Anuarul Universității "Petre Andrei" din Iaşi
Fascicula: **Drept, Ştiinţe Economice, Ştiinţe Politice**
ISSN: 2248-1079 | e-ISSN: 2601-7008
Covered in: EconPapers, RePEc, CEEOL, ErihPlus, INDEX COPERNICUS, CrossRef, CrossCheck, Google Scholar, WorldCat, KVK, SOCIONET.

2021, Issue 28, pages: 292-299 | https://doi.org/10.18662/upalaw/82

Main References in Financing the Construction of Dwellings in the Interwar Period in Romania

[Repere principale în finanţarea construcţiei de locuinţe în perioada interbelică în România]

Radu TAŞCĂ[1]

[1] Lecturer Ph.D., "Petre Andrei" University of Iasi, Romania.
E-mail: radu.tasca@gmail.com

Abstract: *Housing is a vital necessity for every person and is a symbol of existence, identity, solidarity and social cohesion, contributing to the formation of stable communities. The way of living occupies a central place in the economic policies, having direct implications on the development and the standard of living of the people and in the consolidation of the democratic processes. Solving this problem goes beyond the strict concern of people, depending on political, economic and social factors and involves coherent strategies. The strategy in the field of housing construction aims to improve living conditions, by ensuring access to decent housing for citizens, pursuing social housing construction programs, in order to support low-income people, especially young people, the unemployed and the elderly.*

Keywords: *housing financing, interwar period, cost of construction, history of construction, construction laws, dwellings.*

How to cite: Taşcă, R. (2021). Main References in Financing the Construction of Dwellings in the Interwar Period in Romania. *Anuarul Universităţii "Petre Andrei" din Iaşi, Fascicula: Drept, Ştiinţe Economice, Ştiinţe Politice*, *28*, 292-299. https://doi.org/10.18662/upalaw/82

1. Introduction

Ensuring living conditions has been a concern of human groups since ancient times, including from the perspective of creating an adequate regulatory framework, and activities related to housing construction, since antiquity, have acquired an organized character, especially in terms of concentration, work and material efforts, also determining a guarantee of their quality.

The urban structure in the Mycenaean civilization (Velicu, 2002, p. 14) took into account the need to combine essential functions into a cohesive organic whole. The multiplication of social activities led, at a later stage, to the appearance of new elements within the urban ensemble. Representative is the urban form of Athens, the most important cultural and artistic center of the Greek world. The spirit of order and symmetry is imposed as an essential principle in the construction of cities and the exigencies of hygiene, defense, circulation are a priority in the construction of any fortress.

2. Methodology

For this study, we have to look to the history of housing constructions from ancient time until nowadays in Romania and the rest of the world, with some of the best examples that are written in the literature (both construction and finance) and from these points to indicate, to analyze ant to interpret the articles reviewed.

We also wanted to present the evolution of house construction in Romania, compared to other countries in the area or to other states in Europe, after which constructions were often built in Romanian territories, with the specific influences of the area.

We searched the literature also including the evolution of the construction phenomenon by presenting the history of laws issued in the Romanian Countries and in the European area, but also how to apply them, the effects produced and how they contributed to the development of the construction sector today.

3. Aspects in financing the constructions in Romania

The experience gained by the Romanians in the field of urbanism, aimed to ensure that the urban ensemble corresponds to the requirements of defense, hygiene, comfort, beauty and general orientation of the street network, to avoid winds.

It is noteworthy that in the Romanian territories, as forms of beginning of the realized constructions, the execution of the fortification walls is recorded, which

had the role of defense of the localities and their inhabitants against the possible external aggressions.

Usually, the medieval house in the Romanian cities also included living rooms for the trade or production activity of the small craftsmen. These constructions were made of local materials, being exposed to fires or floods, which through the massive economic and urban destruction, imposed measures from the authorities on the introduction of regulations meant to prevent damages and to ensure a better systematization of localities.

The works were carried out by craftsmen organized in trade unions, and the financing was provided from the incomes obtained in the activities of trade, crafts or agriculture.

In the rural area, where over 90% of the population lived, the living spaces were made up of a small number of rooms, without minimum utilities, being built of inferior materials (cobwebs, adobe). Some materials were procured by barter, between different areas, respectively mountain wood for cereals from the plain regions.

A commission drew the border of the city of Bucharest (outside this perimeter any construction is forbidden) and established the type of houses that could be built, including the accepted construction materials.

In the same spirit, public authorities[1] have intervened to ensure that the location of public and residential buildings responds to better land use, urban systematization, sewerage and cobblestone streets..

In 1864, the "Commission for the beautification and healing of the city of Bucharest" proposes the introduction of public lighting, sewerage and cobblestone streets (Oprițescu, 2001, p. 135).

In line with the same concerns, in 1878 two regulations were approved that contained provisions on sanitation of houses and their alignment with the street plot.

