

**Resetting public policy?  
Democracies, Dictatorships, and Policy Change**

by  
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Submitted to the Department of Political Science  
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**Abstract**

Despite regime transitions raising expectations of policy change, the empirical evidence linking regime type and policy is not conclusive and transitions from authoritarianism to democracy—and vice versa—often fail to lead to policy change. In part, such inconclusiveness and mixed outcomes reflect the use of varying measures and econometric techniques. However, they also reflect a lack of theoretical clarity regarding the mechanisms that link regime type and policy and how they operate in specific contexts. I claim that the heterogeneous effect of regime type changes on policy depends on 1) how the space for contestation changes with a given regime transition; and 2) how visible a policy is – or becomes. The combination of these two factors determines which mechanisms linking regime type to policy are likely to get triggered and affect the evolution of policy, as well as how that happens.

I support these claims by an in-depth comparative historical analysis of the evolution of housing and financial policy across regime types in Argentina and Brazil since the 1960s. Using extensive archival resources, public records, historical media, and interviews with key actors, I study policymaking across authoritarian and democratic regimes that differed in terms of their space for contestation, analyzing the mechanisms through which changes in such space affect policy areas with different levels of visibility.

I advance a nuanced understanding of the relationship between regime type and policy and, especially, of the conditions and ways in which policy change takes place—or not—following a change in regime type. I contribute to our empirical knowledge of policymaking under authoritarian regimes and to our theoretical understanding of how, and under which conditions, these different causal mechanisms operate. Such understanding is necessary to refine our theoretical expectations and articulate our empirical findings. It also helps us in implementing desired policies, identifying the potential policy threats of democratic backsliding, and recognizing the potentials and limits of democratization. Such recognition will enable us to promote the achievement of those potentials and to value the benefits democracy brings, even if they do not include all our ideal policy outputs.

Thesis Supervisor: Ben Ross Schneider

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## Table of Contents

<b>Abbreviations and translations</b>	<b>7</b>
<b>Acknowledgements</b>	<b>9</b>
<b>Chapter 1 Regime type change and policy change</b>	<b>11</b>
<b>The argument in brief</b>	<b>12</b>
<b>The mechanisms linking regime type and policy</b>	<b>14</b>
Mechanisms and regime types	14
Mechanisms and policy areas	17
<b>Methodological design</b>	<b>18</b>
<b>Democracies, dictatorships, and policy change</b>	<b>20</b>
<b>Chapter 2 Democracies, dictatorships, and policy change</b>	<b>23</b>
<b>Why can't we agree?</b>	<b>23</b>
<b>Linking regime type and policy</b>	<b>27</b>
<b>The argument</b>	<b>31</b>
What's in a regime?	34
To see or not to see	37
Some achieve change	40
<b>Cases and methodology</b>	<b>40</b>
Country cases	41
Policy areas	41
Data sources	44
<b>Chapter 3 Space for contestation across regime types in Argentina and Brazil</b>	<b>47</b>
<b>Checks and balances</b>	<b>49</b>
<b>Interest groups' lobbying</b>	<b>54</b>
<b>Elections and electoral accountability</b>	<b>57</b>
<b>Political competition</b>	<b>58</b>
<b>Social mobilization</b>	<b>61</b>

<b>Freedom of the press</b>	<b>64</b>
<b>Space for contestation across regime types</b>	<b>68</b>
<b>Chapter 4 High visibility: the role of elections, competition, and mobilization</b>	<b>71</b>
<b>Urban leases</b>	<b>72</b>
Permanent exceptions	72
Restricting the space for contestation	74
Balancing acts in open contexts	81
<b>Informal settlements and social housing</b>	<b>85</b>
Modernizing in constrained contexts	87
Informal settlements in the Argentinean democracy	95
Argentina's National Housing Fund: who pays for social housing?	96
Popular movements and tenure security in Brazil	99
<b>Conclusion</b>	<b>101</b>
<b>Chapter 5 Low visibility: all (interest groups) welcome</b>	<b>103</b>
<b>When the space for contestation decreases</b>	<b>105</b>
Argentina's small revolution	106
The Brazilian revolution and banking reform	110
<b>When the space for contestation increases</b>	<b>115</b>
Small changes	116
Slow changes	121
Show time? Financial policy in the Brazilian Constituent Assembly	122
Attempting change	125
<b>Conclusion</b>	<b>127</b>
<b>Chapter 6 If there is a lot of screaming: economic crises, mobilization and change</b>	<b>128</b>
<b>Patching the way</b>	<b>129</b>
Argentina: rescuing the canary's lettuce?	129
Brazil: keeping the banks in line	134

<b>Visible banking</b>	<b>135</b>
Housing-oriented banks	136
Guarantee of deposits	143
<b>Conclusion</b>	<b>147</b>
<b>Chapter 7 Great expectations, great disappointments?</b>	<b>149</b>
<b>Limits, potentials and extensions</b>	<b>152</b>
<b>Dealing with great expectations</b>	<b>155</b>
<b>References</b>	<b>157</b>
<b>Methodological Appendix Researching policymaking in the time of Coronavirus</b>	<b>171</b>
<b>Archival collections</b>	<b>172</b>
Historical Archives	173
Congressional Archives	175
Public Records	176
Electoral Platforms	177
<b>Historical Media</b>	<b>178</b>
<b>Interviews</b>	<b>179</b>
Who to interview?	179
What to ask?	181
How to interview?	181
When interviewing is not possible	181
<b>References from the Appendix</b>	<b>182</b>
<b>List of Sources</b>	<b>183</b>
Archival collections	183
Media	184
Interviewees' list	186

## Abbreviations and translations

### Abbreviations

ARENA	Aliança Renovadora Nacional	National Renewal Alliance
Asbace	Associação Brasileira de Bancos Estaduais	Brazilian Association of State Banks
ADEBA	Asociación de Bancos Argentinos	Association of Argentinean Banks
ABRA	Asociación de Bancos de la República Argentina	Association of Banks of the Argentinean Republic
ABAPRA	Asociación de Bancos de Provincia de la República Argentina	Association of Provincial Banks for the Argentinean Republic
ABIRA	Asociación de Bancos del Interior de la República Argentina	Association of Banks from the Interior of the Argentine Republic
ADEPA	Asociación de Entidades Periodísticas Argentinas	Association of Argentinean Journalistic Organizations
ABADI	Associação Brasileira das Administradoras de Imóveis	Brazilian Association of Commercial Banks
BCRA	Banco Central de la República Argentina	Central Bank (Argentina)
BACEN	Banco Central do Brasil	Central Bank (Brazil)
BHN	Banco Hipotecario Nacional	National Mortgage Bank
BNDE	Banco Nacional do Desenvolvimento Econômico	Nacional Bank of Economic Development
BNH	Banco Nacional da Habitação	National Housing Bank
CACF	Cámara Argentina de Compañías Financieras	Argentinean Chamber of Finance Agencies
CAC	Cámara Argentina de la Construcción	Chamber of Associations of Credit for Consumption
CAVERA	Cámara de la Vivienda Económica de la República Argentina	Chamber of Affordable Housing of the Argentinean Republic
CAL	Comisión de Asesoramiento Legislativo	Legislative Advisory Commission
CNCB	Comisión Nacional de Casas Baratas	National Commission of Affordable Houses
CGE	Confederación General Económica	General Economic Confederation
CGT	Confederación General del Trabajo	General Confederation of Labor
CONASE	Consejo Nacional de Seguridad	National Security Council
CMN	Conselho Monetário Nacional	National Monetary Council
ESG	Escola Superior de Guerra	War College
FAFEG	Federação das Associações de Favelas do Estado de Guanabara	Federation of Informal Settlements Associations of the Guanabara State
FONAVI	Fondo Nacional de la Vivienda	National Housing Fund
FGTS	Fundo de Garantia por Tempo de Serviço	Severance Pay Fund
IBAD	Instituto Brasileiro de Ação Democrática	Brazilian Institute for Democratic Action
IPES	Instituto de Pesquisas e Estudos Sociais	Institute for Social Research and Studies
UNUAR	Junta Coordinadora de la Unión Inmobiliaria Argentina	Coordinating Board of the Argentinean Real Estate Union
MDB	Movimento Democrático Brasileiro	Brazilian Democratic Movement
PTB	Partido Trabalhista Brasileiro	Brazilian Labor Party
PJ	Partido Justicialista	Justicialist Party
Proceso	Proceso de Reorganización Nacional	National Reorganization Process
SIN	Serviço Nacional de Informações	National Information Service
SIP	Sociedad Interamericana de Prensa	Interamerican Press Association
SUMOC	Superintendencia da Moeda e do Crédito	Bureau of Currency and Credit

UOCRA	Unión Obrera de la Construcción de la República Argentina	Construction Workers Union
UCR	Unión Cívica Radical	Radical Civil Union
UIA	Unión Industrial Argentina	Argentinean Industrial Union
UNAIP	União Nacional dos Adquirentes de Imóveis Financiados	National Association of Acquirers of Financed Real State

## Translations

Asociación Argentina de Arquitectos	Argentinean Association of Architects
Associação Comercial de São Paulo	São Paulo's Commerce Association
Banco Nación de la República Argentina	Argentinean National Bank
Cámara Inmobiliaria Argentina	Argentinean Real Estate Chamber
Conselho Nacional de Economia	National Economic Council
Coordenação Geral dos Mutuários	General Debtors Coordinator
Equipo pastoral de villas	Settlements Pastoral Team
Federación de Bancos Cooperativos	Federation of Cooperative Banks
Frente Brasil Popular	Brazilian Popular Front
Frente Villero	Settlements Front
Fundação da Casa Popular	Popular House Foundation
Instituto Nacional de Asociativismo y Economía Social	National Associativism and Social Economy Institute
Movimento Nacional pela Reforma Urbana	National Movement for Urban Reform
Movimiento Villero Peronista	Peronist Settlements Movement
Partido Demócrata Cristiano	Christian Democratic Party
Partido Socialista Democrático	Socialist Democratic Party
Presidencia de la Nación	National Presidency
Revolución Argentina	Argentine Revolution
Sindicato dos Bancos do Rio de Janeiro	Banking Association of Rio de Janeiro



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## Chapter 1

### Regime type change and policy change

*With democracy we eat, with democracy we educate, with democracy we cure.*<sup>1</sup>

Raúl Alfonsín, Argentinean president (1983-1989), 1983

*Democracy is a central goal for the people. It is a prerequisite for achieving a society with greater justice, balance, and solidarity.*

Luiz Inácio Lula da Silva, presidential candidate *Frente Brasil Popular*, 1989

Democratization has many times been thought to radically transform the political game, leading to reduced inequality, improved provision of public goods, and policies that better align with citizens' preferences. As the two quotes that open this chapter show, this was the case when Argentina and Brazil got democratized in the 80s: the nascent democracy was seen as promising better public goods and a fairer society. This association between democracy and a wide range of mostly positive outcomes has also been made by many scholars.<sup>2</sup> Cross-country studies have shown an association between democracy and lower infant mortality rates (McGuire 2020), higher public good provision (Deacon 2009; Kammas and Sarantides 2019), and higher economic growth (Acemoglu et al. 2018), while expansions of the franchise have been associated with predictable changes in public policy (Aidt and Dallah 2008; Fujiwara 2015). The level to which democracy meets the expectations, needs, and demands of citizens has even been included as an indicator of the quality of such regime (Diamond and Morlino 2005). On the other hand, authoritarian regimes had been associated with decreases in social spending (Huber, Mustillo, and Stephens 2008) and faster policy reforms (Weyland 2002).

However, the empirical evidence linking regime type and policy is not conclusive, and transitions from authoritarianism to democracy—and vice versa—often fail to lead to policy changes. The sources of such inconclusiveness and apparently puzzling outcomes are both methodological and theoretical and challenge the possibility of accumulating meaningful knowledge on the relationship between regime type and policy. In terms of methodology, one issue is the use of different proxies to measure regime types. Different measures capture different dimensions of the underlying concept of democracy and, thus, which measure we chose can affect what we find in our empirical analysis. Similarly, different proxies had been used to measure policy outputs and outcomes, which are not necessarily related to regime types in the same

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<sup>1</sup> Unless otherwise noted, all translations from Spanish and Portuguese are my own. I thank Emiliano Falcon-Morano for his guidance in translating legal terms.

<sup>2</sup> For a review see Carbone (2009).

way. Lastly, the use of different econometric techniques has been shown to affect the results of cross-national studies comparing democratic and authoritarian regimes. More fundamentally, though, the inconclusiveness in the literature linking regime type and policy reflects a theoretical issue: a lack of theoretical clarity on the ways in which regime types can affect policy. What are we trying to capture when we include a variable in our regression “controlling for” regime type? Which causal mechanisms link regime type with public policy? Under what conditions should we expect policy change after a regime type change? Is change more likely in some policy areas than in others?

### The argument in brief

To account for the heterogeneous effect of regime type changes on policy, we must pay attention to the mechanisms linking regime type and policy. More specifically, we need to specify the characteristics of the policymaking process across different policy areas, and how —and to what extent— this process is affected by regime type transitions. I argue that two main factors determine the evolution of policy following a regime type change. These factors are 1) how the *space for contestation* over policy changes with such regime change; and 2) the level of *visibility* of a policy. The combination of these two factors determines whether and how policy change might occur following a change in regime type. Figure 1 graphically summarizes the argument.

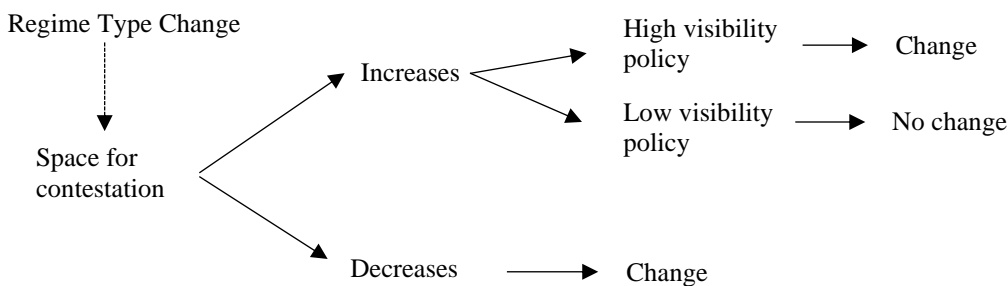


Figure 1- Simplified graphical representation of the overall argument

Changes in the space for contestation matter because they determine how, and to what extent, the policymaking process will be affected by a change in regime type. Regime transitions, either from or to democracy, create expectations of policy change. However, such expectations are not always met. In fact, a change in regime type will only lead to policy change if it implies a change in the space for contestation and, thus, in the policymaking process. The space for contestation, in turn, can vary across different dimensions, such as political competition and social mobilization. How, if at all, a policy area is affected by a regime type change, thus, depends on how each of these dimensions varies with that regime type

change. Building on existing literature,<sup>3</sup> I argue that the space for contestation can expand or become constrained through six separate dimensions. These dimensions are 1) electoral accountability; 2) political competition; 3) social mobilization; 4) interest groups' lobbying; 5) checks and balances; and 6) freedom of the press and information availability. Thinking in terms of changes in the space for contestation allows us to simultaneously evaluate the different mechanisms commonly used to link regime type with policy and to clarify the conditions under which regime transitions conduce to policy change.

Policy change will be more likely to happen the more such space for contestation expands or constrains. Moreover, the effects of such a change across policy areas will be heterogenous depending on the level of visibility of the policy area under examination. When a regime type change takes place, some mechanisms linking regime type and policy are likely to get triggered, but not others. Which ones get triggered depends on the dimensions of the space for contestation that changes. Some of those mechanisms, such as electoral accountability and political competition, only operate on policy areas with high enough levels of visibility. Thus, changes in the space for contestation triggering these mechanisms are only likely to affect policies that are visible enough to ample segments of the population. On the contrary, other mechanisms, such as those associated with interest groups' lobbying, can affect policy in low visibility areas as well. Thus, even when the changes in the regime characteristics brought by a regime transition are held constant, the policymaking process for different policy areas will depend on their level of visibility.

Therefore, following a regime type transition, change in policy will only be likely if the space for contestation significantly changes and it will be more likely if the change in the space for contestation over policy is considerable. However, such a change will not affect all policy areas in the same way: when the regime transition increases the space for contestation and, thus, the range of actors that can take part in policymaking—typically during a democratization process—, change will be more likely to happen in high visibility areas. However, if the transition decreases the range of actors, for instance, shrinking the space for contestation by curbing mobilization during a democratic backsliding or after a *coup d'état*, change favoring concentrated interests can take place even in high visible policy areas. Thus, to assess how likely policy change is following a regime transition, it is crucial to consider both how policymaking changes during that specific transition and the specific characteristics of each policy area. This will allow us to predict and explain when, and how, policy will change as a result of a regime transition.

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<sup>3</sup> I further develop the concept of space for contestation in Chapter 2. I build it on the requirements for contestation proposed by Dahl (1971) and incorporate the dimension of social mobilization, which is a key part of contestation in the Jouxenel's (1966) article that Dahl identifies as the source of his idea of contestation (Dahl 1971, 9).

### **The mechanisms linking regime type and policy**

Regime transitions had been associated with policy changes. However, democratizations might not always “reset” the political game (Albertus and Menaldo 2018): the cross-national evidence linking regime type and policy is far from conclusive (Doces and Magee 2015; Haggard and Kaufman 1995; Ross 2006; Truex 2017) and transitions from authoritarianism to democracy often fail to lead to policy changes (Castiglioni 2005; Htun 2003; Schmitter 2010; Weyland 1996). At least three factors explain such inconclusiveness. One factor is the use of different measures of democracy; different measures capture different dimensions of the underlying concept of democracy and thus the choice of measure can affect the results we get (Bollen and Jackman 1985; Cheibub, Gandhi, and Vreeland 2010). For instance, Cheibub et al. (2010) show that the statistical association between regime transitions and economic growth and between regime type and the likelihood of civil war change when using their measure of democracy instead of that from the Polity Project.

Similarly, different proxies had been used to measure policy outputs, and they have yielded different results. For instance, some works are based on studying the implementation of social plans, while others use measures to capture social spending or the effective coverage of those plans (Carbone and Pellegata 2017; Garay and Simison 2021). Lastly, the use of different econometric techniques has been shown to affect the results of cross-national studies comparing democratic and authoritarian regimes (Acemoglu et al. 2018; Truex 2017). However, the inconclusiveness of the literature linking regime type and policy also reflects a lack of theoretical clarity on the ways in which regime change might be expected to affect policy.

### Mechanisms and regime types

The rich literature on regime type and policy uses —implicitly or explicitly— a variety of mechanisms to link regime type and policy. I claim that those mechanisms can be grouped around six dimensions of the space for contestation: 1) electoral accountability; 2) political competition; 3) social mobilization; 4) interest groups’ lobbying; 5) checks and balances; and 6) freedom of the press and information availability. Thus, which of these mechanisms gets triggered when a regime type change takes place depends on the dimensions through which the space for contestation changes.

Most commonly, regime type and policy are linked through the dimension of **electoral accountability**. The mechanics related to electoral accountability are based on the idea that elections give “voice” to the poor to reward or penalize the government (Orenstein 2008; Ross 2006; Sen 1981). Thus, elections provide politicians with incentives to implement more redistributive policies and provide more and better public goods (Boix 2003; Brown and Hunter 2004; Ross 2006). Even if the dimension of electoral accountability has usually been associated with democratic regimes, many authoritarian leaders are also

subjected to elections, which can shape policy and create incentives for autocratic regimes to address citizen demands even without electoral competition (Lueders 2021; Miller 2015). Furthermore, democracies can also operate at low levels of accountability (Schendler 2015). The mere presence of elections, thus, might not be enough. The quality of those elections matter (Wang, Mechkova, and Andersson 2019) and elections might need to be combined with other dimensions of the space for contestation, such as political competition, in order to have the hypothesized effects on policy (Carbone 2012). However, these dimensions of the space for contestation might not vary to the same extent when a change in regime type takes place.

The mechanisms linking regime type and policy can also be associated with the dimension of **political competition**. Political competition, and the potential alternation in power it brings, has been theorized to increase responsiveness — making leaders more accountable to the citizenry (Carbone and Pellegata 2017; Gerring, Thacker, and Alfaro 2012; Kudamatsu 2012). Political competition is closely associated with democracies, being in many cases a core part of the definition of the concept. However, the extent to which political competition is present varies across democratic countries and political competition can also be consequential in the absence of democracy.

The dimension of **social mobilization**, which allows the translation of individual preferences into collective pressures on the government, is the central element in another set of proposed mechanisms linking regime type and policy. Most of these mechanisms rely on the fact that democracy normally lowers the costs of organizing collective action and creates opportunities for citizens to organize and advocate for their interests (Touchton, Sugiyama, and Wampler 2017). However, even if costlier and less common, mobilization also takes place, to varying degrees, in different authoritarian regimes (Hellmeier and Weidmann 2020; Slantchev and Matush 2020).

Other group of mechanisms is related to the dimension of the space for contestation dealing with **interest groups' lobbying**. Despite the influence of interest groups' lobbying having been mainly studied in democratic contexts, empirical works show it can be relevant and consequential in authoritarian regimes as well (Bonvecchi and Simison 2017b; Biglaiser 1999; Grömping and Teets 2021; Steinberg and Shih 2012). Moreover, public officials regardless of regime types require technical information on policy usually held by interest groups, which makes those groups relevant for policymaking (Hanegraaff and De Bruycker 2021; Hecló 1978).

Another set of mechanisms is associated with the dimension of **checks and balances** and veto players of the space for contestation. Veto players are actors whose agreement is required for a change in the status quo (Tsebelis 2002). Thus, policy change will be easier the lower the number of veto players. Authoritarian regimes tend to have lower numbers of veto players, but this relation is far from perfect and wide variation exists within regime types (Bueno de Mesquita et al. 2003). In fact, some democracies, like

Westminster style parliamentary regimes, normally have fewer veto players than some authoritarian regimes, like the last Argentinean dictatorship.

The dimension of **freedom of the press** and information availability is central for many other mechanisms linking regime type and policy. Most of the time, this dimension is expected to be more relevant in democratic contexts and it is hypothesized to play a role in conjunction with elections, political competition, and social mobilization (Adolf 2011; Brown and Hunter 2004; Lawson 2002; Touchton, Sugiyama, and Wampler 2017). A free press and more freedom of movement and communication in democracies might also mean that democracies can spread information from poor and remote areas to the center government better, faster, and further, which in turn can affect policy decisions (Sen 2000). In contrast, authoritarian regimes have been associated with press control and the distribution of inaccurate or incomplete information, and overall less transparency of the policymaking process (Barros 2016; Trinh 2022). However, there is significant variation in the level of freedom of the press across authoritarian regimes (Egorov, Guriev, and Sonin 2009) and even over time in some of them. Moreover, many authoritarian regimes have developed their own strategies to generate, gather, and distribute information, including making use of the press with such goal (Egorov, Guriev, and Sonin 2009; Manion 2016; Truex 2016).

Thus, when a change of regime type takes place, which mechanisms linking regime type and policy—if any—are likely to get triggered depend on the dimensions through which the space for contestation is either expanded or constrained. For instance, when the space for contestation was expanded in Argentina in 1983 and elections were reintroduced after a military regime in which all elections were suspended, the mechanisms linking regime type and policy associated with electoral accountability became relevant again and likely to bring about policy change. In the Brazilian case, electoral accountability remained a relevant mechanism affecting policy even when the space for contestation was constrained during the military regime. Thus, the expansion of the space for contestation with democratization did not affect policy as much through the mechanisms associated with this dimension. However, the expansion in the space for contestation through the political competition dimension implied that mechanisms associated with such competition regained relevance. Both in Argentina and Brazil the military regimes had restricted the space for contestation through the dimension of social mobilization. Thus, when the space for contestation expanded through that dimension during the democratization process, those mechanisms associated with social mobilization got triggered affecting policy. However, these mechanisms did not impact all policy areas equally.



### Mechanisms and policy areas

The characteristics of the specific policy under study are also relevant for the performance of the different mechanisms potentially linking regime type and policy. Especially relevant is how visible a policy is or becomes.<sup>4</sup> In fact, behind most of the proposed links between regime type and policy lies the assumption that a certain policy is visible enough for the general population—or at least a significant portion of it—to care. The general idea is that, as a wider set of actors becomes relevant for policymaking with democratization, policy will change in their favor. Most of the empirical analyses based on this idea assumes visibility instead of incorporating it as a separate variable. Thus, they predict the effect of a regime type change on policy to be homogeneous across all policy areas. However, this is not the case. For instance, some empirical analyses show that for electoral accountability to affect policy, the policy area should be—or become—visible enough for voters to care. Also, the responsibility for the area should be easily attributed to the government for citizens to be able to affect specific policies through their votes (e.g., Culpepper 2021; Dahlum and Knutsen 2017; Dasgupta 2015; Harding and Stasavage 2014). Thus, democratization might expand the relevance of voters in policymaking but that is only likely to trigger policy change in areas that are visible enough for those voters to care and keep governments accountable for their actions.

Similarly, even if political competition and mobilization has been predicted to affect all policies, there is evidence that competition increases responsiveness for some goods more than for others, depending on their level of visibility (e.g., Kono 2006; Mani and Mukand 2007). The visibility of a policy area affects how likely it is for people to mobilize for or against these policies (see Bril-Mascarenhas and Post 2015). Thus, even if a change in regime type increases the space for political competition and mobilization, such space will only result in policy change in areas that are visible enough to act as focal points for opposition and social groups.

The relationship between visibility and the mechanisms linking regime type and policy through interest groups' lobbying is different. Interest groups, by definition, organize around issues that are relevant for them, regardless of the interest of the general population. Thus, if change in a policy affects their specific interests, they will try to intervene in the policymaking process, even if the level of visibility of that policy for the general population is low. Consequently, following a regime type change, interest groups' lobbying can drive policy change also in low visibility policy areas. In fact, highly organized interest groups have been shown to dominate the policy process in democratic systems, in areas shielded from public view (e.g., Culpepper 2010).

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<sup>4</sup> Extending on Mani and Mukand's approach to public goods visibility (Mani and Mukand 2007), I use how easy it is to directly observe or measure a policy output and how much it is thought to depend on government action to identify the level of visibility of a policy output. The concept of visibility is further developed in Chapter 2.

Similarly, the level of visibility of a policy area is comparatively unimportant for those mechanisms linking regime type and policy based on checks and balances. Policy change becomes harder when such checks and balances are stronger and the number of veto players increases (Tsebelis 2002). Such number is one of the dimensions through which the space for contestation can change, but this variation should equally affect all policies, regardless of their levels of visibility.

The last mechanism linking regime type and policy, the level of freedom of the press and information availability, can itself affect the level of visibility of a given policy area. A free press can draw attention to certain policies and make more information available on the policymaking process and its outputs. This can increase the visibility of policies that would otherwise be ignored by the general public (e.g., Hughes 2006; Lawson 2002; Peruzzotti and Smulovitz 2003). Similarly, mobilization can increase the level of visibility of a policy, even if some level of visibility is needed for any mobilization to arise in the first place (e.g., Bril-Mascarenhas and Post 2015; Carey, Branton, and Martinez-Ebers 2014). Thus, even if different policies are intrinsically more or less visible, changes in the space for contestation through the dimensions of freedom of the press and mobilization can, in turn, affect their levels of visibility.

### **Methodological design**

I support my argument with a historical comparative in-depth analysis. In this analysis, I trace the evolution of policymaking in two policy areas —housing and financial policy— across time in countries that experienced regime type changes, both from and to democracy. The selection of the policy areas and the country cases offers variations in the two factors. I claim this is central to determine the evolution of policy following a regime type change: the countries offer variation in the way the space for contestation over policy changes with regime type changes, while the policy areas offer variation in their level of visibility.

My country cases are two Latin American countries that experienced authoritarian regimes in the 1960s and democratized during the Third Wave: Argentina and Brazil. The similarity in timing matters; as timing influences the type of policy challenges faced by a country, the likelihood of certain policy outputs, and the potential impact of different causal factors (Grzymala-Busse 2011; Hall 2016). Studying that specific time period in these countries gives me the opportunity to analyze the evolution of policy following six changes in regime type and policymaking under three military dictatorships —two in Argentina (1966-1973 and 1976-1983) and one in Brazil (1964-1985)— and the democratic regimes in place before, after, and —in Argentina— in between the military dictatorships (see Figure 2). Especially relevant for my research is the fact that these authoritarian experiences differed in terms of their space for contestation (see Chapter 3). For instance, legislative bodies were consequential for policymaking in Argentina in the 1970s and during the Brazilian dictatorship, but not so in Argentina during the 1960s. In Argentina in the 1970s,

moreover, power at the elite level was fragmented by the institutional design of the authoritarian executive, but there were no parties or elections, while Brazil had a single executive, the President, plus both parties and elections. These differences in the ways in which the space for contestation was constrained during the authoritarian regimes implies that each of the regime type changes under study varies in terms of the dimensions through which such space expanded or constrained.

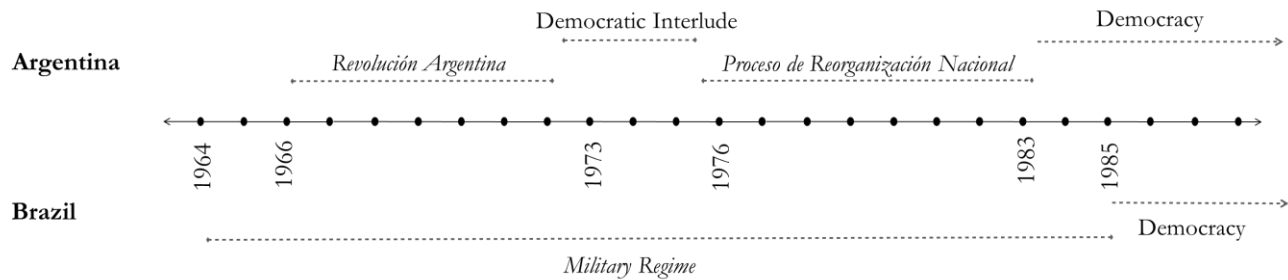


Figure 2- Regime types in Argentina and Brazil, 1960s-1980s

In both countries, I trace the evolution of a set of housing and financial policies. The areas of housing and financial policy are relevant both theoretically and empirically. In theoretical terms, housing policy as social welfare is a policy area of comparatively high level of visibility, while financial policy is usually a low visibility area. Moreover, even if all housing policies are visible when compared to financial policy, they encompass a wide range of policies that are visible to different extents and to different groups. For instance, policies regarding urban leases, which affect geographically concentrated populations and can directly be affected by governments, are more visible than policies regarding mortgages. Similarly, even if financial policy tends to have a low level of visibility, its visibility can be suddenly increased by economic crises, especially those that have an important financial component. In empirical terms, the persistent relevance of both policy areas during the period of analysis in developing countries and, specifically, in Argentina and Brazil, gives us the opportunity to trace their evolution in the long run across regime types. Table 1 summarizes the policies traced by their level of visibility and specifies which mechanisms linking regime type and policy are expected to play a more relevant role in explaining the evolution of each of them.

*Table 1- Summary of Policies and Mechanisms*

	<i>Level of visibility</i>		
	Low	Medium	High
<i>Policies</i>	Financial Entities Regulations, Central Banks	Housing-oriented Banks, Guarantee of Deposits	Urban Leases, Informal Settlements and Social Housing
<i>Most relevant mechanisms</i>	Interest Groups, Checks and Balances	Social Mobilization, Freedom of the Press	Electoral Accountability, Political Competition, Social Mobilization
<i>Chapter</i>	Chapter 5	Chapter 6	Chapter 4

To trace the historical evolution of the space for contestation and the selected policy areas in Argentina and Brazil since the 1960s, I used secondary sources and a wide range of primary sources. The primary sources include multiple archival resources, public records, historical media, and interviews with key actors (see the methodological appendix). The use of a wide range of sources allows me to triangulate the information provided by each, balancing the strengths and weaknesses of each type of evidence, thus addressing the challenges associated with historically studying policymaking, especially under authoritarian regimes.

### **Democracies, dictatorships, and policy change**

My theoretical framework, further developed in Chapter 2, and the empirical application of such framework presented in chapters 3 to 6, provide a nuanced understanding of the relationship between regime type and policy and, especially, of the conditions and ways in which policy change takes place — or not— following a change in regime type. In empirical terms, my in-depth analysis of policymaking across different regime types in Argentina and Brazil expands our knowledge of the policymaking process and its outputs in the areas of housing and financial policy in these two countries across time. In so doing, it highlights the continuities and ruptures in such process across regime types and fleshes out the ways in which the three military regime under study differed from each other and the relevant policy consequences of such differences. More broadly, such in-depth analysis adds to our still limited knowledge of policymaking in different types of authoritarian regimes.

In theoretical terms, I dig deeper into the assumptions behind the main causal mechanisms that scholars have explicitly or implicitly used to link regime type and policy, focusing on how differences in the level of visibility of a policy area and the space for contestation of a regime affect policy outputs.

Understanding these assumptions is crucial for making sense of the empirical associations—or lack thereof— between regime type and specific policies and to refine our expectation of policy change following a regime type transition. This is not only relevant for small-n comparative or historical studies. Even in large-n cross-national studies, a deeper consideration of the mechanisms through which we expect regime type to affect a policy outcome is needed to conceptualize and measure regime type in a meaningful way and to enable knowledge accumulation. As highlighted by Goertz (2006), the way we conceptualize what we want to measure should be consistent with the causal mechanisms of the theories we are using. Furthermore, analyzing how these mechanisms operate in concrete cases improves our ability to explain cases that do not follow the general trend and that have normally been identified as “puzzling.”

Beyond the academic word, a deeper understanding of the conditions under which policy change is possible and how it is produced can help in implementing desired policies. When a regime type change opens up the possibility for policy change, being equipped with such understanding can allow us to impact the likelihood of such a change by, for instance, influencing the level of visibility of a policy area, either increasing it through press coverage and social mobilization or lowering it to shield the area from unwanted change. My theoretical framework can also help us identify the potential policy threats of democratic backsliding and to recognize the potentials and limits of democracy, advancing the relevant task of distinguishing what democracy *per se* can and cannot do. If we do not expect all good things to automatically come together with democratization, we will be more able to demand those things that can come with democracy and more likely to recognize and value the benefits democracy brings, even if they do not include achieving all our ideal policy outputs.

The remaining of this work is organized in six chapters. Chapter 2 develops my theoretical argument and further details my methodology, including the rationale behind my case selection and the treatment given to the diverse primary and secondary sources used in the empirical analysis. Chapters 3 to 6 present the main empirical findings. Chapter 3 traces the evolution of the space for contestation across my country cases, Argentina and Brazil, through the period under study. Chapter 4 analyzes the evolution of the two housing policies with higher levels of visibility—those regarding urban leases and informal settlements—and focuses on the role played by the mechanisms associated with the dimensions of electoral accountability, political competition, and social mobilization in their evolution. Chapter 5, in contrast, analyzes the policies with the lowest level of visibility—those dealing with financial entities’ regulations and central banks—and focuses on the ways in which policy changes are possible when the space for contestation is constrained, and on the role played by interest groups’ lobbying across regime types in low visibility policy areas. Chapter 6 analyzes how economic crises affect the evolution of low visibility policy areas, as well as how changes in the space for contestation affect the evolution of those policies with intermediate levels of visibility, such as housing-oriented banks. Chapter 7 summarizes the main findings

and contributions, as well as potential extensions of this work. Finally, a methodological appendix summarizes the sources used and develops the criteria adopted for their selection and analysis.

## Chapter 2

### Democracies, dictatorships, and policy change

Despite the fact that regime transitions are associated with policy changes, the empirical evidence linking regime type and policy is not conclusive, and transitions from authoritarianism to democracy—and vice versa—often fail to lead to policy changes. Partially, such inconclusiveness and apparently puzzling outcomes are the result of methodological issues regarding conceptualization, measure, and econometric techniques. However, the inconclusiveness of the literature linking regime type and policy also reflects a theoretical issue: a lack of theoretical clarity on the ways in which regime types can affect policy. What are we trying to capture when we include a variable in our regression “controlling for” regime type? Which causal mechanisms link regime type with public policy?

In this chapter, I examine these sources of disagreement in more depth and present my theoretical argument. In a nutshell, I claim that the heterogeneous effect of regime type changes on policy is explained by two main factors that affect the evolution of policy following a regime type change: 1) how the space for contestation over policy changes with such regime type change; and 2) the level of visibility of each policy. In so doing, I develop the concepts of space for contestation, level of visibility, and policy change that are going to be used in the rest of this work. Finally, this chapter introduces the cases, methodology, and sources used in the empirical analysis presented in chapters 3 to 6.

#### Why can't we agree?

The inconclusiveness and apparently puzzling outcomes in the studies linking regime type and policy are the result of both methodological and theoretical issues. The methodological issues are related to the measures and estimation techniques used and are particularly salient in cross-country analysis. The theoretical issue, in turn, reflects a lack of attention to the mechanisms linking regime type and policy and to how those mechanisms operate in specific contexts.

That different meanings and interpretations of indicators can affect our empirical findings is not a novel issue nor one exclusively associate with the link between regime types and policy (e.g., Abbott 2001). Regarding this specific association, the main discrepancies originate in two fronts. In the dependent variable front, many different indicators have been used to measure policy results. These indicators vary mainly on two dimensions. One is their level of aggregation and the specific policy which is being measured. For instance, democracy might be associated with some specific social or trade policies, but not with others (Bursztyń 2016; Kono 2006). Similarly, the effect of regime type might be different on overall economic redistribution (Boix 2003), that on fiscal redistribution (Kammas and Sarantides 2019), that on the passing of pro-equality legislative proposals (Krämling et al. 2022), as well as on overall government spending

(Aidt, Dutta, and Loukoianova 2006) that on social security, health, and education spending only (Kaufman and Segura-Ubiergo 2001). The other dimension across which those indicators vary is whether they capture a policy output or a policy outcome, which can be linked to regime type through different causal mechanisms (Carbone and Pellegata 2017; Garay and Simison 2021; Rosas 2006).

The other front on which discrepancies originate relates to the difficulties in conceptualizing and measuring regime types. Democracy is a “contested concept” with a significant normative component (Adcock and Collier 2001; Collier, Hidalgo, and Maciuceanu 2006). In the process of conceptualizing and measuring it, different facets of the concept may be emphasized to varying degrees. A careful examination of the diverse meanings of the root concept helps clarify the options, but it does not exempt us from making choices (Adcock and Collier 2001). This need of making choices implies that there are many possible definitions of democracy and, as a consequence, there is no consensus about how to conceptualize and measure regimes such that meaningful comparisons can be made through time and across countries (Coppedge et al. 2011).

In consequence, when hypothesizing about the relationship between regime type and policy, the choice of definition and measure matters both theoretically and empirically (Cheibub, Gandhi, and Vreeland 2010; Goertz 2006). Figure 3 shows the correlation across the most commonly used measures of democracy for the 84 countries that democratized during the Third Wave of Democratization.<sup>5</sup> The time coverage of the data starts in 1973 —or the moment in which the country became a separate entity— and goes up to 2017. The measures of democracy used are taken from the Varieties of Democracy Database V8 and V12 (Coppedge et al. 2018; 2022) and focus on different facets of the concept of democracy. *Polyarchy* aims at capturing the electoral component of democracy, while the liberal democracy index considers the protection of individual and minority rights in addition to the electoral democracy component. The next two variables come from the Polity Project. One, from Polity IV, measures the level of institutional restraint on the Executive, while the other one is the Polity V score, which subtracts Polity’s autocracy score from the democracy score. Lastly, from Freedom House, I included the political rights index.<sup>6</sup>

The correlations across different measures of democracy are strong, but far from perfect. The weakest correlations are between liberal democracy and both the constraints on the Executive and Polity V measures. These two last measures, moreover, are highly correlated. This makes sense as both come from the Polity Project and the Polity score includes a set of indicators of constraints on the chief executive that drives most of its variation (Cheibub, Gandhi, and Vreeland 2010). Moreover, such measure has been

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<sup>5</sup> Following Bizzarro and Mainwaring (2019), I consider the Greek democratization of November 1974 as the first democratization in the wave including all countries that democratize after that, being the most recent democratization that of Libya in 2013.

<sup>6</sup> This measure was multiplied by -1 so that higher values would indicate higher levels of democracy, as is the case with the other measures.



described as capturing authority structures more than democracy by academics form the Varieties of Democracy Project (Coppedge et al. 2020).

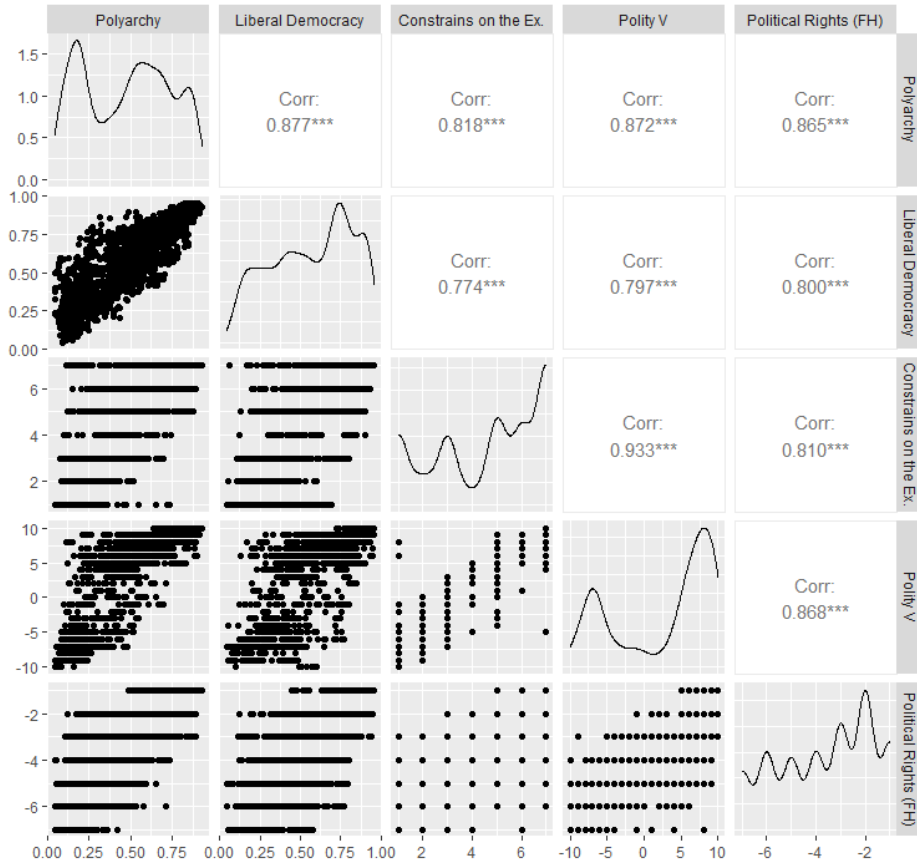


Figure 3- Correlation of different measures of democracy in the Third Wave Countries, 1973-2017

Source: V-Dem Dataset (Coppedge et al. 2022).

Apart from illustrating how the many ways in which it is possible to conceptualize and measure democracy vary and cluster around different dimensions of the concept, the fact that a set of variables used to measure the same concept do not perfectly covary is relevant: even highly correlated measures can produce dissimilar results in empirical analysis (Casper and Tufis 2003) and different component of the concept can affect policy differently. For instance, different components of the concept of democracy had been shown to differently affect measures of foreign direct investment, human development, infant mortality rates, and life expectancy (Bollyky et al. 2019; Gerring, Thacker, and Alfaro 2012; Kudamatsu 2012; Li, Owen, and Mitchell 2018). This can also be observed by looking at those countries that democratized during the Third Wave of Democratization. Table 2 and Table 3 show, respectively, the average effect of two of the measures of democracy in Figure 3, one of electoral democracy and one of

constrains on the executive, on the number of bank accounts per 1,000 adults<sup>7</sup> and on social insurance spending as percentage of government expenditures.<sup>8</sup>

Table 2 shows a positive association between the level of democracy and the number of bank accounts. The coefficients for both the electoral democracy index and the level of constraints on the Executive are positive and statistically significant at the conventional levels. However, once we control for GDP per capita,<sup>9</sup> a variable strongly correlated with both the dependent and the independent variable, only the coefficient for the number of constraints on the executive remains statistically significant. This is consistent with the literature on banking and regime types, which normally gives more explanatory weight to the existence of checks and balance and a reduced threat of expropriation than to the existence of fair and clean elections when comparing banking outcomes in authoritarian and democratic regimes. Table 3 shows that both measures of democracy also have a positive and statistically significant effect on the percentage of government total expenditures allocated to social insurance spending. However, in this case the coefficient is only robust to controlling for GDP per capita in the case of electoral democracy. This is consistent with the theoretical arguments linking democracy and social spending through electoral accountability mechanisms.

*Table 2- Regime type and number of bank accounts*

	<i>Bank accounts per 1,000 adults</i>			
	(1)	(2)	(3)	(4)
<i>Polyarchy</i>	715.09*	43.48		
	(380.36)	(314.33)		
<i>Constrains on the Executive</i>			116.48***	58.71*
			(42.98)	(30.49)
<i>GDP per capita</i>		0.07***		0.06***
		(0.01)		(0.01)
<i>Observations</i>	525	525	486	486
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01 Fixed Effects, Time Trend, and HC2 Robust SEs			

<sup>7</sup> Number of depositors with commercial banks per 1,000 adults. Global Financial Development Database, July 2018 Version. <https://www.worldbank.org/en/publication/gfdr/data/global-financial-development-database>

<sup>8</sup> Wibbels, Erik and Ahlquist, John. 2011. "Replication data for: "Trade, Development, and Social Insurance" International Studies Quarterly 2011", <https://doi.org/10.7910/DVN/L99P1O>, Harvard Dataverse, V3.

<sup>9</sup> US constant 2010 dollars. World Development Indicators, <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD>. Data accesses in April 2020.

*Table 3- Regime type and social insurance spending*

*Social insurance spending as percentage of government expenditures*

	(1)	(2)	(3)	(4)
<i>Polyarchy</i>	27.30***	9.77**		
	(6.32)	(4.37)		
<i>Constrains on the Executive</i>			1.81**	0.19
			(0.74)	(0.53)
<i>GDP per capita</i>		0.002***		0.002***
		(0.0004)		(0.0003)
<i>Observations</i>	842	803	812	775
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01 Fixed Effects, Time Trend, and HC2 Robust SEs			

The use of different econometric techniques also affects the results we get when we empirically assess the relationship between regime type and policy. For instance, in an attempt to put an end to the controversy on the claimed positive relationship between democracy and economic growth, Acemoglu et al. (2018) use a variety of econometric techniques and find a robust and positive relationship between democracy and the level of GDP per capita. However, when Imai, Kim and Wang (forthcoming) apply a matching method for Time-Series Cross-Sectional data to the same information, they find that democratization has an almost null effect on economic growth.

These methodological issues are important and consequential. However, the main issue behind the inconclusive results in the literature on the effects of regime type and policy is a lack of attention to the mechanisms linking the two. A deep understanding of those mechanisms provides a better foundation for the analysis of the effects of regime type on policy, as well as a theoretically relevant way of choosing proxies, measures, and methods for such analyses. The following section examines the range of mechanisms most commonly found in the literature linking regime type and policy in order to advance such understanding and provide the basis for my argument.

### **Linking regime type and policy**

To better understand the relation between regime type and policy, we need to take a closer look at the mechanisms that had been theorized to link the two. Following Mayntz (2004), I understand mechanisms as links in theory, causal propositions that explain specific outcomes by identifying the generative process that, given certain initial conditions, produces them. Mechanisms, thus, are relational concepts (Falleti and Lynch 2009), recurrent causal links between specified initial conditions and outcomes (Grzymala-Busse 2011).

The rich existing literature on regime type and policy has identified –implicitly or explicitly– a variety of mechanisms linking the two. I claim that those mechanisms can be grouped around six dimensions of the space for contestation of a regime. These dimensions are: 1) electoral accountability; 2) political competition; 3) social mobilization; 4) interest groups’ lobbying; 5) checks and balances; and 6) freedom of the press and information availability.

Most commonly, regime type and policy are linked through the dimension of **electoral accountability**.<sup>10</sup> The mechanisms associated with electoral accountability are based on the idea that elections give “voice” to the poor to reward or penalize governments (Orenstein 2008; Ross 2006; Sen 1981). This link works both through the selection of the leader and by providing leaders with the right incentives (Gerring et al. 2016). When leaders compete for approval before the electorate in free elections, the government cannot be insulated from the consequences of unpopular ideas or policies, or incompetent performance (Adolf 2011). Moreover, elections provide politicians with incentives to provide goods that will reach as many voters as possible (Brown and Hunter 2004) and to avoid unpopular measures that would reach many of them (Ziegler Rogers 2014). Similarly, politicians willing to win elections will cater to the median voter who normally earns less than the mean income and thus favors economic redistribution in general (Boix 2003) and certain redistributive policies in particular (Bursztyn 2016). Hence, because democracies bring more people with below-average incomes to the polls, they force the government to redistribute income downwards (Ross 2006).

However, does this mechanism work in practice? Do elections on their own guarantee electoral accountability? Some empirical works have shown that voters are capable of holding the incumbent party accountable for recent economic performance (Wilkin, Haller, and Norpoth 1997). However, such accountability requires citizens to get informed, to adequately evaluate policy outcomes and politicians and to make a decision based on such evaluations (Achen and Bartels 2017), a sequence of steps that is not always completed. For instance, voters tend to use shortcuts. Thus, voting is more influenced by an overall perception of the economy than by particular policy outcomes (Paldam 1991). As Campello and Zucco (2016) show for Latin American countries, such overall perception might have little to do with policy decisions and instead strongly depend on factors exogenous to the government policy choices, such as international interest rates and commodity prices.

Moreover, even if the mechanisms associated with the electoral accountability dimension have usually been associated with democratic regimes, many authoritarian leaders are also subjected to elections, like those in competitive authoritarian regimes (Levitsky and Way 2010). In fact, empirical works have

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<sup>10</sup> The mechanisms associated with this dimension of the space for contestation refer to governments being accountable through elections to wide segments of the population and not to other forms of accountability – such as the one a ruler can have towards her support coalition (Schendler 2015).

shown that elections in authoritarian regimes can shape policy and create incentives for autocratic regimes to address citizens' demands (Miller 2015). This can be the case even in the absence of electoral competition (Lueders 2021). What is more, democracies can also operate at low levels of accountability (Schendler 2015). The mere presence of elections, thus, might not be enough. The quality of those elections matter (Wang, Mechkova, and Andersson 2019). Moreover, some works claim that elections need to be combined with other dimensions of the space for contestation, such as participation and competition, to have the hypothesized effects on policy (Carbone 2012).

The mechanisms linking regime type and policy can also be associated with the dimension of **political competition**. Political competition, and the potential alternation in power it brings with it, increases responsiveness (Besley and Burgess 2002; Carbone and Pellegata 2017; Mani and Mukand 2007), making leaders more accountable to the citizenry (Brown 1999; Gerring, Thacker, and Alfaro 2012; Kudamatsu 2012). Further, competition allows for the existence of parties that appeal to and cater for different socio-economic groups (Bollen and Jackman 1985). Finally, competitive elections tend to have higher levels of participation, especially among the poor (Boulding and Holzner 2021; Jenks 1979), therefore they increase the incentives for politicians to be accountable to the median voter and her policy goals (Brown and Hunter 2004; Fujiwara 2015). Political competition is closely related to democracies, being in many cases a core part of the definition of the concept. However, the extent to which political competition is present varies across democratic countries and it can also be consequential in the absence of democracy (Carbone and Pellegata 2017).

