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## **Housing policies in Argentina under President Macri (2015-2019): A divided nation perpetuating path dependency**

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### **Abstract:**

This paper focuses on housing policy changes introduced by the administration of President Macri (2015-2019) which claimed to have made a U-turn in Argentinean policies. The study questions whether the housing policy changes introduced constitute a conjuncture with enduring consequences, or if the overall trajectory of the country's housing events has only been temporarily disrupted by Macri's administration. The paper contributes to current debates on path dependency studies in housing policies (Malpass, 2011) and a recent call for a more political focus in housing studies (Jacobs and Pawson, 2015). It does so by analysing the reactive changes introduced during the conjuncture and their potential to create a new path in a politically divided nation. The results show how a dramatic turn in politics –from the extreme left to the right- can be ineffective in making enduring changes in policy paths. As more and more countries around the globe are facing an increasing polarisation and atomisation of domestic politics, the example of Argentina demonstrates that path dependency easily perpetuates in the housing systems of politically divided nations.

### **Introduction:**

This paper examines housing policy changes in Argentina that have been triggered by the election victory in 2015 of President Mauricio Macri with his party *Cambiamos* (Let's Change), a coalition of right-of-centre parties that concluded 12 years of consecutive leftist Peronist ruling (2003-2015). *Cambiamos* signified a complete U-turn in politics, moving from a populist and inward-looking government to a pro-business one that has embarked on widespread reforms. The pledges of the new

government include a plan to improve housing and infrastructure by encouraging private sector investment as well as other objectives such as the reduction of subsidies on transport and energy costs. The latter considerably diminished household disposable income, and in a country that is facing the highest inflation in South America outside Venezuela, Macri's reforms would prove insufficient to install a neoliberal mortgage-driven housing regime (Aalbers, 2015). This failure, as this paper will show, was not only due to impoverished households and a stubborn inflation, but also due to the difficulties in pushing forward a set of more drastic institutional changes in a polarised Congress.

The analysis presented here focuses on housing policy changes introduced by the new administration. The paper poses the question of whether new policy changes constitute a conjuncture with enduring consequences, or if the overall trajectory of events within the country's housing policy path has only been temporarily disrupted by Macri's reforms. The analysis starts with a revision of the path dependence literature including definitions and methodologies used by other scholars in the context of housing policies. The aim of this review is to develop a methodological framework for the evaluation of policy trajectories in Argentina. A chronological description of the main events - including origins of institutions and policy decisions taken at different times in history-, is then presented. This is followed by a description of the reactive changes implemented at the conjuncture, followed by an analysis of results and conclusions.

### **Path dependence and conjunctures in housing policy:**

Mahoney's (2000) definition of path dependency involves the analysis of how processes, sequence of events and temporality affect choices in societies. He argues that contingent events set in motion institutional patterns that have deterministic properties. Conjunctures, also known as critical junctures are the breakpoints or brief phases where change that is more dramatic is possible (Capoccia and Kelemen, 2007).

As illustration, figures 1 and 2 below have been adapted from Mahoney's examples (2000: 259). Figure 1 shows a chronological sequence of events (A to D), with arrows indicating the trajectory and causality of events. There is also a completely unrelated sequence of events (F to H). At a certain point in time (L), the two sequences intersect creating a conjuncture that generates enduring consequences and starts a new trajectory (L to M). Figure 2 represents a conjuncture with non-enduring consequences so, after a temporary disruption at L, the two sequences continue their trajectory. In the context of this paper, the question is if policy changes introduced by Macri's administration follow the pattern of Figure 1 or 2. Prior to answering this question, some considerations to Mahoney's definition and analytical framework are needed to assess their applicability to the housing policies' context.

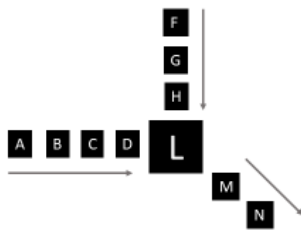


Figure 1: sequence 1 (events A-D) and sequence 2 (events E-G) with a conjuncture at L creating a new sequence (events L-M)

Figure 1: Conjuncture with enduring consequences

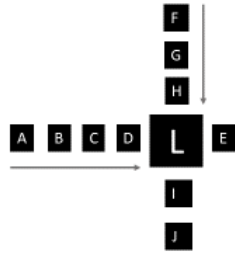


Figure 2: sequence 1 (events A-E) and sequence 2 (events F-J) with a conjuncture at L but with non enduring consequences.

Figure 2: Conjuncture with no enduring consequences

Bengtsson and Ruonavaara (2010) stated that the financial and investment side of housing, combined with its societal and mental characteristics –i.e human need for shelter; give housing policies a strong element of inertia that makes the topic an ideal ground for path dependency studies. Malpass (2011) on the other hand, cautions researchers on the small, incremental and continuous changes that are intrinsic to housing policies -which are at odds with the deterministic properties of path dependency. The so-called ‘strong’ path dependency definitions (Mahoney, 2000; Bengtsson and Ruonavaara, 2010) are, according to Malpass, more suitable to the analysis of institutions delivering housing policies but not the policies per se. This paper acknowledges these shortcomings and presents an evaluation of institutions delivering housing policies using Mahoney’s definition and methodology from historical sociology, while simultaneously addressing Malpass’ (2011) cautionary remarks by focusing on the causality and endurance of events at the conjuncture that, as the paper will demonstrate, aimed mainly at policy change. The importance of the paper is precisely in demonstrating how Mahoney’s and Malpass’s conceptual frameworks are both right and can be used in housing policy analysis as long as researchers disentangle institutional changes from policy ones.

