk dances, security and customer development, in addition to varied examples of conflict resolutions and family crisis situations with the contribution of funds and direct services. It's an entire logic that

involves market solutions and violent power relations, but that reaches a scale and pragmatic efficiency that are difficult to compete with.

Such competition has involved the emergence of new social entities that centralize forces articulated around the extraction of resources from the peripheral territories, whether financial, political (votes) or networks of influence. Such entities bring together very non-transparent articulations between: clientelistic political practices with the legislative body and other state agents of executive and local supervisory action; local community intermediaries; social entities on a regional scale; political parties, cultural collectives; as well as local entrepreneurs linked to the territory's production and agents of the illegal markets. These *hubs* call themselves "*movimentos*" [movements] and are associated with "renewed" practices of *youth activism*, providing very pragmatic "solutions" for the territory. Lacerda (ibid.) describes the emergence of one of these movements in territories in the northern zone of the city, indicating its connection with agents in the southern zone and with councilors, articulated with the normative action of the PCC. In other words, it involves the formation of regional power networks, with local action through entrepreneurs and social articulators – who redefine the meaning of community organization in a multi-scale market space, which generates precarities – and not rights – as a form of power.

In this way, other agents gain relevance in the dispute for dominance over flows of resources (not only financial ones) from the peripheries, such as businesspeople linked to the privatization and financialization of social rights,⁸ that also work with a rentier logic. The

hypothesis put forward here is that the growth of the presence of these entrepreneurs in these communities is based on the transition from community logics to rentier logics supported by the permanence or reproduction of precarious territories. This eventually causes market agents, both formal and informal, to rely on specific ventures or businesses, in a coexistence within the same market environment that benefits from violent governance.

Such entrepreneurs are increasingly present, for example, in land regularization processes after the implementation of the Land Regulation Law of 2017 and its opening to private agents, as mentioned previously. In the midst of the scenario described above, such regularization processes end up linking land market agents, finance and public guarantor funds to local agents who arbitrate and execute the direct extraction of resources from the local population, including evicting residents that cannot pay and, in some situations, deposing residents' associations and their advisors who stand in defense of the community (Costa, 2019). The recent inclusion of a financial mechanism of fiduciary alienation in the Land Regulation Law 14.620/2023 will, certainly, promote the articulation of the interests of these local agents with those of investors: evictions for lack of payment can be carried out without going through the judiciary, that is, by local articulations involving the management of illegalisms.

Thus, a multi-scale circuit of agents linked to rentierism is built, mobilizing public policies that promote and guarantee the valuation of the capital invested and articulating formal or informal investors. The legal character of these investors interests less than its consequences in the territory, which is reproduction, maintenance and management of precariousness through the

expansion of housing insecurity and the increase in dispossession by activating or threatening to activate direct violence. The relationship of these various agents to the PCC may not be direct, but what matters here is the role that the faction plays in creating a business environment that expands the rentier logic to the peripheral territory, which has, in real estate production, an important vector in restructuring territorial domain, market dynamics, and power relations based on the extraction of resources (not only financial, but also political) from the territories and their populations.

Conclusion

Returning to the initial issues, it has been shown herein that the relation between the production of the peripheries and the formation of the workforce in the country has undergone transformations. Previously, salaried relations played a central role in this process and the house was merely a means of social reproduction – being occasionally commercialized. It was within this framework of understanding that public policies for access to housing or urbanization with land regularization as a social right fit in. Both were forms of access to family property as a way of attaining housing security. In the management of popular illegalisms, the possibility of self-construction maintained the labor force devalued and subjected to the need of self-organization to achieve urban improvements. This situation gave rise to the growth of housing movements and their legitimacy in the struggle for urban reform and participatory policies, including housing self-management.

This whole scenario seems to be changing, inasmuch as it is no longer possible to analyze the peripheries employing the strict logic of the use value of housing for a salaried working class. A context of crisis in salaried employment was discussed as well as its place as the center of political relations within the framework of social rights. The market environment in which entrepreneurship thrives builds other forms of arbitration, circulation and appropriation of wealth, in which space production doesn't escape from its needs. In this sense, the production and management of peripheral territories currently compose the formation of a new popular class whose survival expedients are subsumed to the needs of rentier capitals that accumulate wealth and

power precisely in managing the frontier of legality. Illegalisms, in this context, form a web of power in which rentier forces gain physical and decision-making space amidst the dispute with other forces based on family or community logics, linked to the use value of space.

Within this scenario, it is necessary to rethink public policies and the forms of political organization in these territories, as their continuity with previous models, without taking these new elements into account, has led to the loss of the benefits of urbanization and regularization, loss of access to housing units for agents linked to these new forms of government, greater housing insecurity in various forms of rental, indebtedness and impoverishment amid dispossession.

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Notes

- (1) The extraordinary profit (Marx, 1986) refers to a return from a certain economic activity that is above the average market profit, that is, that does not enter in the general profit equalization of the economy. This is due to barriers that impede the free circulation of capitals between sectors, such as the private monopoly of land as a means of production or, in this case, the informal or illicit character of mercantile activities.
- (2) This form of incorporation was also accompanied in Rio de Janeiro, Where Terry (2021) described the process of construction of “prédios rolo” between 2008 and 2013. The so-called “rolo” is precisely this process of exchanging the original house for kitchenette units inside the new building to be built on the land by a private developer from outside the community.
- (3) When families who earn up to 3 minimum wages spend more than 30% of their income on rent.

- (4) This information was collected in an interview that took place in the São Remo slum, in which the interviewee, when trying to prevent the invasion of a common area by appealing to higher hierarchical levels of the PCC, told the interviewer: “the PCC tower doesn’t even know what’s happening here” (about the advancement of real estate developments in the slum).
- (5) The following narrative was extracted from an interview with an entrepreneur in the field, at the Sao Remo slum. He does not live there and started to work there as a cable TV and later as an internet provider. When the “market was opened” and all the “debates” for its implementation were carried out by the PCC, he had the opportunity to broaden the scope of his limited business. So, he began to diversify investments in the real estate sector, based on the purchase of low-occupancy properties in consolidated areas.
- (6) See in Santiago (2018).
- (7) According to the official document of the Housing Secretariat, presented in an ordinary meeting of São Paulo’s Municipal Housing Council.
- (8) A beginning of this link can be seen in the BNDES public call promoting Blended Finance at the end of 2022, which was won by land regularization and housing improvement companies that design housing solutions based on Investment Funds and Real Estate Receivable Certificates.

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