The dimension of **social mobilization**, which allows for the translation of individual preferences into collective pressures on the government both at election times and independently from elections, is the central element in another set of proposed mechanisms linking regime type and policy. Most of these mechanisms rely on the fact that democracy normally lowers the costs of organizing collective action and creates opportunities for citizens to organize and advocate for their interests (Touchton, Sugiyama, and Wampler 2017). As a result, democracy might be only related to certain policies in an indirect way, as it makes it easier for the poor to organize and voice their demands (Kosack 2012) and allows social mobilization for policy change to take place (Garay 2016; McGuire 2010; Auerbach 2019). Even if costlier and less common, mobilization also takes place in authoritarian regimes and its probability to happen varies with the type of authoritarian regime (Hellmeier and Weidmann 2020) and strategic choices made by authoritarian leaders (Slantchev and Matush 2020).

Another group of mechanism is related to the dimension of the space for contestation dealing with **interest groups' lobbying**. Even the most repressive dictator needs the support of at least some core constituents (Buono de Mesquita et al. 2003). Then, to explain policy, regardless of the regime type, it is important to distinguish the identity, number, type, and capability of interest groups; as well as the

distribution of both *de jure* and *de facto* political power (Acemoglu et al. 2013). Moreover, public officials in all regime types require technical information on policy usually held by interest groups (Brown and Hunter 2004; Duckett and Wang 2017; Hanegraaff and De Bruycker 2021; Heclo 1978). Despite lobbying has been mainly studied in democratic contexts, some empirical works show it can be relevant and consequential in authoritarian regimes as well, especially when those regimes are fragmented (Bonvecchi and Simison 2017b; Biglaiser 1999; Grömping and Teets 2021; Steinberg and Shih 2012).

Another set of mechanisms is associated with the dimension of **checks and balances** and veto players. Veto players or points are actors (individual or collective) whose agreement is required for a change in the status quo (Tsebelis 2002). Thus, the potential for policy change decreases with the number of veto players, the dissimilarity of policy positions among them, and the similarity of policy positions among the constituent units of each veto player. The main difference between democracy and authoritarian regimes for this set of mechanisms will then be given by such variables. Authoritarian regimes are associated with lower numbers of veto players, but this relation is far from perfect and, instead, this dimension cuts across regime types (Bueno de Mesquita et al. 2003; Mamone 2020). In fact, some democracies —like Westminster style parliamentary regimes— have fewer veto players than some authoritarian regimes —like the last Argentinean dictatorship—. In terms of policy, this is relevant because as the number of veto players increases, it becomes more difficult to find a policy that makes all of them better off and the transaction costs to be overcome in order to change a policy increase (McCubbins 2001). Then, a policy is more resilient to change when it is situated in a more dispersed political structure that privileges the status quo, regardless of its regime type (Castiglioni 2005; Frantz and Ezrow 2011; Hacker 2004; Weyland 2002).

Related to this, the presence of checks and balances has been shown to affect economic outcomes, such as economic growth. Cox and Weingast (2018) distinguish the separate roles of executive constraint and electoral accountability in explaining growth and conclude that legislatures —i.e., checks and balances— are more important than elections for moderating succession-related downturns and, thus, promoting steadier economic growth. Similarly, Wright (2008) finds that the fact that in military and single-party authoritarian regimes legislatures tend to be binding, which increases the number of veto players, is associated with a positive effect on economic growth and domestic investments.

The dimension of **freedom of the press** and information availability is also central in many mechanisms linking regime type and policy. Most of the time, this dimension is expected to be more relevant in democratic contexts and it is hypothesized to play a role in conjunction with elections, political competition, and social mobilization. For instance, a free press can provide information on government performance and behavior and give voice to competing political perspectives, all of which can affect voting decisions (Adolf 2011; Brown and Hunter 2004; Dimova 2020; Lawson 2002). Furthermore, democratic institutions create opportunities for citizens to gather information they can use in advocating for their

interests (Touchton, Sugiyama, and Wampler 2017). A free press and more freedom of movement and communication in democracies might also mean that democracies can spread information from poor and remote areas to the central government better, faster, and further, which in turn can affect policy decisions (Besley and Burgess 2002; McGuire 2010; Peruzzotti and Smulovitz 2003; Sen 2000).

In contrast, authoritarian regimes have been associated with press control, the distribution of inaccurate or incomplete information, and overall less transparency of the policymaking process (Barros 2016; Trinh 2022). However, there is significant variation in the level of freedom of the press across authoritarian regimes (Egorov, Guriev, and Sonin 2009) and even over time in some authoritarian regimes. An example of a case with the latter type of variation is the Brazilian military regime during which censorship was significant between 1968 and 1974, but much weaker before that date, when the dictatorship was still undergoing its organization process, and later, with the opening process under way. Further, even partially than perfectly free media outlets have been shown to increase the ability of individuals to coordinate and mobilize, and provide information that can help non-state actors overcome collective mobilization barriers (Gleditsch, Macías-Medellín, and Rivera 2022). Similarly, even in a context in which many media outlets remain loyal to and controlled by the regime, the presence of some civic-oriented outlets can increase the amount of information available and help citizens gather the information they need in order to keep their government accountable (Hughes 2006). Moreover, many authoritarian regimes have developed their own strategies to generate, gather and distribute information; including making use of the press with such goal (Egorov, Guriev, and Sonin 2009; Manion 2016; Satyanath 2006; Truex 2016).

### **The argument**

I claim that the heterogeneous effect of regime type changes on policy depends on which of these mechanisms—if any— gets triggered by a change in regime type and on the extent to which the triggered mechanisms rely on the level of visibility of a policy area. Thus, the two main factors determining the evolution of policy following a regime type change are: 1) how the *space for contestation* over policy changes with such regime type change; and 2) the level of *visibility* of a policy. The combination of these two factors determines through which mechanisms regime type and policy will be connected and how such mechanisms will operate. Figure 4 graphically summarizes the argument.

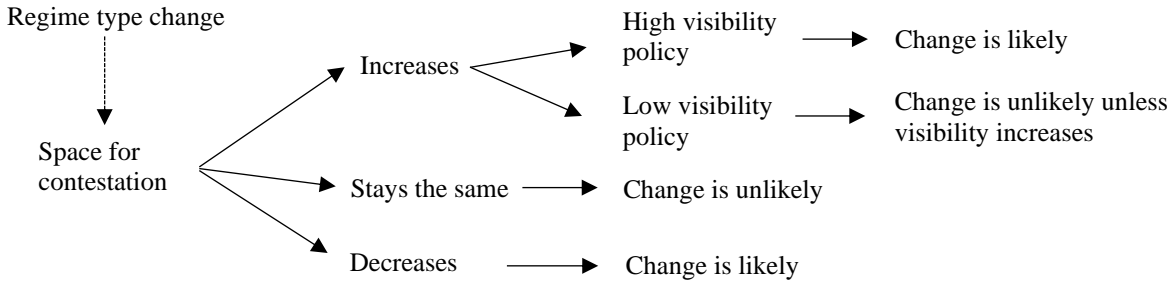


Figure 4- Graphical representation of the overall argument

Changes in the space for contestation matter because they determine how, and to what extent, the policymaking process will be affected by a change in regime type. Regime transitions create expectations of policy change. However, a change in regime type will only lead to policy change if it implies a change in the space for contestation that is relevant enough to affect the policymaking process. Furthermore, even when the space of contestation varies, it can do so across different dimensions, such as political competition or social mobilization, which can have different consequences for policy. How, if at all, a policy area is affected by a regime type change, then, depends on how each of these dimensions varies with that regime type change. Following Dahl's (1971), I use contestation to refer to when an issue is made the object of dispute or litigation. In my framework, such an issue is public policy. Moreover, distancing myself from Dahl's framework, when analyzing the space for contestation over policy, I pay special attention to who has their preferences weighed in policymaking more than on how equally these preferences are weighted. Thus, what is central for my framework is how the space for contestation determines the extent to which policymaking is mainly and elite issue or one that includes wider segments of the population.

Building on existing literature,<sup>11</sup> I argue that the space for contestation can expand or shrink through six separate dimensions: 1) electoral accountability; 2) political competition; 3) social mobilization; 4) interest groups' lobbying; 5) checks and balances; and 6) freedom of the press and information availability. Conceptualizing regime type changes in terms of variations in the space for contestation allows us to simultaneously evaluate the different mechanisms commonly used to link regime type with policy and determine in which context each of these mechanisms is likely to be "triggered" (Falleti and Lynch 2009; Pawson 2002). This, in turn, allows us to clarify the conditions under which regime transitions are likely to conduce to policy change. For instance, after the end of the military regimes in Argentina, the space for contestation was expanded across many of its dimensions, including the reintroduction of elections. Such

<sup>11</sup> Most of the dimensions I identify as parts of a regime's space for contestation, mirror Dahl's requirements for contestation and directly relate to the proxies normally used to measure such concept (e.g., Miller 2015). The only exception is mobilization, which is a key part of contestation in the Jouvenel's (1966) article from where Dahl takes the idea of contestation (Dahl 1971, 9).



change, then, made it possible for the mechanism of electoral accountability to affect policy again. In Brazil, democratization also implied an expansion of the space for contestation. However, even if the military regime had restricted and controlled elections, it had not eliminated them. Thus, contestation through electoral accountability continued to affect policy during the military regime and the increase in the space for contestation after democratization took place mainly through other dimensions triggering other mechanisms, such as political competition. Moreover, in both cases the military regimes attempted to constrain the space for contestation by limiting social mobilization and its potential effects on policy but attained it to different extents (see Chapter 3). This difference explains, for instance, why a restrictive urban leases law was successfully implemented in Argentina in 1976, but not in the 1960s, nor during the Brazilian military regime (see Chapter 4).

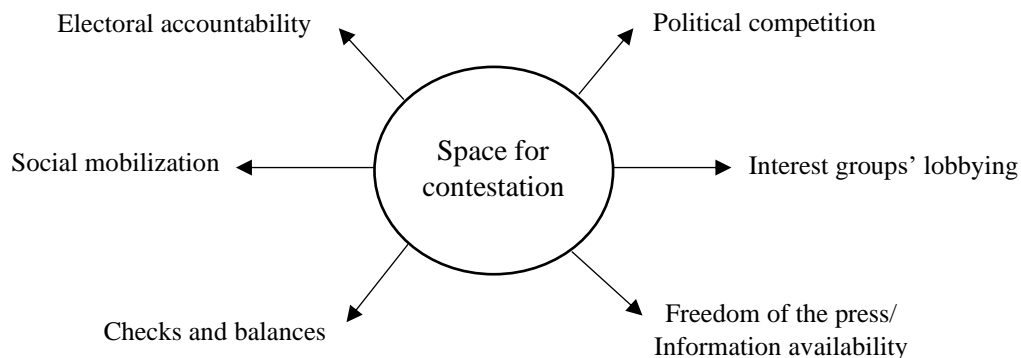
A second source of heterogeneity on the effect of regime type changes on policy is the level of visibility of a policy area. Some mechanisms connecting regime type and policy, such as electoral accountability and political competition, are only likely to affect policies that are visible enough to wide segments of the population. At the same time, other mechanisms, such as those associated with interest groups' lobbying, can affect policy in low visibility areas as well. Thus, when a regime type change takes place, if those mechanisms that do not depend on the level of visibility of a policy area are triggered, change is likely to happen regardless the policy area. However, if the change triggers those mechanisms that depend on the level of visibility of the policy area, change will only be likely to take place in highly visible policy areas. Differences in the level of visibility of the policy areas explain, for instance, the sequence of policy change we observe in Argentina since the last transition to democracy. Right after democratization, legislation modifying the policies implemented by the dictatorship in high visibility policy areas—which included urban leases and social interest housing—were enacted, as mechanisms associated with electoral accountability, political competition, and social mobilization were triggered (see Chapter 4). However, legislative proposals dealing with policies with lower visibility levels—such as the regulation of financial entities—were either introduced later or failed to be enacted (see Chapter 5). Thus, even when the changes in the space for contestation brought by a regime transition are held constant, the policymaking process for different policy areas will vary depending on their level of visibility.

Therefore, following a regime type transition, change in policy is only likely if the space for contestation is modified. And which mechanisms linking regime type and policy enable changes depends on the dimensions through which such space for contestation is modified. However, such variations in the space for contestation do not affect all policy areas in the same way. When the regime transition increases the space for contestation—typically during democratization—and mechanisms related to electoral accountability, political competition, and social mobilization get activated, increasing the range of actors that can take part in policymaking, change is more likely to follow in high visibility areas. However, if

changes decrease the range of actors—for instance, by curbing mobilization during a democratic backsliding or after a *coup d'état*—, change favoring concentrated interests can take place even in highly visible policy areas, through mechanisms related to interest groups' lobbying and checks and balances. Thus, to assess how likely policy change is following a regime transition, it is crucial to focus on both the way policymaking changes during that specific transition and on the characteristics of each policy area. This will allow us to predict and explain when, and how, policy changes because of a regime transition.

### What's in a regime?

Much of the political economy literature has paid little attention to the inner workings of political regimes (Dodsworth and Ramshaw 2021). However, the specific set of characteristics of each regime matters: regimes are complex, and combine many institutional features that can have divergent effects (Przeworski et al. 2000). For instance, even if more concentration of power can make it easier for dictators to implement measures aimed at increasing economic growth, the resulting lack of checks and balances could deter private investments that can be necessary to achieve that goal. Moreover, when a regime type change takes place, many sub-regimes might be changing to different extents or not at all (Schmitter 1992). Following a regime type change, many variables potentially relevant for policymaking are altered simultaneously, whereas others might stay unaffected. Hence, what matters for policymaking is how—if at all—the regime's space for contestation changes with the transition. These dimensions are summarized in Figure 5.



*Figure 5- Dimensions of regime's space for contestation over policy*

Electoral accountability is one of the dimensions through which the space for contestation can change when a regime type change takes place. This dimension implies, first, the existence or not of elections, which is one of the main criteria used to distinguish democracies from non-democracies. However, not all transitions from an authoritarian regime to a democratic regime imply the introduction of

elections. For instance, competitive authoritarian regimes, an increasingly common type of non-democratic regime (Diamond 2002), regularly hold elections. Moreover, the mere presence of elections does not necessarily imply electoral accountability (Schendler 2015). Thus, policy change through electoral accountability is only likely to happen when elections were not a characteristic of the previous regime, but are a characteristic of the newly implemented one, or vice versa, and when the level of accountability linked to such election changes.

Similarly, political competition is normally associated with democratic regimes, being in many cases at the core of how we define them. However, the extent to which competition is actually present varies across countries and competition can also be consequential in the absence of democracy (e.g., Carbone and Pellegata 2017). Then, for a regime type change to affect policy through political competition, it must bring with it a significant change in its level.

A similar logic operates with the dimension of social mobilization.<sup>12</sup> Democracies are associated with lower levels of repression and more protection of civil rights and liberty. Therefore, democratization usually lowers the costs of collective action and creates opportunities for citizens to organize and advocate for their interests (Touchton, Sugiyama, and Wampler 2017). As a result, democracy might be related to certain policies because it makes it easier for the poor to organize and voice their demands (Kosack 2012) and allows for social mobilization demanding policy change to occur (Garay 2016). Nevertheless, not all democracies enable mobilization to the same extent. Furthermore, mobilization can take place in authoritarian regimes, and there are important levels of variations in the extent to which it does occur (Hellmeier and Weidmann 2020; Slantchev and Matush 2020). Hence, even if the structure of political opportunity tends to be more conducive to mobilizations in democracies than in authoritarian regimes (McAdam, McCarthy, and Zald 1996), in order to assess how likely policy change is following a regime transition, we need to take a closer look at the specific changes in the structure of political opportunity brought by such transition and to how that affects the effective level of social mobilization.

The space for contestation over policy can also vary through the space for interest groups' lobbying. All governments need a support coalition to stay in power, which is likely to undergo modifications with regime type changes. However, not all regime transitions affect the size and composition of the governments' support coalition in the same way. Thus, it is important to examine which channels exist for interest groups to influence policy in each regime —and which groups those channels are open to— to assess how likely policy change is following a regime transition. Change will be more probable if those channels, or the number and identity of the groups that can take advantage of them, undergo modifications. The role of interest groups in policymaking has been mainly studied in democratic regimes. However, they

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<sup>12</sup> By social mobilization, I refer to any type of organized public action, such as rallies and demonstrations.

can play a consequential role in authoritarian regimes as well, and the level of openness varies with the type of authoritarian regime and its institutional structure (Bonvecchi and Simison 2017b; Grömping and Teets 2021; Hanegraaff and De Bruycker 2021; Steinberg and Shih 2012). Furthermore, the existence of multiple venues in which policy is discussed also broadens the potential space of influence for interest groups. Then, interest groups' lobbying is likely to be relevant, and to be especially influential in regimes with institutionalized channels of influence, such as legislative bodies, regardless the democratic or authoritarian nature of such regime.

Checks and balances is another dimension through which the space for contestation over policy can change with a regime transition. Checks and balances are normally associated with democratic regimes, but there are authoritarian regimes in which important checks on the Executive exist and are consequential for policymaking (Barros 2002; Bonvecchi and Simison 2017a; Escribà-Folch 2005; Krol 2017; Wright 2008). Thus, even if authoritarian regimes are associated with extensive presidential powers that facilitate policy reform (Weyland 2002), the extent to which such concentration takes place varies widely from one authoritarian regime to another. Similarly, a higher number of actors that can veto a policy change makes policy change harder but, even if authoritarian regimes are associated with lower numbers than democracies are, this relationship is not perfect (Bueno de Mesquita et al. 2003). Then, whether the space for contestation through checks and balances increases or decreases following a regime type change depends more on the specific characteristics of the regimes in place before and after the change than of whether we are observing a democratization process or not.

Lastly, a free press is normally associated with democratic regimes, which also enhances citizens' capability to gather information they can use in advocating for their interests (e.g., Touchton, Sugiyama, and Wampler 2017), increase the transparency of the policymaking process (Barros 2016), and facilitate the spread of information (Sen 2000). In contrast, authoritarian regimes tend to reduce the space for contestation by controlling the press and distributing inaccurate or incomplete information. However, significant variation in this dimension exists across authoritarian regimes (Egorov, Guriev, and Sonin 2009) and even over time in some of them. Moreover, many authoritarian regimes have developed their own strategies to generate, gather, and distribute information (e.g., Satyanath 2006; Truex 2016). On the other side of the coin, not necessarily all democratization processes will lead to an increase in the space for contestation through the freedom of the press dimension (Lawson 2002) and not all democratic regimes provide the same level of freedom of the press nor increase information availability to the same extent (e.g., Hughes and Lawson 2005). Therefore, the level of information provided might depend less on the democratic or authoritarian character of a regime and more on the specificities of the regime under consideration.

To see or not to see

The characteristics of the specific policy under consideration also affect the performance of the different mechanisms potentially connecting regime type and policy. That policymaking differs across policy areas is generally accepted in the public policy literature (Lowi 1964), as well as that such differences will affect the patterns of policy reform (Nelson 2004). In this work, I focus on one of the characteristics that varies across policies: their level of visibility. Extending on Mani and Mukand's approach to public goods visibility (Mani and Mukand 2007), I define the level of visibility of a policy based on how easy it is to directly observe or measure its output and on how much it is thought to depend on government action. Thus, differences in the level of visibility of a policy area depend on how easy it is to 1) directly observe and measure a policy output and 2) isolate the role played by the government in such an outcome (see also Gingrich 2014).

Defined in this way, visibility is close to, but distinct from, two other related concepts: issue salience and agenda setting. Issue salience is a widely used, but usually underspecified, concept (Dennison 2019; Wlezien 2005). In most definitions the concept aims at capturing the attention and importance an issue receives in the general public (Janusch 2021). When talking about visibility, I care about how much attention a certain policy gets from the mass public and, to a certain extent, about how important it is considered to be. However, by using visibility I switch the attention from the subjective evaluations of individual actors—which, moreover, is how issue salience has normally been measured—towards the overall level of visibility of a policy. Similarly, the concept of agenda setting captures the ways in which the government, but also the press and the political opposition, can influence what individuals consider important (Fournier et al. 2003; Janusch 2021). Even if I pay attention to the dynamic component of visibility and analyze how mechanisms associated with some dimensions of the space for contestation can affect it, the concept of visibility allows me to better capture the static component: there is something about a policy that makes it intrinsically more or less visible, regardless of what actors do in order to influence its salience.

A central variable affecting such static component of the level of visibility of a policy is its complexity. Usually, the higher the complexity of a policy, the smaller the number of actors with the necessary knowledge to get engaged in the policymaking process (Hecló 1978; Htun 2003). Even if complexity is to a significant extent an inherent component of a policy, this more static component is not immune to the effects of the dynamic component. In fact, increasing the complexity of a policy area has been a strategy used in many cases to intentionally reduce its visibility and, then, the importance of mechanisms linked to electoral accountability, political competition, and social mobilization in policymaking (Mesa-Lago and Müller 2002; Pierson 1994). On the contrary, increases in the level of visibility of a policy—either intentional or because of external shocks—, can lead to knowledge on the

policy being made accessible to a wider range of actors that can then get involved in the policymaking process (Brooks 2008; Cobb, Ross, and Ross 1976; Schattschneider 1960).

Therefore, the level of visibility of a policy can dynamically increase or decrease. However, its static level of visibility will affect the extent to which such changes are possible. As an example, we can analyze Broz's (2002) argument about monetary commitments regimes from a visibility point of view. A monetary policy implementing a fixed exchange rate is visible, no matter how much coverage it gets in the press, what the opposition says, or how the government presents it. On the contrary, the level of independence of the Central Bank is much harder for the general population to observe, and press coverage—maybe around scandals or by exposing corruption—or criticisms by opposition parties can increase such level. Hence, as will be further explore in Chapter 6, some policies are more likely to experience changes in their level of visibility than others.

When connecting regime type and policy outputs, the level of visibility of a policy area matters to different extents and in different ways for different mechanisms. Crucially, behind most of the proposed links between regime type and policy described lies the assumption that a certain policy is visible enough for the general population—or at least a significant part of it—to care. The general idea is that, as a wider set of actors becomes relevant for policymaking with democratization, policy will change in their favor. Most of the empirical analyses based on this idea assume visibility instead of incorporating it as a variable. Thus, they expect change to occur equally across all policy areas following a regime type change. However, the effect of changes in the space for contestation is not uniform across policies with different levels of visibility.

For instance, some empirical analyses show that for citizens to be able to affect specific policies through their votes, the policy area should be—or become—visible enough for voters to care and for the responsibility for the area to be easily attributed to the government (e.g., Culpepper 2021; Dahlum and Knutsen 2017; Dasgupta 2015; Dennison 2019; Fournier et al. 2003; Gingrich 2014; Harding and Stasavage 2014). Thus, democratization might expand the relevance of voters in policymaking but that is only likely to trigger policy change in areas that are visible for those voters. Further, electoral accountability could play a role in highly visible policy areas even in authoritarian regimes (Geddes and Zaller 1989).

Similarly, even if political competition and mobilization has been predicted to affect all policies, competition might increase responsiveness for some goods more than for others, depending on their level of visibility (Kono 2006; Mani and Mukand 2007). Furthermore, the visibility of a policy area affects how likely it is for people to mobilize for or against these policies (see Bril-Mascarenhas and Post 2015). Then, even if a change in regime type increases the space for political competition and mobilization, such space will only result in policy change in areas that are visible enough to act as focal points for opposition and advocacy groups.

The relationship between visibility and the link between regime type and policy through interest groups' lobbying is different. Interest groups, by definition, organize around issues that are relevant for them, regardless of the interest of the general population (Hecló 1978). If changes in a policy can affect their specific interests, they will try to intervene in the policymaking process, even if the level of visibility of that policy for the general population is low. Consequently, following a regime type change, interest groups' lobbying can drive policy change in low visibility policy areas as well. In fact, highly organized interest groups have been shown to dominate the policy process in democratic systems, in areas shielded from public view (Culpepper 2010).

Similarly, the level of visibility of a policy area is comparatively unimportant for those links between regime type and policy based on checks and balances. This is clear when we conceptualize checks and balances in terms of veto players. Following that framework, the potential for policy change decreases with the number of veto players, the dissimilarity of policy positions among them, and the similarity of policy positions among the constituent units of each veto player (Tsebelis 2002). This set of factors can vary with the space for contestation, but their variation should equally affect policies of different levels of visibility.

The last set of mechanisms linking regime type and policy, those associated with the level of freedom of the press and information availability, can itself affect the level of visibility of a given policy area. A free press can draw attention to certain policy areas and make more information available on the policymaking process and its outputs. This can increase the visibility of policy areas that would otherwise be ignored by the general public (Hughes 2006; Lawson 2002; Peruzzotti and Smulovitz 2003). Moreover, press coverage can also increase the perception by governments that voters are paying attention to what they are doing (Culpepper 2021).

Freedom of the press is not the only dimension of the space for contestation that can increase the visibility of a policy area. Driven by political competition, politicians might intentionally attempt to affect such level. Moreover, mobilization can increase the level of visibility of a policy area—even if some level of visibility is needed for any mobilization to occur in the first place—and turn a policy issue into a legitimate political concern (Bril-Mascarenhas and Post 2015; Calvo and Moscovich 2017; Carey, Branton, and Martinez-Ebers 2014; de Waal 2000; Peruzzotti and Smulovitz 2003). Thus, even if different policies are intrinsically more or less visible, changes in the space for contestation through the dimensions of freedom of the press, political competition, and social mobilization can, in turn, affect their levels of visibility.

### Some achieve change

My goal with this research is to improve our understanding of when and how policy outputs will change following a regime type change. Thus, I do not aim at explaining all instances of policy change, but just those related to a change in the political regime. In more specific terms, in this work I trace the evolution of policy areas with different levels of visibility across regime type changes and identify 1) if a change takes place and 2) the tempo of such change. Following Grzymala-Busse (2011), I define tempo as change over time — i.e., the speed of that change. Once an instance of change —or failed change— is identified I describe the policymaking process behind it and identify the mechanisms linking regime type and policy involved.

Apart from regime type transitions, there is another type of shock usually associated with changes in public policy that plays an important role in this work: economic crisis. Economic crises are usually seen as critical junctures in which policy change becomes possible —gets thrust upon us— especially on economic issues (Caprio, Honohan, and Stiglitz 2001; Martinez-Diaz 2009; Tommasi and Velasco 1996; Weyland 2002). Crisis are expected to trigger reforms through different causal mechanisms (Clemens 2015; Drazen and Easterly 2001). Here, I focus on the role of economic crises in increasing the level of visibility of a policy. By making the effects of certain policies clearer for the general population, economic crisis can increase their level of visibility (e.g., Keefer 2007). Moreover, economic crises can increase the level of coverage of certain policies by the press and become focal points around which social mobilization gets organized. These are not only two mechanisms through which policy change can take place following a regime type change, but also two mechanisms that can further increase the level of visibility of the policy area. Chapter 6 shows the role played by economic crises in triggering changes in low visibility policy areas in contexts of increased space for contestation.

### **Cases and methodology**

As Weyland (1996, 79) states, “to show what difference the transition to democracy made, policymaking under authoritarian and democratic rule needs to be compared.” However, few studies analyze in-depth the effects of regime change in specific cases, and even less do so in cases in the developing world (Carbone 2012). Moreover, most of the analysis of policymaking in developing contexts focuses on policymaking during the post democratization period (see for example Spiller et al. 2008), instead of on the authoritarian or transition periods. Therefore, to better understand the relationship between regime type changes and policy, I carry out a historical comparative in-depth analysis (Falleti and Mahoney 2015). Using process tracing and structure focused comparisons (George and Bennett 2005), I analyze the policymaking process and its outputs across regime types in countries that experienced a series of regime type changes in a similar period of time. More specifically, I trace the evolution of six different policies



belonging to two policy areas with different levels of visibility —housing and financial policy— across eight regimes in Argentina and Brazil since the 1960s to the early 2000s. This combination of longitudinal within-case and cross-country comparison allows for a comprehensive exploration of how different causal mechanisms link regime types and policy in specific contexts.

### Country cases

The potential universe of country cases includes all the countries that experienced at least one change in regime type. Given the goal of analyzing the evolution of policy following regime type changes, the framework is likely to be more useful for those countries in which such changes can be dated with some precision. From the potential universe of cases, I selected two Latin American countries that experienced authoritarian regimes in the 1960s and democratized during the Third Wave: Argentina and Brazil. The temporal similarity matters given the comparative character of the research, as timing affects the type of policy challenges faced by a country, the likelihood of certain policy outputs, and the potential impact of different causal factors (Grzymala-Busse 2011; Hall 2016). At the same time, focusing on the period between the 1960s military coups and the 2000s, these countries offer the opportunity to analyze the effect on policy of six changes in regime type and to study policymaking under three military dictatorships —two in Argentina (1966-1973 and 1976-1983) and one in Brazil (1964-1985)— and the democratic regimes in place before, after, and —in Argentina— in between the military dictatorships. Especially relevant, given the goal of this research, is the fact that these authoritarian experiences differed in terms of their space for contestation. For instance, legislative bodies were consequential for policymaking in Argentina in the 1970s and during the Brazilian military regime, but not so in Argentina during the 1960s. In Argentina in the 1970s, moreover, power at the Executive was fragmented by institutional design, but there were no opposition parties or elections, while Brazil had a single executive, the President, plus both parties and elections. These differences, further explored in Chapter 3, provide the necessary variation to compare the effect on policymaking and policy outputs of different changes in regime type.

### Policy areas

I trace the evolution of six policies belonging to two policy areas: housing and financial policy. Inside the area of housing policy, I trace the evolution of policies regarding urban leases, informal settlements and public housing, and housing-oriented banks. Inside the area of financial policies, I trace the evolution of policies regarding financial entities regulations, central banks, and regimes of guarantee of deposits. The areas of housing and financial policy are relevant both theoretically and empirically. Theoretically, different regime types have been associated with different outputs and outcomes in both policy areas, which I further develop below. In addition, the two policy areas offer a wide range of variation

in terms of their visibility. Housing policy as social welfare is a policy area of comparatively high levels of visibility, while financial policy is usually a low visibility area. Moreover, each policy area encompasses a wide range of policies that are visible to different extents and to different groups. For instance, housing policies regarding urban leases are highly visible, and especially so for the urban middle and middle-low classes; while housing policies regarding informal settlements are more visible for lower classes and visible for middle classes only when they gather attention in the press or when those directly affected by such policies mobilize. In contrast, policies regarding housing-oriented banks are comparatively less visible. Furthermore, even if financial policy tends to have a low level of visibility, its visibility can be suddenly increased by economic crises, especially those that have an important financial component. Empirically, both policy areas have been associated with economic development and the wellbeing of a country's population (Barth, Caprio, and Levine 2006; Haber, North, and Weingast 2008). Furthermore, the persistent relevance of both policy areas during the period of analysis in both Argentina and Brazil provides the opportunity to trace their evolution in the long run across regime types.

Housing policy is a key area of social policy. Associations between social policy and regime type are widespread in the literature (e.g., Boix 2003; Bueno de Mesquita et al. 2003; Deacon 2009; Kammass and Sarantides 2019). However, the empirical evidence is still inconclusive (Mulligan, Gil, and Sala-i-Martin 2004; Ross 2006; Truex 2017). One of the issues behind this lack of conclusiveness is the wide range of policies that are normally grouped as social policy. Therefore, I focus on one social policy area whose evolution can be traced across regime types for a relatively long period of time: housing policy. Following Clapham, Kemp, and Smith (1990), I define housing policy as any form of intervention in housing production, distribution, or consumption that affects the location, character and availability of homes, or the rights associated with housing occupancy, and focus on housing policy as social welfare, instead of as environmental management or marketed commodity.

In terms of theoretical expectations, changes in regime types have been linked to changes in housing policy. A clear example is the literature on housing policy in South Africa. Housing policy in South Africa after the end of the apartheid has been characterized as emerging from far consultation, negotiation, and consensus with many different pressure groups being involved in the policymaking process (Huchzermeyer 2001; Mackay 1996). Despite such involvement being framed in terms of democratic development by the partisan actors involved (Mackay 1996), social movements have challenged such a view highlighting the fact that, even if solid democratic institutions had emerged, the space for citizens to use and benefit from them is still limited (Etzo 2010). The loosening of political and spatial controls have not only been shown to affect the relationship between state, citizenry, and private enterprise in housing policy in South Africa, but also in China and Russia (Harrison and Todes 2015). Similarly, democratization has been considered to have impacted South Korea's housing system as elected governments have engaged with this issue

considerably more so than the previous authoritarian governments (Grange and Jung 2013). Authoritarian government's approach to housing, in contrast, is normally associated with disregard for the situation of informal settlers, as illustrated by massive slum eradication projects (e.g., Blaustein 2006; Gomes 2017; Snitcofsky 2018; Ziccardi 1983), and by a policymaking process with limited influence from sectoral interests (e.g., Oszlak 1991).

Considering the high level of visibility of housing policy, I expect changes in this policy area following a regime type change and for such changes to take place relatively shortly after the transition. Moreover, when the change in regime type implies an increase in the space for contestation, I expect change in policies that affect urban leases and informal settlements to occur faster than in policies related to housing-oriented banks; and, also, that the dimensions of electoral accountability, political competition, and social mobilization play a central role in such changes. When the space for contestation decreases, I expect change to take place in this area pushed by concentrated interests or by governments that will be better able to unilaterally implement changes as long as they manage to constrain the space for contestation though the dimensions that normally give participation in policymaking to wider segments of the population. Chapter 4 covers the evolution of the two more visible housing policies under study, i.e., those regarding urban leases and informal settlements, while the evolution of housing-oriented banks is covered in Chapter 6.

In terms of the expected association between regime type and financial policy, democracies are expected to have larger and more sophisticated financial systems than nondemocracies. Existing literature has based those expectations mainly on mechanisms associated with electoral accountability, political competition, and checks and balances. The association of regime type and financial policy through electoral accountability is based on the idea that, because most of the population benefits from access to formal banking and reliable and cheap credit, elected officials face incentives to make access to affordable finance possible (Menaldo and Yoo 2015). Similarly, because in democracies politicians' political survival depends on the voters, politicians in such regimes will be more interested in supporting voters instead of bankers (Aguilera 2012; Calomiris and Haber 2014). The empirical evidence has backed this idea. Cross-national analysis have found that frequent elections with universal female suffrage are associated with larger financial sectors (Bordo and Rousseau 2006). Political competition has also been considered an important mechanism. For instance, Haber (2008) claims that institutionalized competition limits authority and discretion and, thus, allows for the supply of banking to match demand, affecting the size and structure of banking systems. This mechanism has been analyzed, for instance, in the case of the gradual Mexican democratization process (Aguilera 2012). Lastly, the literature has claimed that without appropriate checks and balances autocrats cannot credibly commit to not expropriate making democracies, which are assumed to have better checks and balances in place, more conducive to financial system development (Calomiris

and Haber 2014). Moreover, the quality of those institutional checks and balances also matters, as democratic transitions are typically followed by an increase in financial development because of their effect on institutional improvement (Huang 2010). Thus, Keefer (2008, 125) finds that “formal checks and balances are a significant determinant of financial sector development,” while Tresselt and Detragiache (2008) find that banking sector reforms have led to financial deepening only in countries with political checks and balances. Similarly, Quintyn and Verdier (2010) find that the likelihood of an acceleration in financial development increases with checks and balances. However, the empirical evidence remains inconclusive (Menaldo and Yoo 2015) and, for instance, the cross-sectional positive association between democracy and bank development does not seem to be robust to panel data estimations (Yang 2011).

Financial policy is normally a complex policy area with a low level of visibility. Therefore, changes in financial policy following regime type changes that increase the space for contestation will be less likely than changes in housing policy. Further, I expect the likelihood of observing change in financial policy following regime type changes to be more affected by changes in the space for contestation through the dimensions of interest groups’ lobbying and checks and balances than through the dimensions of electoral accountability, political competition, and social mobilization (Chapter 5). Moreover, in contexts in which the space for contestation is relatively unconstrained, I expect change to become more likely following an economic crisis, as such crisis will increase the level of visibility of the policy area making it more probable for mechanisms related to electoral accountability, political competition, and social policy to get triggered (Chapter 6).

### Data sources

To trace the historical evolution of the space for contestation and the selected policy areas in Argentina and Brazil, I used secondary sources and a wide range of primary sources. The combination of different sources addresses three challenges of my research. The first and main challenge is common to all studies of policymaking, and especially to those of policymaking in authoritarian regimes: much of the policymaking process takes place behind closed doors. To be able to research policymaking, we need to make use of multiple strategies to get behind those doors (Frisch et al. 2012). This is even more challenging in authoritarian regimes in which secrecy tends to be the norm (Barros 2016), making policymaking typically obscure to outside observers (Ezrow and Frantz 2011). A second challenge is related to the study of history. Finding documents and potential interviewees that can provide insight into events that lie far in the past can be difficult – or even impossible without a time machine. Third, this research was affected by the constraints imposed by the COVID-19 pandemic. This context limited my capacity of traveling and of accessing resources as libraries and archives remained closed for long periods of time.

I address these three combined challenges by using a wide range of sources and triangulating the information provided by each in order to balance the strengths and weaknesses of each type of evidence (Esterberg 2002). In terms of historical archives, Argentina and Brazil have abundant resources that make it possible to study policymaking historically, even for authoritarian periods. These documents are still understudied (Bonvecchi and Simison 2017b; Fico 2017) and, in some cases, challenge the conventional historiographical accounts. As I describe in more detail in the methodological appendix, most of these documents have the advantage of having been produced for internal use and not with the general public in mind. Such production process eases another challenge of working on authoritarian regimes: the problems of data quality and the risk of replicating the regime's claims to legitimacy by using their own data (Ahram and Goode 2016). Using archives as sources, however, has some challenges of its own. These can be summarized in the fact that these pre-existing materials "were generated by someone else for another purpose, and they cannot 'talk back'" (Kapiszewski, MacLean, and Read 2015, 165) and are the product of processes of inclusion and exclusion (Trouillot 1995). Thus, in every case, I identify potential missing information, analyzing why certain sources or bits of information, and no others, might be missing and reflect on "who is speaking to whom, for what purpose and under what circumstances" (George and Bennett 2005, 100). Moreover, I use a wide range of archival sources to complement the silence of ones with the voices of the others. These include materials from congressional archives, such as transcripts of sessions and legislative proposals, public records, and electoral platforms. Furthermore, I made extensive use of historical media. To access many of these resources despite the constraints imposed by the COVID-19 pandemic, digitalized collections and helpful librarians, archivists, and Congress staff members were key.

I also conducted 23 semistructured interviews with key actors. The sample was generated through chains of referral and includes former legislators and public officials from the Executive and relevant public agencies, staff members of Congress, and actors from the housing and financial private sectors. Efforts were made to include in the sample key actors of the democratic and the authoritarian periods and, when possible, actors who were active in the policy areas during both. A total of 35 oral history archives, together with biographies, memoirs, and personal history archives were used to fill the gaps generated by the impossibility of interviewing key actors from the more distant historical periods. More information on my primary sources can be found in the methodological appendix.

In terms of secondary sources, dealing with history implies challenges associated with the existence of a multiplicity of partially inconsistent historical monographs for each country/period case (Lustick 1996). To address these challenges, I use triangulation of sources being explicit on the judgements leading to choices of sources in those cases in which disagreement exists and on my level of certainty on the historical record (Lieberman 2010). In terms of triangulation, I incorporate not only the views of different historiographic accounts, but also the perspectives of those actors involved in policymaking at the time. I

am aware that doing so can introduce bias generated by memory limitations and by social desirability considerations that can lead policymakers to modify *ex post* the accounts and explanations of their past actions. Even acknowledging those limitations, I believe much can be gained from incorporating the views of these actors into the historical narrative. For instance, in the Argentinean case, the evidence on how the legislative body established by the last military regime actually worked and the extent to which it affected policy was limited until its documents were found and made publicly available. That led to part of the historiography of the period underestimating the role this legislative body played in shaping policy (e.g., Wierzba, Pino Suárez, and Kupelian 2010). However, the relevance of this role, later confirmed by the archives (Bonvecchi and Simison 2017a), was clear in both the memoirs by and interviews with policy makers active in the period.

## Chapter 3

### Space for contestation across regime types in Argentina and Brazil

Argentina and Brazil experienced multiple *coups d'état* and periods of political instability during the 20th century. However, the military coups that took place in the mid-1960s, represented the first ones in which the Armed Forces decided to take political power directly into their own hands for a long and indefinite period of time (Estep 1971; O'Donnell 1973).<sup>13</sup> In Brazil, they stayed in power for more than 20 years between 1964 and 1985. In Argentina, the 1966 coup resulted in a military regime that lasted until 1973. After this regime, there was a brief democratic interlude (1973-1976) followed by another military regime that stayed in power between 1976 and 1983. All three coups were military in nature and at least partially inspired by the national security ideology (Koonings 2001; Moreira Alves 1985; R. P. S. Motta 2014; O'Donnell 1988). Despite arriving to power with the support of wide segments of the population (Acuña 2004; Chirio 2018; Dreifuss 1981; Minella 1988; M. S. da Motta 2006; O'Donnell 1988; Rouquié 1986; Skidmore 1988),<sup>14</sup> the three regimes attempted to constrain the space for contestation, especially by controlling social mobilization and limiting the participation of already activated popular sectors (Jenks 1979; O'Donnell 1973; Smith 1989). They also limited the level of freedom of the press — even if they did it to different extents. These characteristics differentiate these three authoritarian regimes from the democratic periods.

However, these three military regimes differed significantly from each other in many dimensions of the space for contestation. Further, the transition to democracy after these military regimes also differed. In Brazil, democratization was a long and gradual process that implied a partnership between the military regime and a group of conservative politicians (Hunter 1997; Power 2000). In Argentina, while the opening process leading to the democratic interlude in the 1970s had some gradual elements, the democratization process after the last military regime was faster and the result of the collapse of the military regime after the defeat against the United Kingdom in the Falklands/Malvinas war aggravated its internal and external conflicts (Novaro and Palermo 2003).

This chapter traces the evolution of each of the six dimensions of the space for contestation in Argentina and Brazil since the 1960s. As argued in Chapter 2, how each of these dimensions of the space for contestation changed across regime types and during the transitions between regimes is central for

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<sup>13</sup> See also declarations made by Juan Carlos Onganía in the 1967 annual dinner of the Armed Forces published in *La Nación*, July 7, 1967.

<sup>14</sup> See also *La Nación*, June 21 and August 2, 1967, and former Army Commander in Chief (1966-19658) Julio R. Alsogaray oral history with Robert A. Potash, August 16, 1973 (Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at <http://credo.library.umass.edu/view/full/mufs020-bav1-i019>) for Argentina and *Correio da manhã*, April 12, 1964, for Brazil.

identifying the mechanisms linking regime type and policy that are likely to get triggered and the likelihood of policy change. Hence, this chapter provides the foundation for the analysis of the evolution of the different policy areas presented in chapters 4 to 6.

Table 4 summarizes the main characteristics of the different regime types in place during that period. In terms of checks and balances, the three military regimes implied an interruption of the democratic tradition of separation of powers between popularly elected presidents and legislatures. However, this interruption took different shapes. In Brazil, the president stopped being popularly elected, but the members of the legislature continued to be so, even if elections were not completely free. In the Argentinean cases, the elected legislature was closed down. However, the military regime of the *Proceso* established stronger institutional checks and balances than the military experience of *Revolución Argentina*, by dividing Executive power between a military Junta and a president and by creating an appointed legislature. These institutional differences affected the channels through which interest groups could influence policymaking. Even if such groups remained relevant regardless of the regime type, they had fewer institutionalized channels available during the *Revolución Argentina*, as no legislative body was in place and the Executive power was more concentrated. The potential for electoral accountability was also curtailed in all the military regimes, but to different extents. Elections continued to be held for many positions, including national legislators, and were relevant for policymaking in the Brazilian case but were completely suspended in the Argentinean military regimes. In terms of social mobilization, all three military regimes attempted at curtailing it. However, they differed in terms of the level of repression used and its effects. For instance, even if during the *Revolución Argentina* military regime many measures were implemented to limit social mobilization, mobilizations still took place with important consequences for policy (see Chapter 4). Finally, even if the three military regimes constrained the level of freedom of the press, there was a variation in the level of constrain across and within regimes. Moreover, the press continued to play a significant role in transmitting information from and to government officials even when the overall freedom of the press was the most restricted.



Table 4- Summary of the space for contestation across regimes

Contestation dimensions	Authoritarian regimes			Democratic regimes
	<i>Brazilian dictatorship (1964-1985)</i>	<i>Revolución Argentina (1966-1973)</i>	<i>Proceso (1976-1983)</i>	<i>(Before/after the authoritarian regimes)</i>
<b>Checks and balances</b>	Individual executive, elected legislature	Individual executive, no legislature	Collective executive, appointed legislature	Individual executive, elected legislature
<b>Interest groups' lobbying</b>	Significant	Limited	Significant	Significant
<b>Elections</b>	Controlled	-	-	Free and fair
<b>Political competition</b>	Legal opposition	Constrained	Constrained	Admitted
<b>Social mobilization</b>	Repressed-Moderate	Repressed-Significant	Repressed-Limited	Free-Significant
<b>Freedom of the press</b>	Restrained	Restrained	Restrained	Unrestrained

### Checks and balances

Using the dimension of checks and balances and veto players of the space for contestation over policy, we can place the two Argentinean experiences at each end of a continuum of concentration of power in the Executive, with the Brazilian dictatorship in the middle. During the military regime self-designated as “Argentine Revolution” (*Revolución Argentina*), the *de facto* president concentrated both the Executive and the Legislative power, even if other military actors gained more weight towards the end of the regime. In the other two authoritarian experiences, the military tried to avoid conferring excessive power to any single of its members. Despite the common goal, the way these two regimes organized power differed significantly. The Brazilian military regime had a strong president, but who depended more on the support of the Armed Forces than the Argentinean presidents did during *Revolución Argentina*. Moreover, a popularly elected Congress remained in place throughout most of the regime, even if elections were controlled and the Congress had fewer attributions than during democratic periods.<sup>15</sup> In Argentina in the 1970s, the Armed Forces established a tripartite division of power with a collective Executive and an appointed legislature. As will be shown, these differences were consequential for policymaking.

The authoritarian government that came out of the 1966 coup in Argentina, the *Revolución Argentina*, presented itself as a military regime; however, the Armed Forces as an institution did “neither govern nor co-govern” (O’Donnell 1988, 53). In fact, the Revolutionary Military Junta, made up by the Commanders in Chief of the three Armed Forces, was dissolved shortly after the coup and Juan Carlos Onganía, a retired member of the army, assumed the presidency holding at the same time both the Executive

<sup>15</sup> These differences were highlighted by key actors during the period. For instance, Roberto Campos recalls in his memoirs a meeting in which Juan Carlos Onganía, at the time still Commander in Chief of the Argentinean Army and soon-to-become *de facto* president, criticized the fact that the Brazilian regime had maintained a formal division of powers. To such criticism, then president Castelo Branco would have replied that it was nice to not share power, but dangerous not to share responsibilities (Campos 1994, 566–67).

and the Legislative power (Smith 1989). Onganía made little to no use of the Armed Forces to govern.<sup>16</sup> On the contrary, he normally ignored the preferences of the High Commands of the Armed Forces<sup>17</sup> and tried to insulate the government from pressures from any of its members. Ministers and secretaries were instructed to ignore and report to him about any pressure or personal request from active-duty members of the armed forces (O'Donnell 1988).<sup>18</sup> This concentration of power was accompanied by a reform of the Executive power. The number of ministries was reduced, increasing their jurisdictional power, and a new office, the National Presidency (*Presidencia de la Nación*), was created and charged with the management of the entire public administration. This new presidential office included a Legal and Technical Undersecretary in charge of reviewing the legislative proposals created by the Ministries and Secretaries. The proposals were classified as “routine” or “not routine” matters. Those belonging to the former group were sent directly to the president for approval. The ones belonging to the latter were revised by the Subsecretary and former personnel from the closed-down Congress. Proposals could not be retained for more than ten days without the president’s explicit authorization. Once revised, those proposals were sent to the president for approval. If conflicts of any sort were identified, they were specified in a memorandum accompanying the proposal (Roth 1981). Moreover, given that no public debate was taking place that could be used in the future to establish the correct interpretation of the newly enacted laws, another innovation was the addition to each proposal of a message from the ministry of origin specifying the intention and justification of the proposal (Roth 1981). Another newly created agency inside the Presidency that intervened in policymaking was the National Security Council (*Consejo Nacional de Seguridad*, CONASE), which advised all ministries in matters affecting national security broadly understood.<sup>19</sup>

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<sup>16</sup> Julio R. Alsogaray oral history with Robert A. Potash, August 16, 1973. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at: <http://credo.library.umass.edu/view/full/mufs020-bav1-i019>. See also Lanusse’s declarations published in *La Nación*, May 27, 1967, and reports on meetings with High Commands published in *La Nación*, March 16, May 28, and June 5, 1968.

<sup>17</sup> Julio R. Alsogaray oral history with Robert A. Potash, June 20, 1984. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at: <http://credo.library.umass.edu/view/full/mufs020-bav1-i002>; Alejandro A. Lanusse and Tomás Sánchez de Bustamante interview with Robert A. Potash, August 23, 1973-August 24, 1973. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at: <https://credo.library.umass.edu/view/full/mufs020-s01-b01-f001-i002>; Roberto M. Levingston oral history with Robert A. Potash: questions and transcript, 1983. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at: <http://credo.library.umass.edu/view/full/mufs020-s01-b04-f008-i001>

<sup>18</sup> See also former mayor of Buenos Aires (1966-67) Colonel Eugenio Schettini oral history with Robert A. Potash, April 10, 1989. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at: <http://credo.library.umass.edu/view/full/mufs020-bav4-i001>; former Minister of Foreign Affairs (1966-69, 1981-82) Nicanor Costa Méndez oral history with Robert A. Potash, June 23, 1986. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at: <http://credo.library.umass.edu/view/full/mufs020-bav1-i013>.

<sup>19</sup> Former Minister of Internal Affairs (1963), Secretary of CONASE (1968-69) and Ambassador (1969-72) Osiris G. Villegas oral history with Robert A. Potash, December 21, 1983. Robert A. Potash Papers (FS 020). Special

The Armed Forces increased their influence in the government after the first presidential replacement (O'Donnell 1988; Rouquié 1986; Smith 1989).<sup>20</sup> In fact, the replacement of Onganía by Roberto Levingston was in big part a reaction against Onganía's concentration of power.<sup>21</sup> When Levingston became president, his initial Cabinet was selected by a Military Junta composed of the Commanders in Chief of the three branches of the Armed Forces and the internal rules of the regime were modified to make the approval of the Junta necessary for all laws and decrees considered of "transcendent significance" (O'Donnell 1988; Smith 1989). Under this new arrangement, liaison officers of each force received a copy of each legislative proposal, and the president could not enact any proposal that was considered relevant by at least one of the forces until the three Forces issued their opinions.<sup>22</sup> However, these changes were not fully institutionalized and, shortly after, Levingston managed to concentrate power again in the Presidency. He decided all future Cabinet appointments<sup>23</sup> and, even if he met regularly with the members of the Junta, he did not necessarily follow their advice. In the words of one of his ministers, the Junta was nominally still there, but did not make any decision.<sup>24</sup> Moreover, this new arrangement led to a "balkanization" of the state apparatus in which each bureaucratic faction pursued its own strategy and timetable, while remaining free to attempt to veto proposals from other factions (Smith 1989). As the president was responsible for breaking any stalemate, he continued to be the centerpiece of the institutional arrangement.

Nevertheless, the increased role of the Navy and the Air Force in government was clear when they joined efforts with the Army to replace Levingston with Alejandro Agustín Lanusse, the Commander in Chief of the Army. This change was made in a context of expansion of the space for contestation characterized by massive social mobilizations, the reorganization of the political parties, and plans for the

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Collections and University Archives, University of Massachusetts Amherst Libraries. Available at:

<http://credo.library.umass.edu/view/full/mufs020-bav4-i016>.

<sup>20</sup> See also Julio R. Alsogaray oral history with Robert A. Potash, August 16, 1973. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at:

<http://credo.library.umass.edu/view/full/mufs020-bav1-i019>.