## Methodology:

According to Mahoney (2000), there are two type of sequences: *self-reinforcing* ones –characterised by the formation and reproduction of a certain institutional pattern that prevails in the long term; and *reactive sequences* –characterised by events that are a reaction to previous events. Institutions often follow self-reinforcing sequences (Pierson, 2000; Mahoney, 2000; Capoccia and Kelemen, 2007, Malpass, 2011) and the mechanisms for institutional reproduction have been categorised as utilitarian, functional, power and legitimation (Mahoney, 2000). During conjunctures, more reactive forces operate (Capoccia and Kelemen, 2007) with mechanisms of change often identified as drifting, layering, conversion, exhaustion and displacement (Nielsen, 2010; Malpass 2011). Table 1 summarises the different approaches for both institutional self –reinforcement and reactive policy change, including a short description of each method.

TABLE 1: Path dependency analytical framework for the evaluation of Argentina's housing policy and delivery			
PART A		PART B	
INSTITUTIONAL TRAJECTORIES		CONJUNCTURES POLICY CHANGE	
reproduced by self-reinforcing sequences of events		changed by reactive sequences of events	
Method	Characteristics	Method	Characteristic
<i>Utilitarian</i>	supported by cost-benefit analysis	<i>Drifting</i>	neglect of policy maintenance
<i>Functional</i>	serves a function in an overall system	<i>Layering</i>	new elements attached to existing policies
<i>Power</i>	supported by an elite group of actors	<i>Conversion</i>	new purposes attached to old policies
<i>Legitimation</i>	supported by the subjective values of actors that maintain the institutional mandate	<i>Exhaustion</i>	withering away of policies over time
		<i>Displacement</i>	slow rising of subordinate relative to dominant policies

Table 1: Path dependency analytical framework for the evaluation of Argentina’s housing policy.

Part A of Table 1 is the framework used here for the analysis of Argentina’s institutional context, while Part B for assessing the reactive policy changes that occurred at the conjuncture. In order to answer the question of whether Macri’s changes can have enduring consequences or not, the paper will assess the potential ‘stickiness’ of the new policies and their ability to change the path of Argentina’s housing system even after Macri’s departure from office in December 2019.

## **Argentina in the regional and global context of housing policies:**

In their study of housing policies in South America, Murray and Clapham (2015) identified three stages in regional housing policy trajectories. The first phase was said to be the spread of informality and the accrual of housing debt. The second was the adoption of the Washington consensus with its basis in neo-liberalism via the opening of markets, deregulation, and privatisation. The third phase was labelled ‘building a way out of the recession’ as governments sought to stimulate the economy through the housing sector and used state organisations to increase housebuilding, either through direct action or through stimulation of the mortgage markets. This periodisation of trajectories in housing policies in the region, fits with another published simultaneously (Aalbers, 2015), which considers varieties of capitalism in local housing markets in a globalised economy. The author identifies four different periods of housing policy including: 1) a ‘pre-modern’ period, characterised by the work of philanthropists concerned with housing for the poor; 2) a ‘modern/Fordist’ era, characterized by state-led large-scale social housing developments; 3) a ‘flexible neoliberal/post Fordist’ period that saw the growth of owner occupation, mortgages and the financialisation of housing; and 4) the present era, labelled as ‘emerging post crisis/ late neoliberal’ which started after the Global Financial Crisis (GFC). The author argues that the period leading up to the GFC was characterised by a growing synchronisation of housing policies across many countries in both the developed and developing world.

Table 2 illustrates the periodisation provided by Murray and Clapham (2015) and Aalbers (2015), which have been paired chronologically according to approximate reference periods provided in both publications.

Comparative periodisation of housing policies World and Latin America		
Time	Global (Aalbers 2015)	Latin America (Murray and Clapham, 2015)
Around XIX	Pre-modern period	n/a

After WWII	Modern or Fordist	Spread of informality and accruing social housing debt
From 1980's	Flexible neoliberal/post Fordist	Adoption of Washington Consensus
Current	Emerging post crisis or late neoliberal period	Building a way out of recession

Table 2: Comparative periodisation of housing policies according to Aalbers (2015) and Murray and Clapham (2015)

Murray and Clapham's (2015) periodisation begins roughly during the 1960's and 70's, therefore the comparison to the Pre-modern period is not available. Notwithstanding and following Aalbers (2015), it can be argued that in South America this period was also characterised by the involvement of charities and philanthropists with perhaps a marked role of the Catholic Church. The fundamental difference is that while in Europe the philanthropist role would later morph into council or third sector housing (Nielsen, 2010; Malpass, 2011), in South America, the Catholic Church/philanthropist role becomes less prevalent, curtailing the expansion of the social rental sector. The other three stages presented by Murray and Clapham (2015) are similar to Aalbers (2015) in terms of policies and practices, even though trends arrive at different stages.

As this paper will show, Argentina's housing trajectory under Macri went some way in transitioning to a financialised, neo-liberal housing regime, thus converging with global trends described above. However, financial and political events dampened Macri's plans. The following sections will illustrate this transitioning and the events hindering a substantial change by describing housing policy practices in the country before and after the change of government. This is done by analysing three sequences of events affecting Argentina's trajectory: the policy sequence, the financial sequence and the political sequence (see Figure 3). The next sections explain Figure 3 in more detail by analysing the individual sequences and the conjuncture at point M.



Figure 3: Event sequences leading to the conjuncture (M) in Argentina's housing system

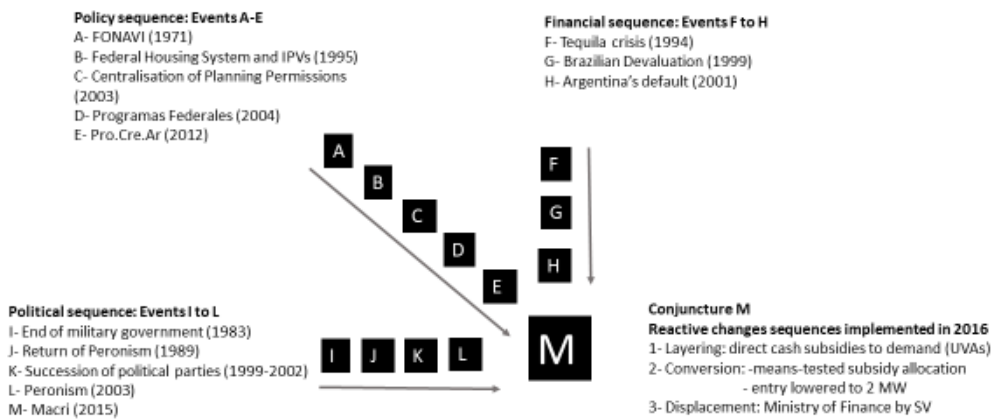


Figure 3: Event sequences leading to the conjuncture (M) in Argentina's housing system.

