

# Public Housing Policies During the Pinochet Dictatorship\*

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## Abstract

The Pinochet dictatorship radically changed Chile's public housing policies in the 1980s. This chapter examines the characteristics of these policies, focusing on affordable housing and slum clearance. The chapter is divided into two parts. The first documents the changes to affordable housing policies and the characteristics of public housing units built after 1975. The second describes policies targeting slum dwellers and discusses the existing economic evidence on the impact of building public housing in peripheral neighborhoods on families' and children's socioeconomic outcomes.

## 1 INTRODUCTION

The Pinochet dictatorship implemented radical social and economic reforms that had long-term economic impacts on individuals and institutions across Chile (González and Prem, 2023). Among these, public housing policies underwent significant changes. The urban and housing reforms enacted after 1979 are considered major contributors to the current socioeconomic segregation of Chilean cities, particularly Santiago, the capital (Donoso and Sabatini, 1980; Sabatini, 2000). The most important changes during this period included the decentralization of the Ministry of Housing and Urbanism (MINVU) through new regional offices, the deregulation of urban limits to increase urban sprawl, the targeting of social benefits based on family socioeconomic characteristics, and a new

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typology of public housing targeting low-income families, particularly those in informal settlements or slums.

This chapter focuses on documenting the changes made to public housing, its characteristics, and the long-term economic effects of slum clearance programs on children and families. It is divided into two sections: the first details the main characteristics of public housing between 1975 and 1989, beginning with a brief summary of housing and slum clearance policies between 1965 and 1973. This is followed by a discussion of the main changes implemented during the dictatorship and an analysis of the key determinants of public housing after 1975 and the evolution of its characteristics, using micro-level data from MINVU annual reports.

Three main features characterized the evolution of public housing during the dictatorial regime. First, the number of public housing projects that were built increased, particularly after the 1982 financial crisis. However, the government's plan to reduce the number of families living in slums was not achieved, as the population in cities grew at higher rates. At the same time, the provision of private housing increased at higher rates than the supply of public housing. Second, the new housing units were mostly built in peripheral sectors of cities, where land was cheap, unemployment levels were high, and schooling levels were low. These patterns were worse in Greater Santiago. Third, the new units built were, on average, smaller than any other public housing built before 1973. For example, most of the units that housed former slum dwellers were smaller than 30 square meters, while the average public housing dwelling before 1970 was 60 square meters. Despite the reduction in unit sizes, the total number of square meters built in the country per year remained constant after 1975, indicating a shift toward higher quantities of smaller units.

In the second part of this chapter, I document causal evidence on the impact of slum clearance programs on families and children. Specifically, I focus on the Program for Urban Marginality, which ran from 1979 to 1985 and was one of the main housing policies implemented by the Pinochet dictatorship. This was a massive urban renewal and relocation program that affected approximately 5% of the population of Greater Santiago. I rely on evidence provided by [Molina \(1986\)](#), [Morales and Rojas \(1986\)](#), [Aldunate et al. \(1987\)](#), [Rojas-Ampuero and Carrera \(2023\)](#), and [Rojas-Ampuero and Carrera \(2024\)](#), who study the program's impact on children and families.

[Molina \(1986\)](#) and [Morales and Rojas \(1986\)](#) present the first known study on the

forced relocations of slum dwellers to public housing in suburban areas of Santiago. They show how the increase in new public housing in poor municipalities of Santiago was characterized by a lack of public services and almost non-existent public transportation for displaced families in destination neighborhoods. [Aldunate et al. \(1987\)](#) document the sense of isolation and the negative perceptions that displaced families experienced regarding the new neighborhoods in the first years after relocation.

[Rojas-Ampuero and Carrera \(2023\)](#) also present the first known study on the long-term causal impacts of forced relocation on children's human capital accumulation. The authors compare families forced to move to peripheral neighborhoods to those who received on-site public housing, and estimate the long-term impacts of the forced displacement on children's education and future labor earnings. They find that displacement negatively affected displaced children, with 9% lower labor earnings and 0.8 fewer years of education compared to non-displaced children. Additionally, they find that displaced children are not more likely to be unemployed but have lower-quality employment, as they are more likely to work in the informal sector, without a contract and no contributions to social security.

The mechanisms studied by the authors show that distance from families' original locations, the decrease in their social networks, and the lower value of the houses received by families explain the negative displacement effects. In addition, they find that displaced children are more likely to live in higher-poverty neighborhoods as adults, even though only 40% of them live in their parents' originally assigned neighborhood.

In a more recent paper, [Rojas-Ampuero and Carrera \(2024\)](#) use the same identification strategy as [Rojas-Ampuero and Carrera \(2023\)](#) to estimate the displacement impacts on adult excess mortality. They find that displaced individuals have a 30% higher risk of dying compared to non-displaced households in the next 40 years after relocation, with more pronounced effects in men than women. The analysis reveals gender-specific causes of death: displaced women are more likely to die from chronic conditions like diabetes or high blood pressure, while displaced men primarily die from cancer and external causes, with one-third of these fatalities attributed to external causes, such as accidents. Furthermore, unemployment at destination locations predicts displaced men's future mortality. Interestingly, individuals who survived until 2007 are more likely to remain employed past retirement age, yet their pensions are 17% lower than those of non-displaced individuals.

I conclude this chapter by contextualizing these results. I discuss the extent of the children’s earnings loss relative to the value of the homes their families received. Next, I summarize the current discussion on global slum clearance programs and the lack of evidence on the long-term impacts of displacement programs versus on-site slum clearance. I end with the observation that the Program for Urban Marginality was not unique to the Pinochet dictatorship; similar programs were implemented in other Latin American dictatorships, especially in Brazil and Argentina.

## 2 PUBLIC HOUSING IN CHILE BETWEEN 1973 AND 1989

### 2.1 *Historical context*

In this section, I summarize the public housing and slum clearance policies from 1965 to 1973. Note that this is not an exhaustive summary of all urban policies implemented before 1973.<sup>1</sup>

#### 2.1.1 *Housing policies between 1965 and 1970*

During the 1950s and 1960s, Chile experienced high urbanization rates in its main cities due to rural-to-urban migration. This rapid urbanization was not accompanied by a corresponding increase in the housing stock, resulting in a rise in the number of informal settlements or slums (squatters). It is estimated that the number of families living in informal settlements reached 70,747 in 1960, accounting for 375,915 individuals ([Hidalgo, 2019](#)). Based on census data, this number represents about 20% of the total population of Greater Santiago in 1960.

To tackle the increasing housing deficit during this period, two important housing policies were implemented: MINVU and Operación Sitio. MINVU was in charge of planning and administering renewal programs and housing solutions for the population, specifically those related to public housing targeting middle-class, working-class, and low-income individuals. Two of the main goals in the creation of the MINVU was implementing national-level policies and planning housing programs across the country through specialized local agencies.

Operación Sitio, or Operation Site, aimed to provide an intermediate housing solution

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<sup>1</sup>Higaldo (2019) is a great source for the history of public housing policies in Chile.

for low-income individuals by providing families with unfinished houses that they would have to finish themselves.<sup>2</sup> These families, previously living in informal settlements, were also provided with basic on-site services such as sewerage, electricity, and water. However, the implementation encountered numerous issues, as many projects failed to receive the promised basic services, causing many targeted projects to remain as slums.

### *2.1.2 Housing policies during Allende's presidency*

When Salvador Allende became president of Chile in 1970, he declared housing as a human right in response to significant increases in the number of families living in informal settlements. In 1971, 57,000 families lived in a slum, which represented about 10% of the country's urban population ([Hidalgo, 2019](#)). A year later, MINVU conducted a census of slums and identified 83,000 families living in informal settlements that lacked formal housing and basic services. In Greater Santiago, slums represented 27% of the urban population's annual growth between 1968 and 1973.

Allende's government highly criticized the housing policies implemented in previous governments, particularly Operación Sitio, as they were costly for families, were slowly executed, and produced low-quality houses. Allende's plan of 1970 included a large increase in public housing construction, with more than 100,000 units. In 1971, 61,030 housing units were initiated but only 14,168 were finished, and in 1972, only 20,312 units were initiated but only 16,145 were finished. Thus, the housing deficit was not reduced.