<sup>21</sup> Nicanor Costa Méndez oral history with Robert A. Potash, June 23, 1986. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at:

<http://credo.library.umass.edu/view/full/mufs020-bav1-i013>.

<sup>22</sup> Audio interview with Colonel (OF-5) José Villarreal, liaison between the Presidency and the Army during Levingston and Lanusse's presidencies and General Secretary of the Presidency during Jorge Rafael Videla's presidency. Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

<sup>23</sup> Roberto M. Levingston oral history with Robert A. Potash: questions and transcript, 1983. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries.

Available at: <http://credo.library.umass.edu/view/full/mufs020-s01-b04-f008-i001>.

<sup>24</sup> Former Minister of Internal Affairs (1970) and Foreign Affairs (1972-73) Eduardo McLoughlin oral history with Robert A. Potash: transcript and notes, 1984. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at:

<http://credo.library.umass.edu/view/full/mufs020-s01-b04-f015-i001>.

return of former president Juan Domingo Perón, in exile since the coup that ousted him from government in 1955. Hence, the Armed Forces stated that the Junta was “reassuming political power until the completion of the process of the Argentine Revolution” (Smith 1989, 187). The increased role in government of the Armed Forces as an institution during Lanusse’s presidency was noticeable in the press coverage of government activities, which informed of consultive meetings with High Commands and regular meetings of the military Junta.<sup>25</sup>

In the Brazilian military regime, political power was intentionally less concentrated in the president. The Armed Forces exhibited many factions and, at the moment of the coup, there were no clear and commonly shared ideological or political objectives among those involved in the coup other than putting an end to a political situation seen as threatened by “communism” and “corruption” (Chirio 2018; Gaspari 2012; Kinzo 1988; Weyland 2019). Even if this makes it difficult to treat the military forces as an unified “political actor” (Koonings 2001), after the 1964 coup, the army itself was in power, and not just a soldier or former soldier (Chirio 2018). To ensure this, the military presidents retired from active duty upon assuming office and their succession was regular and through the consensus of officers, including consultation with lower ranks (Hunter 1997). Nevertheless, similar to what happened in Argentina, the Executive underwent institutional reforms during the first presidency of the dictatorship. The first president of the regime, Humberto de Alencar Castelo Branco, appointed his own administrators and set up new agencies to ensure bureaucratic support and centralize power, such as the National Information Service (*Serviço Nacional de Informações*, SNI) and the Bureau of Applied Economic Research (Epea, shortly later renamed *Instituto de Pesquisa Econômica Aplicada*, Ipea) (Jenks 1979).

A relevant difference between this military regime and the two Argentinean ones is that the Congress remained functioning and integrated by popularly elected politicians for most of the duration of the regime. Elections were not completely free, some legislators were purged, and measures were introduced to shift authority towards the Executive power (Chirio 2018; Jenks 1979; Pakenham 1971). As a consequence, the Congress was sometimes considered as a non-representative body outshone by a powerful executive (Abranches 1985; de Souza Pinto 2016; Kinzo 1988; Pojo do Rego 2008; Skidmore 1988). However, the Congress was far from being just a window-dressing device. It functioned as an arena for interest articulation (Pojo do Rego 2008) and in which opposition to the Executive could be expressed (Desposato 2001; Simison 2022). Moreover, legislation was proposed and enacted by initiative of

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<sup>25</sup> See for instance *La Nación* September 4 and 27 and November 2, 19, and 28, 1972 and March 2, 14, and 15 and May 8, 1973.

legislators (Simison 2022) and many initiatives from the Executive were only enacted after legislators significantly amended them (Andrade 1979; Skidmore 1988; Chapters 4-6).<sup>26</sup>

The Congress was reopened in Argentina after the end of the *Revolución Argentina* regime, during the democratic interlude in between 1973 and 1976. Even if there were some complains in the media about the level of dominance of the legislative agenda by the Executive,<sup>27</sup> the Congress regained its central role in the policymaking process. However, the Congress was once again closed when the Armed Forces seized power in March 1976.

After this coup, the Armed Forces sought to avoid the concentration of power that had taken place during the previous dictatorship. Thus, the self-denominated “National Reorganization Process” (*Proceso de Reorganización Nacional, Proceso*) established an authoritarian regime with a collective executive branch—consisting of a Military Junta made up of the three Commanders in Chief and a president—and a legislative body, the Legislative Advisory Commission (*Comisión de Asesoramiento Legislativo, CAL*), staffed by members of the three branches of the Armed Forces. Cabinet positions, provincial governorships, and municipalities were divided into three, granting roughly one third of positions to each of the Armed Forces (Novaro and Palermo 2003; Quiroga 1994). Because of this arrangement, decision making power was divided not only between the Junta and the president but also among the Armed Forces that were given the opportunity to block any decision. This institutional division of power combined with the high level of factionalism across and inside each of the Armed Forces (Novaro and Palermo 2003),<sup>28</sup> generated “a dictatorship without dictator,”<sup>29</sup> a center-less dictatorship in which no single actor had control over the policymaking process (Bonvecchi and Simison 2017b). As the members of the legislative body were appointed and not popularly elected, the CAL is usually not considered a legislature nor included in databases of legislative bodies (e.g., Gandhi and Przeworski 2007). However, as Bonvecchi and Simison (2017a) show, the combination of this institutional environment and the regime’s lawmaking procedures provided the CAL with incentives, resources, and opportunities to operate beyond the role of a merely consultative body becoming consequential for policymaking. In fact, public officials identified the CAL as a source of “problems” in getting their desired policies approved and the economic team rushed the

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<sup>26</sup> See also interview with former staff member Abeguar Machado Massera. Available at:

<https://www2.camara.leg.br/a-camara/documentos-e-pesquisa/arquivo/historia-oral/memoriadoservidor/Contos%20da%20Camara%201%20e%202/AbeguarMachadoMassera.pdf>

<sup>27</sup> See, for example, *La Nación*, June 17, 1973.

<sup>28</sup> See also audio interview with Rosendo Fraga, political analyst, journalist, and historian, Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

<sup>29</sup> Audio interview with General Reynaldo Bignone, *de facto* President of Argentina (1982), Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

elaboration and approval of a first package of conjunctural measures before the CAL was conformed in order to avoid the passage through the legislative body (Schvarzer 1986).<sup>30</sup>

Since democratization, congresses with popularly elected members in open and clean elections had been the norm in both Argentina and Brazil. Argentina has remained an open and competitive democracy since then, despite deep economic crises and military uprisings (Mainwaring and Simison 2022). In the context of the two major economic crises of the period, the hyperinflation of 1989-1990 and the social and economic crisis of 2001, there were presidential resignations and anticipated transfers of power, but these presidential crises were solved without a democratic breakdown (Pérez Liñán 2007). Moreover, in both countries the democratic process stayed in place even if the balance of power in the legislative, and the support presidents found there for their policy agendas, varied, with some presidents keeping control of a majority of seats in the National Congress for most—or all—of their tenure, while others faced opposition in at least one of the Chambers. The committees of Congress gained increasing relevance in the policymaking process, and collaborations between the Executive and the Congress became usual.<sup>31</sup> Furthermore, in Brazil, a new constitution was enacted in 1988, shortly after the return to democratic rule. This new constitution was elaborated by a Constituent Assembly conformed by legislators elected in open partisan elections and incorporated proposals from interest groups and the general public (Caldeira and Holston 2015; Venturini 2013).<sup>32</sup> The enacted text reduces the concentration of power in the National Executive (Bruneau 1989).

### **Interest groups' lobbying**

Intertest groups' lobbying remained relevant for policymaking in Argentina and Brazil across regime types. However, variation in this dimension of the space for contestation over policy took place regarding the arenas available for those interest groups to influence policymaking and, in some cases, in the identity of the interest groups that were allowed to access such arenas.

In the three military experiences, the Armed Forces took power with the support of wide segments of the population, in which interest groups played a crucial role. In the Brazilian case, there are two institutions that clearly illustrate the close relationships established between civilian interest groups and

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<sup>30</sup> Also interviews with Juan Alemann, former President of the National Mortgage Bank (1968), and Secretary of the Treasure (1976-83) and José Alfredo Martínez de Hoz, former Minister of Economy (1963, 1976-81), Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

<sup>31</sup> Personal interviews with Lucía Mambrín, staff member, Argentinean Chamber of Deputies; Guillermo Castellano, Director of Stenographers, Argentinean Chamber of Deputies; and Horacio Liendo, former adviser to the Argentinean Central Bank Presidency (1982), board member of the Argentinean Central Bank (1991), and official of the Ministry of Economy (different positions, 1991-96).

<sup>32</sup> See also transcript of the Constituent Assembly.

members of the Armed Forces before the coup. One of this was the War College (*Escola Superior de Guerra*, ESG) that, with a high percentage of civilian graduates existed “as much to militarize the civilian sector as it does to educate the military” (Estep 1971, 170), allowing for the creation of relationships between members of the Armed Forces and civilians. The other one was the Institute for Social Research and Studies (*Instituto de Pesquisas e Estudos Sociais*, IPES). This organization was founded in the early 1960s by an heterogeneous group of businessmen, lawyers, technocrats, and military officers with the goal of studying the main national problems (Dreifuss 1981; Skidmore 1988). Members of the Armed Forces regularly took part of this group’s activities and the group actively participated in the activities leading to the coup (Minella 1988).

The existence of these groups helped guaranteeing the continuity of interest groups’ influence in policymaking during the military government. Most of the key staff members in the Finance Ministry during the first years of the Brazilian military dictatorship came from IPES and its related Brazilian Institute for Democratic Action (*Instituto Brasileiro de Ação Democrática*, IBAD) (Sousa 2009) and members of this group were consulted during the development of many of the main economic reforms of the regime (see Chapters 4 and 6). Moreover, public officials regularly attended events organized by professional and business associations.<sup>33</sup> The relevance of these groups contrasts with the image of the military government as a government of technocrats “with absolutely no commitments to any social classes or economic groups” (Antônio Delfim Netto quoted in Skidmore 1988, 71) that many of its members advertised.

Representatives of commerce and finance also became members of Congress during the military regime (Fleischer 1980). Moreover, as Congress remained opened during most of the military regime, it continued to be an arena that interest groups could use to influence policymaking. In fact, the transcripts of the legislative sessions held during the dictatorship show evidence of frequent meetings between interest groups’ representatives and legislators, and the files associated with many legislatives proposals include reports and letters elaborated by such groups and their representatives. Similar evidence of interest groups’ lobbying can be found for the Argentinean democratic interlude between 1973 and 1976, as well as for the democratic periods that started in the 1980s. What happened in Argentina when the military regimes closed the Congress down? Did such closures mean the elimination of interest groups’ lobbying?

After the military coup of 1966, the Argentinean Congress was dissolved and the legislative power was concentrated in the president, Juan Carlos Onganía. Interest groups had supported the coup and Onganía himself had taken part in meetings with union members and businessmen before the coup.<sup>34</sup> Moreover, key positions at ministries and political agencies during his presidency were occupied by

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<sup>33</sup> For example, *Jornal do Brasil*, July 11, 1969, and *Jornal do Commercio*, October 11, 1979.

<sup>34</sup> Nicanor Costa Méndez oral history with Robert A. Potash, June 23, 1986. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at: <http://credo.library.umass.edu/view/full/mufs020-bav1-i013>.

members of the main business associations (Smith 1989). Throughout the regime, public officials regularly took part of events organized by professional and business associations, which were also regularly invited to public events, and expressions of support to the government's economic measures by such associations appeared often in the press.<sup>35</sup> Therefore, even if the Congress was removed as an arena for interest groups' lobbying, such groups did not disappear from policymaking. Rather, their influence followed more informal paths.

The more informal character of interest groups' lobbying during this period was considered problematic by some public officials. In a memorandum elaborated in 1966 regarding the consequences of a Congress-less legislative process, members of the newly created Legal and Technical Undersecretary claimed that when private interests were not given place in a specific stage of the legislative process, they would "place themselves" in the process, for instance by taking positions inside administrative bodies (Roth 1981, 103). Interest groups intervening in such an unstructured way was considered problematic as many legitimate interests could be ignored and overshadowed by the interest of "the most organized or the least scrupulous ones" (Roth 1981, 103). An example of this discrimination of some interests over others was the case of unions, which were mostly ignored during the times in which Adalberto Krieger Vasena occupied the Ministry of Economy and Labor (Roth 1981).<sup>36</sup> Thus, the lack of a Congress as an established arena did not eliminate interest groups' lobbying but did increase governmental actors' capacity of picking which interest groups were going to be listened to in the policymaking process.

When the military returned to power in Argentina in 1976, they closed the democratically elected Congress again. However, their institutional design for the regime included the creation of a new legislative body, the Legislative Advisory Commission (*Comisión de Asesoramiento Legislativo*, CAL). Even if this body was staffed by appointed members of the Armed Forces, it became a venue in which interest groups could express their opinions and take part in the policymaking process (Bonvecchi and Simison 2017b). Such role was highlighted by the then President of the CAL Army General José Horacio Ruiz in a press conference.<sup>37</sup> There, he stated that the members of the CAL regularly invited representatives of all the groups that could be affected by the enactment of each legislative proposal. He also highlighted that even those not explicitly invited were welcomed, provided they had enough responsibilities and qualifications in the topic under discussion. Former staff members of the CAL and former public officials of the Ministry of

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<sup>35</sup> *La Nación*, April 3 and 8, May 10, 16, 23, and 31, August 2, and November 26, 1967, August 25, and September 3 and 4, 1968, January 22 and 31, 1969, September 10, October 31, and December 15, 1972.

<sup>36</sup> During that period, union leaders also failed in their attempts to meet with the president (see *La Nación*, August 13 and 29, 1968).

<sup>37</sup> Box 2. Archivo Documental CAL, Archivo Intermedio, Archivo General de La Nación.



Economy recall that, in fact, such consultations and meetings were common and influential, as well as meetings with experts not necessarily affiliated with any established group.<sup>38</sup>

The evidence found in the CAL archives shows interactions between interest groups representatives and members of the CAL similar to those observed during the dictatorship in the Brazilian Congress. The existence of an established arena for interest groups' lobbying contrasted with the experience of the *Revolución Argentina*, in which there were no such institutionalized channels for interest groups' lobbying. However, those channels of influence were more limited in terms of the range of actors allowed to take part when compared to the democratic congresses in both Argentina and Brazil<sup>39</sup> as the public officials of the Military Regime could better limit such range and had more control on the information on the policymaking process that was made publicly available. The CAL archives also show interest groups' lobbying taking place in the Executive during the military regime. Interest groups were involved in policymaking, thus, not only through the arena provided by the CAL, but also via connections with the institutional presidency, the ministries, and high commands of the Armed Forces (Acuña 2004; Bonvecchi and Simison 2017b).<sup>40</sup>

### **Elections and electoral accountability**

If the differences observed across regime types in the dimension of interest groups' lobbying of the space for contestation were relatively minor, those differences were much starker in the dimensions of the space for contestation associated with elections and political competition. Figure 6 shows the evolution of the Varieties of Democracy (V-Dem)'s Cleanness of Elections Index (Coppedge et al. 2022) for Argentina and Brazil in between 1960 and 1990. Towards the end of the period, when both countries transition to democracy, the index in both countries reaches a value close to its maximum possible. The values are also relatively high for both countries at the time in which the three military coups took place. However, what happens during the military regimes differentiates the Brazilian military regime from the two Argentinean ones. In the Brazilian case, relatively clean elections continued to be a central part of Brazilian politics during the dictatorship, even if they were not used to elect all government positions and the regime controlled electoral campaigns (Holston 2009; Jenks 1979). Moreover, the evolution of this index clearly shows the different types of transition across regimes experienced in both countries. If the evolution of the Argentinean case is characterized by sudden drops during the military regimes followed by sudden increases once elections are reimplemented, in the Brazilian case the curve increases gradually during the

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<sup>38</sup> Personal interviews with former stenographers; interviews with Luis García Martínez, Minister of Economy Chief of Staff (1976-81), and José Alfredo Martínez de Hoz, Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

<sup>39</sup> The widening of the range of interest groups involved in policymaking during democratic regimes will be further developed in chapters 4 to 6. It was highlighted in personal interviews with politicians, and former Congress staff members and public officials, and in the transcripts from the Brazilian Constituent Assembly.

<sup>40</sup> See also interviews with Luis García Martínez and José Alfredo Martínez de Hoz.

1980s as more public offices are being popularly elected and the quality of those elections increases during the most gradual process of democratization.

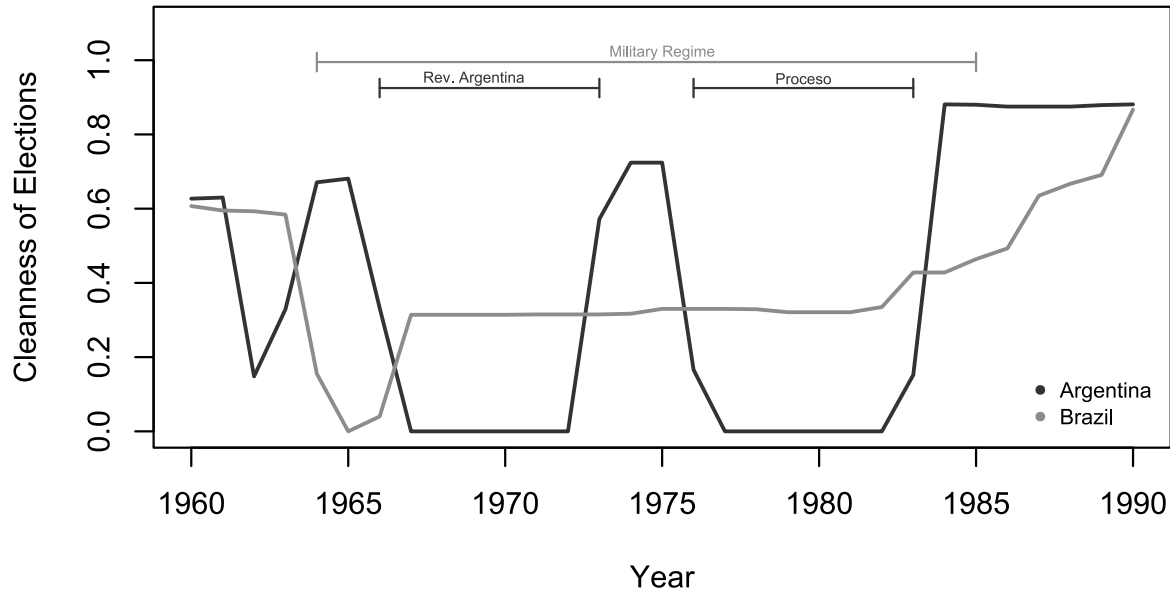


Figure 6- Cleanness of Elections Index in Argentina and Brazil, 1960-1990.

Answer to the question “To what extent are elections free and fair?”

Source: V-Dem Dataset (Coppedge et al. 2022)

Some aspects of the evolution of the electoral dimension during the Brazilian military regime are worth highlighting. First, the reduction of illiteracy rates in a context in which literacy was required to vote lead to a gradual increase in enfranchisement during the dictatorship (Holston 2009). Second, the level of control over campaigns and the selection of candidates varied from one election to the other together with the overall level of repression of the regime, which was relative lower during the 1974 elections than in previous ones (Jenks 1979). Lastly, even if elections remained a reality and influenced policymaking, participation tended to be low and the percentage of blank votes was usually high, especially in those elections more tilted against opposition candidates (Jenks 1979). Even if the mere existence of elections does not guarantee electoral accountability, it is a necessary requirement for it. As will be further detailed in chapters 4 to 6, electoral accountability was a relevant factor for policymaking in the Brazilian dictatorship and in the democratic periods in both countries, especially in high visibility policy areas.

### Political competition

The evolution of the dimension of political competition in Argentina and Brazil followed a similar pattern to the dimension of elections and electoral accountability. However, this dimension experienced

more variation in time within the span of each military regime. Political competition was allowed in all the democratic periods. However, the strength of such opposition varied with the balance of power across political parties in the Congress and the cohesion inside those parties. For instance, during the Argentinean 1973-1976 democratic interlude the governing party had received such a wide support in national elections that guaranteed its control of both the Executive and a majority in Congress. However, that support was combined with increased levels of political violence and strong disputes among the different ideological groups inside the party (Smith 1989). When democratic elections returned to Argentina in the 1980s, the party of the president presented a more cohesive front in Congress but did not control both of its Chambers. Regardless of these variations, in all the democratic periods analyzed, political competition was allowed, and opposition parties were relevant in terms of policymaking.

In contrast, the three military regimes under study constrained the political competition dimension of the space for contestation. They did so to different extents. In both Argentinean experiences, political parties were outlawed and had their activities suspended (Junta Militar 1980; Smith 1989). During the *Revolución Argentina* (1966-1973), the press reported on the activities of some politicians, but also on how such activities were met with repressive responses by the authorities, such as arrests.<sup>41</sup> These restrictions were gradually relaxed during the opening process. During his term in office, the last military president of this authoritarian experience, Augustín Lanusse, regularly met members of the political opposition.<sup>42</sup> The restrictions to party organizations were also relaxed towards the end of the *Proceso* dictatorship, although some controls remained in place until the very end of the regime (Velázquez Ramírez 2019). Relevant in terms of political competition is the fact that until the call for elections, the most important Argentinian parties collaborated and presented an unified opposition front to the military regime (Velázquez Ramírez 2019).

The Brazilian military regime took a different approach to political competition. Political parties were not outlawed right away, and some level of legal opposition was permitted throughout the whole regime. Nevertheless, the level of political competition varied across time in line with the level of overall repression in the regime. Shortly after the coup, the first Institutional Act of the Military Regime was enacted and, even if the Congress was not closed down and political parties were not outlawed, many legislators were purged. After such purges, the regime attempted to form a solid and stable basis in the Congress with the existing legislators. Nevertheless, such attempt failed as the government faced increasing difficulties in passing its political agenda in the Congress (Kinzo 1988). Faced with this situation, one year later, in 1965, the government issued the Complementary Act Number 4. This act eliminated the multiparty system and mandated the creation of two new political organizations: an official pro-government party and

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<sup>41</sup> For instance, *La Nación*, November 14, 1967, January 29, March 21, and October 13, 1968.

<sup>42</sup> For instance, *La Nación*, September 7, October 29, and November 2, 1972, and May 23, 1973.

an official opposition one. The resulting parties, the National Renewal Alliance (*Aliança Renovadora Nacional*, ARENA) and the Brazilian Democratic Movement (*Movimento Democrático Brasileiro*, MDB), encompassed a wide variation of political tendencies which, in order to survive politically, were compelled to cohabit the same party (Jenks 1979; Kinzo 1988).

The autonomy of the political opposition in the Congress was further restrained in 1968 with the passing of the Fifth Institutional Act, which inaugurated the most repressive period of the Brazilian military regime. This Institutional Act was enacted after a temporary closure of the Congress triggered by the display of autonomy by members of the Congress regarding the “Moreira Alves” case, during which legislators refused to lift the parliamentary immunity of one of their own (Abranches 1973).<sup>43</sup> Apart from the temporary closure of the Congress, this Institutional Act was accompanied by the biggest purge of the regime and authorized future ones. This “political depuration,” which also included the suspension of the political rights of many members of the opposition and some arrests, captured the attention of the regional press.<sup>44</sup> These repeated repressive actions by the military regime established a climate of fear in the Congress (Jenks 1979),<sup>45</sup> and led to the feeling that no real opposition was possible. This feeling was summarized by the widespread idea of the existence of a “yes” party and a “yes, sir” party, and was regularly presented in the press. An example of this is provided in Figure 7. This cartoon, published in 1970, shows two characters talking about what one of them would do if elected to Congress for the opposition party. The response is that he would not do much, but that he would stare at the members of the pro-government party in anger while approving their legislative proposals.

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<sup>43</sup> See also AB.stf.1965.11.25/3 and EAP 1968.11.18, *CPDOC*, Centro de Pesquisa e Documentação de História Contemporânea do Brasil, Fundação Getúlio Vargas.

<sup>44</sup> For instance, in *La Nación* December 15, 16, and 28, 1989.

<sup>45</sup> See also interview with former staff member Haidée Del Bosco de Araújo. Available at: <https://www2.camara.leg.br/a-camara/documentos-e-pesquisa/arquivo/historia-oral/memoriadoservidor/Contos%20da%20Camara%201%20e%202/HaideeDelBoscoDeAraujo.pdf>.

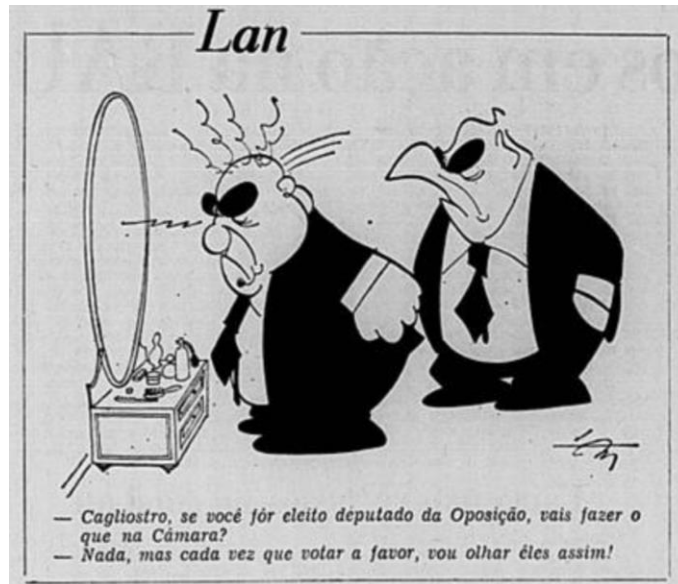


Figure 7- Cartoon on the role of opposition in Congress during the Brazilian Military Regime.  
- Cagliostro, if you were elected as a legislator for the opposition, what would you do in the Chamber?  
- Nothing, but every time I vote in favor, I will stare at them like this!  
Source: *Jornal do Brasil*, July 9, 1970.

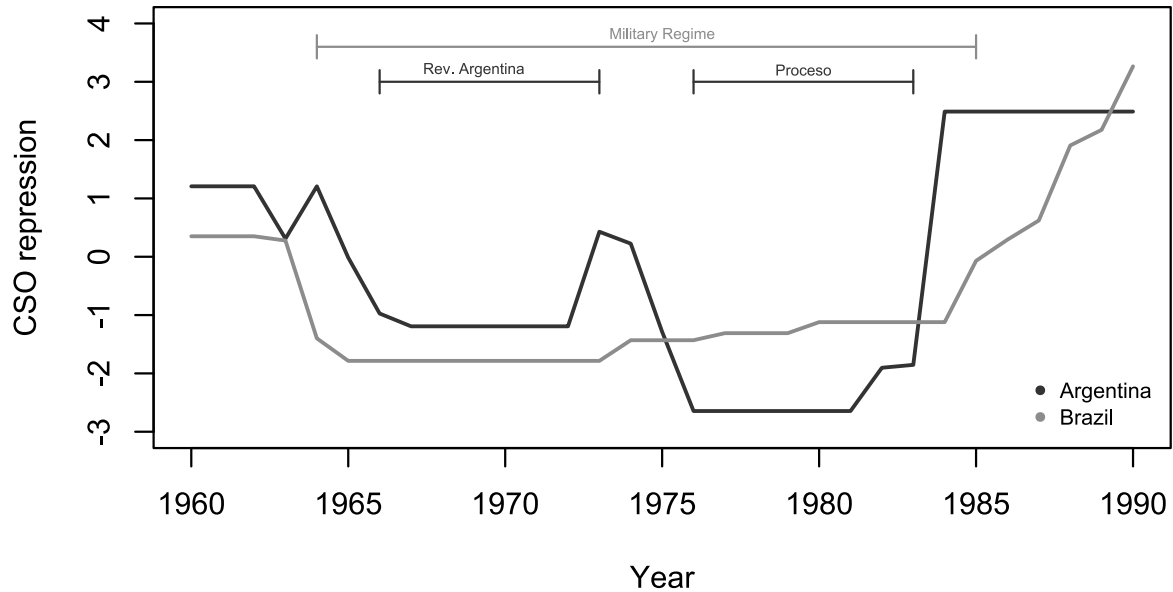
However, the existence of such legal opposition and its presence in the Congress were far from inconsequential for policymaking. Legislators from the opposition proposed legislation on a wide variety of topics that was sometimes enacted (Simison 2022). They also made frequent use of tools like information requirements that, even if they did not directly change regime's policies, were useful to put topics in the public agenda.<sup>46</sup> Moreover, opposition legislators modified many initiatives from the Executive, in many cases responding to the pleas made by their constituencies (Andrade 1979; Skidmore 1988; Chapters 4-6). Further, in 1979, as part of the steps taken in the long transition towards democracy, a wide amnesty and a new political parties' law were approved, putting an end to the artificially generated bipartisan system, and further increasing the relevance of opposition politicians and political competition (Fleischer 1986; Schwarcz and Starling 2015).

### Social mobilization

The evolution of the dimension of social mobilization of the space for contestation over policy can be analyzed from two perspectives. The first one captures the attempts made during the different regimes to repress social mobilization. Figure 8 shows the evolution of V-Dem's Index of Civil Society Organizations (CSO) Repression (Coppedge et al. 2022), with higher values representing lower levels of

<sup>46</sup> See interview with former staff member Abeguar Machado Masser. Available at: <https://www2.camara.leg.br/a-camara/documentos-e-pesquisa/arquivo/historia-oral/memoriadoservidor/Contos%20da%20Camara%201%20e%202/AbeguarMachadoMassera.pdf>.

repression. It shows that such repression has been rather low in Argentina since the return to democracy and decreased sharply during the Brazilian democratization process. Even if CSO repression during all three military regimes was higher than during democracies, there is also substantial variation across them. The level of repression was the lowest during the first of the two Argentinean military regimes and the highest during the second one. The Brazilian military regime lies in between the two and it also exhibits more within-regime variation.



*Figure 8- Level of civil society organizations' repression in Argentina and Brazil, 1960-1990.*  
Answer to the question “Does the government attempt to repress civil society organizations (CSOs)?” Responses are reversed so that the “less democratic” response get lower values.  
Source: V-Dem Dataset (Coppedge et al. 2022)

How successful were those repression attempts in curtailing social mobilization? Figure 9 shows information from the second perspective through which the dimension of social mobilization can be explored. It traces the evolution of the level of effective social mobilization in Argentina and Brazil across regime types. It shows that the Argentinean dictatorship of the *Proceso* was not only the most repressive of the three, but also the most successful at keeping the level of social mobilization low. The repression attempts of the previous Argentinean dictatorship do not appear to have been as successful, as the level of social mobilization remained rather stable at similar levels than during the democratic regimes in place before and after it.

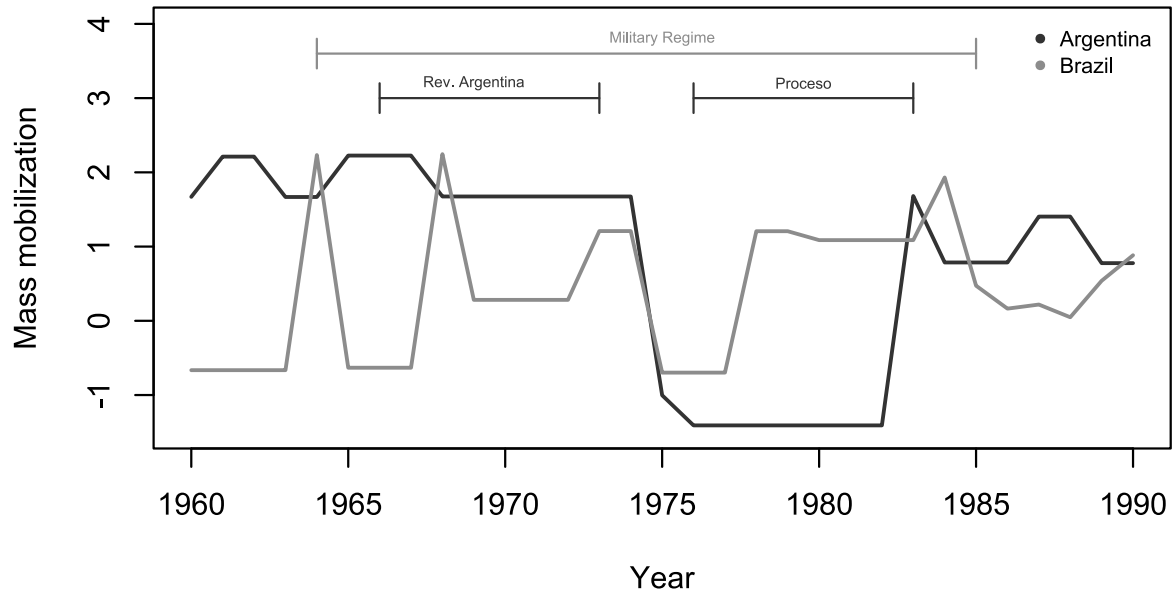


Figure 9- Level of mass mobilization in Argentina and Brazil, 1960-1990.  
 Answer to the question “In this year, how frequent and large have events of mass mobilization been?”  
 Source: V-Dem Dataset (Coppedge et al. 2022)

The overall evolution of both the efforts to constrain the space for contestation dimension of social mobilization and the level of success of such efforts, matches a closer examination of the cases. Take, for instance, the evolution of organized labor mobilization. In Brazil shortly after the coup, a law against strikes was enacted, which outlawed any such measure in public services and state-owned companies, as well as in those areas considered to be “essential” (Lara and Silva 2015). The right to strike was progressively limited during the regime (Lago 2014) and by 1968 workers were successfully demobilized (Skidmore 1988). This did not mean they stop all their activities, but they focused on bread-and-butter issues at the company level and strikes and public demonstrations were rare. During the process of political opening, the military began to support some degree of mobilization because they were confident that they firmly controlled the channels of participation (Jenks 1979). Towards the end of 1970s, in a less repressive environment, unions started mobilizing again and the number and size of strikes increased (Lara and Silva 2015).

In Argentina, during the military dictatorship of the *Revolución Argentina*, attempts to reduce the level of social mobilization driven by the labor sector were also made, but they were less successful than in the Brazilian case. Unions had supported the coup.<sup>47</sup> However, shortly after the government introduced

<sup>47</sup> See declarations by the Argentinean delegate to the International Labour Organization, Maximilaino Castillo, in *La Nación*, June 21, 1967.

measures to limit their capacity to mobilize. Public demonstrations organized by the labor sector were prohibited and strikes faced repressive responses.<sup>48</sup> Moreover, controlling labor mobilization was the first task assigned to the newly created National Security Council.<sup>49</sup> As a result, by the end of 1967 labor mobilization appeared to be under control (Roth 1981).<sup>50</sup> However, unions were central in the large social mobilizations that led to the replacement in the presidency of Onganía, first, and Levington, later (Smith 1989). Hence, even if the military regimes attempted at constraining the space for contestation through the dimension of social mobilization, some mobilization still took place with consequences for policymaking.

### Freedom of the press

The attempts by the different regimes to constrain the space for contestation through the dimension of freedom of the press and information availability followed similar patterns to those aimed at the social mobilization dimension: freedom of the press was mostly unconstrained in the democratic periods and the level of constrain varied across the military experiences with the Brazilian experience in between the two Argentinean ones. Figure 10 illustrates this evolution using the Freedom of Expression and Alternative Sources of Information Index from V-Dem (Coppedge et al. 2022). The values for this index are relatively high in both countries in all the periods considered democratic, and specially so since the last democratization processes. The figure also shows how the value of the index increases more gradually during the Brazilian transition to democracy but jumps abruptly in the Argentinean case. The way in which the three military regimes differ from each other also mirrors what we observed in other dimensions of the space for contestation. The index is at its lowest during the military regime of the *Proceso* in Argentina, it is higher for the military regime of *Revolución Argentina*, and the Brazilian military regime lies in between the two. Further, there is more within-regime variation during the Brazilian military regime than during either of the Argentinean ones.

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<sup>48</sup> See, for example, *La Nación* April 22 and November 22, 1967.

<sup>49</sup> Osiris G. Villegas oral history with Robert A. Potash, December 21, 1983. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at: <http://credo.library.umass.edu/view/full/mufs020-bav4-i016>

<sup>50</sup> Former union leader Juan José Taccone oral history with Robert A. Potash, December 26, 1983. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at: <http://credo.library.umass.edu/view/full/mufs020-bav4-i005>.



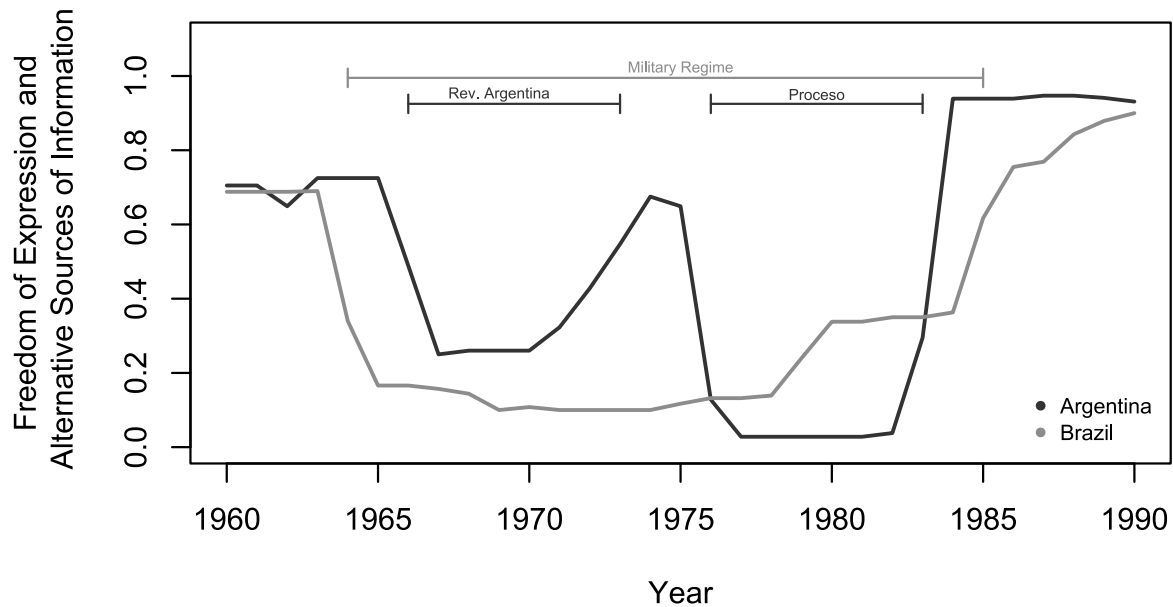


Figure 10- Freedom of Expression and Alternative Sources of Information Index in Argentina and Brazil, 1960-1990.

Answer to the question “To what extent does government respect press and media freedom, the freedom of ordinary people to discuss political matters at home and in the public sphere, as well as the freedom of academic and cultural expression?”  
Source: V-Dem Dataset (Coppedge et al. 2022)

The Brazilian military regime constrained the dimension of freedom of the press and information availability right from the beginning. Furthermore, in 1967 the government enacted a new Press Law. The process of elaboration of this law reflects how, even if the dimension of checks and balances had been constrained by the regime, the Congress still played an important role in policymaking. The proposal, initiated in the Executive, underwent modifications in the Congress that made it more acceptable to those interests associated with the press, even if the resulting law still restricted its level of freedom (Skidmore 1988). Moreover, the level of freedom of the press was affected by overall changes in the repressive strategy of the regime. When the Congress was closed down at the end of 1968, censorship was also tightened and censors were established in the offices of many newspapers (Schwarcz and Starling 2015).<sup>51</sup> However, the presence of censors was not constant across time, nor happened in all publications. Thus, the level of censorship went through periods of relaxation followed by periods of tightened control (Arquivo Nacional 2001).<sup>52</sup> Press access to the government was also subjected to variation and contradictions. Members of the

<sup>51</sup> See also *La Nación* December 15 and 17, 1968.

<sup>52</sup> See also *La Nación*, December 21, 1968, and September 22 and 24 and October 11, 1972.

press were able to meet with some public officials and took part in some Congress' activities,<sup>53</sup> but their access to some parts of the legislative process was limited.<sup>54</sup>

Given that direct interventions and the establishment of more restrictive regulations remained an open possibility, self-censorship turned into the most extended mechanism through which the level of information was controlled. The military regime even issued some general “recommendations” for the press that included not publishing news or commentaries that could threaten the harmony inside the Armed Forces or between them and the public opinion (Filho 1995). Similarly, in a speech delivered in the University of Paraíba in 1967, the president said that the government was not opposed—and had never been opposed—to the existence of differences of opinion. However, it was everyone's duty to defend the regime against those willing to overthrow it.<sup>55</sup> Similar stances continue to be held years later. In 1975, in a debate in the Lower Chamber, a legislator from the pro-government party claimed that everyone was free to criticize the government, even in the press, but not to bring subversive ideas, communism, terror, or disarray.<sup>56</sup> Such frequent recommendations and the potential use of more repressive measures, led to many journalists and publications to self-censor. As a former staff member of the Congress radio broadcaster recalls, they had to be careful with the language and adjectives used if they wanted to remain open.<sup>57</sup>

During the Argentinean military dictatorship of the *Revolución Argentina*, the government conducted a “moral” campaign against the press, the universities, and those manifestations of popular culture considered “decadent” by the regime's censors (Smith 1989).<sup>58</sup> However, the government left some room of maneuver for the press and made a point of highlighting its defense of its freedom.<sup>59</sup> In words of the Press Secretary “freedom of expression has been zealously protected by the *Revolución Argentina* [...]. There has not even been the most minimum insinuation nor the most covered threat to get any information to take a meaning different to the one the respective organs wanted to give to it.”<sup>60</sup> The Interamerican Press Association (*Sociedad Interamericana de Prensa*, SIP) and local professional association of the sector generally agreed with the existence of a relative high level of freedom of the press during the period.<sup>61</sup>

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<sup>53</sup> See, for instance, *Jornal do Brasil*, September 4, 1971.

<sup>54</sup> See interview with former staff member Haidée Del Bosco de Araújo. Available at: <https://www2.camara.leg.br/a-camara/documentos-e-pesquisa/arquivo/historia-oral/memoriadoservidor/Contos%20da%20Camara%201%20e%202/HaideeDelBoscoDeAraujo.pdf>.

<sup>55</sup> *Conselho de Segurança Nacional-Fundo*, “Pronunciamentos do Presidente, 1967-8” (br\_dfanbsb\_n8\_0\_psn\_est\_0032\_d0001de0001).

<sup>56</sup> Cantídio Sampaio, Chamber of Deputies Session, August 14, 1975 (PL 819/1975).

<sup>57</sup> Interview with former staff member Daniel Machado da Costa e Silva. Available at: [https://www2.camara.leg.br/a-camara/documentos-e-pesquisa/arquivo/historia-oral/memoriadoservidor/Contos%20da%20Camara%201%20e%202/copy\\_of\\_DanielMachadoDaCostaESilva.pdf](https://www2.camara.leg.br/a-camara/documentos-e-pesquisa/arquivo/historia-oral/memoriadoservidor/Contos%20da%20Camara%201%20e%202/copy_of_DanielMachadoDaCostaESilva.pdf).

<sup>58</sup> Such censorship extended to all types of cultural activities. See, for example, the controversy about the 1967 season of the Colón theater (*La Nación*, July 19, 1967).

<sup>59</sup> See, for instance, declarations in *La Nación* June 9, July 4, and September 15, 1967.

<sup>60</sup> *La Nación*, May 13, 1967, cover.

<sup>61</sup> *La Nación*, October 14, 1967, October 15, 1968, and September 17 and October 11, 1972.

However, they also expressed certain concerns. For instance, in its 1967 and 1968 reports, SIP expressed worries regarding censorship on education issues and the intervention of smaller press outlets.<sup>62</sup> Bigger worries were raised after the modification of the Criminal Code introduced by Law 19797. This law established penalties of up to three years imprisonment for those that, by any means, “broadcast, spread, or disseminate” communications or images attributed or attributable to associations, persons, or organizations dedicated to subversive or terrorist activities. The message to the president accompanying this legislative proposal, stated that it was not an attempt at restricting in any way the freedom of the press. However, professional associations identified this law, and especially its ambiguity, as a potential threat to their freedom of expression.<sup>63</sup>

One of the reasons given by the military regime to protect the freedom of the press was the need to communicate to the general public the projects, intentions, and deeds of the government.<sup>64</sup> This function was considered to be particularly relevant given the elimination of other means of representation, such as political parties and the Congress. Without them, they claimed, the press became more important as a means of communication between governed and government.<sup>65</sup> Even if the overall level of control over the press was higher during the dictatorship of the *Proceso*, this role of the press was highlighted during that period too.

The control over the means of information was included among the immediate measures after the 1967 coup (Junta Militar 1980) and the government implemented censorship on that same day through message number 19 (Lisinska 2019). The level of repression over the press stayed high during the whole period (Knudson 1997). According to a report published in 1983, Argentina was at the time among the Latin American countries that infringed the freedom of the press the most. Not only was censorship considered to be the norm, but also direct repressive actions had been targeted at journalist and other actors of the sector.<sup>66</sup>

Despite this tight level of control, the press still fulfilled a role in communicating government actions to the general public. Some journalist managed to obtain information on governments actions through direct contacts with members of the Armed Forces (Yofre 2011) and there was some level of controlled diffusion in the media of the Advisory Legislative Commission’s (CAL) activities. This diffusion was intentional as the press was seen by members of the military regime, similarly to what had been the case during the previous military experience, as an appropriate medium to connect the government to those

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<sup>62</sup> *La Nación*, October 14, 1967, and October 15, 1968.

<sup>63</sup> Declaration by Association of Argentinean Journalistic Organizations (*Asociación de Entidades Periodísticas Argentinas*, ADEPA), *La Nación*, September 17, 1972. See also editorial from *La Nación*, April 22, 1973.

<sup>64</sup> *La Nación*, May 13, 1967.

<sup>65</sup> *La Nación*, July 4, 1967.

<sup>66</sup> *La Nación*, June 23, 1983.

being governed enabling some level of participation in the policymaking process. In fulfilling such mission, the press was seen as working for the regime. As the then president of the CAL explained during a press conference “the goal is for you to collaborate with the CAL, not for the CAL to collaborate with you.”<sup>67</sup> Therefore, even if the press access to CAL’s activities was limited,<sup>68</sup> the documents of the CAL show that many interest groups learnt about the policies being discussed through it.<sup>69</sup>

Since democratization, the levels of freedom of the press had remained high in both countries, enhancing the role of the sector in keeping the general population informed on the government activities, especially in the Congress.<sup>70</sup> Such presence has been linked to a heightened visibility of the policymaking process that increased the incentives for the committees to invite and heard all affected actors from the private sector.<sup>71</sup> The importance of the press in distributing information is also evident in the fact that public officials had tried to keep time sensitive information from it.<sup>72</sup> Moreover, there is evidence of the press being used by policymakers to get information on the opinions of the general population and different interest groups.<sup>73</sup>

### **Space for contestation across regime types**

The six dimensions of the space for contestation experienced significant variation since the 1960s in both Argentina and Brazil. During the democratic periods, the space for contestation was mostly unconstrained in all its dimensions. In that respect, these periods contrast with the three military regimes under study. However, the three military regimes differed from each other in terms of the level of constraints on the space for contestation, as well as in how these dimensions evolved during the transitions to democracy from each of them.

During the Brazilian military regime, the dimension of checks and balances of the space for contestation was constrained but remained relevant for policymaking: the president depended on the support

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<sup>67</sup> General José Horacio Ruiz, press conference, March 10, 1981. Box 2. Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación (p. 62).

<sup>68</sup> Interview with Horacio Monasterio.

<sup>69</sup> Actors from the private actor state having learnt of a bill through the press in many transcripts and correspondence (e.g., files 271/1976, 110/1979, 164/1983)

<sup>70</sup> There is consensus on this issue across interviewees including staff members of different committees and politicians.

<sup>71</sup> Personal interview with Federico Storani, former member of the Chamber of Deputies (1983-91, 1993-99, 2003-07) and Minister of the Interior (1999-2001).

<sup>72</sup> Interviews with José Luis Machinea, former President of the Argentinean Central Bank (1986-89) and Minister of Economy (1999-2001), and Juan Vital Sourrouille, former Secretary of Economic Planning (1983-85) and Minister of Economy (1985-89), Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires. Personal interview with Horacio Liendo, former advisor to the President of the Argentinean Central Bank (1982) and the Secretary of Industry and International Commerce (1989), director of the Central Bank (1991), undersecretary of Financing (1992), and Secretary of Legal, Administrative, and Technical Coordination of the Ministry of Economy.

<sup>73</sup> For instance, debates of laws 20625 (1973), 23680 (1989), 24485 (1995), 24627 (1996), 24855 (1997), and 25562 (2002).

of the members of the Armed Forces and was faced by an active Congress made up by popularly elected representatives. This Congress remained a relevant arena for interest groups' lobbying during this period, even if interest groups also intervened in other stages of the policymaking process. Moreover, the fact that its members, as well as many subnational positions, continued to be elected through regular elections implied that some level of electoral accountability affected the policymaking process and its outputs. Elections were controlled, but nonetheless they became a channel through which the preferences of the general population could impact policymaking as elected officials remained accountable to their electorates. Furthermore, even if the dimension of political opposition was constrained, the military regime tolerated the presence in Congress of opposition legislators. This presence and the political opposition it brought affected policymaking and its outputs. The military regime also constrained the dimensions of social mobilization and freedom of the press. However, it did not constrain them as much as other authoritarian regimes, such as the Argentinean military regime of the *Proceso*, and the level of constrain varied across time.

The military regime of the *Revolución Argentina* exhibited a higher level of concentration of power in the Executive than the other two military regimes under study. The *de facto* president depended less on the Armed Forces and concentrated both the Executive and the Legislative power. Among other consequences for policymaking, the absence of a legislative body implied that the influence of interest groups, even if it remained relevant, followed less institutionalized channels. Elections were suspended and the activities of the political opposition severely restrained. Attempts were also made to constrain the dimension of social mobilization, but these attempts were less successful and social mobilizations were sometimes influential in policymaking. The military regime also intervened less than other authoritarian regimes in the dimension of freedom of the press. However, some level of censorship still took place and the access of the press to governmental activities was reduced.

The Argentinean military regime known as *Proceso* was the military regime under study that most severely restricted the space for contestation through the dimensions of political competition, social mobilization, and freedom of the press. However, power was less concentrated in the Executive than in the previous Argentinean military experience. In fact, such Executive power was divided between a President and a Military Junta, and the Armed Forces were also represented in a newly created legislative body, the Legislative Advisory Commission, CAL, which significantly influenced policymaking. Moreover, these institutional divisions provided interest groups with possibilities and a wide range of channels through which to influence policymaking.

The following chapters explore the effect on the evolution of housing and financial policy of these differences in the space for contestation. Chapter 4 covers the highest visibility policy areas and focuses on the role played by changes in the dimensions of electoral accountability, political competition, and social

mobilization. On the contrary, Chapter 5 analyzes the evolution of the policy areas with the lowest levels of visibility and focuses mainly on the role of interest groups and checks and balances. Finally, Chapter 6 studies those policies with levels of visibility in between those studied in Chapter 4 and 5 and analyzes the effect of changes in the dimensions of social mobilization and freedom of the press on such levels of visibility.

