Building a Slum-Free Mumbai?
State and Informal Urbanization in India*

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Abstract

As the largest democracy and one of the most vibrant emerging economies in the world, India is experiencing sustained economic growth hand in hand with urbanization. A major challenge facing Indian cities is the expansion of informal housing beyond state control or regulation. In Mumbai, the financial capital and most populous city of India, forty-two percent of the population lives in slums. What explains the informal urbanization in India characterized by the proliferation and persistence of informal settlements? This paper argues that informality must be understood not as the object of state regulation but rather as produced and institutionalized by the state itself. It is the institutional structure of the state that shapes state actors' intentionality and preferences and in turn affects their decisions about urbanization and informality. Specifically, the paper demonstrates how fragmented intergovernmental relations and contested party politics, as two major defining variables of the institutional structure of the Indian state, influence the formation, persistence, and redevelopment of slums in Mumbai. Using the case of Mumbai, the paper challenges the notion that informality is caused by a lack of state control and spatial discipline. Instead, it shows that informality is the product of deliberate political and social construction and has become the new normal in Southern cities.

Introduction

   As the largest democracy and one of the most vibrant emerging economies in the world,

India is experiencing sustained economic growth hand in hand with urbanization. While only

18% percent of the Indian population lived in cities in 1950, the country's level of urbanization

has increased to 32% in 2013 and is expected to reach 55% by 2050. In India as well as many

other developing countries, one of the most important and common characteristics of

urbanization is the expansion of informal housing settlements that fall outside of government

control or regulation. According to UN-Habitat (2009), one third of the world's urban

population lives in "slums." In Mumbai, the financial capital and most populous city of India,

42% of the city population lives in slums and the number is still increasing.[1]

   The definition of a slum has two dimensions. From a legal perspective, slums are

unauthorized and illegal structures, where inhabitants do not have legal title to the land that they

occupy. In Mumbai, nearly 50% of these slums are built on encroached land of private

landlords, whereas the rest are on the land of the central government, state government and

municipal corporation (MTSU 2015). In terms of living conditions, slums are areas that are

short of basic amenities and characterized by the prevalence of insanitary, squalid, overcrowded

conditions, and hence become a source of danger to their inhabitants' health, safety, or

convenience. Apparently, urbanization has taken place in India in an informal fashion in the

sense that large numbers of urban households do not have legal property rights or proper urban

services. Characterized by the proliferation and persistence of informal settlements, informal

urbanization not only undermines urban residents' quality of life, but also limits the

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[1] In the first official survey that Mumbai conducted in 1956, 8 percent of the total population lived in slums. Over the years, the population of the city grew at a high speed and so did the number of slum dwellers. According to the 2011 Census, Mumbai has a total population of 12.44 million, and 42% of them – nearly 5.2 million people – lives in slums.

improvement in other aspects of development, such as education, welfare, and access to jobs in the formal sector.

What causes the informal urbanization in India? This is the central research question this paper seeks to address. Using the case of informal settlements in Mumbai, the paper operationalizes the question into a series of more specific questions. First, why are informal settlements so prevalent and persistent in Mumbai? Second, how does the state respond to the informal housing sector? And third, what explains the outcomes of state intervention? Answers to these questions will help illuminate the bigger picture of India's urbanization and mechanism of urban governance.

Whereas informality is often associated with weak state capacity, this paper challenges the capacity-based approaches by presenting a theory of the institutional structure of the state. It argues that informality must be understood not as the object of state regulation but rather as produced and institutionalized by the state itself. The institutional structure of the state shapes state actors' intentionality and preferences and in turn affects their decisions about urbanization and informality. The most salient characteristics of the institutional structure of the India state are fragmented intergovernmental relations with the consolidation of state power and the rise of regional political parties and intense interparty competition. These characteristics shape the intentionality and preferences of state actors by creating a policy orientation that deprioritize urbanization and a close interdependence between political parties and the urban poor, which result in a series of political decisions that affect the proliferation, persistence and governance of slums in Mumbai. Using the case of Mumbai, the paper challenges the notion that informality is caused by a lack of state control and spatial discipline. Instead, it shows that informal settlements are the product of deliberate political and social construction.

This is a qualitative study and it employs multiple qualitative research methods, including case studies, comparative historical analysis, and process tracing. While the paper focuses on Mumbai, the proliferation and persistence of informal settlements is a chronic problem facing entire India as well as most developing countries. Hence, findings from the case study of Mumbai can help us better understand urban informality in other places. On the other hand, Mumbai is chosen because it is the economic center and most populous city of India, with a large number of industrial workers and migrants, so that the demand for housing and the level of urban informality are magnified there. Meanwhile, the market-driven model of slum redevelopment is unique to Mumbai, which presents an experimental approach of state intervention. It is the combination of representativeness and uniqueness that makes Mumbai an ideal case for the study of informal housing.

Data presented in the paper are collected from fieldwork and archival research in Mumbai in January 2-16, 2016. Fieldwork includes interviews and participatory observation. I conducted thirty in-depth, semi-structured interviews, which lasted anywhere from an hour to three hours. My interviewees include public officials, developers, slum leaders, NGOs activists, urban planners and architects, intellectuals, and local residents. Public officials are from Mumbai Metropolitan Region Development Authority, Slum Redevelopment Authority, Maharashtra Housing and Area Development Authority, Dharavi Redevelopment Project, Mumbai Transformation Support Unit, and Municipal Corporation of Greater Mumbai. These interviewees were chosen because their professional or personal experiences are intimately related to various aspects of the growth, governance, or redevelopment of slums, and thus collectively providing a comprehensive picture of the informal urbanization. Besides conducting interviews, I visited nine sites, including Dharavi, Mahila Milan Nagar, Mankhurd, Karma

Sankalp, Shivnagar Pranay Bhoomi, Pranay Landmark, Santacruz, Adarsha Nagar, and Omkar 1973 Worli. These are either slums that are undergoing redevelopment or former slums that were already redeveloped. During my visits in these communities, I spoke with leaders and residents and attended community meetings. These experiences provided me with first-hand information about the processes of slum redevelopment. Finally, I have supplemented fieldwork with extensive archival research on government report, local newspapers, and professional journals. These materials help me reconstruct the picture of urbanization and urban governance in India, which provide an important backdrop for understanding the prevalence and persistence of slums in Mumbai.