## Housing policy trajectory in Argentina:

### *The policy sequence*

Housing policy in Argentina has had two conjunctures in the recent past. The first, during the second half of the 1990's (Cuenya, 2000) and the second after the financial crisis in 2001 (Barreto, 2012; Di Virgilio, 2017). The main change evaluated by Cuenya (2000) was the new distribution of central government housing funds, which were henceforth directly allocated to the provinces (Law 24,464 8/03/95). This change was in line with the gradual devolution of powers happening after the end of the military dictatorship in 1983. In this new context, Cuenya also evaluated the changing role of the provinces who, henceforth, had to be more pro-active in looking for solutions by partnering with local and national construction companies instead of being reliant on the central state. As a result, one of the main inherited characteristics of the institutional framework in the housing sector in Argentina, is the advanced state of decentralisation of housing policy control to the regions (known as provinces), who in turn exercise control over the local authorities at municipal level. This system established by the Law -known as the Federal Housing System (FHS)-, is still in place today and has shifted the

power to formulate, regulate, implement, and oversee housing policy from the federal government to the provincial governments (represented by 23 Provincial Housing Institutes -IPV for its Spanish acronym). This Law has restricted the power of the national government to formulate and conduct housing policy, although funding for public-assisted housing development remains highly centralised as stipulated by the same Law. According to Cuenya, these changes depended heavily on the political will of the provinces, as well as on the strength of their alliances and commitments to local and national construction companies. Equally, the author points out that these changes were also dependent on local capacity at municipal level for the delivery of the programmes, something that, the author states, was often lacking and created an unequal development amongst those provinces who had better capacity and those who did not.

The second conjuncture was after the collapse of the economy in 2001. New reforms were introduced in 2003 to partly reverse the devolution of powers by creating a new system that controlled planning approval for affordable housing schemes at central level before transferring funds to the provinces (Barreto, 2012; Di Virgilio, 2017). As a result of these gradual changes, Macri's government inherited a hybrid system of decentralised policy making but centralised access to funding for affordable housing. In both cases, all authors agree that the reforms in the 90's and the 00's resulted in an incremental change in policies –i.e. reflecting the characteristics of continuous change that are intrinsic to housing policies as described by Malpass (2011). Macri also inherited a national housing deficit of 3.8 million homes, a figure that includes a quantitative deficit (i.e. new units needed) of 1.6 million and a qualitative deficit (i.e. existing stock in need of repair) of 2.2 million. Whilst the market delivers an estimated 190,000 new units per year, the new household formation is around 230,000 for the same period, meaning that the deficit accumulates at around 40,000 units per year (World Bank, 2017). Public expenditure in housing and urbanism has varied throughout the years as Table 3 shows.

Source: Presidencia de la Nación: Gasto Público Social y El Presupuesto 2018<sup>i</sup>

Expenditure includes public funds destined to improving urban conditions in informal settlements (excluding water and sanitation improvements).

In respect of programmes, the FONAVI (Fondo Nacional de la Vivienda, National Housing Fund) and Programas Federales (PF) began in 1972 and 2004, respectively, and both focus primarily on the supply-side of the market via subsidies to the developers for the construction of new units. The Programa de Crédito del Bicentenario para la Vivienda Única Familiar (Pro.Cre.Ar for its Spanish acronym) was created by decree (902) in 2012<sup>ii</sup>. In legal terms, Pro.Cre.Ar is a trust fund, an independent legal entity within the government, with a mandate to provide housing solutions for low and middle-income families. Unlike FONAVI and PF, Pro.Cre.Ar targets the demand side of the market by providing subsidies to families.

***The financial sequence:***

An important characteristic of Argentina is the consistency of its boom and bust economic cycles. Indeed, these have been present during the 70's and 80's (Buckley and Mayo, 1988); and in the 90's

includes two conjunctures: one that has been linked to the ‘Tequila effect’ of the Mexican crisis in 1994, and another related to the Brazilian devaluation of 1999 (Agarwal et al, 2005; Frenkel and Rapetti, 2007). The final conjuncture is the country’s own default in 2001 (Cristini et al, 2011). This macroeconomic instability is of particular importance in the context of the post-fordist and late-neoliberal periods described above. Indeed, the growing financialisation that is typical of the post-fordist era, is said to result in many problems such as volatility in house prices, affordability issues and the exclusion of some groups from adequate housing (Aalbers, 2015). Argentina’s past experience with housing credit illustrates these problems. When the economy collapsed in 2001 and the government repealed the convertibility regime (the local currency known as Peso was at the time pegged to the US dollar), the Peso was devalued and cash deposits as well as bank loans and mortgages denominated in USD were converted to Pesos (a process known as the *pesification* of the economy). In a study of mortgages after the pesification, researchers have shown that the process disproportionately benefited wealthy individuals, thus deepening the exclusion of vulnerable groups from decent housing (Argarwal et al, 2005).