## Chapter 4

### High visibility: the role of elections, competition, and mobilization

As developed in Chapter 2, the likelihood of policy change following a regime type change and the mechanisms through which it takes place depend not only on how the space for contestation changes with the regime transition, but also on the level of visibility of each policy. When the change in regime type brings a decrease in the space for contestation, there are two mechanisms connecting regime type and policy that are likely to get triggered and lead to policy change regardless the level of visibility of the policy area. First, if the decrease in the space for contestation takes place through the dimension of checks and balances, change can take place because the number of veto players decreases, making it easier for changes in the policy status quo to occur and for governmental actors facing fewer checks and balances to implement changes that might be considered “unpopular.” Second, a decrease in the space for contestation can trigger mechanisms associated with the dimension of interest groups’ lobbying because such lobby becomes more relevant when other actors, such as the electorate, are excluded from policymaking or because the government gains more power in determining the identity and number of the interest groups that will be allowed to intervene in policymaking. In contrast, when the space for contestation increases, the level of visibility of a policy area is crucial to determine which mechanisms linking regime type and policy are likely to get activated. When the space for contestation increases across the dimensions of electoral accountability, political competition, and popular mobilization, the mechanisms linking regime type and policy associated with such dimensions are likely to get triggered. However, such mechanisms may probably lead to changes mainly in high visibility policy areas rather than in low visibility policy areas. Moreover, given the characteristics of these mechanisms, changes in visible policy areas will usually take place shortly after increases in the space for contestation through such dimensions and a wide range of actors is likely to take place in the policymaking process, while change in low visibility policy areas will take place—if at all—at a lower tempo and not necessarily including such a wide range of actors.

This chapter examines the evolution in Argentina and Brazil of two highly visible housing policy areas: those policies regarding urban leases and those aimed at informal settlements. In both cases, the reduction in the space for contestation during the military regimes opened a window of opportunity for policy changes that had not been possible during democratic regimes, especially because of electoral demands and popular pressures. How deep this change was, however, varied from one military regime to the other depending on how successfully each of these regimes constrained such space for contestation shielding itself from popular pressures. Along with the increase in the space for contestation after the democratization process, these policy areas underwent significant changes. Such changes took place shortly after the regime transitions, in many cases being the first policy changes to be attempted by the newly

elected democratic governments. Moreover, increases in the space for contestation through the dimensions of electoral accountability, political competition, social mobilization, and the range of interest groups with access to lobby, imply that the policymaking process leading to such policy changes incorporated the views of a wide range of actors, which, in turn, shaped its policy outputs.

### **Urban leases**

Policies dealing with urban leases are normally highly visible. These policies might not directly affect a majority of the population, but the populations directly affected by them are geographically concentrated in cities, which makes it easier for such policies to become the focal point for vocal demands and social mobilization.<sup>74</sup> Moreover, these policies are among the few housing policies in which the government can have direct and effective influence through legislation by, for instance, setting rent controls or suspending evictions. This fact makes the attribution of responsibility easier. Thus, changes in policies regarding urban leases, as well as unfulfilled demands for such changes, can easily be observed and are normally considered to be highly dependent on government action. These characteristics differentiate these policies from other housing policies in which the attribution of responsibilities is more blurred, such as subsidies to the construction sector.

In Argentina and Brazil, democratic governments facing popular pressures enacted urban leases legislation favoring tenants (mainly urban ones), such as rent freezes and controls. Such legislation, initially conceived as temporary, became the target of multiple extensions. It was only after the military took power that an end to such extensions was possible. Even then, this was only possible to the extent to which these authoritarian governments found their way to constrain the space for contestation over policy. Differences in the extent and dimensions used to constrain the space for contestation in each authoritarian regime — especially regarding the level of control over popular mobilization, the space given to political opposition, and the differential role of elections—, explain the different results attained by the three authoritarian governments under study. With the democratization process, new leases laws were passed in both Argentina and Brazil that exhibited a more balanced relation between the benefits given to lessors and tenants — which in turn reflected a widening of the space for contestation that allowed for more actors to take part in the policymaking process.

### Permanent exceptions

Figure 11 and Figure 12 show the evolution of the legislation regarding leases in Argentina and Brazil, respectively. In both cases, the 1940s saw the introduction of emergency rent controls and freezes.

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<sup>74</sup> In fact, the Tenants' Strike of 1907 was one of the first organized protest movements to take place in Buenos Aires and other Argentinean cities.



In Argentina, this was the case of the Decree 1580, which practically eliminated the free leases market, leaving most urban leases subjected to public control (Yujnovsky 1984).<sup>75</sup> In Brazil, it was the Decree 4598 of 1942 that froze all rents at December 1941 levels. Since then, and until the military regimes of the 1960s, the main feature of both countries' leases policy was a succession of extensions, a promised liberation of leases and a reimplementation of emergency legislation (Abrão 2018; Caldeira 2001; Oszlak 1991). Electoral accountability and social mobilization were the main mechanisms behind these emergency laws and their extensions, while interest groups from the housing industry usually supported, unsuccessfully, the liberation of the market (Andrade 1979; Yujnovsky 1984).<sup>76</sup>

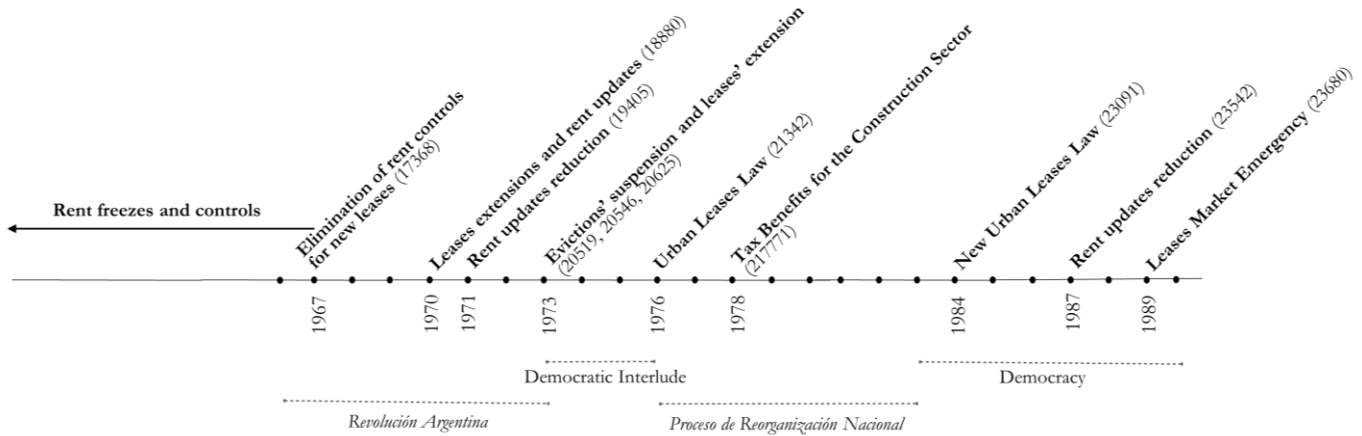


Figure 11- Urban leases' legislation, Argentina

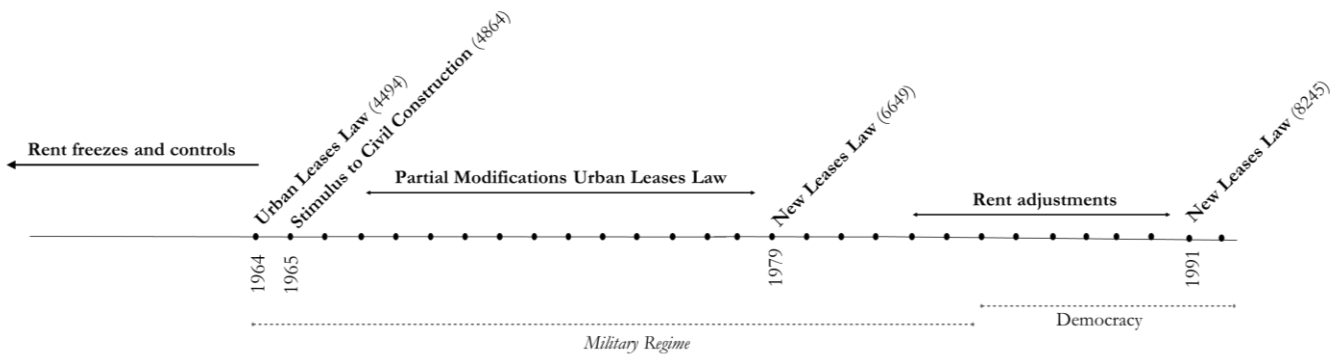


Figure 12- Leases' legislation, Brazil

<sup>75</sup> An antecedent of this legislation was the Law 11157 of 1921 that temporarily introduced rent controls and suspended evictions.

<sup>76</sup> See also Blota Junior's report for the Constitution and Justice committee in PL 2320 and multiple articles published in *Jornal do Brasil* and *Ultima Hora* during the 1960s for Brazil. See *Somos*, N° 94, July 7<sup>th</sup>, 1978, and the Editorial in *La Nación*, August 3, 1967, and April 14, 1973, for similar evidence for Argentina.

The Argentinean case clearly illustrates this dynamic. Rent controls were in place during the first two presidencies of Juan Domingo Perón (1946-1955). After the coup that ousted him, the Ministry of the Interior consulted representatives of the Argentinean Construction Chamber (*Cámara Argentina de la Construcción*, CAC) regarding housing policy. These representatives identified rent controls as one of the main causes of the housing deficit and suggested the gradual increase on rent prices (Yujnovsky 1984). In a context in which the space for contestation was constrained, especially through the political competition dimension, the non-elective government liberalized rents for new houses and made evictions easier. However, shortly after the government was forced to reduce the impact of these measures to guarantee the “social peace” (Yujnovsky 1984), as social mobilization became a threat. Moreover, the democratically elected governments of Arturo Frondizi (1958-1962) and Arturo Umberto Illia (1963-1966) suspended evictions and extended rent controls, respectively, even if CAC opposed those measures (Yujnovsky 1984).

Similarly, in Brazil, pressures to maintain rent controls resurfaced every time that the temporary laws were about to expire. The possibility of revoking such controls were seen as a potential trigger for a popular revolt of “unprecedented dimensions.”<sup>77</sup> In fact, the press reported on tenants mobilizations and on their threats of further popular mobilization or the suspension of payments if an extension did not take place.<sup>78</sup> Moreover, contrasting pressures were exerted on Congress by both landowners<sup>79</sup> and tenants.<sup>80</sup> However, being tenants more numerous than landowners, electoral considerations usually tilted the balance in favor of the latter (Andrade 1979).

### Restricting the space for contestation

Faced with this status quo and a diagnosis—which blamed the housing deficit on rent controls and freezes, which disincentivized new constructions—the three military regimes under study attempted to put a definite end to these types of interventions in the leases market.<sup>81</sup> However, their level of accomplishment varied depending on how successful they were in constraining the space for contestation, thus shielding themselves from popular demands. In Argentina, the government of *Revolución Argentina* (1966-1973) liberalized new leases (Law 17368) and eliminated controls for leases for profitable activities (Law 17607) in 1967. The message accompanying Law 17368 referred to the worry over housing construction and

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<sup>77</sup> *Última Hora*, May 6, 1960. See also *Jornal do Brasil*, September 9, 1960.

<sup>78</sup> *Última Hora*, May 2 and 15 and June 22, 1960, and May 29 and June 19, 1961.

<sup>79</sup> *Última Hora*, May 16, 17, and 18, 1960.

<sup>80</sup> *Última Hora*, June 23, 1960 and November 5, 1963; *Jornal do Brasil*, November 13, 1963.

<sup>81</sup> Editorial in *La Nación*, August 3, 1967; audio interview with José Alfredo Martínez de Hoz, Minister of Economy (1976-81), Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires; and file 195/1979, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación for Argentina. Campos (1994); PL 2006/1964; and interview to Sandra Cavalcanti in *Jornal do Brasil*, August 26, 1964, for Brazil.

framed the law as part of an attempt to stimulate investments in it.<sup>82</sup> Such measure was in line with the expectations of interest groups from the business sector (Yujnovsky 1984). Moreover, it was complemented by other pieces of legislation aimed at stimulating the construction sector.<sup>83</sup> For instance, Law 17258, also of 1967, created a severance fund for workers in the construction sector and was favorably received by the companies of the sector (Yujnovsky 1984). Both the president of the Argentinean Construction Chamber (CAC) and the General Secretary of the Construction Workers Union (*Unión Obrera de la Construcción de la República Argentina*, UOCRA) were present in the ceremony in which such law was signed by the Executive.<sup>84</sup> Similarly, Decree 5376/1967 provided the sector with fiscal stimulus receiving praises from the CAC (Yujnovsky 1984).<sup>85</sup>

The laws regarding urban leases enacted during this period were elaborated by an interministerial special committee including representatives from the ministries of Finance and Internal Affairs, as well as representatives of the Central Bank and the national revenue agency. The members of this committee highlighted the importance of increasing investment in housing and defending small landowners, and also putting a definite end to the permanent extensions of emergency legislation.<sup>86</sup> The process was closely followed by the media—which paid special attention to the disagreements inside the committee.<sup>87</sup> Such disagreement was identified in the message accompanying Law 17607 as the reason why total liberalization was, for the time being, only going to reach leases for profitable activities.

Even if it was narrower in scope than originally intended, Law 17607 generated social mobilizations, demands from different interest parties to participate in the policymaking process and confusion regarding its reach.<sup>88</sup> Law 17689 of 1968 clarified such reach while it also eased evictions. Protests continued after its enactment. In June, the final report of the Third National Congress of Tenants asked for the derogation of laws 17607 and 17689, sending the president a telegram with recommendations.<sup>89</sup> In such a context, the government did not pursue further leases liberalizations as originally planned. On the contrary, only two years later the government backtracked introducing leases' extensions and rent subsidies via laws 18880 and 18901. Moreover, at the end of 1971, the Law 19405 further reduced the rent increases authorized by Law 18880; arguing that given the recent decrease in real salaries, current rent increases could have negative implications for those families with fewer economic

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<sup>82</sup> See also *La Nación*, July 19, 1967, and May 3, 1968, and the Editorial published in *La Nación*, August 3, 1967.

<sup>83</sup> The need to stimulate private investments in the area was also highlighted by public officials in declarations to the media. See, for instance, *La Nación*, May 3, 1968.

<sup>84</sup> *La Nación*, May 3, 1967.

<sup>85</sup> See also *La Nación*, July 29, 1967.

<sup>86</sup> *La Nación*, May 23, 1967.

<sup>87</sup> *La Nación*, May 23, July 30, August 3 and 20, and September 26, 1967.

<sup>88</sup> *La Nación*, March 6 and 28 and multiple issues during June and July 1968.

<sup>89</sup> *La Nación*, June 2, 1968.

resources. This law was criticized by landowners and media outlets as a return to the previous context of legal uncertainty, understood as a risk for the possibility of private investments in housing.<sup>90</sup> Moreover, by its temporary character, this law became a focal point around which mobilizations could be organized to ask for either its extension or suspension.<sup>91</sup> However, the space for social mobilization was constrained and, even if tenants obtained some concessions from the military government, some of their demonstrations were ruthlessly repressed (Yujnovsky 1984).

Promises to modify the legislation regarding urban leases and even to reimplement freezes and controls were common during the 1973 electoral campaign.<sup>92</sup> Such promises, and the past legislative history regarding urban leases, generated a climate of uncertainty.<sup>93</sup> Moreover, the press gave voice to sectors that claimed for the reassurance of property rights as the only way of incentivizing the leases sector.<sup>94</sup> Despite complaints by these groups,<sup>95</sup> during the democratic interlude the government enacted legislation suspending evictions and extending current leases (laws 20519, 20546, and 20625). These pieces of legislation were discussed shortly after the regime type changed. In fact, Law 20519 was discussed in Congress only two months after the democratic regime begun. In all three cases, members of the Congress were active in the policymaking process and highlighted their role as representatives accountable to the population.<sup>96</sup> Moreover, during the policymaking process, legislators met with and received opinions in writing and via press outlets from both renters and lessors.<sup>97</sup> The latter openly criticized the resulting legislation (Yujnovsky 1984).

The end of the urban lease freezes in Argentina only occurred during the military regime of the *Proceso* (1976-1983). During this military regime, the space for contestation was severely constrained through multiple dimensions: elections were eliminated, the political opposition was suppressed, and there was a tight control over social mobilization. Shortly after the coup, the *de facto* government sent a proposal for a new urban lease law to the legislative body that had replaced the democratic Congress —the Advisory Legislative Commission (*Comisión de Asesoramiento Legislativo*, CAL) —. This project was aimed at liberalizing the market and included a section that outlawed future interventions by the government.<sup>98</sup> In contrast with the Brazilian case, in which a similar section was part of the original proposal but not of the

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<sup>90</sup> *La Nación*, December 12, 1972.

<sup>91</sup> *La Nación*, December 12 and 30, 1972; *La Razón*, December 22, 1972 (quoted in Yujnovsky 1984).

<sup>92</sup> For instance, see the summary of electoral promises published in *La Nación*, March 3, 1973.

<sup>93</sup> *La Nación*, April 14, 1973.

<sup>94</sup> *La Nación*, June 12, 1973.

<sup>95</sup> *La Nación*, July 9, 1973.

<sup>96</sup> Debate for Law 20625

<sup>97</sup> Multiple files in <https://www.diputados.gov.ar/secparl/dmuseo/archivo-Parlamentario/expedientes.html> (retrieved by searching for keywords in March 2021) and the debate for Law 20625.

<sup>98</sup> File 61/1976, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación. In an interview with the magazine *Somos* (Nº 94, July 7<sup>th</sup>, 1978) the undersecretary of Housing and Urban Planning highlighted the relevance of this section.

final law,<sup>99</sup> Law 21342 of Urban Leases included such a safeguard. The diagnostic behind this law was similar to the one held during the previous authoritarian experience: liberalizing rents would stimulate the construction sector, especially in the area of housing for renting.<sup>100</sup> During the elaboration of the law, the opinions of both landowners and renters were published in the press (Oszlak 1991; Yujnovsky 1984). However, the files of the five legislative proposals that were unified to produce Law 21342, do not provide evidence of any meetings or correspondence involving members of each sector, nor explicit mentions to their opinions.<sup>101</sup> Interest groups do not seem to have played a relevant role in the policymaking process. Moreover, even if some renters expressed their disagreement with the enacted law (Fernández Wagner 2008; Yujnovsky 1984), no changes were introduced.

As during the previous authoritarian experience, private investment in housing was also encouraged with fiscal incentives. Law 21771 of 1978 established a set of fiscal benefits for investments aimed at the constructions of rental units. During the discussion of the legislative proposal, members of the CAL hold meetings with public officials and representatives of the Argentinean Association of Architects (*Asociación Argentina de Arquitectos*), the Chamber of Affordable Housing of the Argentinean Republic (*Cámara de la Vivienda Económica de la República Argentina*), the Argentinean Construction Chamber (CAC), the Construction Workers Union (UOCRA), lawyers, and members of private construction companies.<sup>102</sup> Thus, even if there is no evidence of interest groups' lobbying during the elaboration of the urban leases law, groups linked to the construction sector were influential in the elaboration of accompanying legislation.

In Brazil, liberalizing the leases market was also a priority for the military after they took power in 1964. However, given the institutional design of the military regime, all legislation needed to be approved by the Congress, which could be time-consuming. Aware of this, the government first extended the current Leases Law (Law 1300) by Law 4416. Such extension had been demanded by tenants, who had threatened to mobilize if that did not happen.<sup>103</sup> However, as clearly stated by legislator José Barbosa, this extension was issued just to provide enough time for the discussion of the proposal of a new law on leases, which was going to be sent by the president to the Congress shortly after. The elaboration of this new law was expected to demand the impartial consideration of the interest of the parts that were affected by the issue.<sup>104</sup>

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<sup>99</sup> *Jornal do Brasil*, October 18, 1974.

<sup>100</sup> Audio interview with José Alfredo Martínez de Hoz, Minister of Economy (1976-81), Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires; File 195/1979, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>101</sup> Files 61/1976, 62/1976, 63/1976, 64/1976, and 73/1976, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>102</sup> File 28/1978, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>103</sup> *Jornal do Brasil*, June 5 and September 20, 1964; *Última Hora*, June 6 and 17, 1964.

<sup>104</sup> PL 2215/1964.

In fact, the process of elaboration of such new leases' legislation had started right after the coup. By May 1964, the National Economic Council (*Conselho Nacional de Economia*) had created a special committee of economists and other specialists from both public and private institutions which had the task of elaborating a draft.<sup>105</sup> Members of the Institute for Social Research and Studies (IPES) played an advisory role to this committee (Campos 1994). While this committee was elaborating such draft, tenants expressed their opinions in the media and by contacting legislators demanding protection and for their suggestions to be taken into consideration.<sup>106</sup> In the opposite side of the road, professional associations from the construction sector asked for the new law to liberalize new leases completely and to increase existing ones.<sup>107</sup> Moreover, tenants denounced that they had not been invited to give their opinions by the committee, as had been the case with representatives of the construction sector.<sup>108</sup> Tenants opposition to the committee's draft, which they believed unfairly benefitted landowners, continued while the bill was being discussed in Congress.<sup>109</sup> Such opposition was echoed by some legislators from the opposition, who attempted to modify the law to benefit tenants and threatened to obstruct its approval otherwise.<sup>110</sup>

The new Urban Leases Law 4494 was finally approved at the end of 1964, less than a year after the coup. This law revoked Law 1300 and all its extensions. The "courage" of the president to stand up to the risk of becoming unpopular was considered key for the introduction and approval of this law (Andrade 1979, 113). Thus, the elimination of presidential popular elections with the military coup and the reduction of the space for contestation through the electoral accountability dimension, were considered crucial to enable this change. In terms of content, the resulting law was more moderate than the one enacted in Argentina in 1976. Law 4494 suspended all leases freezes and implemented mechanisms to adjust leases in the future, but kept many of the measures that had made the eviction process harder (Abrão 2018). Similarly, the government failed in its attempt to include a section banning future public interventions in the leases market. Such moderation was the result of the space for contestation opened in the Brazilian case, especially through the dimensions of checks and balances and political competition: Congress remained open and included legislators from parties opposed to the military government. The intervention of opposition legislators and a range of interested private actors in the debate held in Congress resulted in modifications that moderated the Executive's original project.<sup>111</sup> However, the overall project was still tilted in favor of

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<sup>105</sup> *Última Hora*, May 1, 1964.

<sup>106</sup> *Última Hora*, May 25 and 30, and June 17, 1964.

<sup>107</sup> *Jornal do Brasil*, July 11, 1964.

<sup>108</sup> *Última Hora*, August 21, 1964.

<sup>109</sup> *Última Hora*, October 14 and November 10, 1964; *Jornal do Brasil*, October 14 and 18, 1964.

<sup>110</sup> PLN 13/1964. See also articles regarding the Brazilian Labor Party (*Partido Trabalhista Brasileiro*, PTB) actions in *Última Hora*, October 15 and 20 and November 8, 1964.

<sup>111</sup> PLN 13/1964.

landowners.<sup>112</sup> In fact, organized tenants requested then president Humberto de Alencar Castelo Branco to at least veto some of the most prejudicial sections of the law<sup>113</sup> and expressed their disappointment when he did not do it.<sup>114</sup> The opposition to this new law even reached the carnival celebrations, with many songs voicing tenants complains.<sup>115</sup>

Less than a year after the approval of the new leases law, voices were raised calling for a reform,<sup>116</sup> with modifications starting to be introduced shortly after. The mechanisms to adjust leases were modified multiple times to accompany the government's efforts to control the inflation rate, setting new limits to some types of rent increases.<sup>117</sup> Moreover, starting with Law 4864 of 1965, the proportion of leases covered by Law 4494 was progressively reduced. Law 4864 withdrew from the regime established by Law 4494 all those leases of commercial, industrial, or newly built residential locations. Following the goals set by the regime, and mirroring the Argentinean case, it also created measures to stimulate the construction industry, which was seen as an important source of economic activity and employment.<sup>118</sup> This was at least partially due to pressures from the construction and landowner sectors (Pestana 2018),<sup>119</sup> which also publicly analyzed the project and offered their suggestions while it was being discussed in Congress.<sup>120</sup> Once enacted, this law was criticized by tenants' associations that demanded president Castelo Branco to completely veto it.<sup>121</sup>

Demands for modifications to the leases law continued to be expressed by tenants' associations in the press and communicated directly to the president and members of the Congress.<sup>122</sup> Moreover, governors also channeled tenants' demands to the National government.<sup>123</sup> Most modification attempts and partial modifications were seen with suspicion by landowners' associations and their representatives voiced their concerns in the media.<sup>124</sup> During this conflict, some representatives even suggested the possibility of a dialogue with the tenants' associations to generate a new law that would be fair for both tenants and small landowners.<sup>125</sup> Those mechanisms associated with interest groups' lobbying and social mobilization, and a

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<sup>112</sup> *Última Hora*, November 12, 1964.

<sup>113</sup> *Jornal do Brasil*, November 15, 1964.

<sup>114</sup> *Última Hora*, November 27, 1964.

<sup>115</sup> *Última Hora*, January 15, 1965.

<sup>116</sup> *Jornal do Brasil*, July 7, 1965.

<sup>117</sup> See decree-laws 322/67 and 1534/77 and laws 5334, 5441, and 6146.

<sup>118</sup> PL 3208/1965.

<sup>119</sup> See also Celso Barros' separate vote during the discussion in the Chamber of Deputies in the legislative dossier of Law 6649.

<sup>120</sup> *Jornal do Brasil*, October 14, 1965.

<sup>121</sup> *Última Hora*, December 20, 1965; *Jornal do Brasil*, December 23, 1965.

<sup>122</sup> *Jornal do Brasil*, September 3, 1967, and December 27, 1968.

<sup>123</sup> *Jornal do Brasil*, March 10, 1967.

<sup>124</sup> *Jornal do Brasil*, September 9, 1967.

<sup>125</sup> *Jornal do Brasil*, June 23, 1968, and January 31 and February 23, 1969.

press that amplified both, remained key factors in the policymaking process leading to modifications in policies regarding urban leases.

As a result of the successive modifications introduced to the Leases Law, by the mid-1970s there was a wide legislative dispersion with less than 10% of the units for lease being ruled by Law 4494 (Andrade 1979). Such dispersion led to demands for unification from interest groups and mobilized actors,<sup>126</sup> as well as from members of the Congress.<sup>127</sup> Eventually, the government sent to Congress the proposal for a new law on leases in 1974.<sup>128</sup> The project was originally aimed at consolidating previous legislation in a single instrument. Nevertheless, it sparked an extensive debate in Congress. Many amendments and annexations were suggested, and the final law was only enacted almost five years later, in 1979. The process of elaboration of this law involved the creation of a special committee that collected the opinions of lawyers, public actors and representatives from different concerned actors from the private sector.<sup>129</sup> The dossier of the legislative proposal also included letters from organized interest groups to the Congress members. For instance, organizations of landowners demanded a solution that would cater to all concerned parties, guaranteeing both the market equilibrium and social peace,<sup>130</sup> while the Federation of Industries of Rio de Janeiro complained that the Congress' proposed amendments were prejudicial to the construction industry and the government's goal of incentivizing construction. Some of these organizations were also contacted by legislators to provide information about the issue.<sup>131</sup> Therefore, interest groups' lobbying played a significant role in the process of elaboration of this new law.

The viewpoints held by non-organized citizens also reached the Congress. Some citizens sent letters in which, as both voters and citizens, they expressed their expectation of being protected by their representatives. Similarly, subnational legislatures communicated the concerns that citizens had brought forward to them and asked the National Congress to defend tenants. Therefore, even if elections were limited and controlled during the Brazilian dictatorship, electoral accountability still played a relevant role in the policymaking process regarding leases.

The press followed the process of elaboration of the new leases law closely with overall mentions to the topic going up during the reform period.<sup>132</sup> Such press coverage amplified the effects of both interest groups' lobbying and electoral mechanisms in policy change: it was a medium through which some of the

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<sup>126</sup> *Jornal do Brasil*, November 2 and 3, 1969.

<sup>127</sup> PL 819/1975, debate of Law 6239, which regulated evictions in buildings used for health or education purposes.

<sup>128</sup> PL 2320/1974.

<sup>129</sup> Blota Junior's report for the Constitution and Justice committee, legislative dossier Law 6649.

<sup>130</sup> Letter from *Confederação de Proprietários de Imóveis do Brasil* (and *Associação do Estado de Guanabara*) in legislative dossier for Law 6649, October 1974.

<sup>131</sup> For instance, see letter from *Associação Brasileira das Administradoras de Imóveis*, August 12<sup>th</sup>, 1975 (legislative dossier Law 6649).

<sup>132</sup> Search in *Hemeroteca Digital Brasileira*. Biblioteca Nacional Digital, Fundação Biblioteca Nacional, Rio de Janeiro. See the Appendix for more details. Also see *Diário de Pernambuco*, June 26 and 28, 1975.



interested parties voiced their complaints, and a mean for electoral pressures to be exerted on legislators.<sup>133</sup> Indeed, legislators highlighted the role of the press in drawing attention to the topic, making public opinion and the president aware of the gravity of the issue.<sup>134</sup> Particularly relevant for the content of Law 6649 was the position taken by the press against the ease of the eviction process (Andrade 1979),<sup>135</sup> which echoed opposition by tenants and other relevant actors.<sup>136</sup> Opposition to such ease also sparked social mobilizations in cities such as São Paulo and Rio de Janeiro—which triggered reactions from the Congress and the Executive (such as Decree-Law 1534/77 that extended current leases terms),<sup>137</sup> while some legislators denounced pressures from interest groups to keep such ease.<sup>138</sup> Consequently, even if the resulting Law 6649 kept the mechanisms for adjusting leases in place, those contracts that were close to their expiration date were automatically renewed and the eviction process became harder once again (Abrão 2018). When the law was finally approved in the Lower Chamber, it was seen as the result of a collective effort of “representation.”<sup>139</sup>

Despite the intervention of multiple interest groups and the moderating role of the opposition during the legislative power—resulting in the new leases law exhibiting more balance between the defense of the tenants’ and landlords’ interests—the law began to be modified shortly after its approval.<sup>140</sup> In a context of gradual increases in the space for contestation, the mechanisms associated with electoral accountability got stronger: organizations of tenants continued contacting legislators regarding this topic<sup>141</sup> and a potential reform became an usual topic in electoral campaigns.<sup>142</sup>

### Balancing acts in open contexts

In contrast with the Brazilian case, the urban leases law enacted during the last Argentinean dictatorship remained unchanged until the end of the military regime. However, during the electoral campaign to select the public officials that would replace the military government, a potential reform became a recurrent topic (López Saavedra 1983). Most of the electoral platforms during such campaign

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<sup>133</sup> Blota Junior’s report for the Plenary, legislative dossier Law 6649. The legislative dossier also includes newspaper clippings related to the urgency of a new leases law.

<sup>134</sup> Alceu Collares intervention in plenary session, Chamber of Deputies, December 3, 1976 (<https://imagem.camara.gov.br/Imagem/d/pdf/DCD03DEZ1976.pdf>, accessed August 2021).

<sup>135</sup> See also Leite Chaves’ report for the Senate’s Constitution and Justice Committee, legislative dossier Law 6649, and articles on *Jornal do Brasil*, August 20, 1976, and February 16, April 26, 1977.

<sup>136</sup> *Diário de Pernambuco*, December 12, 1978, and *Jornal do Brasil*, March 4, 1979.

<sup>137</sup> Leite Chaves’ report for the Senate’s Constitution and Justice Committee. See also, *Jornal do Brasil*, October 16, 1976, December 4, 1978, and March 27, 1979.

<sup>138</sup> *Diário de Pernambuco*, March 3, 1979.

<sup>139</sup> Alceu Collares intervention in plenary session, December 3<sup>rd</sup>, 1976.

<sup>140</sup> For instance, by laws 6698, 7069 and 7335 and decree-law 2045/83.

<sup>141</sup> PL 5801/1985.

<sup>142</sup> *A Tribuna*, November 14, 1982.

suggested modifications aimed at increasing the protection of tenants, but without returning to a system of exceptions and rent controls. Such promises reflected the prevailing social climate during the opening process. Tenants' organizations coordinated protests and mobilizations to ask for more protections.<sup>143</sup> At the same time, the press communicated the worries raised by a potential return to a situation of rent controls and freezes,<sup>144</sup> as well as the opinions of many interest groups on urban leases legislation.<sup>145</sup> The newly elected government of Raúl Alfonsín publicly addressed these concerns claiming no freezes or controls were going to be introduced, and said that a balance of interest was going to be attempted, and that all sectors having interest in this issue would be informed along the process.<sup>146</sup> Shortly after, a new urban leases law proposed by the executive, Law 23091, was enacted.

During the debate of this law, the legislator Luis Rubeo said that “if the state with a *de facto* government had been the one creating and developing this asphyxiating reality, it must be the state, with a government anointed by popular vote, the one to resolve the situation.”<sup>147</sup> In contrast to what had happened during the dictatorship, organizations that had stakes in the issue were consulted and their positions were considered during the legislative debate.<sup>148</sup> Moreover, legislators discussed electoral promises regarding the issue as a relevant factor to be taken into account.<sup>149</sup> The increase in the space for contestation through elections and the range of interest groups incorporated into policymaking affected the resulting legislation. The quest for a balance was crucial during the policymaking process. Protecting tenants was important, but not threatening private investments in the housing sector also mattered — as these were seen as necessary. Thus, legislators tried to reach agreement across political parties and to incorporate the opinions of all affected groups, consulting representatives of renters, landowners, workers and businesspeople from the construction sector.<sup>150</sup> The idea of balance was also evident in the mostly positive evaluations of the law following its approval in Congress.<sup>151</sup> This new law remained unchanged for a long time (until the approval

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<sup>143</sup> See, for instance, the news coverage in *La Nación*, June 25 and July 2, 1983.

<sup>144</sup> *La Nación*, June 24, July 11, and August 22, 1983, and January 17, April 26, and August 18, 1984.

<sup>145</sup> See opinion of the Chamber of Affordable Housing of the Argentinean Republic (*Cámara de la Vivienda Económica de la República Argentina*, CAVERA) in *La Nación*, June 6, 1983, of the Coordinating Board of the Argentinean Real Estate Union (*Junta Coordinadora de la Unión Inmobiliaria Argentina*, UNIAR) in *La Nación*, November 11, 1983, and of the Argentinean Real Estate Chamber (*Cámara Inmobiliaria Argentina*) and individual brokers in *La Nación*, August 18, 1984.

<sup>146</sup> *La Nación*, January 7 and February 15, 1984.

<sup>147</sup> Chamber of Deputies session, July 4 and 5, 1984 (pp. 2021).

<sup>148</sup> Chamber of Deputies session, July 4 and 5, 1984.

<sup>149</sup> Chamber of Deputies session, July 4 and 5, 1984.

<sup>150</sup> Chamber of Deputies session, June 8 and 9, 1989, Senate session, June 14 and 15, 1989. The opinions of many of these groups, as well as the differences in the opinions of the different political parties received wide press coverage (for instance, *La Nación*, July 2 and 5, 1984).

<sup>151</sup> See, for instance, the opinions expressed by multiple actors from the private sector in *La Nación*, September 22, 1984.

of Law 27551 in 2020), with the only exception of some emergency legislation sanctioned during the hyperinflationary crisis at the end of 1980s to protect tenants (laws 23542 and 23680).

In Brazil, changes aimed at protecting tenants by limiting rent readjustment for residential leases were introduced during the process of democratization. In 1985, the first civilian president of this process temporary extended these limits with the Law 7335, a measure supported by tenants.<sup>152</sup> During the debate of this law in the Congress, the need for a more definitely solution to the leases' issue was raised.<sup>153</sup> The enactment of this temporary law, in fact, was seen as a possibility for the president to work on such permanent solution.<sup>154</sup> Tenants continued to express their support both during the debate in Congress and after the enactment of the law. Similarly, in 1986, tenants supported the enactment of Law 7538 that suspended evictions.<sup>155</sup> On the other side of the road, these laws were opposed by landowners. Some of them contacted legislators during the debate of Law 7538 as individual citizens looking for protection to their rights.<sup>156</sup> Moreover, the Association of Real Estate Administrators (*Associação Brasileira das Administradoras de Imóveis*, ABADI) publicly opposed this law, accusing politicians of having approved such a prejudicial law only with “demagogic” objectives in the eve of a new round of elections.<sup>157</sup> Landowners complained in the media about these temporary pieces of legislation and even elaborated and sent to public officials legislative proposals of potential policy changes.<sup>158</sup>

Leases were also a relevant topic during the elaboration of the new National Constitution. The media shows that both landowners<sup>159</sup> and tenants<sup>160</sup> expected representatives at the Constituent Assembly to find an appropriate solution to the leases issue. A new leases law was also a recurrent topic among the many popular suggestions received by the members of the Constituent Assembly.<sup>161</sup> Even if the resulting National Constitution did not include any concrete measure regarding leases, the topic was brought about on many occasions during the plenary sessions.<sup>162</sup> Many of the discussions highlighted the need of balancing the interest and preferences expressed by landowners and tenants.<sup>163</sup> Moreover, the need for a

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<sup>152</sup> Telegrams to the President and to legislators included in PL 5801/1985.

<sup>153</sup> PL 5801/1985.

<sup>154</sup> *Jornal do Brasil*, June 27, 1985.

<sup>155</sup> PL 7446/1986. This measure was anticipated in the press. See, for instance, *A Tribuna* April 19 and 24, 1986.

<sup>156</sup> PL 7446/1986.

<sup>157</sup> *Jornal do Brasil*, Suplemento Especial ABADI, N°55, VI, October 1986.

<sup>158</sup> *Jornal do Brasil*, February 5, 1987, and Suplemento Especial ABADI, N°60, VII, March 1987.

<sup>159</sup> *Jornal do Brasil*, Suplemento Especial ABADI, N°59, VII, February 1987

<sup>160</sup> *Jornal do Brasil*, May 12, 1987.

<sup>161</sup> *Jornal do Brasil*, March 19, and May 15 and 19, 1987.

<sup>162</sup> For instance, on the plenary sessions held on March 25, July 22, August 20, September 3, October 22, and December 10, 1987.

<sup>163</sup> This was clearly the case during the plenary session held on January 14, 1988.

new leases law achieving such a balance was discussed, together with proposals from the private sector, in the sessions of the subcommittee dealing with urban issues.<sup>164</sup>

Finally, in 1991, a new leases law was enacted. Similarly to the Argentinean case, Law 8245 established a more balanced leasing relationship by preserving many rights for tenants but without completely limiting lessors' freedom (Abrão 2018).<sup>165</sup> With the first discussions taking place in 1987, the elaboration of this law followed a lengthy process, which was widely covered by the press.<sup>166</sup> During the whole process, both landowners and businessmen from the construction sector,<sup>167</sup> on one side, and tenants,<sup>168</sup> on the other, expressed their contrasting views, especially regarding the eviction process and the possibility of future government interventions in rent prices. Many of these claims were echoed by legislators who also highlighted the need to find a balance between contrasting views for the law to be approved.<sup>169</sup> Such need for an equilibrium was also highlighted by public officials of the Executive.<sup>170</sup> Moreover, tenants organized social mobilizations protesting against the possibility of the new law easing the eviction process.<sup>171</sup> The idea of the government being “demagogic” and potentially using the leases law to gain electoral support was also a common topic in the press.<sup>172</sup> However, there was support to the openness of the policymaking process in which the government “democratically” subjected the proposal to a wide public debate.<sup>173</sup> Such wide consultation did not only take place while the proposal was being discussed in the Executive,<sup>174</sup> but continued in the Congress through meetings and formal communications with different interest groups and public hearings.<sup>175</sup> The widening of the space for contestation, therefore, implied the inclusion of a wide range of actors in policymaking that, in turn, resulted in a consensual alternative proposal.<sup>176</sup> This new law has undergone fewer modifications than previous leases laws,

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<sup>164</sup> Transcript of the Urban Issues and Transportation Subcommittee.

<sup>165</sup> See also the bill's justification elaborated by the ministries of Justice, Economy, Treasury, and Planning, and Social Action (<https://imagem.camara.gov.br/Imagem/d/pdf/DCD18MAI1991.pdf#page=89>, accessed August 2021).

<sup>166</sup> Search in *Hemeroteca Digital Brasileira*. Biblioteca Nacional Digital, Fundação Biblioteca Nacional, Rio de Janeiro. See the Appendix for more details.

<sup>167</sup> *Jornal do Brasil*, September 5 and December 10, 1987, March 23 and October 5, 1988, and Suplemento Especial ABADI, N°98, X, May 1990; *A Tribuna*, October 15, 1989; *Jornal do Commercio*, August 15, 1990, and May 24, 1991.

<sup>168</sup> *Jornal do Brasil*, April 10, May 12, and December 10, 1987.

<sup>169</sup> *Jornal do Brasil*, April 10, 1987, and Suplemento Especial ABADI, N°98, X, May 1990. See also PL 912/1991.

<sup>170</sup> National Housing Secretary Ramon Arnuz Filho in *Jornal do Brasil*, Suplemento Especial ABADI, N°109, XI, April de 1991.

<sup>171</sup> *Jornal do Brasil*, April 12, 1987.

<sup>172</sup> *Jornal do Brasil*, April 14, 1987.

<sup>173</sup> *A Tribuna*, April 11, 1987, and February 27, 1988; *Jornal do Brasil*, Suplemento Especial ABADI, N°64, VII, July 1987 and N°70, VIII, January 1988, and July 11, 1989.

<sup>174</sup> *Jornal do Commercio*, April 6, 1991.

<sup>175</sup> PL 912/1991.

<sup>176</sup> Such consensual character was also recognized by representatives of the different interest groups involved. For instance, see *Jornal do Brasil*, June 29, 1991.

inaugurating the most stable period of leases legislation of the past one hundred years of Brazilian history (Abrão 2018).

In a nutshell, following democratization, both Argentina and Brazil experienced changes in the leases' legislation that had been established by the previous military regimes. The policymaking processes leading to such changes started shortly after democratically elected governments were inaugurated. In contexts with increases in the space for contestation, these processes included the participation of a wide set of actors and aimed at balancing the interest of different groups. The resulting legislation exhibited more balance between the contrasting interests of landowners and tenants than previous legislation because of these efforts and became comparatively more stable.

### **Informal settlements and social housing**

Another highly visible area of housing policy is that of policies dealing with informal settlements and social housing. Similarly to urban leases' policies, the geographical concentration of these informal settlements increases the visibility of policies aimed at them (e.g., Kamalipour and Dovey 2019). Moreover, in many of the policies aimed at informal settlements the government's role is clear and easily attributable. This is the case, for instance, of either the destruction or urbanization of informal settlements, as well as the direct construction of social housing complexes. In both Argentina and Brazil, informal settlements and the need to house those without enough savings to buy houses in the free market became relevant topics early on and stayed so since then. Furthermore, the need to address these issues with public policies became increasingly pressing as the level of urbanization in both countries increased, first, during their respective periods of great immigration and, later, with their processes of industrialization and rural-to-urban migration.

In Argentina, even if social housing had been a pressing issue since the times of the great immigration, the public sector was not considered to be the main responsible actor in this issue nor did become the central investor in the financing of affordable housing until the first presidential terms of Juan Domingo Perón (1946-1955). There were some public interventions in the sector before then, such as the creation of the National Commission of Affordable Houses (*Comisión Nacional de Casas Baratas*, CNCB) for the construction of social interest housing at the beginning of the XX century. However, this commission did not reach a significant number of constructions during its active period (Gómez 2014). In contrast, the first Perón's presidential term (1946-1952) inaugurated a period of massive and systematic actions aimed at solving the workers' housing problem. These actions were guided by the idea of the "right to a home" (Aboy 2007) and had the National Mortgage Bank (*Banco Hipotecario Nacional*, BHN) as one of its main executors (see Chapter 6). However, these measures did not solve the housing deficit. By 1960s, the number and size of informal settlements was growing fast, with an average yearly population growth in the

Metropolitan Area of Buenos Aires of 15% — significantly higher than the overall national population growth (Blaustein 2006). As Figure 13 shows, policies aimed at dealing with this situation were implemented during that decade. During the presidential term of Arturo Umberto Illia (1963-1966), a law for slums “eradication” was approved: Law 16601. This law proposed the construction of public interest housing to home the current inhabitants of informal settlements and triggered the elaboration of different plans at the local level for the elimination of specific slums paired with construction of houses and services’ upgrading in other areas (Gomes 2017). Settlers’ organizations played a role in the elaboration of these plans and no big eradication took place. Rather, the government provided equipment and subsidies for the improvement of settlers’ living conditions (Yujnovsky 1984). However, this policy orientation was going to be drastically altered with the *coup d’état* that ousted Illia. From that moment on, policies towards informal settlements oscillated with the changes in regime type, with evictions and eradication efforts taking place in contexts of constrained space for contestation and higher levels of tenure security during democracies.

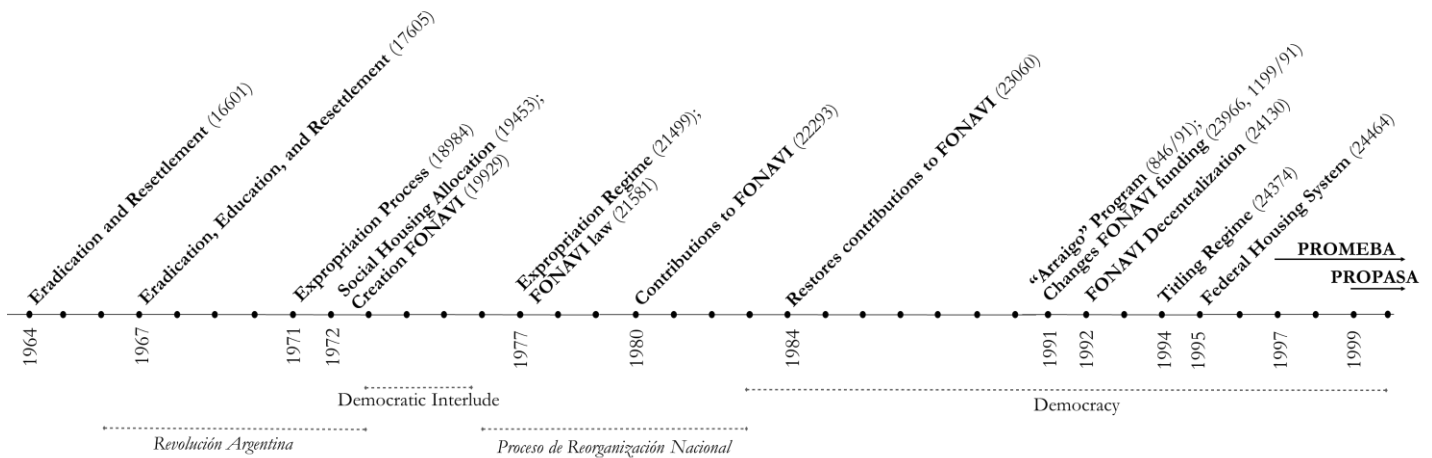


Figure 13- Legislation on informal settlements and social housing, Argentina

The story is similar in Brazil. The first informal settlements appeared in the 1920s (Schwarz and Starling 2015) and the first organizations aimed at the construction of social housing did so in the 1930s (Azevedo 1988). Moreover, the first policies from the national government addressing social housing were put in place in the 1940s, as illustrated by the creation in 1946 of the Popular House Foundation (*Fundação da Casa Popular*) (Azevedo 1988; Shimbo 2012). However, those first attempts were not part of a coherent housing policy (Bonduki 1994) and they did not manage to stop the rapid increase in the number of people living in informal settlements. By 1960 almost 10% of Rio de Janeiro’s population lived in such settlements (Benmergui 2009). The gravity of this situation was clear then, when president João Goulart’s addressed the National Congress in 1964 to claim that solving such a relevant problem required the Congress to give

the Executive the means for decisive actions, the enactment of new legislation, and cooperation with experts and the private sector.<sup>177</sup>

In the early 1960s, some subnational governments implemented programs aimed at eliminating informal settlements<sup>178</sup> that, even if opposed by most settlers, gathered popular support for some governors among the middle urban classes.<sup>179</sup> Nevertheless, no such policy emanated from the national government. Quite the contrary, in his last address to the Congress before the coup, Goulart explicitly stated that no valid housing policy could be based on violent action, such as the eviction of settlers.<sup>180</sup> As Figure 14 illustrates, the Brazilian national government was less active than the Argentinean one regarding legislation on informal settlements and social housing. However, as I develop in the next section, the reduction in the space for contestation with the military regime through the dimensions of social mobilization and freedom of the press limited the capability of settlers to resist evictions and made the complete destruction of informal settlements easier for subnational governments.

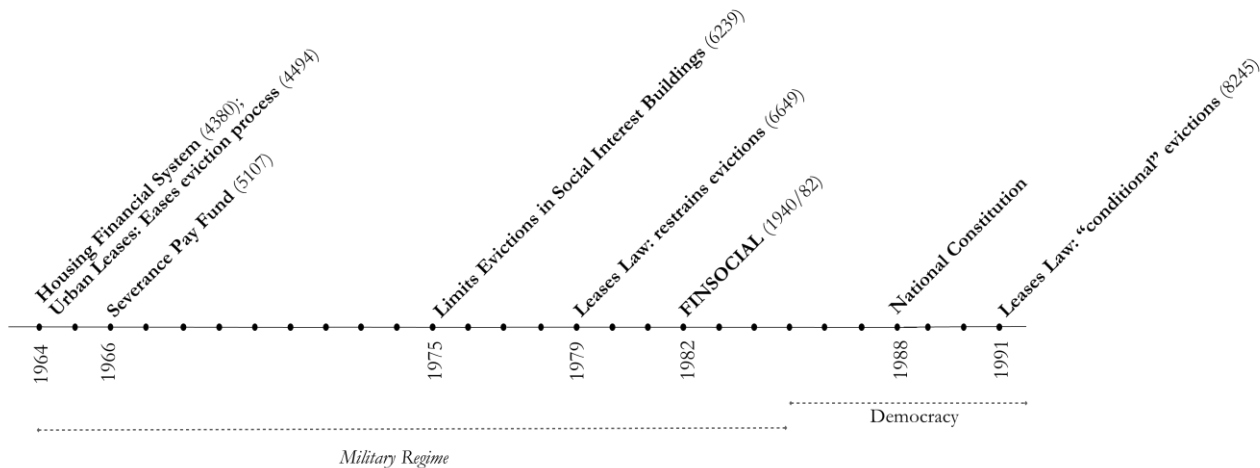


Figure 14- Legislation on informal settlements and social housing, Brazil

### Modernizing in constrained contexts

By the 1960s, when the space for contestation was constrained in Argentina and Brazil, a “modernizing” discourse had become prominent. According to this discourse, informal settlements were a problem to be solved. In Argentina, such a view was clear in the legislation enacted during the

<sup>177</sup> Available in:

[https://conteudo.ebc.com.br/porta/projetos/2014/golpe1964/img/timeline/3/p\\_3mensagem\\_joaogoulart.pdf](https://conteudo.ebc.com.br/porta/projetos/2014/golpe1964/img/timeline/3/p_3mensagem_joaogoulart.pdf). Accessed March 22, 2022.

<sup>178</sup> Many editions of *Correio da Manhã* and *Jornal do Brasil*, 1960-1964.

<sup>179</sup> For instance, see propaganda campaign in favor of Carlos Lacerda in *Jornal do Brasil*, December 10, 1961.

<sup>180</sup> Available in:

[https://conteudo.ebc.com.br/porta/projetos/2014/golpe1964/img/timeline/3/p\\_3mensagem\\_joaogoulart.pdf](https://conteudo.ebc.com.br/porta/projetos/2014/golpe1964/img/timeline/3/p_3mensagem_joaogoulart.pdf). Accessed March 22, 2022.

democratically elected government of Illia midway through the decade. When the proposal for Law 16601 was presented in Congress, “precarious neighborhoods and the promiscuous life that develops in them” were seen as social ills in need of a cure.<sup>181</sup> Such “modernizing” discourse became even clearer after the coup that gave place to the so-called *Revolución Argentina* (1966-1973). During that period, the official discourse saw informal settlements as an “abnormality” and a potential threat to social peace and national security (Gomes 2017; 2018). Their elimination, hence, played a central role in the government’s goal of consolidating the moral values associated with the Western and Christian tradition and preserving the integrity of the nuclear family.<sup>182</sup> The housing policy of the period was shaped by this goal and led by principles associated with the value of personal effort and the respect for private property.