The paper consists of six parts. The first part following the introduction reexamines the literature on urban informality from the perspective of the institutional structure of the state. The second part investigates the institutional structure of the Indian state with a focus on its two major characteristics and their implications for urbanization and informality. Parts Three, Four, and Five discuss how the institutional structure of the state affects the formation, persistence, and redevelopment of slums in Mumbai, respectively. The paper concludes in Part Six by reflecting on the model of slum redevelopment and discussing the possibilities for improvement.

Reexamining Informality through the Lens of the State

Informality is not a new phenomenon, nor does it seem to diminish over time. Informal economies have persisted in many rural areas, particularly in the developing world. Reality shows that informality does not disappear as economies matured. Even more, at this moment of rapid urbanization at the global level, we can witness the reemergence and retrenchment of urban informality as a way of life (Davis 2006; Roy and AlSayyad 2004; Fischer, McCann, and Auyero

2014). The prevalence of informality has also engendered a large body of scholarly literature.

There are different schools for understanding the formation and persistence of informality. In

the section below, I will briefly review each school and present a different perspective to

understand informality from the intentionality and institutional structure of the state.

The first school in the study of urban informality is dualism, featured by Hart's (1973)

seminal article on economic sectors in Ghana and the International Labor Organization (ILO)'s

(1972) work on Kenya. The dualist approach highlights the differences between the formal and

the informal sectors, with a focus on their different relations to the state. The second school is

structuralism, which focuses on the connection between the formal and the informal sectors. For

instance, Portes, Castells, and Benton (1989: 12) argue that informal economy is an integral part

of the formal economy, differentiated only in that informality is unregulated economic activity

which occurs within a given set of governing institutions that typically regulate similar economic

activities. And finally, the school of legalism conceptualizes informality on a scale of legality,

categorizing economic activities and property rights as legal, extra-legal (informal), and illegal.

As the founder and most prominent scholar of the school, Hernando de Soto (1989: 5) argues

that informality or extra-legality is the result of the "inability to produce capital" which is an

effect of a legal system that lacks formal property rights. The solution according to de Soto

(2000) is for governments to produce reforms geared towards deregulation and privatization

while securing capital and property rights.

Despite their different theoretical focuses, the three major schools of informality share

the similar view that informality is associated with weak state capacity. The basic assumption is

that the state attempts to provide formal welfare or eliminate informality but fail due to resource

constraints or inadequate control of the bureaucracy. For instance, De Soto (1989) argues that

the informal economy is the people's spontaneous and creative response to the state's incapacity to satisfy the basic needs of the impoverished masses. In regard to housing, he contends that it is the inefficient legal and bureaucratic system that made it difficult for the poor to obtain legal housing, so that they build their houses on the hillsides or in vacant lots. Similarly, Polidano (2000) considers the size of informal economies as proxies for state capacity. Chattaraj (2012)'s work on urban development and informal settlements in Mumbai presents the view that the weak capacity of the local state in Mumbai leads to insufficient investment in urban infrastructure and high level of informality.

Capacity-based approaches have been changed in a number of studies. Some scholars argue that it is the intentionality of the state, rather than the institutional weakness of the state, that leads to the nonenforcement of laws and in turn increases the level of informality. In order to explain why laws go unenforced in developing countries, Holland (2016: 232) argues that, in contexts of inadequate social policy, politicians often withhold sanctions to mobilize voters and signal their distributive commitments. Her argument is supported by various empirical research on topics from the regressive consumption taxes in Peru (Jaramillo 2014) to the government's tolerance of squatter settlements in Turkey (Keyder 1999) and Zambia (Resnick 2013).

Some studies on urban informality in India echo the literature on state intentionality, demonstrating the significance of the Indian state in governing the informal sector. In her study on urban informality in Calcutta, Roy (2004: 159) considers informality as inhering in the state, "a structural informalization that comes to be systematized and institutionalized." She argues that it is the informalized state that allows the unceasing negotiation of land claims, but never the full resolution of such claims. To explain the durability of slums in Mumbai, Weinstein (2014) names the strategy of the state "supportive neglect," arguing that it is the low-cost solution that

squatting provided to the critical problem of housing shortage facing the growing industrial city that explains the state's willful ignorance of slum formation and proliferation. Using the case of Delhi, Ghertner (2015) questions conceptions of the Third World megacity that emphasize a lack of state control and spatial discipline. He focuses on the management of slums in Delhi and reveals that the state knows and directs its object through an aesthetic normativity, i.e., an attempt to transform Delhi into a world-class city.

Focusing on the intentionality and preferences of the state, both the general studies on urban informality and the specific ones on India provide nuanced understanding of the production, persistence, and governance of informality. However, this literature falls short in explaining why state intentionality and preferences are formed as such, and more importantly, why state preferences change over time. Building on the rich literature of state and state-society relations, I argue that it is the institutional structure of the state that limits state actors' choices and shapes their decisions, thus leading to different political decision about the informal sector. As the literature reveals, the state is not a unitary entity but a complex, fragmented system (Kohli 2012, 2004; Zhang 2013; Migdal, Kohli, and Shue 1994). In order to understand the construction of state intentionality, we need to first tease out the institutional structure of the state. In the following section, I examine the two major characteristics of the institutional structure of the India state and discuss their implications for urban governance.

