THE POLITICS OF SUBNATIONAL COALITION BUILDING.
GUBERNATORIAL REDISTRIBUTIVE STRATEGIES IN ARGENTINA AND BRAZIL

by

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Submitted to the Graduate Faculty of

Arts and Sciences in partial fulfillment

of the requirements for the degree of

Doctor of Philosophy in Political Science

University of Pittsburgh

2010

UNIVERSITY OF PITTSBURGH

ARTS AND SCIENCES

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THE POLITICS OF SUBNATIONAL COALITION BUILDING. GUBERNATORIAL REDISTRIBUTIVE STRATEGIES IN ARGENTINA AND BRAZIL

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This dissertation unfolds subnational political phenomena by engaging questions about redistributive politics and territorial power-building. How do state governors in federal systems strategically harness public expenditures to influence vote choice? What causes these leaders to emphasize the allocation of private versus semi-public goods? Are governors rewarded for their redistributive efforts at the ballot box? And if this is the case, why are some governors able to retain power during long periods of time while others are not? These issues are investigated both within and between Argentina and Brazil, two federations regarded as textbook examples of robust federalism, during the post-authoritarian period.

The argument has two causal chains. The first chain espouses that variation in subnational redistributive politics is attributable to the structure of fiscal federalism and political careerism. Gubernatorial incentives for private allocations (patronage or public employment) are stronger where, such as in Argentina, fiscal institutions concentrate access to federal transfers at the state level and grant governors high discretion over these funds, and electoral and partisan rules foster party-centered political careers. By contrast, gubernatorial incentives for semi-public allocations (pork-barrel or infrastructure projects) are stronger where, such as in Brazil, fiscal institutions disperse access to federal transfers among political actors and limit governors' discretion in spending, and electoral and partisan rules maximize candidate-centered political careers.

The second causal chain links subnational redistributive politics with incumbents' electoral returns. Statistical analyses indicate that patronage tend to benefit Argentine (but not Brazilian) governors, while pork-barrel benefits Brazilian (but not Argentine) ones. These different returns are explained by stressing the role of political competition and delivering networks of support. It is finally argued that extensive patronage-based networks as found in Argentina contribute to subnational incumbent stability by shaping expectations about the future distribution of public jobs over a stable web of party operatives, who are able to dissuade voters from migrating to the opposition. In contrast, pork-barrel networks as found in Brazil are less conducive to incumbent stability because they are weakly enmeshed in society so as to monitor voter behavior.

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ACKNOWLEDGMENTS

A long list of people deserves credit for the completion of my degree. First, I want to thank the four members of my dissertation committee. They have been inspiring teachers, sage advisers, and incisive critics. Barry Ames always pushed me towards deep thought and hard work, and fostered me to understand the micrologics of political phenomena. He also introduced me to the fascinating world of Brazilian politics, which forced me to do everything with highest standards. Aníbal Perez-Liñán was a mentor and a rigorous supervisor. He continuously (and generously) questioned my presumptions and encouraged me to think over and over again about the theoretical implications of my findings. His personal support during my Pitt's life largely exceeded the role of an advisor and made him a friend for life. Scott Morgenstern made profound critiques to ideas and arguments that appeared clear and "uncontroversial" to me. William Keech gave me his valuable perspectives from the field of economics. I hope this work shows that I have taken full advantage of such a talented committee.

Several precious friends at both Buenos Aires and Pittsburgh provided insightful feedback, and helped me tremendously during my hardest time making my life much healthier. In particular, I thank Sebastián Etchemendy, Patricio Grimberg, Philip Kitzberger, Marcelo Ferrante, Juan Carlos Rodríguez-Raga, Marcelo Auday, María José Alvarez, Miguel García, Carolina Maldonado, Laura Wills, Rosario Queirolo, Alvaro Cristiani, Nils Ringe, Juan Antonio Rodríguez-Cepeda, and Hirokasu Kikuchi.

I am particularly grateful to people and institutions who, in many ways, contributed to my research. In Argentina, I was hosted by the Universidad Torcuato Di Tella and the Universidad de San Andrés. Alejandro Bonvecchi, Ernesto Calvo, Oscar Cetrángolo, Marcelo Escolar, Sebastián Etchmendy, Tulia Falleti, Alberto Forigh, Lucas González, Jorge Gordín, Agustina Giraudy, Juan Pablo Micozzi, Martín Lardone, Marcelo Leiras, Lucas Llach, Ana María Mustapic, Catalina Smulovitz, Sebastián Saiegh, Mariano Tommasi, and Juan Carlos Torre provided valuable information, critiques, and fresh ideas. In Brazil, I am grateful to Marcus Alban, Octavio Amorim Neto, Pedro Lucas Araújo, Cesar Barbosa, Paulo Carvalho, Adriano Coddato, Ricardo Costa de Oliveira, Luis Otávio da Graça, Paulo Dantas, José Francisco de Carvalho Neto, Scott Desposato, Fabio Gondim, Magna Inácio, Marcelo Lacombe, André Marenco, Carlos Ranulfo Melo, Marcus Mello, José Antonio Meyer Pires, Bernardo Muller, Jairo Nicolau, Daniel Nojima, Carlos Pereira, Rogerio Luis Nunes Costa, Cristiano Penido, Arno Rodrigues, Jorge Henrique Santos de Queiroz, Celina Souza, Fabiano Santos, and Marcos Tadeu. A special mention to Lúcio Rennó, who helped me understand Brazilian politics and made my stance in his country more enjoyable. I also benefited from a number of excellent research assistants, in particular Andrea Cavali, Emilia Schijman, and Victoria Paniagua. Finally, I wish to thank all people who accepted to be interviewed for this dissertation.

Part of my fieldwork was supported by a Research Grant provided by the Center of Latin American Studies (CLAS) at the University of Pittsburgh. I have also received the benefit of writing part of this work under an Andrew Mellon Predoctoral Dissertation Fellowship. The Fulbright Foundation, the CLAS, and the Department of Political Science at Pitt generously financed my graduate studies. In addition to thanking these institutions for their financial support, I am also very grateful to their staff and faculty for providing such an inspirational learning environment.

My parents, Yoyi and Marta, deserve many thanks for their boundless support and love. They provided me with the principles of perseverance, confidence, and responsibility. Knowing all the sacrifices they made throughout the years to fulfill our needs makes me to feel proud of them. My brother Damián has been a strong supplier of support and friendship, and a master of handling things at home when they became wrong. This degree is also theirs.

I owe a debt of gratitude beyond words to Paula Levy, who is my partner in love and life. She provided emotional support and empathy during different stages of this project and took care of our little daughters, Julia and Martina, during many days and nights. Without her, this dissertation would have never been possible. I dedicate this effort to the lovely three: Paula, Julia, and Martina.

1.0 THE POLITICS OF SUBNATIONAL COALITION-BUILDING

For good or ill, over the last quarter of the twentieth century a process of decentralization of government –that is, the downward transfer of economic resources, spending responsibilities, and political authority from national to subnational and local governments– has spread around the world.[1] Constitutional and political reforms adopted in countries as varied as Belgium, Bolivia, Cambodia, Colombia, Ethiopia, the Philippines, and South Africa, to name a few, have radically changed relations among levels of government, altered the political incentives, electoral strategies and career paths of politicians, and increased the protagonism of territorial politics. Due to sweeping decentralization, ordinary citizens in multi-level (or federalized) countries are more affected today by intergovernmental institutions and subnational/local politics than in the past, while state and municipal governments in a larger number of countries have now to meet the needs of their constituents, cultivate direct electorates, and face close scrutiny. I would argue that along with transitions from authoritarianism to democracy, the spread of federal institutions is perhaps the most salient trend in governance of our time.

[1] In this dissertation, the term "subnational" refers to the intermediate levels of government between the national and municipal ("local") governments. States, provinces, or departments are these intermediate jurisdictions. I employ the term "state" in general discussions. When discussing country-specific politics, I use the term ("state" or "province") employed in that country.

In Latin America, there was a widespread adoption of institutional arrangements that granted political authority to subnational and local actors. Whereas in the early 1980s only three countries in the region had popularly elected governors and eight held regular elections to choose mayors, today state and municipal executives are elected by popular vote in ten and eighteen nations respectively.[2] In addition to the devolution of political power, the center has transferred to lower levels of government the administration and delivery of major public services such as education, health, social welfare, housing, and transportation thus making subnational and local authorities more accountable to their constituencies. Moreover, although Latin America is still characterized by a comparatively high degree of fiscal centralization, the proportion of total government expenditures executed by the states and municipalities increased dramatically from an average of 15.6 percent in 1985 to 22.4 percent in 2005. Likewise, the share of revenues collected by the central governments decreased from an average of about 85 percent of the total tax revenue to almost 70 percent in the same period.[3]

Recent decentralization policies have brought the issue of territorial politics to the forefront of the political analysis. Much of the emerging literature on the political economy of federalism, however, has tended to focus on the vertical relationship between the national "centers" and "peripheries". Several scholars in this tradition have studied how subnational jurisdictions may undermine national macroeconomic stability, good governance, and policy

[2] See Appendix A, Table 8 for details on gubernatorial and mayoralty elections in the continent.
[3] These percentages refer to fourteen countries (Argentina, Brazil, Bolivia, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Uruguay, and Venezuela) for which comparable data are available (author´s calculations based on data from International Monetary Fund and World Bank, various years).

innovation (Ames 2001; Rodden 2006; Rodden and Wibbels 2002; Rodden, Eskeland, and Litvack 2003; Triesman 2000; Wibbels 2005). Others have analyzed how decentralization processes may affect the balance of power among different levels of government (Falleti 2010; González 2008; Stepan 2004a). Paradoxically, despite the renewed importance of subnational actors in contemporary politics, little systematic research has been devoted to study political life and territorial power-building *within* the individual states from a comparative perspective.[4] We know much about how political power and economic resources are distributed between center and periphery, and how these imbalances are institutionalized. We also know that subnational governments, concerned about regional rather than national needs, may constrain or free-ride on the central government's preferred policies generating pernicious outcomes for the country as a whole. Yet, how politics is configured at the subnational level and what strategies regional leaders (in this dissertation, state governors) deploy for governing the countryside is still a mystery in the field of comparative politics.

This dissertation unfolds *within-state* political dynamics and processes by engaging questions about redistributive (or "particularistic") politics and subnational power-building.[5] Specifically, how do state governors in federalized systems strategically harness public

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[4] Two notable exceptions are the recent literatures on subnational authoritarianism and political clientelism. The former has emphasized how democratization at the national level can coexist with authoritarian subnational practices (Gervasoni 2010; Gibson 2005; Giraudy 2010). The latter has highlighted that the poor are more likely to receive clientelistic goods, and that majoritarian parties are more likely to benefit from such linkages (Brusco, Nazareno and Stokes 2004; Calvo and Murillo 2004; Desposato 2002). Most of these works, however, are single-country studies or comparative analyses of a few states in two countries.

[5] I use the term redistributive instead of distributive politics to stress that the particularistic allocation of material goods entails redistribution of welfare –and then distributional conflicts– from some groups of individuals to others.

expenditures to influence vote choice and amass territorial power? What causes these political leaders to emphasize the allocation of private versus public goods? Are governors rewarded for their redistributive efforts at the ballot box? And if this is the case, why are some regional political elites able to build and retain power during long periods of time while others are not? These are important questions difficult to ignore in an era of widespread decentralization.

The present study addresses these relevant questions by developing two themes. First, it treats redistributive politics at the subnational level as a dependent variable by advancing an argument about the interaction of fiscal institutions, and electoral and partisan rules in shaping state governors' priorities towards the allocation of patronage (i.e., public employment) and pork-barrel (i.e., public infrastructure and capital) goods with electoral purposes. Second, it treats redistributive politics as an independent variable by conducting a multivariate analysis about the significant, but commonly overlooked, impact of these particularistic strategies on gubernatorial electoral performance and enduring political survival.

Drawing from rational choice institutional accounts of politics and the theoretical insights of the recent literature on fiscal federalism and political careerism, I advance the argument that a large part of the cross-national variation we observe in the redistributive electoral strategies deployed by incumbent governors is attributable to the structure of fiscal institutions and the nature of political careers. The central argument espouses that gubernatorial incentives for patronage, that is, to permeate the ranks of the state bureaucracy with political loyalists, are stronger where intergovernmental fiscal arrangements concentrate access to federal transfers at the state level and grant incumbent governors high political discretion to use these funds, and the electoral system and partisan nomination and selection rules maximizes party leadership control over political careerism.[6] Where incumbent governors concentrate discretionary fiscal resources not generated by domestic taxpayers and influence the future of politicians' careers, opportunities for biasing expenditures in the direction of patronage increase because citizens lack incentives to make gubernatorial fiscal decisions accountable, electoral challengers are less likely to emerge, and the bureaucracy –especially in the absence of professionalized civil service rules– becomes a primary source to reward loyalty, encourage activist participation, and finance campaigning. Patronage, I contend, contributes to gubernatorial incumbent stability by disciplining an elaborate political machine and discouraging voters from exiting to the opposition.

By contrast, incentives for subnational spending on pork-barrel allocations are stronger where the institutions of fiscal federalism disperse access to intergovernmental grants among governors, mayors, and congressional legislators and limit gubernatorial discretion over how the transferred funds can be spent, and electoral and partisan rules maximize candidate-centered political careerism. Under such conditions, citizens have more incentives to make state governments somehow responsible for their expenditure choices, electoral contestation increases, and individual politicians seek to reinforce their personal vote by claiming credit for localized goods delivered to the regions or constituencies they represent. Pork-barreling, other things being

[6] Federal transfers are revenues collected by the central government and then channeled (either directly or indirectly) to lower levels on a regular basis according to some pre-established criteria. This definition excludes specific federal programs executed in the states and/or municipalities such as food, income-support, social assistance, and working-generation programs. These programs do not constitute a permanent transfer of revenues from the center but rather temporary allocations of federal expenditures oriented to achieve contingent policy (and political) goals.

equal, is less conducive than patronage to subnational incumbent stability. The reason is that pork does not encourage a centralized control of party life but rather fosters the creation of multiple individually-led networks of support weakly enmeshed in society so as to monitor voter behavior and reduce exit options for political clienteles.

These issues are investigated both within and between the cases of Argentina and Brazil – two prominent federations that have been widely regarded as textbook examples of “robust” federalism– during the post-authoritarian period that begins with the return of democracy in the early 1980s. Without question, political support is exchanged for government jobs and public works in almost every society, but Argentina and Brazil are exceptional in the pervasiveness of these mechanisms of electoral mobilization. A recent survey conducted in twenty-six countries of the Americas reports that the Argentines and Brazilians are the citizens of the continent who declare to be more frequently exposed to vote-trading relations, only below respondents from Dominican Republic, Paraguay, and Mexico (AmericasBarometer 2010). In a similar vein, several analysts drawing upon ethnographic research and aggregate level data emphasized the importance of particularistic exchanges in Argentina and Brazil to both inter- and intra-party competition, and pointed to state governors as the champions of patronage and pork-barrel ridden politics. Yet academic research has ironically concentrated on electoral exchanges involving governors with national actors (especially legislators and the president) in detriment of a focus on how and with what success state incumbents allocate public moneys to win votes.

Unfortunately, systematic efforts to explore redistributive politics using geographic subdivisions as units of analysis are rare and almost exclusively based on the U.S. experience (for exceptions on single countries, see Alston, Melo, Mueller, and Pereira 2007; Chhibber and Nooruddin 2003; Gibson and Calvo 2000; Calvo and Murillo 2004; Remmer 2007). To my knowledge, no cross-national comparative study has yet examined variation in redistributive politics and its ultimate electoral efficiency across states of different federations.

This lacuna in the literature is both surprising and serious. It is surprising considering that states in multi-level countries are important actors in themselves. In effect, they take significant expenditure decisions, administer an array of federal projects, implement highly contentious policies such as privatizations and administrative reforms, determine industrial and regulatory policies, control their own financial institutions, and in some federations may even issue bonds as payment to suppliers and public employees. Moreover, the importance of state governors is undeniable. In most federalized countries around the globe, subnational executives enjoy great power to dictate politics in their districts, and possess the ability to affect national policy-making through their legislative cohorts in Congress. This lacuna is serious because national politics in decentralized contexts is often shaped by subnational coalition building. Understanding how regional leaders craft political support in their own territories thus helps explain the variation we observe in national arenas and core-periphery relations. In addition, an intergovernmental focus that neglects state level politics makes the study of politics in multi-level nations incomplete because we lack the whole structure of interests that operates on elected politicians.

The present work contributes to fill important theoretical lacunae in the literature on redistributive politics and clientelism, the political economy of federalism, and subnational elections. The argument proposed here informs research on redistributive politics and clientelism by answering why subnational executives attempt to win votes through the supply of programmatic (non-excludable goods) or particularistic (excludable goods) electoral strategies, and what causes them to favor certain particularistic exchanges (jobs in the public sector or infrastructure/capital projects) over others. The first question has been addressed by a few studies of specific national contexts where strategic changes in the allocation of material benefits for electoral support have occurred over time.[7] The second question has not been tackled (for a recent exception based on individual level data, see Calvo and Murillo 2009). This dissertation fills in more political context to analyze whether, why and with what electoral effects incumbent governors rely primarily on the goodwill of voters who receive material benefits from them, or rely instead on financing grassroots networks able to permeate the state bureaucracy, serve in party operatives, and gather fine-grained information to monitor voters' behavior.

This dissertation alto talks to new research on the political economy of federalism which underscores variations in the working of federal polities across the world. Some prior analyses have distinguished between federations in which the central government distributes funds to states proportionally to their population, and federations in which it benefits populations living in overrepresented sates in the national legislatures (Gibson, Calvo, and Falleti 2004). These accounts identify sub-types of federal systems based on how fiscal institutions eventually shape the regional distribution of intergovernmental transfers. The conceptual distinction proposed here, in contrast, is based on how such institutions affect the spending preferences of incumbent

[7] See, for example, Magaloni (2006) on Mexico, Levitsky (2003) on Argentina, and Hagopian, Gervasoni, and Moraes (2009) on Brazil. A comparative account of the decline of clientelistic practices in advanced democracies can be found in Kitschelt (2007).

governors and the consequent distribution of state budgetary resources within subnational jurisdictions. Thus, this dissertation not only focuses on how much federal money subnational constituent units receive, but fundamentally on how state governors use that money to marshal vote support that may increase their electoral performance and chances of political survival. In other words, whereas previous research has explored the implications of federal fiscal institutions for core-periphery relations, I propose to examine their impact on state level political phenomena.

Understanding variation in gubernatorial redistributive spending patterns possesses a major theoretical challenge for comparative studies of federalism. The conventional wisdom in the field has tended to see state governors through the lenses of national politics, claiming that variation in gubernatorial spending powers and influence over national legislators determines the capacity of subnational actors to constrain presidential initiatives and reshape federal institutions (Lijphart 1999; Stepan 2004b; Tsebellis 1995). This interpretation, as the following chapters will show, has also dominated recent studies on subnational politics. But this research tells us little about how incumbent governors actually rule in their fiefdoms in order to preserve territorial power, arguably their primary concern. A cross-state two-country comparative study of the relationship between redistributive politics, subnational vote choice, and incumbent stability, like the one proposed in this dissertation, increases our understanding of the microfoundations of territorial power-building in federalized countries. It also constitutes a crucial first step we must take before evaluating the potential impact of federalism and decentralization on a number of issues as critical as the delivery of public services, the political participation of local communities, and the management of government resources.

1.1 THE SUBSTANTIVE PUZZLES

A fundamental distinction among the varieties of federalized democracies in the world refers to whether the *locus* of politics is located at the center or at the state level of the political system. According to a commonly accepted view, we should think of Argentina and Brazil as archetypical examples of “robust” federations. That is, federal polities in which the states comprise the most salient arena of political competition for national power.[8] There are enough reasons to sustain this interpretation. .

First, in both countries politicians compete in regular elections for the votes of state residents making subnational jurisdictions the core of electoral politics. Second, the chief executive and the national party leadership exercise very little –if any– influence on candidate nomination and therefore on politicians’ state-based careers (Jones 1997, 2008; Jones, Saiegh, Spiller and Tomassi 2002; Samuels 2003, 2008; Santos and Pegurier 2004). Third, political parties are highly factionalized and decentralized organizations (Ames 1995a; Levitsky 2003; Mainwaring 1999; Murilo de Carvalho 1993; Nicolau 1996) that operate in a mosaic of

[8] The political importance of regionalism in Argentina and Brazil stands in marked contrast with the centralized configuration of power that has characterized the other Latin American federations: Mexico and Venezuela.

subnational party systems (Gibson and Suarez-Cao 2007; Jones and Mainwaring 2003; Lima Júnior 1983, 1997). Fourth, Argentina and Brazil are the only democracies in the world that combine a president with strong legislative powers, a highly malapportioned bicameralism with both houses having extensive veto powers, and a federal organization with some member states having de facto authority to block significant policy-making (Ames 2001; Shugart and Carey 1992; Snyder and Samuels 2004; Stepan 1999). Fifth, subnational political elites (in particular, governors) have traditionally based their territorial dominance on the extensive use of resources gained from patronage and pork-ridden politics (Abrucio 1998; Benton 2003; Graham 1990; Hagopian 1996; Remmer 2007; Samuels 2002; Stokes 2005), shown great ability to translate their interests into national politics (Carey and Reinhardt 2004; Jones and Huang 2005; Kikuchi and Lodola 2008; Montero 2000; Samuels 2000a), and emerged as leading contenders to the presidency.[9] Six and finally, Argentina and Brazil are in a considerable advanced stage of fiscal, political, and administrative decentralization ranking in the top positions among all Latin American and Caribbean countries (IADB 2005).

On the basis of these remarkable commonalities, we would expect the logic underlying subnational power-building in these federations to be fundamentally and thoroughly similar. A

[9] During the period covered by this dissertation, three popularly elected presidents in Argentina (Carlos Menem, Fernando De la Rúa, and Néstor Kirchner) and five presidential candidates (Eduardo Angeloz, José Octavio Bordón, Horacio Massaccessi, Eduardo Duhalde, and Adolfo Rodríguez Saá) had held the governorship before occupying the presidency or running for it. Both Duhalde and Rodríguez Saá were named president by Congress following De la Rúa's resignation. In Brazil, three elected presidents (José Sarney, Fernando Collor de Melo, and Itamar Franco) and eight presidential candidates (Leonel Brizola, Orestes Quércia, Espiridião Amin, Ciro Gomes, José Serra, Anthony Garotinho, Geraldo Alckmin, and Cristovam Buarque) had previously occupied the governorship. Originality elected vice-presidents, Sarney and Itamar replaced Tancredo Neves and Collor de Mello in the presidency after the former died in office and the latter was impeached on corruption charges.

closer examination, however, reveals that the notion of robust federalism masks striking differences between Argentina and Brazil. In effect, both countries noticeably differ in the way incumbent governors manipulate public outlays to influence vote choice, benefit from different redistributive allocations in the electoral market, and succeed in retaining territorial power. The rest of this section illustrates these puzzles which challenge the prevailing view about Argentina and Brazil as essentially analogous federations.

1.1.1 The First Puzzle: Patronage and Pork-Barrel Systems

The Figure 1 presents the first puzzle by displaying the evolution, as percentage of the GDP, of state government spending on patronage and pork-barrel goods across all twenty-four Argentine provinces and twenty-eight Brazilian states in the period under analysis.[10] Patronage is measured here as state government spending on personnel allocations.[11] This measurement excludes administrative expenditures associated with the delivery of goods and services (including social security services). Perhaps the most important limitation of this indicator is that it assumes that

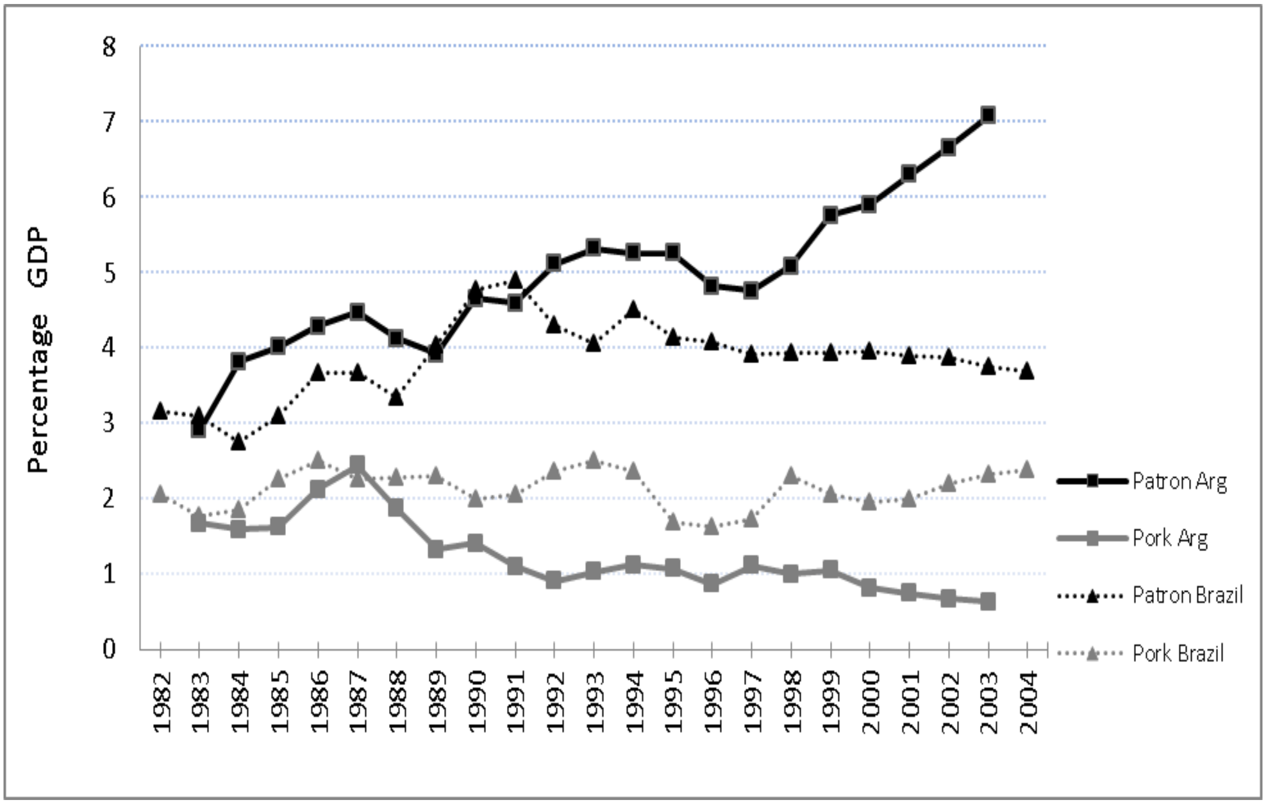
[10] This dissertation covers the 1983-2003 and 1982-2006 periods in Argentina and Brazil respectively. These periods begin with the gubernatorial elections that marked the restoration of democracy in both countries, and culminate with the most recent gubernatorial elections held in Brazil and the 2003 contests in Argentina. The 2007 elections to choose governors in Argentina are excluded because the internal fractures within the PJ, and to a lesser extent the UCR, make it difficult to distinguish political factions and alliances in many provinces. I am generating a dataset on provincial factionalism at both the gubernatorial and state legislative levels based on experts' interviews and local newspapers that will be used to expand the time-frame covered in this study.

[11] Fortunately, the ministries of finance of all provinces/states in Argentina and Brazil classify their expenditures following a similar protocol. Although protocols have changed through time thus affecting the identification of some budgetary items in the historical series, the question of comparing regional data collected in different countries is not a major concern in this dissertation.

all jobs public sector employment is patronage when, of course, it is not. There are other alternative ways to operationalize subnational patronage, but all of them entail trade-offs and limitations. For example, one could use the relative size of the state public sector. But this variable would not capture changes in public sector wages. One could instead rely on the public sector median wages, but it would not capture the actual magnitude of public employment. Or one could utilize the number of temporary employees and public sector wage premiums. But these data are only available for a limited number of years in a few states.[12] Finally, one could consider that a major source for subnational governments to develop patronage comes from international loans that allow state authorities to fire outside consultants. Although these loans are subject to federal oversight mechanisms, particularly in Brazil as Chapter 3 will show, they are opened to patronage and in some states serve to finance a parallel administration. Unfortunately, subnational governments are highly reluctant to make these data public.[13]

[12] Several often-cited studies have relied on public employment spending as an indicator of patronage (Gibson and Calvo 2000; Remmer 2007). I also use the relative size of the state payroll in the statistical analyses developed in Chapter 5.

[13] Drawing upon aggregate data for the 1998-2005 period, my ongoing research (see Lardone and Lodola 2009) finds that financial assistance from the World Bank to support administrative reforms in the Argentine provinces is positively associated with increments in personnel spending regardless of the provincial economic conditions and degree of regional political competitiveness.



Sources: Argentina: 1983-2001, Porto (2004); 2002-2003, Secretaría de Relación Fiscal con las Provincias. Brazil: 1982-1990, IBGE *Sistema de Contas Nacionais*; 1991-1994, IBGE *Regionalização das Transações do Setor Público*; 1995-2004, IBGE *Novo Sistema de Contas Nacionais*.

Figure 1: Evolution of Patronage and Pork-Barrel Spending in Argentine and Brazilian States, 1982-2004

The operationalization of pork-barrel is, arguably, less problematic. It is measured here by computing state government spending on both public works and capital projects. One of the most evident problems with this measure is that we are unable to capture subcontractors' contributions to candidates, which are thought to be a main source of campaign funds (Samuels 2001a, 2001b). Investments on public works, as the next section will make evident, are geographically targeted semi-public goods, while expenditures on capital projects such as credits to specific economic sectors and firms are sectorally targeted benefits. In measuring pork-barrel, I deliberately exclude state government spending on financial investments because this category commonly refers to debt interest payments.

The data presented in Figure 1 provide a clear picture. Subnational governments in Argentina and Brazil exhibit markedly different redistributive spending patterns. Whereas Argentine provinces spent considerably more public resources on patronage allocations, their Brazilian counterparts spent significantly more budgetary outlays on pork-barrel goods. Specifically, considering the post-authoritarian period as a whole, the former devoted an average of 5 percent and 1.4 percent of the GDP to finance employment in the public sector and to develop infrastructure and capital projects respectively. The latter instead targeted an average of 3.8 percent and 2.1 percent of the GDP to such activities. In terms of the relative priority that incumbent governors placed to patronage and pork in their budgets, these percentages represented 49.8 percent and 15.7 percent of the total state government spending in Argentina, and 42 and 22 percent in Brazil. Therefore, descriptive evidence suggests that Argentine governors skew redistributive spending –both in absolute and relative terms– towards patronage, while Brazilian governors skew it towards pork.

In effect, the Argentine provinces have exhibited a sustained proclivity to increase government spending on the public sector at the expense of investment on public works and capital projects. Notice that in 1983 the gap between expenditures on patronage and pork was 1.25 percent of the GDP. Twenty years later, it reached 6.45 percent or almost five times de initial gap. Both the wages and size of the provincial public sector witnessed continuous increments. With regards to wages, the median public wage increased around 70 percent or 610 pesos in real terms during the period under study.[14] As for size, the privatization of enterprises in several sectors (airlines, telephones, railways, coal, and petrochemicals) and the decentralization of federal services such as education and health dramatically reduced the number of civil servants in the national administration and contributed to increase public employment in the provinces. It has been estimated that between 1989 and 1995 nearly 565,000 jobs were eliminated from the national public sector payroll, representing a 60 percent cut in national public employment (Alessandro 2009; see Appendix A, Figure 33). The incumbent governors, however, expanded their politicized bureaucracies in about 193,000 employees. Provincial public employment thus passed to account for 54 percent of the total public sector workforce to 75 percent in the same period.[15] Further efforts to reduce provincial payrolls run up against severe resistance mainly due to the heavy reliance of governors on the distribution of jobs to their party machines. As a result, both patronage spending and the size of provincial public employment continued to grow in the 1996-2003 period. They did so at average annual rates of 5.8 percent of the GDP and around 20,000 workers. By the end of the period, the ratio of private to provincial employees was above 10 in only one province (Córdoba), and below 6 in fourteen provinces (Guido and Lazzari 2002). In these provinces, provincial public employment accounted on average for almost 20 percent of the total workforce.

[14] Author's calculations based on Dirección Nacional de Coordinación Fiscal con las Provincias, various years.
[15] As Gibson and Calvo (2000) have convincingly argued, during this period the central government was able to advance unpopular structural economic reforms at the national level by allowing provinces to postpone public sector employment cuts.

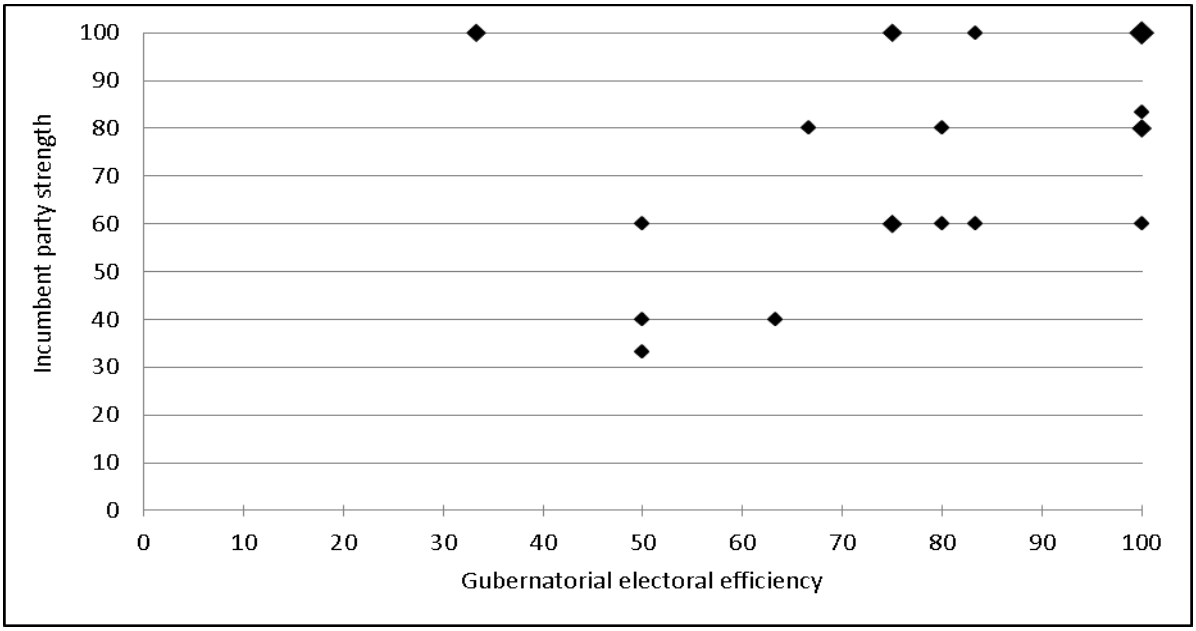
The Brazilian states, on the other hand, have shown a more proportional and stable pattern of redistributive allocation. Actually, the gap between spending on patronage and pork only increased 0.28 percent of the GDP between 1982 and 2006. In sharp contrast to the incessant expansion of public employment observed in the Argentine provinces, beginning in the mid-1990s the Brazilian states reduced spending on personnel and the size of their bureaucracies. Concretely, state government expenditures on patronage were cut by 0.5 percent of the GDP and the provincial public sector payroll was reduced from almost 44 percent of the total public employment in 1992 to 35.7 percent in 2006 (Pessoa, Brito, and Figuereido 2009; see Appendix A, Figure 34). The processes of privatization, decentralization, and fiscal restructuring have therefore a different impact on subnational redistributive spending in Brazil. Despite the states continued to be major share-holders in important regional enterprises, overall state public employment decreased. In part due to the decentralization of education and health services to the lowest tier of government, this reduction was accompanied by a rapid expansion in the level of municipal public employment, which increased from 37.7 percent of the total public workers to 49 percent in the same period.[16] Furthermore, although fiscal adjustment affected the states' investment capacity, particularized allocations to finance public works and capital projects increased at an annual rate of 2 percent of the GDP. If we consider the last five years for which systematic data are available, public expenditures allocated these expenditures by the Brazilian states more than double those allocated by the Argentine provinces.

[16] As Chapter 3 will show, the process of municipalization in Brazil contributed to the weakening of state governors in this country.

1.1.2 The Second Puzzle: Subnational Incumbent Stability

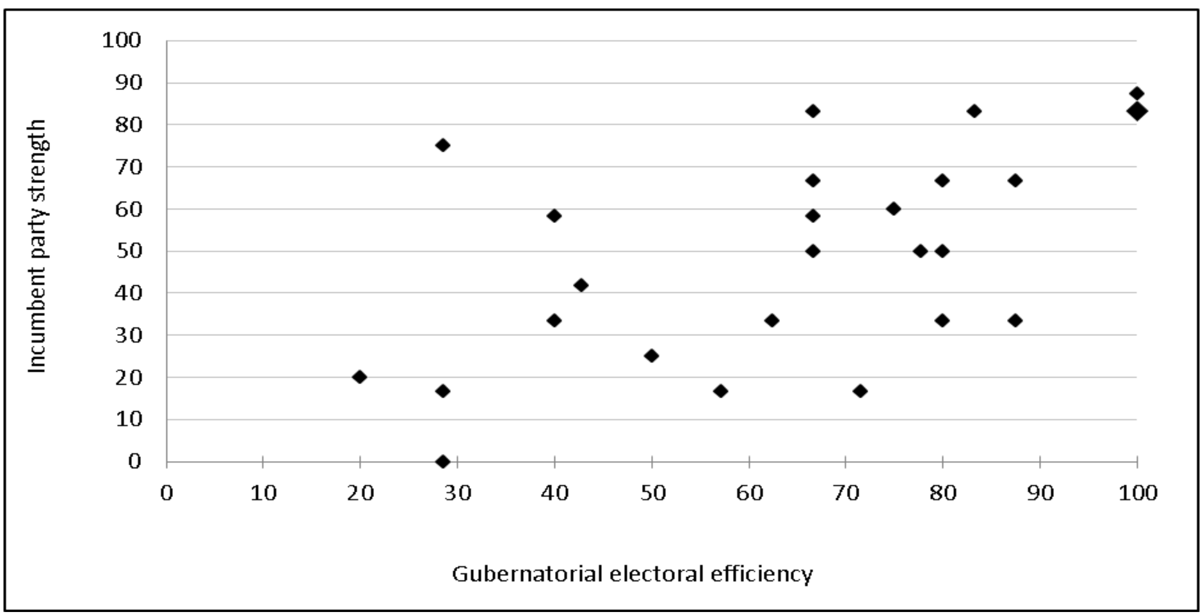
Having revealed a striking cross-national difference in state government redistributive spending, I will turn to the puzzle of variation in the capacity of subnational incumbents in Argentina and Brazil to build durable territorial power. The primary objective here is to illustrate the extent to which subnational political elites are more or less able to survive politically and advance their own careers. Although competition for subnational leadership varies considerably within our two federations, closer inspection reveals that the electoral efficiency and long-lasting survival of regional incumbent parties and individual governors is visibly higher in Argentina than in Brazil.