Some regulations provided concrete conditions for the exercise of the entrepreneurial profession only on the basis of an authorization, and for the quality assurance of the buildings, the "Construction Police" was created, which sanctioned the errors found during the execution of the works.

[1] The Organic Regulations of 1831 established the city councils with attributions regarding the administration and management of the cities that proposed regulations regarding the construction of houses according to the principles of systematization, facilitating also means regarding the realization of houses by exemption from taxes.

The end of the First World War, which allowed the reunification of the country (December 1, 1918) led to important changes in economic and social life with a special impact on housing construction.

In the evolution of Romania, the interwar period, beginning with the achievement of Greater Romania was characterized by an accelerated recovery of the economy and a new dimension of housing construction.

The need to build houses was also determined by the destruction caused by the war (Filip, 2002, p. 21), but also by the new situation generated by the integration of Bassarabia and Transylvania, which increased the territory by 2.5 times and doubled the country's population. Thus, in all the budgets of the Romanian state during this period (Văcărel, 1996, p. 32), economic expenses for the construction of social housing and fiscal facilities for the incomes with this destination in the private sector were provided.

In the specific context of the interwar period, the housing constructions register an unprecedented evolution, found in the execution of entire neighborhoods in Bucharest and in the other cities of the country.

Legislatively, regulations have been issued that have accelerated the development of housing construction, and public authorities had the right to use private land for housing construction with the obligation to compensate the owners.

Other regulations[2] stipulated the obligations of the town halls to ensure the complete urban equipment of the new residential neighborhoods with water, sewerage, electricity based on a general systematization plan with a term of completion in maximum 4 years (until 1931). The law provided for sanctions for the execution of housing without a building permit.

During the interwar period[3], the houses built were of the villa type or cheaper residential buildings and the main types of housing used were:

- detached house type villa (so-called residential house for wealthy families);
- the detached single-family house, with its own garden, built in urban areas, intended for families with lower incomes;
- the report building, with luxurious apartments, built on important boulevards, intended for middle-income families;

[2] Law for the stimulation of constructions 3 of May, 1927.

[3] The detached house type villa consisted generally of 3 living rooms, kitchen, living room, bathroom, cellar, shed, attic with an area of about 150 square meters, and the cheap house had a maximum of 5 living rooms and a maximum area of 250 SQM.

- apartments with living rooms and spaces for offices or offices located at the entrance to the apartment and which were used for practicing liberal professions (doctors, lawyers, etc.);

- housing built by ministries and various public institutions for their own employees.

Thus, in the period 1921-1931 only in Bucharest alone, about 40.000 homes were built, both in blocks of flats in the center of the capital and new neighborhoods on the outborders of the city (Vatra Luminoasă and Domenii).

The population's requirements for cheap housing could not be fully met, generating some negative effects: the appearance of crowded buildings, the development of land speculation and buildings.

For the stimulation of constructions was allowed the establishment of specialized bodies in the field: construction houses, institutions for mortgages and loans, etc. Among these, the House of Constructions had competences of real interest, namely: establishing the technical-economic characteristics of the social buildings; endorsement of requests for facilities for building construction; granting loans for housing construction; solving all problems related to the construction of housing that had not been provided for by the 1927 Law.

The state adopted a financial strategy that provided for the acceleration of housing construction through a series of facilities offered to individuals, private, state or private communities and public authorities. To encourage housing construction, they were exempted from paying taxes on cheap housing for 15 years and affordable housing for 20 years.

Also, for the location of the buildings, the owners of vacant lands in the cities were obliged to build on these lands, or to sell them, in case of non-compliance with this provision, they were obliged to pay an additional tax. The importance of this additional tax lies in the fact that it was a source for the Construction Fund, intended for the purchase of land on which new homes could be located. The construction fund established by law, provided financing especially for social housing with food resources from the state budget and local budgets and was empowered to borrow from banks and receive donations from individuals and companies for the construction of housing for specific purposes: war orphans, the disabled or people without income.

The tenants' associations, which were established on the basis of the law, received land for housing construction at modest prices, below the level of market prices. Cities and communes were encouraged to build housing, being exempt from stamp duty and construction.

It is also significant that the National Bank of Romania sought to ensure living conditions for its employees, building two buildings with service apartments and taking over by purchase, from Banca Chrissoveloni, a third building from its own funds, which were rented to officials on a duration of maximum 5 years, and the award criteria according to the NBR Internal Regulations were the degree, seniority in the bank and family weights.

The bank's housing policy has been oriented in several directions: the construction of collective housing buildings, the construction of individual homes and the implementation of an advantageous mortgage system for officials and retirees, establishing a mortgage on homes.

Simultaneously with ensuring an adequate housing fund, the bank built or purchased villas in various resorts (Băile Herculane, Câmpulung Muscel, Slănic Moldova, Govora, Sinaia, etc.) for recreational activities of its officials.