Due to the large number of families still living in informal settlements and the lack of affordable housing, Allende's government implemented a new policy that prioritized on-site redevelopment, as families valued their original slum locations due to labor market opportunities and low commuting times. Through the policy, families were kept in "transit slums" and slum dwellers were given high priority for when new public housing became available. However, the policy ended after the coup d'etat of September 11, 1973.

### *2.2 Public housing during the Pinochet dictatorship*

Urban and housing policies underwent several reforms at the start of the dictatorial regime, mirroring characteristics of the other neoliberal reforms implemented in this pe-

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<sup>2</sup>It also aimed to reduce construction costs for MINVU.

riod, such as those in the pension system and in health and education services. These characteristics included the deregulation of the economy, increased participation of the private sector in the provision of public goods, and the decentralization of the government administration. The latter two were particularly influential in shaping the implementation of housing policies.

At the onset of the dictatorship, the Municipal Housing Committees, or CHC (Comités Habitacionales Comunales), were created. The CHC took over the housing projects that had already begun being developed in the previous government and initiated some new ones as well. These new projects aimed to improve the administration of local resources and to meet the demands of low-income individuals faster. However, they stopped operating in 1979, when a large reform was implemented.

In 1975, following efforts to decentralize MINVU operations, the Servicios de Vivienda y Urbanismo, or SERVIU (Regional Housing and Urban Planning Services), was created. This organization operated through regional offices that were in charge of administering and implementing housing, urban, and slum clearance policies in their respective jurisdictions.<sup>3</sup> As a result, MINVU was tasked with reducing the number of housing projects built directly with public funds and reducing total costs and waiting times.

SERVIU designed housing policies, contracted private developers to build houses, and directly sold them to middle- and low-income families through subsidies, which varied depending on housing costs and socioeconomic status. The difference between the house cost and the subsidy was financed by families through a 12- to 25-year mortgage credit that was paid directly to the corresponding SERVIU. Thus, families did not need to obtain a mortgage from a financial institution. A key determinant of these new financing schedules was the new discourse established by the dictatorship, which was completely different from that of Allende or the previous governments: housing was no longer a human right but a private good that should be acquired through a household's effort. This implied that for many of the new housing programs, families had to use their savings to apply for housing, and their budget would determine the unit's new location.

The dictatorship had large ambitions. MINVU had planned to build 45,000 units per year during 1976–1981, for a total of 250,000 residences ([Hidalgo, 2019](#)). While this plan was much more ambitious than those of previous governments, it was not achieved, partly

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<sup>3</sup>They functioned at the regional level, analogous in administrative scope to a US state, though not necessarily similar in size or function.

due to the 1982 financial crisis. As urbanization increased and the population continued to rise, a new wave of slums emerged in the 1980s, driven by higher unemployment rates and political pressures on the regime. Despite these challenges, the private sector experienced a boom in the housing market.

The most important public housing policies occurred after 1979, when large slum clearance programs were implemented and the new National Policy of Urban Development was initiated. This plan aimed to liberalize land markets in cities, which would reduce urban regulation and increase urban sprawl ([Cernea and Mathur, 2008](#)). Thus, house and land prices would be fully determined by market forces, and government intervention would be kept at a minimum.

The Pinochet dictatorship radically changed public housing policies in Chile, particularly in Greater Santiago, the capital. The lack of regulation and urban planning led to an increase in public housing in the peripheral areas of cities, which was not accompanied by adequate public services or transportation to connect low-income families with the rest of the urban areas. In the next section, I document the most important features of the new housing projects built during the dictatorship years, and in the second part of this chapter, I document the long-term impact of these policies on low-income families and their children.

### *2.3 Characterization of public housing after 1975*

The policies implemented during the dictatorship created a new typology of public housing that remained in place even after the end of the Pinochet regime, in the 1990s. The main features of the new public housing units were a new form of financing for families, smaller sizes, and peripheral locations.

To study the characteristics of the public housing units built during the dictatorial years, I use data assembled by [Araya and Rojas-Ampuero \(2024\)](#), who compile project-level data for the entire country from 1965 to 1970 and from 1975 to 1990.<sup>4</sup> These data are obtained from MINVU annual reports, which include all projects initiated and finished per year and their characteristics, such as project name, number of units, size of units in square meters, and municipality. The dataset is complemented with aggregate-level data from 1965 to 1990 reported by [Mercado \(1977\)](#) and historical construction

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<sup>4</sup>See the authors' supplementary material for a full description of the data collection.

bulletins from Chile's National Bureau of Statistics ([INE, 1986](#)).

### Total units and housing deficit

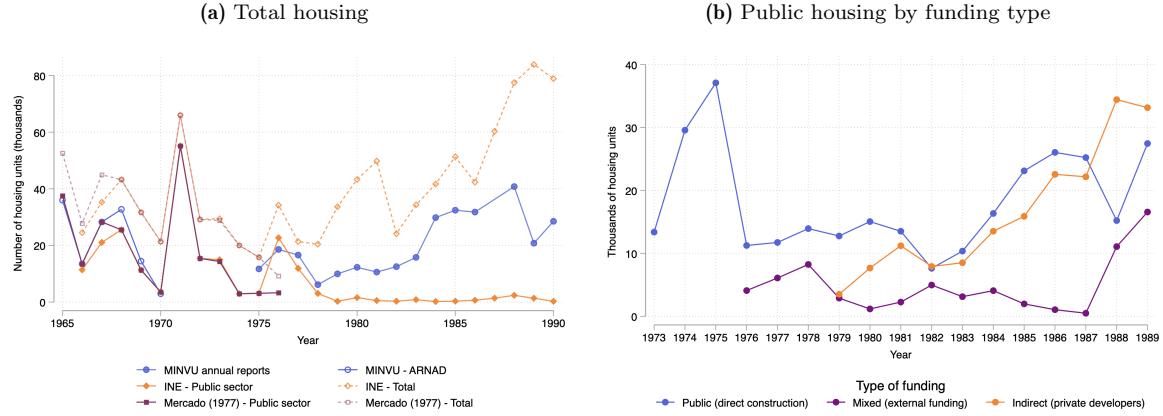
To validate the data, I first compare the aggregate series from different sources. The data in [Mercado \(1977\)](#) and the INE bulletins report the total number of housing units built per year. They separate the series by units constructed by the public and private sector, including public housing built by private developers and the private housing market. Figure 1 shows the total number of units by category, and panel (a) plots the series.

The aggregate series show the historical facts discussed in the previous section. Before 1970, the number of new public housing units was relatively stable, reaching its lowest point in 1970. It then peaked in 1971 during Allende's government. Subsequently, during the first three years of the dictatorship, the number of new public housing units built significantly decreased before beginning to increase after 1976. A housing boom soon followed but slowed down after the 1982 financial crisis, while public housing slowly increased at a slower rate than private housing until 1981. After 1983, the housing market began to recover, and the construction of public housing followed a similar trend until 1987.

The series before 1970 coincide almost identically across sources. The difference began after 1975 due to a change in how authorities labeled public housing, based on its financing. In particular, the INE data show that very few public housing had been built after 1975, while the MINVU data show that a bit less than half of all housing in the period consisted of public housing. The main discrepancy arises because the dictatorship increased the number of units by contracting more with private developers and securing external funding from international organizations, such as the Inter-American Development Bank. According to INE's definition, all housing was privately financed. However, these units were targeted at middle-class and low-income households, thereby qualifying as public housing.

Figure 1, panel (b) disaggregates the series from 1973 to 1989 by funding type. As the figure shows, before 1975, all finished public housing was directly financed and built by MINVU using public funds, which was the same model as in the previous periods. This changed after 1979, when the dictatorial regime started building housing through private developers (orange line in Figure 1, panel (b)) to reduce costs. This also changed

**Figure 1:** New housing by year



how families would acquire a new house. MINVU would provide subsidies to families that varied based on home values and the target population, with SERVIU acting as the seller (MINVU, 2004).