This “modernizing” discourse was also influential in the Brazilian case. For instance, in 1965, when some settlers were relocated to Villa Kennedy in the Rio de Janeiro metropolitan area, they were given a homeowners handbook, as there were thought to require instruction on the proper use of their new environment (Benmergui 2009).<sup>183</sup> Moreover, improving housing conditions for the poorest segments of the population was seen as crucial for the military governments’ goals, especially regarding the fight against communism.<sup>184</sup> Thus, this ideological context shaped the policies that were implemented regarding informal settlements in context of constrained spaces for contestation in both countries. The following subsections detail the policies regarding informal settlements adopted in Argentina and Brazil during their dictatorships.

### *The Argentinean case*

The *Revolución Argentina* developed an integral plan for the “eradication” of informal settlements whose legislative centerpiece was Law 17605, enacted at the end of 1967. The press followed closely the evolution of this project.<sup>185</sup> During its elaboration, which involved the ministries of Internal Affairs, Defense, Social Welfare, and External Relations,<sup>186</sup> members of interest groups met the Minister of Social Welfare and offered their economic and technical collaboration.<sup>187</sup> Those living in informal settlers, however, do not seem to have participated in the policymaking process (Gerscovich et al. 2009). If with the elected government of Arturo Umberto Illia, the Federation of Informal Settlements had been a valid actor

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<sup>181</sup> Chamber of Deputies session, October 30, 1964.

<sup>182</sup> See declarations of the Secretary of Housing in *La Nación*, April 27, 1968.

<sup>183</sup> In 1970 a similar handbook was given in Argentina to those resettled in Ciudad General Belgrano.

<sup>184</sup> *Conselho de Segurança Nacional-Fundo*, “Criação de organismo específico de combate ao Comunismo, 1969-70” (br\_dfanbsb\_n8\_0\_agr\_avu\_0022\_d0001de0001) and “Diretrizes Governo Figueiredo” (br\_dfanbsb\_n8\_0\_psn\_aic\_0123\_d0001de0001).

<sup>185</sup> *La Nación*, October 15, 17, 28, and 31, 1967, and January 3, 1968.

<sup>186</sup> *La Nación*, October 28, 1967.

<sup>187</sup> *La Nación*, April 19, 1967.



who could negotiate policies with the national government, this was no longer the case after the coup (Blaustein 2006; Oszlak 1991; Yujnovsky 1984).

In accordance with government preconceptions of the inhabitants of informal settlements, Law 17605 proposed the elimination of those settlements and the relocation of their settlers to temporary housing aimed at their “comprehensive social advancement.” Their “advancement” in such transitory housing would determine their aptitude for the different options of final housing, which included settling in other areas of the country or in their countries of origin, as well as the resettlement in permanent social interest houses to be paid in installments proportional to their income. Further, the level of social advancement attained was included as one of the factors determining eligibility for the allocation of houses in Law 19453 of January 1972. Law 17605 also included measures aimed at preventing the establishment of new informal settlements or the enlargement of the already existent ones. It declared the land occupied by informal settlements in the City of Buenos Aires and its metropolitan area of public interest and subjected to expropriation. It also made the declaration of a settlement as insanitary enough to proceed to the eviction of its inhabitants and its demolition.

Massive evictions started to take place soon after the enactment of Law 17605, especially in the city and province of Buenos Aires, in many cases with help from the army.<sup>188</sup> An estimated total of 83 informal settlements were destroyed during this period (Yujnovsky 1984). Some voices were raised in opposition, mainly from the organized labor sector and from sectors of the catholic church (Snitcofsky 2021).<sup>189</sup> In fact, it was during this period that the first organized actions of what would become the Informal Settlements Pastoral Team (*Equipo pastoral de villas*) took place with protests against forced evictions (Daich Varela 2021). However, none of these actions managed to stop such evictions. Those living in the informal settlements not only were not included in the policymaking process, but their mobilization attempts were met by repressive government actions in a context in which the social mobilization dimension of the space for contestation has been curtailed.<sup>190</sup>

The demands of those living in informal settlements and in the new temporary and permanent social housing projects started to receive more attention towards the end of the military regime, as the space for contestation increased. For instance, in November 1972 an editorial piece in *La Nación*, a newspaper that had previously expressed enthusiastic support for the eradications’ program, reported many of those demands and complains and qualified as “unacceptable” the disappointment of the expectations raised by

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<sup>188</sup> *La Nación*, May 8, June 13, 22, and 23, July 27, August 10, 11, and 16, and November 10, 1968, and January 9 and 19, 1969.

<sup>189</sup> See also declarations by authorities of the General Confederation of Labor (*Confederación General del Trabajo*, CGT) in *La Nación*, August 12, 1968.

<sup>190</sup> *La Nación*, August 12, 1968.

the government's housing plans.<sup>191</sup> Moreover, in those times, some participation of the settlers in the process of eviction and resettlement started to be possible. Such possibility was deemed the result of a return to clientelism practices brought with the prospect of an electoral opening (Yujnovsky 1984). This would bring back the mechanisms associated with the dimension of electoral accountability of the space for contestation. As this dimension became relevant again, social housing, and the need of greater participation by social groups in its planning and construction, became a central topic for most political parties during the 1973 electoral campaign.<sup>192</sup>

During the democratic interlude between the *de facto* governments of the *Revolución Argentina* and the *Proceso*, housing was an important part of the overall economic plan. In fact, in his inaugural address to the Congress, the elected president for the Justicialist Party (*Partido Justicialista*, PJ) claimed that housing was a top priority for his government.<sup>193</sup> Policies in this sector resembled those implemented during the two presidential terms of Perón, the first president of the Justicialist Party (Yujnovsky 1984). Moreover, informal settlers' associations were able to intervene in the process of policymaking. The Settlements Front (*Frente Villero*) was recognized as a valid actor (Oszlak 1991, 155) and a Peronist Settlements Movement (*Movimiento Villero Peronista*) was formed with close ties to with the youth branch of the governing party, becoming central for the elaboration and implementation of policies aimed at informal settlements during the democratic interlude (Blaustein 2006; Snitcofsky, Camelli, and Massida 2021).<sup>194</sup> At the core of this period's policies was the goal of turning informal settlements into modern housing centers. For instance, almost half of the inhabitants of the informal settlement "Villa 31," one of the oldest and biggest settlements in the City of Buenos Aires, were relocated to housing blocks during this interlude. However, the process of policymaking, as well as the incorporation of the input from the informal settlers, was complicated by the divisions inside the governing party and, especially, by the conflicts between its youth branch of the and the more conservative segments in charge of the Ministry of Social Welfare (Camelli 2021; Snitcofsky 2021; Oszlak 1991; Yujnovsky 1984; Ziccardi 1984).

Furthermore, this democratic experience ended abruptly with the 1976 *coup d'état*. The military dictatorship of the *Proceso* (1976-1983) severely reduced the space for contestation and implied a return to more repressive actions towards informal settlements (Yujnovsky 1984). Once again, guided by a "modernizing" discourse, housing played a central role in the social policy of the dictatorship. The Secretary of Housing and Urban Development was assigned the goal of promoting public and private financing for the construction of housing and service networks that would enable the consolidation of the nuclear family and promote qualitative and quantitative population growth incentivizing its distribution across the national

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<sup>191</sup> *La Nación*, November 26, 1972.

<sup>192</sup> For instance, see the summary of electoral promises published in *La Nación*, March 3, 1973.

<sup>193</sup> The transcript of the speech can be found in *La Nación*, May 26, 1973.

<sup>194</sup> See also *La Nación*, June 6, 1973.

territory. To achieve these goals, a division of labor was designed with different policies targeting different socioeconomic levels. Once disregarded those levels with enough resources to access proper housing on their own, there were two socioeconomic strata with limited or null saving capacity that were considered to need the support of state action. One of them, with capacity to save enough to finance the purchase of a house in the medium and long term if provided with low interest rates, was going to be targeted by the National Housing Bank (see Chapter 6). The other one was considered unable to access home ownership on its own even with subsidized interest rates, then it depended on public initiatives of social housing. For this sector, the military regime enacted a law providing the National Housing Fund with clear sources of resources (see the corresponding subsection below).<sup>195</sup>

Even if informal settlements were not at the center of the housing agenda at the national level during the military dictatorship of the *Proceso*, the government provided subnational governments with space for autonomous action. One way in which this was done was by the enactment of legislation such as Law 21499, which modified the expropriations regime. One of the key components of this law was the broadening of the concept of “public utility” used to justify expropriations to include both material and “spiritual” utility. The bill was authored by the National Ministry of Justice, but it had been elaborated in collaboration with representatives of the municipality of the City of Buenos Aires.<sup>196</sup>

The government of this municipality took a clear interventionist approach to informal settlements during the authoritarian period. By Law 33652/77 the local government established a policy towards informal settlements based on three main action points: to freeze, to discourage, and to eradicate. Offices of the Municipal Housing Committee were established in most informal settlements and many settlements were totally or partially destroyed, especially in those areas of the city affected by activities from the 1978 FIFA World Championship (Snitcofsky 2018). Some settlers mobilized and pursued legal actions aided by some religious groups and lawyers (Blaustein 2006; Camelli 2021). However, the approach adopted by the municipality hindered the possibility of collective action. Settlers were only allowed to interact by municipal public officials as individuals and not as members of a community (Oszlak 1991) — which was possible given the reduction in the space for contestation. Furthermore, the municipality launched a media campaign on the issue of informal settlements aimed at changing how their inhabitants were perceived and turning

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<sup>195</sup> File 195/1979, Fondo Documental CAL, Archivo Intermedio, Archivo General de la Nación. The general housing plan is also clearly presented in the notes from a presentation by the Secretary of State of Urban Development and Housing Vázquez Llerena to the President on August 21<sup>st</sup>, 1976, that is included in the materials for the CAL recommendation during the treatment of Law 21508. File 253/1976, Fondo Documental CAL, Archivo Intermedio, Archivo General de la Nación. Such division in socioeconomic strata was also highlighted in personal interviews with Eduardo Amadeo, former President of Buenos Aires’ provincial bank (1987-91), member of the Lower Chamber (1991-95, 2009-13, 2015-19), and Secretary of Social Development (1994-98, 2000-01) and Julio Dreizzen, former director of the Central Bank (1987-89) and Banco Galicia (1990-2000), under-secretary of finance (2000-01) and director of the National Mortgage Bank since 2005.

<sup>196</sup> File 252/1976, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

the general public opinion into the interlocutors of the policies (Oszlak 1991). A similar policy of discouragement was implemented by the Province of Buenos Aires. With Decree-Law 8912 of 1977, the periphery of the city of Buenos Aires was classified as only apt for non-permanent residence and recreational use, thus discouraging the creation of new informal settlements on the boundaries of existing urban settlements. Massive evictions followed by the destruction of the settlements occurred during this period in other big cities of the country as well, sometimes also linked to the FIFA World Championship (Snitcofsky, Camelli, and Massida 2021).

The municipality of the City of Buenos Aires also affected tenure security in general, and specially in informal settlements, with its ambitious plan for the construction of highways. This plan was surprisingly announced in 1977, together with the new urban planning code (Oszlak 1991). The plan used the recently sanctioned law of expropriations and benefited from a series of national laws creating a special fund for highways constructions (laws 22126, 22522, and 22705). Many professional and business organizations from the construction and urbanism sectors expressed their mixed reactions to the plan in the media. Furthermore, an article published in *Clarín* in March included opinions by members of the national ministries of Social Welfare and Justice against the project as they considered that the problem of housing deficit needed to be solved before starting any project implying evictions (Oszlak 1991). The municipality adopted again a divide and conquer approach by only providing information on the projected routes in phases and by giving tenants and owners differential treatment (Oszlak 1991).

The other way in which the national military government enabled the action of subnational government was through its control over the space for contestation, which resembled what happened during the previous military regime and in the Brazilian case. During the *Proceso*, leaders of the movements of informal settlers were targets of repressive actions by the state and many of them were kidnaped and “disappeared.” Such disappearances can be linked to their activities in those informal settlements and seriously hurt the organizational capacity of those living in those settlements (Camelli 2021). Moreover, these targeted acts of repression were combined with the regular presence of the army in the informal settlements and quotidian acts of violence towards their inhabitants (Camelli 2021).

Thus, even if the national government did not implement much legislative changes in informal settlements during the *Proceso*, it enabled actions by subnational actors. It did so via a few key pieces of legislation and a decreased in the space for contestation, especially through the dimensions of electoral accountability, political competition, and social mobilization, and a shrinkage of the range of interest groups that could influence policymaking.

*The Brazilian case*

Despite not being supported by the national government, massive evictions and destructions of informal settlements were already taking place at the subnational level in Brazil when the military took power in 1964. Settlers openly opposed those measures. For instance, some months before the coup, Sandra Cavalcanti, then part of the housing team of the Government of Rio de Janeiro, was received by a rain of stones when visiting informal settlements during a wave of evictions.<sup>197</sup> Moreover, those living in some of the informal settlements threatened with total eradication were able to resist it by organizing social mobilizations and transmitting their demands to local legislators (Pestana 2018). The regime type change with the military coup changed this scenario, reducing the effectiveness associated with the dimensions of social mobilization and electoral accountability of the space for contestation.

The military regime started planning its housing policy right after the coup in a process that included public officials and actors from the private sector (Dreifuss 1981; Melo 2013; Pestana 2018). The main legislative result of such planning process was the draft for Law 4380, enacted in 1964, which affected the housing sector in multiple ways, including the creation of the National Housing Bank (*Banco Nacional da Habitação*, BNH). Among the priorities set for such a bank was the development of housing projects aimed at eliminating informal settlements and other “subhuman dwellings” (Perlman 1974, 13). The elimination of informal settlements gained new strength with the encouragement of a national government that, moreover, significantly reduced the space for contestation. Evictions were opposed by those living in informal settlements and their organizations,<sup>198</sup> as well as by some members of the catholic church.<sup>199</sup> However, settlers were not allowed to participate in the policymaking process, regardless their complains and demands to be taken into consideration.<sup>200</sup> Further, mobilizations by settlers opposing eviction from then on were met by repressive actions by the government, including the participation of the army (Perlman 1974). The use of violence in the eviction process was also widely reported in the press.<sup>201</sup>

A case that illustrates this dynamic is what happened with the informal settlement known as “Esqueleto” in Rio de Janeiro. As in previous occasions, the Federation of Informal Settlements Associations of the Guanabara State (*Federação das Associações de Favelas do Estado de Guanabara*, FAFEG) adopted the role of mediator with the subnational state and publicly presented a series of arguments aimed at increasing the political costs of evicting its settlers and destroying the settlement (Pestana 2018).

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<sup>197</sup> *Jornal do Brasil*, March 24, 1964.

<sup>198</sup> *Correio da Manhã*, October 22 and 29, 1964 and February 7, 1970.

<sup>199</sup> *Correio da Manhã*, November 26, 1964; *Jornal do Brasil*, September 16, 1972.

<sup>200</sup> *Jornal do Brasil*, October 31, 1964; *Correio da Manhã*, January 30, 1966, and June 16, November 3, and December 1 and 11, 1968.

<sup>201</sup> *Correio da Manhã*, August 23, November 27, December 15, 1964, January 16, 1965, April 18, 1969, and October 4, 1971; *Jornal do Brasil*, July 29, 1971.

Settlers also addressed the governor via the printed media.<sup>202</sup> However, such attempts were met by state repression. As in the Argentinean case, targeted actions were used against the leaders of the settlement, when one of them was kidnapped and was only released after a campaign in the press and the intervention of members of the catholic church.<sup>203</sup> This targeted action, together with regular acts of violence by the authorities and the threat of further repressive measures, increased the costs of social mobilization and led settlers to put an end to their mobilization efforts.<sup>204</sup> In latter cases, such as that of the “Ilha das Dragas” settlement, the settlement leaders linked to FAFEG and their lawyer were kidnapped even before the pre-emption process of settlement examination started to prevent any potential organized action by the settlers (Pestana 2018).<sup>205</sup> Moreover, with the enactment of the AI5 and the start of the most repressive period of the military regime, the authorities of FAFEG were forced to adopt a less confrontational line of action (Pestana 2018).

A significant exception to this general trend was the case of the informal settlement “Brás de Pina.” This was the only informal settlement in Rio de Janeiro that succeeded in its efforts of not being eradicated during the military regime (Pestana 2018). Its success depended on a combination of social mobilization and support of members of the catholic church in a context in which social mobilizations and the press were less constrained than what they would end up being. The press followed this case closely right from the beginning, informing of the mobilizations organized by the settlers, including encampments outside the governor’s office, and of the support they were given by the priest of the community’s church.<sup>206</sup> The figure of the priest became relevant for the development of the conflict as he gathered a lot of media attention,<sup>207</sup> and managed to meet with representatives of the national and local governments.<sup>208</sup> He became a target of state violence,<sup>209</sup> as did many of the leaders of the settlers’ organization<sup>210</sup> and the inhabitants of the settlement.<sup>211</sup> Finally, and after a meeting with the governor in which the priest was accompanied and supported by other members of the catholic church, the settlers managed to avoid being evicted.<sup>212</sup>

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<sup>202</sup> *Jornal do Brasil*, November 24, 1964.

<sup>203</sup> *Correio da Manhã*, December 15 and 16, 1964.

<sup>204</sup> *Correio da Manhã*, December 18, 1964.

<sup>205</sup> These kidnappings were covered in the press, even if the state was not identified as responsible (see *Correio da Manhã*, February 8, 1969).

<sup>206</sup> *Correio da Manhã*, September 12, 16, and 17, and November 20, 1964; *Jornal do Brasil*, November 22, 1964.

<sup>207</sup> *Correio da Manhã*, October 20, 1964.

<sup>208</sup> *Correio da Manhã*, November 24 and 28, 1964; *Jornal do Brasil*, December 24, 1964.

<sup>209</sup> *Correio da Manhã*, November 20 and December 4, 1964.

<sup>210</sup> *Jornal do Brasil*, November 22, 1964.

<sup>211</sup> *Correio da Manhã*, December 29, 1964, and January 16, 1965.

<sup>212</sup> *Correio da Manhã*, January 3, 1965. Despite getting support from other members of the church to avoid the eradication of the settlement, his superiors distanced him from the community shortly after (*Correio da Manhã*, January 8, 1965) and ended up sending him to another country (*Jornal do Brasil*, January 6, 1971).

In a context in which elections still played a role in subnational politics, informal settlements also became a relevant topic in the electoral run for governor in those states with the most important cities. In Rio de Janeiro, for instance, one of the candidates, Francisco Negrão de Lima, promised during the campaign to urbanize instead of eliminating informal settlements.<sup>213</sup> He even signed a document with FAFEG promising that only those informal settlements that could not be urbanized were going to be destroyed,<sup>214</sup> and there were accusations of some of his campaign organizers using the threat of eviction to attack his main political rival.<sup>215</sup> Once in office, however, he continued with the eradication program, and in many cases those living in informal settlements publicly denounced this lack of accountability.<sup>216</sup> At the same time, surveys among the population of the state showed popular support for this program,<sup>217</sup> which might explain the political survival motives behind such unfulfilled promises. Electoral accountability was working, but the constituencies of those accountability were not the settlers.

#### Informal settlements in the Argentinean democracy

The increase in the space for contestation brought after democratization in Argentina raised expectations of change in housing policies, in particular regarding those policies aimed at the poorest segments of society (e.g., Yujnovsky 1984). Policies targeted at informal settlements were relevant during the first electoral campaign. For instance, the Radical Civil Union (*Unión Cívica Radical*, UCR) included in its electoral platform the halt of all evictions from informal settlements (López Saavedra 1983). Many of the policies suggested by this and other relevant parties also incorporated the settlers' demands of improving infrastructure and service provision in the existing informal settlements (López Saavedra 1983).

Many of these promises became policies in the democratic period. Some immediate measures at the national level increased the funds for social housing (see next subsection). Moreover, in the City of Buenos Aires, the legislation aimed at eliminating informal settlements was annulled in 1984 (Municipal Ordinance 39753). At the national level, in 1991 with Decree 846/91, a program was created (*Programa "Arraigo"*) that facilitated the titling of informally occupied fiscal land, further increasing tenure security for settlers. Shortly after, with Law 23967, the national state transferred fiscal lands to subnational levels of governments so they could use them to construct social housing or to sell at subsidized prices to its informal inhabitants. This law was built on older projects by legislators. In 1994, Law 24374 further eased the titling process. These measures were aimed at easing popular demands from organized social groups,

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<sup>213</sup> *Correio da Manhã*, September 23, 1965.

<sup>214</sup> *Correio da Manhã*, January 3, 1968.

<sup>215</sup> *Correio da Manhã*, September 29, 1965.

<sup>216</sup> *Correio da Manhã*, December 20, 1967, and January 3, 1968.

<sup>217</sup> *Jornal do Brasil*, March 9, 1969.

in a context in which the dimension of social mobilization of the space for contestation was mostly unconstrained, and they were based on the idea of formal ownership titles as a tool for development.<sup>218</sup>

Moreover, two national plans, the Program for Neighborhood Improvement (*Programa de Mejoramiento de Barrios*, PROMEBA) and the Program for Water Supply, Social Assistance, and Basic Sanitation (*Programa de Provisión de Agua Potable, Ayuda Social y Saneamiento Básico*, PROPASA) were implemented in 1997 and 1999, respectively. These programs received funding from the national and subnational states and the Inter-American Development Bank and provided infrastructure improvements aimed at the poorest neighborhoods and informal settlements, where they could have a greater impact.<sup>219</sup> Moreover, a wide range of actors took, and still takes, part in their implementation, including cooperatives, private companies and NGOs (Sepúlveda Ocampo and Fernández Wagner 2006).

### Argentina's National Housing Fund: who pays for social housing?

Given Argentina's chronic housing deficit, the need of resources for public housing funding has been a constant issue. In the 1960s, the dictatorial government of *Revolución Argentina* created some special taxes with such aim.<sup>220</sup> However, the suggested creation of a special public body to gather and administer such funds only took place towards the end of the regime when Law 19929 created the National Housing Fund (*Fondo Nacional de la Vivienda*, FONAVI). This creation and its timing were attributed to an attempt to improve the electoral prospects of the presidential candidate representing the continuity of the military regime (Gomes 2018) in a context in which the dimensions of electoral accountability and political competition of the space for contestation were getting expanded.<sup>221</sup> Representatives of business and professional associations of the housing sector (such as the Argentinean Construction Chamber, the Argentinean Industrial Union (*Unión Industrial Argentina*, UIA), and those representing architects and engineers) collaborated with the Secretary of Housing in the elaboration of this law (Yujnovsky 1984).<sup>222</sup> However, the activity of FONAVI was not significant during its early years.

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<sup>218</sup> Considerations Decree 846/91, Chamber of Deputies session, December 2, 1993, and personal interviews with Eduardo Amadeo and Juan Pablo Cafiero, former member of the Lower Chamber (1989-2001), Minister of Social Development (2001), Minister of Justice and Security of the Province of Buenos Aires (2002-2007), and Ambassador (2008-2014). See also *La Prensa*, January 28, 2001 (available at <http://www.laprensa.com.ar/313470-Miles-de-familias-recibiran-beneficios-del-plan-Arraigo.note.aspx>. Accessed April 1, 2022).

<sup>219</sup> Personal interview with Eduardo Amadeo. See also <https://www.promeba.gob.ar/proyectos>.

<sup>220</sup> *La Nación*, August 12, 1967.

<sup>221</sup> See also Güiraldes, Juan José. "Recommendations for the President's image and notes on the Argentinian Revolution, 1971-1972." Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at <http://credo.library.umass.edu/view/full/mufs020-s01-b01-f025-i004>.

<sup>222</sup> See also *La Nación*, November 22, 1972.



Some months after its creation, voices from business associations and unions from the housing sector demanded more participation in its operations.<sup>223</sup> Less than a year later, during the democratic interlude, interest groups were given a more institutionalized role in the policies regarding the fund. Decree 941/73 incorporated representatives of the main workers' association, the General Confederation of Labor (*Confederación General del Trabajo*, CGT), and of the business association closer to the government, the General Economic Confederation (*Confederación General Económica*, CGE), to its advisory board. Nevertheless, the role continued to be only advisory and other interest groups, such as the Argentinean Construction Chamber (CAC), complained about not having been given such institutional role (Yujnovsky 1984).

The military regime of the *Proceso*, assigned a key role to FONAVI in its housing policy as the tool aimed at the poorest segments of society. To adapt this fund to the regime's goals, less than a year after the coup, a bill proposed by the ministries of Social Welfare, Economy, Planning, and Internal Affairs started to be discussed in the CAL, which would give place to the new FONAVI law (Law 21581). Such proposal had been in elaboration for a while inside the Executive branch. In a meeting with members of the CAL, the Secretary of Housing and Urban Development, Máximo Vázquez Llona, said that the original idea was simply to introduce modifications to the law of creation of FONAVI. After a closer examination, they had decided that the required modifications were too vast, and that enacting a brand new law was a more appropriate option. The draft for this new law followed a lengthy process of examination inside the Secretary in which interest groups from all sectors expressed their opinions. As member of the Advisory Legislative Commission (CAL) Captain Raúl Alberto Marino stated that, being this a legislative proposal of great social transcendence, "everyone wants to contribute in some way."<sup>224</sup>

Following the guidelines of the government's housing policy, two of the goals of the project were to clearly define the roles of the Secretary of Housing and Urbanism and subnational organism, increasing the responsibilities of the latter, and to delimit the income categories to be targeted by FONAVI funds. Such delimitation reiterated the division proposed with the new Charter of the National Mortgage Bank: only the lowest segments would be FONAVI's target, leaving those with some saving capacity in the orbit of the bank. Furthermore, the bill clearly identified FONAVI's sources of funds, increasing the contribution to be made by employers and the self-employed to 5%. After considering the bill, the CAL suggests its approval with some minor modifications that are reflected in the final text of the law.<sup>225</sup>

During the discussion of the legislative proposal in the CAL, some of its members expressed concern over the increase in the contributions by employers and the self-employed, especially wondering

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<sup>223</sup> *La Nación*, November 22, 1972.

<sup>224</sup> File 79/1977, Fondo Documental CAL, Archivo Intermedio, Archivo General de la Nación (pp. 181).

<sup>225</sup> File 79/1977.

if small companies would be able to absorb the cost and if the percentage imposed to the self-employed was not too big of a burden and introduced inequalities.<sup>226</sup> However, there is no evidence of interest groups themselves participating in the elaboration and consideration of the bill. This issue would be discussed again in 1980 during the consideration of laws 22187 and 22293. The first one, built on a legislative proposal that had been sent to the CAL and later withdrew by the Executive (237/1979), proposed the unification of the contributions to social security; while the second one eliminated most employers' contributions, included that to FONAVI. In the message to the president, the ministers of Economy and Internal Affairs claimed that this modification would not only lower costs for companies, thus increasing productivity, but in combination with the general increase in the Value Added Tax, it would also make it faster to collect the funds for the Social Security System and FONAVI. After a process of examination including meetings with representatives of different public organisms and business and professional associations, CAL members suggested the approval of the proposal with many modifications which are reflected in the final law. In these meetings, representatives of the Ministry of Social Welfare expressed disagreements with the Ministry of Economy as they held that the contribution to FONAVI made by the provinces as employers should not be removed.<sup>227</sup> Moreover, interest groups such as professional and business associations of the housing sector including the Argentinean Construction Chamber (CAC) and the main association of architects, expressed their opposition to the elimination of the employers contribution (Yujnovsky 1984).

Despite FONAVI receiving most of the resources allocated for social interest housing during the period, laws regarding other housing funds were also enacted. Most of these laws tended towards their concentration in a smaller number of funds. For instance, Law 22235, eliminated the special fund for the insurance sector. In its final recommendation, the CAL suggested the closure of other special funds of the sort. During the consideration of the bill, the CAL received the opinion of many professional association of the insurances sector, many of which also expressed their views in the press.<sup>228</sup>

With the return to the democratic regime the need to increase spending on social housing and the future role of FONAVI were important topics in the electoral campaign (López Saavedra 1983).<sup>229</sup> Modifications were announced by the elected president days after his inauguration<sup>230</sup> and introduced shortly after. In fact, the project of Law 23060, which reintroduced the contributions by employers and self-

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<sup>226</sup> File 79/1977.

<sup>227</sup> File 187/1980, Fondo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>228</sup> File 11/1980, Fondo Documental CAL, Archivo Intermedio, Archivo General de la Nación. An exception to this general trend was law 22113, modifying a law passed in 1975 but never put into effect, creating a national fund for the construction of housing for military personnel, elaborated with direct intervention of the High Commands. File 150/1979, Fondo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>229</sup> See also *La Nación*, June 30, 1983.

<sup>230</sup> *La Nación*, December 17, 1983.

employed to the fund, was the first economic issue discussed in Congress during the democratic period. The project was authored by the Executive and no significant modifications were introduced in Congress.<sup>231</sup> During the debate, some legislators highlighted their responsibility to those citizens waiting for a solution to the housing problems faced by the country and blamed many of them on the past lack of representative institutions.<sup>232</sup> Moreover, public officials took part in activities on the topic organized by interest groups.<sup>233</sup>

Some years later, in the 1990s, in the aftermath of an economic crises, financing sources of the fund would be changed with Law 23966. When the law was debated in Congress, some legislators referred to protests of workers of the construction sector and to the lobby done by their main union, UOCRA, and construction companies.<sup>234</sup> Such resistance, in the form of social mobilization and interest groups' lobbying, has been identified as the reason why FONAVI continued to play a relevant role in social housing during that period (Barreto 2018). Reductions in their sources of funding were, then, less likely in a context in which the space for contestation has been expanded.

#### Popular movements and tenure security in Brazil

Popular organization and social mobilization were relevant for policies affecting informal settlements in Brazil even during the dictatorship. However, mobilization attempts were usually met by repressive actions and their likelihood of success in preventing evictions was highly dependent on the space left for contestation in the corresponding stage of the military regime. During the opening process, as such space increased, policies tilted in favor of settlers. The dimension of social mobilization of the space for contestation expanded. Thus, mobilizations by settlers against evictions less often encountered state repression, even if they did not always succeed.<sup>235</sup> This became even more the case after the end of the last military presidency.<sup>236</sup>

Moreover, during the last military presidency, the national government approved the program "Promorar." The goal of this program was to eliminate informal settlements, but their means differed from the ones used during the most repressive stages of the military regime.<sup>237</sup> Urbanization was preferred and those living in the informal settlements were incorporated into the decision making process (Torres, Ribeiro, and Sanches 2017). This was clearly the case when the guidelines of the program were applied to develop policies in the city of Rio de Janeiro. In a context in which settlers were increasingly organized and mobilized, their organizations were able to express their views to the subnational government and intervene

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<sup>231</sup> Chamber of Deputies and Senate sessions. See also *La Nación*, March 22, 1984.

<sup>232</sup> Chamber of Deputies session, January 19 and 20, 1984.

<sup>233</sup> *La Nación*, December 18, 18 1983.

<sup>234</sup> Chamber of Deputies session, July 17 and 18, 1991.

<sup>235</sup> *Jornal do Brasil*, June 24 and 30, and September 27, 1981; *A Tribuna*, November 10, 1981, and March 20, 1985.

<sup>236</sup> *Jornal do Brasil*, March 15, 1986; *A Tribuna*, March 15, April 1, 1988.

<sup>237</sup> See also *Jornal do Brasil*, June 29, 1979.

in the program's implementation.<sup>238</sup> In some cases, settlers even got the legal ownership of the land they were living in, usually in widely publicized public acts with national and subnational government actors.<sup>239</sup> Moreover, this participation was helped by the local 1982 elections in which the winning candidate had received wide support from popular sectors (Torres, Ribeiro, and Sanches 2017). Informal settlements became a target of electoral campaigns as the space for contestation increased through the dimension of electoral accountability during the opening process and remained so in the democratic period that followed.<sup>240</sup> The "Promorar" program and its subnational implementations were widely covered in the press, especially in those newspapers more read by urban middle classes (Valla 1985).

Apart from an increased level of tenure security for those living in informal settlements, public policies aimed at informal settlements during the democratization process devoted more attention to improving life conditions in such settlements, in line with settlers' demands. In 1982, with Decree-Law 1940, a special fund for social investment was created (*Fundo de Investimento Social*, FINSOCIAL), which included among its goals improving housing conditions for the poorest. Demands for such improvements were widespread among those living in informal settlements. Water and sanitation were the focal point for settlers' mobilizations and, according to surveys done at the time, their main worry.<sup>241</sup>

The Constituent Assembly during the first years of the democratic regime was an important milestone in housing policy, in general, and in the one aimed at informal settlements, in particular. Housing issues were a common topic in the plenary debates.<sup>242</sup> During the open period at the beginning of the plenary sessions, the demands of those living in informal settlements were voiced by their own representatives or communicated by members of the assembly that have received formal communications from them or read about those in the press.<sup>243</sup> Furthermore, more than 12 million signatures were gathered in support for popular amendments proposed to the members of the Constituent Assembly by the National Movement for Urban Reform (*Movimento Nacional pela Reforma Urbana*), a mix of social movement with lobby organization (Caldeira and Holston 2015; Zhang 2021). Some of the housing topics most discussed during the open-topic periods of the plenary sessions related to the urgency of addressing the housing deficit and the unacceptable living conditions in many informal settlements, as well as the potential for mobilization of their settlers.<sup>244</sup> Moreover, during the session especially devoted to housing issues, popular demands and wide press coverage on the issue were highlighted and, among the suggestions to be included in the text of

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<sup>238</sup> *Jornal do Brasil*, August 26, 1979, November 13, 1981, and May 26, 1984.

<sup>239</sup> *Jornal do Brasil*, June 12, 1981.

<sup>240</sup> For an example see *Jornal do Brasil*, March 26, 1988.

<sup>241</sup> *Jornal do Brasil*, December 8, 1982 and February 7, 1984; *A Tribuna*, June 16, 1984.

<sup>242</sup> More so than other topics analyzed for this work, such as banks. Text analysis of the transcripts of the plenary sessions of the Constituent Assembly. See the Appendix for more details.

<sup>243</sup> For instance, in plenary sessions held on February 20 and September 3 and 24, 1987.

<sup>244</sup> For instance, in plenary sessions held on April 3, July 22, and November 11, 1987, and August 19, 1988.

the new National Constitution were the urbanization of informal settlements and the need of popular participation in the elaboration and implementation of housing policy.<sup>245</sup>

During the discussions in the subcommittee of urban issues and transportation, its members had meetings with more than 50 representatives of different interest groups, including professional associations of architects and engineers and organizations of informal settlers, receiving written recommendations and studies from others. Among the topics discussed, special emphasis was given to the need of popular participation in the process of elaboration and implementation of housing policy.<sup>246</sup> The other central topic regarding informal settlements, which was also discussed in plenary sessions,<sup>247</sup> was that of usucapion. Such discussions lead to section 183, which recognized the right to remain on urban or rural land occupied for over five years. The inclusion of such strong adverse possession rights increased the level of tenure security of those living in informal settlements, even if it did not typically translate into effective land titles (Williamson 2020, 134). Similarly, the inclusion in the constitution of housing as a right, strengthen the rights-based approach that have provided many housing movements with new legal and institutional devices to justify their actions and influence the policymaking process, while making the most repressive state responses to informal settlements less likely (Zhang 2021).

Housing issues were also central in the 1989 presidential electoral campaign. The electoral platforms focused on those policies that started to be privileged with the increase in the space for contestation: guarantying tenure security, urbanizing informal settlements, and improving access to basic services.<sup>248</sup> Such electoral promises were later used as justifications for mobilizations by settlers and highlighted in the press.<sup>249</sup>

## Conclusion

The evolution of housing policies regarding urban leases and informal settlements in Argentina and Brazil illustrates the high level of sensitivity high visibility issues have regarding changes in regime type. In these policies, change is to be expected following a regime type change. However, which mechanisms linking regime type and policy get triggered and lead to such change depends on how the regime type change affects the space for contestation. The mechanisms associated with the dimensions of electoral accountability, political competition, and social mobilization—and its amplification with a higher degree of freedom of the press—lead to fast and relevant policy changes when the space for contestation increases

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<sup>245</sup> Plenary session, August 20, 1987.

<sup>246</sup> Transcript of the Urban Issues and Transportation Subcommittee.

<sup>247</sup> For instance, in the plenary session held on June 26, 1987.

<sup>248</sup> *The Manifesto Data Collection: South America. Version 2020b*. Wissenschaftszentrum Berlin für Sozialforschung (WZB), Berlin.

<sup>249</sup> *A Tribuna*, July 25, 1989; *Jornal do Brasil*, March 14, 1996.

as a result of a regime type change. On the other hand, when the changes in the space for contestation implied the constrain of those dimensions, changes can take place driven by relaxed checks and balances, the influence of interest groups, and governments being able to ignore the social demands normally transmitted through the dimensions of electoral accountability and social mobilization. What happens when the space for contestation changes with policies of lower levels of visibility is the subject of the next two of chapters.

## Chapter 5

### Low visibility: all (interest groups) welcome

The legislation ruling financial entities, in general, and central banks, in particular, is normally of low visibility for the general population. Although economic crises can increase the visibility of these policies—with important consequences for the policymaking process and outputs (see Chapter 6)—, their legal specificities continue to be considered too technical and complex and they remain mostly obscure for those without specialized knowledge. The range of actors involved in policymaking dealing with financial issues is, hence, narrower than in more visible policy areas. This does not mean that only actors from the public sector take part in such policymaking process. Actors from the private sector play a central role in the elaboration of such policies. The key question is which actors take part of it and how the identity of the interest groups that are allowed to take part in the policymaking process is defined. The answer changes depending on the space for contestation, with increases in such space opening the door to the participation of a wider set of actors. However, regardless of regime type, expertise is central in defining this set of actors. As stated during an authoritarian regime in which the space of contestation was very restricted, the opinions of those who would be directly affected by a piece of legislation mattered — “all are welcome...” to give their opinions. The only requisite is for this all to be backed by their “responsibility and qualification” in the matter being discussed.<sup>250</sup> Interest groups, especially those with specialized knowledge, hence, are normally not only welcomed, but also invited to give their opinions and share their inside knowledge in the policymaking process regarding financial policy, regardless of the regime type.

Regime type changes can introduce differences in the space for contestation that affect the mechanisms linking regime type and outputs even in low visibility policy areas. Despite interest groups being always relevant for policymaking in low visible policy areas, their identity can change with changes in the space for contestation. For instance, some interest groups previously ignored can become more relevant for policymaking when the space for contestation increases. This inclusion can create pressures for policy change but, at the same time, can make policy change harder. On the one hand, this can be the case because such inclusion increases the diversity of interest and opinions among interest groups in a specific policy area. On the other hand, when the space for contestation increases through the checks and balances and veto players dimensions, policy change gets harder regardless of the policy area. On the contrary, when the space for contestation is restricted through that dimension and the number of actors that can veto a policy decision decreases and checks and balances become weaker, changing the policy status quo becomes easier. Further, if the increase in the space for contestation takes place through the dimensions of social

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<sup>250</sup> Box 2. Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

mobilization and freedom of the press, mechanisms associated with these dimensions can also lead to increases in the level of visibility of the policy area that can move policymaking closer to what it looks like in more visible policy areas. In this chapter, I analyze the evolution of low visibility policy areas across regime type changes, focusing on those cases in which the level of visibility remains low. In Chapter 6, I analyze what happens in those cases in which the level of visibility increases.

The evolution of financial policy in Argentina and Brazil is consistent with the theoretical expectations for policies with low levels of visibility. As can be seen in Figure 15 and Figure 16, when the space for contestation was restricted during the military regimes, there were broad legislative changes in both countries. Such changes became less common and less profound after the space for contestation increased with democratization. Policy changes, especially in times in which the space for contestation was relatively unconstrained, clustered around moments of economic crises, especially those directly affecting the banking system. How economic crises can increase the level of visibility of some policies leading to policy change is further explored in Chapter 6. Thus, change in financial policy was more likely and profound when the space for contestation decreased, especially through the dimensions of interest groups' lobbying and checks and balances, or when economic crises increased the level of visibility of the policy area, activating those mechanisms linking regime type and policy typically associated with high visibility policy areas, such as electoral accountability or social mobilization (see Chapter 4).

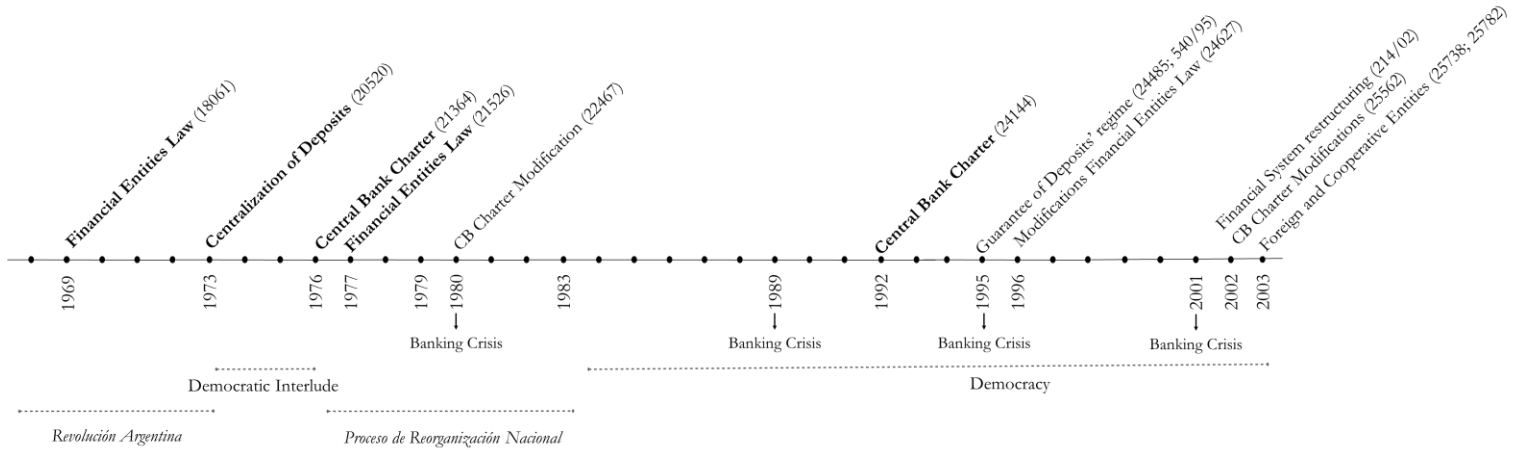


Figure 15- Evolution of financial policy, Argentina



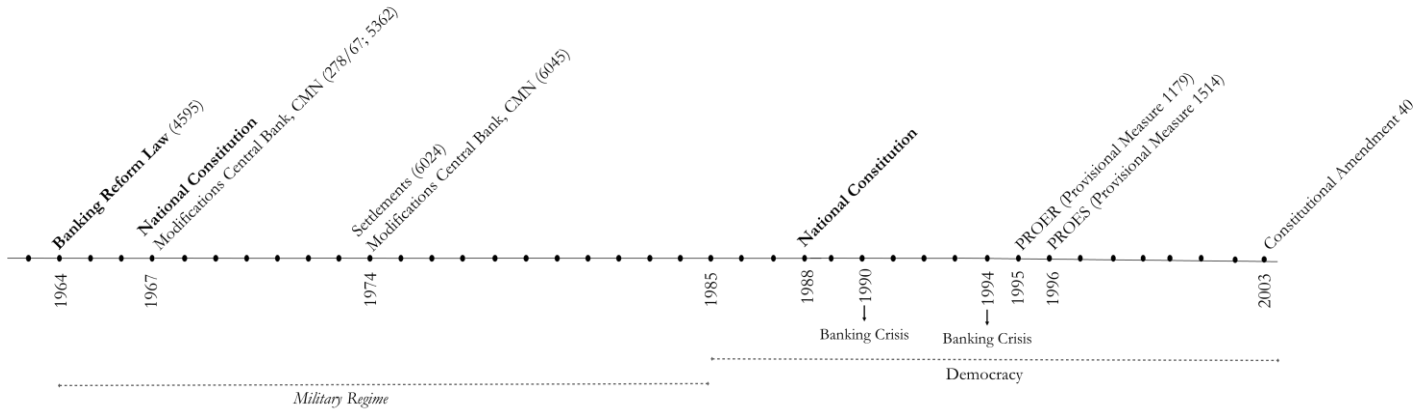


Figure 16- Evolution of financial policy, Brazil

Moreover, the change in the range of actors involved in the policymaking process brought by the increase in the space for contestation in Argentina and Brazil following democratization was less pronounced in these low visibility policies than in more visible policies. In financial policies, the main differences were a higher level of attention paid to the opinions and interests, on the one hand, of the consumers of financial services, which could potentially mobilize and use their votes to keep governments accountable, and, on the other hand, of some previously mostly ignored interest groups, such as banks' workers and actors from the cooperative banking sector. Even if their role in policymaking in less constrained environments was greater, when the visibility of the policy area remained low, their influence remained limited.

This chapter analyses the evolution of financial policy in Argentina and Brazil. First, it analyzes what happened when the space for contestation was restricted by military regimes and how such constraint allowed for “revolutions” in financial policy to take place. Then, it analyzes what happened when the space for contestation increased. In so doing, it deals with both small and slow change and studies the window of opportunity for policy change opened in Brazil with the elaboration of a new National Constitution. Furthermore, it analyzes unsuccessful reform attempts to better understand the role different mechanisms linking regime type and policy play in policy change in low visibility policy areas.

**When the space for contestation decreases**

*This is a small revolution that goes farther than what people see. We are going to change them all and to change their mentality, which is what matters.*

José Alfredo Martínez de Hoz, 1977

*We had to experience a “revolution” for the government to truly take an interest in this problem.*

Amendment justification, Law 4595, 1964

José Alfredo Martínez de Hoz, Minister of Economy of Argentina (1976-1981), described the reform to the financial system his economic team wanted to implement during the last Argentinean dictatorship as a “small revolution.” Some years before, during the debate of the Banking Reform Law in Brazil, it was noted that a “revolution” had been necessary to enable a deep reform of the financial sector. Both quotes illustrate a broader pattern in the evolution of financial policy in Argentina and Brazil. In both cases, major modifications have mostly taken place during “unusual” and “revolutionary” times in which the space for contestation has been constrained. In Argentina, most banking reforms, including the creation of the Central Bank and the enactment of the first Financial Entities Law took place during authoritarian regimes. In fact, during the debate of a new Central Bank Charter in 1992, legislators highlighted how unusual it was to debate financial policies in a democratic Congress and described it as “a luxury.”<sup>251</sup> Similarly, in Brazil, the creation of a Central Bank and the establishment of a wide reform of the financial system, had been topics under discussion in the public sphere in the Executive, and in Congress for years by the 1960s. However, such changes were only enacted after the military took power and restricted the space for contestation. This section analyzes these “revolutions” and the policymaking process leading to them.

### Argentina’s small revolution

The foundations of the Argentinean banking system were laid in a context of constrained space for contestation. During the *de facto* presidency of General Agustín Pedro Justo, the Central Bank (*Banco Central de la República Argentina*, BCRA) was created (Law 12155) and the first banking law (Law 12156) was enacted. Some years later, the first law regulating financial entities as such, Law 18061, was enacted (in January 1969) during the *Revolución Argentina* dictatorship. The need for such a reform had been expressed since the beginning of the military regime by actors such as the president of the Central Bank and discussed in events with interest groups of the sector that were covered in the press.<sup>252</sup> The main goal of the reform was to improve and strengthen the financial system by regulating not only banks, but all financial entities.

Thus, in 1967, a special committee for reforming the banking law was created by a communication of the Central Bank.<sup>253</sup> The draft of the legislative proposal elaborated by the special committee was then sent to the Central Bank where it was supposed to be considered for 60 days.<sup>254</sup> During that time, Central

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<sup>251</sup> Jorge Joaquín Cendoya, Senate session September 23, 1992 (p. 2794).

<sup>252</sup> *La Nación*, July 1 and October 21, 1967.

<sup>253</sup> See for instance *La Nación*, April 20 and November 1 and 10, 1967.

<sup>254</sup> The final project was only sent to the Executive in May. *La Nación*, May 17, 1968.

Bank officials received opinions and suggestions from different actors and then elaborated the project to be sent to the Executive.<sup>255</sup> Interest groups of the financial sector collaborated in the elaboration of this project.<sup>256</sup> Moreover, Central Bank officials kept the media updated on the process.<sup>257</sup> When commenting on the enacted law, the then President of the Central Bank, Pedro Real, highlighted that all interested parties had taken part in its elaboration, either as part of the special committee or by sending opinions and suggestions. He said that more than 700 of such opinions were considered in the elaboration of the final proposal that was sent to the Executive, which was approved with just minor modifications in 1969.<sup>258</sup> Those modifications considered minor by Real were introduced after the examination of the proposal by the National Security Council (*Consejo Nacional de Seguridad*, CONASE) and were aimed at protecting national banks *vis a vis* international ones (Roth 1981).<sup>259</sup> The proposal had been sent to this Council, which depended on the Presidency, as it was considered to pose potential threats to national security. Thus, even if during the military regime of *Revolución Argentina* the president concentrated executive and legislative attributions, other governmental bodies, such as the Central Bank and the National Security Council played relevant roles and interest groups of the financial sector intervened in the policymaking process.

During the democratic interlude of 1973-1976, the system underwent modifications with the implementation of a system of centralization of deposits. Such centralization restricted the level of autonomous action of financial entities, as they were only allowed to take deposits and provide credit through the Central Bank. The government's success in implementing these policy changes is related to the dimensions of electoral accountability and checks and balances: the government had received a strong electoral mandate in the elections and held the majority in Congress.<sup>260</sup> Moreover, the memory of a recent period in which such centralization had existed (1946-1957), when the same political party had been in control of both the National Executive and a majority in Congress, made the policy area more visible for the electorate.

In a context of centralization of deposits, liberalizing and modernizing the financial system were among the major economic goals of the military regime of the *Proceso* (Martínez de Hoz 1981). The regime's main instrument to achieve that goal was the New Financial Entities Law 21526, considered by

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<sup>255</sup> *La Nación*, November 10, 1967.

<sup>256</sup> Such participation is stated by the Association of Banks from the Interior of the Argentine Republic (*Asociación de Bancos del Interior de la República Argentina*, ABIRA) in a letter in File 164/1983. See also *La Nación*, April 20 and December 18, 1967.

<sup>257</sup> *La Nación*, August 5 and October 21, 1967.

<sup>258</sup> *La Nación*, January 17, 1969.

<sup>259</sup> See also former Minister of Internal Affairs (1963), Secretary of CONASE (1968-69) and Ambassador (1969-72) Osiris G. Villegas oral history with Robert A. Potash, December 21, 1983. Robert A. Potash Papers (FS 020). Special Collections and University Archives, University of Massachusetts Amherst Libraries. Available at <http://credo.library.umass.edu/view/full/mufs020-bav4-i016>.

<sup>260</sup> Debates of laws 20539 and 20574.

their authors as a “small revolution” of the financial system. Before elaborating and enacting this law, however, it was necessary to approve two other laws. One of them, Law 21364 reformed the Central Bank charter, while the other one, Law 21495, decentralized the recently centralized deposits. The main changes introduced by the new charter aimed at increasing the independence of the Central Bank from societal and government actors. Particularly relevant in determining the actors that would be involved in banking policymaking going forward was the elimination of the business and labor representation from the bank’s board of directors. In words of Martínez de Hoz, “it does not fall among the specific functions of a Central Bank to include sectorial representatives in its governing body.”<sup>261</sup> Thus, the reformed charter eliminated such sectorial representation, which has not been reinstalled to date. The process of elaboration and approval of these two laws was straightforward and dominated by the Executive and the Central Bank. The proposals were drafted either by the Central Bank (Law 21364) or the Ministry of Economy (Law 21495) and approved by the Executive after only a brief time of discussion in the regime’s legislative body, the Legislative Advisory Commission (*Comisión de Asesoramiento Legislativo*, CAL), in which they underwent superficial modifications.<sup>262</sup> This process contrasts with the broader debate that took place during the elaboration of the new Financial Entities Law.<sup>263</sup>

The new Financial Entities Law (Law 21526) radically transformed the financial system, freeing interest rates, increasing the prominence of commercial banks, and making entry requirements more flexible (Canitrot 1981; Fernández 1983). The law makes the Central Bank responsible for its implementation and for authorizing the creation and merging of financial entities (secs. 4 and 7). It also defines the different types of financial entities authorized to operate in the system and their attributions, privileging commercial banks over other financial entities such as cooperative credit unions (secs. 2 and 20-26). Moreover, it establishes the criteria to distinguish between national and foreign institutions, imposing tighter controls over the latter (secs. 13 and 16). Another relevant aspect of this law, which will be discussed further in Chapter 6, is that it establishes a total guarantee of deposits (sec. 56).

