STRONG PRESIDENTS POWERFUL PROVINCES: THE POLITICAL-ECONOMY OF PARTY BUILDING IN ARGENTINA'S FEDERAL SYSTEM
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STRONG PRESIDENTS POWERFUL PROVINCES: THE POLITICAL ECONOMY OF PARTY BUILDING IN ARGENTINA’S FEDERAL SYSTEM
Resumen

Las investigaciones más recientes destacan dos visiones alternativas en el estudio de la política en Argentina. Una enfatiza la fuerza de las instituciones federales, la otra la fortaleza de los presidentes en el sistema. No obstante ser frecuentemente descritas como opuestas, se demuestra cómo la presencia de presidentes fuertes complementa la de líderes provinciales poderosos. Argumento que, gracias al sistema electoral federalizado, los políticos que aspiren a cargos electivos nacionales deben asegurarse el apoyo político de los líderes provinciales. En tanto los líderes nacionales han sido capaces de proveer beneficios a los políticos en las provincias, los líderes provinciales los han apoyado en las elecciones. El análisis histórico de la creación de políticas públicas durante el periodo de desarrollo guiado por el estado muestra que los presidentes usaron su posición privilegiada para canalizar una variedad de beneficios a los gobiernos provinciales. Esta situación llevó al desarrollo de las economías provinciales y al establecimiento de un apoyo electoral estable en las elecciones nacionales. El análisis de los recientes ajustes económicos, a pesar de relegar la importancia de las posiciones del presidente y de los líderes provinciales, muestra igualmente que la incapacidad de proveer los beneficios acostumbrados daña a los políticos nacionales en las elecciones.

Abstract

Recent research highlights two competing trends in studies of Argentine politics. One emphasizes the strength of federal institutions; the other the powerful position of presidents in the system. Often depicted as opposing, I show how the presence of powerful presidents complements that of strong provincial leaders. I argue that, thanks to the federalized electoral system, politicians aspiring to national office must ensure the support of provincial political leaders. As long as national leaders have been able to confer benefits on provincial politicians, provincial leaders have supported them at the polls. Historical analysis of national policy-making during state-led economic development shows that presidents used their privileged political positions to channel a variety of benefits to provincial governments, leading to the development of provincial economies and stable electoral support in national elections. Analysis of recent economic adjustment, though underscoring the powerful position of presidents and provincial leaders, also shows how the inability to provide customary benefits hurts national politicians at the polls.
Introduction

After nearly a century of scholarship stressing the weakness of Argentine federalism, there has been a proliferation of studies in recent years demonstrating the important role of local politics in shaping national parties, politics, and government. Several scholars have noticed, for example, that thanks to the highly federalized nature of this country's electoral system, most electoral competition occurs at provincial levels, even that affecting national government (see, for example, Jones 1997). Provincial party leaders are responsible for composing party lists and running campaigns for the national congress, provincial governments, and municipal offices. Given that local party bosses manage the careers of most politicians in the system, national legislators tend to choose committee assignments based on the wishes of provincial party leaders more than any other political criteria (Jones 2002). This has, among other things, undermined the role of the national congress in formulating public policy or in acting as a check on presidential powers.2

Despite evidence of the strength of Argentine federal institutions, another trend has emerged among scholars of Argentine politics in recent years. Several have discussed the power of national political leaders over other branches and levels of government. Studies about the ability for national party leaders to enforce party discipline in the national congress demonstrate the strength of national politicians over local interests (Jones 2002). Research on presidential decrees shows that there has been a concentration of power in the national executive, with presidents controlling most aspects of public policy-making (Rubio and Goretti 1998). Analysis of the national executive's power of federal intervention in provincial affairs and the ability for the national congress to reject provincial constitutions also supports arguments about the strength of national leaders in relation to local ones (Jones 1997a). Such evidence has been used in the past to suggest that Argentine federal institutions are weak.3

Given such conflicting interpretations of the Argentine system, we might be left wondering how to interpret the structure of Argentine politics and government. Are Argentine presidents strong4 or are they weak in the face of powerful provincial

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1 See, for example, Macdonald (1942) and Rowe (1921).
2 In order to protect their political power, provincial bosses rotate politicians through different public offices, thus preventing politicians from building long congressional careers, policy expertise, or independent bases of support (Jones et al. 2002).
3 See, for example, Macdonald (1942) and Rowe (1921).
4 In this article, strong presidentialism refers to the executive's ability to dominate other branches of national government. Both formal (that is, constitutional) and less formal (such as their ability to manipulate the policy-making process and the distribution of benefits through the national bureaucracy) powers contribute to presidential power.
politicians? Is the support of provincial delegations in Argentina whipped or carefully cultivated by national leaders? Do public policies reflect central or regional interests? In this article, I address and resolve these questions. Rather than depicting the strengths of national and local leaders as mutually exclusive, I show how strong national executives coexist with powerful provincial leaders, centralized policy-making coexists with attention to local interests, and self-interested provincial delegations with disciplined national parties. Even though these institutions coexist, however, I also demonstrate that they do not always do so peacefully. Analysis of economic and fiscal policies in Argentina explains the conditions favoring the peaceful cohabitation of powerful national and provincial leaders, and when it does not.

The coexistence of strong presidential and federal institutions should be of interest to students of federalism more generally, if only to help us understand how Argentine institutions set this country apart from other federal systems in Latin America, namely Mexico and Venezuela. Strong federal institutions give provincial governments considerable policy authority, fiscal resources, and electoral independence from their national counterparts. Provincially organized elections require politicians aspiring to local or national office to create provincial bases of support and local party machines to oversee campaigns. Policy authority combined with fiscal resources give local politicians the ability to set local political agendas and reward constituents apart from national leaders. Local elections, policy authority, and fiscal resources thus combine to give local politicians important weight in determining local and national electoral outcomes, as well as the ability to protect themselves from national political trends. The absence of any one of these ingredients undermines the ability of local politicians to decide political matters or cultivate support apart from national leaders. In this case, local politicians must rely on national governments for electoral, policy, or fiscal resources. With this in mind, of the four federal systems in Latin America, only Argentina and Brazil qualify as strongly federal.5 Local governments in Mexico and Venezuela have traditionally lacked the electoral, policy, or fiscal autonomy (or at times all of the above) to build local constituent support apart from national leaders (Benton 2001).