### **The political sequence**

Argentina’s military regime ended in 1983 and in the same year the centre-right party (Unión Cívica Radical -UCR) was democratically elected. The next election in 1989 happened in a context of hyperinflation –forcing an early general election-, which resulted in the victory of the Peronist party. The new president, Carlos Menem, departed from the typical leftist agenda of his party by implementing privatisation and pegging the local currency to the US dollar. Although Menem managed to stay in power for two consecutive terms, a coalition of centre-right parties led by the UCR defeated the Peronist in 1999. The early 00’s was characterised by political unrest due to deep economic failures, with as many as 5 presidents being elected and resigning in a four year period. Political instability came to an end with the Kirtchners’ administration which lasted from 2003 to 2015. The Kirtchners formed a new party, *Frente Para laVictoria* (FPV), thus further dividing the

Peronist voters and paving for the election of President Macri in 2015. However, the political landscape during Macri's tenure was highly atomised. Within the 257 seats of the National Congress, there were 19 different political fronts, each one composed of smaller political parties. Macri's coalition was the largest with 107 seats, followed by FPV (65). Former Peronists and the left dominated most of the remaining 85 seats.<sup>iii</sup> Furthermore, the upper house, the Senate, has been dominated by FPV. Therefore, it has been difficult for Macri to pass substantive institutional neoliberal reforms in a Congress dominated by the left.<sup>iv</sup>

### **The conjuncture:**

This section explains the institutional and policy changes introduced by Macri's administration. This is done by using the analytical framework presented in Table 1. The aim is to identify weakening points in the institutional self-reinforcing mechanisms that might help explain the reactive sequence unleashed later at the conjuncture M.

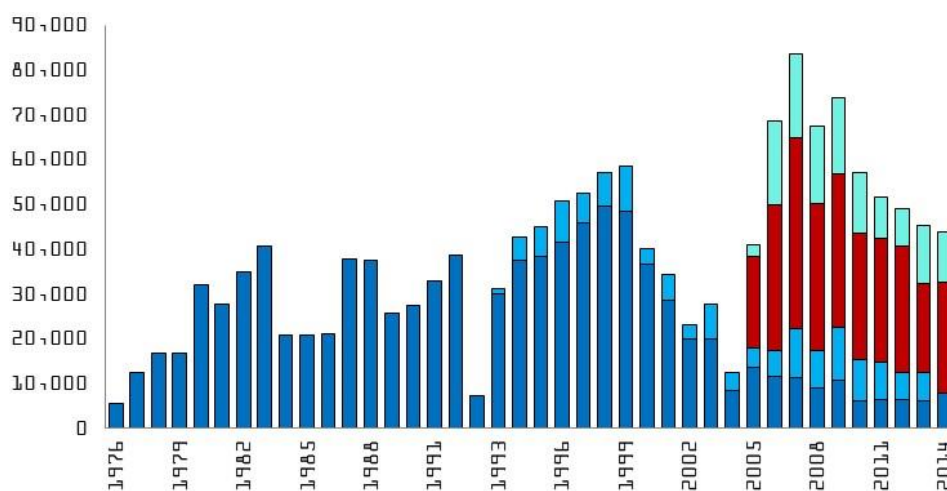
Since its inception, FONAVI overwhelmingly produced new units for sale suitable only to moderate and middle-income households, rather than a wider range of housing solutions suited to low-income families (Cuenya, 2000; Cristini et al, 2001; Cuenin and Moya, 2010; World Bank, 2006; Zanetta, 2007). The main reason for this is that demand subsidies (either in the form of direct subsidies or reduced interest rates for mortgages), are accessible to those who are able to demonstrate savings capacity. It can be argued that in a path dependency context, the legitimacy of FONAVI was therefore threatened as it was not able to fulfil its mandate of securing housing for the most vulnerable. Additionally, FONAVI applicants in some provinces were neither required to make a down payment nor get a private market-rate loan, thus some applicants were fully subsidised by the program (Zanetta, 2007). In a path dependency context, the utilitarian method for institutional self-reinforcing is thus opened to questioning, as costs outweigh the benefits and were straining FONAVI's budget.

Another problem was the reliance of IPVs on federal finance for housing programs (using taxes levied by the federal government), which was fostering a culture of low financial efficiency and little innovation (Cristini et al, 2011). In path dependency analysis, the efficiency mechanism for institutional reproduction therefore presents a weakening point. Worse still was the fact that provinces spent federal funding from FONAVI with little accountability to the federal government, indicating that institutional power relations remained unsolved (Cristini, et al 2011). For FONAVI, the four mechanisms of institutional reproduction presented in Table 1, were therefore open to questions by new government actors entering the housing system under Macri's administration.

In the case of PF, the allocation of resources is centralised (as previously explained, projects require planning approval at central level prior to the release of funding), and funding is reviewed case by case according to local needs. This system has raised concerns about potential bias in the allocation of resources due to political affiliations at different government levels (Cristini et al, 2011). It can be argued that political understandings fostered by actors within the system were deepening self-reinforcing institutional arrangements between local IPVs and FHS. One of the objectives of PF was to increase the diversification of solutions available, particularly in terms of answering the qualitative deficit (i.e. offering funds for housing repairs and building housing extensions to vulnerable families). But after four years of implementation, the diversification was still disappointing and not sufficient to address this particular deficit (Barreto, 2012). As with FONAVI, the legitimacy of PF was thus open to question as the institution was failing to fulfil its mandate. Furthermore, Barreto (2012) suggests that the funding limit available to vulnerable groups (for example indigenous communities and those living in informal housing), deepened social exclusion by exacerbating physical divisions not only in terms of location of developments, but also the quality and size of units as some groups received less funding than others. The implementation of PF in the city of Buenos Aires and surrounding 24 municipalities (the largest urban agglomeration in the country), have also been criticised mainly because of the lack of institutional capacity at local level to deliver the programme

(Di Virgilio, 2017). The latter can be classified as weakening the functional self-reinforcing mechanism of PF.

The efficiency mechanism of self-reproduction can be tested by housing delivery volumes. As seen in Table 4, housing delivery through state programmes reached its peak in 2007, providing nearly 90,000 units including new dwellings and repairs to existing stock through FONAVI and PF. In the case of Pro.Cre.Ar, the target at the time of launch in 2012 was of 400,000 new units by 2016<sup>v</sup> but only 118,580 units were delivered by the end of the previous administration in 2015.



Source: authors' own based on Argentina's National Housing Council.