The Figures 2 and 3 plot the position of all Argentine provinces and Brazilian states along two dimensions, one partisan and the other individual, of subnational incumbent stability. These dimensions, which I refer to as incumbent party strength and gubernatorial electoral efficiency, serve to illustrate whether subnational incumbency is stable or unstable across time and space, and whether partisan or individual –or some combination of both– components of support is the driven force behind incumbent stability.



Note: Larger markers represent more data points (provinces).

Figure 2: Subnational Incumbent Stability in Argentina, 1983-2003



Note: Larger markers represent more data points (states).

Figure 3: Subnational Incumbent Stability in Brazil, 1982-2006

The first (partisan) dimension captures the enduring strength of political parties by computing the time a given party controls the governorship. Specifically, it measures the proportion of consecutive gubernatorial terms that party *j* governs in state *i*. The measure equals 100 for states in which the party in power never changed, and 0 for states where it was never reelected. Gubernatorial terms take the value of 1 if the incumbent party is reelected or leads the winning electoral coalition, 0.5 if it belongs but does not lead the winning coalition, and 0 if it loses the gubernatorial race.[17] The second (individual) dimension indicates the ability of incumbent governors to win elected office. I measure gubernatorial electoral efficiency as the proportion of elections won by the incumbent governor *k* (i.e., any democratically elected official who occupied the governorship for a minimum of six months) in state *i* during her/his tenure (if s/he decides to step down to run for other elected position) or immediately after the end of his/her mandate.[18] Governors who win an election (either the governorship or any other) receive a value of 1, and those who lose are coded 0. Incumbents who do not run for an elected post present a potential problem because their exclusion may bias measures upwards. Relying on qualitative data and personal interviews, I constructed an inventory of the “motives” that led

[17] The 1983 and 1982 gubernatorial terms are the baselines for Argentina and Brazil respectively. As an example of how this indicator is computed consider the Brazilian state of Goiás, which was governed by the PMDB in 1982, 1986, 1990 and 1994, and by the PSDB in 1998, 2002, and 2006. Thus, the incumbent party strength value for Goiás is 83.3, which results from dividing five consecutive gubernatorial elections won by the incumbent party over six contests held.
[18] I consider immediate elections any contest held up to four years (or one gubernatorial period) after an incumbent left the governorship. If, for example, an incumbent governor left the state executive office in 1992 and run for an elected position sometimes between that date and 1996, I consider that election as if it were held in 1992.

Argentine and Brazilian gubernatorial incumbents not to run for an elected position.[19] Governors who could have run but decided not to do it because their chances of winning were sufficiently low are included in the estimations and receive a value of 0. In contrast, those who did not run because they died in office, were legally banned to do it (either as a result of a legislative impeachment or other legal procedures), were appointed to the federal or state bureaucracies, or simply quit politics are considered "retirees" and excluded from the estimations.[20] Detailed information on the values obtained by each province/state is presented in Appendix A, Table 9.

The Figures 2 and 3 display one quickly discernable pattern. Both countries exhibit a reasonable level of congruence between party and gubernatorial turnover.[21] Yet, variation is wider in the two dimensions across Brazilian states. Notice than no Argentine province does poorly in both dimensions, and only one fifth obtain values below 50 in at least one dimension. In marked contrast, five Brazilian states perform poorly in both dimensions and almost half of them get values below 50 in at least one dimension.

Delving deeper into these figures, the most striking difference is the enduring strength of incumbent parties in Argentina where ten provinces never experienced a partisan alternation in power. All Brazilian states, in contrast, experienced at least one alternation. Indeed, the average

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[19] Since politicians' real motives are only knowable to them, my inventory may include some miscoded cases. But it is, to my knowledge, the only systematic comparative treatment of this subject.

[20] For instance, the Argentine province of Chaco had five different governors during the period under scrutiny. One of them quit politics despite enjoying reasonable levels of public approval, three of them won elected office (one of these three governors was reelected once), and the remaining governor lost a federal deputy contest. Consequently, the gubernatorial electoral efficiency value for Chaco is 75.

[21] Correlation coefficients (excluding the outlier Argentine provinces of Jujuy and Neuquén where internal disputes within their respective hegemonic parties affected the stability and electoral prospects of incumbent governors) are .605 and .613, $p < .001$ for Argentina and Brazil respectively.

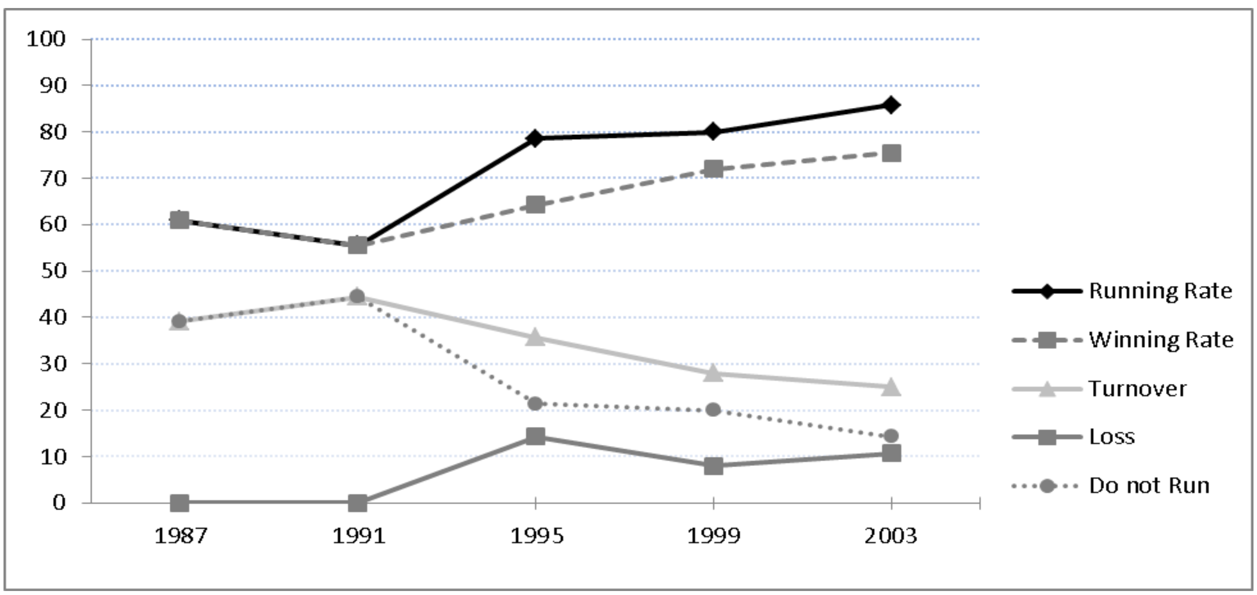
incumbent partisan strength rate is close to 78 in Argentina (representing an average of 1.2 partisan alternations per province) but only around 50 in Brazil (or 2.9 alternations). Partisan differences, however, are only part of the history. In addition, Argentine governors have individually been more dominant as suggested by the gubernatorial electoral efficiency rate which averages 77 in Argentina versus 66 in Brazil.

To get a more nuanced depiction of cross-national differences in the electoral efficiency of individual governors, Figures 4 and 5 present disaggregated information on the career choices and electoral performance of all incumbent governors as defined above in Argentina and Brazil in the period under analysis. This information includes gubernatorial running and winning rates, and gubernatorial turnover from both electoral defeats and retirements. Details on how these figures were computed are provided in Appendix A, Table 10.

The most important observation is that Argentine governors have consolidated their electoral efficacy over time, while Brazilians show a lower and more uneven performance. The average running rate (i.e., incumbents seeking any elected office) is similar in both countries: nearly 72 and 81 percent respectively. As we would expect, running rates increased considerably after the introduction of electoral reforms allowing for the immediate reelection of governors.[22] Yet, these electoral reforms encouraged subnational incumbent stability in Argentina but not much in Brazil. In the Argentine provinces, gubernatorial winning rates (as percentage of

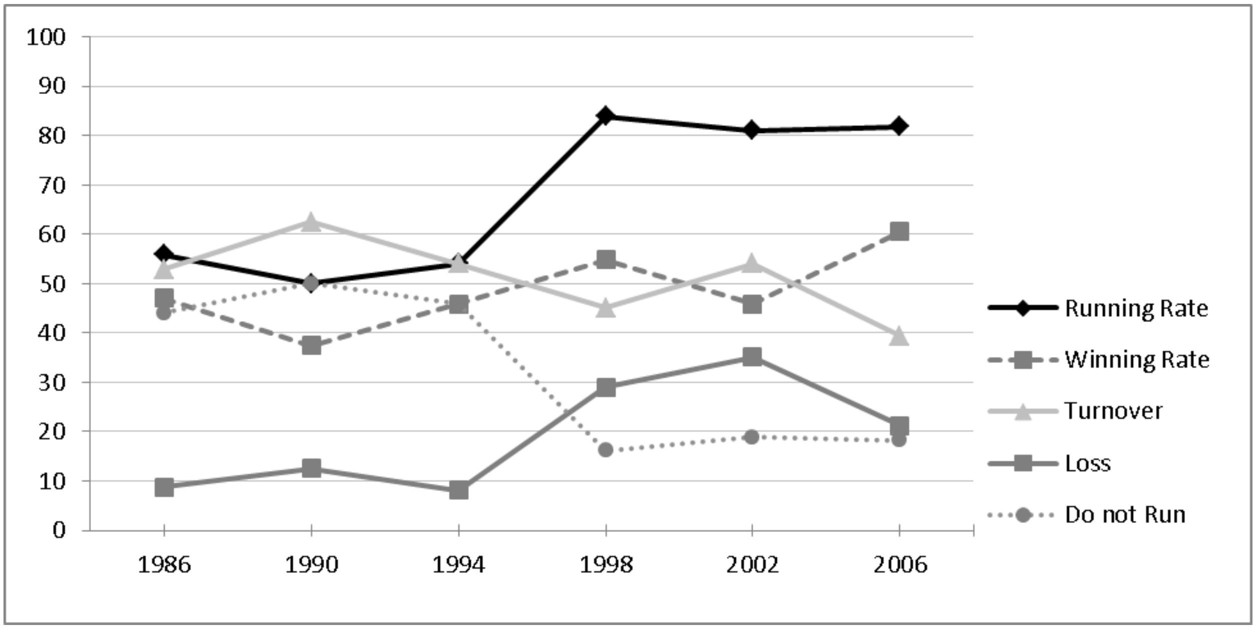
[22] Beginning in 1987, most Argentine provinces were gradually adopting rules allowing for gubernatorial reelection. Today eighteen provinces permit the incumbent governor's reelection, and four of them limit it to two consecutive terms (see Chapter 4 for details). In Brazil, only one consecutive gubernatorial term is allowed since 1998. I test the impact of gubernatorial reelection on subnational vote choice in Chapter 5.

incumbents running for office) continued to be extremely high and turnover remained very low. The former averaged 92 percent in the whole period (with insignificant changes between electoral terms), while the latter averaged 34 percent. Of this 34 percent not winning, only 20 percent (or 8 cases) run for an elected position and lost. The gubernatorial winning rates in Brazil (as percentage of incumbents running) decreased from an average of 81.4 percent before the 1998 gubernatorial electoral reform to 67.3 percent after it. Similarly, the relations between the retirement and defeat components of the turnover rate turned upside down. Whereas in the 1982-1998 period the ratio of gubernatorial retirements to defeats was of 7 to 3, it became of 4 to 6 in the 1998-2006 period. That is, Brazilian governors began to run more for (re)election but also lost more elections than in the past.



Note: Years indicate the electoral performance and career decisions of incumbent governors whose mandates ended at that time. N = 135. Source: Author’s calculations.

Figure 4: Career Choices and Electoral Efficiency of Incumbent Governors in Argentina, 1983-2003



Note: Years indicate the electoral performance and career decisions of incumbent governors whose mandates ended at that time. N = 205. Source: Author's calculations.

Figure 5: Career Choices and Electoral Efficiency of Incumbent Governors in Brazil, 1982-2006

In sum, the data discussed in this section are puzzling because they contrast markedly with the conventional wisdom among scholars, who stress the similarity ("robustness") of Argentina's and Brazil's federalisms and highlight that governors in both polities are powerful actors able to build enduring territorial power based on the particularistic distribution of patronage and pork. Yet both incumbent parties and governors are more stable in Argentina than in Brazil.

Having established the puzzles of cross-national variation in gubernatorial redistributive politics and subnational incumbent stability in Argentina and Brazil, and having justified why they should be of interest, the remainder of this chapter develops more fully an explanation of these outcomes. In the next section, I first develop a two-chain theoretical argument linking institutional arrangements with particularistic politics and associated delivering networks; and these networks with incumbent stability. Then, I provide a typology of subnational particularism in federalized countries that serves to generalize my arguments to a large number of cases.

1.2 THE MAIN ARGUMENT

How can the radically different patterns presented in the previous section be explained? Relying upon rational choice institutional accounts, this dissertation posits an incentive effect of institutions. That is, institutional frameworks create incentives for politicians seeking to maximize their personal and/or party ambitions to strategically distribute public expenditures with electoral goals.[23] By shaping the strategic calculations and behavior of politicians, institutions affect the specific forms (varieties) particularistic politics takes. But what kinds of institutional configurations make certain varieties of particularism more likely to predominate in subnational politics? And why do state governors in particularistic-ridden systems benefit differently from the strategic allocation of public outlays?

The first argument developed in this section highlights that differences in the operation of country-level institutional arrangements help explain –both across countries and across time in a

[23] Incentive-based approaches have been applied to study the conditions under which decentralized fiscal institutions foster market-enhancing policies and good governance (Careaga and Weingast 2003; Montinola, Qian and Weingast 1995; Weingast 1995) or instead, as mentioned in the introduction to this chapter, encourage resistance to market reforms, macroeconomic distress, and corruption.

given country– whether incumbent governors are more likely to supply patronage or pork-barrel allocations in their attempts to mobilize vote support.[24] Specifically, the argument holds that the structure of fiscal federalism and the nature of political careerism, which organize the way state governments are financed and state politics is arranged, lead to notable differences in subnational redistributive spending and the organizational attributes of delivering networks of support. Where state governors concentrate access to federal transfers, enjoy ample discretion over the use of such funds, and influence the future of political careers, they have strong incentives to overspend public expenditures on patronage allocations. By contrast, where state governors share access to federal transfers with other political actors located at different levels of government (in particular, municipal mayors and congressional legislators), enjoy limited political leverage over the transferred funds, and do not control the prospects of political careers, they have major incentives to invest public outlays on pork-barrel goods.

The second argument developed below deals with the question of why different electoral strategies built around material inducements do not often provide the same electoral returns to incumbent governors. The argument underscores the role of organizational components of support or the specific ways in which state-society relations are configured. These relations fundamentally encompass the political networks through which voters' interests are assembled by politicians. Patronage-based networks contributes to the enduring territorial dominance of subnational political leaders by shaping expectations about the future distribution of public jobs

[24] I center the analysis on patronage and pork. Other private allocations are of course possible and would not affect the basic argument. I will elaborate on the provision of clientelistic goods in further extensions of this work.

over a stable and elaborate network of party operatives, who are able to monitor voters and dissuade them from migrating to the opposition. In contrast to patronage, pork-barrel is less conducive to incumbent stability because it results in several individually-led networks weakly enmeshed in society so as to monitor voter behavior. In combination with the level of political competitiveness, the electorate socio-demographic makeup, voting technologies, and electoral fiscal agendas, different delivering networks of support largely explain different electoral returns from particularistic allocations of public expenditures.

In sum, there are two steps in the causal chain: first, from fiscal and electoral/partisan institutions to gubernatorial redistributive politics and associated delivering networks; and second, from redistributive politics and political networks to subnational incumbent stability. This argument is summarized in Figure 6.

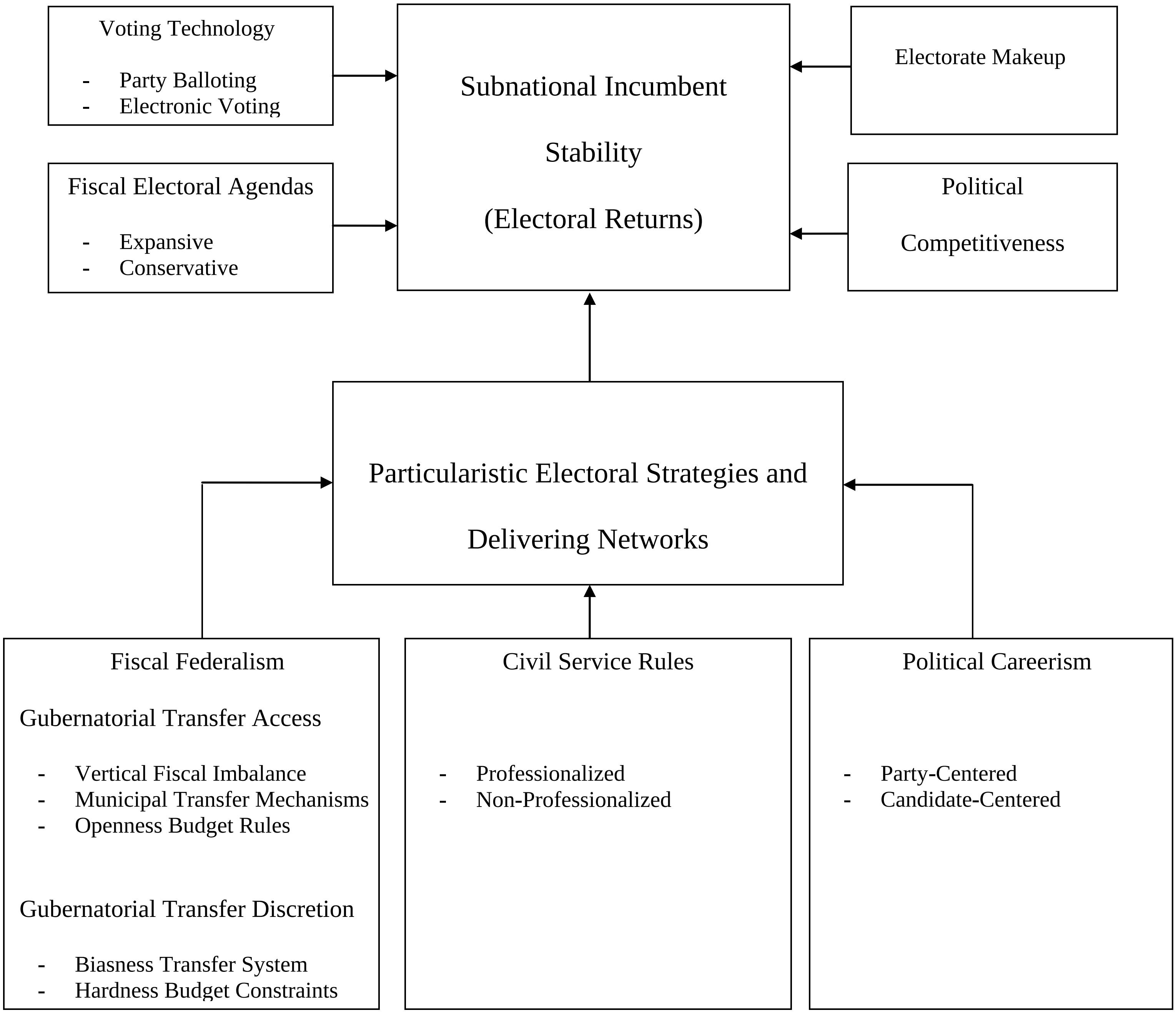


Figure 6: The Main Argument

1.2.1 The First Causal Chain

Incumbent governors must decide how to allocate a basket of particularistic goods to voters. These goods and the delivery strategies differ in their relative budgetary costs, expected electoral returns (expected number of votes for a unit of targeted investment), and level of electoral risk which varies according to the publicness of the good delivered. As mentioned in the previous section, patronage has one important advantage over pork, because it provides better oversight to assure that citizens receiving a material benefit will vote for the benefactor. Patronage, however, potentially yields lower electoral results precisely because it benefits a smaller group of voters. An additional assumption is that incumbents are risk-averse politicians (Cox and McCubbins 1986; Magaloni, Diaz-Cayeros and Estéves 2007). Considered together, these assumptions suggest that incumbents should use a mixed of patronage and pork.

Higher shares of subnational spending on patronage are expected to predominate where federal fiscal institutions concentrate access to intergovernmental transfers in gubernatorial hands and grant incumbent governors high discretion to spend such funds, and the electoral system and partisan nomination/selection rules –especially in the absence of an institutionalized civil service– promote party-centered political careers. By contrast, higher shares of spending on pork-barrel are expected to be more prevalent where fiscal institutions disperse access to federal grants among multiple political actors (governors, mayors, and congressional legislators) and limit gubernatorial discretion in transfer spending, and electoral and partisan rules –particularly in the presence of stable civil service rules– foster candidate-centered political careers.

1.2.1.1 Fiscal Federalism

Two analytically distinct but related causal mechanisms link the institutions of fiscal federalism with subnational redistributive spending and the propensity of state incumbents to supply patronage and pork-barrel goods to win votes. The first can be termed the *rentier* mechanism. This argument parallels the discussion on the "resource curse", which underscores that high levels of government dependence on oil and minerals (Ross 2001) or revenues not generated by domestic taxpayers such as federal transfers (Gervasoni 2010) create opportunities for authoritarian politics at the national and subnational levels.[25] I go further than these studies and assert that fiscal institutions that promote gubernatorial transfer access and discretion provide a key advantage to the incumbent governors in obtaining fiscal resources free of domestic taxation and opportunity costs (i.e., fiscal rents) to invest in expanding the state bureaucracy.[26] The fundamental implication that follows from the distinction between access and discretion is that financially relevant transfers may be a politically useless tool in the absence of discretion, while relatively modest transfers with almost no strings attached may become a valuable mechanism to mobilize adherents (see Bonvecchi and Lodola, forthcoming).

[25] In contrast to this literature, which focuses on the volume of nontax revenues office-holders receive (or the rate of nontax revenues to own-source revenues), my argument also highlights the discretion institutionally assigned to state incumbents to arbitrarily use these funds. As Chapter 2 will make evident, failing to consider discretionality renders empirical findings questionable because we are unable to know the extent to which the recipients can actually utilize the transferred money to achieve the theorized goals.

[26] A similar argument advanced by the public finance literature links high levels of nontax revenues coming from central transfers with the growth of subnational government spending (Oates 1972; Bird 1986). More recently, several scholars have found empirical evidence supporting the claim that nontax revenues –including international aid– increases the size of governments (Remmer 2004; Rodden 2002, 2003; Stein 1999).

Theoretical and empirical studies in public economics have suggested that ordinary citizens and politicians view intergovernmental grants and locally-generated revenues through different lenses. Discretionary federal transfers increase governors' political power vis-à-vis individuals and local economic groups, and create the fiscal illusion that subnational public expenditures are funded by non-residents. In doing so, central government transfers alter individual perceptions about the level of state government spending that can be sustained. If subnational polities are financed by fiscal rents –which can be larger than their own-resources and the size of the private economy– the link between taxes and benefits is broken and regional voters are less likely to sanction public overspending. Subsidized by a generous and sustained inflow of revenues coming from the center, and protected from being electorally punished for their profligate fiscal behavior, incumbent governors sooner or later manipulate public expenditures to construct territorial power based on a large state apparatus.[27] For incumbent politicians/parties that are uncertain about how voters will respond to targeted material benefits, supplying private goods (jobs) to their core friends is preferable to delivering semi-public goods (pork) to their swing neighbors.

Conversely, to the extent that governors receive a small portion of earmarked federal transfers and should rely on broad-based domestic taxation to finance the provision of services, there is a close link between the benefits provided by these services and the costs to the local taxpayers. Under such conditions, electoral constituents have stronger incentives to monitor

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[27] A few recent works report a positive association between federal transfers and subnational public employment in Argentina (Calvo and Murillo 2004; Gervasoni 2010; Remmer 2007), and Russia (Gimpelson and Treisman 2002).

subnational authorities' fiscal behavior closely making incumbent governors less likely to invest domestically-generated revenues in financing a large –and probably inefficient– bureaucracy and more likely to spend these resources on delivering public and semi-public goods. Arguably, these investments may foster economic activity, boost tax revenue, and relax budget constraints.

The second causal mechanism can be called the *barriers to entry* mechanism. In fostering gubernatorial transfer access and discretion fiscal institutions allow state incumbents to tax their constituents lightly, thus reducing the incentives of individual politicians and organized groups to challenge the incumbent governors and consequently diminishing the potential for electoral competitiveness. In an environment with few –if any– electoral challengers, state governors face little incentives to spend additional fiscal resources in credit claiming activities (pork-barrel projects), and are more prone to rely on their privileged fiscal position to finance traditional forms of particularism such as filling bureaucratic posts with political supporters. By contrast, fiscal institutions that disperse access to intergovernmental grants and limit gubernatorial latitude over how they can be spent lead state incumbents to tax local workers and businesses, thereby increasing incentives to challenge governors and augmenting the potential for competitiveness. The likely presence of competitive challengers in the electoral market forces state executives to draw upon their pork-barrel credit-claiming ability (rather than on the excessive distribution of jobs in the government administration) in order to differentiate from their competitors and gain the consent of economic actors and voters.

As it can be appreciated in Figure 6, I emphasize that five fiscal institutional variables determine the ability of state governors to concentrate access to federal transfers and obtain discretion over their use. Some of these variables primarily affect gubernatorial access, while others condition gubernatorial discretion. Gubernatorial access, on the one hand, depends on the level of subnational vertical fiscal imbalance, the legal mechanisms that regulate the allocation of federal transfers to municipal governments, and the openness of budgetary rules and processes to congressional appropriations of grants transferred from the center. Gubernatorial discretion, on the other hand, depends on the spending powers assigned to governors by the transfer system, and the hardness of subnational budget constraints. I discuss below each of these variables and the corresponding propositions relating to the gubernatorial propensity towards patronage and pork-barrel allocations.

The first variable affecting gubernatorial access to intergovernmental grants is also the most obvious one: the level of subnational vertical fiscal imbalance or the gap between the allocation of revenue-raising and expenditure powers to state jurisdictions. High vertical imbalances make subnational governments dependent on resources transferred from the center, as opposed to domestically-raised taxes and fees, to carry out their spending responsibilities. As posited by the rentier mechanism, in countries where these imbalances are particularly high, incumbent governors enjoy the political benefits of spending (even in bad economic times) without facing the political costs of taxing. Contrary to common wisdom, therefore, fiscal dependence from the center does not invariably undermine the capacity of state executives to reign in their fiefdoms.[28] Indeed, governors can benefit politically from such dependence as they can give up taxing local constituents and live off fiscal rents used to hire many civil servants.

The second fiscal institutional variable that contributes to concentration of gubernatorial access to intergovernmental grants is the set of formal mechanisms that regulate the allocation of federal transfers to municipalities. Gubernatorial access is higher where: (a) municipalities lack their own transfer agreements with the central government, which exclusively channel revenues to the states; and (b) the mechanisms to reallocate federal grants from state to local governments, if existent, are determined by subnational –not national– legislation.[29]

An institutional framework in which municipalities only receive federal grants through the states according to the latter's constitutions or specific legislation has a twofold effect on the incentives that incumbent governors have for deploying particularistic goods. First, it logically enlarges the share of total transfers at the governors' own disposal thus promoting rentierism and associated patronage networks. Second, it allows state governments to politicize municipal level redistribution. By placing municipalities under subnational rather than federal fiscal tutelage, intergovernmental institutions create barriers to entry for mayors as potential competitors for the governorship. Moreover, presidents have fewer opportunities to strengthen mayors bypassing governors and to meddle into state-municipal affairs. The institutional obstacles mayors and

[28] Neither does it, in itself, decrease incumbent governors' power vis-à-vis the presidents. Actually, Falleti (2010) shows that the impact of different decentralization reforms on the intergovernmental balance of power between national and subnational executives has been insignificant in Argentina and minor in Brazil. Chapter 3, however, will dispute the latter assertion.

[29] Direct national-municipal transfer mechanisms are *de jure* more feasible when national constitutions recognize municipalities as autonomous federal units distinct from the states.

presidents face when entering into the incumbent governors' political turfs reduces political competitiveness and reinforces subnational propensity for patronage because governors can placate regional voters with private goods (jobs).

By contrast, if intergovernmental grants to municipalities flow directly from the center and national legislation determines the reallocation of funds from state to local jurisdictions, incumbent governors share access with mayors who gain financial autonomy from subnational largesse. As presidents can funnel transfers bypassing governors, moreover, weak mayors can be bolstered in an attempt to undermine states which are typically seen as more threatening by the center. This institutional framework diminishes subnational rentierism and increases potential for rivalry, thereby forcing governors to rely more intensively on the supply of club goods in order to claim credit among voters and maintain a comparatively smaller but unified coalition.

The third institutional factor that affects gubernatorial access to federal fiscal transfers is the openness of budgetary rules to congressional appropriations of transfer moneys. If fiscal institutions discourage national legislators from capturing transfers from the federal budget with the goal of benefiting local political elites and their own electoral fortress, they contribute to the monopolization of fiscal rents on the governors' hands. In addition, they make it harder for individual legislators to challenge the territorial power of established subnational leaders who count on a spoils system to feed collective party behavior. Conversely, if national legislators are allowed to introduce budget amendments to appropriate federal grants, gubernatorial access to such funds is logically diminished. Additionally, national legislators are politically empowered as they can charge governors a price for their legislative support, claim credit for whatever federal largesse they attract, side-step governors by acting as intermediaries on behalf of mayors, and become potential aspirants to the governorship. By reducing subnational rentierism and removing barriers to entry, budgetary rules and processes opened to congressional appropriations create incentives for gubernatorial spending on pork-barrel goods.

With regards to gubernatorial transfer discretion, I highlight two fiscal variables that matter: the bias within the intergovernmental system in allocating spending powers to transfer recipients, and the strength of subnational budget constraints. As for institutional bias, the literature has typically analyzed transfer discretion by indicating whether federal grants are earmarked or unearmarked to specific purposes. But federal earmarking is a poor indicator of discretionality because it may involve an array of provisions such as unilateral imposition, elaborated forms of cooperation and/or co-finance among levels of government, and different kinds of strings attached. In order to better capture these nuances, I propose to operationalize gubernatorial transfer discretion by assessing whether the incumbent governors control four dimensions of funding execution: reallocation, timing, procurement, and monitoring.

Reallocation concerns the ability of subnational executives to spend the money on other projects or activities from those specified in the original agreement. Reallocation can take place within and across policy areas. In the first case, governors are *de jure* or *de facto* entitled to trade-off spending within a policy area. For example, they can determine whether to use transfer loans earmarked to education to construct schools or to finance teachers' professional training. In the second case, governors have the authority to divert the money from the policy area to which it was assigned to another area. Also critical in this dimension is whether a portion of the federal grants can get diverted to enlarge public employment or increase wages, and then to finance machine politics. Timing denotes governors' leverage to determine when the money can be executed. Procurement indicates their capacity to freely decide on hiring employees and subcontractors to implement the transferred funds. Finally, monitoring refers to the existence of accounting mechanisms designed to supervise incumbent governors' final spending choices. On the bases of this operationalization, I classify an intergovernmental grant as giving a high level of gubernatorial discretion if the transfer system allows subnational executives to control the four dimensions of funding execution. A grant with low level of gubernatorial discretion, by contrast, is one where the governors are restricted to use the money in ways determined by federal rules. These rules will limit hiring power and include strict supervision of accounting mechanisms. Of course, many transfers fall between these poles, and I will refer to these transfers as having a medium level discretion.

The second variable that conditions discretion is the set of rules regulating subnational finances. Ideally, the ability of subnational and local governments to manage their expenditures should be regulated by market discipline or "soft budget constraints" (Kornai 1980). In practice, this proposition means that lower levels of government should cover their budget expenditure out of their own revenues and the allocated transfers without outside fiscal intervention from either the central government or external credit. Political economists, however, have stressed that market-based regulations (particularly in less developed countries) are far from an ideal solution because a level of government would often extends fiscal help to a lower level in search of its political support. An alternative market discipline is a rule-based, "hard budget constraints" approach that limits the capacity of subnational and local governments to receive external assistance forcing them to reduce or terminate an activity if the deficit persists.

A simple cross-national measure of hard budget constraints in unavailable because federal restrictions and oversight often come about in various ways. In this dissertation, I refer to hierarchical legal systems (i.e., constitutions, fiscal responsibility laws, or other well-established regulations) that satisfy four conditions: (a) they limit subnational ability to borrow from private foreign or domestic entities (especially banks owned by the states and local public enterprises) and to issue bonds based on fiscal-capacity criteria; (b) institute specific targets for fiscal performance such as debt stocks and overall balances; (c) establish restrictions on subnational public sector spending; and (d) determine legal penalties for states that fail to meet their borrowing agreements such as interest rate penalties on existing state debt held by the federal government, increases in debt service ceilings, and deductions of state debt service directly out of the revenue sharing participations from the center.[30]

When budget constraints are soft, governors count on more resources to spend in a discretionary way. As they know that the central government will respond with bailouts (as opposed to ordinary transfers) if things go wrong, state incumbents have strong incentives to set

[30] Notice that these conditions refer to both ex ante and ex post regulations. Relying on ex ante regulations alone gives irresponsible borrowers and lenders strong incentives to sidestep initial legal hurdles and do transactions that will be bailed out. Relying only on ex post mechanisms does not prevent borrowers and lenders to build up extensive debts whose consequences the national government is unable to enforce. Although I do not consider it here, ideally ex ante and ex post controls should also act on public and private lenders. Constraints on borrowers alone allow lenders to push loans and find politicians with recklessly high discount rates willing to borrow despite the existing rules. Ex ante regulations on lenders typically include no direct central bank financing, financial supervision**,** credit rationing to states, and increased capital requirements for lending to risky states. Ex post mechanisms include the strong supervision of banks, and rules requiring capital write-offs for losses from subnational governments' debts (Webb 2004).

public employment levels or wages beyond their fiscal capacity. By diverting fiscal revenues to finance the state bureaucracies, governors can extract additional federal resources through bailouts.[31] Such rents, especially in transfer-dependent and fiscally poor jurisdictions, boost public employment even further, at least more than equivalent increments in locally-generated revenues. Furthermore, in a context of subnational overspending municipalities can be fiscally captured by states through extending credit (Beck Fenwick 2010). This reduces the possibility that mayors of large cities will challenge incumbent governors. By contrast, when subnational budget constraints are hard, subnational governments rely on less discretionary resources and are forced to tighten public expenditures and trim patronage overstaffing. As governors should inevitably adjust the public workforce downturn –either through hiring fewer workers or reducing wages– they need to increase investment in other electorally-valuable particularized goods. Thus, hard budget constraints foster states to use their remaining borrowing and spending authority to promote localized short-term investments in infrastructure and capital projects. They also make it harder for states to hold municipalities fiscally hostage opening the door for mayors to become potential challengers of the incumbent governors.

[31] Obviously, the cost of not funding public employment may erode governors' political support. But subnational executives can often shift the blame for such unfortunate situation to the central government, which will feel pressed to bailout the delinquent state. Since, at equilibrium, the central government often provides transfers to avert blame from the states, it will be punished by regional voters if it decides not to bailout. As Gimpelson and Treisman (2002) argue, it is strategically rational for voters to punish the central government for not providing bailouts simply because the greater the share of the blame they attribute to it, the larger the federal transfers they will receive.

1.2.1.2 Political Careerism

A large body of literature on comparative parties and elections has analyzed the extent to which electoral systems and intra-party nomination and selection rules encourage party-centered or candidate-centered political careers (e.g., Ames 1995b; Cain, Ferejohn, and Fiorina 1987; Carey and Shuggart 1995; Siavelis and Morgenstern 2008). The key difference between these institutional structures lies in the relative importance that electoral and partisan institutions assign to party leaders in determining the future of individual politicians. Under the close-list proportional representation system (CLPR) such as Argentina, Mexico, and Venezuela voters choose between closed lists of parties (coalitions). The lists are “closed” in the sense that the ranking of candidates on each list is decided by the party prior to the elections in a process in which the (national or subnational) party leadership has a very heavy hand. Under preferential-list proportional representation systems (PLPR), voters have a role in the ranking of candidates, with the importance of such role varying across subtypes of PLPR systems. In open-list PLPR systems such as Brazil, Chile, Poland, and pre-1994 Italy within-list vote share captured by each individual candidate determines their positions in the list. Variations aside, these systems vary in two important ways. First, they differ in the capacity of party leaders to discriminate in favor of some particular candidates and against others. Whereas in CLPR systems such capacity can be nearly absolute, in PLPR (especially under open-list) it is greatly weakened. Second, the two systems differ in the degree of intra-party competition they produced. In CLPR systems, such kind of competition is nil since voter preferences do not determine the electability of particular candidates on the lists. In PLPR, by contrast, candidates feel obligated to differentiate themselves from their co-partisans and intra-party competition may be extremely intense.