This article shows how strong federal institutions encourage national politicians to channel sizeable state resources and other benefits to local leaders for their exclusive use whenever possible. The localized nature of national elections means that national leaders must curry the favor of local politicians and party machines, rather than national ones, to ensure political careers and electoral success. When national leaders have access to resources sufficient for building local support, the coexistence of strong presidential and federal institutions can work to the benefit of both national and local leaders. When constitutionally strong presidents are unable to provide benefits to local politicians or governments, these two institutions

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5 This discussion is taken from Benton (2001). See also Geddes and Benton (1997) and Willis, Garman, and Haggard (1999) for similar conclusions about the relative strength of Latin American federalisms.
collide. In this case, national leaders are unable to cultivate the support of provincial politicians, leading to their political decline.

In this article, I address the conditions favoring harmonization and discord between strong presidential and federal institutions. I show how, during state-led economic development, national leaders relied on their privileged access to the state, its resources, and its policy-making tools to build the support of provincial politicians. This led to a coordination of strong presidential and federal institutions in Argentina and the survival of stable, coherent national parties throughout most of the 20th century. During recent economic adjustment, however, national politicians have been unable to use state resources to cultivate support. Without the ability to provide traditional benefits, the allegiance of local leaders has weakened, leading to a decline in support for national parties at the polls. This study thus highlights the economic conditions under which Argentine presidents have been able to use their political weight to overcome strong federal institutions, and when they have not.

To understand and explain the coexistence of powerful presidents and provinces in Argentina, the article proceeds as follows: First, I describe the pivotal role that local leaders have historically played in both provincial and national political processes in Argentina. This section explains why, since the formation of the federal system in the 19th century, those politicians aspiring to national office have found it necessary to cultivate the support of local leaders. To support the argument about the coexistence of strong presidents and powerful provincial politicians in Argentina, I then discuss the structure of national economic policymaking. In systems where local politicians play an important role in party building, economic policy-making should be centered around developing regional economies, not economic sectors. In the second and third sections, I discuss the complex web of economic policies and fiscal transfers used by national leaders to develop provincial economies and political support.

Although sections two and three concentrate on historic national policy decisions, in the fourth section I offer contemporary evidence to support the important role of local leaders in national politics. Though the considerable authority reserved to national executives in Argentina enables them to introduce radical economic policy reforms, the structure of Argentine federalism has left national leaders powerless to force provincial governments to initiate reforms as well. Taken together, these last three sections demonstrate the ability for presidents to use state resources to build support but also attest to the capacity of local governments to ignore national policy objectives when politically expedient. To conclude, I discuss the uneasy coexistence of powerful presidents and strong federal institutions in Argentina during economic crisis and reform, and their combined effect on this country's political and economic stability. In the end, this article shows how powerful presidents coexist with strong federal institutions but that during periods of economic decline this coexistence is anything but easy or serene.
The Role of Provincial Politicians in National Politics and Party Building

This section describes the role of provincial politicians in Argentine politics. The Argentine provinces\(^6\) enjoy substantial political, policy, judicial, and fiscal autonomy from the national government, with their governments responsible for running elections for national offices. Thanks to Argentina's strongly federalized political and electoral system, the fates of national politicians depend on the ability of regional party leaders to cultivate support for their parties at the polls. Understanding the important position of local elites in national politics will help later to explain why they have been so effective in extracting major policy concessions and fiscal resources from national policy-makers, even powerful national presidents.

The Constitutional Powers of Provincial Governments

The Argentine Constitutions of 1853 and 1994 reserve significant powers to provincial governments. They have the right to adopt their own constitutions and to establish representative governments. Representative provincial governments consist of elected governors and legislatures, and locally appointed judiciaries. Rules for electing governors and provincial legislatures are up to local authorities. This has resulted in a variety of provincial electoral systems, including single-tiered proportional representation systems, the use of multiple lists (*lemas*), and two-tiered systems with both proportional and plurality districts. Judiciaries are given control of those areas not reserved to national courts. Provincial governments are also responsible for overseeing elections for national offices, though all provinces follow the same electoral rules for filling national offices. The importance of provincial control over national elections for strengthening the role of local leaders in national politics is discussed below.

Provincial governments retain all powers not delegated by the national constitution to the federal government, as well as those powers expressly reserved to them at the time of their incorporation into the federal system. Provincial governments are given the authority to make policy in a variety of areas not specifically reserved to national authorities, as well as retain the right to levy and collect taxes. Provincially appointed bureaucracies administer local policy initiatives, and often control the implementation of national policies. Provincial governments can promote industry, immigration, railway and canal construction, the settlement of lands, the establishment of new industries, the importation of foreign capital, and the exploration of rivers. They are also able to contract loans and issue bonds, and to create their own utilities, enterprises, industries, and banks. Provincial authorities are responsible for creating and financing municipal governments.

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\(^6\) Argentina has 23 provinces and one federal district.
The Provincial Orientation of Local and National Politics

Thanks to the powers enjoyed by provincial governments, provincial leaders have played a pivotal role in Argentine politics and government since the 19th century. Provinces serve as Argentina's principal electoral districts, and those politicians aspiring to national and provincial office must have the province as their principal point of reference. Provincial leaders control the composition and order of party lists used to elect representatives to the national chamber of deputies. During the 20th century, provincial legislators elected representatives to the national senate. Although senators have been directly elected since 2001, provincial élites will likely remain prominent players in choosing senatorial candidates, in running provincial electoral campaigns, and in cultivating support for candidates at the polls. Provincial political leaders shape the career paths and electoral fates of their representatives to the national congress, giving them significant power over their congressional delegations and thus national policy positions. Thanks to this control, presidents regularly seek the support of governors and local political leaders for major or unpopular policy measures, especially those needing congressional approval.

Provincial political élites also play a central role in the election of national presidents. Between 1853 and 1994, the national executive was indirectly elected through an electoral college. Citizens in Argentina went to the polls to select provincial presidential electors, with each province's allocation equal to twice the number of representatives sent to both houses of the national congress. Provincial leaders, however, controlled the order and composition of slates of provincial electors, as well as the ultimate votes of their delegates, giving them important sway over national electoral outcomes. The traditional independence of local political élites meant that presidential candidates were not automatically guaranteed the support of their electors. Though electors usually cast their votes for their designated presidential candidate, they occasionally received orders to defy the popular vote and, instead, support candidates favored by their local party leaders (Molinelli 1989, 10-11).