Table 4: Total units delivered: FONAVI and PF programmes combined (1976-2014)

In path dependency analysis, the efficiency method of self-reinforcement is thus open to question given that delivery targets were not met. Additionally, Pro.Cre.Ar loans had been mainly directed to households with an earning capacity equal or above 2 minimum wages (MW, which is £267/month as per July 2018). Therefore offering solutions only to the middle classes and threatening the utilitarian and legitimacy self-reinforcing mechanisms of the programme, as state funds invested were not providing solutions to the most vulnerable, which was Pro.Cre.Ar's main mandate. The increasing isolation of the country from international finance markets since 2007 and the lack of transparency

in terms of national accounts, created a reversed trajectory in Argentina's housing practices which resemble the scenario prior to the Washington consensus described by Murray and Clapham (2015), where housing deficits accrue and informality spreads. Indeed, data collected on informal settlements in the country in 2013 and 2016 for the provinces of Buenos Aires (including the capital) and Cordoba, shows that the number of informal settlements in both locations has grown from a total of 1,312 in 2013 to 1,564 in 2016; adding a total of 69,545 new families to the sites.<sup>vi</sup>

In sum, FONAVI, PF and Pro-Cre-Ar were showing signs that their self-reinforcing mechanisms of power, legitimacy, utilitarianism and efficiency described in part A of Table 1, were weakening. Conditions for a change in housing policies were therefore ripe by the time Macri's administration took power. The following section presents the policy changes introduced by the new administration at the time of the conjuncture by categorising the mechanisms of change according the reactive sequences of events as presented in section B of Table 1.

***Reactive changes introduced by the new administration:***

The new Argentinean government that took power in December 2015 intended to recover the legitimacy of the FHS by focusing on the most vulnerable (in line with the presidents' electoral campaign motto "zero poverty") and increase the system's utilitarianism and efficiency by incorporating the private sector (in accordance with Macri's neoliberal approach). In terms of trajectories presented in Table 2, the changes aimed to transition the country's housing policies from the Modernist to a late neo-liberal period (Aalbers, 2015). Pro.Cre.Ar was the programme selected by the new administration as the one offering the best opportunities for private investment.

In this context, the new administration focused on three areas for improvement of Pro.Cre.Ar: a) boosting private sector investment b) targeting the most vulnerable and c) improving site selection



for affordable housing schemes. For changes to be sustainable and create a new trajectory after the conjuncture, it can be assumed that the new administration needed to create self-reinforcing mechanisms that could sustain a new trajectory after the conjuncture. Changes can then be classified as aiming at generating utilitarian self-reinforcing mechanisms (point *a* above); generating legitimacy (point *b*) and efficiency (point *c*). With the view of implementing these objectives, three changes were introduced which can be related to three reactive sequence methods: layering, conversion and displacement:

*First Change:* An important reform that aimed at boosting the local mortgage market, was the introduction of direct cash subsidies to the demand side. This replaced the old system of indirect subsidies (i.e. lower mortgage interest rates and subsidies to the construction side of the supply prevalent not only in the original Pro.Cre.Ar but also in FONAVI and PF). Additionally, and to complement the housing finance scheme, commercial banks now lend inflation-adjustable mortgages at market interest rates, using a new unit of investment introduced by the Central Bank: the so-called Unidades de Valor Adquisitivo (UVA)<sup>vii</sup>. Families purchasing a house using UVAs received a subsidy totalling 30 percent of the market value of the house, the rest of the funds came from household's own savings and if needed, a further private loan negotiated with a bank and approved by the government. It can be argued that the main reactive method used here was layering (see Table 1), as now the government added subsidies to the demand as well as keeping supply-side subsidies available via FONAVI and PF. The preference of Pro.Cre.Ar had an element of drifting in detriment of FONAVI and PF as Macri's administration attempted to reduce the government deficit.

*Second Change:* The government reformed the process for selecting Pro.Cre.Ar's beneficiaries. The former method used a lottery system managed by the Banco Hipotecario, which overlooked the financial capacity of applicants, resulting in the filtering of valuable resources to wealthy individuals. The reform introduced a means-tested process that now scored applicant's socio-demographic and

economic characteristics before approving the allocation of subsidies. Additionally, and to reach the lower sector of the population, the entry salary to participate in Pro.Cre.Ar was lowered to 2 MW (from the previous 3MW). The government hoped that this would stop the leakages of subsidies to upper income households, as well as increase efficiency by better channelling public resources to benefit those in need.<sup>viii</sup> The reactive method used here can be characterised as conversion, as a new system of subsidy allocation replaced the old one.

*Third Change:* Although the management structure of Pro.Cre.Ar remains the same in the new administration, it is now under the incumbency of the Secretary of Housing and Habitat (SV for its Spanish acronym) and not the Ministry of Finance as it was prior. This was done so that the management of the programme and the office responsible for its delivery could be under the same roof and improve the coordination of housing finance with urban planning. With this change the incumbent hoped to solve past problems in terms of suitability of sites, given that several residential schemes were undertaken without considering local needs and availability of resources (transport infrastructure for example was frequently lacking, World Bank, 2017). In this case, the reactive method is displacement, as the SV replaced the Ministry of Finance in terms of delivery of the housing programs.