These tendencies have a marked effect on the electoral strategies chosen by candidates, and the organizational forms adopted by delivering networks of support. To analyze the role of party and candidate centeredness on gubernatorial spending calculations, I focus on the incentives legislative candidates have for mobilizing support on behalf of their governors. Where parties control political careers and campaign finance, politicians (and politically oriented bureaucrats) depend on currying favor with party leadership. In return for receiving a nomination or a job, these individuals are expected to participate in party daily-life and electioneering activities. Incumbent governors in control of the state apparatus can therefore induce participation in the party by offering appointments and jobs in the state bureaucracy to faithful militants. Because such participation is an observable service, patronage exchanges are profitable for ordinary citizens, individual politicians, bureaucrats seeking a political future, and party bosses. In this way, electoral/partisan rules that promote party-centered careerism encourage state incumbents to reallocate public expenditures through patronage allocations in order to finance an elaborated machine and dense webs of territorial connections.

By contrast, where parties do not control political careers politicians focus their efforts on cultivating a personal vote and building an individually-led network of support. There are multiple ways to cultivate a personal vote. One option is to rely on name or fame, but only a few candidates can resort to this strategy. Another mean, commonly used in U.S. primary campaigns, is to emphasize policy or factional differences within the party (Cox and Thies 2000; Samuels

1999). Party leaders try to discourage this option because it undermines party cohesion and dilutes the value of a party label. A most common alternative is to allow or encourage candidates to cultivate a personal support network by directing (or promising to direct) pork-barrel goods to their constituents even at the expense of undersupplying much-needed public goods (Ames 2001; Cox and McCubbins 2001; Golden 2003). It is worth noting that politicians generally cannot differentiate themselves based on patronage resources coming from party leaders or the state apparatus because their fellows (or at least some of them) have access to the same goods. Thus, politicians must usually generate their own campaign funds which foster them to engage in additional pork-barrel activities. In short, a party-centered system of political and bureaucratic careerism provides a superior technology for patronage linkages and state-based and politically rewarded networks of support. A candidate-centered system, in marked contrast, gives pork-barreling a more prominent role in party politics and the electoral process, and promotes the building of individually-based and delivering networks.[32]

1.2.2 The Second Causal Chain

What is the link between redistributive politics and subnational incumbent stability? The explanation of the electoral efficacy of particularistic strategies emphasizes demand-side and supply-side factors along with the institutional rules that condition vote-trading interactions

[32] Despite my argument favors the conventional wisdom regarding Argentina's and Brazil's party systems, I do acknowledge that these countries are moving targets. In particular, Argentine parties became more personalized in recent years, while their Brazilian counterparts entered a phase of consolidation after the presidency of Fernando Henrique Cardoso.

between politicians/parties and voters. On the demand-side, I highlight the role of the electorate makeup, fiscal agendas, and political competition. On the supply-side, I stress the organizational capabilities of delivering networks of support to screen voter behavior. And on the institutional-side, I point to the effect of balloting structures and voting technologies.

There is a large body of literature on distributive politics and clientelism that associates the returns of individualized allocations of goods with low levels of socioeconomic development and organization of the civil society.[33] Poverty-based interpretations argue that the poor are more likely to effectively engage in particularistic exchanges because they have less income and therefore derive a larger marginal return from a material good (Brusco, Nazareno and Stokes 2004; Calvo and Murillo 2004; Dixit and Londregan 1996), or because they are more risk averse and then prefer a small good for certain than a riskier redistributive policy (Desposato 2002; Wantchekon 2003). In any case, the underlying idea of this literature is that votes from the poor are cheaper and more readily available to buy.

Along with the electorate socio-demographic characteristics that determine voters' dependence on government largesse, I bring partisan politics into the analysis by contending that an important demand-side factor that explains cross-state variation in the electoral returns reaped from patronage and pork-barrel goods is the degree of regional political competitiveness. Drawing on research that highlights the impact of political competition on the provision of (semi) public versus private goods (Bueno de Mesquita, Morrow, Siverson, and Smith 2003;

[33] For a complete review of the early literature, see Kistchelt (2000).

Chhibber and Nooruddin 2003; Magaloni, Diaz-Cayeros, and Estévez 2007; Persson and Tabelini 1999), I argue that the electoral payoffs of particularistic strategies –either patronage or pork– are inversely related with the number of parties competing in elections. The intuition is that competitive political settings generate the image of vote trading discontinuity, thereby making voting more volatile. Other things being equal, therefore, a unit of patronage or pork investment would yield lower electoral returns in electoral markets where multiple parties compete for office than in non-competitive electoral turfs. In more general words, as the number of competitive parties increase the winning candidate's vote share would on average decline.

The level of political competitiveness explains the decreasing returns of patronage and pork, but it does not tell us which of these particularistic investment choices is more conducive to incumbent stability. In order to answer this question, explanations based on formal rules and contextual factors should be completed with considerations of the ways in which state-society relations are configured within subnational political units. These relations fundamentally encompass the networks through which voters' interests are assembled by politicians. We therefore need to move from the demand to the supply-side of politics.

The general argument is that patronage rather than pork contributes to the enduring stability of (subnational) incumbent elites. It does so by shaping the organizational attributes of delivering networks of support. Patronage contributes to incumbent durability in two primary ways. First, it shapes expectations about the future distribution of public jobs over a stable network of voters (Calvo and Murillo 2004; Diaz-Cayeros, Estevez, and Magaloni 2001; Robinson and Verdier 2003). Second, it facilitates vote monitoring and then discourages voters to deter to the opposition (Stokes 2005, 2007; Medina and Stokes 2007). When incumbents garner richer economic resources than their opponents and interactions between dense political networks and voters became sustained over time, patronage is likely to generate a “self-enforcing group equilibrium” (Kitschelt and Williamson 2007) that served the governing elite to endure its political monopoly. But when political parties that are not enmeshed in society attempt to buy votes through patronage inducements, voters greet these redistributive efforts with skepticism and express a higher propensity to free ride by ignoring the private rewards (or promises) they had received.

In contrast to patronage, pork-barreling is less efficient in contributing to incumbent stability because it fosters the construction of individually-led political networks weakly enmeshed in society. These networks have few resources to monitor sponsored activities and make inferences about how individuals vote. Monitoring in such scenarios is more symmetrical among different competing forces and voter defection is more likely, thereby making enduring leadership the exception rather than the norm. Because organizational penetration is weak and incumbents have difficulties to repeatedly win elections, voters have little incentives to back exchanges based on the provision of public jobs as they anticipate that the patronage interaction will not continue in the long future. Even after assuming that politicians/parties are capable of convincing voters that they deserve merit for supplying pork, the lack of a socially proximate cadre of party brokers open avenues for massive defection to the opposition.[34] Individual voters (and politician/parties themselves) are then more inclined to shift electoral allegiances over time.

Finally, there is an institutional-side component that reinforces the electoral efficiency of patronage over pork. This factor refers to the voting technology and balloting system that affect the anonymity of the vote and facilitate or hinder politicians/parties to solve the commitment problem immersed in particularistic interactions. In manual voting systems in which paper-based ballots are produced and distributed by political parties, the electoral efficiency of patronage increases because parties are more able to keep track of turnout and voting patterns. By contrast, electronic voting systems reduce party brokers' involvement in the electoral process thereby decreasing the potential returns of patronage investments.

1.3 A TYPOLOGY OF SUBNATIONAL PARTICULARISM

I propose a typology of subnational redistributive spending according to the structure of federal fiscal institutions and the nature of political careers, summarized in Figure 7. Using Lijphart's strategy of creating a dichotomous overarching typology, I collapse the access and discretion

[34] Identification of creditworthy is far from obvious in multi-level countries where geographically specific goods very often promote the participation of different tiers of government that parade about the same constituencies. This cross-level or "nested" parade is well summarized by the 2006 gubernatorial campaign motto of the PT, the Brazilian president's party, in the state of Bahia. The slogan stated: "*Lula faz a obra e Paulo Souto faz a placa*" (president Lula finances the public work and Paulo Souto –the candidate from the state incumbent party– does the sign). Creditworthy is also ambiguous because public work projects often take time to be completed, thereby allowing different politicians to claim credit.

dimensions of the fiscal institutions variable into a single category which I refer to as extensive or restricted gubernatorial transfer power. In the former case, federal grants are primarily –if not exclusively– transferred to the states and incumbent governors enjoy high political discretion over their use. In the latter case, access to intergovernmental grants is shared among different political actors with multiple constituencies and gubernatorial leverage over transfer spending is limited.[35] The political careerism variable, on the other hand, distinguishes between electoral and partisan institutions that foster party-centered or candidate-centered political careers. That is, institutions that place control of candidate selection/nomination processes in the hands of party leadership that also control campaign finance (or other resources that politicians consider valuable for their future), and institutions that place such control more broadly among individual politicians within a party organization. Two critical implications follow from these distinctions. First, extensive versus restricted gubernatorial transfer power alters who has "ownership" of federal fiscal transfers and makes spending decisions about redistribution. Second, party-centered versus candidate-centered rules alters who controls the delivering political networks and determines the principal manner in which such networks are financed.

[35] This is therefore a broad categorization that reduces all the possible combinations between (high/low) access and (high/low) discretion into a simpler dichotomous framework. Despite its limitations, this strategy is especially useful to highlight the existence of contrasting subnational redistributive logics across federalized systems. It is also analytically successful to compare countries, such as Argentina and Brazil, whose differences are quite subtle.

Fiscal Federalism Political Careerism	Extensive Gubernatorial Transfer Power	Restricted Gubernatorial Transfer Power
Party-Centered	*Expansive Patronage* Party-based and centralized (state level) patronage networks High Incumbent Stability Argentina Mexico U.S. South	*Extensive Pork* Candidate-based and centralized (state level) pork networks Medium Incumbent Stability Costa Rica
Candidate-Centered	*Locally-Based Patronage* Party-based and decentralized (municipal level) patronage networks Medium Incumbent Stability Bolivia	*Locally-Based Pork* Candidate-based and decentralized (municipal level) pork networks Low Incumbent Stability Brazil Colombia

Figure 7: A Typology of Subnational Particularism

Combining these two variables produces a two-by-two typology with four primary types of subnational particularism in federalized countries. The first type, in the upper-left quadrant, is characterized by extensive gubernatorial transfer power and party-centered careerism. I label this combination *expansive patronage.* The institutions of fiscal federalism bias access to federal fiscal revenues toward the incumbent governors, even taking into account other factors influencing revenue-sharing, thereby enlarging state budgets. Municipalities receive a very small portion of transfers directly from the central government or indirectly through the states according to subnational (rather than national) legislation, while congressional legislators are either banned or limited from making appropriations of intergovernmental grants from the budget. In addition, intergovernmental fiscal arrangements grant governors exclusive spending authority to make the most important decisions about redistribution. As for political careerism, the structure of partisan and electoral rules harness delivering networks to party leadership and the incumbent governors themselves who stand at the apex of vertically structured authority relations in the states. The combination of large budgets funded by nontax revenues, exclusive spending powers over such resources, and political career control leads incumbent governors to mobilize constituents primarily by deploying patronage allocations. Especially in the absence of stable and meritocratic civil service rules, governors centralize the construction of elaborate, state-based political networks that link voters to an army of professional party brokers and militants in the public administration to the dominant political leader. Subnational politics in Argentina, as Chapters 2 and 4 will show, Mexico, and the U.S. South during the heyday of the spoil system best approximate this ideal type.[36]

[36] I expand on Mexico and the other Latin American countries mentioned below in the chapter that concludes this

A second type of subnational particularistic politics, located in the lower-right quadrant of Figure 7, combines restricted gubernatorial transfer power and candidate-centered careerism. I label this combination *locally-based pork*. In this type, federal fiscal institutions introduce a more balanced transfer scheme in which state governors share access to intergovernmental grants with municipal mayors, who receive a considerable share of the nationally-collected revenues directly from the center without gubernatorial intermediation, and congressional legislators, who are able (individually and/or collectively) to appropriate federal transfers to reward local political elites and their own electoral cohorts. Additionally, incumbent governors' spending power to dictate redistribution of nontax revenues is constrained by federal legislation and oversight mechanisms. State executives also lack control over delivering networks because candidate selection process and the electoral system reduce the capacity of party leadership to favor compliant militants and instead foster personalized campaigns primarily based on pork-barrel credit-claiming appeals. This institutional structure, which tends to coincide with more institutionalized civil service laws that limit political appointees in the bureaucracy, encourages the building of decentralized and individually-run political networks. Under such conditions, patronage is not a valuable electoral strategy for incumbent governors who prefer to bolster ties with independent local brokers and decentralized networks of support through the delivery of narrowly targeted policies and parochial goods. Subnational politics in Brazil, as Chapters 3 and 4 will make evident, and Colombia fits this characterization.

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dissertation. On the U.S. case, Key (1949: 335) remarked that "a considerable part of the party expenses is met by the public treasury, and the chief means of diverting public funds to party purposes is through the appointment of party workers to public office."

A third type, found in the lower-left quadrant, combines extensive gubernatorial transfer power and party-centered political careerism. I label this type *locally-based patronage*, a term that suggests the prevalence of decentralized patronage-based networks of support commanded by multiple local party bosses –typically mayors of large urban cities– rather than by state governors. This is largely possible because the intergovernmental transfer system gives certain preferential access and discretion over federal fiscal grants to municipalities at the expense of the states (sometimes as a result of a deliberate process of municipalization led by the central government with the goal of weakening intermediate level jurisdictions). Political careers, on the other hand, do not remain under the control of party leadership. Municipal executives can therefore take advantage of burgeoning budgets to build local political networks run by activists with jobs in the local administration. Incumbent governors may still reap political dividends of such arrangement to the extent that they (independently from or in conjunction with mayors) have a say in the nomination of candidates to the party lists. The case of Bolivia appears to classify in this characterization.

The final type of subnational particularistic politics exists where gubernatorial transfer is restrictive and political careerism is controlled by party leadership. This type, which I call extensive patronage in the absence of a better terminology, is found in the upper right-hand quadrant of Figure 7. Althpugh it represents an odd combination, the case of Costa Rica appears to fit in this characterization.

This typology provides a useful heuristic framework to compare and contrast subnational particularistic politics and the organizational attributes of the delivering networks of support that incumbent governors choose to employ. The next section defines the particularistic politics as an electoral strategy. It also discusses the varieties of particularism (i.e., patronage, pork-barrel, and clientelism) that can be found in a polity, and elaborates the implications that such electoral strategies have for the organizational forms adopted by the delivering networks of support politicians/parties choose to employ.

1.4 CONCEPTUALIZING PARTICULARISTIC POLITICS

This dissertation is conversant with the new institutionalism and rationalist approaches to the study of politics. Central to these approaches is the premise that politicians strategically allocate public expenditures in ways than can increase their electoral performance, advance their personal careers, and/or enhance their party reputations.[37] In capturing political strategy at the elite level – where the key exchanges of public outlays for political support occur– the present study reflects an underlying theory of voters, who have preferences over government spending and taxation and are willing to vote against those who do not display similar preferences. That is, although explaining the demand for government redistribution is important, I take that demand as given and focus on electoral exchanges as strategic investments made by politicians/parties. Given budgetary constraints, candidates for elected office thus select an electoral strategy –or mix of

[37] In this sense, I join a nascent "second generation" of positive political economy research on federalism that thinks of decision makers as politicians motivated by the desire of retaining power rather than as apolitical benevolent despots or rent-seeking Leviathans. For reviews of this literature, see Rodden (2006) and Wibbels (2005).

strategies– by determining when certain appeals will be more effective or successful than others. But what sort of appeals do politicians/parties can choose to make?

Theorists of representative democracy have traditionally conceived that voters react to political parties' programmatic appeals and the provision of public goods such as a stable currency, a professionalized bureaucracy, price stability, stronger environmental protections, and relatively efficient property rights that affect the fortune of all citizens. But political scientists know that this model of responsible partisan government is an idealization of democratic governance. Numerous scholars have systematically shown that politics in middle-income and recently democratized countries –and in part of the industrialized world as well– also revolve around the targeting of material benefits to individual voters, narrow groups of citizens, and politically reward networks or machines in exchange for their services to promote the benefactor most preferred candidate's (re)election by delivering the vote and participating in election activities.

I draw upon market-based theories of citizen-politician linkages that identify voters and parties as actors who engage in instrumental exchanges. In these theories, the logic underlying the electoral exchange resembles a typical market transaction in capitalist economies.[38] Hence, given the institutional environment, voters and parties find it advantageous to engage in voluntary exchanges of benefits for electoral support. In the responsible partisan model observed in some well-established Western democracies, the instrumental exchange is primarily framed in

[38] This assumption explicitly excludes non-market electoral strategies such as corruption and fraud.

valence or programmatic terms with the aim of providing collective goods to large (all) groups of voters. An alternative option available for politicians/parties to instrumentally engage with voters is based on "particularistic" material inducements. Because scholars are not sure what to call this last electoral strategy or class of strategies, I propose a conceptual scheme to distinguish the scope of mechanisms of electoral mobilization available to politicians in electoral democracies.[39] It is worth noting that these empirically testable mechanisms or strategies are not mutually exclusive. Different electoral strategies are usually found in a single polity because rationally-minded politicians/parties seeking to obtain votes may trade-off budgetary resources, segment strategies to constituencies in different electoral sites, or deploy a mix of mechanisms that combine different appeals (Ames 1987; Diaz-Cayeros and Magaloni 2001; Magaloni, Diaz-Cayeros, and Estévez 2007; Kitschelt 2010). It is thus an empirical challenge to determine which exchange mechanisms predominate or are combined.

The Figure 8 provides a simple scheme mapping the set of electoral strategies motivated by politicians in search of support. A first basic distinction is between mechanisms that rely upon non-material and material inducements.[40] The former include expressive and affective attachments that motivate voters to enter a bond with candidates or parties (Kitschelt 2010).

[39] I employ the term mobilization to refer to (gubernatorial) incumbents inducing citizens to vote for their candidates and participate in campaign activities. I do not analyze incumbents' attempts to induce citizens to turn out to vote, a strategy that bypasses the commitment problem associated with vote-trading (Nichter 2008). Of course, incumbents can also raise the costs for mobilizing in the political opposition through co-opting or repressing political forces, controlling social organizations, businesses and the media, and trough direct physical intimidation. The study of these non-electoral strategies, however, is beyond the scope of this study.

[40] Other research, including that on machine politics in the United States, has made some similar distinctions. For example, Banfield and Wilson (1963) wrote about machines providing goods that are "specific and material", as opposed to "non-material" payoffs. A key difference between my work and this literature is that I consider electoral exchanges as mutually beneficial for politicians and voters rather than as antithetical with democratic rule.

These mechanisms include valued personal physical or cultural traits such as gender, race, region, language or ethnic preexisting identities (Chandra 2004), the sentimental attachment to a party's history, symbols, collective memories and social networks, and the fascination with the unique personal qualities and charisma of a politician that arises loyalty in his/her leadership. Although non-material strategies frequently include campaigns emphasizing promises of material benefits for voters who share the correct attribute, politicians primarily resort to emotional and symbolic components of support. And voters are responsive to these components without expecting material advantages to flow in return because they hint at the identity group and derive the emotional satisfaction of supporting someone unique or one of "their own".

The mechanisms of electoral mobilization rooted on material inducements, on the other hand, involve instrumental and calculated exchanges. As we can appreciate in Figure 8, they can be broadly divided between programmatic and particularistic electoral strategies. Extant literature offers many rich insights into how to conceptualize *particularism*, but the absence of a fully developed terminological map has produced a definitional morass. Rubrics such as clientelism, patronage and pork-barrel continued to be conflated in the literature with serious consequences for conducting empirical research. Yet these rubrics actually encompass a range of different particularistic strategies politicians/parties undertake to mobilize electoral support. As we will see in more detail below, not only do these strategies vary in a number of distinctive features (i.e., scale of disbursement, contingency, and incumbency) but also affect the organizational forms that politicians/parties choose to establish in order to foster linkage relations with voters and be electorally successful (Kitschelt 2010).

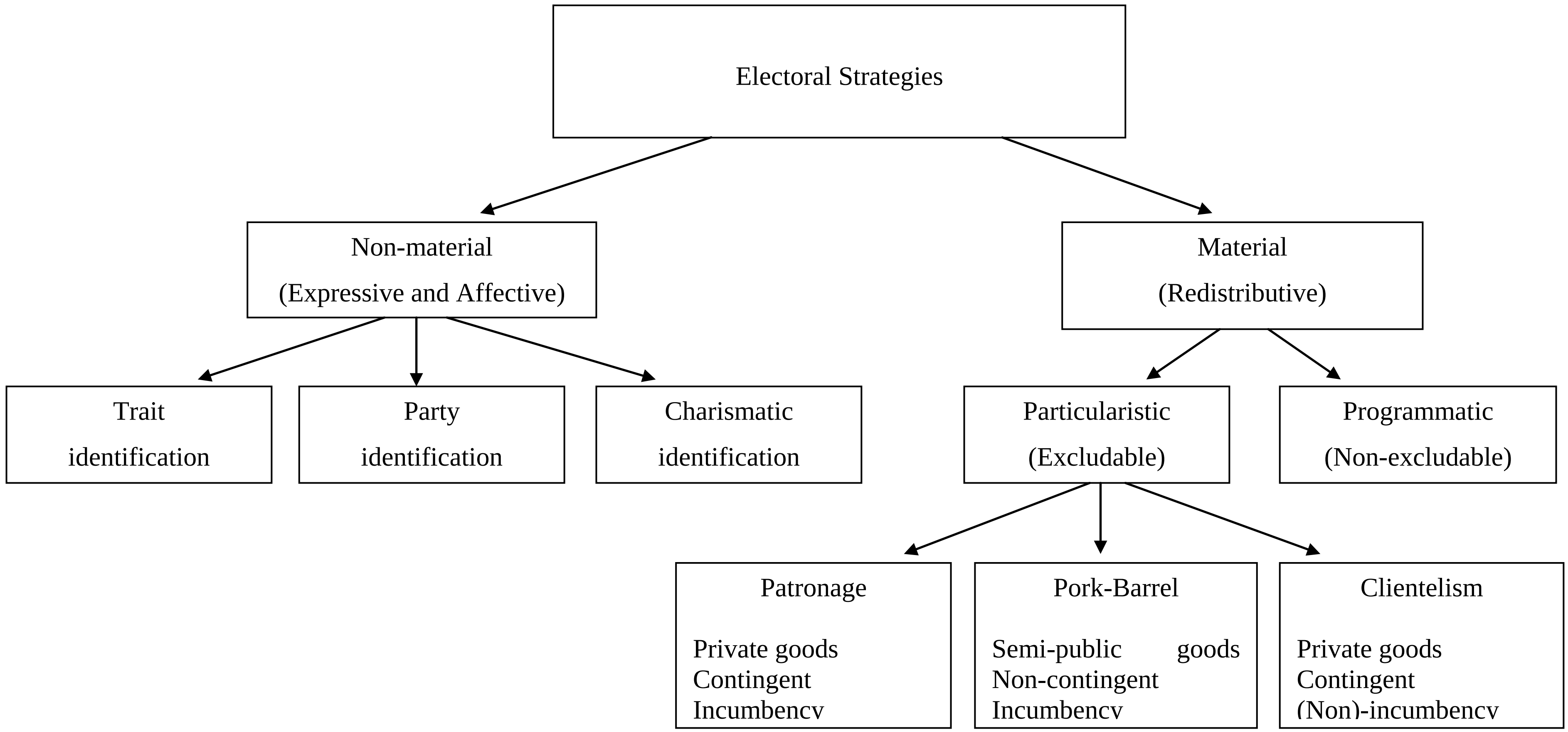

Figure 8: Mechanisms of Electoral Mobilization

My emphasis in distinguishing particularistic from programmatic mechanisms is based on a key analytical dimension: the degree of *publicness* of a given material good, or who can be prevented from benefiting (Magaloni, Diaz-Cayeros and Estévez 2007).[41] Programmatic strategies involve the delivery of extensive (i.e., collective) goods that cannot be denied to anyone. These goods are typically comprised in the notions of social welfare benefits, universal education, and health care.[42] Arguably, programmatic policies often target some individuals and involve redistribution (and therefore distributional consequences) from some group of citizens to others. In this sense, of course, they are not purely public goods but rather both programmatic and targeted goods. Nonetheless, because the consumption of collective goods is essentially non-exclusive, the benefactor is unable to "particularize" their distribution and then to credibly punish individual citizens for falling to trade their votes in return. Under programmatic strategies, material goods unconditionally accrue to individual voters regardless of whether they had supported or will support the benefactor's most preferred candidate. And, critically, voters can freely support other-than-the-benefactor candidate because they will not suffer individual punishment from defecting.

[41] Other scholars using a marked-based approach employ the term programmatic in a different way. For example, Stokes (2009) argues that programmatic strategies involve both material inducements and *publicity*. That is, these strategies are ones in which the objectives of the distribution are a matter of public debate, these objectives constitute the official criteria for distribution, and distribution is actually executed according to the objectives initially stated.

[42] Strictly speaking, programmatic goods are usually defined as "valence" issues (e.g., national security, clean air, full employment) that are desired by anyone in society and from whose enjoyment no one can be excluded. I do not consider in my definitions these types of goods because they are not subject to political competition and rivalry. That is, politicians/parties do not offer different packages of pure public goods, but rather they claim being capable of delivering such goods if elected to government office.

Particularistic mechanisms or strategies, in contrast, involve the targeting of material goods that are excludable in the sense that only certain specific individuals or categories of individuals are granted the benefit. Therefore, particularistic goods are not welfare-enhancing collective goods. Instead, they are private or semi-public (commonly known as club) goods that grant benefits to some specific individuals or subset of individuals and exclude a broader set of citizens. I then understand particularism as an overarching category encompassing different electoral strategies. The common feature of these strategies is excludability in targeting material goods. Notice that excludability differs from “contingency”, a term that has been introduced by recent conceptualizations of clientelism (Kitschelt 2000, 2010; Kitschelt and Wilkinson 2007; Medina and Stokes 2007; Stokes 2007). Whereas contingency entails a quid pro quo exchange such that benefits should accrue to individuals only as long as they comply with the terms of the agreement, excludability refers to the *scale* of the target group/s to which a benefit is provided. This means that particularistic politics occurs when politicians/parties target excludable goods, and not only when distribution is contingent on voter behavior. Under these definitions, if the targeted goods are excludable they cannot be collective goods and must be either private or semi-public goods.

Of course, semi-public or club goods are non-excludable in the targeted subset of the population thus constituting a collective good for that smaller group. This feature has led some scholars to argue that club goods should be treated as non-excludable (Stokes 2009). Ironically, these authors recognize that the distribution of club goods often incorporates “bias” or that politicians/parties allocate them to a particular group after considering its electoral responsiveness and past loyalty. In other words, their distribution is politically discriminatory. For example, a new bridge is technically available to all citizens, but practically delivers the most benefit to those who live nearby and will use it frequently (and, of course, the subcontractors). If, subject to budget constraints, politicians/parties discriminatorily allocate a basket of semi-public goods to certain narrow clienteles –and not to others– according to an expected electoral return, I do not see why we should consider these material goods as non-rival and non-excludable benefits in the electoral market (at least the subcontractors do not build the bridge).

Having clarified these conceptual nuances, I will turn to the classification of different particularistic strategies. The first of these strategies is pork-barrel. As anticipated in the previous section, pork-barrel politics refers to the supply of divisible, semi-public goods that are narrowly –either geographically or sectorally– targeted. Obvious examples of geographically targeted goods include public works with a decisively local impact such as electricity, sewage, drinking water, bridges, paved roads, dams, housing, harbors, and the like. Sectorally pork-barreling fundamentally comprises government market interventions and special legislation designed to benefit certain firms, producer groups, or economic sectors through tax breaks, subsidies, credits, procurement contracts, or favorable regulatory decisions. The second particularistic strategy I identify is patronage which, as we have mentioned, refers to the supply of jobs in the public sector to individual voters.[43]

I emphasize that there are three major differences between patronage and pork-barrel strategies as defined in this dissertation. The key difference is the criteria used for exclusion. Whereas patronage determines exclusion based on criteria related to voting, pork does not involve contingency. Under a patron-client relation, a dedicated citizen who works for a politician or party suffers a punishment (or reasonably fear that s/he will suffer one) if s/he defects from the implicit or explicit vote-trading bargain. By contrast, because pork-barrel has a relatively large scale of disbursement, the threat to punish individual voters in a specific district, particular firm or economic sector for failing to support the benefactor lacks credibility. Once a politician or party targets a club good, the benefactor cannot be certain that voters will comply with their part of the exchange. For this reason, pork is always a riskier electoral investment than patronage (Robinson and Verdier 2003). A second distinction is that patronage goods are far more fungible than pork-barrel benefits. Indeed, the latter are not always totally fungible with money. Take the example of public works or specific legislation, which commonly comprise "in-kind" –as opposed to "in-cash"– payments. The third difference between patronage and pork is that between one-shot and continuous goods. Pork-barrel entails the delivery of single-shot

[43] Some scholars utilize patronage and clientelism as interchangeable concepts, while others use the former as an indicator of the latter. Robinson and Verdier (2003: 2), for example, contends that "clientelism is a political exchange between a politician, a patron who gives patronage in exchange for the vote or support of a client…what is exchanged in clientelism are jobs for votes". In sharp contrast to these accounts, I argue below that patronage and clientelism are different classes of particularistic strategies.

goods (or a series of multiple discrete goods), while patronage entails a longer and sustained row of transactions between the benefactor and the recipients.[44]

It should now be clear that my emphasis on pork-barrel and patronage is not simply another label of the often elusive category of political clientelism. A *clientelistic* strategy, the third particularistic mechanism I identify, shares with patronage the quid pro quo quality of exchanges. That is, the handout supply of cash payments, baskets of food and other material gifts, or the preferential access to social programs such as individualized scholarships, medical treatment, and disability benefits are contingent on how the recipients voted or which candidate they supported. But a clientelistic strategy, on the other hand, differs from patronage and pork-barrel mechanisms of electoral mobilization in a critical aspect. In both patronage and pork politicians/parties possess the ability to supply particularistic goods to responsive constituents only for the time they retain elected office (Medina and Stokes 2007). That is, public jobs and club goods are material resources that depend on the incumbency.[45] By contrast, in clientelism the political patron may or may not hold public office thus it can be practiced by both incumbent and non-incumbent politicians/parties. For example, incumbents can discretionarily shift access

[44] I accept that this distinction is not always clear. What initially may look as a one-off transaction may, under certain circumstances, become the first exchange of a longer row of such a (discrete) deals.

[45] This, of course, does not mean that governing and opposition incumbents have access to the same resources in similar amounts. Typically, the former enjoy an advantage in fund allocation over the latter. In addition, federalized systems open the possibility of parties that are in opposition at the national level to govern at the subnational and/or local levels. This dissertation is concerned with how state executives (who either belong to the national incumbent party or to the opposition) deploy material inducements to win votes rather than with the level of resources these leaders enjoy because of their party affiliation or political relations with the federal government. Following a Rikerian approach to federalism (see Riker and Schaps 1987), a large body of literature has explored the impact of vertical co-partisanship on the allocation of federal funds to the states/municipalities. In further extensions of this study, I will examine the role of partisan links between national and state politicians on subnational redistributive spending.

to social assistance programs away from their ostensible beneficiaries to other people based on voter responsiveness, while non-incumbents can develop a direct vote-buying exchange of material goods for votes before elections.

The combination of electoral strategies political leaders deploy has implications for the organizational attributes of delivering networks of support they choose. However, it is difficult to establish a causal link between electoral strategies and organizations because, as Kitschelt (2010: 4) has noted, "political entrepreneurs choose linkage strategies and organizational forms simultaneously in an interactive process and through feedback loops governed by the external results their interactive efforts have generated, namely the constituency support they have won in democratic elections compared with those of their competitors." This dissertation does not seek to answer which causes which. It may be that politicians decide to choose their delivering networks knowing the prior distribution of citizens' preferences for programmatic or certain particularistic goods (along with affective considerations), or that these preferences themselves are endogenous to previous actions of politicians in past rounds of party competition. I simply contend that there is an affinity between the nature of electoral strategies (i.e., what politicians supply to voters) and specific organizational attributes of the political networks they employ to deliver programmatic and particularistic goods.

The fundamental point here is straightforward. Because patronage tends to go to party activists thus enabling incumbent politicians to finance recruitment, there is a strong affinity between supplying excessive jobs in the public sector and building organizationally dense political networks. Politicians/parties that primarily rely on patronage inducements require strong organizational capacities to requisition a maximum of resources and concentrate decision-making power in small circles or even in a single person. They also need a substantial manpower to implement a modicum of monitoring (if not sanctioning) either by direct supervision or tacit network information. Patronage-based organizations are then elaborate, tentacle-like machines built around an army of party operatives and brokers who live among the people whom they are responsible for mobilizing. In contrast, there is an affinity between drawing upon the delivery of pork-barrel goods and the construction of political networks weakly enmeshed in society. Because pork-barrel politics is fundamentally about currying goodwill among potential beneficiaries, individual politicians enjoy an important strategic degree of freedom within an organizational structure. Indeed, elaborate networks may be irrelevant –if not counterproductive– for the task of building a personal linkage to constituencies. The role of dense organizational structures in mobilizing votes is therefore less important under pork-barrel electoral exchanges because such exchanges make it difficult for politicians/parties to comply voters with their part of the agreement. It is also less important because pork-ridden politics entail some purposive motives, at least in comparison with patronage (and clientelism), which foster individual politicians to construct their own organizational structures.

1.5 THE COUNTRY CASES

This dissertation is concerned with general questions pertaining to the relation between redistributive politics and subnational incumbent stability, but it is focused on Argentina and Brazil. Both substantive and analytical concerns motivate this cross-state two-country comparison.[46] First, these prominent federations are important countries that deserve analysis in their own right. They stand among the leading economies in the region accounting for almost 55 percent of the Latin American population, and 65 percent of its GDP. Second, both Argentina and Brazil have been historically exposed to comparable international pressures, pursued analogous economic policies in the twentieth century (i.e., protected industrialization followed by market liberalization), and experienced similar populist experiments, authoritarian pasts, and recent democratic transitions. Third, as we have noticed, they constitute archetypical examples of robust federalism, each with three tiers of government and intermediate jurisdictions of comparable size that have historically maintained contentious relations with the center.

Argentina and Brazil, however, noticeably differ in four major institutional arrangements that allow for controls of the main argument. With regards to fiscal institutions, Argentina is characterized by a high subnational vertical fiscal imbalance, an intergovernmental transfer system and budgetary rules that bias access and discretion to federal grants toward incumbent

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[46] Other scholars before me have made useful comparisons between these countries thus reinforcing the notion that Argentina and Brazil are suitable for comparison. To my knowledge, the first comparative work in the political science field is Rippy's (1949) description of French investments in the nineteenth and early twentieth century. This study was then followed by a number of analyses including Alexander (1962), Eaton and Dickovick (2004), Kaufman (1985), Melo (2005), Montero (2001), Negreto (2000), and Sikkink (1991).

governments relative to municipal mayors and congressional legislators, and soft subnational budget constraints. In contrast, Brazil has lower vertical imbalances, a more institutionally-balanced transfer system in which governors share access and discretion over intergovernmental grants with mayors and national legislators, and hard subnational budget constraints. In terms of their electoral and partisan institutions, while Argentina has a CLPR system and centralized candidate nomination rules that magnify provincial leadership control of political careers and campaigning, Brazil has an OLPR system and highly decentralized selection procedures that result in political careers and campaign finance controlled by individual candidates. As for their bureaucratic institutions, Argentina lacks stable civil service rules thereby subscribing to a spoils system which allows incumbents at all levels of government to make appointments in a partisan manner, whereas Brazil subscribes to a more meritocratic system –particularly since the mid-1990s– that reduces the relevance of civil service appointments made with a strong incumbent bias. And with respect to balloting systems and voting technologies, Argentina uses a manual vote system with paper-based ballots produced and distributed by parties, while Brazil uses an electronic voting system. Finally, Argentina and Brazil exhibit extreme intra-national variation in political, economic, socio-demographic, and even cultural variables. This large regional diversity allows for making cross-state comparisons both *within* and *across* federations. These institutional and organizational differences, as we have noticed, produce contrasting patterns of subnational particularism and electoral rewards.

This dissertation is based on eighteen months of fieldwork research carried out in three Argentine provinces (Ciudad de Buenos Aires, Chaco, and Formosa) and five Brazilian states

(Bahia, Brasília, Paraná, Pernambuco, and Rio Grande do Sul). The primary data analyzed include fiscal and electoral data, legislation, and more than 180 in-depth interviews conducted with academics, journalists, politicians, and public officials from the national, subnational, and local levels of governments (see Appendix D for the list of interviewees).[47] I have also relied on secondary sources to analyze some of the policies of interests, and to construct original databases of the political careers of incumbent governors and state legislators.

1.6 OVERVIEW AND ROAD MAP

The rest of this dissertation proceeds in two stages, each peering deeper into the structure and dynamics of subnational politics. Chapters 2 to 4 concentrate on cross-national comparisons of subnational particularism from an institutional prism. Chapter 2 analyzes the institutions of fiscal federalism in Argentina and traces the evolution of intergovernmental relations during the period under analysis. It shows that, despite the country experienced a process of decentralization, provincial governors continued to concentrate discretionary access to federal fiscal rents which allowed them to strengthen territorial power based on statewide patronage linkages. Chapter 3 examines the institutions of fiscal federalism in Brazil. It shows that, despite intergovernmental conditions at the onset of the democratic period fortified state governors, the intrinsic structure of

[47] The duration of the interviews ranges from thirty minutes to more than two hours, with an average of about one hour. A well number of these interviews are not used in this dissertation. They will be utilized to write the case studies (see Chapter 6) that will be part of a future book.

fiscal rules generate major incentives to construct local networks of support through pork-barrel allocations. This tendency was reinforced in the last two decades as a result of a recentralization with municipalization process that invigorated local governments at the expense of the states.