Although the electoral college is no longer used today, presidential hopefuls regularly seek the support of provincial governors and local party leaders during their efforts to win internal party nominations, as well as during subsequent electoral campaigns. Provincial élites control local party organizations, making them important allies during presidential contests. Indeed, national parties in Argentina can best be described as coalitions of provincial party organizations. As a result, politicians aspiring to the national presidency must seek the backing of provincial leaders.

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Between 1862 and 1910, and in 1937 and 1946, electors were chosen using a complete list system, with parties receiving a plurality of provincial votes in presidential elections entitled to choose all electors in that province. Between 1916 and 1932, and in 1958, an incomplete list system was used. Here, the leading presidential candidate's party in each province named 2/3 of that province's electors, with the remainder going to the runner up. More recently, a proportional system allocated electors, though since 1995 presidents have been directly elected by national popular vote.
political elites and their party machines in order to become viable contenders for this office. The role of provincial political leaders in electing local and national governments has enabled them to become prominent players in national politics without ever having reached public office beyond provincial borders.

The Provincial Orientation of Political Parties and Party Systems

Since national and provincial electoral competition occurs in provincial ballots, national parties are organized along federal lines. Local party branches compose their own constitutions and party platforms, and draft rules and procedures for deciding local party matters. They elect their own leaders and party officers, as well as maintain their own membership lists and party activists. Local party organizations are responsible for forming party lists for both local and national elections, as well as running electoral campaigns. Sometimes local branches of national party organizations have different names than their national counterparts. Provincial party leaders frequently negotiate with other local parties to run joint lists in local and national elections. Provincial coalitions have been important in cultivating support for gubernatorial and presidential candidates as well. This has given local leaders considerable autonomy from their national party apparatus. Provincial party branches in the Partido Justicialista (PJ) and the Unión Cívica Radical (UCR) have followed this federal organization.

The traditional role of provincial party branches has meant that national politics is the aggregation of local party systems. This has made truly national parties almost nonexistent (Snow 1971, 39). Local party systems operate independently from national ones, with both local and national politicians loyal to provincial party leaders. Thanks to the role of provincial parties in Argentina politics, the country is peppered with numerous provincial and regional parties. In several provinces, these parties have become major players in local politics, regularly winning provincial elections, including gubernatorial races. Provincial parties are important allies and nationally organized parties actively pursue coalitions with these groups in order to increase their chances at the polls.

Recent studies support the important role of local party branches and provincial parties in national politics. When Argentine provincial gubernatorial elections are held concurrently with those for the national chamber of deputies, provincial contests have a strong, negative impact on the level of multipartism at the national level (Jones 1997b). Non-concurrent national-provincial elections, on the other hand, result in higher levels of multipartism in congress. A similar “reverse-coattails” effect has been noted in strongly federal Brazil (Ames 1994). Such studies

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* Some of the larger provincial parties include the Pacto Autonomista Liberal in Corrientes, the Movimiento Popular Neuqueño in Neuquén, the Renovador de Salta in Salta, the Bloquista party in San Juan, and the Movimiento Popular Fueguino in Tierra del Fuego.
imply that candidates for national office improve their chances when local political leaders support their campaigns.


In this section, I show how protectionist economic policies and fiscal transfers have been extended to provincial governments throughout the 20th century. That policy-making and the distribution of benefits in Argentina has been organized around provincial economies, rather than the country's principal industrial and agricultural sectors, attests to the important influence of local politicians national politics and government, as well as the considerable resources controlled by national leaders.

The Provincial Structure of State-Led Economic Development

Economic policy-making has been the principal means through which national politicians and parties in Argentina have built support from a wide range of seemingly disparate provincial political groups. During the 19th century, the importance of provincial governors to the stability of the infant federal system required national leaders to use economic policy-making to ensure support among such diverse constituents as the pampean cattle oligarchy and provincial elites from the interior. Liberal economic policies encouraged the growth of pampean exports, while protectionist policies, subsidies, patronage jobs, and political favors were extended to provinces in the interior (Keeling 1997; Rutledge 1987; Sawers 1996; Scobie 1964). Thanks to such measures, both pampean and interior elites prospered, helping them to preserve their dominant positions in local politics and thus continue to engineer support for chosen national leaders at election time.

Of course, the central government could have chosen to target preferential policies on specific provinces, rather than confer benefits to as many as possible. The nature of political institutions in the late 19th and early 20th centuries, however, precluded such a strategy. In order to protect their interests and, more important, ensure the stability of the new federal order, an informal, self-enforcing political bargain was struck between presidents and provincial elites to include provincial governors in national decision-making. Under this agreement, called the "conservative order," presidents required the support of a majority of governors for all major policy decisions, including presidential succession, economic policy, and the distribution of national revenues (Gibson 1996, 46). In exchange for their collaboration, governors were guaranteed a monopoly over local politics. That most

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9 Pampean plains cover vast areas of land in the provinces of Buenos Aires, Córdoba, Entre Ríos, La Pampa, and Santa Fe. La Pampa, however, was not officially a province until 1951. During this period, interior provinces included Catamarca, Corrientes, Jujuy, La Rioja, Mendoza, Salta, San Juan, San Luis, Santiago del Estero, and Tucumán.
provinces were located in the interior meant that most benefited from governmental policy-making.

The disproportionate nature of representation in the Argentine congress, thanks to equal representation in the senate and overrepresentation of interior provinces in the lower chamber, discussed below, meant that politicians continued to target benefits to as many provinces as possible even with the rise of more competitive party politics in the early 20th century. Indeed, the introduction of import-substitution industrialization (ISI) in the 1930s radically increased the level and type of resources available to national politicians for building support. During the course of the 20th century, national politicians from both the PJ and UCR relied on a variety of protective tariffs, cheap credit, generous subsidies, price supports, and guaranteed markets to support industrialization and agricultural development in the various provinces (Artana 1991, 14-15; Díaz Alejandro 1970, 164-165; Sin and Palanza 1997). Most economic policies were drawn up and implemented by the national executive, with congress often acting as a rubber stamp on presidential designs.

