

## **A brand-new world? Regime Transitions and Policy Change**

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Despite regime transitions raising expectations of policy change, transitions often fail to lead to these changes and the empirical evidence linking regime type and policy is not conclusive. I argue that the heterogeneous effect of changes in regime type on policy depends on 1) how the space for contestation changes with a given regime type change; and 2) the level of visibility of the policy. I present a framework that explains how the combination of these two factors determines which mechanisms linking regime type and policy affect the evolution of policy following a regime transition and, thus, if and how policy change will take place. I test the potential of this framework with an in-depth comparative historical analysis of the evolution of housing and financial policy across regime types in Argentina and Brazil since the 1960s based on extensive archival resources, public records, historical media, and interviews with key actors.

As it is usually the case with regime transitions, the return to democracy in Argentina in 1983 raised expectations of policy change. Just weeks into the new democratic period, the self-amnesty the authoritarian regime had approved months earlier was annulled. Legislative proposals started being drafted to change policies in issues such as military justice, education, taxes, and housing. However, other policies were not changed during those first weeks but only later, while others remain unchanged decades into the democratic period. Rather than an anomaly, what happened in Argentina illustrates a more general phenomenon. Despite regime transitions being associated with policy changes, transitions from authoritarianism to democracy—and vice versa—often fail to lead to policy changes. What is more, the empirical evidence linking regime type and policy is far from being conclusive. Under what conditions should we expect policy change after a regime type change? Is change more likely in some policies than in others?

I claim that to answer those questions we need to pay attention to the mechanisms linking regime type and policy and to how they operate in concrete conditions. Building on a deep examination of such mechanisms, I developed a framework to analyze and explain how, and under which circumstances, policy change takes place after a regime transition. In the next section, I present this framework and its main elements: the space for contestation over policy and the level of visibility of a policy. The remaining sections test the framework's potential with an in-depth historical analysis of the evolution of housing and financial policy across regime type changes in Argentina and Brazil. Section 2 presents the methodological approach and the cases. Sections 3 and 4 present, respectively, the evolution of housing and financial policy. The final section summarizes the empirical findings and concludes.

## 1. Regime transitions and policy change

Changes in regime type raise expectations of policy change. With democratization, for example, we usually expect reduced inequality, improved provision of public goods, and policies that better align with citizens' preferences. However, the empirical evidence linking regime type and policy is not conclusive, and transitions from authoritarianism to democracy often fail to lead to policy changes (Castiglioni 2005; Simison 2022; Truex 2017; Weyland 1996). The sources of such inconclusiveness and apparently puzzling outcomes are both methodological and theoretical. In terms of methodology, one issue is how to measure regime types. Different measures capture different dimensions of the underlying concept and, thus, which measure we chose affects the

results of our analyses (Cheibub, Gandhi, and Vreeland 2010). Similarly, different proxies have been used to measure policy outputs and outcomes, which are not necessarily related to regime types in the same way (Carbone and Pellegata 2017). 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).

More fundamentally, though, this inconclusiveness reflects a theoretical issue: a lack of theoretical clarity on the ways in which regime types can affect policy. I claim that to account for the heterogeneous effect of regime type changes on policy, we must pay attention to the mechanisms linking regime type and policy and how they operate in concrete contexts. 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 the 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 in a specific policy. Figure 1 graphically summarizes the argument.

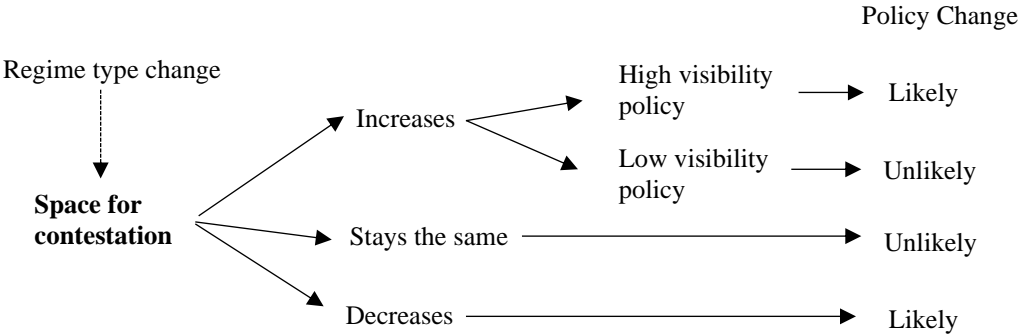


Figure 1- Graphical representation of the overall argument  
 Source: Simison (2022)

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. Despite regime transitions creating expectations of policy change, these transitions will only lead to policy change if they imply 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 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>1</sup> I argue that the space for contestation can expand or contract 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. I claim that the variety of mechanisms used —implicitly or explicitly— in the literature on regime type and policy can be better understood if we organized them around these six dimensions. Thus, thinking in terms of changes in the space for contestation allows us to simultaneously evaluate different mechanisms and to clarify the conditions under which regime transitions conduce to policy change.

Policy change will be more likely to happen the more the space for contestation expands or contracts. However, the effects of that change will be different for different policies depending on their level of visibility. When a regime type change takes place, some mechanisms linking regime type and policy are likely to get triggered. Which ones get triggered depends on the dimensions of the space for contestation that change. Some of these mechanisms, such as those associated with the dimensions of electoral accountability and political competition, only operate on policies 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 the dimension of interest groups' lobbying, can affect policies with low level of visibility as well. Thus, even when the changes in the regime characteristics brought by a regime transition are held constant, the policymaking process for different policies will vary depending on their level of visibility. Therefore, when the regime transition increases the space for contestation, especially through dimensions such as electoral accountability or political competition, change will be more likely in highly visible policies. Thus, to assess how likely policy change is following a regime transition, it is crucial to consider both how the space for contestation over policy changes during that specific transition and the level of visibility of each policy. 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>1</sup> In developing the concept of space for contestation I build 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 Jovenel's (1966) article that Dahl identifies as the source of his idea of contestation (Dahl 1971, 9).