### **Results of the policy change:**

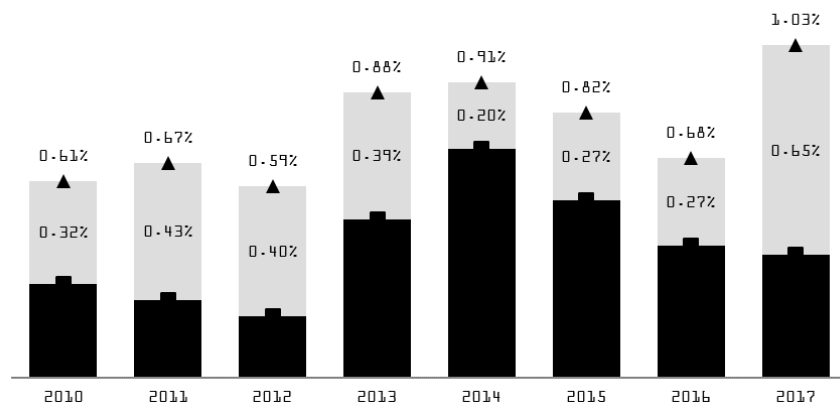
#### ***Results of implementing the reactive changes***

The following discussion evaluates the reactive changes introduced at the point of the conjuncture. The focus of the discussion is structured around the three main reforms described in the previous section, which targeted three objectives: a) boosting private sector investment b) targeting the most vulnerable and c) improving site selection for affordable housing schemes. This analysis uncovers self-reinforcing mechanisms with the potential to generate and sustain a new trajectory after the

conjuncture, which will answer the question of whether changes have the ability to create enduring consequences (Figure 1) or not (Figure 2). In short, the paper here will evaluate the level of stickiness of the new policies particularly now that Macri’s term has ended and the opposition party is back on power.

*First change:*

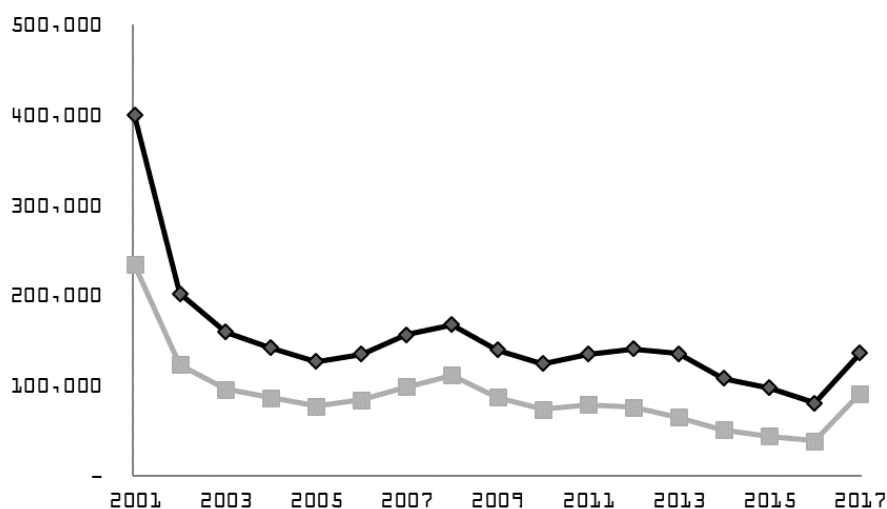
Table 5 shows the historical allocation of public and private resources for housing in Argentina as percentage of GDP according to data from the SV and the country’s Central Bank. It can be seen from the table that the current administration has halved the allocation of direct public resources to affordable housing (in black) while nearly tripling private sector investment (in grey). Overall, the move has achieved the highest level of private sector investment in affordable housing in the country since 2010.



Source: authors’ own based on SV and Argentina’s Central Bank data

Table 5: Allocation of financial resources as percentage of GDP 2010-2017 for all programs

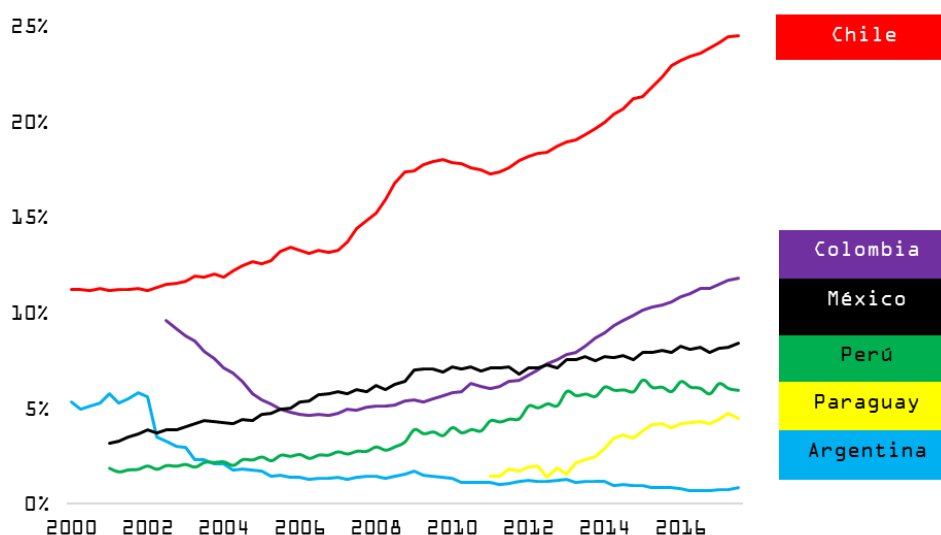
Argentina has also increased its mortgage market, reaching levels only seen during the economic peak of 2007, but still below the 1990’s record just before the collapse of the economy in 2001 (Table 6).



Source: authors' own based on Argentina's Central Bank data

Table 6: Size of loan market in Argentina (black) and mortgages (grey) in millions of Pesos (January 2018)

It can be argued that in terms of the utilitarian and efficiency methods of self-reinforcement, the success so far indicates that the directional changes can continue. Notwithstanding, the country still lags well behind other countries in the region (Table 7).