Chapter 4 explores the relation between the nature of political careerism and subnational particularistic strategies in both Argentina and Brazil. It investigates how the relative party-centrism or candidate-centrism of the electoral system and intra-party nomination/selection rules affect gubernatorial incentives to engage in patronage and pork-barrel electoral linkages. In Argentina, provincial governors control careerism and are therefore likely to redirect government resources to finance state-based patronage machines. In Brazil, state governors do not control the contours of political careers and are thus more inclined to draw on pork-barrel allocations to mobilize the support of individually-led and localized networks of support. The chapter argues that these connections are undermined or reinforced by the public personal system. In Argentina, a system founded on unstable civil service rules increases the scope of subnational patronage, while in Brazil a more professionalized bureaucratic system significantly diminishes such scope. Drawing upon recent literature on political recruitment and novel datasets on state and municipal elected positions, the chapter illustrates this argument by examining the characteristics of state legislators' careerism since the return of democracy. In Argentina, the centralization of political careers in the hands of incumbent governors results in static and discontinuous patterns of provincial legislative careerism. These patterns suggest that governors rotate politicians and bureaucrats with political aspirations among the various posts the party can offer so as to induce involvement into the organizational machinery. In Brazil, candidate-centrism results in dynamic and continuous state legislative career paths. A legislative reelection dynamic similar to what we observe in the U.S. and a considerable level of extra-legislative ambition suggests that incumbent governors are unable to involve state politicians into their organizations and make them sensitive to their dictums.

Chapter 5 moves the focus down to cross-state comparisons. Comparing geographical subdivisions has methodological and substantive advantages over small N and cross-national research designs (Locke 1995; Snyder 2001). First, a focus on comparing subnational territories makes it possible to overcome the problem of imputing single patterns to internally heterogeneous countries and, therefore, allows for a treatment of the spatially uneven nature of complex processes. Second, disaggregating countries along territorial lines increases the number of observations thus solving the quandary of "many variables, small N" and increasing the probability of making valid causal inferences (King, Keohane, and Verba 1994).[48] Third, by providing within-country variation of political, economic, social, and cultural conditions, intra-national comparisons contribute to measurement validity as they reduce problems of comparability. The chapter utilizes state level data and electoral results from a large number of gubernatorial elections held in Argentina and Brazil to estimate the ultimate effect of gubernatorial spending choices. It provides empirical evidence supporting the claim that particularistic inducements render governors in these federations with different electoral payoffs. The statistical analysis indicates that patronage allocations provide net electoral returns to

[48] When variables outnumber cases, the ability to control for sources of extraneous variance is reduced so as to the point that the evidence marshaled cannot confirm or disconfirm a stated hypothesis. In other words, having more inferences to assess than implications to observe usually leads to "indeterminate" research designs.

Argentine but not to Brazilian state incumbent candidates, while pork-barrel benefits Brazilian but not Argentine ones. The chapter emphasizes that the causal link between particularistic spending and electoral premiums is mediated by the structure of political competition, organizational components of support (i.e., the degree to which partisan networks are enmeshed in society), voting technologies (i.e., party balloting versus electronic voting), and electoral fiscal agendas. This analysis provides the basis for detecting alternative causal mechanisms by which some regional elites succeed in constructing machine organizations that retain enduring control of political life while others fail.

Chapter 6 summarizes the dissertation's main findings regarding the effects of fiscal federalism and political careerism on subnational particularistic politics, and the ultimate impact of redistributive mechanisms of electoral mobilization on subnational vote choice. It also lists the main contributions of the dissertation to the literature on the political economy of federalism, redistributive politics, and political careers. It finally outlines research tasks to be addressed in further extensions of this work.

2.0 FISCAL FEDERALISM AND SUBNATIONAL PARTICULARISTIC SPENDING IN ARGENTINA

This chapter explores how incentives embedded in the institutions of fiscal federalism make Argentine governors more likely to invest government resources in financing a large provincial bureaucracy than in supplying public and semi-public goods to mobilize voters and influence their electoral choices. Relying upon the theoretical argument developed in the previous chapter, the following examines the working of five key fiscal factors: the level of subnational vertical fiscal imbalance, the allocation mechanisms that regulate the distribution of federal transfers to the states and municipalities, the openness of budgetary rules to congressional appropriations of intergovernmental grants, the spending powers institutionally assigned to the incumbent governors to arbitrarily use moneys transferred from the central government, and the hardness of subnational budget constraints.

Evidence from Argentina suggests that, despite decentralization processes and changes in macroeconomic conditions affected subnational budgetary resources during the period under analysis, the institutions of fiscal federalism contributed to maintain provincial governors as the "kings" of territorial politics in the country. To a large extent, they did so by preserving (and even strengthening) the capacity of subnational political bosses to reallocate fiscal resources coming from the center to patronage-based networks of support that worked in favor of the incumbent party.

A comparatively large vertical fiscal imbalance is the first institutional feature that promotes subnational rentierism in Argentina and allows governors in command of plentiful fiscal rents to use such resources for breeding elaborate political machines. Moreover, the legal ambiguity about the status of municipalities in the federal order and an intergovernmental transfer system that only conceives the direct allocation of federal grants to the provinces, make the municipalities highly dependent from subnational jurisdictions in both political and financial terms. Politically, although the Argentine *municipios* have the constitutional right to exist, they are *de facto* creatures of the provinces as the latter are granted exclusive authority to organize the lowest level of government within their territories. Financially, the vast majority of municipal revenues emanate from the reallocation of the tax sharing agreement between the center and the provinces. This reallocation, known as *coparticipación municipal*, is freely determined by subnational legislation without any federal interference or oversight. The dependent nature of municipalities fosters incumbent governors to condition the allocation of fiscal resources to local leaders who show disposition to engage in particularistic exchanges oriented to maintain a solid base of gubernatorial supporters. It also precludes the emergence of sustained national-municipal relations. These relations are mediated (if not controlled) by the governors, who cannot be easily bypassed by the center. The institutional ability of subnational leaders to capture and subordinate the local level and to constrain the power of the sitting president to meddle into provincial-municipal relations make it extremely difficult for mayors to challenge the territorial dominance of provincial incumbents. Such a framework increases barriers to entry into the electoral market and, consequently, reinforces gubernatorial proclivity to deploy fiscal rents to finance a large patronage-base apparatus.

Of equal importance, the transfer system introduces a gubernatorial bias in the discretion assigned to the use of federal grants. The decentralizing administrative reforms undertaken at the beginning of the 1990s offloaded provincial expenditures without enough transferred resources (Falleti 2010), but opened up possibilities for incumbent governors to arbitrarily manage hiring and firing in the education and health sectors. In addition, although the 1992 and 1993 fiscal pacts recentralized some revenues, they did not have an overall negative effect for the provincial coffers. Both the provinces' share of total and discretionary revenues actually increased while subnational expenditures were held almost constant. Fiscal revenues –in particular those of a discretionary nature– flew again after 1995 and expanded even more at the end of the decade. Finally, despite the central government took some measures to curtail subnational excessive borrowing such as the privatization of most provincial banks, the politicized "soft" nature of budget constraints did not affect the autonomy of provincial governors to set their own budget priorities (especially regarding public sector employment) and borrow from abroad using federal transfers as collateral.

The rest of the chapter is organized in five sections corresponding to each of the fiscal factors identified as affecting the degree to which governors concentrate access to federal transfers and enjoy discretionary powers over their use. The chapter concludes by discussing the implications of my findings for the construction of territorial power in Argentina and sets the stage for the next chapter, which discusses the relation between fiscal federalism and subnational particularism in Brazil.

2.1 HIGH SUBNATIONAL VERTICAL FISCAL IMBALANCE

Federalized countries around the world noticeably differ in the fiscal institutions that allocate expenditure and revenue-raising powers across tiers of government. On the spending side, Argentina is characterized by a comparatively high degree of decentralization with most spending responsibilities assigned to the provinces. Although the 1983 constitution lays out some broad areas for which national and provincial governments can jointly supply public services, the tendency in the last two decades has been to decentralize the operation of services to subnational jurisdictions (Falleti 2010; Tommasi, Saiegh, and Sanguinetti 2001). This process, however, reinforced the ability of provincial incumbents to concentrate transfer funds in their hands and granted them additional expenditure attributions to utilize such moneys in a highly discretionary manner, bypassing soft federal oversight mechanisms and placing municipalities under their fiscal tutelage.

The activities under the exclusive federal competence are those generally allocated to the central government in normative fiscal federalism: defense, foreign affairs, common currency, and national highways. The provinces, on the other hand, are in charge of most social expenditure (elementary education, health care, and social security), and economic infrastructure (roads, ports, housing, water and sewerage services).[49] In the period covered by this dissertation, subnational governments were responsible for almost 35 percent of total public sector expenditures (including pensions), nearly 38 percent of social spending, and 92 percent of urban economic infrastructure.[50]

On the revenue side, the federal government collects most taxes including personal and corporate income taxes and levies on consumption and wealth, while provinces have only limited revenue-collecting potential. Indeed, one of the most distinctive features of Argentina's federal system is the minor role of the provinces (and, as we will see in the next section, municipalities as well) in raising their own tax revenues. The constitution originally allowed subnational territorial units to impose domestic indirect taxes concurrently with the federal government. But a drop in foreign trade taxes during the 1930s led the center to introduce national income and sales taxes that replaced most existing provincial revenues. As a result, the provinces only retained access to taxes on gross receipts, estates, motor vehicles, and stamps.

Although in many countries subnational spending is to a significant extent financed by the central government, Argentina's vertical fiscal imbalance is particularly high. I have estimated that between 1983 and 2003 it reached an average of 61.5 percent compared to 24.2 percent in Brazil.[51] In the whole period, only 30.2 percent of total provincial expenditures were

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[49] All powers not explicitly delegated to the national government remain with the provinces.
[50] Excluding pensions, provinces accounted for approximately two-thirds of total public sector expenditures.
[51] The measure of vertical imbalance is defined as the ratio of intergovernmental transfers from the central government, including tax sharing, over total revenues (own plus transferred) of the subnational level. Based on

financed by the provinces' self-administered taxes.[52] It is also worth noting that provincial revenues were mainly the purview of large jurisdictions. In effect, the city and the province of Buenos Aires accounted for almost two-thirds of total provincial tax collection, and the five largest provinces collected nearly 83 percent. Strikingly, ten of the twenty-four provinces financed less than 10 percent (and eighteen provinces less than 20 percent) of their outlays with autonomous resources.[53]

This highly imbalanced fiscal structure has led the Argentine provinces to rely on federal transfers –most of them automatically allocated with few strings attached– for an average of 56.4 percent of their expenditures. All provinces with the exception of the Ciudad de Buenos Aires (and Neuquén if royalties are included) have received central government grants which were substantially larger than their own tax resources.[54] To better appreciate subnational disparities in vertical fiscal imbalance, the Figure 9 displays the weighed percentage of each province's expenditures financed by autonomous revenues (with and without royalties) and total federal transfers in the period under study.

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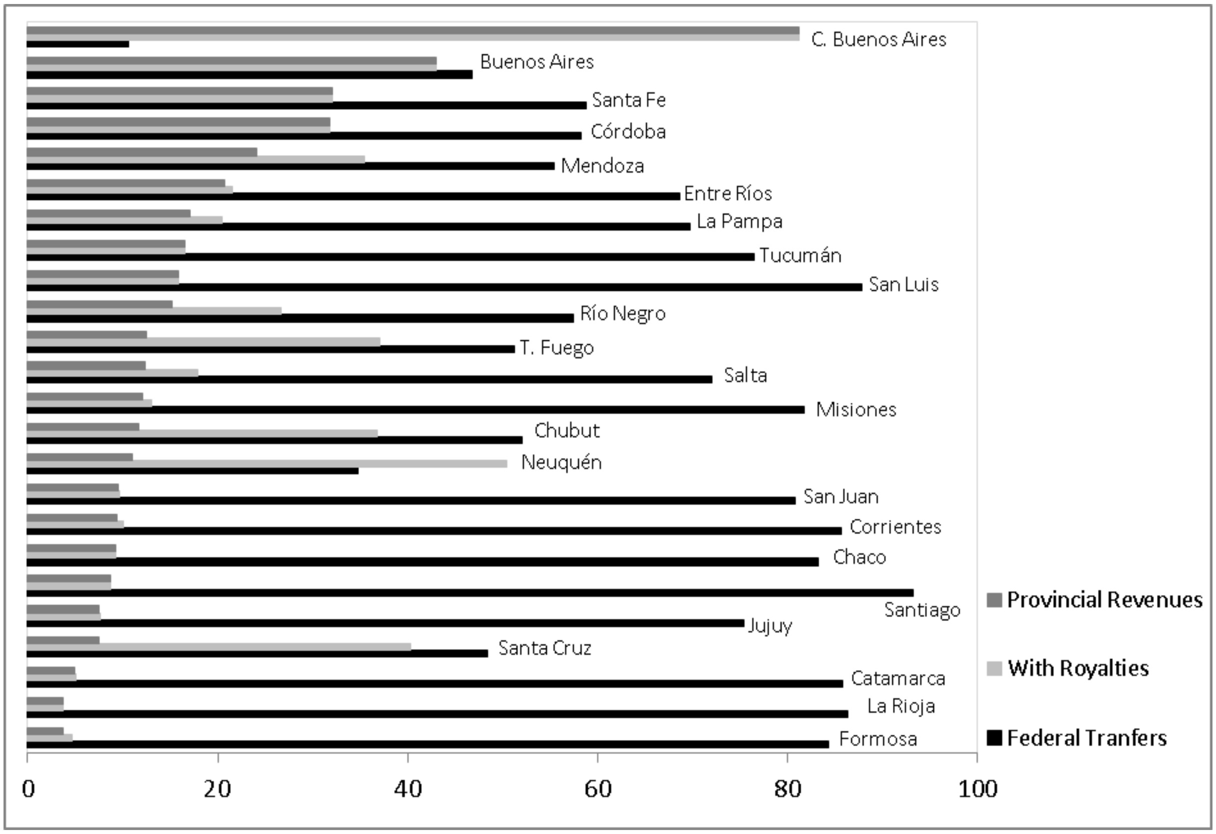
decentralization surveys, one of the few comparative studies on the matter estimated that the average vertical imbalance for fifteen Latin American and Caribbean countries in 1997 was 52 percent (IADB 1997).

[52] This sum increased to 33.8 percent if oil, gas, and mineral royalties are computed as provincial revenues. Arguably, these resources should be considered as such because they are collected by the federal government and then reallocated with no conditions attached to the provinces were such resources were extracted.

[53] The number of provinces is six and twelve respectively if royalties are considered as provincial revenues.

[54] Expectations may therefore be different in these exceptional provinces. In further elaborations of this work I will investigate this issue.



Note: Royalties refers to natural resource (oil, gas, and minerals) revenues collected by the center and reallocated to the provinces where such resources were extracted. Source: Ministerio de Economía, Secretaría de Relación Fiscal con las Provincias.

Figure 9: Vertical Fiscal Imbalance in Argentina, 1983-2003. Percentage of Provincial Expenditures Financed Through Autonomous Revenues and Federal Transfers

Thus, many Argentine provincial governments count on guaranteed fiscal resources much larger than their own tax bases. In these districts, the public sector concentrates a very high proportion of employment and economic activity. The ten provinces where federal transfers cover approximate 90 percent of their expenditures have had an average of 1.6 public employees for each private employee, whereas the averaged ratio for the metropolitan provinces (i.e., the city and province of Buenos Aires, Córdoba, Santa Fe, and Mendoza) has been 0.58.[55]

The financial weakness of local governments required to be compensated with transfers from higher levels. The bulk of Argentina's intergovernmental transfer system is composed by a complex revenue-sharing regime called *Coparticipación Federal de Impuestos* (Federal Tax-Sharing Agreement, CFI) and a large variety of special loans with low federal earmarking. The CFI, which accounted for nearly 70 percent of the total transfers in the post-authoritarian period, is an automatic transfer that operates as a common pool of nationally-collected revenues subsequently distributed in three rounds. The denominated "primary" distribution divides the whole co-participation pie between the central government and the provinces. Then, the "secondary" distribution automatically divides the provincial share among the provinces as established by formulaic criteria determined by Congress.

The CFI regime was originally introduced by Congress in late 1934 (Law 12,139) at request of the central government, which due to the international economic crisis could no longer finance its functioning out of taxes on foreign trade as it was constitutionally stipulated. According to the 1853 Constitution, the federal government had exclusive rights to fix import and export duties, and to levy domestic direct taxes for a determined time period "whenever the defense, common safety or general welfare of the Nation so require" (Lopez Murphy 1995). Provincial governments were assigned exclusive authority over taxes on production, circulation

[55] Author's calculation based on data from the 1981, 1991 and 2001 population censuses.

of goods and territorial contributions, and patents (Jerach 1966: 36). They were forbidden to impose export taxes, and only Congress was authorized to establish special contributions. Although at that time revenue income from foreign trade accounted for more than three-fourths of total revenues (Pirez 1986: 12), the provinces had access to a large basket of taxes considering that they represented less than one-third of the total public spending. The constitution only recognized one federal transfer, the non-automatic National Treasury Contributions (ATNs), which represented a mere 2 percent of the national spending or around 5 percent of the provincial resources.[56] Since there were almost no intergovernmental transfers the central and subnational governments did not have real opportunities to cheat on each other, having to adjust their expenditures to their own budget constraints. But starting in the 1880s many provincial governors began to circumvent such constraints by resorting to mounting public debt in the form of paper-money issues and international gold borrowing. This situation gave rise to the 1890 Baring of London crisis, which led British investment to cease abruptly and the prices of Argentine goods to decline pronouncedly.[57]

The sharp decrease in public finances and the closeness to foreign credit forced the federal government to assume many provincial debts. In return, subnational governments were obliged to surrender their control over certain taxes. To cover an overall balance of payment deficit, the federal government of Carlos Pellegrini (1890-1892) sent to Congress the imposition of temporary consumption taxes under the guise of "internal" taxes (to distinguish them from

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[56] For details on the ATNs and the other special funds mentioned in this section, see Appendix B.

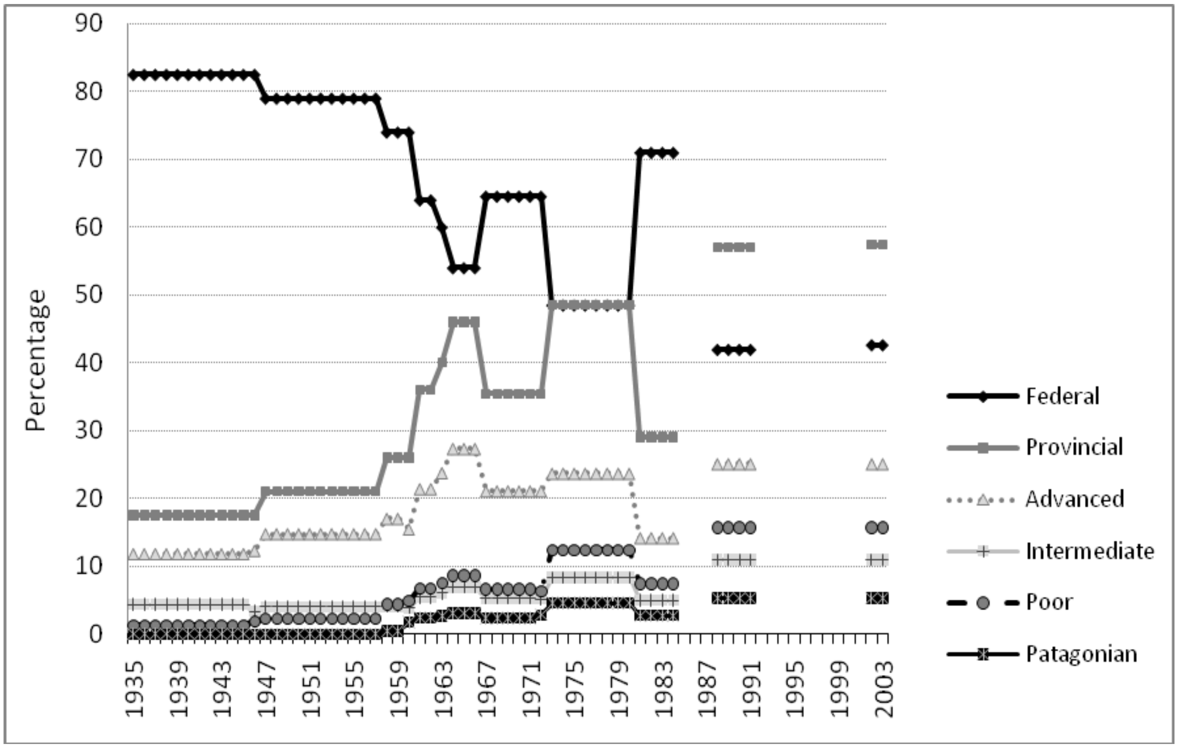
[57] The crisis emerged when Baring of London failed to attract subscribers for a loan it had underwritten to reorganize water supply in the province of Buenos Aires.

custom or “external” taxes). Income revenue from this measure was initially meager, accounting for only 4 percent of total national revenues. But due to successive increases in the number of items taxed and the rates imposed, revenues from internal taxes augmented to 24 percent in 1900. The expansion of foreign trade in the 1920s weakened the importance of internal taxes, which dropped to 17 percent. Despite these ups and downs, the supposedly “temporary” internal taxes were renewed every year until 1934, when in response to a new drop in foreign trade revenues the national authorities unified all taxes concurrently applied by the nation and the provinces, placed their collection under the central government, introduced both income and sales taxes, and compensated provinces for lost revenue by establishing the first tax-sharing regime. For economic and political reasons the provinces accepted to delegate their rights over domestic tax sales to the center. On the political side, governors shifted the administrative and political costs of tax collection in hard times onto central government. On the fiscal side, provinces received substantial debt forgiveness from the center (Pirez 1987).[58]

As Figure 10 below displays, the CFI’s provincial share has grown consistently under democratic governments and economic stability periods when distributive pressures gain political clout, and decreased under authoritarian governments and economic crises (Eaton 2001b; Gonzalez 2008). Originally, the primary distribution for the nation and the provinces was set at 82.5 percent and 17.5 percent respectively. The nationalist military governments that ruled

[58] According to Díaz-Cayeros (2006), fiscal centralization became possible in Argentina (as well as in Mexico and Venezuela, but not in Brazil) because the national party leadership was able to credibly guarantee attractive career prospects to ambitious subnational politicians. However, as Eaton (2008) has convincingly argued, the traumatic rupture of the constitutional order by the “provisional” military government of José Felix Uriburu (1930-1932) makes an institutional, third-party-enforcement argument hard to believe in the case of Argentina.

the country in the 1940s introduced a number of changes that resulted detrimental to provincial finances. In 1943, the generals issued a decree that created a non-sharable tax on profits. Two years later, they altered the rules used to divvy up revenues from the income tax, virtually freezing the scheduled increases in provincial shares ordered by the 1934 CFI law (Eaton 2001b). The rest of the revenue-sharing system remained unaltered until 1947 when the government of Juan Domingo Perón (1946-1955) enacted a new co-participation law. The Law 12,956 expanded the number of taxes to be shared with the provincial jurisdictions, in particular through the introduction of eventual and extraordinary profits. This modification increased the provincial share to 21 percent. It also affected the secondary distribution of funds to favor the poor and advance provinces (at the expense of the intermediate provinces) where Perón's populist coalitions were based. In effect, as illustrated in Figure 10, the advance and poor provinces moved up from 67.5 percent to 70.3 percent and from 7.5 percent to 10.6 percent of the provincial share respectively, while the intermediate provinces decreased from 25 percent to19.1 percent. It is also worth mentioning that for the first (and unique) time, it was mandated that provinces should reallocate at least 10 percent of the sharable revenues to their respective municipalities.



Source: Elaborated by the author on the basis of CFI legislation and Porto (2003).

Figure 10: Evolution of Argentina's Revenue-Sharing Regime, 1953-2003: Primary and Secondary Distributions

No significant changes were introduced in the co-participation system during the military junta that overthrew Perón from power. Despite the CFI law expired in 1955, the successive military governments extended it every single year. With the return of democracy and the proscription of Peronism, the government of Arturo Frondizi (1958-1960) sought to build an independent political base to neutralize Perón by increasing the provincial share to 26 percent (Law 14,788). Further increments made by Congress set this share at 36 percent plus an additional 6 percent for the federal district. The secondary distribution also experienced modifications in consonance with Fondizi's strategy of "buying off" the support of peripheral elites. The portion corresponding to the advanced provinces decreased from 70.3 percent of the provincial share in 1946 to 65.5 percent in 1958. The fraction obtained by the intermediate provinces diminished from 19 percent to 15.6 percent. The provincialization of the national territories of Chaco, Formosa, and Misiones contributed to the major increment undertaken by the poor districts, which moved up from 10.6 percent to 18.7 percent of the provincial resources. Finally, the recently created and low populated Patagonian provinces of Chubut, Río Negro, Neuquén, and Santa Cruz increased their participation from 1.9 percent to 6.4 percent in the same period.

When the CFI law expired in 1963, the Arturo Illia administration (1963-1966) proposed to increase the provincial share to 44 percent. But in reviewing the executive proposal, the Budget Committee raised this sum to 46 percent. The new military governments of Juan Carlos Onganía (1966-1970) and Alejandro Lanusse (1971-1973) introduced important changes into the tax system as part of an ambitious effort to reform the country's economic model. Critically, in 1967 Onganía unilaterally reduced the provincial share to 35.46 percent, and the federal district's share to 5.32 percent and to 2.66 percent one year later. The unexpected emergence of popular uprisings in several capitals of the interior, the increasing inflationary process, and the financial effect of legislation raising the salaries of provincial and municipal workers to national levels forced the military regime to implement some relief to the provinces. It did so by creating the Regional Integration Fund (FIR) which arbitrarily financed public work projects of provincial and inter-regional interest. As a result of this measure, the amount of discretionary transfers at the president's disposal remarkably increased from 7.5 percent of the sharable revenues in 1970 to 56.8 percent in 1971 and to 88.3 percent in 1972 (Saiegh and Tommassi 1999).

To mitigate the political effects of an almost sure Peronist triumph in the 1973 elections, the military endowed conservative elites in the periphery and limited the resources at Perón's further disposal by increasing co-participation funds to the provinces. The government thus enacted the CFI Law 20,221, which unified taxes into a single system and pegged provincial and federal shares at 48.5 percent. The remaining 3 percent was destined to the Regional Development Fund (FDR) designed to gave continuity to the FIR. The law also stipulated that all subsequent taxes would be automatically included in the revenue-sharing pool forcing any Peronist government to share new tax revenues with the provinces. Moreover, it created a permanent Federal Tax Commission composed of provincial and national representatives to monitor the functioning of the transfer system. Finally, the law mandated provinces to "establish a CFI system with the municipalities based upon objective redistributive criteria and automatic allocation". But provinces were highly reluctant to loss political leverage over funding allocation. Most of them simply rejected automaticity in reallocation and continued to operate under their own co-participation mechanisms of municipal redistribution. As for the secondary distribution, the advanced provinces received 49 percent of the provincial share (almost 10 percent less than in 1960), the intermediate obtained 17.3 percent, the Patagonian 9.4 percent, and the poorest districts captured 24.6 percent thus increasing their participation in about 6 points.

During the third Perón administration (1973-1976) and the subsequent military regime (1976-1983), the Law 20,221 remained essentially unchanged. When this law expired in 1980, the government of Jorge Rafael Videla issued a decree that eliminated the federal district from the CFI scheme, abolished employer contributions to social security, and deducted the resources needed to finance the national social security system. Although this “pre-co-participation” clause did not directly alter the provincial share, it diminished the total amount of federal transfers to be distributed to the provinces by decreasing the overall size of the sharing pool. As a result, the portion of co-participation funds corresponding to the subnational jurisdictions was drastically reduced to 29 percent (Eaton 2001b: 10).

With the restoration of democracy, the CFI regime collapsed due to the impossibility of finding a compromise between the center and the provinces on how to deal with the macroeconomic crisis (Cetrángolo and Jiménez 1998). No agreement to modify the system was achieved until 1988, when the current CFI Law 23,548 was approved by Congress. In the meantime, co-participation transfers were preserved by a transitory financial agreement signed in 1986 by the government of Raúl Alfonsín (1983-1989) and the provinces. The agreement established the co-participation shares for that year on the basis of the shares prevailing in the 1983-1985 period, and changed the allocation criteria for the secondary distribution set in the 1973 law to 30 percent development gap, 30 percent demographic dispersion and 40 percent population. Consequently, the provinces with low fiscal capacity were benefited at the expense of the most advanced regions. In particular, the Buenos Aires province, which at that time was governed by the president’s party, lost 10 points in favor of the intermediate and poor jurisdictions that gained 3.7 and 5.2 points respectively. The agreement was short-lived as the federal government rapidly replaced it by an informal and highly discretional allocation of ATNs. A pervasive inflationary process and a complete loss in the 1987 elections to the Peronists left Alfonsín little maneuvering room.[59] In this context, the federal government sent to Congress a tax reform that included the creation of new levies to attain a severe fiscal adjustment. The Peronist governors negotiated the reform to include the funds originated in the new tax package into the co-participation primary distribution producing a loss of the government's collection base of 0.6 percent of the GDP. Both the tax reform and a new CFI law were eventually approved on January 1988.

The new law 23,548 granted provinces their historical peak of 57.05 percent, keeping only 41.95 percent for the center, and an additional 1 percent for the ATNs. Furthermore, it ruled that the provinces could not receive less than 34 percent of the total (sharable and non-sharable) revenues collected by the federal government. The provinces also obtained the control of the FDR, which became to be allocated using the coefficients established by the new legislation. In this way, the fund was entirely removed from presidential discretion and placed at the hands of provincial governors.[60] With regards to the secondary distribution, the most notable change was the partial recuperation of Buenos Aires –now governed by the opposite PJ– which recovered around 5 points at the expense of the intermediate provinces. Most provinces, however, retained

[59] The UCR lost majority in both chambers. The PJ won 17 of 22 governorships and the party of the president retained control of only two provinces, Córdoba and Río Negro.
[60] *Diario de Sesiones de la Cámara de Senadores*, January 7-8, 1988: 2378. I thank Lucas Gonzalez for calling me the attention on this issue.

their shares as the law sought to validate the portions each district obtained in the 1985-1987 distribution.

Although the law was conceived as a "transitory" regulation, its main features prevailed until the early 1990s. As part of the stabilization effort carried out by the 1991 Convertibility Law that pegged the peso to the dollar, the first Carlos Menem administration (1989-1995) sought to coordinate the reform efforts with the provinces through the negotiation of two successive fiscal agreements. The 1992 and 1993 Fiscal Pacts recentralized a percentage of the CFI funds by achieving a 15 percent deduction of the revenue-sharing pool prior to the primary distribution. This money was principally channeled to bailout the national social security deficit. Additionally, the federal government separated $43.8 million to redistribute among the provinces suffering financial disequilibria in different proportions from those stipulated by the 1988 CFI law. In this way, national authorities gained a dose of political discretion as they could discretionarily use a small portion of revenues originally subject to automatic sharing. Finally, in case the collection of sharable taxes exceeded $800 million, provincial governors agreed on using revenue surpluses to cancel debt and finance investment programs in their regions previously approved by the federal government.

In return for their acquiescence to the fiscal pacts, the provinces obtained a fixed monthly sum (*piso mínimo*) of $725 million and reasserted their minimal guaranteed payment of 34 percent of all federal revenues.[61] They also received selective incentives to get on board such as the federal government's commitment to condone the $900 million debt provinces had with the Nation and bailout the provincial pension systems. Furthermore, the provinces attained the assurance of previously non-automatic and earmarked transfers for house building, urban and rural electricity, and road maintenance. Mainly due to political reasons, as explained below, the Buenos Aires province was compensated through the so-called Greater Buenos Aires Fund. In sum, the compensation scheme was designed in such a way that no province was specially harmed.

In the time when the fiscal pacts were signed, the revenue floor represented an immediate loss of about U.S. $13 billion for the provinces (Centrágolo and Jimenez 1997). But this loss would later turn out to be a Pyrrhic victory for the federal government and advantageous to subnational jurisdictions. Although the legal appropriation of sharing funds earmarked to social security helped Menem achieve stability at the center, the federal government was bound to guarantee a fixed amount to the governors regardless of the economic conditions and consequent revenue collection capacity. The provincial share thus dropped throughout the decade, but the absolute amount of tax-sharing funds automatically transferred to the provinces (i.e., immune to presidential manipulation) increased considerably because of improvements in federal tax administration and the minimum monthly payments (Eaton 2005). With no cause to worry about sudden decreases in co-participation transfers, the *piso mínimo* eventually enabled governors to

[61] The 1993 Fiscal Pact raised the *piso mínimo* to $740 million and made such increment conditional on the privatization of provincial banks.

reduce tax efforts (Tommasi and Spiller 2000), resist pressures for implementing fiscal adjustments and tax reforms in their territories, and run up excessive debts with commercial banks by using the CFI guarantees as collateral. Through the general mechanism of collaterality, most provincial governments substituted the private loans from their recently privatized banks.

The economic recession and worsening fiscal position accelerated by the 1995 Mexican Tequila crisis forced the Menem administration to seek a reduction in the minimum guarantee payment that was due to expire in July.[62] But governors successfully blocked this attempt in the Senate, and colluded to extend the federal government's obligation to honor the *piso mínimo* (Benton 2008).[63] President Menem also failed to push through other proposals to reform the CFI regime during his second mandate (1996-2000). First, the presidential initiative of incorporating provincial tax efforts to the criteria used to divvy up the co-participation money was never considered in Congress. Second, and more important for the argument advanced here, the government was unable to mobilize political support to its audacious idea of introducing direct revenue-sharing transfers to the municipalities. As part of his strategy to run for a third (constitutionally prohibited) term, Menem declared the year 1998 as "the year of municipalities" and instructed legislators to modify the CFI regime so as to introduce a 15 percent reduction in

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[62] The 1994 constitutional reform gave the revenue-sharing regime constitutional status and mandated that a new CFI law must be enacted. But the provinces' reluctance to renegotiate their quotas led regional interests in the Constitutional Assembly to set stringent procedural requirements to approve tax-sharing legislation. It was established that a CFI law would require a previous fiscal pact between the president and the twenty-four governors, qualified majorities in both the Chamber of Deputies and the Senate, and the approval by simple majority of all the provincial legislatures. The deadline to sanction the law was postponed several times and a new CFI regime has never been produced.

[63]The government, however, was able to entirely appropriate a three-point VAT increase for one year with no co-participation to the provinces.

the provincial share that would be directly allocated to the local governments (*La Nación*, 2 March, 1998). Designed as a tool to seduce mayors, bypass governors, and disarticulate the presidential candidacy of Eduardo Duhalde –political boss of the Buenos Aires province and Menem's main adversary within the PJ– the project was blocked twice in senatorial committees and never reach the floor (*La Nación*, 15 December, 1998). The strategy to enhance fiscal municipalization was backed by a considerable number of mayors, but governors showed remarkable strength stymieing efforts to protect their autonomy from central-municipal linkages. The subsequent federal governments explicitly avoided targeting CFI funds to mayors. As Carlos Kohan, Secretary of the Presidency from 1989 to 1999 and one of the principal architects of the plan put it: "the municipalization of fiscal relations in Argentina died with Menem's failed reelection".[64]

Four days before the Alianza government of Fernando de la Rúa (1999-2001) took office, the incoming national authorities negotiated a new fiscal pact with the recently elected governors. In a context of deep economic stagnation and heavy international debt obligations, the Federal Agreement (*Compromiso Federal*, Law 25,235) guaranteed an increment in monthly transfers to the provinces in exchange for the creation of new taxes not subject to sharing, and the passage of a fiscal responsibly law in Congress that would limit provincial fiscal deficits (Cetrángolo and Jiménez 2004; Tommasi 2002).[65] The provincial governors signed the agreement but fiercely opposed to implement unpopular fiscal conservative policies. This

[64] Interview with Carlos Kohan. Ciudad de Buenos Aires, December 23, 2009.
[65] It was stipulated that revenue monthly transfers would be $1.35 billion in 2000, $1.36 in 2001-2002, $1.4 in 2003, $1.44 in 2004, and $1.48 in 2005.

situation led the federal government to propose in November 2000 a new intergovernmental agreement (Law 25,400). The pact replaced the CFI fixed sums by moving averages of the previous three years, and increased the minimum revenue floor to $1.45 billion per month. In return for this concession, the government demanded provinces not to increase their primary spending, approve multi-year budgets, improve transparency of their fiscal accounts, harmonize local taxes with federal ones, and support the passage of a new CFI law in Congress (Tommasi 2002).

After continued declines in tax revenues, the de la Rúa administration managed to pass the Zero Deficit Law which included a 13 percent cut in automatic transfers and public sector wages. The governors extracted some important concessions in exchange for their support to the law including the renegotiation of provincial liabilities with private banks at low interest rates, and the inclusion of a new tax on financial transactions in the CFI regime. But the federal government failed to meet its transfer obligations. Arrears rapidly accumulated and some provinces decided to issue local bonds to pay public employees' salaries. In mid-2001, the national authorities created an inter-provincial bond to cover these arrears, and negotiated a reduction of federal transfers with the PJ governors in order to forestall the national debt default (Eaton and Dickovick 2004: 102). Conflicts over the amount to be released, however, triggered the breakdown of the national-provincial dialogue, and precipitated the deep political crisis that forced de la Rúa to resign from office in December.