**Table 1:** Estimated housing deficit across census years

	Total		Urban		Rural	
	Number of units	%	Number of units	%	Number of units	%
1952	184,870	17.6	105,557	15.8	79,313	20.7
1960	370,582	28.0	208,782	22.2	161,800	42.2
1970	515,172	27.9	322,789	22.5	192,383	46.1
1982	735,258	29.2	411,123	20.2	324,135	66.6
1992	995,334	29.5	527,527	18.9	467,807	80.0

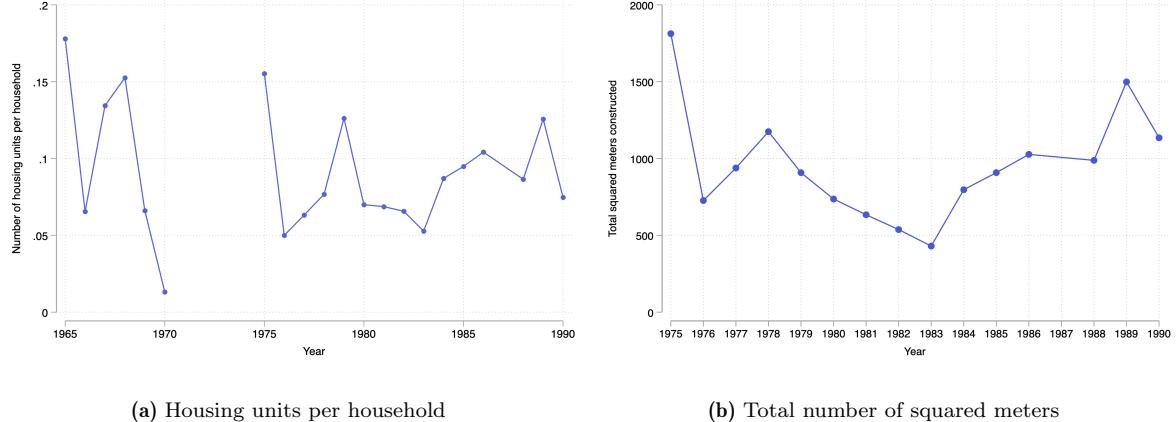
Notes: Sources for 1952–1970: Mercado (1977), Table 1, p. 5. Sources for 1982 and 1992: author's own calculations based on census data. Housing deficit is computed as the number of households living in poor or deficient housing in each census year Mercado (1977).

A question that arises is whether the increase in public housing in the 1980s reduced the housing deficit. While it is difficult to make a causal claim given the evidence, I can examine the evolution of the housing deficit from 1952 to 1992 using census data. To construct the housing deficit, I use Mercado (1977)'s definition, which corresponds to the number of households in each census year living in poor conditions or deficient

housing.<sup>5</sup> The results, presented in Table 1, show that the housing deficit increased between 1952 and 1960 and remained stable until 1992. The initial increase coincides with the historical evidence discussed in the previous subsection: the housing deficit increased in the 1950s and 1960s due to an increase in urbanization rates and the number of families living in slums, and efforts to build new housing by subsequent governments and during the dictatorship years did not reduce the percentage of Chilean households living in low-quality housing conditions.

To look at this variable from another perspective, I explore the evolution of the number of public housing units built as a share of the total number of households per year. Figure 2 presents the results. As panel (a) shows, the number of public housing units per household was relatively stable, even compared with the data before 1970. This indicates that the growth rate in public housing did not increase at the same rate as the population. Panel (b) presents the total number of square meters built. There is an increase around the 1982 crisis but an increase after 1986, which aligns with the increase in the total number of units built in the 1980s.

**Figure 2:** New public housing units per household



(a) Housing units per household

(b) Total number of squared meters

Notes: Panel (a) reports the ratio between newly built public housing units and the number of households per year. The number of households is estimated from census data. Panel (b) reports the total number of square meters of public housing built per year.

<sup>5</sup>Current definitions of housing deficit, such as those used in CASEN (Encuesta de Caracterización Socioeconómica), differ from Mercado (1977)'s definition. The author's definition includes the following: poor or unrecoverable single-family houses or apartments in a building or townhouse; "conventillo" rooms (doubled-up or overcrowded); unrecoverable units; huts, "rucas," or shacks; slums, temporary housing, or "callampas" (translated as "mushrooms," the colloquial word used to describe slums in Chile in the 1960s). This definition also includes housing that lacks basic services, such as no electricity, piped water, walls made of mud or waste material, no roof or floor, and no toilet.

### Size and cost

In the previous subsection, I discussed the evolution of the number of new housing units after 1975. Now, I use data from the MINVU to characterize the new units built during the dictatorship. In Figure 3, panel (a), I plot the average unit size in square meters before 1970 and after 1975. The average unit size was around 60 square meters before 1970 and remained similar during the early years of the dictatorship until 1979. Subsequently, it steadily decreased, reaching a minimum of 30 square meters in 1982, and stayed below 40 square meters until the end of the dictatorial regime. This occurred during the period when private developers were building most of the new public housing units (Figure 1, panel (b)).

Figure 3, panel (b) shows that the decrease in average unit size resulted from an increase in the construction of units averaging less than 35 square meters, a category not built before 1973. The number of units between 35 and 45 square meters peaked in 1975, including those that began construction in the previous five years, and increased after 1982. Finally, the construction of units larger than 45 square meters remained at its lowest level during the entire dictatorship period, starting in 1982.

The panel also shows that the housing units built during the dictatorship years were, on average, smaller than those built during previous decades, and the average household size did not decrease at the same rate during the 1970s and 1980s. Own calculations, using census data, show that the average household had 4.8 members in 1970 and 4.5 in 1982. In addition, the average slum family had 5.2 members in 1979 ([Molina, 1986](#)).

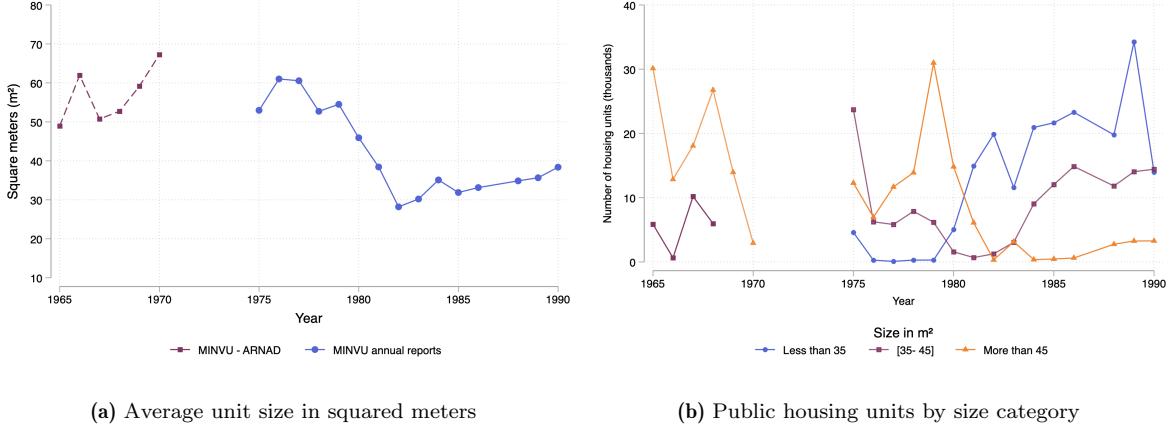
The reduction in average unit size came with a decrease in the construction costs per unit. Figure 4 depicts the evolution of the average unit cost in Unidades de Fomento (UF).<sup>6</sup> Unfortunately, the MINVU data for the dictatorship period only report this variable from 1979 onward. Panel (a) shows that the unit cost between 1979 and 1982 is, on average, 250 UF, which is higher than in the pre-dictatorship period. The cost decreases to around 210 UF after 1982, which is substantially lower than the average unit cost between 1979 and 1982 and similar to before 1970.