Institutional Structure of the Indian State

The institutional structure of the Indian state has two major characteristics relevant to urban governance. First, the Indian state is fragmented along intergovernmental lines and has a limited downward reach. While state governments play the central role in urban policymaking

and implementation, the role of municipal governments is limited. Second, regional parties have become key political players in India and there is intense interparty competition. As important sources of political power and economic vitality, cities have increasingly become major stages of interparty competition over votes and resources. This section discusses the two characteristics of the institutional structure of the Indian state as well as their implications for India's urbanization and urban governance.

Intergovernmental Relations: Dominant States, Limited Municipalities

Intergovernmental relations, defined as the relations between the central and subnational levels of government, are an important variable in shaping municipal finance and the process of urbanization. India is a federalist country and decentralized in terms of policymaking and administration at the state level, but it lacks fiscal power and autonomy at the municipal level. Indian mayors are relatively weak compared to their counterparts in other parts of the Global South, such as China[2] and Brazil. The control over urban policymaking and implementation is primarily in the hands of the state governments.

As Kohli (2004) insightfully points out, basic patterns of state authority were often established well before state elites chose to intervene in their respective economies, especially during the colonial phase. The limited role of the local state has its root in the modern Indian state formation, which is a product of both colonial construction and nationalist modification. In the colonial era, the British rulers constantly imposed political centralization in India. After the

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[2] While China is a centralized state, municipal governments in China have a high level of autonomy. This is largely due to the fact that the selection of mayors is controlled by the Chinese Communist Party. All big city mayors are party members and hold important positions in the party. In other words, they are chosen and therefore trusted by the party. Meanwhile, besides the executive line, there is a party line in each municipality. The party boss have a more superior position than the mayor and controls the direction of urban policy. The two arrangements make it possible for the party state to devolve significant autonomy to municipal governments.

British Crown took over power from the East India Company in 1857, control of India was further centralized in London in the hands of the Secretary of State for India. An elite civil service was created to facilitate the centralized governance.

Despite the centralized control at the apex, the colonial state's downward reach to the local level was limited due to the ruling alliance between the colonizers and traditional Indian elite. To effectively govern a large country like India, the British needed local allies to wield influence and provide local knowledge, so that they adopted the strategy to ally with and strengthen the position of traditional Indian elites, including Indian princes, landlords, and other local notables. As long as the local elite were able to collect revenues or taxes and to maintain order within their domains, the British allowed them considerable latitude on their territories (Kohli 2004). The result was limited penetration of the colonial state. While the colonial state was autocratic and bureaucratic at the apex, state authority below the apex was fragmented into numerous despotic pockets of traditional rule.

India's nationalist movement of the 20th century successfully ended the colonial rule, but did not make fundamental change to the colonial state structure. The core of the state that the Indian National Congress (INC) inherited and maintained was essentially the colonial construct (Kohli 2004). Ironically, while the nationalist made demands to the British to decentralize state power during the colonial era, which was never permitted, they themselves shielded away from decentralization reform after came into power. Due to the lack of decentralization, urban local governments in India were considered creatures of the state government, which could extend or control their functions through executive decisions rather than legislation (Mathur 2007; Pethe 2011; Pethe et al. 2010). Most cities were governed, planned, and financed through line departments at the state level.

The autonomy of the local state in urban areas was formally enhanced by the 74th Amendments to the Indian Constitution of 1992 that established a third tier of government below the subnational level (Acolin, Chattaraj, and Wachter 2016). Following the 74th Amendment, the central government launched the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in 2005, as an effort to improve urban infrastructure along the line of decentralization. One of the mandatory reforms under the JNNURM is the implementation of the decentralization initiatives articulated in the 74th Amendment, in order to increase the responsibility and authority of elected municipal governments over urban planning and decision-making (Acolin, Chattaraj, and Wachter 2016; Mathur 2007).

Despite the formal legislative changes, the implementation of decentralization has been left to the discretion of state governments, and the situation varies from state to state. In general, there is little evidence that powers have been decentralized to municipal governments to a significant extent. Various studies show that, in major cities, the state government has consolidated rather than devolved powers over urban development and planning as control over urban land becomes increasingly important for political power and resources (Acolin, Chattaraj, and Wachter 2016; Mathur 2007; Chattaraj 2012). Municipalities still suffer from the short of autonomy, mainly responsible for the delivery of local services and local-level planning. Meanwhile, there is a significant level of overlap between state-level parastatal agencies and municipal governments in the area of urban planning and development. Such a system of urban governance, land-use control, and infrastructure development has been unable to meet the increased demand for housing and other infrastructure in the process of rapid urbanization (Acolin, Chattaraj, and Wachter 2016).

Similar to other Indian cities, Mumbai is governed by a complex multi-level governmental system and the autonomy of the municipal government is limited (Segbers 2007). The management of Mumbai is divided among three political bodies, including the Municipal Corporation of Greater Mumbai, the State of Maharashtra, and the government of India. The central government wields power over the city in terms of its financial powers and its overall economic planning structures through various Five Year Plans. The Municipal Corporation of Greater Mumbai has a long history in India, but its power is still limited to only certain administrative issues, including sanitation, sewerage, school education, and bus transport. On all key issues pertaining to the city, including economic development, land and housing, slum redevelopment, and law and order, the state government has the decisive power.