The CFI revenue floor introduced in 1992 only ended in February 2002 when President Duhalde (2002-2003) signed a new fiscal pact with the provinces. The denominated Federal

Agreement (*Acuerdo Federal*, Law 25,570) rescinded the *piso mínimo* and returned to a percentage-based system whose volume depended on fluctuations in the actual amount of collected revenues. The national and provincial shares were set at 42.64 percent and 57.36 percent respectively. The provinces received 30 percent of a new tax on checks, were authorized to issue bonds to cover their current expenditures (but not to cover their debts with the Nation), and saw their dollar-denominated debts refinanced in very favorable conditions to sixteen years with a tree-years grace period, and converted to pesos at the rate of 1.4 pesos to the dollar (Cetrángolo and Jiménez 2004; Eaton 2005).[66]

To summarize, the historical evolution of the CFI regime indicates that the federal government has faced sharp limits to manipulate the revenue sharing system, impose centralizing reforms, and weaken the power of provincial governors. Tightly constrained by law and strictly watched over by the provinces, the CFI has been protected from presidential manipulation. Both the volume of funds subject to sharing and their distribution among the provinces are determined by Congress as either a fixed share of specific taxes or a fixed amount. In addition, tax-sharing legislation sets the automaticity of payment on a daily base.[67] The more drastic change ever introduced, the minimum revenue guarantees, ironically constrained the flexibility of the center

[66] The national government could retain up to 15 percent of the CFI resources to cover the provincial debts (*canje*). The municipal debt was assumed by the provinces, and was not subject to the 15 percent limit. Moreover, provinces agreed on reducing 60 percent of their primary deficit in 2002 and eliminating it in 2003. None of these compromises, however, actually occurred. For details, see sections 2.3.1.3 and 2.4.

[67] Weak administrative procedures have occasionally enabled the federal government to exercise some minimal discretion over payment and timing. But such discretion was more common upon co-participation advances than retentions.

once revenue collection declined.[68] Provincial governments, in particular those ruling small, financially dependent, and public-employment intensive districts, typically use these resources to finance current expenditures associated with the functioning of their large administrations.

2.2 THE MECHANISMS OF TRANSFER ALLOCATION: PROVINCIAL STRENGHT AND MUNICIPAL WEAKNESS

In stark contrast to the Brazilian transfer system, which automatically allocates formulaic grants to both the states and municipalities, the Argentine system monopolizes transfer access to the states. Indeed, it orders virtually all nationally-collected revenues must be exclusively allocated to the provinces. Municipalities do not have their own transfer agreements with the central government and only receive revenues indirectly through the provinces following criteria specified by subnational tax legislation. By excluding municipalities from direct federal transfer allocation, the institutions of fiscal federalism concentrate access to fiscal resources on gubernatorial hands and reduce barriers to entry making local governments highly reliant on the dictates of powerful subnational bosses.

To a large extent, such a centralized nature of the transfer scheme at the provincial level is the result of an archaic federal organization that reflects the bloody interprovincial conflicts

[68] The central government can only obtain some leverage over the provinces by offering them new transfers as a quid pro quo for provincial compliance with federal initiatives.

that marked the origins of Argentina's federalism (Gibson and Falleti 2004). Unlike in Brazil, where *municípios* currently enjoy federal constitutional status and have been important political actors since colonial times, the Argentine municipalities enjoy an ambiguous constitutional status and have historically been creatures of the provinces.[69]

Neither the 1853 Constitution nor the 1994 reforms recognize municipal autonomy. Although both identify a third (municipal) level as an integral part of the country's federal order, they establish obligation for the provinces to "assure the municipal regime" (Article 5). Provinces, which as Chapter 4 will show are institutionally heterogeneous with independence to write their own constitutions, are then granted the exclusive right to design the municipal regimes and determine both the scope and content of local governments' political and fiscal autonomy.[70] This provision means that municipalities are highly dependent on the provinces, and that the federal game in indeed a two-level game played out between the federal and provincial governments. This game is not easily accessible to the municipalities, perhaps with the exception of some populated districts in the Buenos Aires metropolitan area. Moreover, such provision

[69] Governed during the Spanish colonial period as part of the Vice-Royalty of the River Plate, the territory of present-day Argentina was a mostly empty area divided into three large and disconnected *intendencias* (Buenos Aires, Córdoba del Tucumán, and Salta del Tucumán). The colonial political system established that the major regional centers (*audiencias*) mediated the affairs between the towns and the viceroy. Reporting to them were the city councils (*cabildos*). Expression of the municipal oligarchic spirit and local prerogatives, the *cabildos* were early recognized by the Bourbons as an obstacle to centralized rule. Indeed, the Spanish crown created the *intendencias* regime in the eighteenth century precisely to oversee their increasing power. In the years following the start of the independence war in 1810, several "subordinated" cities obtained independence from their *intendencias*, declared free and sovereign states, and gradually suppressed the *cabildos* as they represented a rival authority to the powerful governor-*caudillos* (Chiaramonte 1993: 105-15), who concentrated power not because –like in Brazil– they were the big landowners but because they were the successful military bosses (Lafforgue 1999). When the *cabildos* were suppressed, the political role of municipalities was definitely disarticulated and the autonomous provinces became the key political actors.

[70] Presently, eight provinces (Buenos Aires, Chaco, Entre Ríos, La Pampa, Mendoza, Santa Fe, Santa Cruz, and Tucumán) do not formally recognize municipal autonomy.

makes extremely difficult for the federal government to bypass incumbent governors and articulate politically with mayors.

The intergovernmental transfer system reinforces the ability of governors to protect their territorial dominance because provinces are free to redistribute federal fiscal transfers to local government virtually as they wish. Financially, Argentine municipalities are weak. Regarding expenditures, they are responsible for the provision of basic water and sanitation (including the collection and treatment of solid waste), urban transport, street lighting, and a host of small services such as the maintenance of parks, markets and cemeteries, land use plans, building standards, and traffic control. As a result, during the 1983-2003 period, local governments only averaged 7.2 percent of the total public spending (2.2 percent of the GDP or 20 percent of the provincial spending). Municipalities also remained severely restricted to determine and raise their own taxes, which accounted for merely 2.5 percent of total municipal income. Around half of these meager revenues come from a composite tax on street lighting, street cleaning, and solid waste management (the so-called *tasa de alumbrado, barrido y limpieza*). Other minor levies include the environmental and public salubrity tax on industries and enterprises, the path maintenance tax on landowners, and the tax on infrastructure improvement.

Finally, each province autonomously determines a portion of the CFI revenues that are reallocated to their respective municipalities. This portion, along with an autonomously determined percentage of royalties and provincial taxes, composed a new revenue-sharing regime known as Municipal Tax-Sharing Agreement (*Coparticipación Municipal de Impuestos*, CMI). The CMI regimes vary from province to province along three lines[71]: the overall portion of resources that each province allocates to its respective municipalities, the criteria used to divvy up that sum among the different municipalities of a province, and the authority institutionally assigned to the incumbent governors to influence the municipal allocation of resources.[72] Detailed information on the CMI regimes circa 2003 is presented in Appendix B, Table 11. This information allows us to visualize the fiscal relation between provincial governments and municipalities, and the incidence of governors upon municipal financing.[73]

Throughout the 1990s, provincial governments transferred to municipalities about one-tenth of their total (national and provincial) revenues at an annual average of 1 percent of the GDP. This sum represented approximately 45 percent of the municipal resources. The Argentine provinces exhibit notable variation in the percentage of CFI funds reallocated to their local governments. Indeed, this value ranges from 8 percent in the province of San Luis to 25 percent in Tierra del Fuego with a mean of 13.4 and a standard deviation of 3.9. There is also a large intra-national variation in the percentage of provincial tax resources that each subnational jurisdiction destined to its CMI. The level of municipal participation in the gross receipts tax varies from 12 percent to 45 percent, whereas the shares of local governments in the taxes on motor vehicles, property, and stamps vary from 5 percent to 90 percent, 10 percent to 40 percent,

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[71] The averaged composition of the twenty-three CMIs regimes during the 1995-2003 period was as follows: 50 percent of the resources coming from the CFI, 5 percent from royalties, and 45 percent from provincial taxes.
[72] Once transferred to the municipalities, the CMI resources have almost no conditionalities attached thus lying at the mayors' own disposal.
[73] No official information exists on the CMI regimes. I compiled data from CECE (1996) and specific provincial tax legislation.

and 12 percent to 20 percent respectively. There is even one province, Jujuy, which determines the overall amount of municipal transfers based upon the wage bills of the local governments. In addition, the parameters used to divide the CMI pie among the municipalities of a province are very diverse including population, territorial size, unsatisfied basic needs, municipal tax generation, and the number of employees in the municipal public sector. For redistribution purposes, most provincial governments distribute a portion of the transfers equally among all municipalities.

Despite considerable subnational variation, governors enjoy substantial authority over the allocation of transfer funds to municipalities (at least in comparison to the little power that the chief executive has to arbitrarily manipulate the provincial distribution of such moneys). Arguably, gubernatorial latitude is higher where the provincial legislature faces constitutional limitations to define fund allocation, the municipal distribution of resources is non-automatic, the provincial government can withhold transfers, and it can reassign part of the money to the creation of special provincial funds administered by the governorship. An analysis conducted over the CMI legislation of twenty-two provinces indicates than only 17 percent of the CMI regimes explicitly incorporate the participation of the provincial legislatures in the process of fund allocation, nearly 60 percent establish non-automaticity in fund distribution, merely 27 percent determine that it should be executed on a daily basis, 30 percent allow the provincial government to withhold the CMI funds, and 52 percent permit the incumbent governor to redirect part of these resources to the establishment of special provincial funds, which are distributed within the provinces according to criteria set by the sitting gubernatorial administration. Thus, for most (if not all) provincial governors, the CMI regimes constitute a powerful instrument they can utilize to control financially dependent municipalities, spur the political support of mayors, and reduce their chances of becoming potential challengers to the governorship.

2.3 THE CLOSENESS OF BUDGET RULES

The third fiscal factor affecting gubernatorial access to federal transfers is the ability of national legislators to obtain intergovernmental grants for themselves: the less ability to appropriate such funds, the more gubernatorial access. Congressional appropriations of transfers from the federal budget are allowed in Argentina, but legislators' prerogatives to influence the budget process in general and to capture line budgetary items in particular are very little compared with those of their Brazilian counterparts.[74] I do not contend that Argentine legislators –especially those with subnational or local ambitions– are unlikely to invest in delivering pork to their districts by either biasing the content of the specific bills they draft or demanding particularistic concessions in exchange for their legislative support.[75] My claim is that the budget rules preclude individual legislators from obtaining federal transfers to fatten their own clienteles and influence the

[74] The budget process is regulated by the Constitution and a series of laws. It consists of four stages: the drafting of the budget bill, the treatment of the executive proposed budget in Congress, the execution of the budget, and the subsequent oversight. For details, see Abuelafia, Berensztein, Braun, and Di Gresia (2005: 17-44), and Jones (2001: 158-168).

[75] An innovative treatment of the connection between subnational/local ambitions and bill-drafting in Argentina appears in Micozzi (2009).

organization of pork distribution in their districts. Certainly, legislators can get some resources by working in concert with their provincial bosses. Indeed, several authors have claimed that governors are able to influence their legislative delegations in Congress. But these coordinated actions eventually bring money for the legislators' home provinces (and governors) rather than for themselves. The vast majority of such interventions, moreover, are in practice oriented to assure the continuity of already assigned benefits. Indeed, legislative pork-barreling through budget amendments is mostly about "done deals" (*beneficios ganados*).[76]

The Argentine Congress is empowered to approve the budget proposal and to introduce expenditure modifications during its treatment in both the Budget and Finance Committee and on the floor. Until 1992, it had unrestricted powers to amend the budget albeit they were never extensively used.[77] The Financial Administrative Law (FAL) enacted in that year restricted the introduction of congressional amendments by determining that any increment in expenditures must identify the corresponding revenue source (i.e., new taxes, increments in resources earmarked for specific purposes, spending cuts in other programs, financial credits, or remnants of previous fiscal years). In addition to be restricted in their scope, legislative amendments to the annual budget are not identified with a number or the name of the legislators who proposed

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[76] Interview with Alejandro Arlía, Ciudad de Buenos Aires, October 26, 2005.

[77] The constitution establishes that the budget bill must be sent to the Chamber of Deputies. The Senate typically treats the approved proposal in extraordinary sessions (*sobre tablas*) to accelerate its promulgation. Historically, the intervention of senators has therefore been minor, and the possibilities of disagreements between the upper and lower chambers have been reduced through informal mechanisms. In the words of Carlos Snopek: "The Chamber does not cultivate any relation with the Senate…senators just raise their hands. There is a sort of tacit agreement in which the Senate controls the judiciary and military nominations and we [the Chamber] deal with the budget". Interview with Carlos Snopek. Ciudad de Buenos Aires, December 16, 2005.

them. Rather, they are integrated into an appendix to the budgetary law. As there is no official record on legislative amendments, it is impossible to follow up their implementation and consequently claim credit among local constituents for the eventual release of federal funds. This particularity, of course, decreases the incentives of legislators to introduce modifications to the budget and makes it harder the acquisition of discretionary resources –especially for those deputies who did not build up seniority– that would help them to articulate politically with municipal mayors bypassing subnational bosses, build their own organizational structures, and challenge the territorial dominance of incumbent governors.

Congressional appropriations of federal fiscal resources in Argentina are also restricted by the formal and informal powers that the chief executive enjoys over the budget process. First, s/he informally sets the portion of the annual budget subject to pork-barrel allocations. The chief executive notifies legislators of this limit through the Ministry of Economy before sending the budget proposed project to the Chamber, and then simply vetoes the amendments that exceed such volume.[78] Second, the chief executive can both increase the budget amount and divert expenditures during the implementation stage almost at will. These institutional prerogatives reached between national legislators and governmental entities (ministries, secretaries, and decentralized organizations) at the draft stage are not necessarily sustainable. For political convenience and macroeconomic incentives the federal government has systematically

[78] Interview with Jorge Baldrich, Buenos Aires, December 7, 2005. The chief executive can veto the approved budget bill in whole or in part (i.e., line item veto). The Congress can override a presidential veto with a two-thirds vote in both the Chamber and the Senate. Otherwise, the bill absent the portion vetoed becomes law. Between 1983 and 2003, the Argentine chief executives routinely employed the line item veto, while Congress only overruled a presidential decision in 1998, 1999 and 2003.

overestimated growth and revenue forecasts thus gaining flexibility to reallocate surpluses to its preferred policy areas and programs. It has also expanded the prerogatives assigned to the president over the budget by the combination of an extensive use of emergency decrees and, since 1996, the delegation of legislative authority (*superpoderes*) to the Chief Cabinet of Ministers. The emergency decrees have been used consistently and for large magnitudes. For example, in 2004 a single decree increased the budget by $4,200 million and all decrees issued in that year did it by $6,150 million –nearly 10 percent of the approved budget bill.[79] The *superpoderes* have also been widely utilized to trade-off budget expenditures thereby circumventing the restrictions imposed by the FAL.[80]

As a consequence of this structure of incentives, nothing of any great importance occurs at the budget approval stage, and relatively few congressional modifications are included in the final draft. Uña (2005) has estimated that budget amendments in the 1994-2001 period averaged less than 2 percent of the budget. Approximately 80 percent of these amendments were on issues previously negotiated with the chief executive in the areas of industrial and non-industrial promotion (which, as we will see in detail below, are strictly controlled by the governors), and the expansion of funds for public universities (which constitute a partisan resource demanded by the UCR given its control over most universities and students' centers in the country).[81] The

[79] The 1994 constitutional reform mandated that the emergency decrees were subject to parliamentary review. However, the bicameral committee tasked with overseeing such decrees was only established at the end of 2006.
[80] The article 37 of the FAL established that the functions of the Chief of Cabinet Ministers are to send the executive budget proposal to Congress, allocate the administrative distribution of expenditures, and supervise every three months the expenditures assigned to each administrative jurisdiction.
[81] Interview with Nicolás Gadano, Ciudad de Buenos Aires, September 27, 2005.

remaining 20 percent comprised increments for pensions directly granted by Congress to specific individuals (*pensiones graciables*), arguably a source of legislative patronage. Only between 1991 and 1995 were national legislators, mostly from the PJ, able to incorporate some pork-barrel items into the budget through the so-called “happiness forms” (*planillas de la felicidad*). These forms constituted appendices added to the budget bill with no reference to any particular legislator detailing the execution of infrastructure projects that lacked the appropriate source of funding and had not been approved by federal authorities (Bonvecchi and Rodriguez 2004). Because citizens did not know that these public work projects cannot be implemented, legislators could argue for their inclusion in the budget and blame the central government for not executing them. The *planillas de la felicidad*, in other words, constituted legislative credit claiming over non-executable spending.

In contrast to the minor role assigned to federal deputies (and senators) in channeling pork for their own constituencies, some scholars have argued that that the smooth passage of the executive budget proposal in the Chamber reveals the federal government’s necessity to incorporate the interest of its co-partisan legislators when drafting the budget (Jones 2001). The question, therefore, is whether the executive budget proposal sent to Congress actually reflects the interests of a large component of the Chamber or even the requests of the smaller president’s legislative bloc. Unfortunately, individual legislators’ success in attracting pork (either during the treatment of the budget proposal or behind doors at the draft stage) is not measurable.[82] I contend, however, that several factors cast doubts on the interpretation that assigns national legislators play a prominent role in drafting the budget.

First, as Chapter 4 will make evident, the country's electoral and candidate selection rules do not produce parties with individualistic deputies. Faced with daunting rates of legislative turnover, Argentine legislators are unlikely to develop the skills and expertise that would allow them to negotiate budget resources with the chief executive (Corrales 2002: 4). Second, anecdotal evidence provides additional support to the "closeness" hypothesis. Asked about the participation of federal deputies in the draft stage, the former Chief of the Budget Committee and President of the Chamber of Deputies explained: "The vast majority of the national deputies do not know a damn about the budget until it is sent for approval. In addition, as most of what is incorporated into the draft is about done deals, negotiations during the draft stage are null. Only recently has we [the Committee] acquired some knowledge of what is sent and how the budget is elaborated…We are just now working to see if we can make some suggestions to incorporate our interests into the budget draft."[83] Similarly, in the words of the former Vice Chief of the Budget Committee, Rafael Gonzalez: "An individual legislator can never include a personal aspiration, something that s/he has decided, into the budget. I can only include something if there is a

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[82] As mentioned above, there are no records of the intergovernmental transfers made to regions as a result of legislators' budget amendments. Furthermore, in contrast to the information available for the Brazilian case (Ames 2001: 150), there are no parliamentary liaisons of ministries that maintain lists of deputies meeting with ministers.
[83] Interview with Carlos Snopek. Ciudad de Buenos Aires, December 16, 2005.

specific claim of my province…If that is the case there is a sort of correspondence between the aspiration of the governor and my own aspiration."[84]

2.4 THE GUBERNATORIAL BIAS OF TRANSFER INSTITUTIONS

As posited by the theoretical model developed in Chapter 1, two main variables affect the ability of governors to control the further distribution of fiscal resources transferred from the center: the institutional bias in the transfer rules, and the softness of subnational budget constraints. This section shows that provincial governors in Argentina enjoy ample transfer both because the intergovernmental system sets few conditionalities to how transfer funds must be spent, and the federal government imposes soft controls over provincial borrowing policies and expenditure decisions. Extant literature on Argentina's fiscal federalism has pointed out that federal transfers constitute a potent instrument incumbents used to build governing coalitions, advance legislative agendas, and mobilize electoral support. However, prior research is inevitably exposed to one of two deficits: incompleteness or clustering.[85]

The incompleteness deficit consists of focusing on some specific types of federal transfers and disregarding others. This limitation leads scholars to provide a misleading account of how the Argentine transfer regime operates. The clustering deficit consists of grouping

[84] Interview with Rafael González. Ciudad de Buenos Aires, November 1, 2005.
[85] This discussion is based on Bonvecchi and Lodola (forthcoming).

essentially different federal transfers into a common, undistinguishable pool of resources. It is irrelevant whether these funds are part of a revenue-sharing regime, non-automatic grants, unearmarked or conditioned loans. It is also irrelevant who (the national or subnational governments) enjoys political discretion over different dimensions attached to each individual transfer. Because central government resources are channeled to lower levels of government, it is assumed that politicians located at higher levels concentrate more discretion than those located at lower levels. Yet fiscal institutions distinctively assign incumbent presidents and governors different degrees of authority to manipulate intergovernmental grants.

Both the incompleteness and clustering deficits affect previous studies on fiscal federalism in Argentina. The former deficit is evident in Wibbels' (2005; see also Remmer and Wibbels 2000) original study about the effect of partisan harmony on center-periphery fiscal relations. The author contends that the 1990s brought about a deep process of recentralization of fiscal authority in which the central government restricted provincial spending autonomy through matching grants, and conditioned federal bailouts of indebted provinces to the subnational enactment of market-oriented administrative reforms. But unfortunately, the richness of Wibbels' argument and the strength of his empirical findings are undermined because the author quantifies recentralization through the classic distinction between automatic and non-automatic, conditional and unconditional transfers. Although Wibbels correctly associates different types of federal grants with different institutional structures of incentives, he lacks a rigorous theoretical conceptualization of the country's intergovernmental transfer regime.

Likewise, incompleteness characterizes a good-number of studies that analyze the utility of CFI regime to boost presidential electoral support in the provinces. Tightly constrained by law and closely watched over by subnational units, the co-participation funds are a sterile political tool for presidential coalition-building. Despite the historical fights between national and subnational actors over the CFI distribution, federal governments of different stripes have been unable to manage these funds in a discretionary manner. By focusing on the CFI alone and ignoring other grants, the study of Argentine fiscal federalism is weakened in a twofold way. First, the analysis becomes limited to the few instances in which the revenue-sharing system was discussed and redefined (Eaton 2001a, 2004; Diaz-Cayeros 2006; Porto and Sanguinetti 2004). Second, the analysis is reduced to the conclusion that the CFI regime is a perfect illustration of an entire intergovernmental fiscal system with unstable rules and high transaction costs that impede efficient outcomes (Tommasi, Saiegh, and Sanguinetti 2001).

The clustering deficit, on the other hand, affects Gibson and Calvo's (2001) innovative study on the decisive role played by low-maintenance (i.e., over-represented) subnational coalitions for the adoption of market-friendly reforms under the Menem administration. The authors argue that the central government used a portfolio of highly discretionary federal transfers to buy off the legislative support of low-maintenance peripheral provinces instead of furnishing the more expensive acquiescence of high-maintenance (i.e., under-represented) metropolitan districts. The collection of intergovernmental transfers analyzed by the authors includes some funds discretionally managed by the president, and "a series of federal grants and credits for housing, public works, health, and education" (Gibson and Calvo 2001: 43). Yet grouping all these funds is theoretically inadequate and empirically wrong because the institutional rules that govern their allocation (and their consequent political utility for coalition building) are far from similar. In particular, as the following sections will show, the president's political leverage to distribute public work projects to the provinces has varied considerably through time, while his/her capacity to discretionally assign health and education resources has been null.

A similar problem affects Jones' (2001) study of the potential influence exerted by the Argentine Congress upon the budgetary process. The author claims that provinces making the largest contributions to the president's legislative bloc receive the largest shares of budgetary funds. To test this argument, Jones constructs a transfer variable that comprises budgetary credits and "the total amount of transfers allocated by the federal government" (Jones 2001: 176). Clustering problems are obvious as the author merges all federal transfers into a common pool of resources regardless of whether they are allocated through fixed formulae or in an ad hoc manner, and independently of whether they are conditional or unconditional (for the federal or provincial authorities) in nature.[86] Similarly, Gordin (2004) also falls prey to clustering when he investigates the potential effect of vertical (presidential-gubernatorial) co-partisanship, partisan turnover in the presidency, and divided government upon the share of intergovernmental transfers received by the provinces between 1973 and 1999. The author's dependent variable combines six different federal grants: oil and gas royalties, housing funds, electricity funds, road-

[86] Furthermore, as Jones' variable includes federal transfers and it therefore covers more than budgetary credits, it does no longer serve to capture the underlying dynamics of budgetary politics in the country. At this point, measurement problems become conceptual problems.

maintenance funds, national treasury contributions, and a special fund to finance public work projects in the provinces. But unfortunately, only the regional allocation of the last two federal transfers was under the absolute discretion of the president during the period under study. The provincial distribution of housing, electricity and road-maintenance funds was defined by formulaic procedures, while royalties often responded to strict devolution criteria.

Clustering also questions the empirical validity of accounts linking intergovernmental transfers with subnational election results. In an often-cited article, Remmer and Gélineau (2003; see also Gélineau and Remmer 2006) use aggregate and individual level data to test the referendum voting hypothesis in subnational elections held in Argentina between 1983 and 2001. The authors estimate a pooled cross-sectional time-series model on the effect of several variables –including federal transfers- upon the vote share of candidates from the incumbent president's party in gubernatorial, national deputy, and provincial legislative contests. They assume that rational-minded politicians will seek to influence electoral outcomes through expenditure allocations, and voters will respond positively to that strategic spending. It is therefore expected that the federal government will deploy intergovernmental grants to enhance the electoral fortunes of candidates affiliated with the incumbent president's party. Remmer and Gélineau measure this effort as the ratio of provincial revenues to national revenues for each election year (weighted for the electoral calendar). This variable consistently reports a negative and statistically significant coefficient indicating that the lower the level of provincial revenue generation relative to the total flow of federal transfers, the higher the vote share of the national in-party candidates. The results thus seem to provide statistical grounds for confirming the hypothesis that the transfer system works in favor of the incumbent president in subnational elections. But Remmer and Gélineau cluster quite different federal grants into a common pool. This serious conceptual error stems from incorrectly assuming that the Argentine president has exclusive control over the whole transfer pie. But, discussed below, the federal government only enjoys political latitude over a small share of the transferable funds to the provinces –the majority of which actually lies at the provincial governors' absolute discretion.

In order to assess the specific spending powers of governors we need to understand how discretionality varies across the large number of federal grants at their disposal. With that purpose, I apply a novel operationalization of transfer discretionality to each of the twenty-two transfer programs used in Argentina since 1983. Figure 11 cross-tabulates these programs relative to their relative degree of gubernatorial and presidential discretionality. Detailed examination of gubernatorial and presidential discretion over each transfer fund is presented in Apppendix B.

As operationalized in Chapter 1, gubernatorial discretion identifies whether the governors control four dimensions of transfer execution: reallocation, timing, procurement, and monitoring. Presidential discretion is operationalized by assessing whether the chief executive controls five dimensions of spending: amount, timing, targeting, payment, and earmarking. Amount refers to the total volume of resources allocated to a specific transfer. It may incorporate a fixed amount, a variable percentage within a pre-established range, line items in the national budget, or a fully discretional sum. Timing indicates the temporal order in which a particular transfer is delivered. Targeting denotes the authority of the chief executive (or the individual ministers) to decide which provinces ultimately receive the funds. Payment points to the administrative act of depositing the money in the recipients' bank accounts. Finally, earmarking indicates the federal restrictions formally established to the use of transferred funds by the subnational governments. It is worth noting that these rules do not vary by province although, as we will see below, they have varied across time.

In a nutshell, the Figure 11 shows that despite Argentina has experienced decentralization and recentralization measures throughout the years, governors –rather than presidents as it is commonly thought– have preserved an ample political discretion over the use of most transfer funds. Indeed, as discussed in the previous section, provincial bosses have retained stable co-participation levels, increased the subsidization of their regional economies from both industrial and non-industrial promotion credits, gained control over infrastructure funds, and received sizeable federal aid to finance their deficits, pension-systems, and debts. As a result, they have been able to use these generous fiscal rents free of domestic accountability links to feed elaborate patronage networks of support.

Presidential / Gubernatorial	Low	Medium	High
High	Federal Tax-Sharing Regime (CFI) Fiscal Disequilibria Fund Housing Fund (FONAVI) Electricity Fund (FEDEI) Special Tobacco Fund (FET) Greater Buenos Aires Fund Basic Social Infrastructure Fund Oil and Gas Royalties	Industrial Promotion Non-Industrial Promotion	National Treasury Contributions (ATNs) Regional Development Fund (FDR)
Medium	Education Transfer Funds Utility Rates Subsidies	Budget for Public Works Highway Fund (CFI Vial)	Provincial Public Sector Reform Fund
Low		Debt Consolidation Schemes and Loan Approvals Pension-System Bailouts	Treasury Bonds (BOTESO)

Note: Arrows indicate the direction of recent reforms described in the text.

Figure 11: Gubernatorial and Presidential Discretionality over Federal Transfers in Argentina

2.5 THE SOFTNESS OF SUBNATIONAL BUDGET CONSTRAINTS

In setting hard budget constraints on subnational finances, Argentina has been one of the worst countries among middle-income nations. As a result, governors have been able to borrow virtually without limits and to spend budgetary resources circumventing weak federal oversight. Indeed, throughout the 1980s and part of the 1990s the Argentine provinces faced exceptionally soft budget constraints. They consequently run high fiscal deficits, which accounted for half of the overall public sector deficit, thus making federal bailouts almost inevitable. Provinces could borrow virtually without check from a variety of sources including the domestic and external private sector, their own commercial banks, and federal financial institutions. Subnational governments usually borrowed from highly politicized and insolvent provincial banks for short-term cash management goals. These banks facilitated provincial borrowing by underwriting bond issues and then discounted the loans at the Central Bank, effectively giving the provinces a share in the seigniorage and inflation tax (Dillinger and Webb 1999). An additional source of short-term borrowing and cash flow was the massive rediscounts granted by the Central Bank to provincial financial institutions experiencing liquidity problems.[87] By 1989, these federal subsidies were estimated in more than 5 percent of the GDP (Lorenzutti 1996). Provinces also

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[87] Financial rediscounts are short-term loans guaranteed by the net worth of the beneficiaries' assets. Formally speaking, the Argentine Central Bank is an autarchic entity from the Ministry of Economy. But in reality it has been dependent from national authorities most of the time. In 1992, its charter was reformed and the Central Bank gained independence from the central government on all matters concerning the formulation and execution of monetary policy. This change reduced the scope for political criteria but did not diminish discretionality upon provincial rediscounts.

borrowed through a variety of informal mechanisms. Short-term deficits were frequently financed with arrears on payments to suppliers and public employees. After exhausting the tolerance for delayed payment, subnational jurisdictions resorted to forced lending paying suppliers and public workers with bonds authorized to float on the capital market.[88] These bonds could be converted to cash at the provincial banks and then used to pay local taxes. Provinces were also able to borrow from private (either domestic or foreign) commercial banks and international financial organisms, mostly in the form of medium-term contractual debt, pledging their coparticipation funds as collateral.[89] Although provinces needed the authorization of the Ministry of Economy to pledge these funds, there was no legal restriction on the percentage that they could divert to that goal. For each loan or bond issue, the province and creditor negotiated a percentage limit (*cupo*) on the share of the daily flow of coparticipation resources which could be taken for service on that loan. The federal government indirectly participated in these arrangements as the *Banco de la Nación* deducted the debt service from those revenues and transferred the remainder to the provinces (Dillinger and Webb 1999). In case of a provincial default, a particular creditor got its money depending on its place in the queue and the size of its *cupo*. By the time of economic stabilization was reached in 1991, hyperinflation had greatly eroded the real value of provincial domestic debt although external debts remained quite

[88] Some provinces and their enterprises successfully floated Eurobonds in the mid-1990s.
[89] The Ministry of Economy controlled the legality of borrowing operations and secured the pledged resources would be enough to cancel debt interests. That is, it protected the lenders' interests (Zentner and Sanguinetti 2000). In this way, the colletarization discouraged financial and fiscal performance and precluded the credit market to act as a mechanism of fiscal discipline.

substantial. The provinces emerged with virtually no debt to the federal government, and most of their debt was owned to the private sector.

The federal government took some measures to control provincial borrowing in the 1990s. Because the constitution is ambiguous about the possibility of subnational borrowing control by the center, it was instituted a complex mechanism to oversight provinces. At first glance, it appears that the federal government had access to a considerable array of hierarchical control mechanisms. But most of these mechanisms were undermined because they emphasized ex ante rules without adequate enforcement, were exposed to several loopholes, and generated bad incentives that ultimately left compliance to provincial self-restraint.

The most critical and effective steps were a variety of indirect measures that restricted – not prohibited- provincial banks as sources of credit to the provinces. In line with the anti-inflationary Convertibility Law, which required that the monetary base should not exceed the dollar value of international reserves, the Central Bank's charter was reformed to prohibit the institution from taking any new domestic assets. This measure hardened ex post subnational budget constraints and limited provincial banks' common practice of using federal rediscount loans to finance their expenditures. The Central Bank was also prohibited from guaranteeing bank deposits, which eliminated the federal government as a lender of last resort and forced provincial banks to rely on depositor confidence in order to maintain liquidity. Furthermore, the Ministry of Economy issued a resolution banning any federal agency from using its resources to pay creditors on behalf of a particular province, and demanded bonds issued abroad or in foreign currency to be cleared with the Central Bank. In the context of the 1995 Tequila crisis, which produced a generalized run on deposits that shocked international reserves and threatened to bankrupt most provincial banks, the federal government negotiated a series of extraordinary loans with the World Bank and the Inter-American Development Bank to clean up the slates of subnational financial entities. Provinces were forced to help rescue their ruined banks first by trying to avert bankruptcy and then by recapitalizing them for privatization. Drawing upon these international loans, the national authorities created the Provincial Development Fiduciary Fund (*Fondo Fiduciario de Desarrollo Provincial)* which was utilized to privatize twenty out of twenty six provincial banks between 1995 and 1999 (Clarke and Cull 1999).

The federal government also sought to control provincial borrowing by regulating the ability of subnational jurisdictions to collateralize their debts. This strategy, however, proved ineffective in the aggregate. It was mandated that provinces with a weak credit position had to be authorized by the *Banco de la Nación* to deduct their debt-service payments from the coparticipation funds. Provinces with a stronger credit rating were allowed to collect from such funds only if they faced a default in payment (Webb 2003). Although this measure initially discouraged the Argentine provinces from excessive borrowing, it also made private creditors less sensitive to risk and more willing to lend. Thus, when the growth of tax revenues resulted from the convertibility boom came to an end and pressures for deficit financing increased with the Tequila shock, the provinces responded by borrowing in excess pledging their coparticipation funds as guarantee. According to estimations, at the end of the decade the federal government took as much as one-third of these resources to pay creditors (Cetrángolo, Jiménez, Devoto, and

Vega 2002).[90] Designed on soft regulations, the market-driven credit system of colletarization contributed to the dramatic expansion of provincial debt, which totaled $13.9 billon in 1996 – almost two-thirds of which provinces had been run up since 1991-, and $30 billion in 2001.

In sharp contrast to the Brazilian experience discussed in the next chapter, the Argentina's Fiscal Responsibility Law (FRL) approved by Congress in September 1999 failed to harden subnational soft budget constraints. The law established limits for the federal –not for the provincial- government's growth of expenditures, instituted nominal ceilings for the non-financial deficit, stipulated the adoption of multiannual budgeting, mandated the creation of transparency measures regarding public finances, and set a path to fiscal balance in 2003. Because the nominal ceilings were consistently broken, the FRL was rapidly replaced by a new regulation that relaxed those ceilings and extended the date at which the federal budget balance should be achieved (Braun and Tomassi 2003). Resisted by most governors, who opposed federal oversight and demanded the center to refinance their debts, these regulations did not include conditions for subnational governments and only invited the provinces to implement similar fiscal solvency rules on their own. Only twelve jurisdictions followed the national example by adopting fiscal regulations with mild restrictions on borrowing activities and fiscal performance. Three of them also limited personnel spending to the annual level of provincial GDP growth. Unclear ex ante mechanisms and ex post penalties and the absence of a strong central government capable of hardening constraints, however, made provincial compliance the

[90] The provinces of Catamarca, Mendoza, Río Negro, Salta, and Tucumán had more than 100 percent of their coparticipation funds pledged as collateral.

exception rather than the rule. Indeed, only five provinces fulfilled their commitment with debt limits, three did it with regards to fiscal balance, and no province observed constraints on current (and then personnel) expenditures (Sanguinetti 2001).

In 2002 the federal government was finally able to effectively curtail provincial autonomy over borrowing, although not over spending, by means of the Organized Financing Programs (*Programas de Financiamiento Organizado*, PFOs). These programs helped provinces cover their deficits and defaulted debts previously recognized by the Ministry of Economy. They consisted of a series of bilateral agreements by which the Duhalde administration granted provincial jurisdictions a monthly based loan. Subnational governments were due to repay these grants at below-market interest rates in the curse of 35 months. Furthermore, provinces were banned from contracting new debt (although they were exceptions) and increasing their floating debt. These conditionalities, previously assumed with the International Monetary Fund (IMF), were supervised by the Under-Secretary of Provincial Fiscal Relations. By 2004, the end of the period covered by this dissertation, nearly 30 percent of the provincial debt borrowed from commercial banks had been absorbed by the PFOs. As claimed by the provinces, this transforms the federal government into their principal creditor concentrating almost 70 percent of the provincial debt stock (Cetrángolo and Jimenez 2004).[91]

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[91] In 2005, the PFOs were replaced by the Financial Assistance Program (*Programa de Asistencia Financiera*) which only financed provincial debt services.

2.6 CONCLUSION

This chapter has explored the role of federal fiscal institutions in facilitating incumbent governors' ability to deploy resources transferred from the center to finance patronage-based political machines in the Argentine provinces. It underscored that a propitious institutional configuration (that is, a comparatively high vertical fiscal imbalance, transfer mechanisms of allocation that exclude municipalities and make the financially dependent from the provinces, budgetary rules that precludes congressional appropriations of intergovernmental grants, a transfer system that introduces gubernatorial discretionality in the use of such funds, a soft subnational budget constraints) result in extensive gubernatorial transfer power. Two related causal mechanisms, which I have called the "rentier" and "barriers to entry" mechanisms, in turn operate to connect the working of fiscal institutions with the particularistic supply of patronage goods to delivering networks of support.