State-led economic development became vital to the success of established parties. The heavy concentration of ISI industries and state-owned enterprises in the pampean provinces, for example, meant that any reluctance to continue governmental support to these provinces risked the ire of industrial entrepreneurs, unions and their workers, and thus certain electoral defeat. In 1954, the pampean region accounted for nearly 83 percent of all industrial establishments, most state-owned enterprises and utilities, and about 72 percent of the Argentine population, with this pattern persisting over time. Subsidies and other forms of state assistance were extended to the interior, enabling local elites to expand into non-traditional agricultural and industrial production for domestic consumption. Though only accounting for about 30 percent of total population, the increasing overrepresentation of interior provinces in the national congress (and in the electoral college) made it imperative for national leaders to curry the favor of interior provincial elites. Between 1947 and 1991, though the share of population located in the interior remained constant, their share of national deputies rose by 20 percent. Interior elites used state assistance to deliver benefits to constituents and thus votes for the parties and politicians they favored. Table 1 lists the main agricultural and industrial products supported as import-substitutes in provincial Argentina during the 20th century. The information provided in this table on the variety of industrial and agricultural enterprises supported by the federal government attests to the provincial orientation of national policy-making in Argentina. The importance of local party leaders for building support for national politicians at the polls encouraged them to target benefits to provincial economies, rather than less region-specific industrial and agricultural sectors.
### Table 1
Traditional Provincial Import Substitute Products and Protectionist Policies in 19th and 20th Century Argentina

<table>
<thead>
<tr>
<th>Region</th>
<th>Provinces</th>
<th>Industry</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pampas</td>
<td>Buenos Aires</td>
<td>Manufacturing and Industry</td>
<td>Rice</td>
</tr>
<tr>
<td></td>
<td>Córdoba</td>
<td></td>
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<tr>
<td></td>
<td>Entre Ríos</td>
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<td></td>
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<td></td>
<td>Federal Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>La Pampa</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Santa Fe</td>
<td></td>
<td></td>
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<tr>
<td>Cuyo</td>
<td>Mendoza</td>
<td>Wine</td>
<td>Grapes</td>
</tr>
<tr>
<td></td>
<td>San Juan</td>
<td>Manufacturing and Industry</td>
<td></td>
</tr>
<tr>
<td></td>
<td>San Luis</td>
<td>Manufacturing and Industry</td>
<td></td>
</tr>
<tr>
<td>Nor east</td>
<td>Chaco</td>
<td>Yerba Maté Processing</td>
<td>Tobacco</td>
</tr>
<tr>
<td></td>
<td>Corrientes</td>
<td>Paper Mills</td>
<td>Tobacco</td>
</tr>
<tr>
<td></td>
<td>Formosa</td>
<td>Tea Drying Plants</td>
<td>Tobacco</td>
</tr>
<tr>
<td></td>
<td>Misiones</td>
<td>Cotton Mills</td>
<td>Tobacco</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manufacturing and Industry</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oil and Natural Gas</td>
<td></td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northwest</td>
<td>Catamarca</td>
<td>Sugar Processing</td>
<td>Sugar Cane</td>
</tr>
<tr>
<td></td>
<td>Jujuy</td>
<td>Processing Tomatoes and</td>
<td>Tobacco</td>
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<tr>
<td></td>
<td>La Rioja</td>
<td>Citrus Fruits</td>
<td>Tomatoes, Citrus,</td>
</tr>
<tr>
<td></td>
<td>Tucumán</td>
<td>Manufacturing and Industry</td>
<td>Cotton</td>
</tr>
<tr>
<td></td>
<td>Salta</td>
<td>Oil and Natural Gas</td>
<td>Legumes and Cereals</td>
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<tr>
<td></td>
<td>Santiago del</td>
<td>Mining</td>
<td></td>
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<td></td>
<td>Estero</td>
<td></td>
<td></td>
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<tr>
<td>Patagonia</td>
<td>Chubut</td>
<td>Food Processing</td>
<td>Agriculture (fruit,</td>
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<td></td>
<td>Neuquén</td>
<td>Wool Processing and Spinning</td>
<td>grapes, tomatoes)</td>
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<td>Rio Negro</td>
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<td>Sheep</td>
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<td>Santa Cruz</td>
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</tr>
<tr>
<td></td>
<td>Tierra del Fuego</td>
<td>Mining</td>
<td></td>
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</table>

The Provincial Structure of Federal Fiscal Transfers

Despite general references to the distribution of federal and provincial taxing authority in the national Constitution of 1853, no formal legislation establishing the structure of intergovernmental fiscal relations was passed until 1935. The absence of any revenue sharing system between 1853 and 1935 meant that provincial budgets were limited to revenues from provincial taxes, leading to considerable variation in the abilities of local administrations to finance infrastructure, public works projects, and other public goods (FIEL 1993, 135 and 137; Porto 1990, 96). Provincial budgets were occasionally supplemented with transfers from the federal government; however, these transfers only played a small part in provincial revenues. This made the provision of policy benefits to interior elites critical for building national parties and maintaining political support. The federal government financed its limited public expenditures principally through customs duties (Porto 1990, 95).

The Great Depression brought latent problems associated with the lack of federal-provincial tax coordination to a head. To resolve these problems, in 1935 the government introduced a system, the Ley de Coparticipación Federal de Impuestos or Federal Tax Revenue Sharing Law, to help coordinate federal and provincial tax revenues. The system centralized the collection of specific taxes in the federal government, with revenues distributed between the federal and provincial governments (Porto 1990, 97). Of course, provincial governments still retained the right to levy numerous local taxes, however, in exchange for their participation in the new program they were required to suspend any taxes duplicating those included in the system. Despite numerous changes to it over the years, this system is still used today.