However, these numbers hide ample heterogeneity. Panel (b) shows that the average

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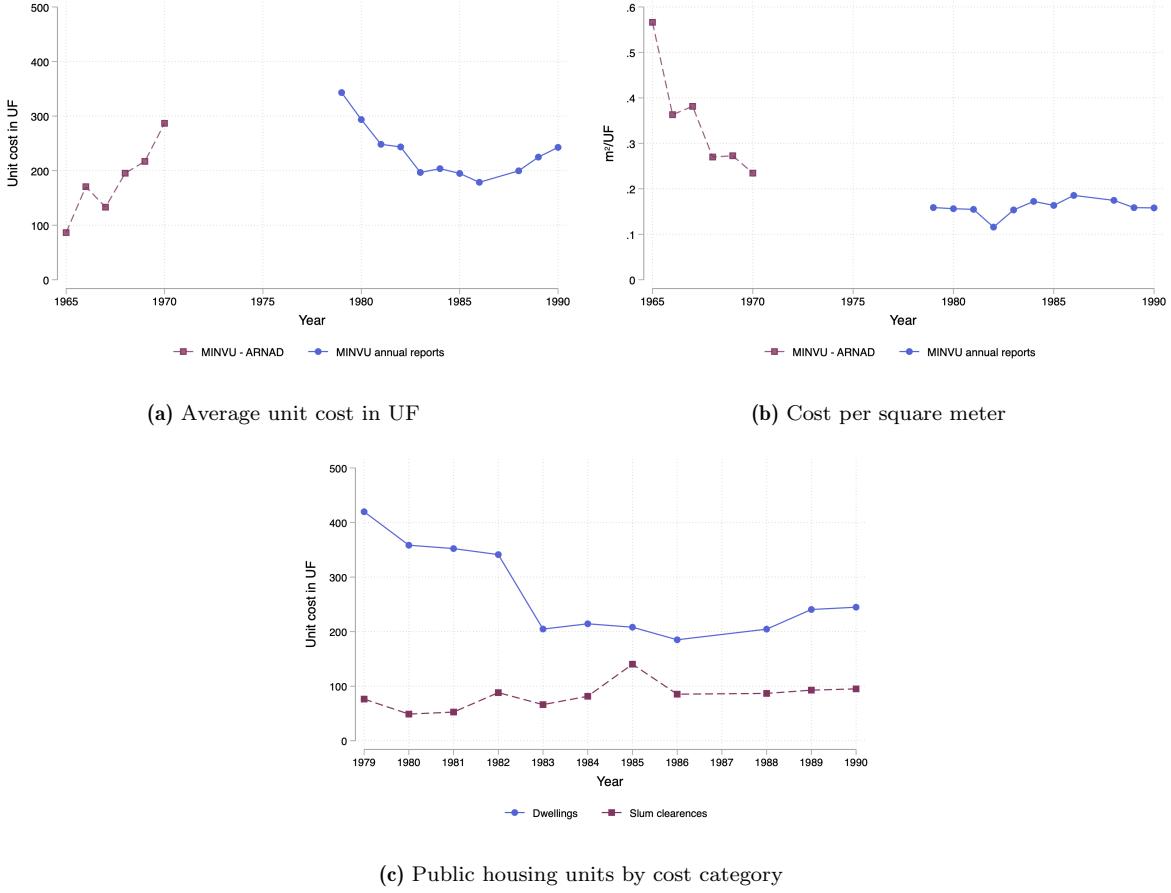
<sup>6</sup>UF is an inflation-indexed unit of account, created during the Pinochet dictatorship and published by the Central Bank of Chile. In the archival data, I observe the variable housing cost in “escudos,” the currency used in Chile before the 1980s. To convert the data to UF, I use the conversion rates reported by the Central Bank of Chile from escudos to UF and from pesos to UF.

**Figure 3:** New public housing units by size



Notes: Panel (a) reports the average unit size in square meters per year, while panel (b) reports the number of units built by size category.

**Figure 4:** New public housing units by cost



Notes: The figures report the evolution of public housing by average housing cost measured in UF in panel (a), the cost in UF per square meter in panel (b), and average cost per type of dwelling in panel (c). MINVU-ARNAD stands for archival data from 1967 to 1970, and data from 1979 to 1990 come from MINVU annual reports. The distinction between dwellings and slum clearances is only available in the data since 1979.

unitary cost per square meter is lower in the 1980s compared to before 1970, and is almost constant after 1979. This heterogeneity is due to a combination of reduced costs from private developers entering the public housing market, the economies of scale of building thousands of small housing units, and lower land prices in the city's periphery, where most of the new units were built.

Finally, panel (c) of Figure 4 splits the trends by unit type: dwellings or slum clearances. The panel shows that most of the variation in costs comes from dwellings, while units given to families in slum clearance projects remained stable and low-cost across time.

### Location

One of the main attributes of the new public housing projects built during the Pinochet dictatorship was their location within the city's periphery, where land was cheap. This was not a new policy, as it began in the 1960s with the intention to clear slums. However, during the dictatorship, it was intensified by new policies. In 1979, the National Policy of Urban Development was implemented, aiming to deregulate the land and housing markets and promote urban sprawl. At the same time, private developers were encouraged to enter the affordable housing market through SERVIU, facilitating faster and more cost-effective construction. The policies collectively increased the construction of public housing units in suburban areas with low connectivity and distant from city centers.

To provide empirical evidence on the characteristics of the municipalities that concentrated the construction of public housing, I examine which characteristics of municipalities in 1982, before the financial crisis, predicted the construction of housing in future years. In Appendix Table A.1, I regress the number of units finished in years 1983, 1986, and 1989 on a set of municipality characteristics measured in 1982 from census data. These characteristics include population per municipality, average years of schooling, unemployment rate, share of informal housing, and an indicator for Greater Santiago.

The results show that in all years, municipalities with larger populations in 1982 experience an increase in the number of public housing units built. At the same time, higher unemployment rates and lower years of schooling are associated with the construction of more affordable housing, and the correlation is larger for Greater Santiago in most years (even-numbered columns). Additionally, the share of the population living

in informal housing correlates with the construction of public housing, particularly in the initial years after the 1982 crisis, but not by the end of the dictatorial regime.

These patterns are consistent with the discussion of Molina (1986) and the findings of Rojas-Ampuero and Carrera (2023). Public housing was built in poorer areas and in low-income municipalities, especially units destined to house families from slum clearance programs, who received the cheapest units. As Molina (1986) notes, a large fraction of these peripheral areas, especially in Greater Santiago, lacked access to public transportation and had low provision and quality of public goods and services, such as schools and health care centers. Due to the increased urban sprawl after 1979, many were former rural areas that were added to the metropolitan limits. In the next section, I discuss in detail the economic evidence on the effects of living in peripheral sectors for families from slum clearance programs.

### 3 SLUM CLEARANCE AND HOUSING SEGREGATION: THE CASE OF THE PROGRAM FOR URBAN MARGINALITY

#### 3.1 *Context*

In the efforts to provide housing for low-income families, slum clearance was a priority for the dictatorial government, as living in a slum was seen as one of the worst forms of poverty. In Greater Santiago, approximately 15% of the population lived in a slum (INE, 1970; INE, 1982), which was defined as a squatter settlement without access to drinking water, electricity, or sewage (MINVU, 1979).<sup>7</sup> Slums were geographically ubiquitous and originated as land seizures between 1960 and 1973; after the coup d'etat in 1973, any attempt to create a new slum faced a strong military response.

Greater Santiago was the main focus of the slum clearance policies during the dictatorship due to its large population.<sup>8</sup> The first set of policies, implemented between 1976 and 1978, included evictions known as Operaciones Confraternidad I, II, and III. These politically motivated evictions were planned by the Ministry of Interior, rather than the MINVU, and forced the relocation of families from slums and public housing units developed during Allende's government (Celedón, 2019). It is estimated that more

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<sup>7</sup>The median slum had around 250 families, with an average size of 5.2 individuals per family.