## 2. Methodological approach

There are three conditions that need to be fulfilled to empirically assess the potential of the proposed framework. First, at least one regime type change should have taken place. Second, there should be policies with different levels of visibility that were relevant both before and after that regime type change. Third, we should be able to analyze the policymaking process in the regimes in place before and after the regime type change and how it affected the evolution of the policies under consideration. Given these conditions, I develop a historical comparative in-depth analysis (Falleti and Mahoney 2015) in which I trace the evolution of housing and financial policymaking and outcomes across regime types in Argentina and Brazil. From the wide range of housing and financial policies, in this paper I focus on those dealing with urban leases and financial institutions.

The first and third conditions shape my selection of country cases. Both Argentina and Brazil experienced changes in regime type since the 1960s. Moreover, these changes took place in similar periods (see Figure 2). This similarity matters because 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). Despite this similarity, the authoritarian experiences of both countries differed in terms of their space for contestation and, thus, in how the space for contestation changed with each transition. For instance, even if the institutional design of the Argentinean military regime of 1976-1983 included a consequential legislative body, this was not staffed by elected politicians, but by appointed members of the Armed Forces. This contrasts with the situation in Brazil, where the National Congress remained opened for most of the military regime and its members were elected in party-based elections.

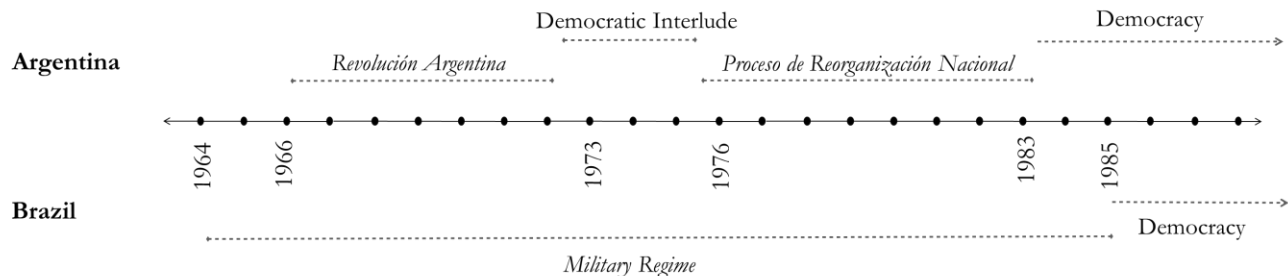


Figure 2- Regime types in Argentina and Brazil, 1960s-1980s  
Source: Simison (2022)

The third condition implies gaining access to the policymaking process, a process that tends to be mostly hidden from public view, especially in authoritarian regimes (Barros 2016; Dimitrov

2023). Argentina and Brazil are also suitable country cases because it is possible to study the policymaking process even for the authoritarian regimes. To do that I used a wide range of primary and secondary sources. The archival materials used were conceived as a site for fieldwork, one that reflects and filters sources from historical sites that are no longer accessible to direct observation (Decker and McKinlay 2020). This approach, sometimes referred to as archival ethnography, is centered around the immersion in and understanding of those materials (Dimitrov 2023). I thus approached the archival materials as a field 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).

The abundant historical resources available for Argentina and Brazil, many of which remain understudied (Bonvecchi and Simison 2017; Fico 2017), make it possible to address most of the challenges associated with the use of archival resources. First, many of the archives used had been produced for internal use and not with the general public in mind. Such production process eases the challenges brought by data quality in authoritarian regimes and the risks of replicating the regime's claims to legitimacy (Ahram and Goode 2016). However, even these documents are pre-existing materials that "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. The complete list of archival collections consulted can be found in the references.

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 could provide insights into 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.

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).

Lastly, the second condition, i.e., that there should be policies with different levels of visibility that were relevant both before and after that regime type change, shapes my selection of policy cases. Housing policies, especially when seen as social welfare, have comparatively high levels of visibility. In contrast, financial policies usually have low levels of visibility. Apart from offering variation in the level of visibility, these policies present other advantages. First, both sets of policies remained relevant during the period of analysis in both Argentina and Brazil. Second, the literature on regime type and policy has developed a series of empirical expectations regarding how these policies relate to regime types. In terms of housing, democratic regimes had been associated with policymaking processes involving a wider set of actors and with outcomes benefiting larger groups. For example, housing policy in South Africa after the end of the apartheid has been characterized as emerging from wide consultation, negotiation, and consensus, with many different pressure groups being involved in the policymaking process (Huchzermeyer 2001; Mackay 1996). 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). 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; Ziccardi 1983), and by a policymaking process with limited influence from sectoral interests (e.g., Oszlak 1991).

Similarly, different regime types have been associated with different financial policy outputs and outcomes. In general, democracies are expected to have larger and more sophisticated financial systems than nondemocracies. Existing literature has based those expectations mainly on mechanisms associated with the dimensions of electoral accountability, political competition, and checks and balances (e.g., Aguilera 2012; Calomiris and Haber 2014; Menaldo and Yoo 2015).

Despite some empirical support (e.g., Bordo and Rousseau 2006), the empirical evidence for the expected associations remains inconclusive (Menaldo and Yoo 2015; Yang 2011).

How do these general expectations relate to my framework? Considering the high level of visibility of housing policies, I expect changes in these policies following a regime type change and for such changes to take place relatively shortly after the transition. Moreover, I expect mechanisms associated with the dimensions of electoral accountability, political competition, and social mobilization to play a central role in such changes. When the space for contestation decreases, I expect change to take place in housing policies when it is 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 through the dimensions that normally give participation in policymaking to wider segments of the population. In contrast, given the low level of visibility of financial policy, changes following regime type changes that increase the space for contestation will be less likely than changes in more visible policies. 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.

### 3. Housing policy: Change all the way

The evolution of housing policy in Argentina and Brazil is consistent with the expectations derived from the proposed framework. In both cases, the reduction in the space for contestation during the authoritarian 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 authoritarian 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 policies underwent significant changes. Such changes took place shortly after the regime transitions. 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 wider range of actors. This section focuses on the evolution of the urban leases legislation to better examine these overall trends.