Source: authors' own based central bank data of each country

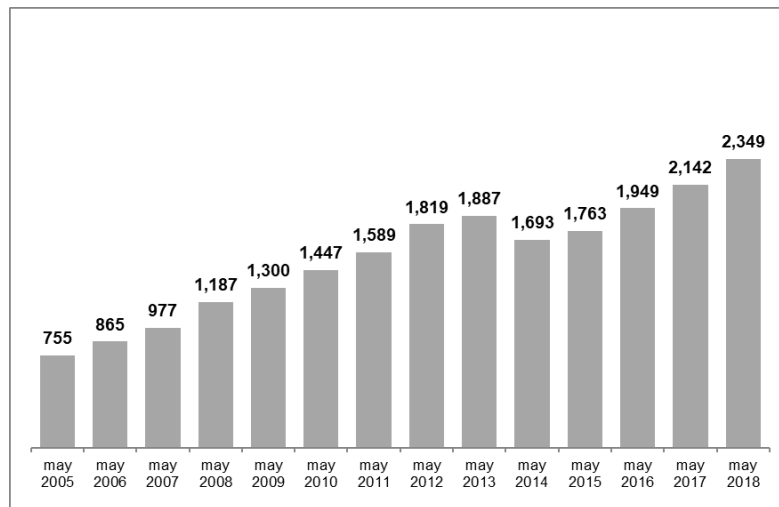
Table 7: Size of loan market as percentage of GDP 2010-2016 for Chile, Colombia, Mexico, Peru, Paraguay and Argentina

An increase in private sector investment certainly indicates that Argentina is transitioning from a practically state-driven housing regime of the Modernist type phase, to a late-neoliberal phase (Table 2). Still, the country's weak macroeconomics and high levels of inflation were certainly barriers for Macri's changes to be sustainable. A problem in the new approach concerns the introduction of UVAs in Argentina. Chile was the first country in Latin America to implement the system (Morande and Garcia, 2004). However, as the authors explain, two important conditions were met before its introduction: i) a path of stable and declining inflation rates; ii) the development of capital markets to support a demand for inflation-adjustable assets from institutional investors (pension funds, insurance companies, etc.). In contrast, Argentina has had since the turn of the century, high and persistent inflation rates (currently oscillating at around 50%, while that of Chile is 2%). Furthermore, since UVA mortgages follow the country's price index while salaries lag behind, there are increasing concerns of mortgage defaults particularly for families with long-term mortgages (20-30 years).<sup>ix</sup> Additionally, the depth of the country's mortgage market is dwarfed in comparison to the Chilean (Table 5). Chile's pension reform paved the way for the expansion of long-term institutional investors, such as pension funds and insurance companies. This deepening of its capital market allowed the availability of cash for private lenders to finance loans. In Argentina's shallow capital market, finding match funding to counterbalance private bank's balance sheets can be more difficult. In 2017, Macri did attempt a reform of the method to calculate pensionable pay. This reform was nowhere near the dramatic overhaul that the national pension system needs. The reform was passed by a margin of only 10 votes, in the midst of a riot happening outside the Congress that left 168 injured.<sup>x</sup>

*Second change:*

One of the inherent problems with demand side subsidies is that they tend to impact on house prices. In other words, prices rise to take into account the increased demand. Table 8 shows property prices

per m<sup>2</sup> for residential properties in the core areas of Buenos Aires (the autonomous region known as CABA, Ciudad Autónoma de Buenos Aires).



Source: Reporte Inmobiliario <http://www.reporteinmobiliario.com>

Table 8: Average price change residential (old stock) per m<sup>2</sup> in CABA

Since the policy changes were introduced, prices per m<sup>2</sup> in CABA have risen on average by 20%. Notwithstanding some caveats must be pointed out. Firstly, that the chart only shows activity in a small geographical region of the country (albeit an important one as CABA is considered a good indicator for Argentina's general trends). Second, there could be other factors influencing prices – such as the so-called blanqueo –or the tax and legal incentives given to Argentine nationals to repatriate their savings in 2016. This influx of dollars could also be behind the increase in property prices as wealthy Argentines profited from the blanqueo and turned their savings into real estate.

In relation to mortgage supply, it is not clear that private banks will be prepared to lend to low income consumers that carry high risk of default. Banks could ration supply to high-risk households, deepening already existing inequalities (a well-known barrier to credit also seen in Colombia and other developing countries, Gilbert, 2002; Chiquier and Lea, 2009). This situation could be worsened if Argentina's economic conditions do not improve (i.e high inflation, low wages and rising

unemployment continues). Increased support from central government might be needed in order to keep mortgage demand and provide access to credit for middle-to-low income families. This scenario indicates that despite the reactive changes introduced by the new administration, the failure to provide adequate shelter to the most vulnerable can threaten the legitimacy of the new policies and the institutions delivering the programmes.

*Third change:*

Another problem with demand side subsidies is the presumption that an appropriate supply of adequate land will be forthcoming. This is not a well-founded assumption and low-income housing schemes are still developed in the urban periphery, promoting an unsustainable low-density urban expansion that is now a characteristic of Argentina's urban agglomerations (Monkkonen and Ronconi, 2013). This lack of efficiency in land allocation also presents a threat to the reactive changes introduced by the new administration. However, the displacement of the Ministry of Finance in favour of the SV for managing Argentina's housing programs is an institutional change in the right direction.

**Conclusions:**

This paper presented a path dependency framework to analyse changes in housing policies implemented by an Argentinean neoliberal government who won power after 12 years of a leftist populist regime. Challenges to institutional self-reinforcing mechanisms were identified prior to the conjuncture, while reactive policy changes were detected at the time of the conjuncture. The effects of policy changes were then analysed considering their potential to generate new self-reinforcing mechanisms that can generate enduring consequences and create a new path. In terms of utilitarianism, the country has increased private sector investment and reduced the burden on the state. In terms of efficiency, the new way of allocating subsidies to families and the creation of the SV, should go some way to improve efficiency in the allocation of both financial subsidies and land,

although an overhaul of planning policies is still needed, for example by promoting regeneration projects in areas with good connectivity and services. In terms of legitimacy, the fact that the new arrangements are still missing the most vulnerable sector of the population leaves Pro.Cre.Ar open to questioning about its core mandate.

Beyond these policy changes in Pro.Cre.Ar, the new government has largely retained the previous institutional structure in FONAVI and PF. The implementation of the policy reforms is still in the hands of the 23 IPVs and so the success is dependent on their buy-in to the changed approach. As stated here, some IPVs have very low capacity to play a part in the new Pro.Cre.Ar and will be more inclined to prefer the status-quo offered by FONAVI and PF. This highlights the fact that the only institutional self-reinforcing mechanism that the incumbent did not foster after the conjuncture was the power one. Macri's lack of Congressional majority and the difficulties in passing neoliberal housing reforms (including planning) through a left-wing dominated Congress partly explains the constraints in making changes to the FHS with enduring consequences.