To exercise its power over the city, the state government has set up autonomous public-sector corporations. The most important ones include the Maharashtra Housing and Area Development Authority (MHADA) and Mumbai Metropolitan Region Development Authority (MMRDA). While the MHADA constructs houses in Mumbai and other cities in the region, the MMRDA has an overall planning role for the region, determining the form the city should assume into the future. Meanwhile, MMRDA is empowered to coordinate a number of projects such as the Mumbai Urban Infrastructure Project, the Mumbai Urban Transport Project, and the Backbay Reclamation area. The chairs of both authorities are appointed by the state government. In 1997, the Government of Maharashtra created the Slum Redevelopment Authority (SRA) as the central agency to lead slum redevelopment in Mumbai. As the following sections demonstrate, slum redevelopment in Mumbai in recent decades is largely shaped by the consolidation of state power over land development.

Multiparty System and Interparty Competition: Mobilizing the Grassroots

Intertwined with the structure of the fragmented state is the multiparty system and interparty competition. While the Congress Party ran the entire country in the first two decades after Independence, it started to decline in the late sixties and saw the rise of regional political parties. In today's India, there are seven national parties and 48 regional parties. The regional parties have become key political players in India and they are actively pursuing control over the state governments, which in turn increases the political centrality of states in Indian politics. In Maharashtra and Mumbai, the main competition is between the centrist Congress-I and the center-right Shiv Sena, a regional party. While the Congress-I and its coalition partners have been long in power at the state level, the Shiv Sena and its allies have usually led the administration in Mumbai (Mukhija 2016). As the following sections of the paper demonstrate, the interparty competition has largely shaped the policy of slum redevelopment in Mumbai.

One of the most important targets of interparty competition are voters. In order to achieve this goal, parties are making constant efforts to reach and mobilize constituency at the grassroots level. They mobilize voters through the reciprocal, yet asymmetric clientelistic relationship between politicians and citizens, in which votes are exchanged for goods, jobs, and protection. In studies on developing democracies across the globe, scholars have documented that political parties seek to mobilize the urban poor by providing them with patronage and social services (Thachil 2014; Calvo and Murillo 2004; Gonzalez-Ocantos et al. 2012; Nichter 2008; Stokes 2005). Chatterjee (2004) coined the term "political society" to describe the political relationship between most of the Indian inhabitants and governmental agencies pursuing multiple policies of security and welfare. While his work is mainly based on India, it provides insights to understand popular politics and governability in most of the world.

It is important to note that Indian political parties, especially regional parties, demonstrate a strong need and capability of mobilizing voters in the urban areas. Compared to rural population, urban population is characterized by higher levels of diversity and mobility. Hence, it is impossible for politicians to rely on stable social structures or groups, as they do in rural areas. On the other hand, due to the higher population density and more regulated spatial arrangement of urban areas, it is easier for politicians to reach out to local communities in the urban areas than the rural areas. These two conditions, as Auerbach (2013: 95-96) emphasizes, have both compelled and allowed parties to extend their reach deep into the neighborhoods, markets, and slums of the city.

In Mumbai, parties have a deep downward reach at the community level. As the rest of the paper shows, slum dwellers in Mumbai have become a major constituency in the state and city's competitive electoral politics. To attract votes, political parties invest time and effort in building partisan leadership in slums, incorporating slum leaders into the party machine, and providing patronage and infrastructural improvement to slum dwellers (Auerbach 2013: 92). These efforts lead to the stabilization and institutionalization of slums.

In sum, this section discusses the two major characteristics of the institutional structure of the Indian state, namely, the fragmented intergovernmental relations with the consolidation of state power and the rise of regional political parties and intense interparty competition in electoral politics. The characteristics have the following implications for the process of urbanization and urban governance. First, it is state governments instead of municipal governments that control the power of urban policy making and implementation. Despite the increased importance of cities in Indian economy and politics, urban areas are not the sole focus of state governments. Hence, this power arrangement may lead to a policy orientation that

deprioritizes urbanization and undermines the general interests of cities, thus preventing

sufficient urban infrastructural investment. Second, interparty competitions motivate politicians

to reach and mobilize voters at the grassroots level, thus may increase the interdependence

between parties and the urban poor whose needs cannot be met in the policy agenda that

deprioritize urbanization. Third, interparty competition and electoral policies may shape urban

policies and generate uncertainty in the trajectory of urbanization. The following sections

elaborate how the institutional structure of the India state has affected the proliferation and

governance of slums in Mumbai.

The Formation of Slums: A Policy Orientation to Deprioritize Urbanization

Large-scale slum proliferation is a complicated issue relevant to a variety of factors. The

scarcity of land, dictated by Mumbai's peculiar geography and heightened by the competition

from other economic activities, is one factor that has made formal housing unaffordable for most

Mumbaikars. However, the formation and proliferation of slums in Mumbai is primarily a

function of a series of restrictive rent control and land use policies that aim to constrain the pace,

scale, and density of urbanization. Unlike China where urbanization is one of its top priorities to

absorb surplus rural labor and ensure economic growth, India has only recently made

urbanization a priority on its development agenda, and there is still support in India to limit

urbanization.[3] For a long time, the general interests of the Indian cities had been overlooked and

marginalized by policymakers at the state level. As a reflection of the policy orientation that

deprioritizes urbanization, the restrictive rent control and land use policies effectively

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[3] There are different arguments why rural activities should be more favored than urbanization. See, for example,
Mishra (2013).

disincentivized the private sector in creating rental and affordable housing units in urban areas, thus pushing large numbers of urban inhabitants into the informal housing market.

Rent Control Policy: Dismantling the Rental Sector

One of the most important policies that have restricted the supply of affordable housing in Mumbai is the rent control policy. Rent control has been destructive for the housing market as it has led to the emergence of primarily only two types of housing: the first is expensive housing for the upper and upper middle class, and the other is slum housing for the majority of the urban population. The policy neglects inflation rates, does not provide incentives for maintenance of rental property, and fails to offer reasonable returns to landlords. As a result, there has been a lack of investment in rental housing market and severe dilapidation of existing rent-controlled units (Patel 2005, 2013). Rent control has exacerbated the problem of affordable housing, making it extremely difficult for middle- or low-income families to find housing options on the formal market.