The next chapter analyses the connection between fiscal institutions and subnational particularism in the Brazilian case. It highlights that the fiscal system promotes subnational pork-barreling (instead of patronage) because it produces a low vertical fiscal imbalance, introduces a more institutionally-balanced transfer system in which governors share access and spending powers over federal grants with municipalities and congressional legislators, and supplies hard subnational budget constraints.

3.0 FISCAL FEDERALISM AND SUBNATIONAL PARTICULARISTIC SPENDING IN BRAZIL

This chapter examines how the structure of Brazil's fiscal federalism makes incumbent governors more inclined to invest public outlays in supplying pork-barrel goods than in enlarging the state bureaucracy as a redistributive mechanism to assemble electoral support. It posits that contrary to their Argentine counterparts, Brazilian governors do not monopolize access to federal fiscal rents (but rather share them with mayors and congressional legislators) and enjoy limited discretion to arbitrarily manage such funds. By dispersing access to central government transfers among multiple political actors and regulating subnational public finance, Brazil's rules of fiscal federalism diminish the resource base for state patronage and weaken gubernatorial power to arbitrarily determine the use of fiscal rents.

Unlike the Argentine provinces, most Brazilian states are not financed by the central government. Whereas the former collect only modest tax revenues of their own and receive generous transfers from the center, a long-established precedent of autonomous taxation that lies far back in early colonial times makes the latter to rely intensively on their revenue sources. Such a comparatively low level of vertical fiscal imbalance precludes Brazilian governors from giving up domestic taxation and living off fiscal rents. In addition, contrary to the historical pattern observed in Argentina where all federal transfers are directly allocated to the provinces and only through them to the municipalities as mandated by subnational legislation, the automatic distribution of federal transfers to Brazilian local units reduced state governors' capacity to politicize the municipal distribution of federal transfer funds. At the same time, it guaranteed mayors secured resources independently from their links with state level officials and opens opportunities for them to articulate politically with the president bypassing governors. Given the allocative rationale of intergovernmental transfers in the period, municipalities that congregated important economic activities received a significant amount of unearmarked federal money that made their mayors potential challengers to the state incumbent elites. Not only did fiscal centralization of revenue powers affect the states more than the municipalities, but also the new transfer scheme protected local governments at the expense of subnational jurisdictions.

Equally important, the broader organization of budget process in Brazil fosters congressional legislators to appropriate federal grants from the annual budget bill in the form of investment projects (pork) to bestow in their bailiwicks. This institutional feature also conspires against the monopolization of transfer on gubernatorial hands, and makes legislators potential competitors in the organization of particularistic distribution in the governors' districts. Governors could get transfer funds from the annual budget bill through state bloc collective amendments (*emendas de bancada*). However, evidence discussed in this chapter indicates that gubernatorial influence over these collective amendments is little. This pattern sharply contrasts with that in Argentina, where legislators only get budgetary resources on behalf of their governors.

Since the mid-1990s the federal government launched a process of “recentralization with municipalization” that affected the states from both above and below. It affected the states from above because the recentralization of revenue powers weakened the financial autonomy of subnational governments vis-à-vis the center. It did it from below because the municipalization of expenditures (particularly in the areas of education and health) constrained the ability of governors to control patronage opportunities by shifting spending responsibilities. Finally, the Brazilian authorities successfully intensified regulation over state borrowing and expenditure priorities (especially regarding personnel spending), thereby limiting gubernatorial discretion over particularistic allocations.

The rest of the chapter is organized in fourth sections. The first section discusses the comparatively low level of subnational vertical imbalance and the high degree of municipal political and fiscal autonomy from an historical prism. The second section deals with the openness of budgetary rules and the little ability of incumbent governors to obtain transfer funds from the annual budget bill. The third section examines the reforms implemented to regulate subnational finance with a focus on state debts and spending on personnel. The last section concludes.

3.1 LOW SUBNATIONAL FISCAL IMBALANCE AND MUNICIPAL AUTONOMY

The evolution of Brazil's fiscal federalism and its current development show a federation characterized by a comparatively low level of vertical fiscal imbalance for the state sector as a whole. Compared to Argentine provinces, Brazilian states have relied more intensively on their own sources of revenues than on generous federal fiscal rents which, as we have seen, encourage a weak tax link with constituents and therefore promote subnational rentierism and associated patronage-based networks. Furthermore, in contrast to Argentina's institutional framework, a significant degree of municipal fiscal and political autonomy has made Brazilian governors less able to capture municipalities by politicizing the allocation of fiscal transfers. Both the direct distribution of central government grants to local units and constitutional regulations imposing states to reallocate a share of their revenues to their respective municipalities, have guaranteed mayors access to secured fiscal resources independently from political connections with state bosses. It also allowed the incumbent president to forge a political relation with municipal leaders bypassing governors. As a result, municipal mayors –especially those ruling large cities– became potential aspirants to the governorship. This particular configuration of politics fostered by the rules of fiscal federalism in turn reinforced gubernatorial proclivity to supply pork-barrel goods instead of overspending resources in patronage allocations. This section briefly describes the evolution of subnational vertical imbalance and municipal fiscal autonomy in Brazil, and explores how the post-1983 situation differs from that of previous eras.

3.1.1 Historical Evolution

Historically, despite successive centralization and decentralization processes, the country's fiscal institutions have granted a relatively high degree of revenue autonomy to the states and, to a lesser extent, to the municipalities. Throughout the Old Republic (1891-1930), the Brazilian federation was a dramatically decentralized regime in which coffee planters and governors of the economically powerful states, particularly Minas Gerais and Sao Paulo, dominated national politics and the federal government machine through a pact to alternate the presidency.[92] The 1891 Constitution allowed the states to negotiate commercial treaties with foreign governments, borrow money from abroad and sell bonds outside the country, control mineral rights, and levy taxes on exports (the most important revenue for an economy that relied heavily on international commodity markets), property transfers, rural/urban lands, and industrial/professional activities (Hagopian 1996; Love 1993: 187). Furthermore, subnational constituent units could manipulate tax rates and create new taxes independently from decisions adopted by the center. Primarily led by the *cafeeiro* regions and the urban expansion of the so-called "primary cities" (Sao Paulo, Rio

[92] The system, known as "coffee and milk," also guaranteed stability to regional elites from the backward states by instituting elected governors instead of the nominated provincial presidents who had ruled the countryside during the highly centralized decades of the Empire (1822-1889). These presidents intervened in a large variety of matters. But in a patrimonial order in which regular elections (restricted to a small number of propertied males) were critical to legitimize territorial dominance and the Conservative and Liberal parties were subordinated to the landed elite, their chief function was to guarantee the electoral support of the local faction claiming to belong to the party in power through the skillful use of patronage and titles of nobility (Graham 1990: 82, 148-49). During the imperial period, the center obtained the lion's share of revenues mostly coming from taxes on exports. It accumulated an average of 77 percent of the total revenues, while the states and municipalities collected 18 and 5 percent respectively (Murilo de Carvalho 1993: 65).

de Janeiro, Salvador, and Recife), the share of state revenues as percentage of federal revenues increased from 34 percent in 1907 to almost 50 percent in 1930 (Goldsmith 1986).[93]

Although the republican constitution proclaimed municipal autonomy, it granted states the authority to organize the municipal system. Incumbent governors dominated politics within their states –with the critical help of local landowners (*coronéis*) who ultimately controlled the supply of votes to the party in power– placing local units under their tutelage and playing municipal bosses off of each other (Castro 1987: 26; Leal 1949: 80-84).

Subsequently, under Getulio Vargas' *Estado Nôvo* (1937-1945), Brazil was officially declared a unitary nation and the elected governors were replaced by nominated "interventors" who had developed their political careers independently from traditional local machines (Campello de Souza 1976). Although the regime centralized fiscal resources to advance industrialization by granting the federal government absolute jurisdiction to regulate foreign trade and control the coffee and sugar sectors (Lopreato 2002), the fiscal reforms implemented during the Vargas' era did not involve an abdication of subnational tax authority. Quite the contrary, states retained autonomy to apply their own taxes and create new ones, with the only limitation that 30 percent of the resources obtained through new taxation must be transferred to the center and 20 percent to the municipalities. The most significant fiscal changes instituted in the period were the gradual abolition of interstate taxes on exports, and the 10 percent rate limit imposed to state taxation on foreign trade (Varsano 1996). But to compensate state jurisdictions

[93] With little capacity to tax export and consumption activities, the poor states remained financially dependent from the center and exposed to federal interventions typically declared to remove opposite forces from power.

for such revenue losses, the 1937 Constitution granted them exclusive power to regulate the turnover sales tax (IVC). Paradoxically enough, the modifications introduced to the tax system ultimately benefited the states as the international economic crisis affected export taxes (under federal control), and made taxes based on the domestic market (especially the IVC) the major source of revenues. As a result, subnational tax revenues between 1938 and 1945 increased from 51 to 56 percent of the federal revenues (Love 1993: 218).[94]

Municipalities, in contrast, were negatively affected by fiscal centralization. This result was somewhat paradoxical considering that the *municipalismo*, an old and deep-rooted ideology developed at the turn of the nineteenth century, was an important component of the nation-building strategy of the new governmental authorities (Melo 1993). Indeed, during the debates of the short-lived 1934 Constitution, several groups expressed their desire to reorganize the country around municipal entities. But the constitution adopted three years later was decisively anti-municipal. Although it preserved the deliberative faculties of local councils and introduced the direct allocation of federal transfers out of income taxes to municipal governments, it allowed governors to name mayors, restricted municipalities' revenue authority, prohibited them to borrow from abroad, and mandated rigid administrative controls of local expenditures through state and federal agencies.

Pressures to liberalize the regime became irresistible at the end of World War II, and Vargas was removed from office in a boldness coup. Following the ouster of Vargas, there was a

[94] The Brazilian states did not benefit equally from the IVC because it was only applied to the producer states. In addition, Vargas made sizeable concessions to the most prominent regions by providing a bailout of states' debts to the federal government (Love 1980).

return of federalism and the centrality of the states. The 1946 Constitution replaced the nominated state interventors by popularly elected governors, who gradually gained prominence in national politics through their congressional delegations and ability to shape presidential election results. Intergovernmental fiscal institutions, however, were marked by the Vargas' legacy and did not experience major chances. States from the most developed regions continued to benefit from the IVC, and the peripheral states strategically used their political overrepresentation in Congress to extract resources from the center.[95] In terms of revenue generation, subnational governments increased their portion from 31.4 percent of the total revenues in 1957 to 35.3 percent in 1964 (IBGE, various years).

More than any previous arrangement, the new constitution reflected a tendency to increase municipal autonomy. This was the result of intense pressures from a vocal *municipalista* lobby in Congress organized around the Brazilian Association of Municipalities (ABM). For the first time, it was mandated all local officials be directly elected.[96] Since most municipalities at the time lacked their own revenue sources, they were allowed to organize some services and collect taxes on industrial and professional activities, and obtained fiscal transfers from both the state and the federal governments. Specifically, it was mandated that all municipalities (except the state capitals) would receive equal shares of the 10 percent of the federal personal income tax (IR) to finance rural investment projects, and one-fourth of all subnational revenues (Souza

[95] The most developed states were able to alter tax rates and increased the IVC, while the North bloc in the Chamber of Deputies obtained 7 percent of the federal rent to develop infrastructure projects.
[96] Mayors from some capital cities, however, continued to be appointed by the state governor.

2002: 30).[97] In 1961, the percentage of the IR was increased to 15 percent and it was mandated that a similar value of the consumption tax must also be allocated to the local governments. Unfortunately, despite pro-municipal written regulations, the vast majority of the Brazilian *municípios* remained financially penurious and dependent from federal and state dictums. With rare exceptions, the transfer regime was constantly violated by central and state authorities who only sporadically disbursed funds and often did it according to ad hoc political criteria. Indeed, municipalities' total revenues (own taxes and transfers) only averaged 0.8 percent of the GDP in the 1957-1964 period (Araujo 1973). As Samuels (2000b: 81) put it, "while state governments regained powers lost under Vargas and the federal government continued its expansion, municipalities remained locked in their traditional role as passive recipients of government services –if their leaders had the right political connections."

The advent of the military regime (1964-1982) shifted the pendulum back again to political and fiscal centralization. In the political front, the generals extinguished all existing political parties, created an artificial competitive two-party system composed of a government party (the National Renovating Alliance, ARENA) and a docile opposition party (the Brazilian Democratic Movement, MDB), and decreed the presidential and gubernatorial elections indirect thus limiting the ability of subnational bosses to organize coup opponent forces. Moreover, the armed forces gained control over gubernatorial nominations. Governors became to be elected by

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[97] Persuaded by the possibility of capturing a larger share of the personal income tax for their home states, politicians from all three major parties (the virulent anti-Vargas UDN, the pro-Vargas PSD, and the labor-based PTB) created an impressive number of municipalities. Indeed, between 1946 and 1964, the number of *municípios* increased from 1,645 to 3,826 (Samuels 2000b: 93).

the state assemblies which, dominated by the *arenistas*, simply rubber-stamped the choice made by the military. This allowed the regime to replace traditional state elites for "technical" (*técnico*) governors with low political background, loose connections to subnational and local bosses, and tight links to the center. The military also sought to curtail the power of state oligarchic elites and ultimately transform patrimonial politics in the countryside –which was antithetical to the regime rational technocratic values– by strengthening municipalities and dealing directly with them in a less politicized and a more bureaucratic fashion (Sallum Júnior 1996; Souza 1996). Thus, mayoralty and city councils elections were maintained, the budget system was reformed to eliminate congressional appropriations of pork from the annual budget bill, and the composition of the state electoral colleges in charge of designating governors and "bionic" senators was modified to include friendly municipal leaders.[98] These measures fostered politicians to organize around local constituents, and left mayors as the only officials able to claim credit for the implementation of federal programs in their districts (Samuels 2002). Yet this strategy, as it has been widely recognized, failed to dramatically modify traditional elites' organizational structures in the states because the direct election of legislative positions kept the military dependent from these elites to recruit candidates and organize electoral campaigns (Abrucio 1998; Abrucio and Samuels 2000; Hagopian 1996; Samuels 2004) In addition, the imposition of *técnico* governors affected the economic resources of conservative subnational elites as they could not longer rely on resources coming from the state apparatus to finance their

[98] State governors continued to appoint mayors of the state capitals and *estâncias hidrominerais* or cities with natural mineral water springs. The mayors of municipalities of national security importance were appointed by the president.

politically reward networks. In the short-run, therefore, the regional elites who had supported the coup began to resist *técnicos*, isolated them from the ARENA machines, and even campaigned for the MDB candidates (Martins 1975; Sarles 1982). As a result, the military suffered a humiliating defeat in the 1974 elections.[99] Pressed by the circumstances, the regime decided to replace the *técnicos* by old political elites in order to dispute the 1978 contests (Nunes 1996). These changes fortified state leaders formally allied to the regime, and helped the military to obtain a small-margin victory in the legislative contests (Kinzo 1988: 63-65).[100]

In the fiscal front, the military reformed the tax system in 1965 and 1967 allowing for an increase in overall federal tax burden and revenue discretionality to finance infrastructure modernization and accelerate the pace of development, and to favor political allies at the municipal level (Ames 1987; Medeiros 1986). The federal government passed to control 10 out of the 14 taxes (Montero 2000), and was empowered to modify tax rates and create non-sharable taxes. In addition, it gained control over financial flows by allowing the *Banco do Brasil* to increase its portfolio of lending above legal limits (Olivera 1995), and was authorized to decide increments in public expenditures not contemplated in the annual budget.

As in the previous centralization round, however, the Brazilian states were not deprived of their autonomy to tax. Although subnational jurisdictions were banned from creating new levies, managing tax rates, and granting tax exceptions, they were assigned authority to

[99] Although the ARENA retained the majority in the Chamber of Deputies and the Senate, the MDB obtained the larger number of votes since 1966 doubling its legislative representation in both chambers.
[100] The ARENA obtained a convincing 58 percent in the election for the Chamber of Deputies but was outpolled in the senatorial elections. Overall, it received 0.7 percent more votes than the MDB.

administer the tax on the exchange of real estate (ITBI) and, more importantly, to apply a broad basis value-added tax (the *Imposto sobre Operações Relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação*, ICMS) in substitution for the existing turnover tax.[101] With the explicit goal of freeing mayors from subnational tutelage and bringing them into the federal orbit, states were mandated to allocate 20 percent of the ICMS –their highest-yielding revenue source– to their respective municipalities with no strings attached. At the same time, the military command counterbalanced its centralized movements by designing a new revenue-sharing system which set the foundations for the current scheme. The system, created in 1967, automatically allocated federal revenues to both the states and municipalities with a reasonable level of earmarking.[102] It was formed by two funds, the State Participation Fund (*Fundo de Participação dos Estados*, FPE) and the Municipal Participation Fund (*Fundo de Participação dos Municipios*, FPM), equally nurtured by 10 percent of the taxes on personal income (IR) and industrialized products (IPI). But in 1968, the military soon reversed course by issuing the Complementary Law 40 which reduced to 5 percent the share of the IR and IPI allocated to these funds. The government also increased central government's transfer discretionality by earmarking disbursement to specific programs, requiring the presentation of detailed investment plans to grant additional fiscal resources, and placing restrictions over how the transferred moneys could be spent (Oliveira 1995). In addition, states and municipalities were obliged to utilize their own resources to cover part of the current

[101] Yet the military retained authority to set the ICMS' rates and earmark a significant portion of it (around 50 percent) to the development of federal investment projects.
[102] It was established that 50 percent of the resources must be utilized in capital spending

expenditures included in the approved projects (Lopreato 2002: 54). Only after the 1974 electoral defeat did the military increase the transferable tax share of the participation funds and removed earmarking (Oliveira 1995: 62).[103] Moreover, to offset political opposition in the industrialized regions and ensure military influence over the *abertura* (opening) process, the generals expanded resources allocated to politically negotiated fiscal transfers, which increased 208 percent between 1976 and 1982 (Affonso 1989).[104] Finally, to benefit the *arenista* elites in the richer states, the federal government included fuel taxes into the ICMS.

The extent of these shits in the institutions of fiscal federalism materialized in the division of disposable revenues, that is, gross collection of revenues by each level of government plus transfers received minus transfers allocated to other levels. As shown in Figure 12, the center increased its portion of total revenues at the expense of that of the states. Whereas the federal government's share climbed steadily from 52.8 percent in 1964 to 69 percent in 1982, the share corresponding to the states decreased from 38.2 to 22.1 percent, and that corresponding to the municipalities remained stable at 8.9 percent.[105] For the purpose of my concerns in this work, it is important to note that even during centralized fiscal cycles Brazilian states retained access to an important broad-based tax that allowed most subnational governments to fund a large portion

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[103] The Constitutional Amendment 5/1975 mandated transfers to increase by annually augmenting 1 percent of the taxes subject to the FPE and FPM. However, the net effect of these formal changes on the total revenues of states and municipalities was nil.

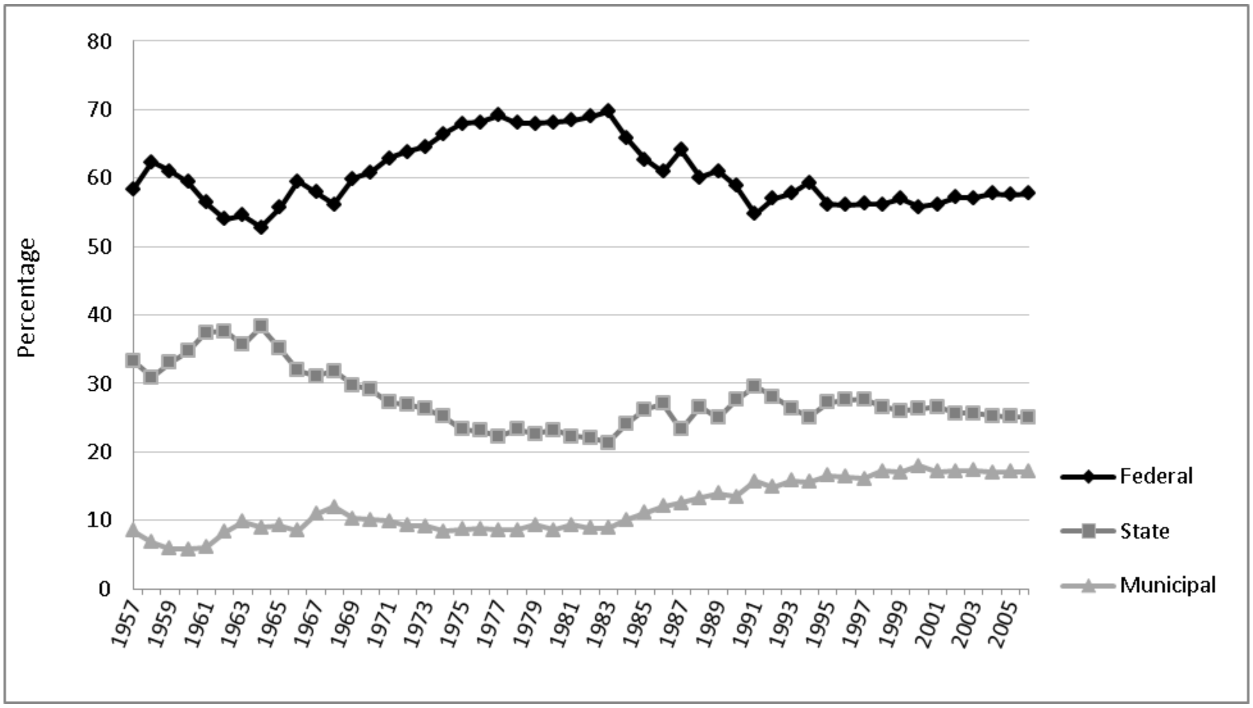
[104] The military also increased the congressional representation of smaller states, created the poor state of Mato Grosso do Sul, allocated 2 percent of the IR and IPI to a special fund for backward regions, and promoted the creation of industrial "poles" in the underdeveloped states through the Second National Development Plan (Ames 1987: 181-93; Sola 1994).

[105] On the spending side, the shares of the federal, state, and municipal governments during the same period moved from 54.8 to 68.2 percent, 35.1 to 23.3 percent, and 10.1 to 8.6 percent respectively (Rezende 1995).

of their spending activities. Indeed, throughout the highly centralized 1964-1982 military period states covered nearly 35 percent of their own expenditures through domestically raised revenues. This level of subnational vertical fiscal imbalance is lower than that of Argentina during its most recent decentralization era analyzed in the previous chapter.

As can be seen in Figure 12, with the return of democracy in 1983 the national government's share of total revenues decreased steadily and the subnational and local shares increased, with the largest gains concentrated at the municipal rather than the state level.[106] Indeed, between 1983 and 2006, the center lost 12 percentage points of its disposable tax revenue, while the states and municipalities gained 3.8 and 8.2 points respectively. The next section explores these fiscal changes and their consequences for gubernatorial incentives to supply particularistic goods to mobilize electoral support and win votes.

[106] With some ups and downs, Brazil's overall tax burden averaged almost 25 percent of the GNP between 1983 and 1989. In the high inflationary years of 1990 to 1993, it achieved an average of 26.2 percent. The, in the 1993-2006 period the tax burden increased to an average of 33.5 percent.



Note: Disposable tax revenue includes gross collection by each level of government plus transfers received minus transfers allocated to other levels. Sources: 1957-1970, IBGE: *Estatísticas do Século XX*; 1971-2006, Afonso and Araújo (2006).

Figure 12: Disposable Tax Revenues by Level of Government in Brazil, 1957-2006

3.1.2 The Democratic Period

This section shows that two factors have contributed to reduce Brazilian governors' incentives toward patronage spending in the post-authoritarian period.[107] First, the state sector as a whole became less dependent from federal transfers and more reliant on their own revenue sources, thereby constraining the ability of governors to utilize a privileged fiscal position independent

[107] These factors operate in combination with the openness of budgetary rules to congressional appropriations, and the hardness of subnational budget constraints analyzed further below in this chapter.

from domestic accountability links to finance an inefficiently large bureaucracy. Second, in evident contrast to previous decentralizing experiments, municipalities gained political and fiscal autonomy from the states. Under the aegis of the 1988 Constitution, local units concentrated almost all gains coming from the redistribution of intergovernmental fiscal transfers. Starting in the mid-1990s, efforts to recentralize political power and resources strengthened even more the Brazilian municipalities at the expense of the states by removing expenditure responsibilities from the hands of subnational governments (particularly in the areas of education and health) and assigning them to local jurisdictions. The municipalization of social policy spending was funded by mandating states to reallocate a portion of their revenues to the reformed areas, and increasing the volume of automatic matching grants directly transferred from the center sidestepping governors. This process of "recentralization with municipalization" reduced state incumbents' capacity to control patronage opportunities and place municipalities under their tight control. Moreover, it reinforced central-local linkages that contributed to free local governments from state tutelage. As municipal mayors gained secured fiscal resources and could claim credit for the implementation of federalized social policies, they became more likely to challenge state governors. Constrained in the access to fiscal rents, limited in the use of patronage allocations, and facing increasing electoral competition from local leaders, governors were somewhat forced to spend particularistic expenditures in delivering semi-public goods.

Starting in the early 1980s, Brazil moved away from authoritarianism and centralization. Direct elections of governors and mayors were introduced in 1982 and the indirect election of the president was reinstated in 1985.[108] This pace to democracy made governors the guarantors of the transition, actively negotiating new legislation with the military regime. Imbued by a reservoir of democratic legitimacy, regionalist interests rapidly mobilized political support to increase their financial autonomy. They initially codified their power in the revenue side. In 1983, the newly elected governors and mayors supported by a multipartisan coalition in Congress sponsored the Passos Porto Constitutional Amendment, which expanded the percentage of the IR and IPI automatically allocated to the FPE and FPM from 10.5 to 14 percent and from 10.5 to 16 percent respectively. Moreover, the amendment enhanced subnational and local discretion over the use of these funds (Abrucio 1998: 96-98). Two years later, another fiscal reform introduced by the Airton Sandoval Constitutional Amendment increased even further the shares corresponding to the participation funds and delegated to state and municipal governments the collection of additional revenues including the roadway and transportation taxes (Falleti 2010: 168).

The powerful governors and the *bancadas subnacionais* exerted great influence in the 1987-1988 Constituent Assembly and succeeded in locking in the fiscal institutions that deepened decentralization (Souza 1997). The preponderance of state and local interests in the national constitutional convention and the significant concessions given by President José Sarney (1985-1989) to conventionalists in return for an extension of his presidential mandate from four

[108] Municipalities with appointed mayors held the first direct elections of local executives in 1985.

to five years, resulted in an arrangement that strengthened states and municipalities vis-à-vis the center.

On the expenditure side, the 1988 Constitution did little to specify spending responsibilities thus concentrating fiscal imbalance at the federal level. It carefully outlined some exclusive areas of federal competence including defense, common currency, interstate commerce, and national highways. But it did not itemize any exclusive responsibilities for the states, while only set that municipalities would provide local public services (largely transportation), organize zoning laws, and develop urban development plans. The constitution mostly established concurrent policy areas to two, and sometimes three, levels of government. In some of these areas, such as preschool and primary education, social welfare, and health it stipulated that the center must set up the standards, the federal and/or state governments provide technical and financial assistance, and municipalities be the "executors".

On the revenue-side, in contrast, the new constitution provided strict criteria for the allocation of taxes among levels of government, specified in detail the features of the revenue-sharing arrangements, and stipulated that states and municipalities must spend at least 25 percent of all their taxes on education. In general, the constitution and the fiscal reforms introduced since the mid-1990s tended to consolidate the taxation authority of the states and concentrated the benefits of intergovernmental transfers on the municipalities.

With regards to the states, a large amount of taxes were ceded to subnational governments by eliminating federal excises on fuels and lubricants, electricity, telecommunications, and transport and combining them into the ICMS.[109] The states also received other revenue powers including the authority to collect taxes on motor vehicles (IPVA), and inheritance and gifts (ITCD), levy supplementary rates up to 5 percent on the federal bases for personal and corporate incomes, and offer tax breaks and incentives which lay at the federal government. The constitution also guaranteed a higher level of automatic transfers to the FPE by increasing the shared taxes (the IR, the IPI, and the tax on corporate income) to 21.5 percent, and granting subnational jurisdictions 30 percent of the gold-based transactions (IOF) collected within their territories.[110] Despite the increment in constitutionally-mandated taxes, the states have financed a larger share of their spending activities through self-collected revenues.

An index developed by the Inter-American Development Bank classifies Brazil as one of the Latin American and Caribbean countries with the lowest level of vertical fiscal imbalance (IADB 1997). My own analysis of official data is consistent with this source. As shown in Figure 13, since the enactment of the 1988 Constitution the percentage of state expenditures covered by subnational revenues has continuously exceeded that covered by all types of federal transfers. Indeed, between 1988 and 2006, the Brazilian states financed an average of 45.4 percent of their expenditures trough autonomous revenues –which increased in the period at an annual rate of 3.8

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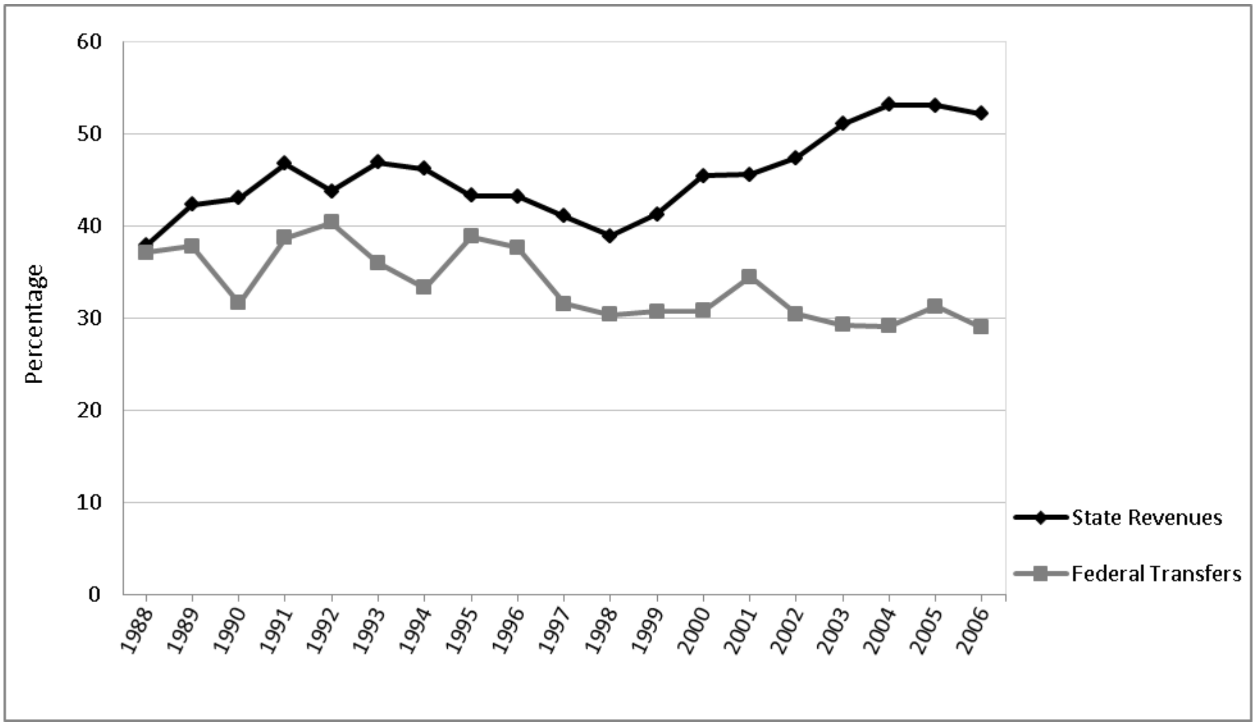
[109] The ICMS legislation differs across the Brazilian states as each state can determine unique tax rates for intrastate trade (usually 17-18 percent). The rates for interstate trade are fixed by the Federal Senate.

[110] The regional allocation of the FPE benefits the poorer states because levies are transferred in direct proportion to population size and in inverse proportion to per capita income. Specifically, 85 percent of the fund is distributed to states of the North (25.37 percent), Northeast (52.46 percent) and Center-West (7.17 percent), while the remaining 15 percent is allocated to states of the South (6.52 percent) and Southeast (8.48 percent). The poorer states were additionally benefited in 1989 with a constitutional amendment that created regional funds (nurtured with 3 percent of the IR and IPI) to finance development programs in the North, Northeast and Center-West regions.

percent of the GDP– versus and average of 33.6 percent financed trough federal transfer funds. During these years, the average level of subnational vertical fiscal imbalance for Brazil reached 23.7 percent, less than two and a half times that for Argentina.



Note: Federal transfers include constitutionally-mandate tax revenue-sharing arrangements, and non-constitutional, specific purpose grants. Source: Ministério da Fazenda, Secretaria do Tesouro Nacional.

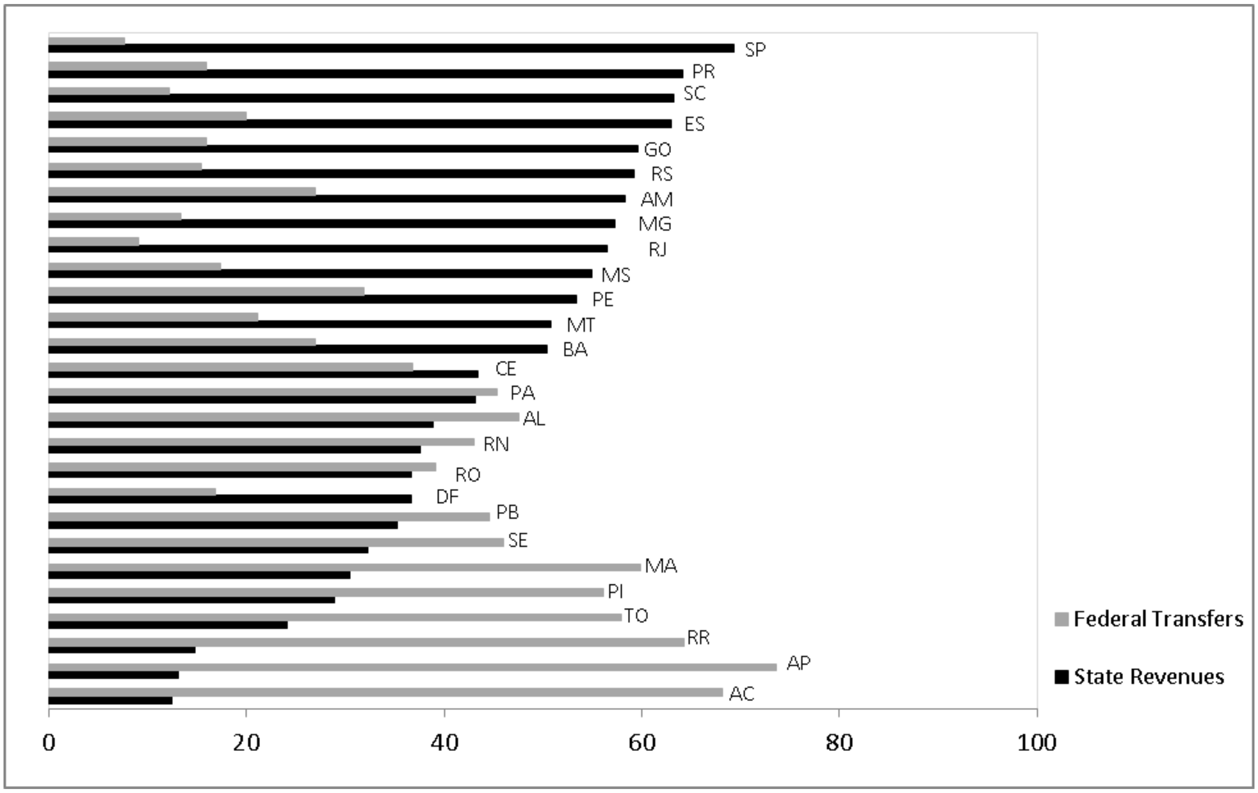
Figure 13: Vertical Fiscal Imbalance in Brazil, 1988-2006. Percentage of State Expenditures Financed Through Autonomous Revenues and Federal Transfers

Although the overall level of subnational vertical fiscal imbalance is low, dependence on federal transfers varies considerably from one Brazilian state to another. This variation is mainly explained by the fact that the ICMS, which constitutes the bulk of states' revenues averaging nearly 52 percent of their total income and more than 20 percent of all taxes collected in the country (an impressive 8 percent of GDP) in the post-authoritarian period, is taxed on origin thereby making it difficult for poorer states to raise it. Figure 14 displays intra-national variation in the level of transfer dependence from the center by weighing the percentage of each state's outlays financed by autonomous revenues and total federal grants between 1982 and 2006. Over these years, on average Sao Paulo (the most developed state in the federation) depended upon the federal government for only 7.7 percent of its expenditures, while for Amapá (one of the poorest states) the figure was 73.6 percent.[111] Nevertheless, seen in comparative perspective, subnational variation in vertical fiscal imbalance is still lower than in most federalized countries including Argentina. Note that all Argentine provinces except Buenos Aires received federal transfers that were larger than their self-administered revenues, while only twelve Brazilian states did. In these states, as the rentier mechanism suggests, the public sector has concentrated a larger proportion of employment. Whereas the fiscally-dependent states have averaged 0.43 public employees for each private employee, the averaged ratio for the rest of the Brazilian states has only been 0.27.[112] It is worth recalling that these values for the Argentine provinces are 1.6 and 0.58 respectively, which provides additional evidence to my claim that subnational patronage is significantly more important in Argentina than in Brazil.

Having explained that Brazil's fiscal federalism arrangements result in a comparatively low reliance of subnational governments on federal transfers, I will turn to the second

[111] The level of federal transfer dependence across the Brazilian regions is as follows, from poorer to richer regions in terms of per capita GDP: North 53.6 percent; Northeast 43.7; Central-West 18.1; Southeast 13.4; and South 14.5.
[112] Author's calculation based on data from RAIS, Ministério do Trabalho e Emprego.

institutional factor identified as affecting gubernatorial access to federal fiscal rents and, therefore, state incumbents' incentives toward the particularistic allocation of patronage and pork-barrel goods: the autonomy of municipal units.