Figure 3 and Figure 4 show the evolution of urban leases legislation in Argentina and Brazil, respectively. In both countries, the 1940s saw the introduction of emergency rent controls and freezes. Since then, the main feature of both countries’ leases policy was a succession of extensions of the emergency legislation, a promised liberation of leases, and a reimplementa- tion of emergency legislation (Abrão 2018; Caldeira 2001; Oszlak 1991). Electoral accountability and social mobilization – actual or threatened— 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>2</sup>

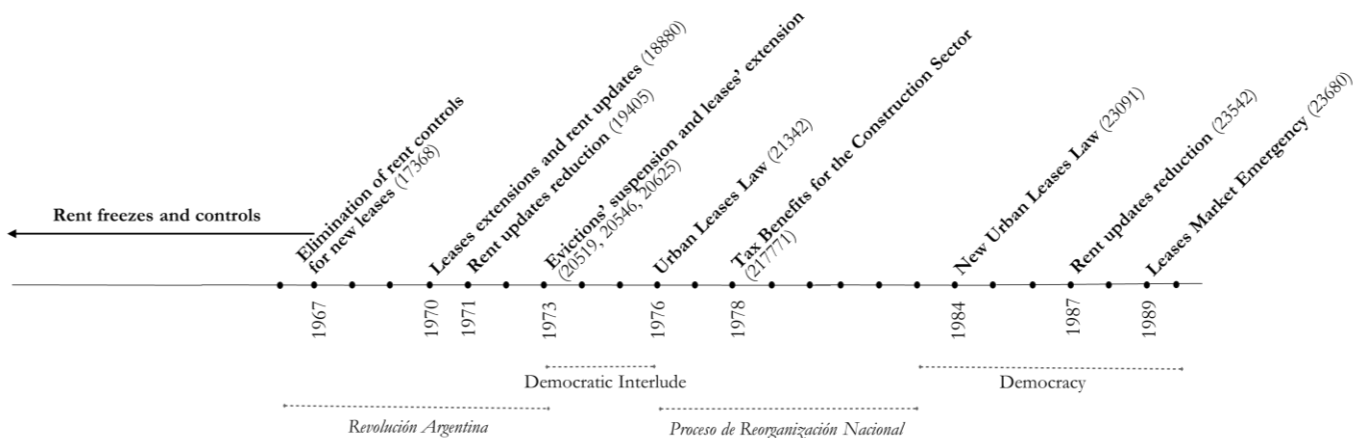


Figure 3- Urban leases’ legislation, Argentina  
Source: Simison (2022)

<sup>2</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.

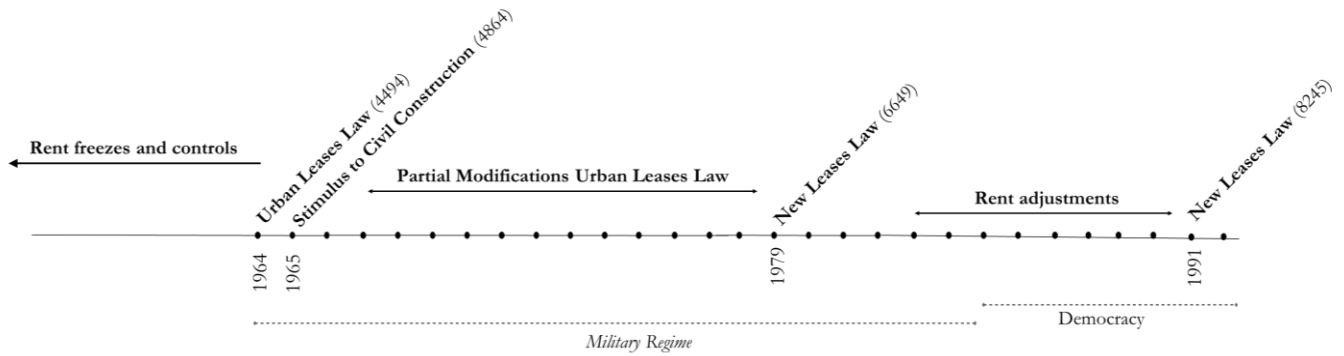


Figure 4- Leases' legislation, Brazil  
 Source: Simison (2022)

This was the status quo when the coup d'états that started the three authoritarian regimes under study took place. Moreover, they shared a general diagnosis that blamed the housing deficit on such rent controls and freezes, which disincentivized new constructions.<sup>3</sup> Consequently, the governments of the three regimes attempted to put a definite end to these types of interventions in the leases market. However, their level of accomplishment varied depending on how much they constrained the space for contestation.

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 the first of these framed the law as part of an attempt to stimulate investments in housing construction.<sup>4</sup> Such measure was in line with the expectations of interest groups from the business sector and it was complemented by other pieces of legislation aimed at stimulating the construction sector, passed with support both from business and workers associations from the construction sector (Yujnovsky 1984).<sup>5</sup>

These laws were elaborated by an interministerial special committee that included representatives from the ministries of Finance and Internal Affairs, the Central Bank, and the national revenue agency. The members of this committee highlighted the importance of increasing

<sup>3</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; and file 195/1979, Archivo Documental CAL. Campos (1994); PL 2006/1964; and interview to Sandra Cavalcanti in *Jornal do Brasil*, August 26, 1964, for Brazil.

<sup>4</sup> See also *La Nación*, July 19, 1967, and May 3, 1968, and the Editorial published in *La Nación*, August 3, 1967.

<sup>5</sup> See also *La Nación*, May 3 and July 29, 1967 and May 3, 1968.

investment in housing and defending small landowners, while also putting a definite end to the permanent extensions of emergency legislation.<sup>6</sup> The process was closely followed by the press — which paid special attention to the disagreements that existed inside the committee.<sup>7</sup> Such disagreements were identified in official documents 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, the law eliminating controls for leases for profitable activities sparked social mobilizations and demands from different interested parties to participate in the policymaking process and, even, to derogate the law.<sup>8</sup> In this context, the government did not pursue the further leases' liberalizations it had originally planned. On the contrary, only two years later the government backtracked introducing leases' extensions and rent subsidies and reducing rent increases. They justified those measures on the potential negative impact of rent increases given the recent decrease in real salaries. The measures were criticized by landowners and the press as a return to the previous context of legal uncertainty, which disincentivized private investments in housing.<sup>9</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>10</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).