<sup>8</sup>Other large cities such as Concepción and Valparaíso were also targeted for these policies but at a smaller scope.

than 10,000 families were evicted from their homes in violent conditions and were not provided with a short-term housing solution; in fact, many of the formal housing units were later given to military personnel. As an example, [Allende and Olave \(2015\)](#) study the case of Villa San Luis de Las Condes, one of the most violent evictions, where families were taken from their homes on New Year's Eve and left on their own in the peripheral areas of Santiago, without any certainty about their housing conditions for years. Some of these families were later provided housing in distant neighborhoods with low-quality services and could never return to their original homes.

The Operaciones Confraternidad, initially aimed at clearing slums, were not formally developed with that purpose but rather with political and repressive motivations. From 1979 to 1985, MINVU implemented the Program for Urban Marginality (Programa para la Marginalidad Urbana), a massive slum clearance and urban renewal program targeting 50,000 families in Greater Santiago, with the aim of housing families in public housing projects. Proponents of this program believed the most effective way to end poverty was to make poor families homeowners, regardless of the attributes of the new housing units or neighborhoods ([Murphy, 2015](#)). This initiative resulted in thousands of families in slums being forcibly relocated to newly built public housing units, mostly in poor peripheral municipalities of Santiago. [Rojas-Ampuero and Carrera \(2023\)](#) and [Rojas-Ampuero and Carrera \(2024\)](#) study the long-term impact of this forced displacement on the socioeconomic outcomes of families and children 20–40 years after the policy ended. The rest of this chapter summarizes their evidence and discusses the program's long-term consequences.

### *3.2 The Program for Urban Marginality*

The Program for Urban Marginality was implemented during the Chilean dictatorship between 1979 and 1985, under Supreme Decree 2552. It was large in scope, affecting more than 5% of the population of Greater Santiago. MINVU, which oversaw the implementation, aimed to clear all slums in the city, either by relocating families into new houses in suburban areas or by upgrading slums into formal, on-site public housing.<sup>9</sup>

All slum dwellers in the program would become homeowners of similar housing units,

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<sup>9</sup>The program aimed to end slums, which had proliferated due to the 1982 financial crisis when the unemployment rate rose, marking the first significant increase since the late 1960s. The country's issues with affordable housing and slums were not effectively addressed until the 2000s.

thus in principle eliminating all slums. The program's implementation involved two types of interventions. In the first, when urban conditions permitted, a slum was upgraded into a proper neighborhood, and families remained in their original location (i.e., were not displaced). In the second type, when upgrading was not possible, families were evicted and forced to move in groups to new public housing projects in peripheral municipalities (i.e., were displaced). Funding for the homes came from a direct government subsidy that was designed to cover 75% of the construction cost of the unit but capped at 200 UF (inflation-adjusted index). The average home value was 254 UF, equivalent to US\$10,148 in 2018.

The features of each intervention were as follows. Non-displaced families accounted for one-third of the total number of families in the program. In some cases, they were provided with an apartment in housing projects constructed very close to their original location, while for others, the slum's land was subdivided among residents, with each family receiving a "starting-kit unit."<sup>10</sup> These new neighborhoods were provided with all of the basic services of a formal neighborhood, such as water, electricity, and sewerage. In contrast, displaced families, representing two-thirds of the total number of families in the program, became homeowners of a house or an apartment in their new neighborhoods. The land used by the original slum was then cleared and used for a different purpose.<sup>11</sup>

Decisions regarding the implementation were made directly by the MINVU and Santiago's SERVIU at the central level. Because Santiago lacked a citywide government, 30 local municipalities were responsible for managing their own territory. Under this governance structure, citywide policies such as social housing were determined by central government. Moreover, the dictatorial regime of Pinochet appointed all local-level authorities; hence, government directives were uniformly followed at the municipal level (González et al., 2021).

Displaced families could not participate in the decisions made by the MINVU, and given the political circumstances, they could not oppose the policy. Instead, they were assigned to new locations based on the current availability of finished projects across the city. This also implied that in some cases, displaced families of a single slum were

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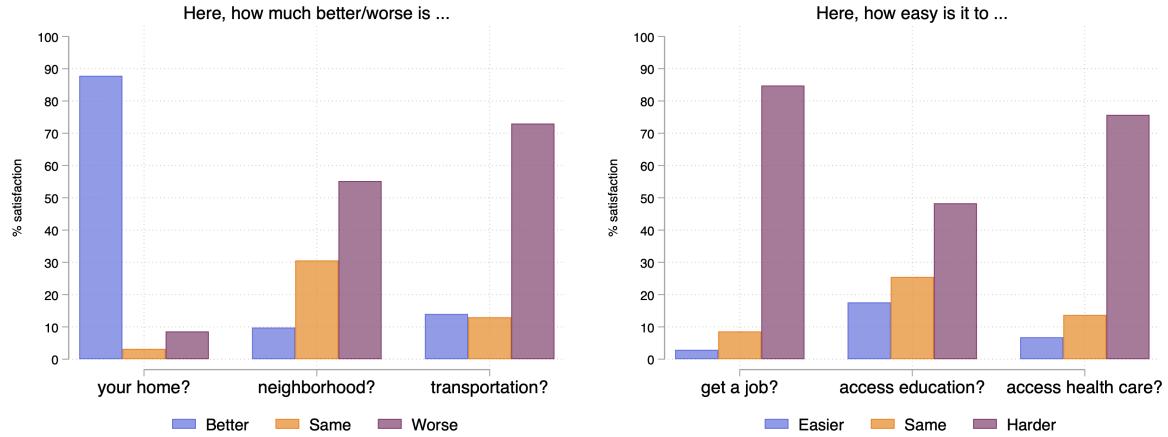
<sup>10</sup>A starting-kit unit consisted of a living room, bathroom, and kitchen. Families would add bedrooms to the kit, completing the home.

<sup>11</sup>All families would be evicted; if they refused to move, they would be excluded from the program. According to social workers, most families did not refuse the subsidy because it was their only chance to become homeowners.

assigned to more than one housing project.<sup>12</sup> Destination municipalities could also not influence how the program was implemented in their territories. As Labb   et al. (1986) note, “municipalities have not had a direct responsibility regarding the location and quantity of the displaced families, as construction and relocation did not have to be approved by the municipality of destination.”

It is estimated that by 1985, 42,000 slum families had been targeted by the program (Molina, 1986). In 1987, Aldunate et al. (1987) surveyed 592 displaced families to study their perceptions about their new houses and locations. The families reported that their new homes had better housing conditions but claimed their new neighborhoods were worse than their slums of origin, citing fewer job market opportunities and limited access to transportation, education, and health care services. They also perceived the new neighborhoods as more dangerous. Figure 5 presents a summary of Aldunate et al. (1987)’s work.

**Figure 5:** Summary of the Program for Urban Marginality’s evolution



Notes: Summary of results found by Aldunate et al. (1987). The authors interviewed 592 displaced slum dwellers who were relocated into four new neighborhoods.

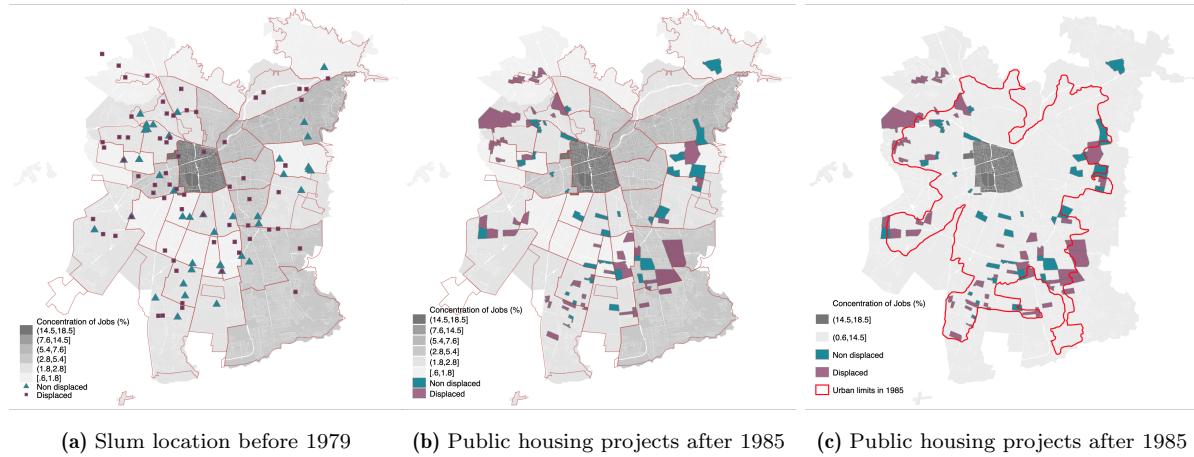
In Figure 6, I replicate Figure 1 of Rojas-Ampuero and Carrera (2023) to present the location changes experienced by slum families. The figure plots the urban limits of Greater Santiago and its municipalities to show the location of families before and after the program. Panel (a) depicts slum locations in 1979, showing that they were located

<sup>12</sup>Housing projects were not specifically planned to house families of any given slum. Rojas-Ampuero and Carrera (2023) interviewed social workers who accompanied families during the eviction processes. In most cases, they reported that displacement depended on which public housing projects were available to receive families at a given point in time.

throughout with no particular concentration in any municipality. Panel (b) shows the location of the housing projects built to receive slum dwellers in 1985, and panel (c) includes the urban limits of Santiago in 1985.