The initial Federal Tax Revenue Sharing system worked to the advantage of the federal government. Table 2 records the distribution of Revenue Sharing resources since its inception in 1935. As shown, the share going to the national government amounted to, on average, 77 percent of total Revenue Sharing funds between 1935 and 1945. These resources allowed the government to increase public expenditure on infrastructure, as well as to implement measures to increase domestic production, industrial capacity, and employment in the provinces (FIEL 1993, 138). Though the primary, federal-provincial division favored the federal government, the secondary, inter-provincial distribution favored the less prosperous interior. As shown in Table 3, though comprising approximately 28 percent of the population, the proportion of Revenue Sharing resources transferred to the interior reached 37 percent in 1945. Resources going to the pampas reached a high of 63 percent between 1935 and 1945, even though these provinces accounted for 72 percent of the total population. Over time, the proportion of Revenue Sharing funds transferred to the interior increased dramatically, going from 27 percent to 56 percent of federal Provincial governments during this period relied on local production, consumption, real estate taxes, and patents to support local expenditures (Pirez 1986, 12; Porto 1990, 95).
<table>
<thead>
<tr>
<th>Year</th>
<th>President</th>
<th>Percent Allocated to Provincial Governments</th>
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<tbody>
<tr>
<td>1935</td>
<td>Conservative Rule</td>
<td>29.1</td>
</tr>
<tr>
<td>1936</td>
<td>17.9</td>
<td></td>
</tr>
<tr>
<td>1937</td>
<td>25.0</td>
<td></td>
</tr>
<tr>
<td>1938</td>
<td>24.0</td>
<td>Arturo Frondizi (UCRI)</td>
</tr>
<tr>
<td>1939</td>
<td>23.4</td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td>24.3</td>
<td></td>
</tr>
<tr>
<td>1941</td>
<td>24.6</td>
<td></td>
</tr>
<tr>
<td>1942</td>
<td>23.9</td>
<td>Military</td>
</tr>
<tr>
<td>1943</td>
<td>22.1</td>
<td>Arturo Illia (UCR)</td>
</tr>
<tr>
<td>1944</td>
<td>18.9</td>
<td>Military</td>
</tr>
<tr>
<td>1945</td>
<td>19.1</td>
<td>Raul Alfonsín (UCR)</td>
</tr>
<tr>
<td>1946</td>
<td>17.9</td>
<td></td>
</tr>
<tr>
<td>1947</td>
<td>20.8</td>
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<td>1950</td>
<td>19.4</td>
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</tr>
<tr>
<td>1953</td>
<td>21.9</td>
<td>Juan Perón (PJ)</td>
</tr>
<tr>
<td>1954</td>
<td>21.9</td>
<td>Maria Martínez (PJ)</td>
</tr>
</tbody>
</table>

Note: *No Revenue Sharing Law was passed by the national congress and transfers to provincial governments were discretionary (World Bank 1996b, 45). PJ: Partido Justicialista; UCR: Unión Cívica Radical; UCRY: Unión Cívica Radical Intransigente.
fiscal transfers between 1945 and 1994 (see Table 3). Such redistribution far outstripped any demographic changes during this period. In 1991, the interior accounted for just under 32 percent of total population (República Argentina 1994).

Table 3
The Inter-Provincial (Secondary) Distribution of Federal Revenue Sharing Resources in Argentina, 1935-1994 (Percent)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pampas</td>
<td>51.7</td>
<td>62.9</td>
<td>64.7</td>
<td>61.8</td>
<td>55.4</td>
<td>57.8</td>
<td>52.4</td>
<td>46.7</td>
<td>43.2</td>
</tr>
<tr>
<td>Cuyo</td>
<td>28.9</td>
<td>16.9</td>
<td>13.7</td>
<td>10.5</td>
<td>9.8</td>
<td>9.8</td>
<td>9.2</td>
<td>9.9</td>
<td>9.2</td>
</tr>
<tr>
<td>Northeast</td>
<td>2.2</td>
<td>4.4</td>
<td>4.2</td>
<td>10.3</td>
<td>12.9</td>
<td>11.2</td>
<td>13.2</td>
<td>15.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Northwest</td>
<td>17.3</td>
<td>15.9</td>
<td>17.6</td>
<td>17.5</td>
<td>17.1</td>
<td>15.2</td>
<td>18.4</td>
<td>20.7</td>
<td>19.2</td>
</tr>
<tr>
<td>Patagonia</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.9</td>
<td>6.1</td>
<td>6.8</td>
<td>7.0</td>
<td>12.4</td>
<td></td>
</tr>
</tbody>
</table>

Note: Columns may not add to 100.0 due to rounding. *Pampean provinces include Buenos Aires, Córdoba, Entre Ríos, La Pampa, and Santa Fe. The Cuyo includes Mendoza, San Juan, and San Luis. The Northeast includes Chaco, Corrientes, Formosa, and Misiones. The Northwest includes Catamarca, Jujuy, La Rioja, Tucumán, Salta, and Santiago del Estero. Patagonia includes Chubut, Neuquén, Río Negro, Santa Cruz, and Tierra del Fuego. **Does not include 1.4 percent allocated to the Federal Capital.

The increasingly redistributive tendencies of national policy makers reflect growing efforts to deliver benefits to provinces unable to keep pace with the more prosperous pampas. National politicians have increasingly turned to federal transfers to supplement protectionist policy measures in order to ensure the support of provincial parties and their leaders at the polls. Moreover, as the share of representatives controlled by interior provinces in the national congress increased, so too did their share of federal transfers. The importance of maintaining political support of all provincial leaders, however, meant that rather than penalizing the prosperous pampean provinces for increased funds to the interior, national leaders have chosen to increase absolute resources transferred to provincial governments through the inclusion of new taxes in the system and renegotiation of the primary, federal-provincial distribution in favor of local governments. For this reason, though funds allocated to interior governments have increased dramatically over time, pampean transfers have risen as well, though at a somewhat slower pace (see Figure 1).

One of the most explicit uses of revenue sharing funds to build support occurred during the presidency of Arturo Frondizi (Unión Cívica Radical Intransigente -UCRI). With the proscription of the Peronist candidates from the 958 presidential elections,
Frondizi sought the support of neo-Peronist parties controlling many provincial governments. Once elected, Frondizi proposed and passed a law to change the primary distribution of funds between the federal and provincial governments, add several interior provinces to the system, and alter the formula allocating funds between provinces. As a result of these changes, the share going to provincial governments jumped 8 percent (see Table 2). Modifications to the secondary distribution, favored the poorer and more sparsely populated interior where most neo-Peronist governments and their constituents resided. In 1973, another politically motivated reorganization of the system occurred after reelection of Juan Domingo Perón (PJ). As shown in Tables 2 and 3, changes to the system increased the share going to all provincial governments, as well as the portion going to the interior. As with Frondizi, interior provinces accounted for large part of Peronist support.

Reforms passed in 1988 conceded the greatest share to provincial governments in Argentine history, amounting to 57 percent (see Table 2). Though the provincial share dropped to 49.1 percent in 1992 (see Table 2), absolute funds transferred to provincial governments increased. Provincial governors were compensated for a drop in their overall share of Revenue Sharing funds with promises of increased future tax collections gained from improvements to the federal tax administration, as well as guaranteed minimum monthly payments (Cláusula de Garantía), and an increase in funds designed to cover newly transferred education and healthcare responsibilities. As shown in Figure 1, though Revenue Sharing transfers have increased in absolute terms throughout the years, the biggest increases occurred in the early 1990s. Figure 1 also shows that Revenue Sharing has consistently favored interior governments.