This concern was the direct consequence of the relations established between the institution and the employees, characteristic of the interwar period, encouraging their stability in the banking system.

We can note other measures adopted for the development of housing construction. Thus, the joint stock companies, regardless of the size of the capital and the size of the activity that had over 100 employees, were obliged to contribute 5% of the annual profit for the construction of housing. These companies could associate in employers' unions, having the possibility to attract new funds for service housing by issuing bonds.

In particular, joint stock companies with a capital of more than 50 million lei were forced to build their own offices, otherwise they are fined with an amount 5 times higher than the rent paid for the rented premises, which feeds the Fund for housing constructions, and in the situation of building their own offices, the rented spaces were intended for housing.

Another facility offered to entrepreneurs for newly built homes is the exemption from building taxes for 10 years, after which they have reduced taxes by 50% for another 5 years.

In the same context, for people with modest incomes (pensioners, civil servants) and who no longer owned another residential building in the same locality, the banks granted loans for housing construction for a period of 30 years with an interest rate of only 1- 2% higher than the discount rate of the National Bank[4].

[4] In the period 1929-1933, the National Bank of Romania charged a discount rate of 9% while commercial banks granted loans with an interest rate of 16-18%.

Also, the civil servants had at their disposal additional sources for the construction of a house through the "additions of expensive to the salaries" collected in the period 1922-1927.

All these measures complement the facilities granted to private housing builders who have been exempted from taxation of rental income, which can be set freely by negotiation.

In rural areas (Taşcă, 2012, p. 11), housing construction has experienced a relative development, as a result of the increase in income of the population, following the agrarian ownership after the First World War.

It should be mentioned that the housing fund didn't have the size of the urban one nor its quality, being made up of houses with 2-3 rooms without utilities: water, sewerage, electricity, modernized roads.

The materials used were the traditional ones, of inferior quality, obtained locally: adobe for masonry, reeds and partially roof tiles, the houses being executed by the owners under their own direction or by local craftsmen.

For these reasons, the respective buildings did not benefit from the facilities allocated for urban housing, nor from bank credit, determined by the lack of real guarantees.

The urban housing built between the two world wars is distinguished by modern construction solutions, being taken from countries with a tradition in the field (Germany, France, Austria), where the administrations of large cities have developed important housing construction programs. In the new context, in Vienna, 60,000 apartment-type dwellings were built during this period, in tall buildings with full utilities: green spaces, shops, dispensaries, post offices, etc., and in Germany, the state undertook to ensure to every citizen a social housing as an effect of the massive destruction of the housing stock during the First World War.

The twentieth century is characterized by the emergence of new types of collective housing based on both traditional technologies and the transition to the widespread use of prefabricated elements, such as: apartments for rent and so-called "workers' barracks". These dwellings had a minimum necessary surface and equipment with utilities (water, electricity, sewerage) being usually built to meet both the needs of the population and the criteria of economy.

The construction activity between the two world wars took place in complex conditions, generated by the increase of the population and the territory of ROMANIA, as well as by the manifestation of the legitimacies of the market economy, which led to the restoration, modernization and development of the housing stock.

4. Conclusions

The activity of housing constructions in the Romanian territories, in the 18th and 19th centuries, took place in a historical context determined by the beginning of the application of the concepts regarding the systematization of localities, the authorization of housing constructions according to unitary norms and the quality of executed works.

In a dynamic vision, the 19th century can be considered as a stage of transition from the medieval city to the modern city, determined both by the development of the economy based on capitalist concepts and by the political events that took place (the revolutions of 1848, Union of Principalities, War of Independence of 1877).

In fact, our country was among the first countries in the world (Noica, 1997, p. 12) in which the construction activity was regulated by unitary norms. Thus, regarding the quality of the works, it is mentioned which are the "execution technologies (nature of materials, endowment with tools and personnel, etc.) agreed, practically a remarkable anticipation of the elaboration of the technological file that represents today an essential link in quality assurance. At the same time, it was required that the department to draw up more broad instructions concerning the work of the architect as well as the duties of architects and contractors to assemble the rules and laws established in other countries.

References

Filip, G. (2002). *Finanţe Publice* [Public finances]. Junimea.

Noica, Şt. N. (1997). *Tradiţii româneşti în construcţiile de lucrări publice* [Romanian traditions in the construction of public works]. ALL Educational SA.

Oprițescu, M. (2001). *Economia în Principatele Române: 1829-1866* [Economy in the Romanian Principalities: 1829-1866]. Economic.

Taşcă, R. (2012). *Finanțarea investițiilor imobiliare* [Real estate investment financing]. Tehnopress.

Văcărel, I. (1996). *Politici economice şi financiare de ieri şi de azi* [Economic and financial policies of yesterday and today]. Economic.

Velicu, C. (2002). *Elemente de sistematizare şi urbanism* [Elements of systematization and urbanism]. Technical Experts Publishing House.