Two important conclusions can be drawn from this figure: the new housing projects were disproportionately built in the peripheral areas of the city exactly at the edge of the urban limits in 1985, and public housing projects were farther from job opportunities (in grayscale). This is consistent with the general pattern discussed in Section 2.3, which showed that during the dictatorship, public housing was more likely to be built in poorer municipalities both in Santiago and across the country. Previous research has found that this massive relocation program is one of the main contributors to the high levels of socioeconomic segregation present today in Santiago (Cernea and Mathur, 2008).

**Figure 6:** Eviction policies from 1979 to 1985: Location of families living in slums



Notes: These figures show the change in the location of families living in slums in 1979 (panel (a)) and their final destination in 1985 (panels (b) and (c)). Red lines represent the urban limits of Greater Santiago and gray lines its municipalities. Municipalities are colored in gray scale to depict the concentration of jobs across the city. Purple squares represent families living in slums who were moved from their original location to a new neighborhood, while blue triangles represent families in slums who were not evicted but received a housing unit in their original location. The figures also show how the dispersion of these families' locations decreases and how they are relocated to the city's periphery after the policy. For context, the richest municipalities of Santiago at that time (and today) are located in the northeast of this map, and the poorer municipalities are in the south and northwest, which is exactly where the new public housing projects were built. The data to construct this map come from the MINVU (1979), Molina (1986), FLACSO (1982, 1986), and the population censuses of 1982 and 1992.

After 1985, slums were a significant issue that remained unresolved by these massive relocation policies. Due to the 1982 financial crisis, the combination of the lack of affordable housing and increasing levels of unemployment led to a proliferation of new slums. In response, a new policy targeting slum dwellers was implemented in 1985 under Supreme Decree 62. MINVU, which oversaw the program, continued to build small public housing units in the same peripheral areas as the previous program. Households

had to formally apply for a housing unit based on an eligibility index (the CAS index), with allocation determined by availability and the CAS index. This new system remained in place even after the end of the Pinochet dictatorship. In contrast to the Program for Urban Marginality, under this policy, families had the option to participate and could reveal their preferred locations. The causal effects of this program have yet to be studied.

### *3.3 The long-term effects of slum clearance on children and families*

[Rojas-Ampuero and Carrera \(2023\)](#) and [Rojas-Ampuero and Carrera \(2024\)](#) use the variation created by the two types of treatment in the Program for Urban Marginality to estimate a displacement effect on children’s education and earnings and parents’ mortality in the long run. The authors cannot estimate the program’s total effect, as no families in their sample remained in the slums. However, the comparison between displacement and redevelopment is of high value, as these were two widely used policies in the context of slum clearances, and little is known about the consequences of displacement in this context. This is especially relevant in the long run because the population under study is highly informal and mobile.

To estimate the displacement’s causal effect, the authors compare displaced and non-displaced individuals with the same probability of being relocated. To do so, their identification strategy relies on the idea that the selection of slums into the displaced or non-displaced group depended on the feasibility of urban renewal and not on individual family characteristics. Specifically, a slum would be cleared and redeveloped on-site based on its density (families per hectare), housing construction feasibility (slope), and land price. If the conditions did not permit redevelopment, families would be relocated into new housing in peripheral areas of the city, where land was cheaper. Based on slum characteristics, the authors estimate the probability of displacement versus redevelopment and compare displaced and non-displaced individuals from slums with the same probability of being evicted.

To study mechanisms, the authors use the fact that those forcibly moved were also assigned specific destinations that were disproportionately located in low-income municipalities on the city’s periphery. These new areas were generally characterized by high poverty rates, low provision of public goods, and a lack of public transportation. The authors use the variation between destination and origin to identify which neighborhood characteristics account for the displacement effects. As previously mentioned,

MINVU made all decisions regarding the relocation areas for displaced families; their lack of choice in deciding whether to move, as well as when and where, helps isolate mechanisms.

### *3.3.1 Displacement effect on children's outcomes*

The main result of [Rojas-Ampuero and Carrera \(2023\)](#) is that compared to non-displaced children, displaced children earn CLP\$14,038 less per month (US\$20) as adults, equivalent to 9% lower earnings. Figure 7 below shows the displacement effect on earnings. The figure plots the labor earnings trajectories of displaced children in purple and non-displaced children in blue between the ages of 26 and 54. For all ages, displaced children have lower earnings.

[Rojas-Ampuero and Carrera \(2023\)](#) show that this negative effect on earnings is not because displaced children have lower employment rates but rather because they have lower-quality jobs: they are less likely to work in formal jobs with a contract (-16.6%), are more likely to be temporary workers (11.4%), and are less likely to make contributions to social security (-7.2%). Additionally, the displacement effect on schooling outcomes is also negative. Displaced children have 0.8 fewer years of education and are 22% less likely to graduate from high school, compared to non-displaced children. As a result, they are less likely to attend tertiary education.

The authors find that the most affected children are those displaced at young ages. Displacement effects are more negative for young children below the age of 13 at the time of the intervention, compared to teenagers.<sup>13</sup> This result is consistent with what the previous literature has called a “childhood exposure effect” of neighborhoods, meaning that the longer a child spends in a new environment, the greater the expected neighborhood effect ([Chetty et al., 2016; Chyn, 2018; Laliberté, 2021](#)). In the context of this setting, the effect is more negative.

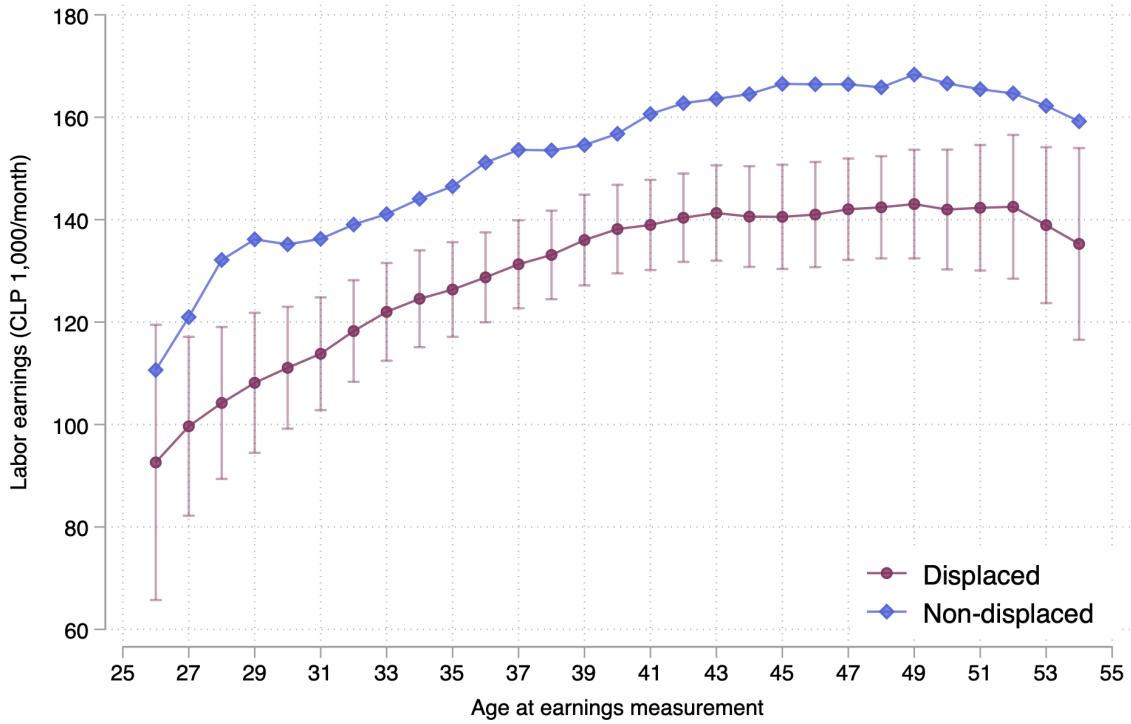
### *3.3.2 Displacement effect on parents' mortality*