With the democratization process, promises to modify the legislation regarding urban leases and even to reimplement freezes and controls became a common topic in the 1973 electoral campaign.<sup>11</sup> Such promises, and the past legislative history regarding urban leases, generated a climate of uncertainty among the interested parties.<sup>12</sup> In this context, the press gave voice to sectors that called for the reassurance of property rights.<sup>13</sup> Despite complaints by these groups,<sup>14</sup> during the democratic interlude of 1973-1976 the popularly elected government enacted legislation suspending evictions and extending current leases (laws 20519, 20546, and 20625). These pieces

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<sup>6</sup> *La Nación*, May 23, 1967.

<sup>7</sup> *La Nación*, May 23, July 30, August 3 and 20, and September 26, 1967.

<sup>8</sup> *La Nación*, March 6 and 28 and multiple issues during June and July 1968.

<sup>9</sup> *La Nación*, December 12, 1972.

<sup>10</sup> *La Nación*, December 12 and 30, 1972; *La Razón*, December 22, 1972 (quoted in Yujnovsky 1984).

<sup>11</sup> For instance, see the summary of electoral promises published in *La Nación*, March 3, 1973.

<sup>12</sup> *La Nación*, April 14, 1973.

<sup>13</sup> *La Nación*, June 12, 1973.

<sup>14</sup> *La Nación*, July 9, 1973.

of legislation were discussed shortly after the regime type changed and members of Congress were active in the policymaking process, highlighting their role as representatives accountable to the population.<sup>15</sup> Moreover, during the policymaking process, legislators met with and received opinions from both renters and lessors.<sup>16</sup> The latter openly criticized the resulting legislation (Yujnovsky 1984).

The end of the urban lease freezes in Argentina only occurred during the authoritarian regime of the *Proceso* (1976-1983). During this regime, the space for contestation was severely constrained through multiple dimensions: elections were eliminated, the political opposition was suppressed, and there was tight control over social mobilization. Shortly after the coup, the *de facto* government sent a proposal for a new urban leases 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. In contrast with the Brazilian case, in which a similar section was part of the original proposal but not of the final law,<sup>17</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.<sup>18</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 either sector, or explicit mentions to their opinions.<sup>19</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 construction of rental units. During the discussion of the legislative

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<sup>15</sup> Debate for Law 20625

<sup>16</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>17</sup> *Jornal do Brasil*, October 18, 1974.

<sup>18</sup> Audio interview with José Alfredo Martínez de Hoz, Minister of Economy (1976-81), Archivo de Historia Oral; File 195/1979, Archivo Documental CAL.

<sup>19</sup> Files 61/1976, 62/1976, 63/1976, 64/1976, and 73/1976, Archivo Documental CAL.

proposal, members of the CAL hold meetings with public officials and representatives of business and workers associations from the sector, lawyers, and members of private construction companies.<sup>20</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 regime, all legislation needed to be approved by Congress, which could take some time. Aware of this, the government first extended the current leases law. Such extension had been demanded by tenants, who had threatened to mobilize if that did not happen.<sup>21</sup> However, as clearly stated during the legislative debate, this extension was issued just to provide enough time for the proper discussion of the proposal of a new law on leases.<sup>22</sup>

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 tasked with elaborating a draft. This committee was made up by economists and other specialists from both public and private institutions (Campos 1994).<sup>23</sup> While this committee was elaborating the draft, tenants expressed their opinions in the press and by contacting legislators demanding protection and for their suggestions to be taken into consideration.<sup>24</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>25</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>26</sup> Tenants opposition to the committee's draft, which they believed unfairly benefitted landowners, continued while the bill was being discussed in Congress.<sup>27</sup> Such opposition was echoed by some legislators

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<sup>20</sup> File 28/1978, Arquivo Documental CAL.

<sup>21</sup> *Jornal do Brasil*, June 5 and September 20, 1964; *Última Hora*, June 6 and 17, 1964.

<sup>22</sup> PL 2215/1964.

<sup>23</sup> *Última Hora*, May 1, 1964.

<sup>24</sup> *Última Hora*, May 25 and 30, and June 17, 1964.

<sup>25</sup> *Jornal do Brasil*, July 11, 1964.

<sup>26</sup> *Última Hora*, August 21, 1964.

<sup>27</sup> *Última Hora*, October 14 and November 10, 1964; *Jornal do Brasil*, October 14 and 18, 1964.

form the opposition, who attempted to modify the law to benefit tenants and threatened to obstruct its approval otherwise.<sup>28</sup>

The new Urban Leases Law 4494 was finally approved at the end of 1964, less than a year after the coup. 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 reduction of the electoral accountability dimension of the space for contestation through the elimination of direct elections to select the president 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 relatively hard (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 how the space for contestation has changed with the regime transition. 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>29</sup> However, the overall project was still tilted in favor of landowners.<sup>30</sup> In fact, organized tenants requested the president to at least veto some of the most prejudicial sections of the law<sup>31</sup> and expressed their disappointment when he did not do it.<sup>32</sup>

Less than a year after the approval of the new leases law, voices were raised calling for a reform.<sup>33</sup> Modifications started to be introduced shortly after, including the introduction of limitations to some types of rent increases and the enactment of laws specific for some types of properties.<sup>34</sup> Following the goals set by the regime, and mirroring the Argentinean case, the government also implemented measures to stimulate the construction industry, which was seen as an important driver of economic activity and employment.<sup>35</sup> This was at least partially due to

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<sup>28</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>29</sup> PLN 13/1964.

<sup>30</sup> *Última Hora*, November 12, 1964.

<sup>31</sup> *Jornal do Brasil*, November 15, 1964.

<sup>32</sup> *Última Hora*, November 27, 1964.

<sup>33</sup> *Jornal do Brasil*, July 7, 1965.

<sup>34</sup> See decree-laws 322/67 and 1534/77 and laws 4864, 5334, 5441, and 6146.