**Figure 1**
Federal Tax Revenue Sharing Resources Transferred to Provincial Governments in Argentina, 1983-1995 (Average Per Capita Transfers Across Provinces)
Federal Revenue Sharing has accounted for, on average, 57 percent of total transfers to provincial governments since 1973. Making up the difference is an array of other federal funds, the most important of which include Aportes del Tesoro Nacional or National Treasury Grants, Coparticipación Vial or the Highway Fund, the Fondo de Desarrollo Regional or Regional Development Fund, the Fondo de Desarrollo Eléctrico del Interior or Energy Development Fund, the Fondo Nacional de Vivienda or National Housing Fund, and various royalty payments to oil and natural gas producing provinces. These transfers have followed the same redistributive pattern.

Fiscal transfers enable provincial politicians to reward loyal party activists and political brokers, and thus cultivate support for themselves and the parties they favor in national elections. Governors have considerable discretion over how to spend federal transfers. Federal Revenue Sharing funds, ATN grants, and Royalty payments are unearmarked, thus enabling governors to spend these monies according to local political and policy agendas. Though programs like the National Housing Fund, the Highway Fund, the Energy Development Fund, and the Regional Development Fund are earmarked for particular policy areas, governors have been able to direct these resources to favored projects and individuals. Thanks to transfers, provincial governments have been able to increase public sector employment, at a faster pace than even the national government (see Figure 2). Elites in the interior, in particular, have profited from federal fiscal transfers which have accounted for, on average, 83 percent of governmental resources in this region, compared to only 53 percent for their counterparts in the more industrialized pampas. Provincial governments in the interior have padded public sector payrolls at even higher rates than their pampean brethren, serving as an employer of last resort during times of economic hardship. Though pampean provincial governments employ, on average, a sizeable 32 people per 1,000 habitants, public sector payrolls in the interior account for, on average, 56 employees per 1,000 habitants.11

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11 Based on data collected by the author from the Ministerio del Interior, Secretaría de Interior, Subsecretaria de Asistencia a las Provincias. Data available upon request.
Economic Policies, Fiscal Transfers, and National Party Building in Argentina

The extension of benefits and preferential policy treatment to both pampean and interior provincial governments enabled the survival traditional elites, clientelist politics, and local party machines throughout Argentina. National politicians delivering such benefits could count on the support of local party leaders and thus their provincial delegations. The growing role of fiscal transfers in provincial expenditures also highlights the powerful position that local politicians enjoy in the Argentine political system. Federal transfers and, above all, Revenue Sharing funds have given provincial political elites increasing opportunities to deliver benefits to supporters and build local party organizations with minimal federal interference. In return for such benefits, provincial politicians support national parties at the polls, as well as discipline provincial delegations in the national congress.

In years when the PJ was not proscribed from competition and before the introduction of economic reforms in the early 1990s, national support for the PJ and UCR national organizations was high and fairly stable. These parties controlled, on average, 82 percent of total presidential votes and 77 percent of total congressional votes between 1973 and 1989. At the provincial level, data for 1983 show that established parties accounted for, on average, 93 percent of votes in presidential elections, 91 percent total votes in national congressional elections, and 89 and 88 percent votes in gubernatorial and provincial legislative elections, respectively.
### Table 4
Established Parties in Argentine Elections, 1983 and 1995 (Percent Votes)

<table>
<thead>
<tr>
<th>Province</th>
<th>National President</th>
<th>National Deputies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low Revenue Sharing Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buenos Aires</td>
<td>96.6</td>
<td>63.7</td>
</tr>
<tr>
<td>Córdoba</td>
<td>96.1</td>
<td>71.2</td>
</tr>
<tr>
<td>Fed. Capital</td>
<td>91.6</td>
<td>36.3</td>
</tr>
<tr>
<td>Mendoza</td>
<td>94.4</td>
<td>62.0</td>
</tr>
<tr>
<td>Santa Fe</td>
<td>93.2</td>
<td>49.8</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>94.4</td>
<td>56.6</td>
</tr>
<tr>
<td><strong>High Revenue Sharing Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catamarca</td>
<td>90.4</td>
<td>83.1</td>
</tr>
<tr>
<td>Chaco</td>
<td>94.5</td>
<td>63.6</td>
</tr>
<tr>
<td>Chubut</td>
<td>92.3</td>
<td>73.8</td>
</tr>
<tr>
<td>Corrientes</td>
<td>93.6</td>
<td>59.1</td>
</tr>
<tr>
<td>Entre Ríos</td>
<td>93.7</td>
<td>72.7</td>
</tr>
<tr>
<td>Formosa</td>
<td>82.3</td>
<td>80.6</td>
</tr>
<tr>
<td>Jujuy</td>
<td>84.2</td>
<td>54.1</td>
</tr>
<tr>
<td>La Pampa</td>
<td>82.3</td>
<td>73.1</td>
</tr>
<tr>
<td>La Rioja</td>
<td>96.6</td>
<td>92.6</td>
</tr>
<tr>
<td>Misiones</td>
<td>97.4</td>
<td>88.9</td>
</tr>
<tr>
<td>Neuquén</td>
<td>96.2</td>
<td>54.2</td>
</tr>
<tr>
<td>Río Negro</td>
<td>93.5</td>
<td>81.3</td>
</tr>
<tr>
<td>Salta</td>
<td>96.1</td>
<td>68.5</td>
</tr>
<tr>
<td>San Juan</td>
<td>94.5</td>
<td>69.0</td>
</tr>
<tr>
<td>San Luis</td>
<td>90.0</td>
<td>72.5</td>
</tr>
<tr>
<td>Santa Cruz</td>
<td>95.5</td>
<td>75.3</td>
</tr>
<tr>
<td>Stg. del Estero</td>
<td>89.1</td>
<td>82.9</td>
</tr>
<tr>
<td>Trra d. Fuego</td>
<td>89.3</td>
<td>74.4</td>
</tr>
<tr>
<td>Tucumán</td>
<td>93.3</td>
<td>49.8</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>91.8</td>
<td>72.1</td>
</tr>
<tr>
<td><strong>All Provinces</strong></td>
<td>93.5</td>
<td>73.1</td>
</tr>
</tbody>
</table>

Source: Based on data from the Ministerio del Interior, República Argentina.