Furthermore, the reforms introduced are clearly designed along the model of financialisation of housing (Aalbers, 2015). However, Macri started from a very low base, with housing practices more aligned to those of the state driven Modernist period of the 1970's (Aalbers, 2015) and with low financialisation capacity compared with other neighbouring countries as was shown in Table 7. In the current state, the FHS is transitioning to neo-liberalism but not fully. Important contingent events happening at global level including trade instabilities (US and Mexico in particular) as well as more local ones (Argentina's stubborn inflation), can add pressure to the financial sequence affecting Argentina's housing system and the reactive changes introduced by Macri.

In conclusion, Argentina's housing policy conjuncture is better portrayed as one with no enduring consequences where reactive changes exemplify the gradual shift in housing policies as defined by



Malpass (2011). Macri and his party have lost the re-election campaign at the end of 2019; the successful Peronist party can easily reverse policy changes, as institutions are still the same as before Macri. Argentina's FHS is therefore path dependent, following the sequence of events portrayed in Graphic 2.

The case of Argentina demonstrates that political change alone (in this case from the extreme left to the right) is not sufficient to change the path of policy in a country, particularly in the context of an atomised Congress where small minority parties can swing in favour of the opposition and block reform.

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<sup>i</sup> Available at <https://www.argentina.gob.ar/sites/default/files/politicassociales-publicaciones-informe-gasto-social-2018.pdf>

<sup>ii</sup> Decree 902/12 <http://servicios.infoleg.gob.ar/infolegInternet/anexos/195000-199999/198531/norma.htm>

<sup>iii</sup> See full composition of Argentine Congress at <https://www.hcdn.gob.ar/index.html>

<sup>iv</sup> The Centre for Strategic and International Studies lists the most significant reforms planned and executed by Macri. Out of 43 reforms, only 8 were approved, 35 were still in progress or listed as incomplete at the time of his departure from office in December 2019. See <http://argentinareforms.csis.org/index.html#start>

<sup>v</sup> See ANSES newsfeed (2012) <http://www.iprofesional.com/notas/139523-Crditos-ProCreAr-el-Banco-Hipotecario-difundi-los-modelos-de-viviendas>

<sup>vi</sup> TECHO [https://issuu.com/techoargentina/docs/relevamientos\\_de\\_asentamientos\\_2013](https://issuu.com/techoargentina/docs/relevamientos_de_asentamientos_2013) and [http://relevamiento.techo.org.ar/downloads/informe\\_relevamiento\\_TECHO\\_2016.pdf](http://relevamiento.techo.org.ar/downloads/informe_relevamiento_TECHO_2016.pdf) For the methodology see [file:///C:/Users/kls07cbm/Desktop/ivt\\_metodologia%20TECHO.pdf](file:///C:/Users/kls07cbm/Desktop/ivt_metodologia%20TECHO.pdf)

<sup>vii</sup> The new administration implemented important finance changes: a) an inflation target was introduced; b) the Central Bank's independence was restored; c) introduction of a tax incentive programme to repatriate Argentines' cash deposited abroad (blanqueo). The latter managed to increase central bank reserves by approximately US\$ 5,300 million, deepening the capital markets and availability of cash for loans and mortgages (<http://www.latercera.com/noticia/argentina-recauda-us-5-300-millones-blanqueo-capitales/>). At the housing level, the possibility of taking deposits as well as granting mortgage loans denominated in indexed units (known as UVAs) was allowed. The value of the UVA has been benchmarked following the construction cost of a pre-determined housing typology (known as "model 6" for a single-family unit) which is measured by Argentina's National Statistics Agency (INDEC). The value is linked to the construction prices for the metropolitan area of Buenos Aires -the ICC index for its Spanish acronym, which is also provided by the INDEC. The UVA benchmark was established on the 31st March 2010 with an initial value of AR\$ 14.05, and representing the cost of building a 1/1000th of a square meter of housing. The value is obtained from calculating a simple average for the price of construction for the Autonomous City of Buenos Aires and the cities of Córdoba, Rosario, Salta, Paraná and Santa Fe, therefore contemplating a range of construction prices from the most expensive Buenos Aires to medium cities like Córdoba and less expensive locations such as Salta. In order to adjust the UVA to inflation, Argentina's Central Bank introduced on 31st March 2016, an inflation coefficient (Coeficiente de Estabilización de Referencia –CER). This new UVA thus provides the real interest rate of accounts as opposed to the previous which was nominal. Argentina's Central Bank now allows deposits and mortgage loans denominated in UVA. The goal is to encourage savings as well as funding for long term instruments in the context of an inflationary economy. The provision of adjustable mortgage loans is a completely new direction for the country, since indexation to any type of contracts was forbidden by law since 2002 (See Articles 7 and 10 of Law No. 23,928, provided for in article 27 of Decree No. 905/02, ratified by Law No. 25,827, and article 21 of Law No. 27,271). The restriction included any type of real estate development contract, as well as mortgages and rentals. The decree 146/2017 allows now

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for indexation of real estate mortgages and for urban developments loans, although restrictions still apply to rental contracts.

<sup>viii</sup> Details of the programme and a brief summary of the changes can be found in <https://www.argentina.gob.ar/procrear/quees> (in Spanish).

<sup>ix</sup> Difficulties in keeping-up with mortgage payments have been reported in the local media, with headlines like ‘UVA mortgages: The nightmare of owning a home’ <https://www.pagina12.com.ar/226524-creditos-uva-la-pesadilla-de-la-casa-propia>

<sup>x</sup> <https://www.lavanguardia.com/internacional/20171219/433762364494/argetina-reforma-pensiones-protestas.html>