<sup>35</sup> PL 3208/1965.

pressures from the construction and landowner sectors (Pestana 2018),<sup>36</sup> which also publicly analyzed the legislative projects offering their suggestions to Congress.<sup>37</sup> In contrast, these measures were criticized by tenants' associations that demanded once more a presidential veto.<sup>38</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 legislators.<sup>39</sup> Most modification attempts and partial modifications were seen with suspicion by landowners' associations and their representatives voiced their concerns in the press.<sup>40</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>41</sup> Those mechanisms associated with interest groups' lobbying and social mobilization, and a 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 the leases law of 1964 (Andrade 1979). Such dispersion led to demands for unification from interest groups and mobilized actors,<sup>42</sup> as well as from members of Congress.<sup>43</sup> Eventually, the government sent to Congress the proposal for a new law on leases in 1974.<sup>44</sup> The project was originally aimed just at consolidating previous legislation, but it triggered an extensive debate in Congress. Many amendments and annexations were suggested, and the final law was only enacted in 1979, after almost five years of debate. The process of elaboration of this law involved the creation of a special committee that collected the opinions of lawyers, public officials, and representatives from different interested actors.<sup>45</sup> The dossier of the legislative proposal includes evidence also of direct

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<sup>36</sup> See also Celso Barros' separate vote during the discussion in the Chamber of Deputies in the legislative dossier of Law 6649.

<sup>37</sup> *Jornal do Brasil*, October 14, 1965.

<sup>38</sup> *Última Hora*, December 20, 1965; *Jornal do Brasil*, December 23, 1965.

<sup>39</sup> *Jornal do Brasil*, March 10 and September 3, 1967, and December 27, 1968.

<sup>40</sup> *Jornal do Brasil*, September 9, 1967.

<sup>41</sup> *Jornal do Brasil*, June 23, 1968, and January 31 and February 23, 1969.

<sup>42</sup> *Jornal do Brasil*, November 2 and 3, 1969.

<sup>43</sup> PL 819/1975, debate of Law 6239.

<sup>44</sup> PL 2320/1974.

<sup>45</sup> Blota Junior's report for the Constitution and Justice committee, legislative dossier Law 6649.

communications between organized interest groups and legislators.<sup>46</sup> Therefore, interest groups' lobbying played a significant role in the process of elaboration of this new law.

The viewpoints of non-organized citizens also reached Congress. Some citizens sent letters to legislators in which, as both voters and citizens, they expressed their expectation of being protected by their representatives. Therefore, even if elections were limited and controlled, electoral accountability played a relevant role in the policymaking process of leases' policies.

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>47</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 interested parties voiced their complains, and a mean for electoral pressures to be exerted on legislators.<sup>48</sup> Indeed, legislators highlighted the role of the press in drawing attention to the topic.<sup>49</sup> There were also social mobilizations in cities such as São Paulo and Rio de Janeiro against aspects of the legislative project—which triggered reactions from Congress and the Executive (such as Decree-Law 1534/77 that extended current leases terms),<sup>50</sup> as well as direct pressures from interest groups on legislators.<sup>51</sup>

The intervention of multiple interest groups and the moderating role of the opposition during the legislative debate resulted in the new leases law exhibiting more balance between the defense of the tenants' and landlords' interests. Still, the law began to be modified shortly after its approval.<sup>52</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>53</sup> and a potential reform became a usual topic in electoral campaigns.<sup>54</sup>

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<sup>46</sup> Legislative dossier for Law 6649.

<sup>47</sup> Search in *Hemeroteca Digital Brasileira*. Also see *Diário de Pernambuco*, June 26 and 28, 1975.

<sup>48</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>49</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>50</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>51</sup> *Diário de Pernambuco*, March 3, 1979.

<sup>52</sup> For instance, by laws 6698, 7069 and 7335 and decree-law 2045/83.

<sup>53</sup> PL 5801/1985.

<sup>54</sup> *A Tribuna*, November 14, 1982.



In contrast, the urban leases law enacted during the last Argentinean dictatorship remained unchanged until the end of the dictatorship. A potential reform became a recurrent topic in the first electoral campaign of the transition to democracy (López Saavedra 1983). Promises to increase the protection of tenants without returning to a system of exceptions and rent controls reflected the prevailing social climate during the opening process: tenants' organizations coordinated mobilizations<sup>55</sup> while the press communicated the worries raised by a potential return to a situation of rent controls and freezes.<sup>56</sup> The newly elected government publicly addressed these concerns claiming no freezes or controls were going to be introduced and that a balance of interest was going to be attempted with all sectors having interest in this issue being informed along the process.<sup>57</sup> Shortly after, a new urban leases law proposed by the executive was enacted as Law 23091.

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>58</sup> Moreover, electoral promises motivated the actions of some legislators.<sup>59</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 balance was crucial: legislators tried to reach agreements 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>60</sup> The idea of balance was also evident in the mostly positive evaluations of the law following its approval in Congress.<sup>61</sup> This new law remained unchanged for a long time (until the approval of Law 27551 in 2020).

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<sup>55</sup> See, for instance, the news coverage in *La Nación*, June 25 and July 2, 1983.

<sup>56</sup> *La Nación*, June 24, July 11, and August 22, 1983, and January 17, April 26, and August 18, 1984.

<sup>57</sup> *La Nación*, January 7 and February 15, 1984.

<sup>58</sup> Chamber of Deputies session, July 4 and 5, 1984.

<sup>59</sup> Chamber of Deputies session, July 4 and 5, 1984.

<sup>60</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>61</sup> See, for instance, the opinions expressed by multiple actors from the private sector in *La Nación*, September 22, 1984.

In Brazil, changes aimed at protecting tenants by limiting rent readjustment and making evictions harder were introduced during the process of democratization.<sup>62</sup> Tenants publicly expressed their support to these measures<sup>63</sup> while landowners actively opposed in the press and by directly contacting legislators.<sup>64</sup> Leases were also a relevant topic during the elaboration of the new National Constitution with both tenants and landowners expressing their opinions and demanding protections.<sup>65</sup>

Finally, in 1991, a new leases law was enacted, Law 8245. As in the Argentinean case, this law established a more balanced leasing relationship by preserving many rights for tenants but without completely limiting lessors' freedom (Abrão 2018).<sup>66</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>67</sup> During the whole process, both landowners and businesspeople from the construction sector,<sup>68</sup> on one side, and tenants,<sup>69</sup> on the other, expressed their contrasting views. 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>70</sup> The need for an equilibrium was also highlighted by public officials of the Executive.<sup>71</sup>

With the increase in the space for contestation, tenants organized social mobilizations protesting against some aspects of the proposal.<sup>72</sup> Moreover, the idea of the government being “demagogic” and potentially using the leases law to gain electoral support was a common topic in

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<sup>62</sup> Telegrams to the President and to legislators included in PL 5801/1985.