The draft of Law 21526 was elaborated by an *ad hoc* special committee including representatives of the government’s economic team, the Central Bank, and the private banking sector. Its members, as well as officials from the Ministry of Economy, received multiple letters in which associations from the financial sector expressed their opinions and preferences. Once the proposal was sent to the CAL, this body became an important venue for its discussion. Not only did CAL members receive letters and analysis from interest groups from the financial sector, but they also held multiple meetings with members of the government’s

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<sup>261</sup> File 107/1976. Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>262</sup> Files 107/1976 and 264/1976. Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>263</sup> With 1127 pages, the file of this bill is one of the longest in the Archivo Documental CAL. Moreover, the discussion of this law is remembered as one of the more active of the period (e.g., personal interview with Horacio Monasterio, former Director of Stenographers, Argentinean Chamber of Deputies).

economic team, such as the Minister of Economy, and representatives of the Central Bank and banking business associations. Based on the input received, the plenary of the CAL suggested modifications in the legislative proposal, many of which are reflected in the final text of the law. The existence of a legislative body, even if an appointed one, provided a relevant formal venue for discussion and interest groups' lobbying that was consequential for the resulting policy output.

Law 21526 was followed by three laws modifying the internal regulation of the Central Bank to adapt it to the new Financial Entities Law<sup>264</sup> and, a little bit later, also by Law 22467, which modified the composition of its directory. The legislative proposals for these laws were drafted by the Central Bank and formally presented by the Ministry of Economy. After only a brief time of discussion in the CAL, in which consultations with Central Bank officials were held and superficial modifications were introduced, they were approved by the Executive.<sup>265</sup>

Therefore, during this authoritarian period, the Central Bank remained a key actor in financial policymaking.<sup>266</sup> Moreover, the military regime received input from actors that were "responsible and qualified" in the matter being discussed: interest groups remained relevant for the policymaking process. The main difference between the two authoritarian experiences is that during the last one a legislative body, the Legislative Advisory Commission (CAL), provided an institutionalized venue for discussion. Not only did its members ask for the opinion of public officials and many interest groups from the financial sector, but the CAL also became a place that interest groups could resort to express their opinions. Most importantly, the opinions of these actors impacted in many cases the final text of the enacted laws.<sup>267</sup> In fact, the role of the CAL was recognized by members of the Executive and the Central Bank that tried to avoid this body as much as possible. For instance, the economic team rushed to enact legislation in the month between the *coup d'état* and the establishment of the CAL (Schvarzer 1986)<sup>268</sup> and Central Bank officials studied the bank's charter to maximize the ability of the bank to enact measures without intervention of the Executive or the CAL.<sup>269</sup> Moreover, the intervention in policymaking by actors of the private sector was facilitated by the press in both authoritarian experiences. Despite the press operating

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<sup>264</sup> Laws 21547, 21571, and 21572.

<sup>265</sup> Files 48/1977, 75/1977, 74/1977, and 83/1980. Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación. Personal interview with Ricardo Arriazu, former member of the advisory team of the Argentinean Central Bank (1974-81).

<sup>266</sup> Files 271/1976, 183/1981, 164/1983, Archivo Documental CAL. Personal interview with Guillermo Castellano, Director of Stenographers, HCDN.

<sup>267</sup> For instance, in File 271/1976, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>268</sup> Also audio interview with Juan Alemann, former President of the National Mortgage Bank (1968), and Secretary of the Treasury (1976-83). Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

<sup>269</sup> Personal interview with Horacio Liendo, former adviser to the Argentinean Central Bank Presidency (1982), board member of the Argentinean Central Bank (1991), and official of the Ministry of Economy (different positions, 1991-96).

with a limited amount of information during this period,<sup>270</sup> representative of many interest groups claimed having learnt about the projects from the press, as it regularly announced the topics being discussed in the CAL.<sup>271</sup>

### The Brazilian revolution and banking reform

The origins of modern banking in Brazil are normally dated to 1905 with the opening of *Banco do Brasil*. This bank concentrated central banking activities and public-sector participation in finance, and performed the role of the Treasury's financial agent (Triner 1996). In 1945, during the period of constrained space for contestation known as "Estado Novo," a significant modification to the system was introduced with the creation of the Bureau of Currency and Credit (*Superintendencia da Moeda e do Crédito*, SUMOC). This body was responsible for the execution of monetary, credit and financial policies and was seen as a "seed of the future Central Bank," aimed at preparing the stage for its creation.<sup>272</sup> In practice, the responsibilities of this body were limited, especially because the *Banco do Brasil* refused to forgo its own authority to issue new currency and execute monetary policy (Sousa 2009). Thus, the *Banco do Brasil* remained a powerful actor in the Brazilian financial system and continued to play a key role in policymaking in the area. In terms of the overall financial system, the Brazilian Constitution of 1937 limited the entry of new foreign banks unless their shareholders were Brazilian. Even if international lines of commerce were open afterwards, the potential entry and operation of foreign banks remained severely restricted.

By the time the military took power in 1964, the general diagnostic was that the financial system was inefficient and underdeveloped and in need of radical reform (Galvêas 1985; Lago 2014). Furthermore, projects aimed at reorganizing the banking system had been in discussion in Congress for more than 14 years.<sup>273</sup> However, no reform had been able to be enacted yet. Why was this the case?

During the sixties, reform proposals had been widely discussed not only in Congress, but also by the private sector.<sup>274</sup> One clear example of this were the many conferences in which representatives of the main banks and banking associations discussed proposals for a financial reform (Minella 1988).<sup>275</sup> In addition, the reform was demanded by organized groups from the civil society<sup>276</sup> and considered a priority

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<sup>270</sup> Chapter 3; *Somos* N°17.

<sup>271</sup> File 271/1976, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>272</sup> Ulises Guimarães, dossier PL 15 1963.

<sup>273</sup> PL 15/1963.

<sup>274</sup> *Correio da manhã* and *Jornal do Brasil*, various editions 1960-1964.

<sup>275</sup> These conferences were widely covered by the press. See for instance *Jornal do Brasil*, November 13, 1960 and February 4, 1962, and *Correio da manhã*, June 10, 1962.

<sup>276</sup> See, for instance, "Donas-de-casa paulistas pedem reforma bancária para aperfeiçoar a "204"", *Correio da manhã*, April 9, 1961.

by relevant portions of the population.<sup>277</sup> However, there were important disagreements in terms of their desired policy outputs among the different interest groups from the banking sector (Dreifuss 1981; Mendlowicz 2010), and even some workers from the banking sector mobilized against such a reform.<sup>278</sup> In 1962, then president João Goulart included the banking reform as one of the main areas in his overall reforms plan, holding meetings with different interest groups from the sector,<sup>279</sup> and approving the creation of a working group to analyze the many existing legislative proposals. This group was going to include representatives of the presidency, the Bureau of Currency and Credit (SUMOC) and the *Banco do Brasil*.<sup>280</sup> Learning about such composition by press coverage, interest groups of the banking sector demanded the inclusion of representation from private banks as well<sup>281</sup> and, in fact, such representatives ended up taking part in meetings with the working group to analyze the proposed banking reform, as did representatives from the workers of the banking sector.<sup>282</sup> Actors from the banking sector continued to intervene in the policymaking process when the drafted new proposal was sent to Congress,<sup>283</sup> where it was combined with preexisting legislative proposals, and where current and former members of the Executive and *Banco do Brasil* also took part of meetings and discussions.<sup>284</sup>

One of the areas of potential reform that generated a lot of disagreement during this time and gathered a lot of media attention was the creation of a Central Bank. Such proposal was opposed by the *Banco do Brasil*, which presented itself as an alternative (Mendlowicz 2010)<sup>285</sup> and by some legislators and experts.<sup>286</sup> On the contrary, other relevant actors, such as the director of SUMOC, defended the creation of a Central Bank and affirmed that the goal of the financial entities reform should be to turn financial entities independent from political power.<sup>287</sup> Disagreement even existed inside *Banco do Brasil*. For instance, its then president, Luiz Moraes Barros, who was connected to the liberal economists in charge of the Ministry of Economy during the dictatorship, agreed with them on the need to create a separate Central Bank against the opinion of other officials of the bank (Mendlowicz 2010).

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<sup>277</sup> As can be seen in the results of a survey conducted by *Jornal do Brasil* in the state of Guanabara published on May 13, 1962.

<sup>278</sup> *Jornal do Brasil*, September 11, November 25, and December 12, 1962.

<sup>279</sup> *Correio da manhã* and *Jornal do Brasil*, January 18, 1962.

<sup>280</sup> *Jornal do Brasil*, September 23, 1962.

<sup>281</sup> *Correio da manhã*, October 13, 1962.

<sup>282</sup> *Jornal do Brasil*, January 22, 1963.

<sup>283</sup> *Correio da manhã*, June 2 and December 31, 1963; *Jornal do Brasil*, March 29 and August 31, 1963; transcript exposition of the Minister of Finance, Carvalho Pinto, October 24, 1963, PL 15/1963.

<sup>284</sup> Transcript exposition of the Minister of Finance, San Thiago Dantas, June 6, 1963, PL 15/1963.

<sup>285</sup> Such opposition was expressed, for instance, by a branch president of *Banco do Brasil* in *Jornal do Brasil*, September 21, 1962.

<sup>286</sup> For instance, legislator Vasconcelos Torres in the *Jornal do Brasil*, November 24, 1962, and Anápio Gomes interviewed in *Correio da manhã*, July 1, 1964,

<sup>287</sup> *Correio da manhã*, July 7, 1964.

The military regime finally enacted a reform in December 1964, less than a year after the *coup d'état*. Law 4959 of Banking Reform created a Central Bank (*Banco Central do Brasil*, BACEN) and a National Monetary Council (*Conselho Monetário Nacional*, CMN) and eliminated the SUMOC (secs. 1, 2, and 8). It also defined the responsibilities of the *Banco do Brasil* (sec. 19). As the Argentinean Financial Entities Law, the law introduced a model of financial specialization (secs. 22-41) and gave the Central Bank the responsibility for authorizing the establishment of national financial institutions (secs. 10 and 18). However, in the case of foreign institutions, this responsibility was shared with the President (sec. 18). The requirements for entry described in the law were rather arbitrary, allowing regulators to have significant discretionary powers over entry decisions (Minella 1988; Sousa 2009). Moreover, the Central Bank was by design subordinated to the CMN, which even chose the members of its board (secs. 3 and 18). The CMN, in turn, was composed by the Minister of Finance, the President of the *Banco do Brasil*, the President of the Nacional Bank of Economic Development (*Banco Nacional do Desenvolvimento Econômico*, BNDE), and six members appointed by the National President with approval from the Senate who should have a “spotless reputation” and well-known ability in economic and financial matters. Moreover, the CMN was assigned a set of advisory committees including sectorial representatives from private and public commercial banks, saving banks, and industry.

How could this major reform be enacted less than a year after the coup when it had seemed almost impossible before? As stated during its discussion in Congress, legislators had been debating previous proposals for years enduring pressures both from the Executive power and interest groups; a “revolution” had been needed to finally solve the issue.<sup>288</sup> The enactment of this law was only possible when the space for contestation was reduced by the military regime. In such a context, the Executive had more control over the range of interest groups intervening in policymaking and parties in Congress had less space to oppose the Executive. Hence, policy change driven by the Executive became easier.

Even if the space for contestation was shrunk, the authoritarian regime did not act on its own: the influence of members of Congress and actors from the private sector was still consequential for Law 4959. The Executive’s legislative proposal itself had been elaborated by a group including members of the government’s economic team, bankers and representatives of professional associations from the banking sector (Dreifuss 1981; Minella 1988; Sousa 2009). The influence of interest groups from the banking sector, such as those representing private and public banks, was also evident during the discussion of the proposal in Congress,<sup>289</sup> in the Executive,<sup>290</sup> and within public bodies such as SUMOC.<sup>291</sup> Moreover, SUMOC and

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<sup>288</sup> PL 15/1963.

<sup>289</sup> *Correio da manhã*, April 12, May 10, and August 30, 1964; transcripts from exposition of ministers of the Treasury San Thiago Dantas and Carvalho Pinto in legislative dossier of Law 4595 (PL 15/1963).

<sup>290</sup> *Correio da manhã*, April 26, May 13 and 17, 1964.

<sup>291</sup> *Jornal do Brasil*, May 23, 1964.



members of the Executive shared information on the proposal with interest groups from the banking sector in all stages of the legislative process.<sup>292</sup> This is not surprising given the important role that the banking sector had in policymaking since the 1950s and the role they had played in supporting the *coup d'état* (Minella 1988). The proposal was also commented on and discussed in the press<sup>293</sup> and in conferences and events organized by banking associations and universities,<sup>294</sup> those “responsible and qualified” in the matter were also listened to in Brazil. Moreover, these discussions were not mere lip service: these actors affected the content of the reform and, consequently, the resulting law was well received by the banking sector.<sup>295</sup>

Two of the main topics discussed during the elaboration of the legislative proposal are related to the future role to be played by different interested groups in the reformed system. One topic, which was already contentious before the coup, was the role to be adopted by the *Banco do Brasil*. During the debates of Law 4595, officials of the *Banco do Brasil* suggested modifications to the bill to guarantee some of its functions and bank officials, representatives of the “productive classes,” and experts in economic issues raised concerns regarding the future of *Banco do Brasil* in case of the creation of a Central Bank.<sup>296</sup> Thus, modifications were introduced to ease the *Banco do Brasil*'s resistance to change the status quo (Mendlowicz 2010), as both its approval and infrastructure were needed to the successful implementation of the reform (Teixeira 2011).

Another topic generating ample debate was the composition and role of the National Monetary Council (CMN) advisory committees. The proposals that were already in Congress when the coup took place included sectorial representation in the CMN in the form of a representative of bankers and one of bank's workers (Teixeira 2011). This was similar to the case of the Argentinean Central Bank before the 1976 reform of its Charter. The dictatorship's proposal incorporated some of these ideas in the shape of advisory committees. When the legislative proposal was being discussed, interest groups from the financial sector demanded that such committees should have *de facto* power, and not be just a window-dressing device.<sup>297</sup> Moreover, other actors demanded to be incorporated to such committees.<sup>298</sup>

The composition of the CMN continued to be an issue of controversy after the enactment of Law 4595. In fact, the composition of its board was modified less than three years later in 1967, by Law 5362, and once again in 1969, by Decree 65769. This last piece of legislation added the President of the Central

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<sup>292</sup> *Jornal do Brasil*, June 25 and July 7, 1964.

<sup>293</sup> *Jornal do Brasil*, May 9, 12 and 13, 1964; *Correio da manhã*, June 10, 1964.

<sup>294</sup> *Correio da manhã*, July 5, 1964; *Jornal do Brasil*, July 9, 1964.

<sup>295</sup> *Correio da manhã*, January 6, 1965.

<sup>296</sup> Grounds for substitutive amendment and speech by Henrique Turner, PL 15/1963.

<sup>297</sup> *Jornal do Brasil*, May 23 and June 14, 1964; *Correio da manhã*, August 30, 1964.

<sup>298</sup> For instance, the National Economic Council (*Conselho Nacional de Economia*) in *Correio da manhã*, May 21, 1964, and São Paulo's Commerce Association (*Associação Comercial de São Paulo*) in *Correio da manhã*, June 19, 1964.

Bank (BACEN) to the CMN and authorized the President of the CMN to invite public officials and representatives of the private sector to the meetings of this body. However, the minutes of the CMN meetings show that, even if it was common for representatives of the public sector (such as ministers and their staff members, board members of public banks, and officials from public bodies such as the Coffee Institute) to take part in those meetings, actors from the private sector were rarely invited, even if exceptions to this rule became slightly more common as the space for contestation increased during the democratization process.<sup>299</sup> With the enactment of Law 6045 in 1974, the composition of the CMN was modified again by incorporating the President of the National Mortgage Bank and by reducing to three the number of the board members nominated by the president. The actual role of the advisory committees, however, seems to have been marginal during the whole period in which they existed.<sup>300</sup>

After the enactment of Law 4595 and still during the military regime, there were some modifications in financial policy that did not imply the enactment of new legislation. For instance, some partial reforms were established through Central Bank's communications. This was the case of partial reforms to the conditions for national banks to invest and take credit internationally (such as Circular 24 of 1966 and Resolution 63 of 1967), and the establishment of new bank branches (Resolution 141 of 1970, later modified by Resolution 200 of 1971 and 266 of 1973).

Some non-legislative events also affected the independence of the Central Bank (BACEN). Law 4595 assured some level of independence by giving fixed terms to their board members. However, this independence was defied shortly after. As Roberto de Oliveira Campos narrates in his memoirs (Campos 1994, 669), when he, as Ministry of Planning, met with Artur de Costa e Silva to explain the economic chapters of the new constitution of 1967 before the start of his presidency, he suggested Costa e Silva to end the gossip regarding the substitution of the President of BACEN that was being widespread at the time. Campos argued that fixed terms were necessary to guarantee the continuity of the monetary policy and that they were important given the BACEN's role as custodian of the currency. Costa e Silva replied that he was the custodian of the currency and the President of the BACEN was replaced shortly after. Thus, even if the fixed terms were only formally removed by Law 6045 in 1974, BACEN's claim to independence did not survive even its first trial (Campos 1994, 672). This *de facto* loss of autonomy was also complemented by some *de jure* changes. In 1967, decree-law 278 increased the power of the National Monetary Council over BACEN by making the former responsible for approving BACEN's budgets. Moreover, Law 6045

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<sup>299</sup> For instance, a director of the Internationally Monetary Fund took part of meeting 311 in 1978 and presidents of commercial banks took part of some meetings during the 1979-1983 period.

<sup>300</sup> Personal interview with Cristiano Cozer, General Counsel of the Central Bank of Brazil. They are also rarely mentioned in the minutes of the CMN meetings (see the minute from meeting 152 held on March 20, 1970, for an exception).

also changed the way in which the presidency and board of the BACEN were elected by making the National President directly responsible for their selection.

A last relevant change in financial policy during the dictatorship was implemented also in 1974 with the enactment of Law 6024. This law authorizes the Central Bank to intervene in private and public financial institutions and credit cooperatives in cases of grave abnormalities and systematizes the norms regarding banks bankruptcies and settlements, norms that are mostly still in place today.<sup>301</sup> Even if the role of the Congress was normally more limited in these reforms taking place after the enactment of Law 4595, legislators held meetings with officials of the Central Bank and interest groups of the banking sector.

Potential farther-reaching reforms were discussed since the early 1970s until democratization, with interest groups from the banking sector being involved in sectorial meetings, meetings with public officials, and conferences, all of which attained significant and press coverage.<sup>302</sup> However, disagreement was the norm around most issues<sup>303</sup> and with the military regime focusing on more pressing issues no such far-reaching reform took place.

### **When the space for contestation increases**

Since democratization, financial policy in Argentina and Brazil underwent mostly small and slow changes, with the overall structures put in place by the dictatorships still mostly in force. Even if there were expectations that the increase in the space for contestation with the opening of the political system would bring far-reaching changes in term of policy, this was not the case in the low visibility area of financial policy. The increase in the space for contestation through the freedom of the press dimension did imply greater publicity of legislative activities regarding financial policies. In the few cases in which legislative activities were not open to the press and the general public, those exception were noted by legislators and in the press.<sup>304</sup> Moreover, as the space for contestation increased through the dimension of social mobilizations, demonstrations and organized public actions regarding financial issues became more common after democratization. However, mechanisms associated with the dimensions of freedom of the

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<sup>301</sup> Personal interview with Cristiano Cozer.

<sup>302</sup> For instance see *Jornal do Brasil*, May 27 and 28, 1971; *Jornal do Commercio*, October 13, 1972; *Jornal do Brasil*, October 14, 1972; *Jornal do Commercio*, July 31, September 29, and October 30, 1974; *Jornal do Brasil*, August 10, 1975; *Jornal do Commercio*, October 9, 1975; *Jornal do Commercio*, March 17, July 2, 10, and 20, August 8, and October 23, and *Jornal do Brasil*, July 17 and August 4, 1979; *Jornal do Brasil*, January 5 and *Jornal do Commercio*, January 22, 1980; *Jornal do Brasil*, July 11, 1983; and *Jornal do Commercio*, March 15 and June 30, 1984. Also Minella (1988).

<sup>303</sup> See for instance how some representatives of *Banco do Brasil* try to block reforms to prevent losing authority (*Jornal do Commercio*, July 4, 1979), while other considered a potential reform advantageous for the bank (Roberto de Carvalho in *Jornal do Brasil*, August 14, 1979)

<sup>304</sup> For instance in “La reunión entre Marx y Diputados será de carácter reservado,” *La Nación*, May 15, 2001, <https://www.lanacion.com.ar/economia/la-reunion-entre-marx-y-diputados-sera-de-caracter-reservado-nid305354/>. Accessed February 8, 2021.

press and social mobilization were mostly relevant during economic crisis when the level of visibility of financial policies increased (see Chapter 6). When such level of visibility remained low, policy change was less likely, even if some attempts were made, and when it did take place, it was slower and less radical. This section analyzes the unsuccessful reform attempts and the smaller and slower changes that took place in financial policy in Argentina and Brazil when the space for contestation increased, and explores the role played by different mechanisms linking regime type and policy in these processes.

### Small changes

During the Argentinean democratic interlude of 1973-1976 some changes in financial policy took place. Law 20520, enacted less than three months after the inauguration of the democratically elected president, established the centralization of deposits and laws 20539 and 20574 adjusted, respectively, the Central Bank Charter and the Financial Entities Law to this new context. These changes affected the financial system through policies that had, at the time, relative higher levels of visibility because of the fresh memory of such a regime being in place the previous time the Justicialist Party (*Partido Justicialista*, PJ) had been in power. When after years of proscription such party regained control of the Executive and a majority of the Congress, it did so thanks to the expectations of the electorate of a return to the policies that had made those first Justicialist presidencies distinct, such as the centralization of deposits. The three pieces of legislation were proposed by the Executive<sup>305</sup> and the Congress introduced little change. During the process of elaboration and sanction, many experts and banking associations publicly expressed their opinions.<sup>306</sup> Moreover, there was some debate in the Congress and its members met with representatives of public institutions and interest groups of the banking sector, including some from the cooperative sector.<sup>307</sup> During the debates, legislators claimed that the proposed legislative changes were needed because of the obligation they had with savers and enabled by the legitimacy given to the Executive by a clear electoral mandate.<sup>308</sup>

However, these laws were modified shortly after the *coup d'état* of 1976 that, as detailed in the previous section, deeply altered the legislative framework ruling the financial system. Even if some modifications were introduced as responses to the 1980 banking crises through laws 22529 and 22871 (see Chapter 6), the regulatory framework established during the dictatorial period, especially by Law 21526, was mostly unaltered when the military regime ended. Almost forty years after the regime transition to democracy, this continues to be the case. Continuity in financial policy is the consensus among the key

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<sup>305</sup> Formally, the bill for Law 20574 originated in the Senate. However, during the debate, Guillermo Ramón Brizuela identified the Executive as the sponsor of the project. Senate session, October 10, 1973 (pp. 1711).

<sup>306</sup> *La Nación*, July 8, 1973.

<sup>307</sup> Files for projects 14-S-73, 34-S-73, and 55-S-73 and minutes from the Finance Committee.

<sup>308</sup> Chamber of Deputies session, July 31, 1973 (pp. 1184 and 1189).

actors interviewed.<sup>309</sup> As Juan José Zanola, former secretary of the bank employees' union, states, “the Argentinean financial system is still being ruled by Martínez de Hoz's law, law 21526. Everything else is just patches.”<sup>310</sup>

Moreover, such continuity is the case despite the expectations of change raised during the democratization process. For instance, when Law 22871 was being discussed towards the end of the dictatorship, representatives of the Federation of Cooperative Banks (*Federación de Bancos Cooperativos*) claimed that changes should not be introduced by the outgoing administration as that was a task for the future government and that the financial system was most certainly going to be reformed by the incoming democratic government.<sup>311</sup> Change was also announced by the newly elected president as part of his economic plan<sup>312</sup> and seen as a necessity by many public actors. For instance, in a publicly broadcast speech in 1985, then Minister of Economy Juan Sourrouille highlighted the need of reforming the financial system. He acknowledged the reform should be implemented slowly and gradually, but he claimed that it should not be averted.<sup>313</sup> Legislators also expressed opinions favorable to a deeper reform of the Financial Entities Law during the elaboration of smaller modifications.<sup>314</sup> The issue of the reform, even if it is not a central issue of public debate, resurfaces regularly,<sup>315</sup> and more comprehensive reforms had been attempted without success (see subsection “Attempting change”). Moreover, as we will cover with more detail in the subsection on attempting change, more comprehensive reforms had been attempted unsuccessfully.

Why has change not been more profound so far? The core of the explanation rests on the low visibility of financial policy for the general public. If visibility is low, interest groups are more likely to control the evolution of a policy area, which makes change unlikely unless their identity changes. Moreover, given such low level of visibility, reforming the financial system usually ranks low in the priorities of political parties. For instance, financial policy did not play a central role in the first electoral campaign after

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<sup>309</sup> Personal interviews by Alan Arntsen, founding partner at PAGBAM, professor of finances, foreign associate of Sullivan & Cromwell LLP; Ricardo Arriazu; Julio Dreizen, former director of the Central Bank (1987-89) and Banco Galicia (1990-2000), under-secretary of finance (2000-01) and director of the National Mortgage Bank since 2005; and Francisco Susmel, former stenographer Argentinean Chamber of Deputies, Vice-president of the National Securities Commission, and director of the National Mortgage Bank. Continuity was also highlighted by legislators during the debate of Law 24144.

<sup>310</sup> Video interview with Juan José Zanola, former secretary of the bank employees' union, Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

<sup>311</sup> File 164/83, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>312</sup> *La Nación*, December 17, 1983.

<sup>313</sup> Sourrouille, Juan (1985), “Recuperar la capacidad de crecimiento y combatir la inflación,” speech broadcasted on February 28, 1985. *Discursos: 1985-1991. Discursos de los Ministros de Economía*. Ministerio de Economía, Centro de Documentación e Información.

<sup>314</sup> See for instance the debates for laws 23090 and 24144.

<sup>315</sup> See for instance this article of 2007 in which a potential radical modification of the Financial Entities Law is being discussed: “Reforma gobierno la Ley de Entidades Financieras,” *Ámbito Financiero*, December 18, 2007, <https://www.ambito.com/economia/reforma-gobierno-la-ley-entidades-financieras-n3476981>. Accessed February 10, 2021.

democratization in Argentina, even if the Radical Civil Union (*Unión Cívica Radical*, UCR) included among its proposals a revision of the Financial Entities Law to oriented the system towards the public benefit (López Saavedra 1983). When consulted about their overall economic plans, the economists of the main parties did not make such reform central and only some of them mentioned it in passing the need of reducing the cost of credit and financial intermediation and the convenience of increasing the responsibilities of the Central Bank. Only the economist from the Christian Democratic Party (*Partido Demócrata Cristiano*), a relatively small party, suggested the overall modification of the Financial Entities Law (López Saavedra 1983). In turn, in the campaign for the next presidential election, in 1989, the electoral platform for UCR did not mention the topic at all and the one for the Justicialist Party (*Partido Justicialista*, PJ) only referred to the need to guarantee industrial credit at “normal” rates.<sup>316</sup>

Especially given the economic difficult situation during the first years of the democratic regime, politicians’ economic plans normally focused on other issues. For instance, during the first years following the transition, discussions in the Budget Committee of the Chamber of Deputies focused on the issue of the government debt instead.<sup>317</sup> Similarly, the electorate seemed to have been more worried about unemployment and the real value of salaries than about banking issues.<sup>318</sup> As will be covered in more detail in Chapter 6, reforms to the financial entities law were mostly circumstantial “patches” and only took place in response to economic crises directly affecting the financial system, which increased the general level of visibility of the policy area.

Slightly more common were policy changes directly affecting the Central Bank (BCRA). The main explanation for this relatively higher level of change resides on the actors involved in policymaking. Modifications impacting the BCRA, as those modifying its Charter, directly affected a public actor that is close to the Executive<sup>319</sup> and many of the modifications to its Charter originated in the BCRA itself,<sup>320</sup> not needing the attention of politicians more interested in policies for which they could more easily claim credit. Moreover, the BCRA could also modify policies by enacting communications and resolutions, thus bypassing potential veto players and interest groups’ lobbying, even in a context with a vast space for contestation.

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<sup>316</sup> The Manifiesto Data Collection: South America. Version 2020b. Wissenschaftszentrum Berlin für Sozialforschung (WZB), Berlin.

<sup>317</sup> Personal interview with Alejandro Michelini, Chief of the Administrative Department of the Budget and Finance Office, Parliamentary Secretary.

<sup>318</sup> Personal interview with Horacio Liendo.

<sup>319</sup> Personal interview with Francisco Susmel.

<sup>320</sup> Personal interviews with Francisco Susmel and Ricardo Arriazu. See also “La reforma que viene en el sector financiero. Buscan manejar la crisis bancaria,” *La Nación*, April 10, 2002, <https://www.lanacion.com.ar/politica/buscan-manejar-la-crisis-bancaria-nid387591/?R=3a17cf>. Accessed February 8, 2021.

In contrast, change in financial policy after democratization has also been unlikely because continuity has mostly been the case regarding the actors involved in policymaking in this area. BCRA official became key actors in financial policymaking during the dictatorships<sup>321</sup> and continued to be so after democratization.<sup>322</sup> Similarly, representatives of banking associations have been relevant actors in policymaking, taking part of both formal and informal meetings of the committees dealing with financial issues, in many cases by direct invitation of the legislators and, in others, by initiative of their own organizations. The main difference here is that representatives of the bank employees' union became a more common actor with the increase in the space for contestation.<sup>323</sup> Similarly, consumers gained more relevance. Even if they did not participate in the legislative process as much as in other policy areas,<sup>324</sup> there were usually referred to in legislative debates.<sup>325</sup> The increased level of freedom of the press and political competition brought with democratization were crucial for this, as legislators became more responsible to requests done by interest groups that otherwise could denounced them to the media or to politicians of another party.<sup>326</sup> In fact, meetings in the Congress are normally public since democratization, except for those defined as "confidential" which are, nonetheless, uncommon;<sup>327</sup> while journalists are usually present in the Congress reporting on what is being discussed and denouncing failures in following the due process.<sup>328</sup> Elections also gained some relevance, even if this happened less in this policy area than in more visible ones. Moreover, when elections are mentioned in legislative debates, they are seen as a source of legitimacy for Executive's top-down decision—or lack thereof—more than in terms of electoral accountability.<sup>329</sup>

In Brazil, the idea of banking reform became more salient in the press during the long democratization process. An analysis of some of the most important newspapers of the time shows that

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<sup>321</sup> For examples see files 271/1976, 183/1981, 164/1983, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación. Also personal interview with Guillermo Castellano.

<sup>322</sup> Legislative debates; interview with Roque Fernández, former President of the Argentinean Central Bank (1991-1996) and Minister of Economy (1996-1999), Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires; personal interview with José María Pazos, former staff member Finances Committee of the Lower Chamber (1984-1999).

<sup>323</sup> Legislative debates; personal interviews with José María Pazos; Jesús Rodríguez, former legislator and Minister of Economy (1989); Horacio Rovelli, former staff member of the Ministry of Economy (1983-85) and staff member of the Budget Committee of the Lower Chamber since 1985; Federico Storani, former legislator and Minister of Internal Affairs (1999-2001); and Osvaldo Tolcachier, staff member of the Commerce Committee of the Lower Chamber since 1984.

<sup>324</sup> Personal interview with Juan Pablo Cafiero, former member of the Lower Chamber (1989-2001), Minister of Social Development (2001), Minister of Justice and Security of the Province of Buenos Aires (2002-07), and Ambassador (2008-14).

<sup>325</sup> Debates laws 24627 and 25738.

<sup>326</sup> Personal interview with Federico Storani.

<sup>327</sup> Personal interview with Osvaldo Tolcachier.

<sup>328</sup> Personal interviews with José María Pazos, Jesús Rodríguez, and Federico Storani.

<sup>329</sup> See the debate of Law 20520 during the democratic interlude for an example of the former and the debate of Law 25562 after the 2001 crisis for one of the later.

“banking reform” was mentioned multiple times when the reform proposal was being discussed in the early 1960s and much less afterwards, but it also shows that talks of banking reform became relevant again towards the end of the authoritarian regime.<sup>330</sup> This tendency was clear in the last months of the last military presidential term. During that period, for instance, the media discussed the elaboration of a financial system reform carried by public officials from the Central Bank and the ministries of Economy and Planning, and the need for the reform to be discussed by the Brazilian society as a whole.<sup>331</sup> Complaints were raised to changes being implemented by the National Monetary Council (CMN) without actual legislative intervention, thus avoiding a deeper debate on financial policies.<sup>332</sup> Different legislative proposals were discussed by bankers and representatives of professional associations from the financial sector, together with current public officials, and potential officials of the incoming administration.<sup>333</sup> In the end, the government decided that any proposal should be discussed in Congress by the new government,<sup>334</sup> a decision that was backed by the National Security Council<sup>335</sup> and supported by most political parties.<sup>336</sup>

After democratization, changes in this area were greater than in Argentina. However, similarly to the Argentinean case, those changes came short of a systematic reform of the financial system as the one expected during the democratization process and, in most cases, were triggered by economic crises (see Chapter 6).<sup>337</sup> The idea of a potential broad reform, nevertheless, remained somewhat present in the public discourse and, in fact, it was included in the text of the new National Constitution (see subsection below). When this potential reform was discussed, the need for a broad discussion given the increased space for contestation was usually highlighted. For instance, some actors emphasized the preoccupation raised among bankers by such potential reform as they no longer dominated the policymaking process in the area and, thus, would be in deep waters if the reform was widely discussed in the Congress and influenced by the public opinion.<sup>338</sup> Such wide discussion, including users, have been demanded by many interest groups,

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<sup>330</sup> Search in *Hemeroteca Digital Brasileira*. Biblioteca Nacional Digital, Fundação Biblioteca Nacional, Rio de Janeiro. See the Appendix for more details.

<sup>331</sup> José Luis Silveira Miranda, interim President of BACEN, *Jornal do Commercio*, August 4, 1984; professor Dércio Munhor, *Jornal do Commercio*, October 16, 1984; presidential candidate, Tancredo Neves, *Jornal do Brasil*, December 1, 1984

<sup>332</sup> *Jornal do Commercio*, August 30, 1984 and December 5, 1984.

<sup>333</sup> *Jornal do Brasil*, November 19, 1984; *Jornal do Commercio*, February 5, 1985.

<sup>334</sup> *Jornal do Brasil*, August 28, 1984; Osvaldo Olwin, President of *Banco do Brasil*, *Jornal do Commercio*, October 31, 1984; Ernane Galveas, Ministry of Economy, *Jornal do Commercio*, November 6, 1984; *Jornal do Brasil*, December 7, 1984.

<sup>335</sup> *Conselho de Segurança Nacional-Fundo*, “Estudos da assessoria jurídica, 1984-5” (br\_dfanbsb\_n8\_0\_AGR\_LGS\_0070\_d0001de0001-71).

<sup>336</sup> *Jornal do Brasil*, December 8, 1984.

<sup>337</sup> Personal interviews with Vinicius Carrasco, Economics Professor at PUC-Rio, and Carlos Viana de Carvalho, Associate Professor at the Department of Economics at PUC-Rio and former Deputy Governor of the Central Bank of Brazil.

<sup>338</sup> Genilson Gonzaga in *Jornal do Commercio*, May 18, 1985.



such as banks employees' unions, representatives of the banking sector, and the press.<sup>339</sup> In the 1980s, Central Bank officials facing these demands led regional meetings with representatives of public banks and their association<sup>340</sup> and reassured that no top-down reform was going to take place, as all the policies under consideration would be discussed with the society and interest groups such as bankers and workers.<sup>341</sup> By the end of the decade, such debates had exposed divisions among different actors involved in the financial sector<sup>342</sup> and further debate was delayed until de Constituent Assembly.<sup>343</sup>

Most of the modifications introduced before the Constituent Assembly, thus, were implemented in the form of National Monetary Council's Resolutions (Sousa 2009) as had been the case during the authoritarian regime and resembling what happened in the Argentinean case. The most relevant among these modifications were Resolution 1289 (1987), which reduced hurdles to foreign capital entry (Sousa 2009), and Resolution 1524 (1988), which authorized the organization of "universal" banks. During this period, representatives of the Labor sector and banking associations took part more frequently of the National Monetary Council (CMN) meetings than they had done in the past.

Thus, the Central Bank continued to be a relevant actor in policymaking<sup>344</sup> being also responsible for keeping an open dialogue between banking associations and the government, discussing its projects "with all those directly or indirectly involved with the country's financial system."<sup>345</sup> Regarding governmental actors, the dominant actors continued to be the Executive, with the Congress only intervening when issues gained enough visibility to raise popular complaints, which are normally transmitted by the press and sectorial representatives.<sup>346</sup>

### Slow changes

There is a sector of the Argentinean financial system in which the increased space for contestation brought about the possibility of change, even if this change was slow: the cooperative banking sector. The range of activities cooperative credit unions could perform had been severely limited during the authoritarian regimes that had also curtailed their role in policymaking. In fact, the cooperative sector,

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<sup>339</sup> *Jornal do Commercio*, November 7, 1985; public communication published by the Bank Employee's Union of Rio de Janeiro in the *Jornal do Brasil*, February 7, 1986; *Jornal do Commercio*, January 13, 24, and 25, 1988; *Jornal do Commercio*, March 29, 1988; Azevedo Santos in *Jornal do Commercio*, May 17, 1988.

<sup>340</sup> *Jornal do Commercio*, July 14 and 27, 1988; *Jornal do Commercio*, February 11, 1988.

<sup>341</sup> *Jornal do Commercio*, April 18, 1986.

<sup>342</sup> Luis Gonzaga Belluzzo, former Secretary of Economic Issues of the Ministry of Economy, in interview published by *Jornal do Commercio*, April 29, 1987; *Jornal do Commercio*, December 27 and 28, 1987.

<sup>343</sup> *Jornal do Commercio*, April 27 and 28, 1986.

<sup>344</sup> See also *Jornal do Commercio*, December 27 and 28, 1987.

<sup>345</sup> Theóphilo de Azeredo Santos, President of the Banking Association of Rio de Janeiro (*Sindicato dos Bancos do Rio de Janeiro*) in *Jornal do Commercio*, June 30, 1987.

<sup>346</sup> Personal interviews with Vinicius Carrasco and Carlos Viana. Also noted by experts taking part in meeting with the Financial System Subcommittee during the elaboration of the National Constitution.

together with the sector's employees, had been the main interest groups from the financial sector that had seen their lobbying capacity limited during the military regime. As a consequence of the changes introduced during the military regime restricting the cooperative sector, there was a drop in the number of cooperative entities that was already noticeable shortly after the enactment of the New Financial Entities Law.<sup>347</sup> Moreover, even if representatives of this sector sometimes expressed their opinions to members of the Legislative Advisory Commission (CAL), their preferences were mostly ignored during the last dictatorship. However, their relevance for policymaking increased with the space for contestation.

As part of the changes in the financial system triggered by the 2001 economic crisis (see Chapter 6), Law 25782 of 2003 increased the range of activities that cooperative credit unions could perform. This law was the product of the combination of a proposal by a senator of the ruling party and an older proposal by a member of the Chamber of Deputies and was enacted without much legislative debate and later complemented by Central Bank's communications. In 2006, this law was modified by Law 26173, which increased the flexibility with which cooperative credit unions could operate. This law was originated in a proposal cosigned by legislators of multiple political parties. During its debate, legislators highlighted how limitations to the sector were normally introduced during authoritarian regimes and how reverting that situation had not been a priority in the first years after democratization, during which other economic issues were more relevant.<sup>348</sup>

The need of modifying the regime ruling cooperative credit unions was based on the opinions communicated by interest groups of the cooperative sector in meetings lead by legislators. Those meeting had also included participants from the public sector, such as officials of the Central Bank and the National Associativism and Social Economy Institute (*Instituto Nacional de Asociativismo y Economía Social*). Moreover, many organizations of the cooperative sector prepared written analysis that were used in the elaboration of the legislative proposal. Moreover, the press reported widely on the issue.<sup>349</sup> Thus, the increased space for contestation, through its expansion of the freedom of the press and of the range of interest groups that were welcome to intervene in the policymaking process, allowed for some changes in the financial system to be implemented, even if slower than it was expected during the democratization process.

### Show time? Financial policy in the Brazilian Constituent Assembly

During the Brazilian democratization process, the discussion of a potential broad reform of the financial system was postponed until the Constituent Assembly. The Constituent Assembly met between

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<sup>347</sup> BCRA Memory, 1977.

<sup>348</sup> Senate session, June 7, 2006

<sup>349</sup> Chamber of Deputies session, September 27, 2006.

February 1987 and October 1988 and elaborated a new National Constitution to replace the one enacted during the military regime. Many saw this assembly as the possibility to modify the financial system in a democratic way, in contrast with how financial issues were normally addressed: in an often “authoritarian-style” process dominated by the Executive, the Central Bank, and the National Monetary Council.<sup>350</sup>

Financial policies were in fact discussed in the Constituent Assembly. The word “bank” appears more than 5700 times in the transcripts of the plenary meetings and is present in most of them. The two most common terms found near “bank” in those transcripts are “central” and “Brasil,” which indicates the relevance in those discussions of the Central Bank and the *Banco do Brasil*. When looking for terms related to “financial,” there were more than 4400 results, also scattered around the transcripts of most of the plenary sessions. This word was normally found close to the words “system”, “resources”, and “institutions.”<sup>351</sup> Banking issues were also a recurrent topic in the part of the plenary sessions dedicated to topic-free interventions by members of the assembly. For instance, during March 1987 there were speeches in defense of the role of *Banco do Brasil* in the financial system and commentaries on the strike by workers from the banking sector and how those related to the current state of the system. Interest rates were also a common topic. Legislators also referred quite often to discussions on financial reform that appeared in the press.<sup>352</sup>

The Constituent Assembly also had a subcommittee especially devoted to financial policy, the Financial System Subcommittee (*Subcomissão do Sistema Financeiro*). Members of that committee discussed many topics including Central Bank independence, the roles that the *Banco do Brasil* and the National Monetary Council should perform in the financial system, the interests of the cooperative sector, the rules regarding foreign financial entities, interest rates, and even the potential nationalization of the financial system.<sup>353</sup> For such discussions, they invited and received written feedback from experts, representatives of banking associations, public banks officials, employees of the Central Bank, and representatives from banking employees’ unions. One recurrent issue that arose in discussing different topics was the need of consulting the overall society about financial policy and limiting the influence interest groups’ pressures could have on legislators.<sup>354</sup>

The resulting National Constitution introduced some modifications to the financial system. Still, these were significantly fewer than the ones proposed by the subcommittee. Further, the final text called for the elaboration of a complementary law that had not yet been enacted as such. One set of modifications, that was supposed to be complemented by such a law, is found in section 192. This section instituted more

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<sup>350</sup> Cid Saboia de Carvalho and Sergio Werneck, first meeting of the Financial System Subcommittee.

<sup>351</sup> Text analysis of the transcripts of the plenary sessions of the Constituent Assembly. See the Appendix for more details.

<sup>352</sup> For instance, in plenary meetings held on February 11, March 25, and April 16, 1987, and May 26 and July 29, 1988.

<sup>353</sup> Transcript of the Finance System Subcommittee.

<sup>354</sup> For instance, in meetings of the Financial System Subcommittee held on April 23 and May 5, 1987.

flexible entry rules for new financial institutions while at the same “freezing” the market share of foreign banks. However, a loophole was left in the transitional dispositions section of the constitution, giving the National President the power to authorize, on a case-by-case basis, the entry of foreign banks when “national interests” so demanded (Carvalho 2002; Martinez-Diaz 2009). Other set of modifications affected the Central Bank. Section 52 establishes the need of Senate agreement for the presidential appointments of president and board members of the Central Bank, while section 164 makes the Central Bank the only body allowed to issue currency and forbids it to grant, directly or indirectly, loans to the National Treasury.

Following the enactment of the new constitution, and using the space provided by the absence of the required complementary law,<sup>355</sup> the Central Bank increased foreign participation in national commercial banks and adopted the criteria of universal banking (Resolution 1524 (1988), see Bleger in Damill et al. 2014). Moreover, Lei 9069 of 1995 changed the composition of the National Monetary Council reducing it to the Minister of Finance, the Minister of Planning, and the President of the Central Bank. However, despite talks about the need of a deeper banking reform by politicians, experts, and interest groups,<sup>356</sup> the law regulating the financial system called for in the constitutions still has not been enacted. Moreover, financial policy was an almost absent topic from the campaign for the general elections of 1989.<sup>357</sup>

Some deeper changes were introduced by the Executive in response to the 1995 economic crisis (see Chapter 6) and with the Constitutional Amendment 40 of 2003, which reduced the remaining entry barriers for foreign institutions (Sousa 2009). The reformed sections still call for complementary laws. During the debate in Congress, which took more than four years, there were public hearings with representatives of the government and the civil society, including representatives from banking associations, the cooperative sector and public banks.<sup>358</sup> Thus, interest groups kept their significant role in financial policymaking, but their range got widened with the increase in the space for contestation and the introduction of changes in the policy status quo became an slower and more difficult process.

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<sup>355</sup> See *Jornal do Brasil*, September 22, 1988.

<sup>356</sup> For instance, project by the Brazilian Association of State Banks (*Associação Brasileira de Bancos Estaduais*, Asbace), *Jornal do Commercio*, January 31, 1990; declarations by the President of the Brazilian Academy of Economic, Political, and Social Sciences, *Jornal do Commercio*, June 30, 1993; declarations by the mayor of Espírito Santo (including mention to a project being elaborated by member of the University of the State of Rio de Janeiro), *Jornal do Brasil*, August 15, 1993; debate Constitutional Amendment 40, PEC 53/1999.

<sup>357</sup> The only exception is the platform from the Brazilian Popular Front (*Frente Brasil Popular*) that claims a reform is needed to increase the availability and lower the cost of credit. *The Manifesto Data Collection: South America. Version 2020b*. Wissenschaftszentrum Berlin für Sozialforschung (WZB), Berlin.

<sup>358</sup> PEC 53/1999.

### Attempting change

As already mentioned, the lack of profound changes in the financial system rules established by the last military regimes in Argentina and Brazil is not the result of a complete lack of interest in such changes. This is exemplified by some relevant failed reform attempts.

In Argentina, the first serious attempt to radically reform the Financial Entities Law 21526 after democratization was a legislative proposal elaborated by the Executive during the term of the first democratically elected president after the regime type change. The elaboration of this legislative proposal started soon after the inauguration of the democratically elected government and involved public officials from the Ministry of Economy and the Central Bank. The elaboration of such a proposal got some press coverage and interest groups of the banking sector expressed their opinions publicly and directly to public officials, especially to those in the Central Bank.<sup>359</sup> The proposal was sent to Congress in 1986, where it was discussed and approved by the Lower Chamber, after consultation with actors from the banking sector.<sup>360</sup> During the debate, a legislator stated that “a democratic government is not compatible with the operation in financial matters of a legislation from the dictatorship” as the ends and goals of both regime types are completely different.<sup>361</sup> However, the bill never reached the Senate floor, and the attempt was mostly forgotten. In fact, the politicians and Congress staff members interviewed do not recall this reform attempt at all.<sup>362</sup> In this case, checks and balances combined with lack of electoral pressures and social mobilization to prevent change. The visibility of the policy area remained low and, in a context of increased contestation over policy, in which other more visible policies were fighting for their attention, politicians left this proposal fail.

This failed attempt is not the only evidence of the existence of actors willing to fundamentally reform the financial sector in Argentina. Different actors from the banking sector have expressed their willingness to introduce changes in the framework ruling financial entities since democratization (Quintela 2005). Such willingness is also observed among politicians. For example, during the debate of Law 24144, legislator Gerardo Pedro Profili said that the Congress should be trying to modify Law 21526 instead of the internal regulations of the Central Bank. He claimed that Law 21526 was still the one regulating and controlling the financial system as it had only undergone minor modifications and that the problems of the

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<sup>359</sup> *La Nación*, April 16, July 23, August 7 and 18, and September 11, 1984, and May 3, June 26 and 27, July 6, and August 27, 1986.

<sup>360</sup> *La Nación*, June 5 and 27, 1986.

<sup>361</sup> Jorge Matzkin. Chamber of Deputies session, October 14, 1986 (pp. 7163). Matzkin had also introduced an alternative project of reform of the financial system, 0483-D-85, that was discussed during the same sessions.

<sup>362</sup> Personal interviews with Eduardo Amadeo, former President of Buenos Aires' provincial bank (1987-91), member of the Lower Chamber (1991-95, 2009-13, 2015-19), and Secretary of Social Development (1994-98, 2000-01); Julio Dreizzen; José Luis Machinea, former President of the Argentinean Central Bank (1986-89) and Minister of Economy (1999-2001); José María Pazos; and Horacio Rovelli.

financial system were not going to be solved without a major modification of that law.<sup>363</sup> Similarly, Raúl Eduardo Baglini stated that there was nothing to be gained from small amendments when what was needed was a deep and complete reform of Law 21526.<sup>364</sup> Moreover, since democratization, legislators sponsored many legislative proposals aimed at modifying the Financial Entities Law. Searching for the number of the law,<sup>365</sup> it is possible to find 25 proposals between 1983 and 1989, 35 between 1990 and February 1999, and more than one hundred since. Some of them refer to smaller modifications, such as making branches more accessible for people with disabilities or increasing the number of ATMs in small towns. However, there are at least seven that proposed deeper modification and even the repeal of Law 21526.<sup>366</sup> Most of these proposals were presented multiple times without even being approved by one legislative chamber.

In Brazil, the independence of the Central Bank, discussed since its creation by Law 4595 in 1964, only became law in 2021 (Complementary Law 179). The level of Central Bank independence has been considered to have *de facto* increased over the years by, for instance, its ability to establish regulations via resolutions and communications (Sousa 2009).<sup>367</sup> However, without a legal backing, such independence seemed to depend on the circumstances and the good will of the National President. The president was required to get approval from the Senate to appoint Central Bank presidents, but not to fire them,<sup>368</sup> which presidents normally did in contexts of crisis.<sup>369</sup> Taking this into account, all Central Bank presidents tried to gain *de jure* independence, but the reform did not get traction.<sup>370</sup> One reason given for this was that, in a democratic environment, the issue was of relative low importance for the general population, only becoming more relevant in inflationary contexts (Campos 1994). Even more, bringing attention to this policy could become electorally costly for politicians.<sup>371</sup> Moreover, some economists, academics, and former politicians were in favor of granting such independence, but there was wide disagreement inside those groups and even clear opposition from the industrial sector.<sup>372</sup>

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<sup>363</sup> Chamber of Deputies session, July 8, 1992 (pp. 1290-91).

<sup>364</sup> Chamber of Deputies session, July 15, 1992 (pp. 1350-51).