Note: “Low Revenue Sharing” provinces received less than 300 pesos per capita on average in 1991-95, “High Revenue Sharing” ones more than 300. The difference between these categories and the “Pampas-Interior” dichotomy is that La Pampa and Entre Ríos, though “pampean” provinces, received on average 633 and 443 pesos per capita, respectively, while Mendoza, in the “interior,” received 273 pesos. *Data from 1993. **No data available.

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12 PJ, UCR, and Pacto Autonomista Liberal.
13 PJ, UCR, and Movimiento Popular Neuqueno.
14 PJ, UCR, and Renovador de Salta.
15 PJ, UCR, and Bloquista.
16 PJ, UCR, and Movimiento Popular Fugeño.
Although the number of parties in each province was reduced with the use of a closed list electoral systems for national chamber of deputies elections, national leaders had to build the support of a variety of largely independent provincial party branches during each campaign. That these leaders were able to coordinate the support of provincial party machines, attests to the important role of the distribution of patronage benefits in the Argentine political process. The ready availability of protective policies and fiscal transfers to local leaders enabled them to continue to cultivate support for themselves and for the national parties they favored at election time.

The Power of Provincial Politicians Amidst National Economic Reform

Although the previous sections show that presidents have used their privileged access to national policy-making and state resources to deliver benefits to provincial leaders, another measure of the independent strengths of local leaders and national presidents lies in provincial responses to national economic adjustment in the 1990s. In this section, I show how, though President Carlos Saúl Menem used his substantial political authority initiate radical economic policy changes in the early 1990s with little congressional interference, provincial politicians were able to avoid implementing most economic reforms at local levels. The refusal of local leaders to adopt national policy measures attests to the growing confrontation between national and local leaders in Argentina during economic decline, something that has undermined this country's historic political and economic stability.

National Economic Reforms in Argentina

Economic reforms in the 1990s eliminated most policy measures benefiting provincial governments. In addition, between 1989 and 1995, Carlos Saúl Menem of the PJ implemented programs to privatize state-owned enterprises and utilities; deregulate the domestic economy through the elimination of subsidies and price supports, restrictions on industrial and retail development, and other mechanisms formerly used to allocate resources.

17 The use of closed lists to fill seats reduces the number of parties competing in elections. Politicians must rely on party organizations to build support for their parties at the polls. The lack of personal followings reduces the ability and incentive for individual politicians to strike out on their own and form new parties. Open list systems, in contrast, require politicians to build a network of personal support, reducing their dependence on party leaders (Ames 1995; Carey and Shugart 1995). They are thus better able to win elections on their own, and for this reason we see more parties competing for seats in open-list systems.

18 The process of building support in national elections is similar in strongly federal Brazil, even though many more parties survive at local and national levels due to the open list electoral system. Thanks to strong federalism, national leaders in Brazil have had to rely on their ability to distribute benefits to local politicians to build coalitions, in this case, among many local and national political groups, to win elections. Indeed, that large national parties have formed and survived at all in Brazil attests to the important role of the distribution of benefits in this country's political process.
such as regulatory bodies and marketing boards; liberalize external trade through the elimination of restrictions on the import and export of goods and services, the simplification of customs procedures, and improvements in transport systems through international investment; reduce expenditures in health, education, and welfare services by transferring these responsibilities to provincial governments; reform and improve the tax system through increasing penalties for evasion, a simplification of the system, modernization of its administration, and expansion of its base; reform of capital markets through elimination of all restrictions on transactions and improvements in market transparency in order to provide better protection to investors and make it easier to finance investments; and reform the financial system through the elimination of multiple exchange rates, and cheap loans and easy credit from the Banco Central de la República Argentina (BCRA) (República Argentina 1994a, 4-79). Most of these reform measures were implemented by decree, or with the rubber stamp of congress, attesting to the principal role of the Argentine president in drafting and implementing national economic policy reform.

In April 1991, the government passed the Convertibility Law, establishing what eventually became a fixed exchange rate between the Argentine currency and the US dollar. In order to support convertibility between the two currencies, the government had to maintain low inflation, which required reducing the fiscal deficit through restructuring the economy and a continuation of market-oriented reforms. The deregulation of international trade and internal markets, in a context of exchange rate convertibility that restricted the ability of the BCRA to cover provincial debts, removed the ability for politicians to direct subsidies, protection, and financial resources to inefficient industries and agricultural production. Most subsidies and promotional schemes disappeared with reform, with the remaining few falling far short of what they once were. As with most economic policy reforms, convertibility was largely an executive branch undertaking.

**The Lack of Provincial Economic Reform in Argentina**

The radical scope and nature of economic reforms in Argentina attest to the strength of this country’s federal executive. As stated, most reforms were undertaken by executive decree, or by the tacit support of congress. Of course, provincial governments could not avoid many of the reforms undertaken in the 1990s. Stabilization measures to reduce (hyper)inflation, including exchange rate stabilization, deregulation of financial markets and monetary reform, elimination of national budget deficits, and short-term measures aimed at wages and prices, permeated all provincial economies. Provincial economies also felt the effects of trade liberalization, including tariff reduction and the elimination of quota systems, and measures to improve the collection of customs duties and internal taxes.

Even so, many local leaders were able to avoid the implementation of such reforms in local economies. Strong federal institutions and Federal Revenue Sharing enabled many provincial governments to eschew many of the programs meant to resolve underlying structural inefficiencies in the economy. The 1992 Pacto Fiscal designated
49.1 percent of Federal Revenue Sharing resources to provincial governments, 29.6 percent to the federal government, with 21.2 going to the troubled Social Security System (World Bank 1993, 49-50). The new transfer system, in particular the provincial guarantee clause, meant that the federal government and Social Security System would bear any costs associated with a decline in overall Revenue Sharing tax collections (World Bank 1993, 50). In return for these funds, provincial governments agreed to suspend taxes that the federal government deemed distortionary to economic growth and recovery, such as taxes imposed on the financial sector, taxes on production and business property, and stamp taxes (Sawers 1996, 221). By mid 1995, all provinces but Córdoba had signed the agreement.