<sup>63</sup> There was wide coverage in the press. See, for instance, *A Tribuna* April 19 and 24, 1986.

<sup>64</sup> PL 7446/1986. *Jornal do Brasil*, February 5, 1987, and Suplemento Especial ABADI, N°55, VI, October 1986 and N°60, VII, March 1987.

<sup>65</sup> *Jornal do Brasil*, March 19, and May 12, 15, and 19, 1987, Suplemento Especial ABADI, N°59, VII, February 1987. Transcript of the Plenary and the Urban Issues and Transportation Subcommittee sessions.

<sup>66</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>67</sup> Search in *Hemeroteca Digital Brasileira*.

<sup>68</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>69</sup> *Jornal do Brasil*, April 10, May 12, and December 10, 1987.

<sup>70</sup> *Jornal do Brasil*, April 10, 1987, and Suplemento Especial ABADI, N°98, X, May 1990. See also PL 912/1991.

<sup>71</sup> National Housing Secretary Ramon Arnuz Filho in *Jornal do Brasil*, Suplemento Especial ABADI, N°109, XI, April de 1991.

<sup>72</sup> *Jornal do Brasil*, April 12, 1987.

the press.<sup>73</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>74</sup> Such wide consultation did not only take place while the proposal was being discussed in the Executive,<sup>75</sup> but continued in Congress through meetings and formal communications with different interest groups and public hearings.<sup>76</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>77</sup> This new law has undergone fewer modifications than previous leases laws, inaugurating the most stable period of leases legislation of the past one hundred years of Brazilian history (Abrão 2018).

#### 4. Financial policy: Authoritarian changes

In contrast to housing policy, the evolution of financial policy in Argentina and Brazil, summarized in Figure 5 and Figure 6 respectively, is consistent with the theoretical expectations for policies with low levels of visibility. We observe changes during the periods in which the space for contestation was restricted, during which policy change is likely regardless of the level of visibility of a policy. After democratization, when the space for contestation increased, change became less common, even if there were expectations that the increase in the space for contestation would bring far-reaching policy changes. This is consistent with the expectation of policy change in less visible policies being less likely when the space for contestation increases. These general trends are clear in the case of the policies dealing with financial entities that are the focus of this section.

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<sup>73</sup> *Jornal do Brasil*, April 14, 1987.

<sup>74</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>75</sup> *Jornal do Commercio*, April 6, 1991.

<sup>76</sup> PL 912/1991.

<sup>77</sup> Such consensual character was also recognized by representatives of the different interest groups involved. For instance, see *Jornal do Brasil*, June 29, 1991.

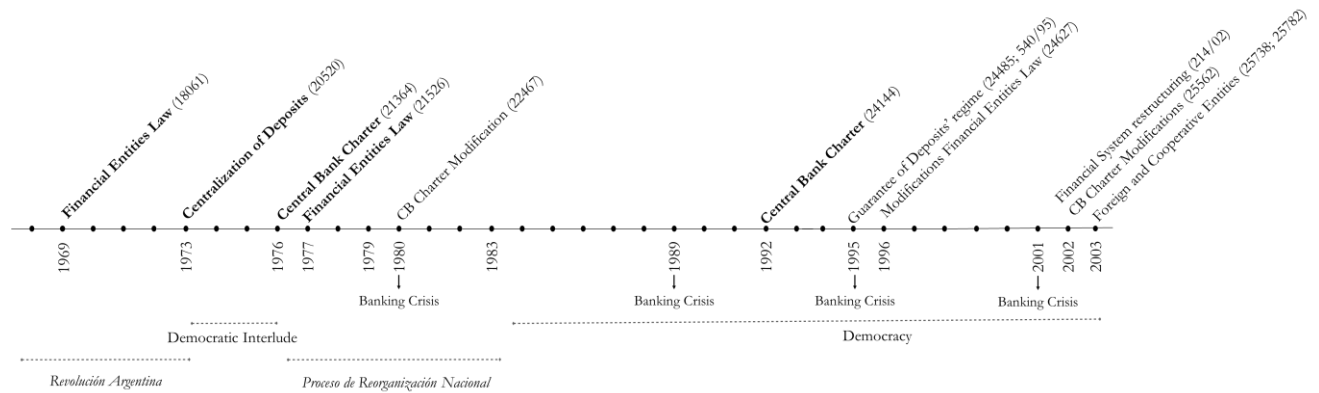


Figure 5- Evolution of financial policy across regime types, Argentina  
 Source: Simison (2022)

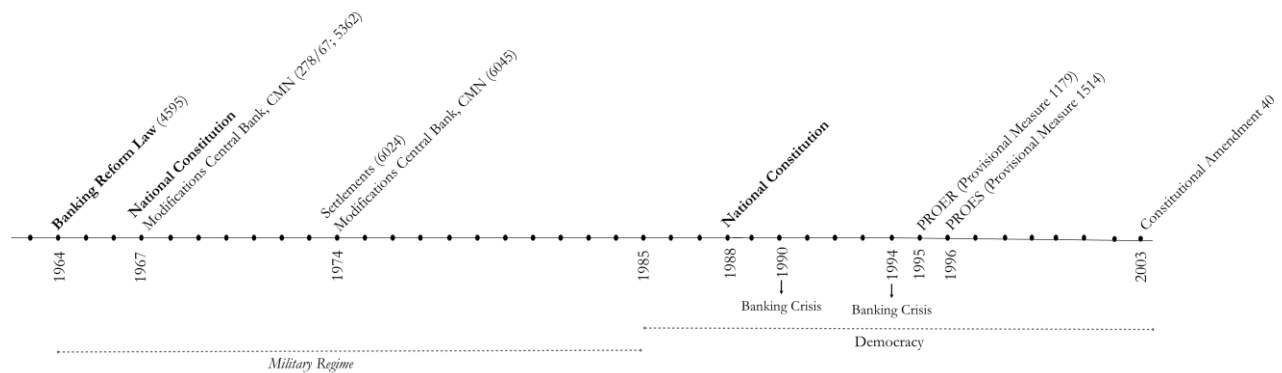


Figure 6- Evolution of financial policy across regime types, Brazil  
 Source: Simison (2022)

The first law regulating financial entities as such in Argentina, Law 18061, was enacted during the *Revolución Argentina* dictatorship, after the space for contestation has been constrained. The need for such a reform had been expressed since the beginning of the authoritarian regime by public officials and discussed in events with interest groups that were covered in the press.<sup>78</sup> Thus, in 1967, a special committee was charged with elaborating a draft of the legislative proposal that was sent to the Central Bank for further examination.<sup>79</sup> During that time, Central Bank officials received opinions and suggestions from different actors and, in collaboration with interest groups

<sup>78</sup> *La Nación*, July 1 and October 21, 1967.