Note: Federal transfers include constitutionally-mandate tax revenue-sharing arrangements, and non-constitutional, specific purpose grants. Source: Ministério da Fazenda, Secretaria do Tesouro Nacional.

Figure 14: Vertical Fiscal Imbalance in Brazil, 1982-2006. Percentage of State Expenditures Financed Through Autonomous Revenues and Federal Transfers

Unlike Argentina, where decentralization did not constrain the ability of powerful governors to monopolize access to fiscal rents transferred from the center and place municipalities under their dictums, the post-1988 decentralization process in Brazil provided municipalities with an unprecedented formal degree of political and fiscal autonomy. In the political realm, for the first time in the country's history, Brazilian *municípios* were recognized as federal entities with the same status as states (Articles 18 and 132 of the 1988 Constitution), which eliminates the capacity of federal and subnational governments to interfere with municipal laws. In the fiscal realm, they gained significant new resources in the form of autonomous taxes and automatic fiscal transfers from both the center and states.

With regards to municipal autonomous taxation, the constitution increased municipalities' revenue powers by granting them authority to collect excises on urban property (IPTU), real estate ownership (ITBI), and an array of local services exempting telecommunications and inter-municipal transport (ISS). In addition, local units were empowered to set tax rates and use a wide range of nontax instruments such as user charges and licenses. As a result of these changes, they continuously increased their own sources of revenues, which passed to account for 5.7 percent of the GDP in 1988 to 8.4 in 1995 and to 10.6 in 2006.

As for intergovernmental transfers of revenues, and also unlike Argentina where fiscal rules only conceive the distribution of federal transfers to the provinces and allow them to reallocate funds to municipalities as they wish, the Brazilian constitution continued to mandate the center to directly allocate transfers to *municípios* and established more rigid criteria for how states must transfer their own resources to the local governments.

Constitutionally-mandated federal transfers to municipalities were expanded by increasing the parcel of shared taxes composing the FPM. This fund, which accounted for about one-fourth of local units' total income in the 1988-2006 period, became to be nurtured with 22.5 percent of the IR and IPI. Because the FPM is allocated proportionally to population size (with 10 percent setting aside for the state capital cities), it benefited the larger cities whose mayors are the more likely potential challengers to the incumbent governors.[113] Moreover, local governments began to receive 50 percent of the rural property tax (ITR) and 70 of the IOF. Considering together, constitutional federal transfers assigned to *municípios* averaged 4.4 percent of the GNP in the period, while those allocated to the states only averaged 3.3 percent (Afonso 2004).

The constitution also raised the ICMS base states must reallocate to municipalities from 20 to 25 percent, thereby almost offsetting the increment of federal transfers coming from the FPE. It was established that 75 percent of the percentage to be reallocated (i.e., 18.25 percent of the ICMS) must be transferred in a derivation basis thus benefiting the larger *municípios*, and the remaining 25 percent (i.e., 6.26 percent of the ICMS) following criteria established by each individual state.[114] Furthermore, the constitution mandated states to reallocate 50 percent of the IPVA. Due to the changes introduced by the constitution to the tax and transfer systems and additional reforms implemented since the 1990s, which will be examined below, municipalities increased their share in the disposable tax revenue from 8.9 percent in 1983 to 17.1 percent in

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[113] The low equalizing component of the FPM is evident when one considers that municipalities in the four most populated states obtain 45 percent of the funds.
[114] There is no official record about the criteria used by each state to distribute this percentage. Although my personal interviews suggest that most states rely on derivation criteria, one may suspect that politics also plays a role.

2006 (see Figure 12). Such an increase represents a 92 percent gain versus a 17.8 percent gain experienced by the states in the same period. [115]

Brazil's intergovernmental fiscal relations defined in the 1988 Constitution did not remain unchanged during the subsequent years. Indeed, a centrally-led process of "recentralization with municipalization" slowly contributed to reduce states' capacity to besiege the center, weaken gubernatorial ability to control patronage opportunities, and reinforce even more central-local political linkages. Most of the institutional changes took place during Fernando Henrique Cardoso's two administrations (1994-2002), while no significant departure from the new rules occurred during the first government of Ignacio "Lula" Da Silva (2002-2006). I explore below the key institutional changes introduced in the area of intergovernmental fiscal relations that ultimately contributed to debilitate governors in the federal order and empower mayors. The following sections will examine important reforms to the budgetary institutions and rules of subnational finance that tended to operate in the same direction.

To compensate the center for the revenue losses inflicted by the constitution, the Cardoso administration sought to recentralize resources by deploying a two-pronged strategy. First, it de-earmarked federal revenues shared with the states and municipalities. Second, it increased social contributions, which unlike normal taxes are not shared with subnational and local units, in an unprecedented way.

[115] It is worth noting that many poor and marginalized municipalities remain without capacity to generate their own revenues as they lack valuable property and service sector industries to tax. Indeed, approximately 90 percent of the *municípios* with less than 20,000 inhabitants (that is, 73 percent of the total local units) only generates about 10 percent of their total income from own revenues.

De-earmarking of shared revenues was initially proposed by the Fernando Collor de Mello administration in 1991-1992 through an omnibus amendment to the constitution (*emendão*). The government set up a special committee for fiscal reform, which came up with proposals that were similar to those eventually implemented by Cardoso. These included the de-linking of transfer resources, a tax on financial transaction, a federal IVA, and the elimination of the special employment regime for civil services. This reform package was not approved because of Collor's impeachment. De-earmarking was finally achieved in 1993 when Cardoso was Finance Minister of the Itamar Franco administration through the enactment of a provisional mechanism, the Social Emergency Fund (FSE), in the wake of the Real Plan.[116] The fund called for 20 percent retention of taxes shared with state and municipal governments to be used in federally-mandated specific programs.[117] The idea was to create a temporary source of flexibility that would allow the federal government to address the problem of hyperinflation until structural fiscal reforms could provide a definitive solution. However, when the FSE expired at the end of 1995 it was substituted by a similar fund (the Fund for Fiscal Stabilization, FEF), which gave way to the DRU (De-linking of Budgetary Resources) four years later. According to Brasil-SOF (2003: 19), the existence of the DRU meant that in 2003 19.7 percent of total federal revenues were not earmarked to be shared with lower levels of government, while without the DRU the

[116] The Real Plan consisted of a series of measures that brought inflation dramatically down, included the introduction of a new currency, interest rates increases, and a free-floating exchange rate. Critically, by curbing inflation the Real Plan removed the states' ability to inflate away debt obligations.

[117] The FSE passage was enhanced by the "budget mafia" scandal involving federal deputies in the Budgetary Committee and construction companies, and secured through a messy amalgam of compensations to municipal governments and pork to individual legislators (Ames 2001; Samuels 2003).

figure would have been 12.9 percent. A second de-earmarking measure introduced meaningful changes to the ICMS. In 1996, after months of intense negotiations in Congress, the federal government managed to pass the Complementary Law 87, also known as the Kandir law. This regulation banned states from levying their value-added tax on primary and semi-manufactured exports. Subnational pressures rapidly mounted and the federal government designed the Industrialized Products Export Compensation Fund (FPEX) to compensate states for revenue losses. The fund, nurtured with 10 percent of the IPI, obliged states to automatically reallocate 25 percent of the transferred moneys to municipalities without restrictions.[118]

Revenue recentralization continued with the steeply expansion of social contributions. The constitution had introduced a number of fiscal rigidities to the federal budget. Particularly, it had expanded entitlements in social security and social assistance, thereby creating an unaffordable flow of future pension commitments.[119] In order to finance social security outlays, the federal government increased the rates of social contributions and created new ones. The contributions were instrumental to the government's strategy because, unlike normal taxes, they could be collected in the same fiscal year as they were introduced. Because they were constitutionally earmarked to finance social security, the federal government passed several amendments that allowed for using part of the newly collected resources to finance other federal activities. Social contributions then increased dramatically from 1.2 percent of the GDP in 1990

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[118] The FPEX is allotted proportionally to each state's value of manufactured exports. A single state cannot receive more than 20 percent of the fund.

[119] The new charter created noncontributory pensions (especially for rural workers), established a floor value for social security benefits equivalent to the minimum salary, and granted civil servant status to about 250,000 federal employees.

to 2.7 percent in 2000, to its historical record of 9 percent in 2006 which represented almost half of the central government's total revenues. Such an increment was made in detriment of the participation funds. Whereas the ratio between the federal revenues that constitute the base of the FPE and FPM and the revenues collected through social contributions was 97 percent in 1994, it reached 127 percent in 2004, and 153 percent in 2006 (Afonso 2004; STN 2007).

The recentralization of revenues took place in tandem with an extensive decentralization of expenditures (particularly in the area of education and health) to the *muncípios* sidestepping state bureaucracies (Falleti 2010; Fenwick 2010). Regardless of whether municipal decentralization was an intended second best option to discipline the fiscal behavior of states because full recentralization proved problematic (Eaton and Dickovick 2004; Dickovick 2007) or the unintended consequence of the 1988 Constitution (Fenwick 2009), it countered the power of states and constrained the ability of governors to control patronage opportunities by shifting expenditure responsibilities from subnational to local governments.

The most important measures were the creation of the Fundamental Education Fund (FUNDEF), and the extension of the Single Health System (SUS). Both areas operated direct fund-to-fund mechanisms wherein resource flows to municipalities were predetermined by formulas based on services provided and population. These fund-to-fund mechanisms removed from state governors much political discretion over social service spending.

The FUNDEF was created in 1996 through a constitutional amendment, which ordered states and municipalities to reach minimum spending levels in primary education (at least 15 percent of the 25 percent the Constitution mandates both levels of government to dedicate to this area), and encouraged local units to voluntarily assume the responsibility for providing this service. The fund was nurtured by a pool of state and municipal resources then redirected to local governments –not to the states– based on federal criteria (i.e., education investments and primary school enrollment).[120] The FUNDEF is therefore a mechanism of redistribution between states and municipalities without opportunities for subnational bureaucracies (and therefore incumbent governors to intervene. Municipalities have incentives to increase the supply of school spots to receive additional transfers and to avoid the implicit penalization of having to contribute to the fund regardless of their matriculation levels (Arretche 2000: 140). By increasing the coverage of their primary education system, the municipalities became eligible for the funds that had hitherto been transferred to the states.

The municipalization of primary education was beyond expectations. By 2000, local units had already overtaken states as the principal providers with 51.4 percent of all matriculants (Oliveira 2003). This value represented an increment of 34.2 percent in the number of matriculants since the fund was launched. In terms of revenue transfers, the FUNDEF clearly reallocated resources in favor of municipalities. Between 1997 and 2000, states' losses averaged 10 percent while municipalities' gains averaged 35.5 percent.

The Cardozo administration also altered the health sector through the full implementation of a previous system created in 1996 to promote decentralized health care. This inherited system

[120] Concretely, the FUNDEF is composed of 15 percent of the ICMS (excluding the compensation provided by the FPEX), 15 percent of the FPE and FPM, 15 percent of the IPI, plus complementary federal resources transferred on a monthly-base when needed to reach the minimum level of spending by student. Through the time, however, the federal component of the FUNDEF became irrelevant.

had become an easy route to state patronage given its low exposition to federal oversight. The new SUS combined a mechanism of centralized financing with decentralized service delivery. It habilitated local governments to increase the levels of health service and authorized the federal government to fund rising in accordance with the level attained. This scheme generated incentives, especially for wealthier municipalities, to assume health care responsibilities. They were free to opt for different levels of service provision, but received more generous transfers with each additional level assumed. The SUS also developed a per capita funding mechanism to foster the participation of smaller *municípios*. By 2000, over 99 percent of Brazil's municipalities had adhered to the SUS' provisions (Arretche and Rodriguez 1999). As it strengthened local government capacity in health provision and promoted center-local links, the SUS also allowed the federal government to largely bypass the State Secretary of Health for substantial portions of the health budget (Arretche 2000: 211). In addition, the governors became unable to influence congressional legislators to divert health funds into patronage networks (Dickovick 2007: 15).

This empowering picture of increased municipal fiscal autonomy has important political ramifications for the relation between governors and mayors and, hence, for the particularistic spending priorities of state incumbents. Because municipalities receive automatic transfers directly from the center and states are constitutionally mandated to reallocate a part of their own resources with almost no strings attached, governors cannot monopolize fiscal rents and politicize their local distribution, while mayors –especially those ruling large urban centers and the states capitals– enjoy greater leeway to make expenditure and policy decisions. Moreover, the municipalization of expenditures implemented since the mid-1990s reduced the ability of governors to utilize social expenditure to funnel into their political machines. It also opened up opportunities for mayors to gain additional resources without gubernatorial intermediation, credit-claim for the success of federalized social programs, and reinforce their linkages with the center. Freed from state fiscal tutelage, and counting on the potential support of the presidency, mayors became more likely (and powerful) contenders to the governorship.[121] As argued above, increasing political competition fosters pork-barreling rather than patronage spending.

3.2 THE OPENNESS OF BUDGET RULES

The central argument of this section is that the broader organization of budget process in Brazil fosters congressional legislators to appropriate federal grants from the annual budget bill in the form of investment projects to bestow in their bailiwicks. This institutional feature reduces the ability of state governors to monopolize access to federal fiscal rents, and allows legislators to influence the organization of pork distribution in their districts. As the country's OLPR system fosters the personal vote and makes politicians dependent from local connections, legislators act as intermediaries on behalf of mayors –rather than on behalf of governors– to obtain federal

[121] Municipalities were also liberated from the states through new administrative laws and reforms that regulated the competencies of subnational governments. Those included the "Law of Concessions," the "Law of Guidelines and Bases for Education," the "Reform on Public Administration," and the "Statute of Cities". In 2003, Lula created a Federal Articulation Committee in the Secretariat for Federal Affairs to involve mayors in defining a common program of structural reform.

grants and advance their own political careers. State governors can potentially get transfer funds from the annual budget bill through state bloc collective amendments (*emendas de bancada*). Unlike individual amendments, state bloc budgetary amendments require several congressmen from the same state delegation to pool together in order to elevate a statewide appropriation. However, I claim that gubernatorial influence over these collective amendments is little. Indeed, Brazilian legislators have found a way of using state bloc amendments privately by dividing up their content through a mechanism known as *rachadinhas*. This pattern sharply contrasts with that observed in Argentina, where legislators are discouraged (both individually and collectively) to obtain budgetary resources for themselves and the few resources they can appropriate are tightly controlled by provincial governors.

The budget bill elaboration begins at the Planning, Budget and Management Ministry, which produces the executive's Budget Law Proposal (PLO). This proposal establishes both the volume of funds for operational expenditures and the spending limits on each program. The PLO is submitted to a single committee (the Mixed Budget Committee) composed of both senators and deputies based on the proportion of seats held by each party in the chambers. Between 1988 and 1992, only individual legislators could amend the budget with no restrictions on the number and value of their amendments. Each amendment was required to name a source of revenue matching the expenditure envisioned. The Mixed Committee received the amendments, then established subcommittees corresponding to each broad program, issued a report rejecting or accepting (wholly or partly) each amendment, and added its own amendments which could combine those or other deputies or be completely new. Over that period, individual legislators used extensively their capacity to amend the budget. In 1989 they passed about 11,000 amendments, 13,000 in 1990, more than 71,000 in 1991, and 76,000 in 1992 (Rocha 1997). In the Fall of 1993, a budget scandal (the *escândalo dos anões do orçamento*) involving a clique of ranking deputies led by Chair João Alves and construction companies profiting from budgetary amendments triggered a series of reforms to the budget process (Ames 2001: chapter 1).

Under the new rules, the capacity of individual legislators to submit amendments was reduced by limiting each legislator's number to fifty with a total value of $2 million reals. Priority was given to collective amendments introduced by standing committees, regional blocs, and state blocs. In 1995 a new budgetary reform set the number of collective amendments to five per standing committee, five per regional bloc, and ten per state bloc, with no rule establishing either a maximum or a minimum value.[122] The number of individual amendments was increased to twenty per legislator, with a ceiling of 1.5 million reals later augmented to 2.5 million.

Both individual and collective amendments can only be made over items included in the investment category (i.e., geographically concentrated projects in the area of infrastructure) of the budget, which is typically a small part of the PLO. They required the support of at least two-thirds of the Senators and Deputies of each state delegation. The budget law approved by Congress is not mandatory as it only authorizes the president to execute the budget based on the availability of resources collected during a specific fiscal year. That is, having and individual or collective amendment approved in the budget law does not guarantee that it will be appropriated.

[122] For the 1994 and 1995 annual budgets amendments were accepted from political parties. Later, it was specified that political parties could no longer collectively amend the budget.

The executive possesses a line-item veto and thus can decide to leave in or strike appropriations. The main instrument used for this purpose has been the "impoundment decrees" (*decretos de contingenciamento*), through which approved expenditures are suspended (integrally or partially) and made contingent on the evolution of the fiscal situation and resources available in the national treasury. As the year progresses the expenditures can be "un-impounded." However, they frequently remain suspended.

Individual amendments have received considerable attention in the literature. Several studies show that they have been strategically used by the executive to build legislative support (Ames 2001; Alston *et al.* 2007; Alston and Mueller 2006; Pereira and Mueller 2004; Pereira and Renno 2003), contribute to incumbent reelection (Ames 1987; Pereira and Renno 2003), and primarily involved legislators' personal connections with their local constituency network including voters, mayors, councilmen, and bureaucrats (Bezerra 1999). Because individual amendments consist of small amounts of money for legislators' bailiwicks, governors have no incentives to participate in their elaboration and further "liberation."

Despite in the 1997-2006 period collective amendments represented twice as much as individual ones, they have not been extensively studied (for exemptions see Pereira and Orellana 2009; Souza 2003). According to the data from the Joint Budget Committee of the Brazilian Congress, the amount of resources allocated to collective amendments has increased over time averaging 1,043 billion reals per year, with an average appropriation of 72.4 percent. The volume appropriated by legislators through state bloc amendments represents approximately 80 percent (at an annual average of 2.8 billion) of the total resources ranging from $ 1.5 million to $100 million reals. The state bloc amendments are typically oriented to the politicized areas of transportation, health and urban infrastructure thus indicating they are especially amenable to pork-barrel games.[123]

I argue below that, contrary to one may expect, state bloc amendments are not an efficient gubernatorial tool to obtain fiscal resources from the center. Indeed, legislators have been able to adopt consensual procedures that disfigured these collective amendments into individual ones. This consensual component along with the rules of collective amendments actually encouraged the decentralization of resources away from the governors' (and the president's) control and toward legislators' local strongholds. Unlike individual amendments, which have a specific legislator as the author and a geographical identification (typically a municipality) for the investment, state bloc amendments have a collective authorship and do not indicate any geographical location besides a state. They are actually "umbrella" amendments for a specific federal program.

Thus, on the one hand, state bloc amendments have distinctively affected the executive's relationship with legislators in a way that increases the likelihood of being appropriated. In appropriating or rejecting an individual amendment, the executive can reward a faithful legislator and/or punish an unfaithful one. But the same rationality is harder to be applied with collective amendments because the executive is unable to trace which legislator would benefit from the appropriation. In rejecting a collective amendment, the executive could punish not only an

[123]In the 1996-2006 period, about 80% of the state bloc amendments were concentrated in six governmental agencies: Departments of Roads, Secretary of Urban Development, Ministry of National Integration, National Fund of Health, and Ministry of Transportation.

opposition legislators, but also important allies in Congress. Therefore, these amendments have a greater probability of being approved by the executive (Figueiredo and Limongi 2004; Pereira and Orellana 2009).

On the other hand, state bloc amendments have affected governors' relation with their legislative delegations in a way that diminished the likelihood of appropriating resources for the state. When state bloc amendments were introduced in 1993, they aimed at bringing more transparency to the budgetary process by limiting the number of individual amendments, which represented the parochial interests of legislators and, at the same time, reinforcing amendments with a broader profile. Congressional legislators then cared little about statewide pork because it appeared they would have to share credit with the rest of the state delegation. But legislators rapidly discovered that they could distort the original intention of state bloc amendments by entering into particularistic and private deals with local politicians in the municipalities to propose individual amendments –known as *rachadinhas*– disguised as collective ones.

Although each state delegation possesses its own internal consensual characteristics, state bloc amendments use what can be considered a consensual decision-making rule that encourages cooperation among bloc members rather than with the governor. State delegation members are frequently organized around a coordinator of the delegation, who is in charge of demanding the amendments' inclusion in the report of the Mixed Budgetary Committee and informing the executive how amendments will be allocated once appropriated. Another consensual peculiarity is tied to the decentralized process of reporting budgetary bills to the Mixed Committee. As we have mentioned, the distribution of amendments among committee members follows the rule of proportionality according to the number of seats each political party holds in the Chamber and the Senate. That is, not only members of the state incumbent party coalition have the prerogative of reporting an amendment, but any member of the committee can do it. Therefore, it is common to see members of the budget committee pressing for a favorable report regarding a state bloc amendment simple because it incorporated several legislators' individual demands.

In the words of Eduardo Azeredo (PSDB), current senator and former governor of Minas Gerais, "when I was governor, eight state bloc amendments had a statewide orientation and federal deputies decided over the remaining two. But today things are different. Individual legislators enjoy more autonomy and the state bloc amendments work as if they were individual ones. Each state bloc amendment is indeed an amendment of five, six or seven deputies who pull together to present an amendment that benefit the municipalities where they have an important electoral presence."[124] In the same line, the current federal deputy and former governor of Pernambuco, Roberto Magalhães (PFL) expressed, "initially, we proposed a minimum of three amendments for the governor, one for the mayor of the state capital (regardless of his/her party affiliation), and the rest among members of the state delegation in Congress. The system suddenly changed, and we began to assign one state bloc amendment for every two or three deputies [now senators claim each of them is entitled to propose one collective amendment but we cannot accept that]. I have done the following: the municipalities in which I usually get more votes have been governed by mayors who belong to different political parties than mine, let's say

[124] Interview with Eduardo Azeredo, Brasília, June 1, 2006.

the PT or PSDB. Then I have proposed a state bloc amendment with deputies from the PT to the municipalities governed by this party, another amendment with deputies from the PSDB to allocate resources to their municipalities, which after all are also mine, and so on. I have to tell you that this system is not good, it pulverizes [*pulveriza*] the collective amendments."[125] By resorting to this mechanism, legislators are still able to claim credit for the benefits produced by state bloc amendments to their local constituency network including voters, mayors, local legislators, and bureaucrats, who can clearly observe their efforts in bringing the bacon home and then mobilize votes to pay back the legislator. According to federal deputy Sergio Miranda, "almost 40 percent of the collective amendments have been systematically used in the form of *rachadinhas*" (Folha de Sao Paulo, November 13, 2001).

Legislators from the smallest states observed a different behavior regarding the state bloc amendments. Since the size of the pie (i.e., ten amendments) is about the same as the size of the state delegation in Congress, there is no incentive for an individual legislator to share an amendment. The count is simple: each legislator gets one. As the current senator and former governor of Roraima Romero Jucá (PSDB) explained, "in the smallest states these amendments make a huge difference because each individual legislator is able to allocate resources to three, four or five different municipalities. Moreover, the state delegations resort to *rachadinhas* because if the infrastructure project or the municipality is audited by the *Tribunal de Contas* you can still use the money in a different project or in a different municipality. As the state bloc

[125] Interview with Roberto Magalhães, Brasília, June 8, 2006.

amendments are "generic" amendments, you can do that. If they weren't you would have the money but you could not use it. Every single legislator and every single party gets something from the state bloc amendments because the dispute in the state delegation is a local dispute."[126] Therefore, as the former governor of Rio Grande do Norte and current senator Garibaldi Alves Filho (PMDB) synthesized, "the state bloc amendments weaken the states and the power of the incumbent governors because they fracture the relation between the individual legislators and the state executives."[127]

In future extensions on this topic I plan to test econometrically whether governors from different subnational units distinctively influence state bloc amendments, and the degree to which individual legislators are able to evade the governors' grip.

3.3 THE HARDNESS OF SUBNATIONAL BUDGET CONSTRAINTS

Brazil, like Argentina, has a long history of subnational fiscal misbehavior and mounting debts. But in contrast to Argentina, where the federal government has been unable to impose mechanisms to control provincial finance, the Brazilian authorities have tried with increasing intensity and success to regulate state borrowing and spending. With regards to borrowing, since the Cardoso administration renegotiated states' debts in exchange for fiscal adjustment and

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[126] Interview with Romero Jucá Filho, Brasília, June 7, 2006.
[127] Interview with Garibaldi Alves Filho, Brasília, June 1, 2006.

proceeded to privatize or closure the state banks. Then, it passed a complementary law –which impedes executive amendments and requires absolute majorities in both chambers to be reformed– that effectively limited state excessive borrowing, banned federal bailouts, and set institutional and legal penalties for violations of the rules. As for state spending, the government regulated the way in which governors and mayors could spend their budgetary resources. It did so through the introduction of legislation that imposed limits on personal expenses, especially during election years. In this section I describe the evolution of federal policies oriented to impose hard budget constraints over subnational expenditures and borrowing policies. The imposition of such constraints affected the capacity of incumbent governments to arbitrarily manipulate personnel spending and resort to excessive indebtedness to finance the functioning of the state administration.

As we have seen, the 1988 Constitution prohibited subnational governments to dismiss redundant civil servants and reduce salaries in nominal terms. State employees had the right to a pension equal to their exit salary plus any subsequent increases granted to their previous position. Under the Cardoso administration, a series of reforms significantly restricted state autonomy in the area of public sector personnel. Specifically, in 1995 the federal government passed the Complementary Law 87, also known as the Camata law, established that personnel spending could not exceed 60 percent of the states' and municipalities' net revenues (i.e., all revenues including constitutional transfers and excluding voluntary transfers).[128] Moreover, the law limited expenses on retirement to 12 percent of net revenues, established that any new permanent expenditure and the concession of fiscal benefits must be attached to a new permanent source of financing, and prohibited governors in election years to contract expenditures that may be settled in the next fiscal year. This mechanism had been typically used by subnational governments as short-term source of financing. Violations to these rules faced severe criminal charges and deposition from public office.

State borrowing in Brazil, primarily to finance public infrastructure, began in the second half of the 1960s. The financing needs of subnational governments were usually fulfilled with loans from federal financial institutions (in particular, the BNDES), which channeled to state utilities funds collected through forced savings schemes based on payroll taxes. As these funds dwindled and the opening of international capital markets to developing countries in the late 1960s made foreign financing a preferred option for the financing of the public sector. Indeed states' recourse to external borrowing was encouraged by the federal government. The easy access to external credit, combined with loose controls on domestic borrowing, made the 1970s a decade of rapid growth of state governments' debt. This source of finance came also to a virtual end in the early 1980s. These events, in combination with recession, led to widespread default by the states on the service of their external and internal debts.

[128]Personnel spending capped at 50 percent of net current revenue at the federal level. Separate sub-ceilings were applied to federal, state and municipal expenditures on executive, legislative, and judiciary personnel.

Under the 1988 Constitution, any legislation on debt renegotiation or financial rescue to subnational governments could only be initiated by the president. After the initiative was taken, however, a financial rescue operation such as a debt bailout could only be implemented if it had been authorized by the senate.[129] The federal government issued various regulations to restrained private banks from increasing their holdings of state debt, banned states from borrowing from their own commercial bank, and prohibited states to issue bonds. These regulations, however, were not strictly observed and, in some cases, they were blatantly evaded.

In the decade that followed the enactment of the constitution, Brazil experienced major state debt crises and consequent federal bailouts in 1989, 1993 and 1997. The deterioration in the primary balance of the states was especially marked after 1995, when the fiscal dividends for disinflation were mostly dissipated. With inflation under control, state banks lost their principal source of revenue (i.e., floating of financial assets). This situation was followed by an increase in real interest rates on non-rescheduled debt. With the service of this debt having come to a virtual halt, the capitalization of interest payments led to an escalation of debt. In addition to their funded debt, a number of states accumulated various forms of fluctuating debt, including short-term borrowing from commercial banks secured with future revenues (the so-called revenue anticipation loans, AROs), arrears to suppliers or employees, and guarantees for bank borrowing by contractors for state infrastructure projects. In 1997, the federal government refinanced once

[129] Starting with the 1967 Constitution, the senate has the authority to regulate all public sector borrowing. It sets guidelines for subnational borrowing based on the amounts of existing debt, revenues and debt service. However, it has the power to grant exceptions to these guidelines.

again of state debts conditioned to the privatization of state-owned banks in order to restrain states' indebtedness capacity

The agreements to resolve these crises tried to limit future subnational deficits and easy access to credit but also reinforced the perception that the center was able to provide relief if things were wrong. Moreover, bailouts were provided in the form of rescheduling (rather than forgiveness), thereby making the stock of debt kept growing and fostering defaults and new reschedules that left the federal government holding the states' debt. The ex ante constraints written in the rescheduling agreements were usually evaded (Dillinger 1997; Rodden 2006).

In 1997, the federal government implemented the Fiscal Adjustment and Restructuring Program to refinance state debts on a subsidized interest rate conditioned to the privatization of state-owned banks. The new legislation set conditions that included targets for declines in debt and deficits ratios, ceilings for personnel spending and investment, growth in own revenues, and privatization of state enterprises. The law also stipulated stricter ex post consequences, and a clause establishing withholding of federal transfers in the event of default on federally owned debt. Although most of these measures resembled previous ones, they set tighter limits and gave the government a stronger mandate to withhold transfers from states that failed to meet their agreements (Dillinger 2002). The federal government offered additional incentives such as anticipation of revenue from privatization of state utilities to encourage compliance. Between 1997 and 2000, 24 state utilities and banks were privatized or closed.

The debt accumulation process of the 1990s helps explain why governors accepted fiscal reforms that prevented them from overspending or incurring new debts. The size of the subnational debt stock (about 13 percent of GDP) and the governors' difficulty balancing their budget played a decisive role in the decision to renegotiate their debts and support fiscal responsibility legislation. Governors saw little alternative but to restrain expenditures, in particular personnel expenses, despite the high political costs attached to this decision. Moreover, fiscal restraint expanded governors' time horizons (19 governors ran for reelection in 1998), thus introducing an element of self-enforcement.

In January 1999, Itamar Franco assumed the governorship of Minas Gerais and promptly declared a moratorium on the state's debt payments to the federal government. In the wake of the East Asian and Russian financial crises, this attempt at fiscal intimidation put pressure on the government to devalue the real. But this attempt largely backfired. The central government covered Minas Gerais' debt but withheld an equivalent amount in federal transfers (Dillinger and Webb 1999: 33). With this precedent, the government codified the principle of withholding transfers in a new Fiscal Responsibility Law (LRF) enacted in May 2000. The law reiterated the provisions of the former FSE and FEF, while adding criminal penalties for fiscal irresponsibility. Importantly, the LRF also became a "complementary law" (*lei complementar*) to the national constitution meaning that it cannot be modified by ordinary legislation or executive decrees.

For the concerns of this dissertation, some provisions deserve special attention. First, the LRF included a golden rule provision for capital spending (i.e., annual credit disbursement cannot exceed capital spending. Second, limits to personnel expenditures (including pensions) established in the Camata law were preserved. Third, the LRF included stricter limitations for incumbents' final year in office prohibiting expenditures that exceeded one budgetary period.

Forth, it banned public financial institutions at all levels of government from lend to their main shareholders. Fourth the law stipulated that the federal government has the exclusive prerogative of setting debt parameters and expenditures ceilings, and eliminated the possibility of bailouts. Finally, it included provisions to increase transparency of fiscal information under the control of the Treasury Secretariat (Webb 2004).

The FRL set institutional sanctions including withholding federal transfers, denial of credit guarantees, and prohibition of new debt. In addition to these institutional penalties the Public Finance Crimes Law added a number of legal penalties ranging from fines, to impeachment, to ineligibility, and even imprisonment of public officials not complying with the deficit rules.

The interests of governors are relevant to explain the highly successful implementation of the LRF. In highly polarized states in which governors face close elections, governors would have an interest in tying the hands of the future governor and curbing his “fiscal powers” (Melo, 2002). But the incumbent would also benefit from the law because s/he would have an excuse to reject demands for pay hikes. Gama Neto (2007) and Carvalho (2006) provide extensive evidence that most governors were in a situation of great fiscal vulnerability and most of them would not be able to run for office again in the next election in 2002.

3.4 CONCLUSION

This chapter has examined the role of Brazil's federal fiscal rules in conditioning the ability of state governors to overspend resources in patronage activities. It highlighted that the country's institutional configuration (that is, a comparatively low level of subnational fiscal imbalance, a balanced intergovernmental transfer system that mandates the direct allocation of federal funds to the municipalities, and establishes criteria for state-municipal reallocation, budgetary rules that opens up congressional appropriation of federal grants, and the imposition of hard budget constraints to the states) result in limited gubernatorial transfer power which, as we have seen is associated with pork-barreling. The next chapter moves the focus of analysis to the second independent variable that affects gubernatorial redistributive incentives to deploy private and semi-public goods: the nature of political careerism.

4.0 POLITICAL CAREERISM AND SUBNATIONAL PARTICULARISTIC SPENDING

This chapter studies the relation between the nature of political careerism and subnational (gubernatorial) particularistic spending related to the finance of machine politics. Specifically, it investigates how the relative party-centrism or candidate-centrism of the electoral system and intra-party nomination/selection rules promote the strategic use of patronage and pork-barrel goods with electoral goals. The previous two chapters argued that the institutions of fiscal federalism in Argentina and Brazil distinctively affect the design of redistributive mechanisms of electoral mobilization at the subnational level. They do so by regulating gubernatorial access and discretion over intergovernmental grants. In countries like Argentina, where provincial governors concentrate transfer access and enjoy political leverage over how federal grants can be spent, there are comparatively stronger institutional incentives to build statewide patronage linkages in order to assemble vote support. In countries like Brazil, where the institutions of fiscal federalism disperse transfer access among multiple political actors located at different levels of government (in particular, governors, mayors, and legislators) and limit gubernatorial discretion over the use of transfer funds, there are major incentives to construct local networks of political support through pork-barrel allocations. The present chapter completes the theoretical approach proposed in this dissertation by showing that the nature of political careerism also affects the ways in which state governors strategically manipulate their portfolios of public resources as instruments of electoral investment to win votes.

The central argument of this chapter is that the degree to which subnational party leaders (in particular, governors) control nominations to elective office and campaign resources affects their incentives to engage in patronage and pork-barrel linkages. Where state leaders do exert that influence, they are likely to redirect government resources to finance statewide patronage-based machines. In contrast, where subnational leaders do not control the contours of political careers and campaign finance, they are prone to draw on pork-barrel goods in order to cement alliances with established local networks. These connections are undermined or reinforced by the public personal system. Arguably, a system founded on stable civil service rules and professionalized ranks of government employees diminishes the control that party leaders have over bureaucratic careers, thus reducing the scope of patronage.

The causal pathway linking careerism and redistributive electoral politics consists of the channel through which institutional and organizational factors determine who controls political and bureaucratic careers, and the implications that such a control has over the linkage strategies made by parties, politicians, and politically-oriented bureaucrats in the public sector. With both political and bureaucratic careers under control, such as in the case of Argentina, party bosses count on a spoils system financed with state resources to promote collective party behavior. In return for receiving a nomination or a job, politicians and government employees are expected to participate in party mobilization efforts, engage in politicized social networks, and involve themselves in electoral campaigns. Performing these electioneering activities on behalf of their party leaders is a more profitable behavior for ambitious politicians and political loyalists who permeate the ranks of the bureaucracy than swimming on their own. Because participation in the party is an observable service, patronage exchanges are also profitable for party bosses, as monitoring problems that could make them inefficient from the providers' perspective are largely solved. Based on their strong capacity to induce participation and colonize public institutions with faithful militants, subnational party leaders effectively reallocate state resources to finance an organized web of territorial connections and run elaborated political machines.

By contrast, with no control over political and bureaucratic careers, such as in Brazil, subnational party elites lack formal mechanisms to attract participation and reward compliance. Both individual politicians and public employees have therefore comparatively little incentives to line up behind party leaders and work to strengthen party brands. Politicians find it more profitable to act as individual entrepreneurs promoting their personal vote, which in general is quite costly and often involves satisfying local constituents with parochial policies and pork-barrel goods. Forced to differentiate themselves from their opponents and fellow competitors, individual politicians must impress upon ordinary voters the virtue of bringing unique benefits to the table. Importantly, politicians generally cannot differentiate themselves based on patronage resources coming from party leaders or the state apparatus because their fellows (or at least some of them) have access to the same goods. Moreover, the presence of a career-based personnel system that encourages the professionalization of the government bureaucracy discourages the manipulation of public employment to run the political machine. In short, a party-centered system of political and bureaucratic careerism as found in Argentina provides a superior technology for patronage linkages. A candidate-centered system as found in Brazil, in contrast, gives pork-barreling a more prominent role in party politics and the electoral process.

The chapter elaborates this argument by examining the role of institutional (electoral regime) and organizational (candidate selection) factors in shaping subnational political careerism in Argentina and Brazil since the return of democracy. It also explores the reinforcing mechanism generated by the countries' different public personnel systems. The argument is illustrated with empirical evidence on the career ambitions of state legislators both *between* and *within* these prominent federations. Drawing upon recent literature on political recruitment and novel datasets on state and municipal positions, the chapter shows that Argentine and Brazilian state legislators have different static and progressive ambitions. These differences, it argued, are observed at both the horizontal (i.e., across positions held at a particular level of government) and vertical (i.e., across positions held at different levels of government) axes of federalism. In Argentina, the centralization of political careers in the hands of subnational party leaders results in static and discontinuous patterns of careerism. The extremely high rates of provincial legislative turnover and the absence of extra-legislative ambition suggest that governors rotate politicians and bureaucrats with political aspirations among the various posts the party can offer so as to make participation attractive and induce involvement into the organizational machinery. In Brazil, the fact that subnational party leaders lack control over political and bureaucratic careers results in dynamic and continuous career paths. A legislative reelection dynamic more similar to what we observe in the U.S. and a considerable level of extra-legislative ambition suggests that state governors are unable to involve politicians into their organizations and make them sensitive to their dictums.