Rent control was first introduced in India in the post-World War I era. While the initial goal of the policy is to protect the tenants from inflation and eviction, it does not take into account the conditions for the growth of a healthy rental market and its role in urbanization. It reflects that policy makers at the state level have largely overlooked the general interest of the city and lacked a long-term vision for urban development (Dev and Dey 2006). In 1947, the state passed the Bombay Rents, Hotel and Lodging House Rates Control Act (Bombay Rent Act of 1947). Under this Act, rents in rent-controlled properties were to remain at or below standard rents. These standard rents were either determined by the Court or the Controller or they were the rents at which properties were let on September 1, 1940. The Rent Control Act severely

restricted the growth rate of rents and provided minimal increases in rents even if landlords invest money to repairs and improve the units (MTSU 2015).

In 1999, the Maharashtra Rent Control Act was passed by the state government. It continued the terms of the 1947 Rent Control Act and applied them to the entire state (Gandhi et al. 2013). According to several detailed reports on the rent control policy created by the Department of Economics at the University of Mumbai, as of 2010, 19 percent of all properties in Mumbai were protected under rent control, and buildings for residential purposes accounted for 75 percent of total units (Gandhi et al. 2013). These restrictive policies discouraged landlords to construct rental housing. Meanwhile, neither the state nor the central government was able to provide sufficient affordable housing to urban residents. As a result, a large section of the population has been pushed out of the formal housing market forced into the informal housing sector.

Rent control in Mumbai has not only disincentivized the construction of new rental units, but also led to the deterioration of the existing rental housing units (Bertaud 2011). The deterioration is particularly salient in so-called cessed buildings. These buildings were mostly constructed before 1969, with many of them constructed before 1940, by private landowners as rental housing (Gandhi et al 2013). Since rent in these buildings has been freezing since 1947, landlords have little incentive to repair or maintain their properties. As a result, living conditions in these buildings deteriorated over years. To deal with the continuing dilapidation of rent controlled properties, the state government set up the Mumbai Building Repairs and Reconstruction Board. The duty of the Board is to collects a 'cess' (tax) from rents and use it to repair and improve the conditions of these buildings. However, the progress of renovation has been very slow. Most rent-controlled buildings continue to deteriorate (Gandhi et al. 2013).

Floor Space Index: The Effort to Control Urban Density

In order to control urban population growth, the Mumbai Development Plan began to control the density of built-up areas in the island city in 1964. However, urban planners and policy makers largely ignored the fact that population growth in cities is not dictated by building control regulations, but a function of economic opportunities. Without systematic public policies to provide affordable housing, slums began to proliferate in the city. In 1967, the concept of Floor Space Index (FSI) was formally introduced in Mumbai as a tool to control the tenement density (MTSU 2015). FSI is measured by the ratio of a building's total floor area to the size of the piece of land upon which it is built.

Under the impact of the FSI and other density control rules, developers are only interested in building large-sized tenements as these tenements allow them to make full use of permissible FSI and maximize profit. The Urban Land Ceiling and Regulation Act was passed in 1976. It puts several tracts of land under litigation and therefore further restricted the supply of large tracts of land for housing construction (MTSU 2015). Various studies show that these restrictive development policies have pushed the city's property value to constantly go higher and higher (Dowall 1992: 18; Mukhija 2016).

The above discussion reveals the housing shortage and large-scale slum proliferation in Mumbai are closely related to the restrictive rent and land development policies. Made in the institutional context of a fragmented state with limited local authority, these policies reflect the policy orientation at the state level that deprioritizes urbanization. The policies overlooked the general interests of the cities and lacked a long-term vision for urban growth. Paradoxically, while 5.2 million people live in slums, 0.318 million (16%) of the total 1.935 million housing units in Mumbai are unoccupied (Gandhi et al. 2013; MTSU 2015). A large number of city

residents are deprived of housing options on the formal market and forced to enter the informal

housing sector. As a former official of the Maharashtra Housing and Area Development

Authority put it, "The endless expansion of slums in Mumbai indicates a policy failure."[4]

The Stabilization of Slums: Party Politics in Action

The previous section demonstrates that the policy orientation to deprioritize urbanization,

as a result of the fragmented intergovernmental relations with limited municipal authority, led to

the employment of the rent control and restrictive land development policies, and these policies

play a critical role in the formation of slums. Following the discussion of the formation of

slums, this section explains the persistence of slums in Mumbai by highlighting the impact of

India's party politics. Specifically, it demonstrates how electoral politics stabilizes the existence

of slums by enhancing the physical conditions and organizational capacity of slums through

clientelism.

The rise of regional parties and interparty competition require politicians to mobilize

voters at the grassroots level. This feature of the institutional structure of the Indian state gives

slums an important place in India's electoral politics. Auerbach (2013: 97) explains the intimate

connections between slum dwellers and political parties as follows: "Slum dwellers are a key

demographic focus of political parties. Politicians know that effort in building a following in a

slum has far higher returns than in a secure, wealthier neighborhood. These latter areas already

have been provided basic infrastructure and services, and residents are less likely to be cajoled

by petty patronage." In other words, it is largely the votes of slum dwellers that determine who

wins the election. Slums have an especially important position at the state and municipal level

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[4] Interview with a former official of the Maharashtra Housing and Area Development Authority, January 8, 2016.

elections, where a locality's vote could be particularly influential in determining the outcomes of election.