<sup>79</sup> The final project was only sent to the Executive in May. *La Nación*, May 17, 1968.

of the financial sector, elaborated the proposal to be sent to the Executive.<sup>80</sup> Central Bank officials kept the media updated on the process.<sup>81</sup> When commenting on the enacted law, the then President of the Central Bank highlighted that more than 700 opinions by interested parties had been considered.<sup>82</sup> The final proposal sent to the Executive was approved with what he considered to be just minor modifications. Those modifications 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>83</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 authoritarian 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 participated of the policymaking process.

During the democratic interlude of 1973-1976, the financial 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 changes in the space for contestation and in the level of visibility of the policy. First, regarding 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, which made unilateral action easier.<sup>84</sup> Second, the centralization of deposits made assigning responsibilities easier, increasing the visibility of financial policies. The policy was also made more visible by the memory of a recent period in which such centralization had existed (1946-1957).

After the coup of 1976, liberalizing and modernizing the financial system were among the major economic goals of the authoritarian regime of the *Proceso* (Martínez de Hoz 1981). The

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<sup>80</sup> The participation of interest groups 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, November 10, and December 18, 1967.

<sup>81</sup> *La Nación*, August 5 and October 21, 1967.

<sup>82</sup> *La Nación*, January 17, 1969.

<sup>83</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).

<sup>84</sup> Debates of laws 20539 and 20574.

regime's main instrument to achieve that goal was the New Financial Entities Law 21526, considered by their authors as a "small revolution" in the financial system. Before elaborating and enacting this law, however, it was necessary to approve two other laws, one reforming the Central Bank charter (Law 21364) and one decentralizing the deposits again (Law 21495). The process of elaboration and approval of these two laws was straightforward and dominated by the Executive and the Central Bank. They were discussed only briefly by the regime's legislative body, the Legislative Advisory Commission (*Comisión de Asesoramiento Legislativo*, CAL), undergoing just superficial modifications.<sup>85</sup>

This process contrasts with the broader debate that took place during the elaboration of the new Financial Entities Law. This law radically transformed the financial system, freeing interest rates, increasing the prominence of commercial banks, and making entry requirements more flexible.<sup>86</sup> The process started with the elaboration of a draft 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, but they also held multiple meetings with members of the government's 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 to the proposal, many of which are reflected in the text of the law. The existence of a legislative body, even if an appointed one, provided a relevant channel for discussion and interest groups' lobbying that was consequential for the resulting policy output.

Therefore, during this authoritarian period, the Central Bank and interest groups' lobbying remained relevant for financial policymaking.<sup>87</sup> The main difference between the two Argentinian authoritarian experiences is that during the last one a legislative body, the Legislative Advisory Commission (CAL), provided an institutionalized venue for discussion. Moreover, the

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<sup>85</sup> Files 107/1976 and 264/1976. Archivo Documental CAL.

<sup>86</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 by key actors.

<sup>87</sup> Files 271/1976, 183/1981, 164/1983, Archivo Documental CAL. Personal interview with Guillermo Castellano, Director of Stenographers, HCDN.

intervention in policymaking by actors of the private sector was facilitated by the press in both authoritarian experiences. Despite the press operating with a limited amount of information during this period, representative of many interest groups claimed having learnt about the proposals from the press, as it regularly announced the topics being discussed in the CAL.<sup>88</sup>

In Brazil, 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 system had been in discussion in Congress for more than 14 years.<sup>89</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 inside and outside Congress and demanded by many groups.<sup>90</sup> However, there were important disagreements on the desired policy outputs across interest groups (Dreifuss 1981; Mendlowicz 2010).<sup>91</sup> The authoritarian regime finally enacted a reform in December 1964, less than a year after the *coup d'état*. Law 4959 of Banking Reform radically transform the structure of the Brazilian financial system. The enactment of this law was only possible when the space for contestation was reduced by the authoritarian regime. In such a context, the government 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 shrank, the influence of members of Congress and actors from the private sector was still consequential. 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). The influence of interest groups from the banking sector was also evident during the discussion of the proposal in Congress,<sup>92</sup> in the Executive,<sup>93</sup> and in other public organisms.<sup>94</sup> The

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<sup>88</sup> File 271/1976, Arquivo Documental CAL.

<sup>89</sup> PL 15/1963.

<sup>90</sup> *Correio da manhã* and *Jornal do Brasil*, various editions 1960-1964. See also Minella (1988).

<sup>91</sup> *Jornal do Brasil*, September 11, November 25, and December 12, 1962.

<sup>92</sup> *Correio da manhã*, April 12, May 10, and August 30, 1964; legislative dossier of Law 4595 (PL 15/1963).

<sup>93</sup> *Correio da manhã*, April 26, May 13 and 17, 1964.

<sup>94</sup> *Jornal do Brasil*, May 23, 1964.

proposal was also commented on and discussed in the press<sup>95</sup> and in conferences and events organized by banking business associations and universities.<sup>96</sup> 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>97</sup>

The democratization process in Argentina brought little to no change to financial policy.<sup>98</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>99</sup> Such continuity is the case despite the expectations of change raised during the process. For instance, towards the end of the dictatorship, during the discussion of one of the smaller modifications triggered by the 1980 banking crisis, representatives of the Federation of Cooperative Banks claimed that changes should not be introduced by the outgoing administration: the financial system was most certainly going to be reformed by the incoming democratic government so that was a task for the future government.<sup>100</sup> Change was also announced by the newly elected president as part of his economic plan<sup>101</sup> and seen as a necessity by many public officials and legislators.<sup>102</sup> The issue of the reform, even if it is not a central issue of public debate, resurfaces regularly,<sup>103</sup> and more comprehensive reforms had been attempted without success.