<sup>365</sup> Search done in <https://www.diputados.gov.ar/proyectos/> in April 2020.

<sup>366</sup> Many of the interviewees consider particularly relevant the project introduced multiple times by Carlos Heller. See also <https://www.ambito.com/economia/reforma-gobierno-la-ley-entidades-financieras-n3476981> and <https://www.ambito.com/edicion-impresa/heller-la-banca-sera-un-servicio-publico-n3598963>. Accessed April 25, 2020.

<sup>367</sup> Also, personal interview with Vinicius Carrasco and Marcelo Prates, researcher, Legal Department of the Central Bank of Brazil.

<sup>368</sup> Personal interview with Cristiano Cozer.

<sup>369</sup> Personal interview with Vinicius Carrasco.

<sup>370</sup> Personal interview with Carlos Viana de Carvalho.

<sup>371</sup> As an example of this, Carlos Viana refers to the conflict during the 2014 electoral campaign between presidential candidates Marina Silva and Dilma Rousseff.

<sup>372</sup> Personal interview with Carlos Viana de Carvalho.

## **Conclusion**

The analysis of the evolution of financial policy in Argentina and Brazil shows that, in low visibility policies, changes in the space for contestation do not necessarily have the same effects they do in the evolution of higher visibility policies. When the space for contestation decreases, changes in financial policy become more common if the number of actors being able to block policy decreases. This is especially the case when governments can concentrate authority and overcome the limitations for change imposed by the existence of contrasting ideas across different governmental actors and interest groups. Many of the mechanisms enabling such change mirror those present in higher visibility policies as well (Chapter 4). However, when the space for contestation increases, change is less likely —and normally slower and smaller— than in higher visibility policies. This is explained, first, by a less pronounced change in the range of actors involved in policymaking: interest groups are relevant in the elaboration of low visibility policies regardless of the space for contestation and increases in the space for contestation only expand the range of interest groups that can intervene in policymaking marginally. Second, when the space for contestation increases, politicians become more dependent on electoral support by the general public for their political survival. Thus, their attention will be devoted to policies that are more visible for such public and will only turn their attention to lower visibility policies, such as those regarding financial entities, when economic crises or certain characteristics of specific policies increase the generally low level of visibility of the policy area. These cases are further developed in the next chapter.

## Chapter 6

### **If there is a lot of screaming: economic crises, mobilization and change**

When the space for contestation increases, the likelihood of policy change depends on the level of visibility of the policy area. In both Argentina and Brazil, policies regarding urban leases and informal settlements —policy areas with high levels of visibility— experienced profound changes shortly after democratization. In contrast, changes in low visibility policies, especially in those policies ruling financial entities, were minor and did not take place immediately after the regime transitions. Some changes did take place in the policies ruling financial entities, however, when their level of visibility was increased by economic crises, especially by those with an important banking component. This chapter takes a deeper look at those cases. In contexts of economic crises, financial policies —normally of low visibility for most citizens— gain sudden visibility and become, especially when the space for contestation is relatively unconstrained, a focal point for mobilization and a target for press coverage. As a former high official of the Brazilian Central Bank put it, when “there is a lot of screaming,” it is time to stop and see if a policy intervention is needed.<sup>373</sup> Thus, times of crisis open a window of opportunity for policy change in policy areas that normally have low levels of visibility. In both Argentina and Brazil, such economic crises triggered a set of modifications that, even if they did not deeply modify these countries overall financial system, “patched” the way out of the crises.

Moreover, this chapter analyzes the evolution of policies with medium levels of visibility. One such case is policies regarding housing-oriented banks. In between banking and housing, the policies affecting such banks have a medium level of visibility, lower than other housing policies, but higher than other financial policies regarding banks. Similarly, the financial policies regarding guarantee of deposits, has clear and direct consequences for savers, especially in contexts prone to economic crises, and directly depends on governmental action. As a result, it is a relatively high visibility issue inside the low-visibility area of financial policy. The evolution of these policies with medium levels of visibility is affected by changes in the space for contestation in a different way than policies with either low or high levels of visibility. When the space for contestation increases, change will be more likely in these medium visibility areas than in other areas of financial policy that have lower levels of visibility. Mechanisms associated with social mobilization and press freedom will more likely play a role in linking such changes in the space for contestation with policy changes in these areas than in other financial policies. Moreover, conflict will more likely arise in the policymaking process regarding these areas, even when the space for contestation is

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<sup>373</sup> Personal interview with Carlos Viana de Carvalho, Associate Professor at the Department of Economics at PUC-Rio and former Deputy Governor of the Central Bank of Brazil.



constrained. This chapter explores these dynamics by tracing the evolution of housing-oriented banks in Argentina and Brazil and of the regime of guarantee of deposits in Argentina.

### **Patching the way**

Economic crises are usually seen as critical junctures during which policy change is possible. Banking crises in particular had been identified as the main contexts under which financial systems can be reformed (Martinez-Diaz 2009). I claim that, especially in contexts with enough space for contestation, change in financial policy will be more likely during and immediately after an economic crisis because crises increase the level of visibility of the policy area. Both Argentina and Brazil experienced economic crises with a banking component during the period under analysis. In the Argentinean case, banking crises took place in 1980-82, 1989-90, 1995, and 2001-2005, while in the Brazilian such crises took place in 1990 and 1994-97 (Damill et al. 2014). Policy changes followed. Key actors involved in policymaking recognized the role of those crises in triggering change both at the time and when interviewed after the fact.<sup>374</sup> In many cases, they particularly highlighted the increased level of visibility brought to financial policy by those crises,<sup>375</sup> which is also clear in an increased level of press attention to these topics.<sup>376</sup> Moreover, during periods of crises, social mobilization around financial policies took place. Such mobilizations were helped by and, at the same time, fueled the increased level of visibility of such policies.<sup>377</sup> The next subsections analyze the processes through which economic crises triggered policy changes in Argentina and Brazil.

### Argentina: rescuing the canary's lettuce?

As discussed in Chapter 5, the regulatory framework ruling the Argentinian financial system has remained mostly unaltered since the enactment of Law 21526 of Financial Entities. The alterations that did take place since democratization did so mostly in contexts of economic crises when “unusual levels” of

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<sup>374</sup> Sourrouille, Juan (1985), “Recuperar la capacidad de crecimiento y combatir la inflación,” speech broadcasted on February 28, 1985. *Discursos: 1985-1991. Discursos de los Ministros de Economía*. Ministerio de Economía, Centro de Documentación e Información. Personal interviews with Eduardo Amadeo, former President of Buenos Aires’ provincial bank (1987-91), member of the Lower Chamber (1991-95, 2009-13, 2015-19), and Secretary of Social Development (1994-1998, 2000-2001), and Ricardo Arriazu, former member of the advisory team of the Argentinean Central Bank (1974-81). Campos (1994); Personal interviews with Vinicius Carrasco, Economics Professor at PUC-Rio, and Carlos Viana de Carvalho.

<sup>375</sup> Chamber of Deputies session, February 21 and 22, 1996.

<sup>376</sup> For example, in *La Nación*, July 22, 1983.

<sup>377</sup> Personal interviews with personal interviews with Osvaldo Tolcachier, staff member of the Commerce Committee of the Lower Chamber since 1984, and Juan Pablo Cafiero, former member of the Lower Chamber (1989-2001), Minister of Social Development (2001), Minister of Justice and Security of the Province of Buenos Aires (2002-07), and Ambassador (2008-14); José Alberto Vitar, Chamber of Deputies session, January 23 and 24, 2002 (p. 6861).

attention were paid by the population to financial policies.<sup>378</sup> Furthermore, these modifications were usually related to the immediate need of responding to those crises, and not to the establishment of long-term policies. This is highlighted by key actors in interviews<sup>379</sup> and it was noted at the time in which the reforms were introduced. For instance, during the debate in the Chamber of Deputies of Law 24627, which altered the financial entities law after the 1995 crisis, the modifications introduced were described as an “emergency patch” to face a specific situation.<sup>380</sup> This emergency character was sometimes seen as worrisome. During the debate of law 23090, which modified the National Mortgage Bank Charter, a legislator claimed for the need of a deep reform of the overall financial system by a brand-new Financial Entities Law. In the absence of such a reform, he added, introducing these smaller modifications was equivalent to looking at a house on fire and worrying because the lettuce of the canary was going to get burnt.<sup>381</sup> Worrying over the canary’s lettuce, however, seems to have been the norm in the evolution of the Argentinean financial policy since the return to a democratic regime.

Already during the last years of the *Proceso* military regime, some policy changes were introduced in response to the 1980-82 banking crisis. In 1982, Law 22529 was enacted with the goal of consolidating the financial system.<sup>382</sup> Law 22871 complemented those measures in 1983 by requiring authorization of the Central Bank to open new bank branches. Both laws were drafted by Central Bank officials and presented in the Advisory Legislative Commission (*Comisión de Asesoramiento Legislativo*, CAL) by the Ministry of Economy. During the debate in the CAL, its members consulted with many representatives from banks and professional associations from the banking sector, and some modifications were suggested and these were reflected in the final text of the laws.<sup>383</sup> These modifications, were among the few changes in financial policy introduced by the dictatorship since the enactment of the financial entities law (the others were related to the guarantee of deposits and are covered in the corresponding subsection in this chapter). They did not significantly alter the financial system the military regime had put in place and the policymaking process was similar to the one followed by previous financial policies, including an important role of the CAL and interest groups’ lobbying, even if press coverage was more widespread due the increased visibility brought to financial policy by the economic crisis.

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<sup>378</sup> Alberto Ignacio González, Chamber of Deputies session, October 21, 1986 (p. 6458).

<sup>379</sup> Personal interviews with Eduardo Amadeo and Ricardo Arriazu.

<sup>380</sup> Raúl Trettel Meyer, Chamber of Deputies session, February 21 and 22, 1996 (p. 6775).

<sup>381</sup> Jorge Rubén Matzkin, Chamber of Deputies session, February 2 and 3, 1984 (p. 1084).

<sup>382</sup> File 183/1981. Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>383</sup> Files 164/1983 and 183/1981. Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

By the end of the first presidential term after the transition, Argentina was yet again facing an economic crisis. Per capita GDP dropped significantly,<sup>384</sup> and annual inflation reached 4923%.<sup>385</sup> In response to such context, two laws were enacted shortly after the inauguration of the second democratically elected president, Carlos Menem, in 1989: Law 23696 of Reform of the State and Law 23697 of Economic Emergency. Both laws indirectly affected financial policy. Moreover, Law 23697 explicitly commanded for the enactment of a new Central Bank Charter (art. 3). Such Charter was supposed to be drafted by a special committee integrated by the President and Vice-president of the Central Bank (BCRA), the presidents of the economic committees of both the Lower Chamber and the Senate, and the National Secretary of Economic Coordination. Law 23697 gave this committee thirty days to elaborate and submit a draft to the Executive. In addition, the law established the general guidelines for the future Charter. These guidelines including granting enough independence to the BCRA, establishing limits to its financing of the National and provincial governments, modifying the system of guarantee of deposits, creating an entity in charge of liquidations, and increasing the transparency of the banks' operations.

The composition of the special committee in charge of drafting the new BCRA Charter was one of the most contentious topics regarding financial policy during the intense debate of Law 23697, which mainly organized across partisan lines. Faced with the opportunity of reforming such Charter in a context of increased space for contestation, many legislators demanded a more representative composition for the special committee, including representatives from the provinces, the association of provincial banks, and the cooperative banking sector. However, such representatives were not included in the final text of the law. Also unsuccessfully, senators suggested modifications to the general guidelines aimed at increasing the role of Congress in banking policy, such as the need of agreement of the Senate for the election of the BCRA authorities and the requirement of the BCRA to present its yearly budget to the Congress.

Even if legislators failed to extend the deadline of thirty days, the new BCRA charter was finally approved only two years later. During this time, six different proposals for a new Charter were introduced in Congress and legislators, mainly from the opposition, repeatedly demanded the Executive to inform of the status of the proposal. The new BCRA Charter was finally approved in 1992. Law 24144 mainly followed the guidelines established by Law 23697: it increased the independence of the BCRA and limited its possibility to fund public administrations and the system of guarantee of deposits (Quintela 2005). This law modified the Financial Entities Law by added a new section 34, "which introduced new rules for prompt corrective action" (Sousa 2009, 294), but the modification was rather marginal and focused on the role of the BCRA in the overall system.

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<sup>384</sup> World Development Indicators, <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD>. Data accesses in January 2019.

<sup>385</sup> Annual growth in consumer prices. CEPALSTAT, Databases and Statistical Publications, ECLAL. <http://estadisticas.cepal.org/cepalstat>. Data reviewed in October 2018 and accessed in January 2019.

The legislative process of the proposal started in the Senate, introduced by a senator from the president's party. Echoing the debate of Law 23697, the proposal introduced the need of the agreement of the Senate for the election of the BCRA president and vice-president. This addition was vetoed by the Executive through Decree 1860/1992 but reinstated only two days later by Decree 1887/1992. In terms of the actors involved in the policymaking process, the proposal was drafted, as mandated by Law 23697, by a special committee made up by the President and the Vice-president of the BCRA, the presidents of the economy-related committees of both Chambers of Congress, and the Secretary of Economic Coordination, and with collaboration of BCRA board members and officials, and other experts in the topic.<sup>386</sup> Such committee worked on the proposal since at least the beginning of 1991.<sup>387</sup> Once the bill was presented in Congress, legislators met with representatives of banking associations and BCRA officials, despite the topic not attracting much media attention.<sup>388</sup> When asked about the delay in approving the new Charter, interviewees point to such silence in the media and to the context of instability of the economic and banking system.<sup>389</sup> In such a context, the mechanisms associated with the expansion of the space for contestation through the dimensions of freedom of the press, electoral accountability, and political competition turned the attention of politicians towards more visible policies.

In 1991, another law was passed to tackle the economic crisis. This was the Convertibly Law (23928), which pegged the Argentinean currency to the US dollar. This law introduced changes to the banking system. Specifically, it forced the BCRA to be at the same time a lender of last resort and a currency board, having the international reserves as a unique instrument for accomplishing both tasks (Caprio et al. 1996). Consequently, the necessity to strengthen the banking system to reduce the risk of insolvency became greater. In words of a former board member of the BCRA, a reform was needed to reduce the number of branches and lower the costs of banking. However, opposition from bank employees and savers, together with conflicts across factions inside the government, complicated such reforms in a context of expanded space for contestation.<sup>390</sup> Moreover, at least for some years, the banking crisis got averted, so this issue was no longer a priority.

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<sup>386</sup> For instance, during the debate in the Senate session of November 6, 1991, Julio H.G. Olivera, professor of Economic research of the University of Buenos Aires, is named as a key actor in the process of elaboration of the bill.

<sup>387</sup> Personal interview with Horacio Liendo, former adviser to the Argentinean Central Bank Presidency (1982), board member of the Argentinean Central Bank (1991), and official of the Ministry of Economy (different positions occupied between 1991 and 1996).

<sup>388</sup> Text of the debate and personal interview with Horacio Rovelli, former staff member of the Ministry of Economy (1983-85) and staff member of the Budget Committee of the Lower Chamber since 1985.

<sup>389</sup> Personal interviews with Horacio Rovelli and Horacio Liendo.

<sup>390</sup> Video interview with Horacio Liendo, Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

In 1995, the repercussions of the Mexican peso crisis, popularly known as the “Tequila crisis,” hit Argentina. One of the legislative reactions was the approval of Law 24522, which reorganized the general bankruptcy regime. During the debate of that law, the role of economic crises in triggering policy change was highlighted in both Chambers of Congress.<sup>391</sup> Even if this law did not directly affect financial policy, its enactment brought about the need of adjusting the financial entities settlement system. This was done by Law 24627. During the debate in the lower Chamber, the economic crisis was again identified as the trigger for the reform, as it had made the problems of the system “evident”<sup>392</sup> and started a conversation on the systemic issues of the financial system.<sup>393</sup> Moreover, legislators referred to the important press coverage of the topic under discussion.<sup>394</sup> During the debate of the bill, some legislators complained about the lack of public hearings. However, legislators have held meetings with representatives from the banking sector, officials of the BCRA, and organizations of savers, all of whom affected the final policy output.<sup>395</sup>

After these changes, the Argentinean financial policy only underwent small adjustments made by the BCRA until the outbreak of another economic crisis in 2001. Law 25561 of January 2002 declared the public emergency in social, economic, administrative, financial, and exchange matters and liberalized the exchange rate regime. Such change immediately modified the role of the Central Bank in the economic system. Shortly after, Decree 214/2002 converted all deposits in dollars to the national currency and modified the sections of Law 21526 dealing with bankruptcies, bank liquidations and interventions. In this context, the combination of the reestablishment of a floating exchange system, the forced dedollarization, the capital controls in place, and the recovery of its role as a lender of last resort gave the Central Bank greater margin of maneuver to tackle the economic crisis (Damill, Frenkel, and Simpson 2016). Given the new legislation, another modification of the BCRA Charter was needed to adapt the bank’s regulations. Such reform was introduced by Law 25562.<sup>396</sup>

The debate of Law 25562 was held in a context of widespread social mobilization. During such debate, legislators referred to a grave popular discontent, an “explosive cocktail,”<sup>397</sup> a “climate of social rupture, of confrontation, of dissociation.”<sup>398</sup> They also highlighted the pressures they were under, coming both from social mobilization, with citizens “demanding respect for their legitimate rights,” and from interest groups’ lobbying, especially from the financial sector.<sup>399</sup> The press coverage was also significant,

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<sup>391</sup> Senate session, March 1, 1995; Chamber of Deputies session, July 19 and 20, 1995.

<sup>392</sup> Observations to the majoritarian report by the Movement for Dignity and Independence (*Movimiento por la Dignidad y la Independencia*, MODIN), Chamber of Deputies session, February 21 and 22, 1996 (p. 6769).

<sup>393</sup> Alberto Balestrini, Chamber of Deputies session, February 21 and 22, 1996 (p. 6772).

<sup>394</sup> Chamber of Deputies session, February 21 and 22, 1996.

<sup>395</sup> Senate session, December 27 and 28, 1995; minutes of the Committee of Finance.

<sup>396</sup> A year later, Law 25780 introduced further modifications, but those were relatively minor.

<sup>397</sup> Pedro Salvatori, Senate session, January 17 and 18, 2002 (p. 6970).

<sup>398</sup> Cristina Fernández de Kirchner, Senate session, January 17 and 18, 2002 (p. 6975).

<sup>399</sup> José Alberto Vitar, Chamber of Deputies session, January 23 and 24, 2002 (p. 6861).

further fueling those pressures.<sup>400</sup> Moreover, during the debate, the law was justified by some legislators based on the need to think about those with savings in the system<sup>401</sup> and references were made to those who “gave us their vote to be here.”<sup>402</sup> The level of attention paid by wide segments of the population to this legislation was contrasted with what would normally be the case, being the BCRA Charter a topic that seems to be so far away from people’s interests, at least under normal economic circumstances.<sup>403</sup>

Therefore, since democratization, changes in financial policies in Argentina were normally the result of “patches” implemented to tackle economic crises. In such contexts, the level of visibility of financial policy increased, triggering popular mobilization, and increasing press coverage. These two, in turn, further increased the level of visibility of the policy area. Interest groups remained relevant in the elaboration of these policy changes, but the range of actors was widened. In particular, members of the cooperative financial sector and organizations of savers gained more weight given an increased space for contestation that limit the possibility of the government of limiting the range of interest groups intervening in policymaking. Further, as these policies gained visibility, mechanisms associated with the electoral accountability dimension of the space for contestation became relevant also for financial policies. In fact, legislators showed greater concern for the electoral repercussion of their actions than what is usually the case with financial policy reforms. Hence, the Argentinean experience shows evidence that in a context in which the space for contestation is relatively unconstrained, mechanisms associated with the dimensions of electoral accountability, political competition, social mobilization, and freedom of the press can trigger policy change even for low visibility policies if their level of visibility increases because of an economic crisis.

### Brazil: keeping the banks in line

In Brazil, economic crises were also identified as moments in which financial issues acquired higher levels of visibility. For instance, former Ministry of Planning Roberto de Oliveira Campos highlighted that the issue of Central Bank independence always resurfaced when the economic situation deteriorated and inflation increased (Campos 1994). Moreover, key actors associated the potential for changes in financial legislation with the increase in visibility and popular mobilization brought about by times of economic hardship.<sup>404</sup>

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<sup>400</sup> Senate session, January 17 and 18, 2002; Chamber of Deputies session, January 23 and 24, 2002; “Envían al Senado el proyecto de reforma de la Carta Orgánica del Central”, *La Nación*, January 16, 2002, <https://www.lanacion.com.ar/politica/envian-al-senado-el-proyecto-de-reforma-de-la-carta-organica-del-central-nid367137/>. Accessed February 10, 2021.

<sup>401</sup> Senate session, January 17 and 18, 2002.

<sup>402</sup> Patricia Cecilia Walsh, Chamber of Deputies Session, January 23 and 24, 2002 (p. 6875).

<sup>403</sup> Patricia Cecilia Walsh, Chamber of Deputies Session, January 23 and 24, 2002 (p. 6877).

<sup>404</sup> Personal interviews with Vinicius Carrasco and Carlos Viana de Carvalho.

Such was the case with the 1994-97 banking crisis. The changes introduced to the financial system as a response to this crisis, which were aimed at increasing the strength of the system and giving greater regulatory powers to the Central Bank (Etchemendy and Puente 2017),<sup>405</sup> have been identified as the most relevant changes in financial policy introduced since democratization in Brazil.<sup>406</sup> The main pieces of legislations were two provisory measures (Nº 1179 and Nº 1514) enacted by the Executive in 1995 and 1996. The first one, known as PROER, offered tax incentives and credit benefits for acquiring private banks, while the second one, known as PROES, did something similar for state public banks. These measures responded to popular pressures. Even during the discussion of the National Constitution in 1987, the costs associated with bailing out state banks had been a recurrent topic.<sup>407</sup> However, it was only with the banking crisis that the policy gained enough visibility to trigger policy changes. In such a context, electoral pressures pushed the Executive to implement changes in the system (Calomiris and Haber 2014; Martinez-Diaz 2009). However, similarly to the Argentinean case, these changes, even if relevant, were mainly patches or quick fixes to face a circumstantial problem and not part of a more conscious plan to reform the overall financial system (Carvalho 2002; Martinez-Diaz 2009). In contrast to the Argentinean case, and contrary to the expectations of the transition to democracy bringing a more democratic policymaking process in financial issues, the changes were introduced by the Executive, with little intervention from the Congress, which limited the range of channels open for interest groups and the general population to influence these policies.

### **Visible banking**

Economic crises can increase the level of visibility of financial policies raising the likelihood of policy change. Any financial policy can be the object of such increase in visibility. However, there are some financial policies that are, by their own characteristics, more visible than others. Such areas are more likely to be the target of social mobilization and press coverage during times of crises. Moreover, lying in an intermediate position between low and high visibility issues, their policymaking process and outputs are affected by changes in the space for contestation in a way that differs from how low and high-level policy areas are. In the following subsections, I trace the evolution of two such policy areas: housing-oriented banks and guarantee of deposits regimes.

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<sup>405</sup> Keeping the financial system strong was one of the official justifications given for their enactment.

<sup>406</sup> Personal interview with Vinicius Carrasco.

<sup>407</sup> Plenary meeting, April 8, 1987.

### Housing-oriented banks

Promoting home ownership was key for both democratic and authoritarian governments in Argentina and Brazil during the whole period under study. Housing-oriented banks played a major role in this task. Policies affecting these banks are less visible than other housing policies, such as those dealing with urban leases or informal settlements (Chapter 4). At the same time, policies regarding these banks are more visible than other financial policies, such as those regulating financial entities or central banks (Chapter 5). In between financial and housing policy, the level of visibility of policies regarding housing-oriented banks is more susceptible to be affected by changes in the space for contestation and by contextual factors such as economic crises.

In Argentina, the National Mortgage Bank (*Banco Hipotecario Nacional*, BHN) was founded in 1886 by Law 1804, but it was only at the beginning of the XX century that the bank introduced some “special transactions” aimed at promoting housing (Socoloff et al. 2013). Through time, and especially during the first two Peronist presidencies (1943-1955), the BHN became a central element of government’s housing policy (Socoloff et al. 2013). Its Charter, however, was modified after the coup that ended Juan Domingo Perón’s second presidency, restricting the bank’s budget, and orienting its role towards enabling private activity. During the military regime of *Revolución Argentina*, even if only minor modifications were introduced to its Charter, the bank recovered its central position in the government’s housing policy (Yujnovsky 1984; Ziccardi 1984). Such increased relevance was highlighted in multiple press articles.<sup>408</sup> Moreover, interest groups, such as professional associations from the construction sector, engaged in conversations with banks officials regarding housing policy.<sup>409</sup> This level of public attention contrasted with the relatively lower level of attention paid to other financial policies experiencing change during this military regime and was closer to the level of press attention received by other housing policies, which attests to the medium level of visibility of policies regarding this bank.

During the democratic interlude that followed (1973-1976), only two minor modifications were introduced to the bank’s Charter (laws 19077 and 20677). However, the bank was charged with the development and implementation of different housing plans (Ziccardi 1984). These plans did not radically differ from the ones implemented until that moment. However, as theoretically expected in a context of increased space for contestation, these plans were wider in scope, provided more opportunities for lower income populations, and included a wider set of actors in the policymaking process. In this particular case,

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<sup>408</sup> For example, in those published in *La Nación*, on April 11 and September 1 and 9, 1967, and on May 2 and December 13, 1968. See also *El Litoral*, July 18, 1967

(<http://www.santafe.gov.ar/hemerotecadigital/diario/28610/?page=2>) and June 9, 1972

(<http://www.santafe.gov.ar/hemerotecadigital/diario/30346/?page=4>). Accessed March 31, 2022.

<sup>409</sup> See *La Nación*, December 13 and 18, 1968.



social groups in general, and unions in particular, played an important role in their implementation (Yujnovsky 1984).

The military dictatorship self-denominated *Proceso* did introduce deeper modifications into the structure and funding of the BHN. Most of these modifications were in line with the ideas expressed in 1978 by the then Secretary of Urban Development and Housing: it was necessary to turn the BHN into a “real bank,” as previous administrations had distorted its functions and turned it into a housing board that used National Treasury’s funds.<sup>410</sup> With Law 22232, the authoritarian regime adapted the banks’ Charter to the recent financial entities law (Law 21526) and favored its banking goals. The legislative proposal for this law was introduced in the military regime’s legislative body, the Advisory Legislative Commission (CAL), in 1979. Before that, it had undergone a process of elaboration of more than two years that involved multiple actors inside the Ministry of Economy and the bank’s administration.<sup>411</sup> After having analyzed the proposal and held meetings with representatives of the Central Bank, the BHN, and the Secretary of Housing, CAL members suggested modifications that were mostly incorporated into the final version of the law. This policymaking process, involving wide consultation across public officials, but no significant input from interest parts in the private sector, showed that some space for contestation over this policy was still open through the checks and balances dimension, but not through other dimensions of the space for contestation such as interest groups’ lobbying.

As a reaction to the economic hardships of the 1980s, some debtors of the bank, taking advantage of the slightly increased space for contestation towards the end of the military regime, mobilized and directly contacted public officials (Yujnovsky 1984).<sup>412</sup> In such a context, there were attempts to introduce some further changes in the bank’s policies. One of these attempts, based on a draft by the president of the bank, proposed tax exceptions on the trade and registration of houses associated with loans from the BHN. The members of the CAL considered the proposal against the programmatic basis of the regime, as it generated a system of privilege in which a further benefit was granted to those that had already received favorable interest rates for their loans. Therefore, members of the CAL expressed their intentions to reject the legislative proposal. Before they could issue a final recommendation, however, the Executive decided to withdraw the proposal.<sup>413</sup> The file of this failed proposal does not include evidence of interest groups taking part in the policymaking process. This failed reform attempt illustrates the different effect that economic crises have in the likelihood of policy change depending on the space for contestation. Economic

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<sup>410</sup> *Somos* N° 94, July 7<sup>th</sup>, 1978, p. 9. Acknowledging that the effective realization of the necessary reforms was going to take some time, the first interventions on the bank’s matters dealt with more immediate and practical issues, such as updating the principal of debts of the bank loans. File 253/76, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>411</sup> File 195/1979, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>412</sup> See also *La Nación*, September 4, 1983.

<sup>413</sup> File 159/1981, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

crises are more likely to result in policy changes in contexts in which the space for contestation enables a wider set of actors to take part in the policymaking process. In contrast, when the space for contestation is restricted, especially through the dimensions of electoral accountability, social mobilization, and interest groups' lobbying, public officials can more easily ignore the pressures from potential electorates, organized groups and interest groups.

In Brazil, the military regime started planning its housing policy shortly after the coup. This planning process encompassed public officials and members of interest groups, including lawyers and representatives of the banking and housing sectors and members of the Institute for Social Research and Studies (Campos 1994; Dreifuss 1981; Melo 2013; Pestana 2018). One of the outcomes of these meetings was the draft of a legislative proposal by the Executive. After being combined in Congress with pre-existing legislative proposals by legislators and further modified by some presidential vetoes, the draft resulted in Law 4380 of 1964. Law 4380 affected the housing sector in multiple ways, including the creation of the National Housing Bank (*Banco Nacional da Habitação*, BNH). This bank was tasked with directing, disciplining, and financing the housing sector. As a bank, however, it was not supposed to directly buy, sell, or build houses, and was instead supposed to operate within the capitalist private sector's dominant norms, namely, the avoidance of loss and the assurance of profit margins (Portes 1979). The bank's orientation, thus, was from the beginning similar to the one that was only going to be given to the Argentinean housing-oriented bank during the 1970s authoritarian period. Moreover, since its creation, the banks' authorities, as well as other actors from the banking sector, intervened in the elaboration of the legislation that affected the bank. Such intervention was sometimes conducted through their "representatives" in Congress.<sup>414</sup> Thus, like in the Argentinean case, checks and balances mattered, while, unlike in the Argentinean case, interest groups' lobbying was also relevant.

In fact, interest groups from the housing sector, such as representatives of professional associations from the credit and construction industries, actively supported the creation of the BNH.<sup>415</sup> Moreover, such professional associations, as well as experts in the matter, continued to hold meetings with BNH officials and offer their suggestions regarding housing policy during the whole duration of the military regime.<sup>416</sup> Furthermore, the debtors of the system played a greater role in policymaking than in the Argentinean military regimes. Such greater role was allowed for the greater space for contestation through the dimensions of electoral accountability, political competition, and, to some extent, social mobilization. The

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<sup>414</sup> PL 1127/1968, PL 872/1972.

<sup>415</sup> *Jornal do Brasil*, July 24 and November 26, 1969.

<sup>416</sup> These meetings and suggestions attracted significant press attention. For examples see *Correio da manhã*, September 2, 1967, and November 7 and December 6, 1969; *Jornal do Brasil*, November 11, 1966, July 3 and 7, and October 1, 1971, April 11 and 12, May 5, and November 28, 1972, and October 26 and December 16, 1974.

grievances of debtors were transmitted to the military presidents by workers organizations<sup>417</sup> and via official communications,<sup>418</sup> and were echoed by national legislators that even drafted legislative proposals to address them.<sup>419</sup> Moreover, many debtors formed organizations through which to channel their demands.<sup>420</sup> Debtors also had contact with officials of the BNH, especially towards the end of the regime. For instance, in 1971, the President of the BNH told the press that he was expanding the process of dialogue on housing policy to include this group<sup>421</sup> and, in 1978, he received debtors complains via associations protecting consumers' rights.<sup>422</sup> Such greater role, thus, reflects the differences in the space for contestation across the Argentinean and the Brazilian military regimes. Electoral accountability and political competition were relevant dimensions in Brazil. Despite elections being controlled and the legal opposition being limited to a single party for most of the regime, mechanisms associated with these dimensions made legislators more responsive to popular demands. Further, there was more space open for social mobilization than in the Argentinean military regime of the *Proceso*, during which the housing-oriented bank acquired a similar role to the Brazilian one.

The magnitude of the resources administered by the Brazilian BNH was greatly increased through the creation of a fund of severance pay (*Fundo de Garantia por Tempo de Serviço*, FGTS) in 1966 (Law 5107). The money from that fund could be used by employees, under certain conditions, to acquire a home, and the BNH was made the main organization in charge of these transactions. Law 5705 in 1971 expanded those conditions with support of business associations from the real state sector.<sup>423</sup> By the 1970s, the bank and the financial housing system it was part of were the most important source of financing for home ownership by the middle classes (Caldeira 2001). In 1971, with Law 5762, the bank was turned into a public company. This law, together with its modifying Law 6245, affected the internal organization of the bank, but did not significantly modify its role in the military regime's housing policy.

### *Increased contestation*

Following democratization, reforms were introduced in the policies affecting housing-oriented banks in both countries. These changes were faster than in other policies regarding banks, but slower than in other housing policies. Moreover, changes in those policies regarding housing-oriented banks were eased

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<sup>417</sup> See *Correio da manhã*, October 28, 1969, on report workers organizations hand in to president Médici during a meeting with unions' representatives.

<sup>418</sup> *Jornal do Brasil*, July 24, 1978, and April 7, 1979.

<sup>419</sup> *A Tribuna*, March 25, 1979; *Jornal do Brasil*, November 18, 1969.

<sup>420</sup> *Jornal do Brasil*, November 13, 1970, on the National Association of Acquirers of Financed Real State (*União Nacional dos Adquirentes de Imóveis Financiados*, UNAIP).

<sup>421</sup> *Jornal do Brasil*, July 20, 1971.

<sup>422</sup> *Jornal do Brasil*, December 20, 1978.

<sup>423</sup> *Jornal do Brasil*, September 3, 1971.

by an increase in their level of visibility triggered by the increase in the space for contestation. The channels through which such increase took place were the loosening of restrictions to social mobilization, the return of free and fair elections that allow for electoral accountability to play a role, and a press coverage more sensitive to popular grievances.

In Argentina, protests regarding the burden of the debts to the mortgage bank became more common during the opening process.<sup>424</sup> Further, the debts' issue was present in the electoral campaigns of some political parties.<sup>425</sup> At the beginning of the democratic regime, some measures aimed at reducing the burden of the debtors of the National Mortgage Bank (BHN) were implemented following the sustained increase in social mobilization.<sup>426</sup> Mobilization had become less costly in a less repressive environment and had further increased the visibility of the policies affecting debtors of the bank.

Similarly, house ownership and the bank's role in promoting it were important topics during the first electoral campaign of the Argentinean democratization process (López Saavedra 1983). The BHN Charter was modified right at the beginning of the first democratic presidential term by Law 23090. Such modification had been announced by the elected president days after his inauguration.<sup>427</sup> Moreover, as highlighted during the legislative debate, the new charter was the first legislative proposal regarding banking policy to be discussed in Congress during the democratic period.<sup>428</sup> Two years later, Law 23318 suspended evictions in some cases of lack of payment and Law 23370 established a system to refinance the debts with the bank. Those with grievances related with these types of debts, shared their opinions in Congress during this period, usually through representatives of organizations of debtors.<sup>429</sup> Moreover, during the debate of Law 23370, legislators directly referred to the democratic component that made them accountable to debtors.<sup>430</sup> Similarly, the then Minister of Economy Bernardo Grispún claimed that it was their "duty" to help debtors when a group of organized debtors publicly thanked him for his help after changes were promised following a series of mobilizations.<sup>431</sup>

More reforms were introduced in the 1990s, aimed at increasing the bank's efficiency and leading to its partial privatization in 1997. The process leading to the approval of the bank's privatization law (Law 24855)<sup>432</sup> involved wide legislative debate, the intervention of multiple interest group, including

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<sup>424</sup> See, for instance, *La Nación*, June 25, 1983.

<sup>425</sup> See the proposals by the Socialist Democratic Party (*Partido Socialista Democrático*) published in *La Nación*, June 30, 1983.

<sup>426</sup> *La Nación*, April 19, 1984.

<sup>427</sup> *La Nación*, December 17, 1983.

<sup>428</sup> Chamber of Deputies Session, February 2 and 3, 1984.

<sup>429</sup> Personal interview with José María Pazos, former staff member Finances Committee of the Lower Chamber (1984-99). Senate session, August 15, 1985, and September 19, 1986; Chamber of Deputies session, September 4, 1986.

<sup>430</sup> Chamber of Deputies session, September 4, 1986.

<sup>431</sup> *La Nación*, April 19, 1984.

<sup>432</sup> Debate Law 24855, April-August 1997.

organizations from the banking sector<sup>433</sup> and banking employees' unions,<sup>434</sup> and meetings of bank officials with legislators.<sup>435</sup> Moreover, there were mobilizations by debtors, and significant press coverage. The government even launched a public campaign to gather support for the legislative proposal among the population. The elaboration of this law, thus, illustrates the increase in the space for contestation across multiple dimensions that had taken place with the transition from the military regime to a fully democratic regime in Argentina.

Similarly, the policies impacting debtors to the Brazilian housing-oriented bank underwent modifications right after democratization. Such policies were extensively discussed as the space for contestations gradually increased during the transition to the democratic regime. Mentions to the National Housing System and the housing bank became more common in the main newspapers<sup>436</sup> and the issue of how to adjust the payments in relation to salaries' real value was considered a key concern by the government.<sup>437</sup> Moreover, the issues raised by the payments due to the BNH in a context of economic deterioration became a focal point for social mobilization and other coordinated actions.<sup>438</sup> Groups of debtors organized public acts of protest,<sup>439</sup> contacted public officials,<sup>440</sup> and coordinately withheld payments to protest the indexing rates used by the bank (Skidmore 1988). In addition, in a national meeting held in Brasília, debtors suggested the creation of a committee with representatives of all political parties and debtors, and a technical committee made up by lawyers, economist, and engineers to work on the guidelines of a new housing policy.<sup>441</sup> Even if such suggestion did not materialize, the then President of the BNH promised wide consultation of its policies with many segments of society, including debtors.<sup>442</sup> Apart from

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<sup>433</sup> *La Nación*, September 27, 1996. Available at <https://www.lanacion.com.ar/economia/privatizaran-en-1997-el-banco-hipotecario-nid168977/>. Accessed, February 8, 2021.

<sup>434</sup> *La Nación*, January 7, 1997. Available at <https://www.lanacion.com.ar/politica/el-pj-apuesta-a-la-privatizacion-del-hipotecario-para-su-campana-nid61673/>. Accessed, February 10, 2021. Personal interview with Juan Pablo Cafiero.

<sup>435</sup> *La Nación*, September 27, 1996. Available at <https://www.lanacion.com.ar/economia/privatizaran-en-1997-el-banco-hipotecario-nid168977/>. Accessed, February 8, 2021. *La Nación*, February 25, 1997. Available at <https://www.lanacion.com.ar/politica/hipotecario-definen-la-capitalizacion-nid64262/>. Accessed, February 9, 2021.

<sup>436</sup> Search in *Hemeroteca Digital Brasileira*. Biblioteca Nacional Digital, Fundação Biblioteca Nacional, Rio de Janeiro. See the Appendix for more details.

<sup>437</sup> *Conselho de Segurança Nacional-Fundo*, "Conjuntura Nacional, 1984. ESTUDO N9 003-29PC/S4, Sistema Financeiro de Habitação" (br\_dfanbsb\_n8\_0\_psn\_est\_0255\_d0001de0001-116).

<sup>438</sup> In fact, in an article published in *Jornal do Brasil* on September 13, 1987, the mobilizations organized by debtors of the housing system during the transition were identified as the first big mobilization of citizens fighting for their rights in the democratic period.

<sup>439</sup> *Jornal do Brasil*, July 20, 1981, and June 11, 13, and 21, 1983; *Jornal do Commercio*, July 2, 1983, and April 25, 1984.

<sup>440</sup> *Jornal do Brasil*, May 31, 1983.

<sup>441</sup> *Jornal do Brasil*, August 11, 1984.

<sup>442</sup> *Jornal do Commercio*, December 2, 1983.

debtors, interest groups from the housing and banking sectors, remained relevant for policymaking during this period and their intervention in policymaking was, in many instances, requested by BNH officials.<sup>443</sup>

Remediating debtors' grievances also became a topic of electoral and political promises during the transition to democracy.<sup>444</sup> For instance, during the last years of the military regime legislators elaborated proposals that were usually considered too generous to be realistically implemented by BNH officials,<sup>445</sup> but that could nonetheless send signals to voters. BNH officials also identified as "demagogic," as in unrealistic and electorally motivated, promises made by presidential candidates regarding such debts.<sup>446</sup> The dimension of electoral accountability, then, played a relevant role in policymaking in this area during the democratization process, even if most of these proposals never got enacted.

These discussions did not stop once José Sarney was inaugurated. Mobilizations by debtors continued to be usual<sup>447</sup> and Sarney aimed at incorporating their opinions, as transmitted by legislators, in the policies enacted during his presidency.<sup>448</sup> Private actors from the banking and housing sectors also continued to be consulted and to voluntarily conveyed their policy preferences to public officials.<sup>449</sup> Shortly after Sarney's inauguration, a working group was created by initiative of the President of the BNH that included representatives from debtors and business associations from the credit industry to find solutions to the banks' deficit and the widespread defaults on payments (Azevedo 2007). However, the group did not reach an agreement. After discussions in the government and in the Congress in a context of social mobilization, the government finally reached a decision on how to adjust the debts with the bank that was in line with the demands of the General Debtors Coordinator (*Coordenação Geral dos Mutuários*) (Azevedo 2007; Botega 2008; Santos 1999). This adjustment was enacted as a resolution of the BNH in June 1985.<sup>450</sup>

In 1986, the Executive issued Decree-Law 2291 that closed down the BNH and assigned its responsibilities to the newly created *Caixa Federal*. In the presentation of the decree for its approval by the Congress, Deni Lineu Schwartz, Ministry of the Environment, highlighted the problems of the bank, including its high default rates, and referred to the role of the input of the working group in the elaboration of the legislative proposal.<sup>451</sup> As in the Argentinean case, democratization implied an increase in the space

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<sup>443</sup> *Jornal do Commercio*, January 5, 1980; *Jornal do Brasil*, December 7, 1980, and July 26, 1984.

<sup>444</sup> *Jornal do Commercio*, October 16, 1984; *Jornal do Brasil*, November 24, 1984, and March 11, 1985.

<sup>445</sup> Like the case of Floriceno Paixão's proposal, which got approved by the Lower Chamber. *Jornal do Commercio*, December 5, 1984.

<sup>446</sup> *Jornal do Brasil*, June 19, 1984.

<sup>447</sup> *Jornal do Commercio*, March 18, 1986 and September 4, 1987.

<sup>448</sup> *Jornal do Commercio*, June 11, 1985.

<sup>449</sup> *Jornal do Brasil*, October 7, 1986; *Jornal do Commercio*, September 4, 1987.

<sup>450</sup> <https://www.prognum.com.br/legislacao/leis/BNH-RC-46-85.htm>. Accessed March 21, 2022.

<sup>451</sup> *Diário do Congresso Nacional* - 1/9/1987, p. 453

([http://imagem.camara.gov.br/dc\\_20.asp?selCodColecaoCsv=J&DataIn=01/09/1987&txpagina=453&altura=700&largura=800#/](http://imagem.camara.gov.br/dc_20.asp?selCodColecaoCsv=J&DataIn=01/09/1987&txpagina=453&altura=700&largura=800#/), accessed August 2021.)

for contestation over policy regarding housing-oriented banks reflected in a widening of the range of actors intervening in policymaking, through interest groups' lobbying and social mobilization, which, in turn, affected policy outputs. However, the differences brought by the electoral accountability dimension were not as relevant as in the Argentinean case, as this dimension has also been relevant during the military regime.

### Guarantee of deposits

Guarantee of deposits regimes have clear direct consequences for savers, especially in contexts prone to economic crises. Moreover, governments can intervene in those regimes in contexts of crises in ways that make their responsibility for the policy area clear for the general population. Thus, policies regarding guarantee of deposits regimes tend to be more visible than other financial policies and are more prone to become focal points for social mobilization. The evolution of the regime of guarantee of deposits in Argentina is a clear example of that. Changes took place following most regime type changes. In fact, this regime has been one of the most controversial financial topics since the first Financial Entities Law was enacted in 1969, during the military regime of *Revolución Argentina*. Even if given the restricted space for contestation the project was not widely discussed, this topic was covered in the press.<sup>452</sup> Especial attention was given to the fact that only national banks would have such guarantee in the future (sect. 49),<sup>453</sup> when all banks had had such guarantee in the past (Allami, Cibils, and Piqué 2014). Towards the end of the regime, Law 20040 created a fund from which the Central Bank could draw resources to guarantee those deposits. The details of the sources of funding and operation rules for this fund were left to be defined by the Central Bank. However, this never happened. The democratically elected government modified the financial system less than a year later, in 1973. In a context of centralization of deposits, Law 20574 implemented the total guarantee of deposits: the national government would guarantee the devolution of all funds and deposits in case of a bank's bankruptcy, regardless of sum and ownership (sect. 49).

When the big reform of the financial system took place only a couple of years later, during the military dictatorship of the *Proceso*, the guarantee of deposits was once again a controversial topic. In the end, section 56 of Law 21526 of Financial Entities established a total guarantee of deposits. This guarantee was unrestricted, universal, and did not involve any charge for the financial entities. In case of bankruptcy of an authorized entity, the Central Bank was required either to reach an agreement with other financial entities for them to take over the deposits of the bankrupted entity or to advance to the entity's legal owners the necessary funds for the devolution of all deposits. Thus, the military regime better defined the terms of

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<sup>452</sup> *La Nación*, September 1, 1968.

<sup>453</sup> *La Nación*, January 16, 1969

the guarantee, but still retained the extension of the guarantee to all banks introduced during the democratic interlude.

Although the policy change ended up being minor, especially in comparison to the magnitude of the overall change introduced by the Financial Entities Law, the guarantee of deposits was one of the central topics discussed during the elaboration of this law. According to the Minister of Economy José Alfredo Martínez de Hoz, there was distrust between the small banks and the big banks: the small ones claimed that, without a state guarantee of deposits, the big banks would end up absorbing them. This situation was aggravated by the fact that, by its own nature, the National Bank (*Banco de la Nación*) had its deposits guaranteed by the state. Therefore, unless this bank accepted to lose such guarantee, the situation was deemed unfair for the rest of the banks in the system.<sup>454</sup> The guarantee of deposits was a relevant concern expressed in many of the letters sent by interest groups' representatives to the members of the special committee in charge of drafting Law 21526. For instance, representatives of the Argentinean Chamber of Finance Agencies (*Cámara Argentina de Compañías Financieras*, CACF) highlighted the relevance of the continuity of the guarantee of deposits, as such guarantee was part of the Argentinean banking tradition and necessary for the stability and success of the economic process. Interest groups from the banking sector also expressed their opinions regarding the guarantee of deposits in meetings with members of the Advisory Legislative Commission (CAL) and in letters sent to such members.<sup>455</sup>

Martínez de Hoz explicitly opposed such guarantee. However, as he states in an interview for the Oral History Archive, he accepted its introduction to enable the passing of the law. He believed that otherwise the members of the CAL were going to block the legislative proposal.<sup>456</sup> In interviews, as well as in his memoirs, he claims that he accepted the guarantee of deposits only as temporary with the idea of modifying it shortly after, once the enactment of the Financial Entities Law had been guaranteed (Martínez de Hoz 2014). Other relevant actors shared his willingness to introduce modifications to the system of guarantee of deposits.<sup>457</sup> However, this opinion was not shared by all relevant actors. Not only CAL members had pushed for a total guarantee, but some members of the economic team thought such guarantee was necessary as bank runs should be prevented by any means necessary.<sup>458</sup> Hence, differences inside the government prevented the rapid modification wished by Martínez de Hoz. A project to gradually reduce

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<sup>454</sup> Audio interview with José Alfredo Martínez de Hoz, Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

<sup>455</sup> File 271/1976, Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>456</sup> Audio interview with José Alfredo Martínez de Hoz, Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

<sup>457</sup> See declaration of then Vice-president of the BCRA, Christian Zimmermann published in *Somos*, No 97, August 21, 1978.

<sup>458</sup> Video interview with Luis García Martínez, Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.



the guarantee of deposits was only discussed in 1979, when, according to the minister, it was already too late to prevent the negative consequences that the total guarantee of deposits had brought.<sup>459</sup>

The goal of Law 22051, finally sanctioned in August 1979, was to modify section 56 of Law 21526, replacing the universal, free, and unrestricted system of guarantee of deposits with an optional, onerous, and restricted one. Under the modified law, financial entities needed to voluntarily join the guarantee of deposits regime by paying a sum to be established by the Central Bank. Moreover, the modification excluded some types of deposits from the guarantee. The legislation was drafted by Central Bank officials and the Ministry of Economy, and the final law incorporated a modification suggested by CAL members to assure that those depositors with small deposits would receive 100% of their deposits and earned interests. During the debate of the law, members of the CAL held at least 19 meetings with relevant actors from the private and public sectors and gathered the opinion of many relevant actors from the financial sector on the desired characteristics of the future regime of guarantee of deposits.<sup>460</sup> Then, both the system of checks and balances established by the military dictatorship and interest groups' lobbying played a central role in the modification of this policy.

The negative consequences of the complete guarantee to which Martínez de Hoz referred became clear in 1980 when the liquidation of the Bank of Regional Exchange (*Banco de Intercambio Regional*), soon followed by others, evidenced the extent of the banking crisis (Schvarzer 1986). According to the then Secretary of Finance Juan Alemann's,<sup>461</sup> one of the sources of this crisis was that the system resulting from Law 21526 was "inherently perverse," as the total guarantee of deposits allowed irresponsible banks to compete with an unfair advantage, attracting deposits with high interest rates. Similarly, in an interview for television in November 1980, Martínez de Hoz declared that certain financial entities had abused the liberty given to them by the current legislation (Ministerio de Economía de la República Argentina 1981). Moreover, such "perverse" incentives were combined with a Central Bank that was weak and inexperienced in terms of bank supervision.<sup>462</sup>

As a consequence of the crisis, the Central Bank modified the guarantee of deposits' regime, increasing the maximum sum subjected to total guarantee (Quintela 2005). Moreover, in August 1980, Law 22267 ratified previous decisions of the bank regarding the guarantee of deposits and the liquidation of

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<sup>459</sup> Audio interview with José Alfredo Martínez de Hoz, Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

<sup>460</sup> File 110/79. Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>461</sup> Article published in 1996 in *La Nación* Available at [http://www.martinezdehoz.com/words/Los años de Martínez de Hoz por Juan Alemann.pdf](http://www.martinezdehoz.com/words/Los%20años%20de%20Martínez%20de%20Hoz%20por%20Juan%20Alemann.pdf). Accessed April 6, 2022.

<sup>462</sup> Personal interview with Ricardo Arriazu, former member of the advisory team of the Argentinean Central Bank (1974-81); audio interview with Alejandro Estrada, Archivo de Historia Oral, Programa de Historia Política, Instituto de Investigaciones Gino Germani, University of Buenos Aires.

some banks. The proposal for Law 22267 was drafted by Central Bank officials. During its discussion in the CAL, its members suggested some modifications, which were incorporated in the final law, aimed at making the law more generalizable by giving the bank more autonomy to intervene in similar cases in the future. While working on the proposal, CAL members met with Central Bank's officials, but there is no evidence of meetings with interest groups from the banking sector in this case.<sup>463</sup> From then on, most of the modifications to the guarantee of deposits during the military regime were marginal and introduced via communications of the Central Bank.<sup>464</sup>

During the transition, the topic of guarantee of deposits was discussed by banking associations and those discussions gather press' attention.<sup>465</sup> During the presidency of Raúl Alfonsín, there were some mobilizations by—and meetings of public officials with—those with savings in failed banks regarding the return of their deposits.<sup>466</sup> Moreover, some minor modifications were introduced via Central Bank communications.<sup>467</sup> Bigger changes to the guarantee of deposits regime were discussed during the debate of the failed attempt at reforming the financial entities law initiated by the Executive<sup>468</sup> and when the guidelines for the new Central Bank Charter were discussed during the debate that produced Law 23697 of Economic Emergency in 1989.<sup>469</sup> However, modifications to the guarantee of deposits regime were only introduced with the new Charter enacted by Law 24144 in 1992. The new Charter changed the definition of a “small deposit,” thus extending the complete guarantee to a wider range of deposits.<sup>470</sup> Moreover, this modification triggered a new regulation of section 56 of Law 21526 by Decree 2076/1993.