To capture the votes of slum dwellers, politicians allow new settlements to arise and legalize illegal settlements wherever there has been a protest against eviction. For example, the decision in late 2001 to clear slums immediately adjacent to Mumbai's international airport was not implemented because of the effect it would have upon voting in the coming municipal elections in early 2002 (Sharma 2001). When a new slum emerges, the first thing politicians would do is to help slum dwellers register as voters.[5] Meanwhile, they periodically provide patronage to slum dwellers during election seasons. Patronage goods have two major forms: private and "more broad-based club goods" (Auerbach 2013: 94). Private goods are distributed to individuals and broadly include "money, liquor, jobs, pensions, or government ration cards," whereas club goods target at the entire settlement and include "roads, streetlights, sewer lines, piped water, and storm drains" (Auerbach 2013: 94).

Various studies show the strong connection between votes a slum offers and the development of the area. If a slum offers a politician more votes, it receives more infrastructural development and service in return (Auerbach 2016; Weinstein 2014; Srinivas 1955). Roy (2004: 149) provides detailed analysis of how the cadres of the dominant local Communist Party of India Marxist in Calcutta engaged in a constant search for new voters and new territories of support in squatter settlements. She argues that such a pattern implies a constant recharging of patronage, and not surprisingly, "before each major election, the colonies are treated to infrastructural improvements, such as the provision of qausi-legal electricity and the paving of roads." It is a regime created through the "coupling of party and state, the combining of informal

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[5] Interview with the president of Society for the Promotion of Area Resource Centers, January 9, 2016. Interview with slum dwellers in Mahila Milan Nagar, January 9, 2016.

party tactics of mobilization with the formal state apparatus of infrastructure provision" (Roy 2004: 149).

Besides the provision of infrastructural improvements during regular election seasons, the allocation of special funds is closely related to how slum dwellers caste their votes. The special funds include discretionary budgets at the municipal, state, and national levels, as well as resources provided by various slum development and poverty alleviation programs, such as the Basic Services for the Urban Poor, Jawaharlal Nehru National Urban Renewal Mission, and Rajiv Awas Yojana. As Auerbach (2013: 44) explained in his work, since the resources are scarce, it is important for elected representative and officials to prioritize some slums over others. The major criteria for allocating the funds are whether the slums can provide support to the politicians and officials.

In order to increase voter turnout, distribute patronage, and monitor the electoral behavior of residents, politicians need to build hierarchical organizational networks in slums (Hicken 2011; Kitschelt and Wilkinson 2007; Brusco et al. 2004; Calvo and Murillo 2004; Stokes 2005; Nichter 2008). These networks provide day-to-day connections between political parties and slum dwellers. In the process of interacting with politicians, some community members rise to the top as slum leaders and they bargain with politicians for development on behalf of the whole community. While the extension of party organizational networks is highly uneven across slum settlements in India (Auerbach 2016), the informal leadership serves two major functions. On the one hand, the social obligation pushes leaders into providing services and fighting for the improvement of the settlement, thus enhancing and stabilizing the physical conditions of the slums. On the other, the existence of the informal leadership increases the strength of the slums

in social mobilization and organization, and therefore stabilizing the social conditions of the slums.

This section demonstrates that party politics plays a critical role in the stabilization and institutionalization of slums. First, politicians granted slum dwellers the rights to stay and brought incremental improvement of their living conditions in order to garner votes. Second, the party networks in slums enhance the organizational capacity and social strength of slums. The political exchange between political parities and urban residents largely institutionalizes existing slums and provides incentives for the creation of new ones. While the arrangement may be considered as the Indian state's informal welfare provision, it cannot cover up the precarious and dangerous living conditions of slum dwellers, nor does it solve the problem of housing shortage in Mumbai.

Under the arrangement of political exchange, slum dwellers' "access to basic goods and services is mediated, conditional on political support, and brokered through complex, vertical networks of intermediaries and community leaders" (Auerbach 2013: 49). Roy (2004: 150) calls the governance model in slums "a regime reproduced through uncertainty." In other words, "the territorialized uncertainty of informality guarantees political obedience." It is right to argue that the lack of legal land title makes slum dwellers depend on politicians and political parties. However, the formalization of property rights does not prevent political parties from maintaining clientelistic connections with former slum dwellers. I will further elaborate this point in the next section on slum redevelopment.

The Redevelopment of Slums: A Battlefield of Political Interests

The previous two sections explained the formation and persistence of slums. The following section will investigate the processes and impacts of state intervention in slums. In Mumbai, the government's responses to slums have gone through several changes. This section discusses the changes in state intervention and their varied consequences, with a focus on the current project of slum redevelopment. It argues that, slum redevelopment is motivated by interparty competition and serves the purpose to increase political support and revenue. The project does not reduce former slum dwellers' dependency on political parties and patronage networks despite the formalization of property rights and service provision. Instead of improving socioeconomic equality among urban residents, the project of slum redevelopment creates new inequality and exclusion.

From Slum Clearance to Slum Upgrading

In the 1950s and 1960s, the initial government reaction was to clear slums and rehouse slum dwellers in subsidized rental housing in alternative locations. For instance, in 1956, the central government approved the Slum Clearance Plan, and Mumbai was one of the six pilot cities covered under this scheme (MTSU 2015). This approach did not succeed due to the shortage of resources to build and maintain housing stocks and the lack of political will to do so. Meanwhile, it was realized that slum dwellers contribute significantly to the local economy, so the government began to have a more tolerant attitude toward slums.

In the 1970s and 1980s, the government changed its approach from slum clearance to slum upgrading upgrade. The Slum Improvement Programmes were implemented under the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act. The approach of

the program is to provide basic services, primary health and education to slum dwellers. The

World Bank assisted project called Mumbai Urban Development Project (MUDP) was

implemented during 1985-1994. Besides upgrading the physical conditions of slums and

improving basic services, MUDP offered a thirty-year renewable leasehold tenure to the Co-

operative Housing Societies (CHS) of slum dwellers on cost recovery basis (Mukhija 2016;

MTSU 2015). Despite the innovative nature of the programs, the scale of the programs at this

stage remained limited and did not prevent slum proliferation.