In addition to the effects on children's labor market outcomes, [Rojas-Ampuero and Carrera \(2024\)](#) study the consequences of forced displacement on adult mortality. The

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<sup>13</sup>The authors show results for three age groups: 0–5, 6–12 and 13–18. The displacement effect is fairly similar for children under 6 and between 6 and 12, and the authors cannot reject the equality of coefficients.

**Figure 7:** Displacement effects on labor earnings by age at earnings measurement: Children aged 0–18 at baseline



Notes: Source: Figure 2 in [Rojas-Ampuero and Carrera \(2023\)](#). The figure plots predicted earnings trajectories for displaced and non-displaced children between ages 27–54 from the regression  $y_{it} = \sum_{\tau=27}^{54} \beta_\tau Displaced * 1[Age = \tau] + \sum_{\tau=26}^{54} \delta_\tau 1[Age] + \psi_o + \hat{p}(X_s, \psi_o) \times \psi_o + X'_{it}\gamma + u_{it}$ . This regression includes 95% confidence intervals for displaced children and is applied to children aged who are 0–18 at baseline, matched to RSH (Registro Social de Hogares) data, and report non-missing schooling. Standard errors are clustered by slum of origin. Baseline controls include the following: female, mother head of household, married head of household, head of household's age, number of children, Mapuche last name, average head of household's formal employment, first-born dummy, year-of-birth fixed effects, and year-of-intervention fixed effects.

results are striking: displaced adults have a 30% higher risk of dying per year for the next 40 years after the intervention. This effect is larger for men, with a 38% higher risk, than for women, who have a 26% higher risk, compared to their non-displaced counterparts. The authors also find that excess mortality for displaced individuals begins at age 50 and increases with age. However, causes of death vary by gender: women are more likely to die of disease-related causes such as heart disease or diabetes, while men are more likely to die of cancer, external causes, and tobacco addiction.

The authors also study labor market outcomes for individuals who survived until 2007. They find that displaced adults are more likely to work after retiring, especially women, and both genders have 17% lower pensions compared to non-displaced individuals. They are also more likely to report a disability or a chronic condition as a reason

for not working.

### 3.3.3 Mechanisms

As displaced families reported in Aldunate et al. (1987), the new neighborhoods were of lower quality than their neighborhoods of origin. The data show the same patterns, with fewer schools and labor market opportunities. On average, families were displaced 9 kilometers from their slums of origin, and their new neighborhoods were 4 kilometers farther from the city center, compared to non-displaced families. In addition, the new housing projects that housed displaced families were larger in terms of the number of units compared to the original slums, and they mixed families from many different slums and different municipalities of origin. Furthermore, some of the original slum networks were destroyed, as families from a same slum of origin could be assigned to different destination neighborhoods.

To study the mechanisms driving these results, Rojas-Ampuero and Carrera (2023) examine the changes in location attributes experienced by displaced families between their destination and origin neighborhoods at the time of treatment. They conduct an accounting exercise to determine which attributes of the new neighborhoods contribute to the average displacement effect on children's future labor earnings. Their results indicate that neighborhood size, home value, and slum network explain 95% of the average displacement effect. For example, displaced families received houses that were 20% cheaper due to their location, and this variable itself explains 28% of the total displacement effect on children's future earnings. All these variables are highly correlated with distance from the Central Business District and distance from origin, which proxy for segregation, as displaced families were assigned to isolated areas of the city with low-quality public goods.

They find similar results for adult mortality outcomes. Specifically, the distance from origin explains around 40% of the displacement effect on mortality. Additionally, higher unemployment levels in destination locations account for an additional 13% of the effect on men's mortality. This difference is consistent with the higher likelihood of men working for pay, making them more vulnerable to the impacts of unemployment shocks on their mortality risk compared to women.

Given that Santiago has substantially changed in the last 30 years, Rojas-Ampuero and Carrera (2023) also study how the construction of new subway lines after 2007

impact the adult earnings gap between displaced and non-displaced children.<sup>14</sup> They find suggestive evidence that a new subway station within a 1.5-kilometer radius of displaced families' originally assigned neighborhood reduces the earnings gap by about 60%. This positive effect comes from an increase in children's formal earnings and a decrease in the probability of temporary employment.

### 3.4 Discussion

#### 3.4.1 Total children's earnings lost due to displacement

The estimates in Figure 7 can be used to calculate the present value of the loss of future earnings for children due to displacement. Considering age displacement effects from ages 26 to 54, the average displaced child in the sample loses CLP\$7 million by the age of 45 (relative to a non-displaced child). This is equivalent to US\$10,090, and the amount is nearly the same as the cost of the housing unit received by a family through the program (equivalent to US\$10,103).<sup>15</sup> In aggregate terms, the total loss for children is equivalent to the construction of 12 subway stations or the maintenance of 300 primary schools per year.<sup>16</sup> As Rojas-Ampuero and Carrera (2023) discuss, this is a lower bound estimate because it is computed on self-reported earnings, which is lower than taxable wages and does not account for the direct effect of displacement on schooling and its externalities.

#### 3.4.2 Policy alternatives

The previous results show that displacement negatively affects children. What are the alternatives to relocating families to the periphery? Under a dictatorship, considerations like community participation or compensation are often absent. The Pinochet dictatorship not only forced family relocations but also decided their final destinations. These aspects of the program help isolate mechanisms that are policy relevant, but identifying these would be more challenging in a democratic setting. However, in the ongoing policy debate, especially in countries with high urbanization rates, slum clearance programs

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<sup>14</sup>The dictatorship stopped the subway plan that had been in place since the 1960s, delaying the construction of new lines until the 2000s.

<sup>15</sup>Using taxable wages, the loss is larger and equal to US\$17,000 by the age of 45.

<sup>16</sup>The authors compute the aggregate loss as the individual loss times the number of children in their sample. The cost of building subway stations is available from Metro de Santiago, and the cost of schools can be found [here](#).

remain important urban policies.

One policy alternative would be providing on-site housing, which is the counterfactual in the previously discussed papers and one of the main policy actions currently proposed by the World Bank and the United Nations ([UN-Habitat, 2020](#)). However, this is not always feasible for multiple reasons, such as high urban density that impedes the construction of on-site public housing, high land prices, or the difficulty in providing basic on-site services (running water, electricity, sewerage).

Under those circumstances, one option would be to monetarily compensate families for displacement ([Lall et al., 2006](#)). However, assessing compensation amounts could be difficult and compensation may not solve poor households' problems if it does not translate into access to services and they remain isolated. Thus, another option is to provide families with public services that can help foster their economic development, such as schools, health care centers, and access to public transportation. This means that to effectively foster families and children's development, displacement should be accompanied by the provision of public services that counteract the negative disruption effect, which is exactly what did not happen in the Chilean context.

Another policy margin is to include communities in the eviction process and allow families to choose their final destination. Policy advocates argue that family participation in the process is one of the main components of a successful eviction. They hypothesize that families, possessing more information and greater incentives to find a proper destination, may experience voluntary moves as less detrimental than forced displacements.