Another round of modifications to the guarantee of deposits regime was introduced in reaction to the banking crises of 1995. Law 24522 reorganized the general bankruptcy regime and made it necessary to adapt the financial entities settlement system. In so doing, Law 24627 modified the regime of guarantee of deposits with section 49, which complemented section 56, increasing the protection to small depositors. Moreover, as the limited system of guarantee of deposits proved to be insufficient to face the repercussions of the crisis, a safety net was introduced through the National Bank and the implementation of a system of transfers between private entities with excess and lack of liquidity (Quintela 2005). Furthermore, through the enactment of Law 24485 and the Decree 540/1995, the government created the Fund of Guarantee of

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<sup>463</sup> File 143/1980. Archivo Documental CAL, Archivo Intermedio, Archivo General de la Nación.

<sup>464</sup> See Communications “A” 59 from 1981 and 123, 133, and 145 from 1982. BCRA communications available in: [https://www.bcra.gob.ar/SistemasFinancierosYdePagos/Buscador\\_de\\_comunicaciones.asp](https://www.bcra.gob.ar/SistemasFinancierosYdePagos/Buscador_de_comunicaciones.asp). Accessed May 2020.

<sup>465</sup> *La Nación*, June 3, 1983.

<sup>466</sup> *La Nación*, March 17, 1984.

<sup>467</sup> See Communications “A” 486, 536, 550, 613, 614, 638, 670, 865, 967, 981, 1009, 1175, 1229, and 1273. BCRA communications available in:

[https://www.bcra.gob.ar/SistemasFinancierosYdePagos/Buscador\\_de\\_comunicaciones.asp](https://www.bcra.gob.ar/SistemasFinancierosYdePagos/Buscador_de_comunicaciones.asp). Accessed May 2020.

<sup>468</sup> Chamber of Deputies session, October 14, 1986. The topic had also been publicly discussed since rumors of a reform proposal started to be covered by the press (*La Nación*, April 16, August 7, and September 11, 1984).

<sup>469</sup> Chamber of Deputies session, August 24 and 25, 1989.

<sup>470</sup> In 1998 a Decree authorized the BCRA to modify that figure (Decree 1127/1998).

Deposits (*Fondo de Garantía de los Depósitos*), which provided depositors' insurance and resources for the restructuring of illiquid financial institutions. A limited company —*Seguro de Depósitos Sociedad Anónima* (SEDESA) — was instituted as a private manager for the fund (Sousa 2009). In the process of elaboration of this fund, the economic team consulted with interest groups of the banking sector, as well as with law firms.<sup>471</sup> Moreover, Central Bank officials highlighted the need of greater flexibility for dealing with the banking crisis.<sup>472</sup> In 2003, following another banking crisis, Law 25738 was introduced forcing foreign financial entities to inform the public if their deposits were backed or not by their parent institutions and to specify the reach of such guarantee. The details of this process were specified by a communication of the Central Bank. During the debate, the key idea was the need of defending savers.<sup>473</sup> Then, when crises increased the level of visibility of financial policies, such effect was stronger for financial policies that are inherently more visible, such as the guarantee of deposits. Such increase triggered modification attempts regardless the space for contestation. However, change was more easily blocked when the space for contestation was constrained. When the space for contestation increased and the dimensions of social mobilization and electoral accountability became more relevant, the needs of a vocal and mobilized group became more relevant for the press and for politicians, thus making change in their favor more likely.

## Conclusion

This chapter explored the dynamics affecting policymaking and the likelihood of policy change in those cases in which the level of visibility of a policy is neither on the high nor on the low extreme of the visibility continuum. One of these situations is when economic crises with a banking component increase the level of visibility of a policy area such as financial policy, which would otherwise have a low level of visibility. The other situation is policy specific and applies to policies that have medium levels of visibility. The chapter showed that moments of crisis can open a window of opportunity for changes in the status quo of low visibility policies by increasing their level of visibility. In the case of financial policies, economic crises, especially those with a banking component, raise the visibility of these policies for wider segments of the population. Such increase in the level of visibility triggers policy changes, especially in contexts in which the space for contestation is relatively unconstrained. Similarly, policy change in medium visibility policy areas will be less likely to result from changes in the space for contestation than in higher visibility areas, but more likely than in lower visibility areas. As illustrated by both the evolution of those policies

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<sup>471</sup> Personal interview with Horacio Liendo.

<sup>472</sup> Senate session, March 9, 1995. Similar demands for greater flexibility will be recurrent in the following years. For instance, see the failed legislative proposal presented by Ricardo Branda and “Para prevenir crisis financieras. El Banco Central quiere más poder”, published in *La Nación*, April 19, 1998. Available at: <https://www.lanacion.com.ar/economia/el-banco-central-quiere-mas-poder-nid94000/>. Accessed February 9, 2021.

<sup>473</sup> Senate session, August 1, 2002.

affecting housing-oriented banks and guarantee of deposits regimes, such policy areas generate wider debates than other financial policies and, when the space for contestation allows for it, a wider set of actors can intervene in policymaking and affect policy outputs.

## Chapter 7

### Great expectations, great disappointments?

Regime type changes raise great expectations of policy change. As the quotes that opened this work illustrate, with democracy we eat, we educate, we cure, we achieve a society with greater justice, balance, and solidarity. Alfonsín and Lula were not alone with their expectations. In the early 1980s, many Argentinean and Brazilian politicians, as well as many citizens, associated the democratization processes their countries were undergoing with these and many other promises of improvement. However, those transitions to democracy had mixed effects on policy. Some policies did change, but other did not, or at least not as fast and deeply as originally expected, leading, in many cases, to great disappointments. These mixed effects are not exclusive to these two countries. On the contrary, many transitions from authoritarianism to democracy failed to lead to expected policy changes (Castiglioni 2005; Htun 2003; Schmitter 2010; Weyland 1996), while the cross-national evidence linking regime type and policy is far from conclusive and we keep on discussing if democracy causes economic growth or if it is good for the poor (Doces and Magee 2015; Haggard and Kaufman 1995; Ross 2006; Truex 2017).

As shown in Chapter 2, some of the sources of this inclusiveness and the multiple puzzling outcomes are methodological. Still, at their core there is a deep theoretical issue. What makes us expect policy change following a regime transition? What are the mechanisms behind our expected associations between regime type and policy? What do we mean when we talk about a change in regime type? What are we “controlling” for when we “control for” democracy? We need to reflect on these questions and have clearer answers if we want to make sense of what we observe in the concrete cases we care about and of the inconclusive results in the existing literature, if we want to be able to accumulate knowledge, and if we want to take advantage of the windows of opportunity that regime type changes can open for policy change.

My research contributes to this reflection and clarification work. In so doing, I build on previous relevant efforts. One of these efforts is found in the literature on regime types aimed at defining authoritarian regimes and identifying differences across them. Authoritarian regimes have been normally considered a residual category and defined negatively through the lack of some features necessary for a regime to qualify as a democratic regime. However, this definition by opposition, by what the regime lacks, fails to get to the heart of what is distinctive about authoritarianism (Beetham 2015) and to acknowledge the different ways in which a regime can be authoritarian (Geddes 1999; Wilson 2017).

In the last ten years, some works have developed non-residual definitions of authoritarian regimes, defining such regimes by those traits that make them different from non-authoritarian regimes (Beetham 2015; Fenner and Slater 2017). Moreover, beginning with the early attempts by Geddes (1999), classifications of different types of authoritarian regimes have been developed highlighting the dimensions

across which these regimes differed (Cheibub, Gandhi, and Vreeland 2010; Geddes, Wright, and Frantz 2018; Hadenius and Teorell 2007; Kailitz 2013; Wahman, Teorell, and Hadenius 2013). Empirical works using those classifications have shown how these differences matter for different outcomes. In terms of outcomes, much of this work has focused on better understanding the characteristics of authoritarian regimes that can promote or hinder their political survival. In terms of mechanisms, many have not fully developed the causal mechanisms linking the institutional factors defining each type to the observed outcomes (Art 2012). This last task has been tackled more directly recently (e.g., Goldring and Greitens 2020). Likewise, empirical analyses have started to use these typologies of authoritarian regimes to explore the relationship between different types and outcomes, others than political survival. Many of these outcomes are related to policy outputs, such as trade policies (Hankla and Kuthy 2013) and exchange rates (Steinberg and Malhotra 2014), and to policy outcomes such as human development (Gerring et al. 2016). In a related effort, new ways of classifying regime type changes are being developed (Djuve, Knutsen, and Wig 2020), which allow us to better capture regime changes within the authoritarian spectrum.

My claim that the heterogenous effect of regime type changes on policy depends on how the space for contestation changes with a given regime transition contributes to these efforts. The concept of space for contestation allows us to explicitly compare different regimes across a set of separate dimensions, thus making clearer what we mean by “authoritarian” or “democratic.” Further, disaggregating changes in regime type across the six dimensions of the space for contestation allow us to connect such changes with the different mechanisms potentially linking regime type and policy. Hence, conceptualizing regime type changes in terms of the dimensions of the space for contestation allow us to be clearer and more transparent with the way we understand regime types, regime type changes, and the theoretical reasons why we expect, or not, policy change to follow such changes.

I also build upon the effort of better understanding how the effect of regime type on policy can vary depending on the characteristics of the policy being considered. A key characteristic explaining this variation is the level of visibility of a policy. Studying education policy in African countries, Harding and Stasavage (2014) observe how the capacity of voters to attribute policy change to politicians depends on the particular education policy under examination and show that, as a consequence of that differential capability, electoral competition gives governments an incentive to abolish school fees, but has less effect on the provision of school inputs. Expanding this work, Dahlum and Knutsen (2017) use data for 128 countries, from the 1960s onwards, to show that democracy may increase the school enrollment and boost funding, both policies with high visibility, but that it does not improve the level of student achievements, which are harder to measure. On the reverse side of this argument, works like those developed by Kono (2006) and Ziegler Rogers (2014) show that democratic governments will tend to implement less visible trade barriers or taxes to avoid being punished by the electorate for implementing unpopular policies.

The level of visibility of a policy is central to my framework: it is one of the two factors determining how likely policy change will be following a change in regime type and how that change might take place. Adding to these previous efforts of incorporating visibility in the relationship between regime type and policy, my framework uses a more dynamic understanding of visibility. As further developed in Chapter 2, I acknowledge that there are characteristics intrinsic to a policy that determine its level of visibility. However, I also recognize that such level can change. Specially in Chapter 6, I analyze how the effect of regime type changes on low and medium visibility policies can vary when the level of visibility of those policies is increased by economic crises. Given that financial policies are my case of low visibility, I analyze the role of economic crises, especially those with a banking component. However, this more dynamic understanding can be useful for studying other policies as well. Other shocks can have a similar effect to the one economic crises have on financial policies in other types of policies. For instance, even if education quality is a low visibility policy outcome, empirical works have shown that this level of visibility can be increased, for instance, by the publication of the results of standardized transnational tests aimed at measuring such quality (Ertl 2006; Haugsbakk 2013). Similar to what I show to be the case with financial policies, such external shocks do not radically change the visibility level of a policy; education quality is still a less visible policy outcome than school enrolment. Nevertheless, even if within the limits imposed by their intrinsic characteristics, external shocks can change the level of visibility of a policy area, altering the link between regime type and policy. Paraphrasing Birkland (2006), the visibility of a policy is a function of the policy itself, institutional relationships and, often, random social and political factors. Incorporating these random factors into our analysis can help us refine and improve our theoretical expectations.

Thus, my framework analyzes the effects of regime type on policy based on two main variables: 1) the change in the space for contestation with a given regime transition; and 2) how visible a policy is – or becomes. The combination of these two factors determines which mechanisms linking regime type to policy are likely to get triggered and affect the evolution of policy following a regime transition, as well as how that happens. I applied this theoretical framework to the analysis of the evolution of two policy areas — housing and financial policy— across regime type changes in two countries that experienced authoritarian regimes and regime transitions that vary in terms of the space for contestation: Argentina and Brazil. In so doing, I made use of multiple sources including interviews with key actors especially conducted for this research and archival resources for both Argentina and Brazil that have yet been understudied.

This empirical work not only attests to the usefulness of my theoretical framework, but also makes relevant empirical contributions. As can be seen in Chapter 3, where I trace the evolution of the different dimensions of the space for contestation across regime types, I contribute to our knowledge of policymaking in both countries and of how it has changed over time and across regime types. Moreover, by studying three

authoritarian regimes that offer variation in terms of the dimensions of the space for contestation, I contribute to our knowledge of policymaking in different types of authoritarian regimes. Furthermore, by tracing the evolution of six areas of policy across those regime type changes (chapters 4 to 6), I contribute to our knowledge of how changes in those areas took place in these concrete cases, as well as to our understanding of how different mechanisms linking regime type and policy operate in concrete cases in which the space for contestation varies.

### Limits, potentials and extensions

Despite its many potentials for future research, my framework has some scope conditions and limitations that should be considered when applying it. Some scope conditions refer to the country cases. To apply this framework, the country should have experienced at least one change in regime type that can be dated with some precision to allow for the identification of the relevant time period to analyze the change in the space for contestation and how it impacts the evolution of policy. This condition excludes all those countries that have not experienced regime transitions during the period of time relevant for the policy of interest. Moreover, the framework will be less useful for the study of country cases in which the change in regime type is gradual and does not follow a pre-established plan, due to the fact that in those cases the end of a regime type and the beginning of the next one are blurry. Still, even in the case of blurred transitions, analyzing such regime type changes in terms of changes in the different dimensions of the space for contestation can help us determining the likelihood of policy change in different specific policies. This is relevant, for instance, to better understand the policy threats to be expected from democratic backsliding. Not all democratic erosions are equal. However, we still lack a comprehensive understanding of how such transitions differ from each other (see Glasius 2018). Using the dimensions of the space for contestation to analyze those erosions offer a promising way to advance such knowledge. If we can identify the dimensions through which the space for contestation is being eroded, we would be better able to predict what type of policies might experience changes because of such erosion and through which mechanisms. This knowledge is not only relevant for analytical purposes but has clear practical consequences. If we know which policies might be under threat and how they might be modified, we can take action to prevent such threat.

In terms of the policies to be studied, this framework will be more useful to analyze the evolution of policies for which interest groups can be identified in advance. Therefore, the framework works well when assuming a finite number of potential interest groups concerned with having their preferences weight in the policymaking process. This will normally be the case for policies with clear economic consequences as the ones analyzed in this work. However, this might not be the case for other policies. For instance, it is possible to think on foreign affairs policies in which the range of potential interest groups would only be



evident after the policy is established. Related to this, the policy status quo at the time of the regime transition is also relevant to determine how identifiable the potential range of interest groups is. For instance, given that the empirical analysis of financial policy presented here started in the 1960s, the identification of the range of interest groups with potential to intervene in policymaking in Argentina and Brazil was clearer than if the study would have started before the establishment of the foundations of these countries' financial systems. In terms of timing, the fact that this framework analyzes the evolution of policies across regime types implies that the policies under analysis should remain relevant for the whole period. For instance, this framework would not be useful to analyze the evolution of social policies such as conditional cash transfers in Argentina and Brazil as those policies were first implemented after the last regime transition that took place in both countries.

In terms of limitations, first and foremost it is necessary to highlight that the goal of my proposed framework is to improve our understanding of when and how policy outputs will change following a regime type change. Thus, this framework is not useful to explain any type of policy change, but just the one related to a change in the political regime. Policy change can happen in other circumstances as well. While I believe that the space for contestation and the level of visibility of each policy area will still be relevant factors in explaining such change, I do not claim them to be the most relevant factors to explain any type of policy change, but only that linked to a change in the regime type. Thus, my framework leaves out some important drivers of change. One of them is the role of international pressures. In empirical terms, the fact that I study two countries that share a geographical area across the same period allows me to keep some of these influences "constant." For instance, the influence on housing policy emanating from the recommendations of international bodies such as the World Bank changed across time but were similar for both countries at any specific point in time. Nevertheless, the role in policy change of factors, other than changes in the space for contestation and the level of visibility of a policy area, should be considered if our goal is to explain policy change in a more comprehensive way.

Another limitation of this work is that I focus on the likelihood and tempo of policy change, paying just secondary attention to the content of such change. The content of policy change is empirically important and central to some theoretical arguments linking regime type and policy. However, a deeper analysis of such content is out of the scope of this research. Further, I focus on policy outputs, and not on the final outcomes of these policies. Thus, for instance, I explained how the legislation regarding urban leases changed in Argentina and Brazil following regime type changes, but I do not explain the effect of such policy changes in the housing deficit. As further developed in Chapter 2, the relationship of a regime type with a policy output might be different than its relationship with a policy outcome. I believe both relationships to be worth of study, but I believe it is even more important not to confound the two and to be clear on which of them is being analyzed in each case. In this research, I focus on the relationship of regime

types, and their changes, with policy outputs. My framework, however, could be applied to the study of policy outcomes as well in future research.

From the potential universe of country cases, I selected two countries that vary in relevant ways while also sharing some important characteristics. The similarities of my country cases benefit my research but also impose some limitations. One such limitation comes from the fact that the three authoritarian regimes I analyzed are military in nature. Given the focus of my framework on the dimensions of the space for contestation to define regime types, I believe my framework to be useful to analyze policy change as a result of any type of regime change. Thus, I expect it to be applicable to transitions from and to authoritarian regimes that are not military in nature. However, more empirical analysis is needed in order to assess this claim. A second limitation comes from the fact that the military regimes I analyze lie in the right-end of the ideological spectrum. Again, as my framework is agnostic in terms of ideology, it could also be applied to analyze transition to and from left-leaning authoritarian regimes, such as that experienced in Peru in the 1960s. I do anticipate variation in the content of the policy changes experienced in such cases but, as previously highlighted, the content of the policy change is not the focus of my research.

Despite the limitations imposed by the shared characteristics of my country cases, their differences provide some insights into the potential effect of other types of regime transitions on policy. For example, the fact that elections continued to be held during the Brazilian military dictatorship provides some insight into what a transition to and from other authoritarian regimes in which elections are regularly held can have on different policies. Empirically, this makes my work relevant to predict what a transition from a competitive authoritarian regime to a full democratic one can mean in terms of policy change. In such cases, the theoretical mechanisms linking regime type and policy through the dimension of electoral accountability might not be as relevant to predict and explain policy change. Thus, it might be more promising for our research to focus on those dimensions through which the space for contestation is changing. Such changes might be, for instance, increases in political opposition or a less constrained environment for social mobilization. Similarly, the institutional division of power in the last Argentinean dictatorship can help us understand the potential effect of policy when a regime transition takes place from or to a regime with such divisions in place, while the experience of the more personalized *Revolución Argentina* can help us predict the effect of a transition from or to other types of personalized regimes. Instead of just assuming that the number of veto players increases with democratization, we should examine how this dimension of the space for contestation actually evolves if we want to use it to predict and explain policy changes.

All in all, my theoretical framework and its empirical application to the cases of Argentina and Brazil provide a nuanced understanding of the relationship between regime type and policy and, especially, of the conditions and ways in which policy change might take place following a change in regime type. In empirical terms, my in-depth historical analysis of policymaking across different regime types in Argentina

and Brazil contributes to our knowledge of policymaking in both countries and to our still limited knowledge of policymaking in different types of authoritarian regimes. In theoretical terms, by digging deeper into the main causal mechanisms that scholars have explicitly or implicitly used to link regime type and policy, highlighting the importance of the level of visibility of a policy area and the space for contestation of a regime in affecting how they operate, I contribute to our understanding of the assumptions behind those mechanisms and of how they operate in concrete cases. Such understanding is crucial for making sense of the empirical associations—or lack thereof—between regime type and specific policies and to refine our expectation of policy change following a regime type transition. This is not only relevant for case studies. Even in large-n cross-national studies, a better conceptualization of the mechanisms through which we expect regime type to affect policy is needed to conceptualize and measure regime type in a meaningful way. Furthermore, analyzing how these mechanisms operate in concrete cases, improves our ability to explain those cases that do not follow the general trend and that we have normally identified as puzzling.

### Dealing with great expectations

Given the great expectations—and fears—raised by regime type changes, better understanding the relationship between regime type and policy is not only relevant for the academic community, but also for politicians and citizens. For example, in Latin America, where the Third Wave of democratization was welcomed with great expectations for policy change, most citizens strongly favored democracy at the time. Almost forty years later, only 49% of the citizens of the region agree with the claim that democracy is the best form of government.<sup>474</sup> This is the second lowest average percentage since the first wave of the Latinobarómetro survey in 1995, with the lowest one (48%) being registered in 2018.<sup>475</sup> Unmet expectations play a key role in this transformation. As Smulovitz (2010, 9–10) says of the Argentinean experience, democratization made people believe that “the political order could be recreated from scratch.” However, this “illusion that everything was possible also led to the initial evaluations of those first years of democracy to focus on a problem: to what extent our virtuous ambitions were being disappointed.” Such disappointment is especially likely in cases like the Latin American countries, in which democratization processes took place in unfavorable economic contexts. In such contexts, widespread and overly optimistic public expectations about the economic benefits of democracy can lead to deep disappointments. The survey data for Latin America points to the same relation. Surveys show, for instance, a positive relationship between levels of satisfaction with the provision of basic services and democracy (Hunter and Sugiyama

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<sup>474</sup> Informe Latinobarómetro 2021, Available at <https://www.latinobarometro.org/latContents.jsp>. Accessed May 2022.

<sup>475</sup> Informe Latinobarómetro 2021.

2009) and that those approving of their governments performance tend to also be more supportive of democracy (Booth and Seligson 2009). Similar associations have also been found outside of Latin America with valuations of democracy being strongly associated with the views of the current economic situation<sup>476</sup> and the evaluation of governments' policy formulation and implementation (Magalhães 2014). What is more, outside of Latin America, even more people seem to support an instrumental, rather than substantive, valuation of democracy (Lu and Chu 2021). Therefore, improving our understanding of the potential effects of regime type changes on policy can have concrete implications for citizens' level of satisfaction with democracy and their willingness to tolerate potential erosions on the space for contestation.

With a deeper understanding of the conditions under which policy change is possible and of how it is produced, we would be better able to implement desired policies when a regime type change opens up the possibility for policy change. Moreover, we will be better equipped to identify and prevent the potential policy threats of democratic backsliding and to recognize the potentials and limits of democracy. Distinguishing what democracy per se can and cannot do, we will be better able to demand those things that we can get from democracy and more likely to recognize and value the benefits democracy brings, even if they do not include achieving all our ideal policy outputs.

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<sup>476</sup> Available in <https://www.pewglobal.org/2019/04/29/many-across-the-globe-are-dissatisfied-with-how-democracy-is-working/>. Accessed May 2022.

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## **Methodological Appendix**

### **Researching policymaking in the time of Coronavirus**

In this work, I trace the historical evolution of the space for contestation and housing and financial policy in Argentina and Brazil using secondary sources and a wide range of primary sources. The combination of different sources allows me to address three challenges of my research. The first and main challenge is common to all studies of policymaking, and especially to those of policymaking in authoritarian regimes: much of the policymaking process takes place behind closed doors. Consequently, as researchers, we need to make use of multiple strategies to get behind those doors (Frisch et al. 2012). Getting behind those doors is even more challenging in authoritarian regimes in which secrecy tends to be the norm (Barros 2016), making policymaking typically obscure to outside observers (Ezrow and Frantz 2011). However, both Argentina and Brazil have abundant archival resources that make it possible to study policymaking historically, even for authoritarian periods. These documents are still understudied (Bonvecchi and Simison 2017b; Fico 2017) and, in some cases, challenge the conventional historiographical accounts. As I described in more detail below, most of these documents have the advantage of having been produced for internal use and not with the general public in mind. This characteristic of their production process eases another challenge of researching authoritarian regimes: the problems of data quality (Trinh 2022) and the risk of replicating the regime's claims to legitimacy by using their own data (Ahram and Goode 2016).

Nevertheless, the challenges do not end there. A second challenge is related to the study of policymaking processes that took place in the past. Finding documents and potential interviewees that can provide insight into events that lie far in the past can be hard – or even impossible without a time machine. Apart from the important archival resources already mentioned, I use historical media, memoirs, and oral history archives to address this challenge. Third, most of this research was done while strong restrictions were imposed as responses to the COVID-19 pandemic. This context limited my capacity of traveling and of accessing resources, as libraries and archives remained close for long periods of time. In this case, I made use of digitalized collections and the invaluable help of librarians, archivists, and Congress staff members.

All in all, I address these three combined challenges by using a wide range of sources and triangulating the information provided by each of them to balance the strengths and weaknesses of each type of evidence (Esterberg 2002). This appendix provides detailed information on this process, describing the sources of information used and their processes of selection and analysis. Its organization follows the three main types of primary sources used: archival collections, historical media, and interviews. The complete reference for all the sources used and a list of interviewees can be found at the end.

## **Archival collections**

The archival collections used can be grouped into five categories according to their characteristics and uses in this research: 1) historical archives from the dictatorial periods; 2) congressional archives; 3) public records; 4) electoral platforms; and 5) oral history archives. This section deals with the first four groups, while the oral history archives are discussed together with the interviews I personally conducted.

Archives offer us a way behind the closed doors of policymaking and allow us to uncover the ways in which different groups exert influence in such process (Frisch et al. 2012). Moreover, they are a “non-reactive,” non-obtrusive measures, that do not require cooperation and do not contaminate the response (Webb et al. 1966). However, using archives as sources has its own challenges. These can be summarized in the fact that these pre-existing materials were, one, not compiled with an eye toward history (Farge 2013) but, rather, they “were generated by someone else for another purpose;” and, two, “cannot ‘talk back’” (Kapiszewski, MacLean, and Read 2015, 165). Thus, it is important to identify potential missing information and analyze why certain sources or bits of information and no others might be missing. Particularly relevant is to assess if that missingness is random or systematic and how representative the “surviving” resources are. Silences in historical accounts can be introduced both in the moment of fact creation, i.e., the making of sources, and in the moment of fact assembly, i.e., the making of archives (Trouillot 1995). Therefore, I gathered information about each of the archival sources used to better understand their inclusions and exclusions (Balcells and Sullivan 2018). Attention was also paid to identify biases and evaluate the evidentiary value of the documents under consideration by thinking about “who is speaking to whom, for what purpose and under what circumstances” in each of them (George and Bennett 2005, 100). Furthermore, I used a variety of archival sources to complement the silences of some sources with the voices of others.

Another challenge is that one posed by the way in which these absences, this scarcity, interacts with the abundance of sources (Farge 2013). All product of research is inevitably made up of pieces that were chosen, organized, and present in a way different from their original one (Caimari 2019). For those like me who enjoy archival research, the temptation of gathering everything, of reading everything, can be as dangerous as the lack of information. As Farge (2013) vividly describes work in the archives requires a triage, a separation that enables us to decide what to take and what to leave. In making those decisions, which, let me assure you, were hard, I focused on those documents that would give me insights into three main issues relevant for my research: 1) the process through which policy was proposed, discussed and decided; 2) the actors involved in that process; 3) the ideas and goals framing those policies.

Finally, there is a further challenge associated with the comparative nature of my research. The sources available for both countries, and for different periods inside each of them, differed widely. To extract comparable information, I stayed aware of those differences, which I describe in more length below,

and interrogated all the sources using the same process and focusing on the same three main issues. Moreover, following the advice from the *Qualitative Transparency Deliberations*, I provide information on where the sources are located, how they were produced, why they were chosen, and how I got access to them (Gaikwad, Herrera, and Mickey 2019).

### Historical Archives

The main historical archive used to analyze the dictatorship in place in Argentina between 1976 and 1983 was the *Archivo Documental CAL*, stored in the Argentinean National Archive. This archival collection includes information on the activity of the legislative body in place during that authoritarian period, the Legislative Advisory Commission (*Comisión de Asesoramiento Legislativo*, CAL). The archive offers multiple advantages to study policymaking. First, it includes information on all the legislative proposals that were considered during the period. The amount of information varies from proposal to proposal, but, in its minimum expression, a proposal's file includes the draft text of the bill proposed by the corresponding ministry or ministries and its corresponding justification, the preliminary ruling of the CAL's subcommittee the proposal was assign to, and the final ruling of the CAL's plenary. In most cases, though, it contains more information, including correspondence among public officials and between them and actors from the private sector, analysis of the matter by public and private actors, national and international legislative precedents, and even the transcripts of meetings in which the proposal was discussed by members of the CAL with private actors and/or public officials from the Executive and other public agencies. The core of the evidence extracted for this research from the CAL archive comes from one box with a variety of non-categorized transcripts (Box 12) and from the files corresponding to 29 legislative proposals in the areas of financial and housing policy. Those files range in length from 10 to 1127 pages each.

When I started working on this research, in early 2019, I had already been gathering and processing information from this archival collection since 2014 (see Bonvecchi and Simison 2017a; 2017b; 2020). Such previous experience benefited my research in multiple ways. One of them was that, when COVID-related restrictions prevented me from accessing archival resources in Argentina, I had already gathered most of the information I needed, even if I had not yet analyzed it. My long-term presence in the archive also meant I had established a relationship with the archivists. It is thanks to that relationship that I learned about the process through which the archival collection became available. One day, talking with the director of the National Archives' section in which the collection is stored, she told me how she was once in a building belonging to the Armed Forces looking for other archival material from that period when one official told her that he knew many facts about the period because all the information was "there." When she interrogated him about that "there," it turned out to be that he was referring to a basement in which the

complete archival collection had been stored since the CAL disappearance. It was only after that fortuitous discovery that the collection was recovered, organized and declassified for public use. Apart from its charm, this story tells us something important about the archival collection. The collection had been stored by members of the Armed Forces who were most likely not expecting it to be found. In fact, they did not leave behind a comparable collection in the building of Congress, where the CAL operated. Such origin story, thus, likely explains the completeness of the collection, which even includes the files of those bills that were at the time classified as “secret.”

There is no comparable archival collection for the previous Argentinean dictatorship (1966-1973), during which the Congress remained completely closed. Even if the CAL collection includes as precedents some valuable information from this period, in this case I relied more on other sources, such as historical accounts, oral history archives and media coverage.

In the case of Brazil, the fact that the Congress remained active through most of the authoritarian period implies that much information on the legislative process is available in the same congressional archives that store that information for the democratic periods. However, such archives are normally silent regarding what happens with a policy proposal in the Executive and before becoming a legislative proposal. Thus, I used two other archival collections to fill those gaps. One of them, available in the National Archive in Rio de Janeiro, is the *Fundo Conselho de Segurança Nacional*. This collection includes a wide range of documents related to the National Security Council, an advisory body to the National President which was relevant in terms of policymaking until around 1988. This collection is available in digital format at the Brazilian National Archive’s website and has been processed with OCR technology. This allowed me to search for relevant documents by using keywords. I browsed for documents regarding the legislation issued by the dictatorship, the main goals behind that legislation (as expressed, for instance, in periodical strategic memos such as those entitled *Conceito Estratégico Nacional*, National Strategic Conception), banking reform, the Central Bank and housing policy.

Another relevant source of archives from Brazilian history are the personal collections available at the Center for Contemporary History Research and Documentation at the Fundação Getúlio Vargas (*Centro de Pesquisa e Documentação de História Contemporânea do Brasil*, CPDOC). I collected information from this source in two ways. Between July and August of 2017, when I was doing preliminary fieldwork in Brazil, I digitalized documents dealing mainly with the relationship between the *de facto* Executive and Congress, and on the factional politics inside the Armed Forces during the authoritarian period. Later, in June 2020, I browsed the document collection website using keywords to find documents relevant for my research, many of which were available online.<sup>477</sup>

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<sup>477</sup> The keywords selected from the list provided in the website were: Mercado Financeiro, Capital financeiro, Conselho Técnico de Economia e Finanças, Finanças, Finanças públicas, Instituições financeiras, Instituto de

### Congressional Archives

Congressional archives are a great source of information on the policymaking process. In the Argentinean case, as the dictatorial governments closed down the Congress, the legislative archives were mainly relevant for my study of the democratic periods. In Brazil, in contrast, congressional archives provide relevant information for the whole period under study. The congressional archives were used in four main ways. First, they were used to retrieve information on the bills being discussed in Congress and their legislative process. For this, I used the *Atividade Legislativa* archive at the Brazilian Congress and the *Proyectos* search tool in the Argentinean Congress. In both cases, it was possible to find the relevant pieces of information by searching for keywords or the number of the law or legislative proposal. Second, congressional archives were used to get information on the legislators that were active during the relevant periods. Third, I used the congressional archives to access the discussions held in the plenary (registered in the congressional records). The format of this information varied depending on the country. For the Argentinean case, the core of my evidence comes from 33 files that range in length from 10 to 530 pages. In the Brazilian case, I accessed the legislative dossiers (or, when they were incomplete, the corresponding dates in the meetings records) for 28 legislative proposals. Fourth, for the Brazilian case, I used the congressional archives to access the discussions held during the elaboration of the 1988 National Constitution, in which the Congress acted as Constitutional Assembly.

Most of the information from these archives I used for my research is publicly available online (see the list of reference below for full access information). However, there were a couple of exceptions. For the Brazilian case, I also used information on legislative activity during the dictatorship obtained by request at the Congressional Historical Archive for a previous project (Simison 2022). This information consists of a list with all the legislative proposals introduced during the period, either by the Executive or by members of Congress, with a summary of their legislative process and a link to the location of the file corresponding to each in the Congress' website. For the Argentinean case, the website of the Lower Chamber of Congress has publicly available information on the legislative process and the plenary discussions resulting in some prominent laws. However, this list does not include all the legislative proposals I was interested in analyzing. Then, in those cases in which I was interested in legislative proposals (either enacted as laws or not) that were not included in that lists, I directly requested the documents to the office of legislative information. From this office, I also obtained a couple of documents analyzing the legislative evolution of

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Administração Financeira da Previdência e Assistência social, Política financeira, Sistema financeiro, Política habitacional, Caixa de Aposentadoria e Pecúlio dos Militares, Institutos de aposentadoria e previdência, Instituto Nacional de Previdência Social, Instituto de Previdência e assistência dos servidores do estado, Instituto Nacional de Assistência Médica e Previdência Social, Legislação previdenciária, Ministério de Previdência e Assistência Social, Ministério de Trabalho e Previdência Social, Previdência privada, Previdência social, Reforma previdenciária, Estado Maior das Forças Armadas, Forças Armadas, Banco Nacional de habitação, Companhia de habitação popular, Habitação, Política habitacional, Congressos revolucionários, Comando Supremo da Revolução, and Golpe de 1964.

some areas of financial and housing policy. Moreover, after I contacted her through an interviewee, the current Secretary of the Finance Committee shared with me the minutes from the Committee's records of meetings dealing with some laws of relevance for my research stored in physical format in the Committee.

In the case of Brazil, I also analyzed the publicly available documents from the Constitutional Assembly resulting in the 1988 National Constitution. These documents can be divided in two broad groups. One group includes the transcripts of all the meetings held in each subcommittee. From those, I reviewed those corresponding to the two subcommittees most relevant for my research: the Financial System and the Urban and Transportation Issues subcommittees. In this case, I read the transcripts in full. The second group includes all the transcripts of the discussions held by the plenary of the Constitutional Assembly. I used Python to download all these documents.<sup>478</sup> Even with some documents missing, this amounts to 251 documents, ranging in between 8 and 208 pages each. These documents had already been processed with OCR technologies. Thus, using the *quanteda* package in R, I extracted the five words before and after a series of keywords, together with the name of the document in which they appeared. The keywords used were “banco,” “bancar,” “financier,” “habita,” and “inquilinato.” I exported this data as Excel files and went through each occurrence eliminating cases that had not relation to the policies of interest (such as mentions to “bancos de praça,” “de sangue,” and “de dados”). I used the resulting document in two ways. First, I performed a quantitative text analysis to extract the words and expressions more frequently used in proximity to my keywords. Second, I went through the 223 documents in which there were more than ten occurrences of any combination of keywords. Each of these documents has an index that I used to identify relevant sections for closer examination.

### Public Records

By public records, I refer to materials produced for “official purposes” by social institutions (Esterberg 2002, 121). I used such records in two main ways. The first one was to identify the legislative evolution of the policy areas under study. Both Argentina and Brazil have publicly accessible online databases in which it is possible to find the legislative precedents and subsequent modifications for each specific piece of legislation. I ran into some issues with some pieces of legislation issued during dictatorial periods in Argentina, for which this information was incomplete. However, these online databases provided me with a useful starting point from which to reconstruct the legislative story of each policy.

The second way was to get more information on the public agencies relevant for the policy areas under study. In the Argentinean case, I gathered public information provided by the Central Bank. This information included the text of relevant communications and regulations, as well as its annual memories.

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<sup>478</sup> I thank Matías Giannoni for his help in figuring out the tricks of this website.



These memories were available for the 1976-1993 period. After 1993, they got replaced by the annual reports to the Congress. I downloaded and read all of them for the 1976-2000 period. These documents included the composition of the Central Bank board in each year, statistics and analysis on monetary policy, external sector, prices and economic activity, and a summary of the relevant regulatory changes introduced. They were particularly useful to gain insight into the goals of the government and to identify any relevant change in policy introduced at the regulatory level, as well as in identifying potential interviewees. Also in the Argentinean case, I got a compilation of speeches by former ministries and other higher officials of the Ministry of Economy from the Center of Documentation and Information of the ministry. This compilation included speeches delivered between 1985 and 1991 by Domingo Cavallo, Gonzalez Erman, Juan Carlos Pugliese, Nestor Rapanelli, Jesus Rodríguez, Miguel Angel Roig, and Juan Vital Sourrouille. I filtered those documents using keywords and read the ones that mentioned at least one to gain a better idea of the policy goals of each public official. The keywords used were “financieras,” “vivienda,” “villas,” and “FONAVI.”

In the Brazilian case, I used two sources of information available on the website of the Central Bank. As in the Argentinean case, I used their online search option to look for relevant communications and regulations. Moreover, I downloaded and revised the minutes of all the 735 meetings of the National Monetary Council (*Conselho Monetario Nacional*, CMN) since its creation in 1965 until 2000. Until 1985, these minutes included a list of topics in the index, which was useful to browse for relevant policies. Moreover, all the minutes included in the first couple of pages a list of those present at the meeting.

### Electoral Platforms

Finally, to assess the relevance given to different policy areas during the democratization process, I went over the electoral platforms for the main parties for the first two presidential elections after the Argentinean transition and for the first Brazilian election in which the president was directly elected during the transition. The website of the Manifesto Project includes the platforms for the main political parties taking part in the elections of 1989 for Argentina (*Alianza de Centro* (AC), *Partido Justicialista* (PJ), *Unión Cívica Radical* (UCR)) and for Brazil (*Partido dos Trabalhadores* (PT), *Partido da Social Democracia Brasileira* (PSDB), *Partido da Reconstrução Nacional* (PRN)). The electoral platforms for Argentina in 1983 were harder to track, but I ended up finding them in the book *Formación Política para la Democracia* (López Saavedra 1983). This book included the platforms for *Partido Justicialista* and *Unión Cívica Radical*, as well as information by topics of the electoral platforms of all the political parties presenting candidates.

## Historical Media

I used historical media to gain general information about the policymaking process and its actors, as well as to trace the evolution of the freedom of the press dimension of the space for contestation and assess the influence of the mechanisms linking regime type and policy associated with such dimension. In the Brazilian case, I used the digital newspapers library from the National Library. All the historical newspapers in the database are digitalized and processed with OCR technologies, which permits to search for keywords. I used this database in both qualitative and quantitative ways. First, in a qualitative stage, I searched for key terms by 10-year periods (1960s, 1970s, 1980s, 1990s) and went over all the results for the two newspapers with the highest number of occurrences in each period. The number of occurrences for each key term-period combination ranged from 44 to 3034. The key terms used were “reforma bancária,” “sistema financeiro de habitação,” “Lei do Inquilinato,” and “remoção + favela.” The newspapers revised were *A Tribuna*, *Correio da Manhã*, *Diário de Pernambuco*, *Jornal do Brasil*, *Jornal do Commercio*, *O Fluminense*, and *Última Hora*. These newspapers had important levels of circulation and were based in some of the main Brazilian cities, such as Niterói, Recife, Rio de Janeiro, and São Paulo. In total, I went over 21,719 results.

Then, in a quantitative stage, I used an R function<sup>479</sup> to extract the number of occurrences of four key terms<sup>480</sup> by year in the newspapers that were most frequently used for the qualitative analysis: *Correio da Manhã*, *Jornal do Brasil*, and *Jornal do Commercio*. These three newspapers were based in Rio de Janeiro and had important levels of circulation. The *Jornal do Brasil* and the *Jornal do Commercio* were among the first Latin American newspapers, and the *Correio da Manhã* was noticeable because of its more critical opinions of public officials and their policies.

Getting access to media data for Argentina proved to be much more difficult. Digital archives are only available for the period starting in 1995. For that period, I used a series of key terms to search for articles in *La Nación* and *Ámbito Fianciero*. The former is one of the first, and still more widely read, Argentinean newspapers, while the latter is well-known for its coverage on economic and financial issues. The key terms used were “ley entidades financieras,” “carta orgánica Banco Central,” “FONAVI,” “locaciones urbanas,” and “Banco Hipotecario.” I also looked for “Baglini,” for the former legislator Raúl Eduardo Baglini, as many interviewees have told me I should have talked with him, but he passed away right before I started my interviews. Accessing information for the period before 1995 was complicated by COVID-related restrictions that prevented me from, first, travelling to Argentina and, later, visiting newspaper libraries while being there. I used a series of strategies to face this limitation. I looked

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<sup>479</sup> I thank Danny Hidalgo for sharing the initial code for this function with me.

<sup>480</sup> The key terms were “reforma bancária,” “SFH” (as Sistema Financeiro da Habitação provided only four results), “Lei do Inquilinato,” and “remoção da favela.”

for digital collections and found a digital newspapers library from the province of Santa Fe. The coverage was limited, but it allowed me to find some relevant media coverage for the 1960s and 1970s. I also reviewed issues of the periodical publication *Somos*, specialized in contemporary political and social events, digitalized by a colleague.<sup>481</sup> After a long and convoluted search (about which I can endlessly rant at any time), I also managed to access historical editions of *La Nación* from relevant months in the period 1964-1986.<sup>482</sup> This access included a combination of visits to the newspapers library of the Argentinean Library of Congress during December 2021, microfilms available at UMass-Amherst borrowed through inter-library borrowing, and photos taken by a research assistant, who was directed to take photos of any media coverage involving housing or financial policy or general mentions to the policymaking process.

## Interviews

### Who to interview?

I started my interviewing process by identifying a theoretically set of target interviewees (Bleich and Pekkanen 2013) and developing a guiding questionnaire. The pool of target interviewees was organized in four groups regarding their position in the policymaking process.<sup>483</sup> These groups included 1) public officials from the Legislative; 2) public officials from the Executive and relevant public agencies; 3) legislators; and 4) actors from the private sector. In addition to belonging to one of these groups, each potential interviewee had to have expertise in either, or both, of the policy areas under study and/or on the general process of policymaking at some point of the historical period under study. Related to this last point, I attempted at achieving representation of both authoritarian and democratic periods and looked in particular for potential interviewees who had been professionally and/or politically active across regime types. Among the first group, I was particularly interested in interviewing staff members from the relevant legislative committees (i.e., Budget, Housing, Finance, and Social Welfare) and legislative advisors for legislators that had been particularly active in these areas. Later, at the suggestion of an interviewee, I decided to interview stenographers, as they are privileged witnesses of the legislative process, even during the dictatorial periods, in which access to meetings in Congress is usually more restricted. Among the second group, potential interviewees included former ministers and secretaries of economy, finance, housing, or social welfare, and former presidents or board members from central banks and housing-oriented banks. Regarding legislators, I was particularly interested in interviewing those from the most relevant political parties and who had been part of the relevant legislative committees, and those who authored and/or intervened in the debate of

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<sup>481</sup> I thank Pablo Pryluka for sharing this material with me.

<sup>482</sup> The detailed list of the months consulted is available upon request.

<sup>483</sup> I also held informal conversations with historians and political scientists specialized in the authoritarian regimes of Argentina and Brazil and on policymaking during those periods.

relevant legislative proposals. For that purpose, I kept a running list of names while reading the legislative records. Finally, from the private sector, I aimed at contacting bankers, architects, and specialized lawyers.

The process of contacting those target interviewees was affected by the many restrictions imposed by the COVID pandemic. Not being able to travel to Argentina and Brazil complicated the initial contacts for the interviews, even if once a contact was made, virtual meetings were normally not hard to schedule. I was more successful responding to this challenge for the Argentinean case, for which I had a preexisting network through which to initiate chains of referral for the different target groups (Biernacki and Waldorf 1981). The final pool of interviews was generated through snowball sampling. For the initial contacts, colleagues put in contact with people currently working in the Argentinean Congress (especially at the *Instituto de Capacitación Parlamentaria* and as supporting staff) or in the banking sector, as well as with relevant people they had interviewed in the past. I started some other chains by reaching to former professors at *Universidad Torcuato Di Tella* that had occupied public positions in the past. The resulting pool of interviews consisted of 23 individuals. Of them, 18% belonged (or used to belong) to the academic sector, 63% to the Legislative, 41% to the Executive or other relevant public agencies, and 18% to the private sector. The percentages add to more than 100% as 68% of the interviewees presented some overlap of categories. Moreover, 54% had expertise in the financial policy area and 18% in the area of housing. A complete list of interviewees with their corresponding affiliations is included at the end of this appendix. Having gotten explicit permission from them and given that the historical nature of the research poses minimal risk for the interviewees, I use their names both in this appendix and when referring to the interviews in the main body of this work.

In general terms, I got positive responses when I contacted potential interviewees by referring to an initial contact or previous interviewee who has recommended me to talk with them and/or facilitated their contact information.<sup>484</sup> Cold contacting was less successful. This was particularly problematic when trying to get interviews from representatives from the private sector with experience in housing issues. Accessing people that had worked in the housing committee at the Argentinean Congress also proved to be comparatively more complicated than for other committees given the higher turnover among this committee's staff. All in all, I got access to a wide range of actors from each of the target groups for the Argentinean case, even if there were relative fewer actors with experience in the housing sector. For the Brazilian case, I was only able to contact people from the academic and the banking sector, though contacts in the Department of Economy of the *Fundação Getulio Vargas*.

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<sup>484</sup> One of the couple of exceptions was the economist and former president of the Central Bank González Fraga.

### What to ask?

My interviews were semistructured with primarily open-ended questions. There were specific questions that were tailored to each interviewee based on the target group they belonged to, their period or periods of activity, and their policy areas of expertise. When suitable, I also asked about specific events of which they had been part of. However, all the interviews included questions regarding each of the relevant theoretical mechanisms linking regime type and policy analyzed in this work. In this way, my dual goal was to keep the interviews open enough so that I might discover things I had not anticipated, while keeping them structured enough to be comparable (Curry 2015). At the end of each interview, I also asked for recommendations on who else to talk with.

I agree with Beckmann and Hall's (2013, 198) statement that "interviews with elite informants work best when designed to extract systematic information about practitioners' actual behavior on specific cases" rather than asking them to attempt generalizations. In my case, I started each interview by communicating my general academic knowledge of the topic (using phrases such as "I have been studying the legislative process/policymaking during dictatorships/in Argentina/ in Brazil for some time/since my undergraduate studies"), while at the same time disclosing my lack of first-hand experience in policymaking and/or in the actual practice of the relevant professions of the private sector. This dissuaded most interviewees from providing lengthy general explanations of the legislative process, while at the same time encouraging them to focus on their own experience with policy and policymaking.

### How to interview?

All the interviews were conducted in the interviewees' native language (either Spanish or Portuguese) except for an interview with a Brazilian interviewee trained in the United States who offered to have the conversation in English. Most interviews were conducted via Zoom while a couple of them were conducted via phone call. The duration of each interview ranged from 40' to an hour and a half. In all cases, I took handwritten notes during the interview which I transcribed right after, saving both these notes and digitalized versions of the handwritten notes. When the interviewee agreed to it, I also recorded the interview for future reference. Most of the interviewees that agreed to being recorded agree to it on the basis of those recordings remaining for my private use only.

### When interviewing is not possible

Dealing with historical events implies that, in many cases, it is not possible to interview the key actors involved in certain processes. I used both memoirs—such as those by former public officials Roberto Campos, José Alfredo Martínez de Hoz, and Roberto Roth—and oral history archives to fill many of those gaps. For the Argentinean case, the Oral History Archive of the Gino Germani Institute has a series of

interviews with relevant actors from the last authoritarian and democratization periods. Among the interviewees, for instance, are most of the members of Raul Alfonsín's economic team, and many members of Rafael Videla's one. I watched the videos—or listened to the interviews' recordings in the few cases in which only audio files were available—for 20 interviews. These interviews last in between one and seven hours and deal with a wide range of issues. I also made use of the Robert A. Potash Papers, available online via the Special Collections and University Archives of the University of Massachusetts Amherst Libraries. This collection includes oral history records with many relevant actors active in policymaking in Argentina during the 1960s and 1970s, including the three military presidents of *Revolución Argentina*, some of their main advisors, and other important public officials. The interviews are available either in audio format or as interview transcripts and notes. In total, I listened to 15 interview recordings lasting in between 35 minutes and two hours and read the transcripts for seven other interviews. The collection also includes some relevant complementary historical archives, such as private correspondence and minutes of meetings, from which I read around 200 pages that were relevant for my research.

For Brazil, I could not access an oral history collection comparable to these ones, but the Oral History Core at the Lower Chamber of the Brazilian Congress has a collection of interviews with former staff members. I read the transcripts of the eleven interviews with staff members who were working in Congress during the dictatorship. Moreover, the Interviews Collection by Robert J. Alexander Papers digitally available through the *Arquivo Edgard Leuenroth*, from the Institute of Philosophy and Human Sciences of the University of Campinas has interviews with relevant actors from the 1960s and 1970s for both Argentinean and Brazil. Even if working with interviews conducted by other researchers with different goals in mind has some limitations, these archival collections allowed me to gain access to voices that would have otherwise been excluded from my research.

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Interviewees' list

	<i>Academia</i>	<i>Congress</i>	<i>Executive</i>	<i>Financial</i>	<i>Housing</i>	<i>Private Sector</i>
<i>Amadeo, Eduardo</i>			X	X	X	
<i>Arntsen, Alan</i>				X		X
<i>Arriazu, Ricardo</i>				X		X
<i>Cafiero, Juan Pablo</i>		X	X	X	X	
<i>Castellano, Guillermo</i>		X				
<i>Carrasco, Vinicius</i>	X			X		
<i>Cozer, Cristiano</i>			X	X		
<i>Liendo, Horacio</i>			X	X		X
<i>López, Miguel</i>		X				
<i>Machinea, Jossé Luis</i>	X		X	X	X	
<i>Mambrin, Lucia</i>		X				
<i>Michelini, Alejandro</i>		X				
<i>Monasterio, Horacio</i>		X				
<i>Pazos, José María</i>		X		X		
<i>Rodríguez, Jesús</i>		X	X			
<i>Prates, Marcelo</i>	X			X		
<i>Rovelli, Horacio</i>	X	X		X	X	
<i>Silva, Eugenio</i>		X				
<i>Storani, Federico</i>		X	X			
<i>Susmel, Francisco</i>		X		X		X
<i>Tolcachier, Osvaldo</i>		X				
<i>Viana, Carlos</i>	X		X	X		
<i>Vitar, José</i>		X	X			
<i>Percentage by category</i>	18.18	63.64	40.91	54.55	18.18	18.18