Slum Redevelopment

After the previous two phases of slum clearance and slum upgrading, the state

government initiated a more radical approach of slum redevelopment, which was significantly

motivated by interparty competition. Mukhija (2016) provides a detailed account of how

interparty competition affected the approach of slum redevelopment in Mumbai. In the election

of the Maharashtra state assembly in 1990, the Shiv Sena's leader made an election promise that

if his party won the election it would provide "free housing" to Mumbai's slum dwellers. While

the Shiv Sena lost the election to an alliance led by the Congress-I, its campaign promise

significantly influenced the new state government led by the Congress-I. The state government

introduced a market-driven model in 1992 and invited private developers to redevelop the city's

slums. Slum dwellers needed to pay a part of the construction cost in order to be resettled. The

government also placed a cap on developers' profit. The project was not fully implemented

before it was replaced by the current model of slum redevelopment.

In 1995, the Shiv Sena won the Maharashtra state assembly elections for the first time,

and started to implement its plan of slum redevelopment. Under the new redevelopment scheme,

private developers can purchase slum land from the government at a relatively low price —

25 percent of the fair market value of the land. The cap on profit was removed. The

Government of Maharashtra created the Slum Redevelopment Authority (SRA) in 1997, as the

agency responsible for evaluating and approving slum redevelopment proposals submitted by

developers. The chief minister of Maharashtra is the chairperson of SRA.

According to the model, the developer must obtain the consent of 70 percent of the slum

dwellers in the community to start the redevelopment. After purchasing the slum land and

obtaining the consent of slum dwellers, the developer will clear the land and rehouse the eligible

slum dwellers free of cost in multistory-building tenements of 269 square feet (upgraded from

225 square feet) carpet area per household. Only slum dwellers who have documents to prove

that they have been living in the slum prior to the cut-off date of January 1, 2000, are eligible for

the free housing.[6]

The rehabilitation buildings are on a part of the land occupied by the slum. This kind of

in-situ arrangement is due to the fact that politicians do not want to lose their "vote banks" after

slum redevelopment.[7] The previous section introduced Roy's (2004: 150) argument that "the

territorialized uncertainty of informality guarantees political obedience." However, politicians

managed to maintain former slum dwellers' political obedience through the in-situ arrangement.

As the rest of the section shows, clientelistic relations are still active in the communities after

slum redevelopment, even though redevelopment brings the formalization of property rights and

services.

Besides providing in-situ relocation housing to slum dwellers for free, the developer has

to deposit 20,000 rupees per tenement as maintenance deposit to the Co-operative Housing

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[6] The original cut-off date was January 1, 1995. It was later extended to January 1, 2000.
[7] Interview with the chief of Social Development Cell, Mumbai Metropolitan Region Development Authority,
January 5, 2016.

Societies of the slum dwellers. The residents are not allowed to transfer the free housing in ten

years (Mukhija 2016; MTSU 2015). In return, the developer can construct market-rate housing

on the rest of the slum land and sell them, which not only recovers the cost but can results in

high profits. A developer reveals the profit rate of slum redevelopment can be as high as 200

percent.[8]

Through this model, some of Mumbai's most prominent real estate development projects

have been built on former slum land. One of the most high-profile examples are Imperial

Towers, a twin-tower luxury residential skyscraper complex in Tardeo, South Mumbai.

Designed by Mumbai architect Hafeez Contractor as his most recognizable project, the Imperial

Towers are among the tallest buildings in Mumbai and one of the most expensive real estate

projects in India. Inaugurated in 2010, the towers were built on former slum land where the

current model of slum redevelopment was first put into large-scale practice. While the twin

towers are built on the same lot as the rehabilitation building, there are completely separate

entrances to get even close to the two different properties, divided by a wall. On the wall of the

hallway right outside the management office prints the words of Angelo Bonati, CEO of luxury

Swiss watch brand Panerai, "Luxury is attention to detail, originality, exclusivity, and above all

quality." The average size of a unit in the Imperial Towers is 4,000 square feet at a price of 3-5

million US dollars. According to the property manager, most units are sold out.[9]

Even after slum redevelopment, clientelism still plays a critical role for residents to have

their needs met in terms of infrastructural development and service provision. This is facilitated

by the fact that the rehabilitation of slum dwellers is in-situ, so that their clientelistic relations

with the local politicians are maintained. During my fieldwork in Mumbai in January 2016, I

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[8] Interview with a Mumbai-based developer, January 7, 2016.
[9] Interview with the manager of Sales and Marketing, Shapoorji Pallonji Group, January 13, 2016.

went to a rehabilitation building with an engineer of SRA and his assistant. They made the visit because they received phone calls from the party leader of the area about the problem of water leakage in the building. When we arrived, a party worker was already there waiting with many residents. He apparently played the role of a leader among the crowds. He took us into three units, explained the problem to us, and urged the SRA officials to solve the problem as soon as possible.

After the visit, the engineer revealed to me that they would have not come to the building so promptly if the party leader had not called their office.[10] While the clientelistic relations between politicians and slum dwellers in India are well documented in a rich body of literature (Auerbach 2013: 45; Roy 2004; Weinstein 2014), the telling aspect of the story is that such relations have remained even after slum redevelopment. Despite the fact that slum redevelopment leads to the formalization of property rights and service provision, it does not reduce the political dependency of former slum dwellers to political parties. This raises serious questions about the model of slum redevelopment and its impact on inequality.