This absence of policy change is consistent with the expectations for low visibility policies. If visibility is low, interest groups are more likely to control the evolution of a policy, 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,

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<sup>95</sup> *Jornal do Brasil*, May 9, 12 and 13, 1964; *Correio da manhã*, June 10, 1964.

<sup>96</sup> *Correio da manhã*, July 5, 1964; *Jornal do Brasil*, July 9, 1964.

<sup>97</sup> *Correio da manhã*, January 6, 1965.

<sup>98</sup> Continuity in financial policy is the consensus among the key actors interviewed.

<sup>99</sup> Video interview with Juan José Zanola, former secretary of the bank employees' union, Archivo de Historia Oral.

<sup>100</sup> File 164/83, Archivo Documental CAL.

<sup>101</sup> *La Nación*, December 17, 1983.

<sup>102</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*. Debates for laws 23090 and 24144.

<sup>103</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.



financial policy was mostly ignored during the first electoral campaigns after democratization (López Saavedra 1983).<sup>104</sup> Similarly, and 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>105</sup> Similarly, the electorate was more worried about unemployment and the real value of salaries than about banking issues.<sup>106</sup> 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.

In terms of interest groups, continuity has mostly been the case regarding the actors involved in financial policymaking. Central Bank officials became key actors in financial policymaking during the dictatorships<sup>107</sup> and continued to be so after democratization.<sup>108</sup> Similarly, representatives of banking associations have been relevant actors in policymaking regardless of regime type, taking part of both formal and informal meetings of the committees dealing with financial issues, either by direct invitation of the legislators or by initiative of their own organizations.<sup>109</sup> The main difference across regime types is that representatives of the bank employees' union took part more often in policymaking with democratization.<sup>110</sup> Similarly, consumers gained more relevance. Even if they did not participate in the legislative process as

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<sup>104</sup> The Manifesto Data Collection: South America.

<sup>105</sup> Personal interview with Alejandro Michelini, Chief of the Administrative Department of the Budget and Finance Office, Parliamentary Secretary.

<sup>106</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>107</sup> For examples see files 271/1976, 183/1981, 164/1983, Archivo Documental CAL. Also personal interview with Guillermo Castellano.

<sup>108</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; personal interview with José María Pazos, former staff member Finances Committee of the Lower Chamber (1984-1999).

<sup>109</sup> Files 107/1976, 264/1976, and 164/1983. Archivo Documental CAL.

<sup>110</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.

much as in other policies,<sup>111</sup> they were usually referred to in legislative debates.<sup>112</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 denounce them to the media or to politicians of another party.<sup>113</sup> Elections also gained some relevance, even if this happened less than for more visible policies. 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>114</sup>

During the long Brazilian transition to democracy, the idea of a banking reform became more salient in the press than in Argentina. An analysis of some of the most important newspapers of the time shows that “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>115</sup> This tendency was clear in the last months of the last military presidential term.<sup>116</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>117</sup> In the end, the government decided that any proposal should be discussed in Congress by the new government.<sup>118</sup>

Since democratization, changes in this area have been greater than in Argentina. However, as in the Argentinean case, these changes came short of the systematic reform of the financial system expected during the democratization process and, in most cases, were triggered by

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<sup>111</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>112</sup> Debates laws 24627 and 25738.

<sup>113</sup> Personal interview with José María Pazos, Jesús Rodríguez, and Federico Storani.

<sup>114</sup> See the debate of Law 25562.

<sup>115</sup> Search in *Hemeroteca Digital Brasileira*.

<sup>116</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>117</sup> *Jornal do Brasil*, November 19, 1984; *Jornal do Commercio*, February 5, 1985.

<sup>118</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.

economic crises.<sup>119</sup> The idea of a potential broad reform, was present in the public discourse during the democratization process. However, such potential reform was delayed until the Constituent Assembly.<sup>120</sup> Financial policies were in fact actively discussed in the Constituent Assembly.<sup>121</sup> The members of the assembly 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. The resulting National Constitution introduced some modifications to the financial system. Still, they were significantly fewer and less profound than the ones proposed by the subcommittee on the topic. Further, the final text of the Constitution called for the elaboration of a complementary law regulating the financial system that, despite talks about the need of a deeper banking reform by politicians, experts, and interest groups,<sup>122</sup> still has not been enacted. Moreover, financial policy was an almost absent topic from the campaign for the general elections of 1989,<sup>123</sup> and remained so since, becoming even a topic to avoid.<sup>124</sup>

In terms of actors, the Central Bank continued to be a relevant actor in financial policymaking<sup>125</sup> together with the Executive. Congress only intervenes when issues gain enough visibility to raise popular complaints, which are normally transmitted by the press and sectorial representatives.<sup>126</sup>

## 5. Summary of findings and concluding remarks

The analysis of the evolution of urban leases and financial institutions legislation in Argentina and Brazil shows the potential of the proposed framework to analyze and explain policy

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<sup>119</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>120</sup> *Jornal do Commercio*, April 27 and 28, 1986.

<sup>121</sup> Transcript of the Plenary and the Finance System Subcommittee sessions.

<sup>122</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>123</sup> *The Manifesto Data Collection: South America*.

<sup>124</sup> Personal interview with Carlos Vianna.

<sup>125</sup> See also *Jornal do Commercio*, December 27 and 28, 1987.

<sup>126</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.

change as a result of changes in regime type. As expected from this framework, changes in housing policy, a policy with a high level of visibility, took place after both changes in regime type that increase and decrease the space for contestation. However, the mechanisms through which that change took place, as well as the extent of the change, differed depending on how the space for contestation changed with the regime type change. In contrast, changes in financial policy, a policy that tends to have low levels of visibility, were more likely after regime type changes in which the space for contestation was constrained.

Thus, the proposed framework provides 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. By contributing to our theoretical understanding of how, and under which conditions, different mechanisms linking regime type and policy operate, my work helps in refining our theoretical expectations regarding policy change during regime transitions. It also helps us in recognizing the potentials and limits of democratization, thus enabling 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.

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