#### *3.4.3 From slums to poor neighborhoods: Trap or stepping stone?*

Previous literature argues that slum dwellers are trapped in poverty partly because living in slums imposes additional burdens; therefore, relocating these residents is considered a desirable policy. Factors contributing to these burdens include poor health outcomes, limited access to financial and labor markets, and inadequate access to services ([Marx et al., 2013](#)). Many of these arguments align with those proposed by the dictatorial regime. Despite these reasons for relocation, location preferences still drive many families to live in a slum ([Celhay and Undurraga, 2022](#)). In the context of the Program for Urban Marginality, where such families were relocated to public housing in equally poor neighborhoods, it raised questions about the impacts of such moves. Although the cited

papers do not rule out a positive impact of moving from slums to formal housing, the results of [Rojas-Ampuero and Carrera \(2023\)](#) show that displaced children, compared to those who remain in more favorable locations and receive housing, perform worse in terms of education and earnings. Furthermore, their loss in future earnings is not offset by the value of the housing assets received by their families.

Furthermore, [Rojas-Ampuero and Carrera \(2023\)](#) show that the current locations of displaced parents and their children are of worse quality than those of non-displaced individuals. By 2017, these children resided in neighborhoods with higher poverty rates, while their parents remained in their originally assigned neighborhoods. Although many children moved away from their initial neighborhoods, they did not relocate far. This pattern suggests that families have not necessarily escaped the poverty trap; parents likely remain due to homeownership and the stipulation that they cannot sell their houses until they have completed payments after 25 years. Additionally, despite a higher likelihood of relocation among children, the neighborhoods they move to have higher poverty rates than those of their non-displaced peers, especially for young children. These findings highlight the enduring adverse effects of relocating families to remote, impoverished areas, reinforcing the poverty cycle as children grow up in challenging environments.

#### *3.4.4 Slum clearance in other Latin American countries*

The experience of slum clearance policies implemented in Chile is not unique. Several other countries in Latin America experienced similar policies that cleared slums and relocated residents to suburban areas during dictatorial regimes. One important example is the forced displacement of favela residents in Brazil during the 1960s, when the country was under a military dictatorship. The strategy was very similar to that of Pinochet's regime: relocate the residents to small housing units in suburban areas where land was cheap ([Portes, 1979](#)). The program was mainly implemented in Rio de Janeiro and extended beyond the relocation of favelas in central areas. [Perlman \(1980\)](#) and [Perlman \(2011\)](#) conduct similar research to [Rojas-Ampuero and Carrera \(2023\)](#), following favela residents 40 years after their relocation.<sup>17</sup>

Another example is slum clearance programs in Buenos Aires, Argentina, during

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<sup>17</sup>The author, an anthropologist, uses methodologies from anthropology, which differentiates this work from [Rojas-Ampuero and Carrera \(2023\)](#).

Videla’s dictatorial regime. These programs aimed to relocate families from *villas* (slums or shanty towns) to suburban areas. While some families received housing in the new locations, others did not, leading to the creation of new villas in the destination locations ([Daich Varela, 2016](#); [Daich Varela, 2017](#); [Snitcofsky, 2018](#)).

In all the experiences documented here, several common elements are apparent: policies are enacted during dictatorial regimes, which diminishes opposition from slum dwellers and allows policymakers to create more segregated cities, thereby increasing the socioeconomic divide between the rich and the poor ([Sabatini, 2006](#)). Families are relocated to suburban areas where land is cheap but public services like schools, health centers, and transportation are inadequately provided. None of these policies have effectively addressed the slum issue in these cities.

#### 4 CONCLUSIONS

The Pinochet dictatorship radically changed public housing policies, leaving a long-lasting impact on families and children. This chapter documents the characteristics of the main public housing policies implemented during the Pinochet regime, with an emphasis on those targeting affordable housing and slum clearance policies.

In the first part of the chapter, I use historical data from Chile’s MINVU annual reports to characterize the new public housing units built during the period from 1975 to 1989. Three features stand out. First, the number of units increase after 1979 compared to the beginning of the dictatorship or before 1970, with a larger increase following the 1982 crisis. Second, they are smaller, on average, than any other public housing ever built in Chile until this period. The average size of public housing in 1982 was 30 square meters. The cost per meter decreased after 1979, likely because private developers entered the public housing market. Finally, the location of new public housing projects was concentrated in low-income municipalities, particularly in Greater Santiago.

In the second part, I describe the slum clearance programs implemented after 1979, focusing on the Program for Urban Marginality, studied by [Molina \(1986\)](#), [Rojas-Ampuero and Carrera \(2023\)](#), and [Rojas-Ampuero and Carrera \(2024\)](#). This program, the largest of its kind in Chilean history, was conducted in Santiago from 1979 to 1985 and involved relocating over 5% of the city’s population. Families were moved from slums to new public housing in the city’s periphery, where they lacked access to essen-

tial public services and transportation. Research on this program shows the negative long-term impacts on earnings, education, and increased mortality from forcing families to move to suburban areas compared to clearing slums and building on-site housing. [Rojas-Ampuero and Carrera \(2023\)](#) find significant long-term impacts on displaced individuals: children earn 9% lower earnings as adults and are 22% less likely to graduate from high school compared to their non-displaced counterparts. Furthermore, displaced adults face a 30% higher risk of mortality in the next 40 years after the intervention, dying two years younger, on average. The authors attribute these negative outcomes to factors such as increased distance from origin slums, decreased home values, and disrupted slum networks.

The Program for Urban Marginality was not an exception among the housing policies implemented during Latin American dictatorships. Similar programs in countries like Argentina and Brazil also relocated poor families to suburban areas. [Rojas-Ampuero and Carrera \(2023\)](#) and [Rojas-Ampuero and Carrera \(2024\)](#) document the direct negative consequences of moving families far from their original locations. However, comprehensive studies on the aggregate effects of slum clearance and relocation programs during dictatorial regimes on urban welfare, both past and present, are still lacking.

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## A ADDITIONAL TABLES

**Table A.1:** Determinants of construction of public housing by municipality after 1982

	Number of public housing units (in thousands)					
	1983		1986		1989	
	(1)	(2)	(3)	(4)	(5)	(6)
Population	3.474*** (0.312)	2.847*** (0.256)	5.446*** (0.484)	3.744*** (0.496)	6.854*** (0.831)	5.493*** (0.881)
Years of schooling	-14.85** (7.113)	-1.182 (5.942)	-46.71*** (14.66)	-3.652 (15.38)	-59.96*** (22.08)	-3.888 (27.02)
Unemployment rate	430.5** (213.4)	-67.94 (177.1)	884.5** (441.0)	197.9 (422.2)	2,610*** (777.1)	1,076 (836.8)
% informal housing	3.260* (1.719)	0.155 (1.415)	13.24*** (3.944)	1.050 (4.133)	-4.335 (7.037)	-14.27* (7.952)
Santiago	82.59*** (25.40)	-0.970 (21.77)	232.2*** (50.28)	-14.66 (64.81)	279.9*** (83.89)	-62.18 (122.3)
Population x Santiago		-17.82*** (6.006)		5.393*** (1.333)		5.063** (2.324)
Years of schooling x Santiago		137.5 (90.71)		-81.93** (41.58)		-155.1*** (53.76)
Unemployment rate x Santiago		14,567*** (1,996)		1,695 (1,739)		9,554*** (2,459)
% informal housing x Santiago		-90.93*** (17.53)		20.72* (12.10)		-34.25 (21.22)
Mean outcome	60.97	60.97	132.83	132.83	176.45	176.45
Adj R-squared	0.517	0.696	0.598	0.672	0.467	0.517
Observations	292	292	292	292	292	292

Notes: Outcome is number of new public housing units per municipality in thousands per year. Regressors measured at the municipality level include the following: population in thousands, average years of schooling for household heads aged 18–65, unemployment rate among household heads aged 18–65, and housing deficit as detailed in Table 1. Robust standard errors in parenthesis 10%, 5%, 1%.