The market-dominant model of slum redevelopment has several problems. First, the direct negotiation between slum dwellers and developers often leads to rent seeking and vicious competition between developers. Second, the model does not provide specific standards on the quality of rehabilitation buildings. Much discretion is left to developers. Some rehabilitation buildings are designed and constructed in a way that compromises the living standards of inhabitants and are becoming "vertical slums." This problem, as the previous paragraph shows, reinforces former slum dwellers' impendence on politicians. Third, because of the cut-off date for eligibility of rehabilitation, the ineligible population is left with no option but to stay in unauthorized manner in slums. Many of them have to settle in a new slum after their previous

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[10] Interview with an engineer of SRA, January 13, 2016.

slum is demolished by the government. Fourth, the model provides free housing to slum

dwellers, and developers have to load the cost of rehabilitation on the saleable component. Such

an approach does not encourage the construction of housing at various price levels and ultimately

leads to the increase of housing prices on the formal market. Fifth, the model is built on market

return, so that slums that are not financially attractive are left behind. Some developers

suggested that nearly fifty percent of the slums, i.e. most of the remaining slums in the city, may

not be financially feasible at all for redevelopment.

The process of slum redevelopment is slow and fraught with conflicts. In the past two

decades, 0.15 million tenements have been rehabilitated in this model, against the target of 1

million in the first decade. Another 0.12 million tenements have been approved for rehabilitation,

but construction is yet to begin (MTSU 2015). In an interview with the chief executive officer of

SRA, he reveals that SRA will expedite the process by giving slum dwellers an ultimatum to

select a developer to work with. If they fail to do so before the required date, SRA would

designate a developer for the community in order to speed up redevelopment.[11] A major

mechanism to protect the interest of slum dwellers in the process of redevelopment is the

requirement of their consent in order to start the project. By depriving them the opportunity to

approve or reject redevelopment proposals, the plan may undermine the interest of slum dwellers

and cause more contention in the process of redevelopment.

Conclusion

Through the case study of the informal housing sector in Mumbai, the paper demonstrates

that the institutional structure of the state is deeply consequential for the trajectory of

urbanization and mode of urban governance. In Mumbai, the fragmented intergovernmental

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[11] Interview with the chief executive officer of SRA, January 11, 2016.

relations and limited power of the municipal governments not only leads to insufficient investment in urban infrastructure and housing but also creates a policy orientation that deprioritizes urbanization, which led to the creation of a series of restrictive land development policies. These policies dismantled the rental market and disincentivized the private sector in housing construction, thus pushing a large number of the urban residents into the informal housing market and causing the proliferation of slums. The rise of the regional political parties and intense interparty competition, on the other hand, motivate politicians to mobilize voters at the grassroots level, thus strengthening the interdependence between parties and slum dwellers. By offering slum dwellers infrastructural improvements and building informal leadership in the communities in exchange for votes, political parties help stabilize and institutionalize the slums. Meanwhile, the consolidation of state power over land development and the interparty competition has significantly shaped the programs of slum redevelopment, turning them into tools for politicians to garner continuing political support and increase revenue.

The paper contributes to the study of urban informality is two major ways. First, it provides a theoretical framework for understanding the role of the state in the production and governance of informality. It reveals that it is not the incapability or inefficiency of the state, but the rational choice of the state to reserve the informal settlements as they serve the interests and preferences of political actors. More importantly, and different from most existing studies on urban informality, the paper teases out the institutional structure of the state and demonstrates how the form of state authority shapes the intentionality of state actors and in turn affect the policy decisions about the informal sector. Second, building on the understanding of the intricate relations between the state and the informal sector, the paper challenges the dichotomy between the formal and the informal. It suggests that informality has become the new normal in emerging

cities, and that urban policy should reflect this notion in order to create more livable and inclusive cities. These findings not only contribute to our understanding of the proliferation and persistence of slums in Mumbai, but also illuminate the factors underlying the informal urbanization in the rest of India and other developing countries.

The Government of Maharashtra has set a goal to make Mumbai slum-free by 2022. This is an ambitious goal given the current pace of slum redevelopment. What is more important than the pace of intervention are the motivation and approach of intervention. In Mumbai, slum redevelopment is motivated by interparty competition and serves the purpose to increase political support and revenue. The project does not reduce former slum dwellers' dependency on political parties and patronage networks despite the formalization of property rights and service provision; hence, it creates a symbolic formalization. Smith (2002) argues that the urbanization of neoliberalism is a process of gentrification, a revalorization of devalorized spaces. Mumbai's slum redevelopment is a good case in point to demonstrate this point. Through the redistribution of land and housing, the project can potentially reduce the high socioeconomic inequality in the society. However, as the paper shows, the project does not reduce inequality or enhance political independency of slum dwellers. Instead, it creates new inequality and exclusion.

The following policy recommendations can be made in order to improve the process and outcomes of slum redevelopment in Mumbai. First, to streamline the process of slum redevelopment and guarantee the quality of rehabilitation units, the SRA should act as a planner, facilitator, and anchor, not nearly as an approving authority that completely takes backseat in the process. Second, under the current model of slum redevelopment, the housing stock being created in the market outside of the rehabilitation component is mostly in the luxury or high-cost segment, which is not catering to the demand for affordable housing of the low- and middle-

income groups of the population. The government should more systematically create housing stock for low- and middle-income groups. Third, the current regressive rent control policy has prohibited private landowners from creating more rental housing or investing in repairing and maintaining existing rental units. The government must create an enabling environment to revitalize the Mumbai rental market, both private and public. Fourth, it is critical to empower the municipal government in slum redevelopment. While the vision and support of the national and state governments are important in regional and metropolitan development, to streamline the governance structure and enhance the autonomy of the local state is indispensible for improving the quality of land development, housing, and other urban policy issues in Mumbai as well as other Indian cities.

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