The Argentine federal constitution reserves substantial policy-making authority to provincial governments, giving governors the ability to defend their economies and public sectors from several national reforms. Measures implemented by the national government to rationalize public investment and restructure the public sector through re-organization, lay-offs, wage cuts, and privatization of state-owned enterprises were restricted to national public sectors. Provincial governments were under no legal obligation to implement such reforms. While national governmental payrolls decreased dramatically as a result of downsizing and privatization, provincial governmental payrolls remained stable, and sometimes increased, after the implementation of national economic reform. As a result of national layoffs, the provincial share of total public sector employment jumped dramatically after 1989, going from 55 to 85 percent. Though the national government had privatized 36 national enterprises by 1993, provincial public sectors remained largely intact in 1993. Despite considerable financial incentives to unload inefficient and indebted utilities, by 1996 only half of provincial governments had moved to privatize electrical utilities, and only 20 percent had sold off provincial water services. ¹⁹

Measures undertaken to strengthen the financial system through reform of the banking sector, including regulatory reform and privatization of publicly held banks, were also somewhat restricted to national financial practices and institutions. Even though national reforms, particularly the Convertibility Law, eventually curtailed their obligation to privatize financial institutions. ²⁰ The World Bank (1992: 59) estimates that, in 1991, there were 24 provincially owned banks, while in 1994 23 still remained in

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¹⁹ Based on data collected by the author from the Ministerio del Interior, Secretaría de Interior, Subsecretaría de Asistencia a las Provincias. Data available upon request.

²⁰ Provincial (and municipal) banks originally were founded to aid regional development but soon became sources of cheap credit to provincial and municipal governments. Provincial banks lent to indebted provincial governments and public sector enterprises, and to favored private sector firms and individuals without concern for profit criteria or credit worthiness (World Bank 1992: 59). Convertability forced provincial banks to rely on depositor confidence and their own resources to maintain liquidity, rather than rediscounted loans from the central bank.
By the end of 1996, 13 provinces had yet to sell-off provincial financial institutions, though several local legislatures had passed laws enabling their governments to begin privatization proceedings (República Argentina 1995a; República Argentina 1996a). In 1997, there were still 13 provincial banks in operation (Fundación Libertad 1998).

Provincial governments have also maintained considerable regulation over business and commercial activities, despite national efforts to deregulate the economy (República Argentina n.d.). In addition, though requiring heavy provincial spending, many local governments have continued subsidies, cheap credit, and other price supports to preserve customary policies directed toward local agriculture and industries. The general failure of provincial governments to cooperate with national economic adjustment is also reflected in their negative operating balances in the post-reform period (World Bank 1996a, 65). The persistence in negative balances was due primarily to a real increase in provincial spending between 1991 and 1995 of nearly 39 percent (Remmer and Wibbels 2000, 438).

### Economic Reform, Federal Transfers, and National Party Support in Provincial Elections

The information of provincial economic reform above provides evidence that most provinces have sought to avoid implementing national economic adjustment measures. Given the relationship between local politicians and national party support in Argentina, the ability for local politicians to ensure support for national parties should vary according to their ability to stave off economic adjustment. That is, given that most policy programs directed at provincial governments have disappeared in recent years, those provinces left with the highest shares of federal fiscal transfers should be best able to stave off economic change and thus preserve party support for established parties in national elections.

In Table 4, I compare shares of votes won by established parties in national elections between 1983 and 1995. In all provinces, the vote share obtained by established parties in national elections has declined, on average, between 10 and 20 percent as a result of general economic crisis felt by nearly all constituents. Even so, there has been considerable variation in the vote shares won by national parties in recent years, reflecting the abilities of provincial politicians to continue the delivery of benefits to supporters. In those provinces with lower Revenue Sharing resources per capita, support for established parties in national presidential elections declined by 40 percent. In contrast, national parties in provinces receiving higher federal funds fared comparatively

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21 Based on data collected by the author from the Ministerio del Interior, Secretaría de Interior, Subsecretaría de Asistencia a las Provincias. Data available upon request.

22 This average is not weighted according to population. When measured in terms of votes across all provinces, thus giving more weight to more populous regions, established parties show a larger decline.
better, losing a 20 percent vote share. This pattern is repeated in elections for the national chamber of deputies. National parties from provinces with lower transfers lost, on average, 20 percent of their usual vote share while their counterparts from high transfer provinces lost an average of just 10 percent total votes. Economic crisis and reform thus has affected traditional political support for national parties through national and provincial channels.

Conclusions: Strong Presidents, Powerful Provinces, and Economic Instability

The considerable resources and policy-making tools controlled by national presidents in Argentina enabled them to build support for themselves and their parties at election time, creating party stability throughout most of the 20th century. Rather than delivering benefits to classes or sectors in the economy, national leaders chose to transfer resources to provincial governments and economies. The important role of provincial party leaders in building support for national parties meant that those politicians aspiring to national office found it necessary to have the province as their principal point of reference. The coexistence of powerful presidents with access to considerable economic and political resources and strong local leaders thus explains the increasingly provincial orientation of national economic policy-making throughout the 20th century. That presidents were able to introduce radical economic policy reforms in the 1990s but unable to ensure the compliance of provincial governments also attests to the standoff between these powerful counterparts.

The relationship between presidents and provinces discussed here also addresses current scholarly disagreement about the nature of Argentine politics and government. The article shows that politics and, more specifically, intergovernmental relations in Argentina is not zero sum, as sometimes thought. Not only are presidents important political players, as evidenced by their ability to use the state and its resources to cultivate support, but so too are provincial leaders, shown in their capacity to extract preferential policies from national leaders. This article thus demonstrates that powerful presidents and strong federal institutions are not mutually exclusive but coexist. Periods of economic growth and prosperity, particularly during state-led economic development, help to harmonize relations between these two institutions. Periods of economic decline lead to confrontation.

The coexistence of powerful presidents and provinces in Argentina also, indirectly, explains why the Argentine economy has not been able to reap the benefits of national economic policy reform in the 1990s. Though instrumental in maintaining political stability throughout the years, provincial political players have undermined national economic stability. The sizeable fiscal resources transferred to provincial governments alongside their traditional electoral and policy independence, enabled provincial governments to avoid implementing national economic reforms, thus
weakening Argentina’s fiscal position and general macro-economic stability. The survival of strong presidentialism amidst strong federalism in Argentina, though benefiting each level of government throughout much of the 20th century, is now serving to undermine this country’s traditional political stability. More generally, this article highlights the importance of economic stability for the peaceful coexistence of powerful presidents and strong federal institutions.

23 See Remmer and Wibbels (2000) and Wibbels (2000) for arguments about how Argentine federalism and federal institutions more generally contribute to macroeconomic instability.
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