The chapter proceeds as follows. The second section analyses the nature of political careers in Argentina and Brazil from an institutional and organizational prism. The third section overviews the characteristics and recent evolution of the countries' public personnel systems. In both sections the emphasis is placed upon unearthing the power that subnational party leaders have over political and bureaucratic careers. The fourth section moves into the empirical analysis. It reviews the scholarly literature about careerism in the countries of interest and elaborates a typology of career ambitions in federalized regimes. The fifth section employs this typology to study the structure of subnational political careers in Argentina and Brazil. It does so by tracing state legislators' movements across different national, subnational, and local positions. This analysis helps better understand the relation between parties, politicians, and the redistributive electoral spending found in both polities. The last section concludes and sets the stage for the next chapter, which constitutes a two-country cross-state comparative study of the electoral returns that state governors reaped from their redistributive strategies of vote trading.

4.1 THE ARGENTINE AND BRAZILIAN SUBNATIONAL POLITICAL REGIMES

Both Argentina and Brazil, as Chapter 1 made explicit, are typically regarded as textbook examples of "robust" federalism. That is, federations in which the major power base for national politics resides in the states. Yet upon closer examination these similar polities turn out to exhibit different political dynamics. One of the major differences, and the focus of this chapter, is the nature of political careers (i.e., whether they are party- or candidate-centered) and its effect upon subnational redistributive politics. Extant research on the subject in Argentina and Brazil has analyzed the relation between the party or candidate centrism of political careers and legislative behavior (Ames 1995a, 2001: chapter 5; Jones and Hwang 2005; Samuels 2003: chapter 5), level of multipartism (Jones 1997), committee assignments (Jones, Saiegh, Spiller and Tomassi 2002), legislative party strength (Samuels 2008), candidate types (Jones 2008), and party system institutionalization (Mainwaring 1999). Much less attention has been paid, however, to the way in which the nature of political careers affects redistributive strategies with territorial power-building goals.[130]

Politicians must pay attention to several rules in order to further their professional careers, but two are paramount: the electoral system and candidate selection. These rules affect the nature of parties-politicians linkages –and through them shape redistributive electoral strategies- by assessing the degree to which party leaders control nominations to elective office

[130] Notable exceptions are the works of Ames (1995b, 2001: chapter 2) and Samuels (2002; 2003: chapter 6) on pork-barreling in the Brazilian Chamber of Deputies. To my knowledge, no comparative study has yet dealt with this issue at the gubernatorial level of analysis.

and campaign resources that politicians consider valuable for their careers.[131] In Argentina, the CLPR system and candidate selection rules provide subnational –not national- party leaders with extraordinary discretional powers over politicians' career choices and prospects of electoral success. Powerful provincial bosses, as we will see in detail below, strategically use nominations to public office as an instrument to reward loyalty, foster commitment and participation in the organization, expand intra-party dominance, and create elaborate statewide machines financed by patronage (in this dissertation, public employment) resources. In Brazil, on the other hand, neither national nor subnational party leaders exert such a direct influence on politicians' career decisions and electoral fortunes. The OLPR system along with permissive candidate selection norms and individual campaign finance weaken the role of party organizations and encourage political individualism. In order to garner the personal vote required to win office, Brazilian politicians cultivate their own reputations and link up with established local networks through pork-barrel credit-claiming activities.

[131] See Siavelis and Morgenstern (2008) for a persuasive theoretical framework on political recruitment and candidate quality that combines electoral system and party-level variables.

4.1.1 The Rules of the Electoral Game

Argentina is a federal republic composed of 23 provinces, an autonomous federal capital, and around 1,000 municipalities.[132] The country has a presidential form of government and a bicameral legislature. Representatives to the Chamber of Deputies are elected for four-year terms in province-wide multimember districts (with district magnitudes ranging from 2 to 35 with a median of 3) from a CLPR system that distributes seats according to the D'Hondt method. One-half of the Chamber is renewed every two years, with each province renewing one-half (or closest approximation) of its delegation. Provinces receive a number of term unlimited deputies (5 minimum) proportional to their population in 1980. The CLPR system, as explained in greater detail below, places list composition in the hands of subnational party leaders making politicians and politically oriented bureaucrats in the administrative sector beholden to provincial-level party organizations rather than to national party leaders and ordinary voters.

Prior to 2001, representatives to the Argentine Senate were indirectly elected by provincial legislatures for nine-year staggered terms, with one third of the seats renewing every three years by plurality rule.[133] This mechanism of election also allowed incumbent governors to exert great influence over senatorial nomination, and to use the upper chamber as a way station

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[132] The former national territory of Tierra del Fuego obtained provincial status in 1990. Municipal executive elections are majoritarian and presidential midterm races. Mayors are elected for four-year terms and are not term limited.

[133] Before 1994, each provincial legislature elected two senators. In that year, the number was increased to three. The Senate was completely renewed in 2001 when in addition to senators' popular election other constitutional amendments such as the female quota were implemented

in the road to recapturing the governorship or quitting politics. The Senate thus developed into an institution governed by provincial bosses and blood relations (Botana 1977; De Luca 2000). Since that date, senators have been directly elected for six-year terms, with one-third of the chamber renewing every two years by a fixed majority-minority formula in which two seats are allocated to the plurality party and one seat is allocated to the first runner-up. The fact that the Senate came to be popularly elected did not diminish but rather preserved the influence of regional interests –in particular, of powerful governors- upon senatorial nomination and legislative behavior (Kikuchi and Lodola 2008).

The highly decentralized nature of Argentine federalism confers each province the power to determine its own constitution and electoral system thus generating one of the most diverse and complex institutional maps in the world (Calvo and Escolar 2005). All provinces have popularly elected governors. The rules regarding gubernatorial election experienced considerable changes across provinces and through time.[134] Although since the return of democracy governors were typically elected according to the plurality formula for a four-year term, apparentment rules (*Ley de Lemas*) were introduced in some provinces to allow different lists of congressional candidates from the same political party to compete with each other while supporting the same runner to the governorship.[135] No provincial constitution initially allowed for the immediate

[134] Between 1983 and 2003, there were twenty-five reforms of the electoral laws or the provincial constitutions with regards to gubernatorial electoral formulas.

[135] With a few minor exceptions (see Chapter 5), gubernatorial races in Argentina were held in 1983, 1987, 1991, 1995, 1999, and 2003. Apparentment rules for the election of governors were implemented at least once in ten provinces (Chubut, Formosa, Jujuy, La Rioja, Misiones, Salta, San Juán, Santa Cruz, Santa Fe, and Santiago del Estero). The provinces of Mendoza (1983), Tucumán (1983, 1987), and Corrientes (1983, 1987, 1991) used an

reelection of governors and vice-governors, and their reciprocal succession.[136] Starting in 1987, however, most provinces were gradually incorporating constitutional clauses that permit provincial executives to run for reelection. By the end of the period under analysis in this dissertation, nineteen provinces allowed the governor and vice-governor reelection with thirteen of them limiting executive incumbency to two consecutive terms.[137]

The institution of gubernatorial reelection, along with legislative electoral reforms that limited the emergence of local challengers (Calvo and Micozzi 2005), contributed to the consolidation of regional political dynasties structured around a dominant family clan or a personalistic leader.[138] Classic examples of the former type include the Saadi in Catamarca, the Rodríguez Saá in San Luis, the Menem in La Rioja, the Sapag in Neuquén, and the Romero Feris in Corrientes. The same pivotal role in Argentina's provincial politics was played by a group of personalistic leaders who built and maintained their territorial power based upon the extensive use of the governing party as an instrument of government rather than upon a family machine.

electoral college for the election of governors; Ciudad de Buenos Aires (2000, 2003), Corrientes (1993, 1997, 2001), and Tierra del Fuego (1991, 1995, 1999, 2003) employed the majority runoff formula; Chaco (1995, 1999, 2003) used a modified version of the double complement rule; and Chubut (1991) combined a majority runoff formula with *Ley de Lemas* to avoid the case in which the most voted candidate from the winning *Lema* would not receive less votes than any other rival candidate.

[136] The province of Neuquén required the sitting governor to "purge" two periods before running for the provincial executive office again. San Juán allowed the gubernatorial reelection only if the incumbent governor had been removed from office as a result of a federal intervention.

[137] Gubernatorial reelection was banned in Corrientes, Entre Rios, Mendoza, Santa Fe, and Tucumán. The provinces of Catamarca, Formosa, La Rioja, Salta, San Luis, and Santa Cruz allow for indefinite gubernatorial reelection. In a few instances, constitutional reforms were interpreted to allow the incumbent governor two immediate reelections following the amendment. These were the cases of Eduardo Angeloz (UCR-Córdoba, 1995), and Rubén Marín (PJ-La Pampa, 1991).

[138] Personalistic leadership does not imply that the story of these subnational political regimes can be told without reference to partisanship. Personalistic political leaders are not personalistic in the same way. Some of them may favor the construction of enduring party organizations, others may strategically use the party apparatus to fulfill their private interests, and still others may be indifferent or even antithetical to parties.

Examples of this second type include the Peronists Gildo Insfrán in the Northern poor province of Formosa and Néstor Kirchner in Southern and oil-rich Santa Cruz.

With regards to the formal rules governing the constitution and functioning of provincial legislatures, there is a notable intra-national variation. Indeed, Argentine provinces have either unicameral or bicameral legislatures which are renewed either partially or totally every two or four years.[139] The median district magnitude for provincial legislatures (lower chambers) is 24, with some closed lists including as much as 70 candidates. In all provinces, legislators are elected for four-year terms and, with a few rare exceptions, they are not term limited.[140] The remarkable diversity of subnational electoral regimes in the country includes single member, multimember (with or without minimal representation for electoral departments or *secciones*), and mixed-member districts (in which a number of local legislators are elected considering the province as a single district, and another number considering the departments or *secciones*); Plurality, D'Hont, and Hare formulas; different combinations of majority-proportional rules, and several variants of the *Ley de Lemas*.

In the last two decades, Argentina's subnational electoral systems became the subject of frequent reforms which showed a clear tendency towards the replacement of majoritarian by PR systems, the adoption of mixed-member districts, and the incorporation of some adapted version of the *Ley de Lemas*. Thirteen provinces initially employed majoritarian formulas. Today, only

[139] Today, sixteen provinces have unicameral legislatures. Between 1987 and 1999 the provinces of Córdoba and Tucumán eliminated their Senates while San Luis incorporated the upper chamber.

[140] The exception is Tucumán, which only allowed legislative reelection for two successive terms since 2006. Two other provinces, Santiago del Estero and Ciudad de Buenos Aires, limit legislative reelection to two consecutive periods, while Neuquén incorporated this limitation in 2006.

four provinces remain majoritarian, sixteen utilize PR formulas (with thresholds ranging from 2 to 22 percent of the votes), and four employ mixed-member districts with different combinations of majoritarian and PR rules. A dozen provinces eventually incorporated the *Ley de Lemas* for the election of provincial legislators with requirements for the constitution of *sublemas* varying from 1 to 15 percent of the party affiliates. The electoral rules sometimes allow for the presentation of simultaneous candidacies across *sublemas* from the same party (*lemitas*), or the organization of alliances among *sublemas* from different parties. In any case, by allowing internal factions to run separately and to pool their votes in the general election, the *Ley de Lemas* reduced the negative electoral effect of intra-party factionalism and the likelihood that candidates would run outside the official party lists.

It is finally worth highlighting that provincial races in Argentina can be held concurrently or non-concurrently with national elections as governors are legally entitled to manage the electoral calendar in their territories, and they usually do so in accordance with their political aspirations and current needs. Indeed, governors can decide the date in which gubernatorial and provincial legislative elections will be held[141] and, between 1994 and 2005, they were also able to schedule national legislative contests in their districts. Elections to determine governor and provincial legislators have been held concurrently with presidential and national legislative races in nearly 50 and 80 percent of the time respectively.

[141] The exceptions are Tierra del Fuego and Chaco, where national and provincial races cannot be held concurrently.

The Brazilian federation, on the other hand, is composed of 27 states and around 5,600 municipalities.[142] Like Argentina, Brazil has a presidential form of government and a bicameral legislature with representatives elected in state-wide electoral districts. Regarding the Senate, each state selects three term unlimited senators in plurality contests for eight-year terms with one-third and two-third renewals. Political parties reserve the senatorships for their major figures including former governors. Indeed, around a quarter of the Senate seats during the 1982-2006 period were occupied by politicians who had prior experience at the governorship. Compared to their Argentine counterparts, however, Brazilian governors have exerted less authority over senatorial nominations. Given that gubernatorial aspirants normally have to construct multiparty alliances, the power to nominate candidates to the Senate usually lies in the hands of gubernatorial electoral partners. This is especially the case when the leaving governor decides to run for other elected office or is not a viable candidate to the upper chamber.

All other Brazilian legislative elections at the three levels of government are ruled by an open list proportional representation (OLPR) system in which voters cast one vote for either an individual candidate or a party label (*voto de legenda*).[143] There are no reelection restrictions for federal and state deputies. Seats for the Chamber of Deputies and state assemblies are distributed

[142] The state of Rondônia was created in 1986, and the states of Amapá, Roraima, Tocantins, and the Distrito Federal were created in 1990. The 1988 Constitution establishes that only cities with at least 200,000 electors have mayoral runoff contests. The other cities employ the first-past-the-post rule. Municipal offices are elected in midterm races, and election norms are identical to those ruling state contests.

[143] The vast majority of citizens, however, vote for an individual candidate. See Samuels (1999) for a discussion of the factors affecting the level of label votes that Brazilian parties receive, and how the PT has been successful at cultivating a party vote. In May 1985, the first post-military government approved a constitutional amendment that abolished the requirement imposed in 1981 which mandated citizens to vote a straight party ticket. The amendment in question, as discussed below, also introduced other major changes in the electoral system.

among competing parties according to the following criterion.[144] Votes obtained by candidates of the same party are first added to their party-label votes. The result is then divided by the electoral quotient (total valid votes divided by the number of seats) resulting in the party quota. Parties that do not reach the electoral quotient are eliminated, and seats are allocated among the other parties applying the D'Hondt divisor.[145] Thus, in substantial contrast to Argentina's CLPR system in which subnational party leaders determine the list composition *before* elections take place, the within-list vote share captured by each individual candidate in OLPR systems determines their positions in the list. These details mean that politicians playing out in OLPR systems develop a personal vote and avoid relying extensively on party leaders for nomination.

An additional provision reduced even more party leadership control over political careerism in Brazil by allowing incumbent legislators at all levels of government to sidestep the normal process of candidate selection. In effect, until a court decision suspended it in 2002 (1986 for Senators) the "birthright rule" (*candidato nato*) legally guaranteed incumbents automatic access to the next election ballot regardless of how many times they had switched party. Incumbent legislators who decided to run still needed to be members of a party, and parties could

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[144] The size of state legislative delegations in the Chamber of Deputies ranges from 8 to 70 seats, which are assigned in accordance with the number of voters registered in each state. District magnitudes for state assemblies range from 24 to 94. The number of seats in the state assemblies corresponds to three times the number of seats each state has in the Chamber of Deputies up to reach 36, and then one additional state deputy for each additional federal deputy.

[145] Therefore, a given candidate can win an election with fewer votes than a competitor from a different party. Since electoral quotas are achieved at the party (coalition) level, one may argue that party leaders have some leverage to affect backbenchers' careers. But Brazilian parties allocate seats among candidates based solely on the number of individual votes each candidate receives. This means that there is no party "ordering" of the candidate lists.

deny an incumbent a slot in the ballot. But since it was not in the parties' interests to reject renomination, this situation hardly ever happened.

Also unlike Argentina, subnational electoral regimes do not vary across Brazilian states and have remained relatively stable through time. All states have popularly elected governors, vice-governors, and unicameral legislatures. Elections for all state positions are held concurrently with national executive and legislative races to serve four-year terms. Governors were initially elected by the first-past-the-post plurality rule. In 1989, this electoral rule was replaced by a two-round majoritarian formula in which voters cast single votes for candidates in the first round. If the top-vote getter does not exceed a plurality threshold, the top-two candidates go to a second round. Another important change occurred in 1998 when gubernatorial reelection for one consecutive term was introduced in all states. This electoral reform, as Chapter 1 showed, fostered incumbent governors to run for reelection but did not guarantee them to retain the governorship. Even prevailing regional political oligarchies such as the Sarney in Maranhão, the Siqueira Campos in Tocantins, and the Antônio Carlos Magalhães family in Bahia, at times failed to impose their preferred candidates in gubernatorial elections.

Brazilian electoral rules, moreover, oblige executive incumbents (although not the president and vice-president) who run for a new mandate or for election to other office to stand down at least six months before the end of their mandates. At the state level, the gubernatorial term is completed by the vice-governor (*tampão*) who is in turn allowed to vie for any elected position including the governorship. Under these rules, the "vices" almost always have the chance to exercise power and control the state machine during electoral times. This leaves governors in the uncomfortable position of having to find a loyal vice-governor who could "keep the seat warm" or be elected.[146] Although many vice-governors loyally completed the gubernatorial term and some of them were reelected, others were ambitious politicians who sought to promote their own personal projects. In occasions, Brazilian vice-governors actively participated in the nomination of the governor's successor. Other times, they negotiated sizeable side payments in exchange for discouraging internal fractures to emerge. And in a few cases, they conditioned incumbent governors' future careers when bitter intra-governmental disputes led the governor to remain in office to avoid leaving the state machine at the vice-governor's disposal. A good example is governor Jader Barbalho (PMDB-PA), who decided not to run for a Senate seat in the 1986 elections to keep control of state resources away from his vice-governor, Laercio Franco (PMDB), linked to Barbalho's antecessor and personal political enemy, Alacid Nunes.

There were also instances in which political disagreements between gubernatorial running mates led to deep ruptures in the governing coalition.[147] In 2006, for instance, the vice-

[146] On average, the 52 vice-governors who acted as governors in the 1982-2006 period occupied the governorship during 13 consecutive months. The cases range from Benedita da Silva (PT-RJ) who did it during six months, and Alcides Rodrigues Filho (PP-GO) who did it during three entire years. Benedita run for the governorship against the candidate of her previous running mate and lost the election. Rodrigues Filho received the support of the outgoing governor, Marconi Perillo (PMDB), and was reelected at the governorship. Recall that around 54 percent of the 52 vice-governors mentioned above run for an elected position after the end of their mandates, and 57 percent of them won the election.

[147] In part because indefinite gubernatorial reelection is allowed in some provinces and vice-governors are weaker institutional players (as an illustration, Santiago del Estero, San Luis, and Río Negro only incorporated this figure at the end of the 1980s), succession problems have been more exceptional in Argentina. In general, departing governors are able to place their successors and/or to nominate political allies in the new government. Nonetheless, there were a few instances in which established provincial bosses passed their power to more unknown "vices" just to discover later than they have been deceived.

governor of Rio Grande do Norte, Antônio Jácome (PSB), broke up with the sitting governor and Lula's candidate for reelection, Wilma Farias (PSB), to back the opposite candidate, senator and former governor Garibaldi Filho (PMDB). In 2002, the *gaúchos* Alberto Brito and his vice-governor Vicente Bogo from the presidential PSDB run a highly divisive gubernatorial party primary that facilitated the triumph of the *petista* opposition in the state elections.[148] Perhaps one of the most interesting cases is the daughter of former president José Sarney, Roseana Sarney (PFL), who failed to recapture the governorship in 2006 against Jackson Lago (PDT). This case is illustrative because the defeat of the Sarney clan was orchestrated by the incumbent governor, José Reinaldo Tavares (PSB), chosen to occupy that position primarily for his trustworthiness. With no prior significant career, Tavares was appointed Transportation Minister when Sarney was president, and then reemerged politically in the nineties to be Roseana's vice-governor for two consecutive terms. When she left office to run for the 2002 presidential race, Tavares became the official gubernatorial candidate of the group. He was elected in a landslide victory – precisely against Lago- but did not keep the seat warm. Two years after assuming office, Tavares switched to Lago from the Sarneys when he was publicly signaled by the family as responsible for a five billons debt borrowed during Roseana's mandates, disaffiliated from the PFL, and began to form a broad political coalition to impede her return to power in 2006.[149] To

[148] Brito won the primary by one invalid vote (*voto rasurado*). The dispute emerged when Brito decided to run for a new gubernatorial period and offered the vice-governorship to the PP. Interview with Vicente Bogo. Porto Alegre, September 20, 2006.

[149] In Tavares' own words: **"**Roseana broke up with me. She offended me and I was forced to respond. I was really prejudiced because I did not show how I found Maranhão. Now, she promotes a political fracture. Each day, the system [the *TV Mirante*, affiliated to the national *Rede O Globo*, the *Estado do Maranhão* newspaper, and eighteen

accomplish that goal, Tavares deployed the state machine to promote vote fragmentation in the first gubernatorial electoral run. He primarily did so by financing the electoral campaigns of the most relevant opposite candidates to the governorship (Borges 2007). Once in the second round, Tavares promoted vote unification in favor of Lago who eventually won the election by a small margin. But Roseana had the last laugh. Two years after being defeated, she replaced Lago at the governorship after the state electoral court (*Tribunal Regional Eleitoral*, TRE) found that his electoral campaign had been illegally benefited from Tavares' use of state resources. manifested

As becomes evident from the discussion above, Argentina's and Brazil's electoral regimes affect the structure of incentives that shape political careerism in different and even opposite ways. The CLPR system places politicians' careers in the hands of subnational party leaders –in particular, governors- and away from individual candidates and voters (Jones 1997, 2001, 2008; Jones, Saiegh, Spiller and Tommasi 2002; De Luca, Jones and Tula 2002). Because politicians need to win a spot on the party ballot to be elected and because ballot formation is influenced –if not controlled by provincial party bosses- politicians must cultivate loyalty to regional leaders in order to survive politically and climb up their career ladders.[150] Even when a

radios] violently accuses me to be responsible for the economic crisis" (*Epoca* 2004: 15-17). Actually, the conflict between Roseana and Tavares was not new. In 2002, Roseana wanted the state Health Secretary, João Abreu, not Tavares to be her successor at the governorship. Affected by the *Lunus* scandal, a fraudulent diversion of money from an Amazon development agency committed by a consulting company that Roseana owned with her husband, she was forced to support Tavares, José Sarney's preferred candidate. The first sign of rupture revealed in the 2004 mayoral election in the state capital when Roseana backed her cousin, Ricardo Murad (PTB), and Tavares supported Tadeu Palácio (PDT), one of the most important adversaries of the Sarney family. Palácio won in the first round while Murad only obtained 7 percent of the votes.

[150] Candidates' dependence is actually conditional upon their own past trajectories and electoral strength. A former governor is obviously less dependent from the party leadership –in many cases s/he is the leader- than a mayor, or a federal deputy. In the words of a congressional legislator from the Santa Fe province with a long experience in the

politician is not interested in running for election, s/he must stand in good relationship with subnational party elites as they control access to numerous positions in the organization, the legislatures, and the provincial/municipal (and perhaps, the national) branches of government.

Brazilian electoral rules, by contrast, represent the extreme version of a candidate-centered regime. The OLPR system fosters electoral personalism, encourages both inter- and intra-party competition, and weakens the role of party organizations (Ames 1995b, 2001; Novaes 1994; Samuels 2000, 2002). Becoming a legislative candidate in Brazil, as discussed in the next section, is not that difficult. Political parties cannot refuse to nominate candidates, and parties are advantaged to nominate a well amount of them. In this context, candidates themselves make the decision to run or not for office, and voters ultimately determine candidates' placement on the lists. Because the nominal votes of candidates belonging to the same party (coalition) are pooled and seats are allocated according to the ratio between votes and the electoral quota, politicians running in PR elections compete against many others without knowing the vote share needed to win the election. Candidates thus need to maximize their votes –even against those of their co-partisans- to secure success. To obtain the personal vote they need, most Brazilian politicians rely on their pork-barrel credit-claiming ability rather than on their parties' reward networks and mobilization efforts.

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chamber: "It is true that someone –if you belong to the incumbent party that person is the governor- does the lists…I was candidate in six opportunities, and in the last four of them I was the first-runner in the list…Of course, I owe to the guy who built the list. But he also looked at the pools to see who were the best candidates. And my votes counted. Then, I'm not going to do stupid things here because someone tells me what to do [*me lleva de las narices*]. Before doing that, I'm going to sit down and discuss it with the governor, the president or whoever else." Interview with Oscar Lamberto, Ciudad de Buenos Aires, November 8, 2005.

4.1.2 Candidate Selection and Campaign Finance

In most modern democracies, including Argentina and Brazil, politicians need first to win candidacy in order to get elected. Thus, party recruitment and selection procedures also factor into politicians' career choices and prospects of success by determining who are nominated for election –and under what conditions-, and to whom candidates owe political loyalty. In Argentina, candidate selection norms magnify the control that provincial leaders exert over political careers, making candidates and aspirants deferent to a small number of regional party bosses. Candidate recruitment processes in Brazil, on the other hand, have little influence upon career advancement making politicians comparatively less deferent to party leadership and more dependent upon their individual initiative, reputation, and personal links with voters. Cultivating a good relation with party leaders undoubtedly increases Brazilian politicians' chances of gaining a spot on the ballot and, hopefully, winning election. But given the working of the electoral system individual politicians often need to develop their independent bases of support by bolstering ties with municipal mayors and established local networks. The most efficient way to increase their name recognition and obtain territorial support is to spend lavishly on pork-barrel. In part, this explains why powerful party leaders in Brazil typically dominate the local –but not the state- scene based on individually-run political machines.

Until 2001, Argentine political parties were required to hold internal elections to determine intra-party positions but not to choose candidates for public office. Candidate nomination and the formation of party lists (i.e., who runs and in what position) is organized in the provinces by district-level organizations according to their own statutes.[151] The legal framework dictates that provincial party statutes must incorporate the requisites required to be a candidate (affiliation and residency) and to form electoral coalitions, the rules governing incumbents' renomination, and the allocation formulae used to distribute placements among minority intra-party lists, and among male and female candidates. An analysis I conducted over forty provincial party statutes from the PJ, the UCR, and all provincial parties that occupied the governorship indicates that although party recruitment institutions are flexible and far from standardized, they decentralize decision making in the district-level party organization.[152]

Party affiliation requisites tend to be stricter than residency clauses. Yet in general there are few obstacles to nominate candidates with no previous affiliation. Provincial party leaders decide over this issue as well as over the positions that outsiders will occupy in the lists. There are, moreover, few barriers for coalition building with local party leaders negotiating and deciding the spots assigned to electoral partners. In the case a primary election is held, allocation formulae may include winner-take-all arrangements in which the list that obtains the plurality of the votes wins all positions, semi-proportional methods in which the runner-up list receives every

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[151] Prior to 2001, the Organic Law of Political Parties (Law 23,298) originally promulgated in 1985 regulated the candidate nomination process. This law only established that provincial party statutes should define the selection methods used to choose provincial level offices. There was no mention to candidacies for the presidency and national legislators. In 2001, Law 23,298 was modified to introduce simultaneous and open primaries for presidential and national legislative candidacies (Law 25,611). This decision was contested by some parties and factions, and modified later by various presidential decrees. In 2003, new legislation was passed ruling that the National Congress of each party should decide to call for primaries in order to decide national candidacies. Throughout the years, Argentine parties have used a variety of candidate selection methods ranging from open or closed primaries, to elite arrangements, to party convention votes. For details, see De Luca, Jones, and Tula (2002).

[152] Of course, both informal rules and the party "culture" often play a central role in explaining political recruitment. Although I mention some informal mechanisms below, a complete analysis of such a critical issue is beyond the scope of this dissertation.

third or fourth placements in the list, and D'Hondt PR formulae with thresholds ranging from 10 to 30 percent of the votes. The national legislation sets the gender quota at 30 percent, but provincial organizations determine the positions eventually occupied by female candidates on the closed lists.[153] Argentine parties do not allow for the automatic renomination of incumbents. The UCR historically required incumbents to win renomination in party primaries by two-thirds of the votes. This rule has been eliminated in most provinces, but some district-level organizations resort to informal mechanisms to limit legislative mandates to two consecutive terms.

Campaign financing in Argentina is also under the control of provincial party leaders, in particular governors who are frequently *de jure* or *de facto* presidents of the incumbent parties. Public financing does exist in Argentina. Nevertheless, it represents a modest fraction of the resources that relevant parties spend in electoral activities. Instead, campaign resources primarily come from private entities and the state machine thanks to the dual control that incumbent governors have over public contracts, and the future of political and bureaucratic careers. The aforementioned Law 23,298 created a Permanent Party Fund through which parties (not candidates) receive funds from the federal government to finance their operative functioning and electoral campaigns. Public funds allocated to finance these different types of activities are assigned as follows: 20/30 percent in equal parts among all political parties, and 80/70 percent in accordance with the number of votes each party received in the most recent federal deputy

[153] It is usually established that no more than three consecutive placements can be occupied by either male or female nominees. In some cases, informal rules dictate ranking women on "winnable" positions.

election.[154] In 1993, the amount was set to be 2.5 pesos per vote. In 1997, it was reduced to only 1 peso. And in 2001, a presidential decree dictated that the sum must be yearly established by the Ministry of Interior. According to current electoral laws, parties should reallocate 80 percent of the public funds they receive to their provincial-level organizations.[155]

Along with in-cash funding, public party financing in Argentina includes a set of indirect additional benefits such as subsidies to print party ballots and limited free radio and television time, which are allocated equally among all the officially recognized parties. Only parties (not candidates) are allowed to purchase additional time. This regulation makes electoral campaigns more centered on party appeals and symbols than on candidates' individual qualities. Parties are also required to report to the national electoral courts registries of their regular and campaign expenditures following the election date. Violations can result in fines and suspension from one to four years of the public funds.

The way in which candidates for office are nominated, and the extent and way in which they access to campaign resources sharply differ in Brazil. Like Argentina's electoral laws, Brazilian legislation also prohibits independent candidacies. Only political parties may present candidates, who (except for the president) are nominated in a decentralized process at the state (federal and state deputies, senator, and governor) and municipal (mayor and councilor)

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[154] The sum allocated to support parties' institutional activities is distributed to all officially recognized parties. If a party did not present candidates in the previous federal deputy election, it only receives the corresponding 20 percent of the funds. The sum allocated to finance parties' campaigns is distributed among all parties that will run candidates in the incoming election, regardless of whether or not they had participated in the last federal deputy contest.

[155] In 2002, Argentina's congress passed the Law 25,600 on public party financing which introduced minor reforms to old legislation.

levels.[156] The electoral law 9,504, initially promulgated in 1997 and modified slightly in several opportunities since then, regulates the party nomination process.[157] According to this law, each national party's statute must indicate how candidates are selected and electoral coalitions are formed. But with the exception of the PT, which sets up stringent nomination rules such as requiring candidates to sign an agreement with the party's ideological principles that discourages the entry of politicians seeking a party to rent (*legenda de aluguel*), making the appropriate financial contributions to the organization, presenting a number of committee endorsements, and obtaining at least 20 percent of the votes in the state party convention to make the ballot (Guzmán and Oliveira 2001; Meneguello 1989; Samuels 2008), Brazilian parties rely on a few recruitment regulations beyond residency and membership requirements.[158] Because individual politicians often need to run on a party ticket, candidates cannot entirely dispense with parties. Actually, politicians' nomination chances increase if they appease state leaders. But because of permissive electoral rules and permeable recruitment structures, nomination by a legally recognized party is not much of an obstacle to ambitious politicians and gubernatorial aspirants.[159]

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[156] Since the creation of the *República Nova* and until 1945, independent candidacies were legally allowed in Brazil.
[157] The 1986, 1990, and 1994 elections were regulated by electoral Laws 7,493 and 8,713 respectively.
[158] The electoral rule 9504 dictates that candidates must be party members and had lived in the state for at least one year (six and ten months according to Laws 7,493 and 8,713 respectively) prior to the election. The PT also prohibited the extensive use of the *candidato nato* rule, and nominated only one candidate per seat instead of the 1.5 candidates individual parties are allowed to nominate (Samuels 1999: 597).
[159] The PT has traditionally nominated gubernatorial candidates by consensus within the state directories. But in a few cases, the party's national organization overruled subnational decisions (Power and Mochel 2008).

An additional feature of the electoral system makes politicians' need to go through a party to secure their nomination not terribly confining. Recall that electoral rules promote a vote pooling within parties (coalitions), and that the total number of candidates to be nominated is a function of the number of seats at stake. In this institutional setting, political parties are advantaged by filling their electoral lists and are hesitant to exclude would-be candidates. The legal guideline establishes that parties running alone in states with more than twenty seats at stake can nominate up to 1.5 times that number. If the number of seats is twenty or fewer, they can nominate up to 2 times that number. Coalitions of parties, on the other hand, can run up to 2 and 2.5 times the number of seats to be elected respectively.[160] Brazilian parties, in consequence, seek a balance between maximizing the number of candidates and maximizing their chances of being elected, excluding those candidates who compete over the same geographic area. If candidates belong to the same region of a state, potential votes split between them resulting in more votes for the party list but in the election of neither candidate. For this reason, and because weak candidates do not to run in competitive and expensive races, parties (coalitions) rarely nominate the maximum number of the slots to which they have a right.[161]

The large number of parties and open slots available along with the fact that party switching has few impediments and is rampant among elected officials (Desposato 2006; Nicolau 1996), allow rationally minded politicians to select with relatively low political costs the

[160] Before 1998, the same guidelines applied to all states. In 1986 and 1990, coalitions of three or more parties could run up to 3 times de number of seats at stake. In 1994, parties running alone could only nominate candidates up to the number of seats to be completed, while party coalitions could do it up to 1.5 times that number.
[161] In addition, small parties in alliance strategically restrict the number of candidates that place on the ballot in order to maximize the vote totals of their few nominees.

party label under which they will run for elected office.[162] In such a wide open, decentralized, and "self-selecting" process, neither national nor subnational leaders have the capacity to exert much influence over politicians' career choices and to impose their demands to them. The general pattern, from which we can exclude most leftist parties, states with high partisanship (e.g., Rio Grande do Sul and Pernambuco), and states dominated by regional clans (e.g., Bahia and Maranhão) appears to run in the opposite direction as parties need politicians more than politicians need parties.

As for the second issue mentioned in the Brazilian parties' statutes, there were traditionally almost no legal restrictions to the authority of state party conventions to form and compose electoral alliances. The law maintained the practice of allowing multiparty alliances in PR elections, with the only limitation being that the same coalition should hold for both PR and majoritarian contests. In 2002, however, the Supreme Court interpreted a 1996 electoral law stipulating that political parties must have a "national character" as meaning that in the case a party is running a presidential candidate, the national coalition should hold for all other national and state elections. This new legal principle known as "verticalization" (*verticalização*) changed the way in which parties with real chances at the presidency do electoral politics. These parties nationalized their intra- and inter-party negotiations thus curtailing the autonomy of state leaders and personalistic factions to line up and organize elections according to their local needs. But

[162] The most important limitation to party switching affects legislators who are supposed to run for reelection. These politicians cannot change political affiliation in their last year in office. Around 40 percent of the federal deputies switch party each year (Schmitt 1999; Desposato 2006). For *petistas*, this figure is nearly 20 percent. To my knowledge, there are no data on state deputies' party switching.

verticalização did not modify the individualistic and decentralized nature of the party nomination process. Parties with no presidential chances simply stay out to maximize their chances at the subnational level. And alliances do not help boost the votes of any particular candidate in PR elections. Rather, they help individual politicians –particularly those belonging to the panoply of minuscule parties- to overcome the electoral quotient.[163]

Brazil's legislation on public party financing reinforces the candidate-centrism of political careers and promotes strong incentives to marshal electoral support through pork-barrel rather than patronage allocations. Before the 1994 elections, campaigns contributions were prohibited. Since then, direct contributions from individuals, parties, and private corporations are allowed with few restrictions. As in Argentina, party organizations (not individual candidates) receive a limited amount of public finance appropriations. But, in contrast to Argentine parties, Brazilian ones do not finance campaigns, nor dictate how they should be run (Samuels 2001a, 2001b).[164] Both PR and majoritarian candidates are then responsible for collecting their own funding and conducting their campaigns.[165] Campaign laws permit federal deputies to finance candidates to the state assemblies (*dobradinhas*), who in turn reciprocate their benefactors by mobilizing local support in congressional races. In addition, the aforementioned electoral law

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[163] In the 1994-2006 period, 33 different political parties obtained at least one seat in the state legislatures.

[164] Public funds do not finance parties' electoral campaigns but only their institutional activities. Ninety-nine percent of the public funds are allocated to parties according to their votes in the last election for the Chamber of Deputies. To receive these funds, parties should demonstrate having national penetration (*caráter nacional*) by obtaining at least 5 percent of the votes in one-third of the states with a minimum of 1 percent in each state (Law 9,096/95). The remaining 1 percent of the federal funds is equally distributed among all officially recognized parties. In contrast to Argentina, the amount of public financing is not limited by law.

[165] Although PT candidates rely less on money and more on organizational resources, they are also responsible for financing their own campaigns (Samuels 1999).

9,504 and several additional regulations condition the campaign and spending behavior of incumbent executives at all levels of government. On the one hand, incumbents cannot use state resources for electoral purposes while those running for election cannot participate in the inauguration of public work projects during the election year. On the other hand, incumbents cannot spend in publicity more than the average spent in their first three years in office or more than the value spent in the year prior to election. Neither can these politicians hire, fire without fair cause, remove, transfer, or modified the benefits of government employees up to six months before/after the election date. Critically, increments in the public workers' salaries during the election year (*saco de bondades*) are also temporarily restricted and can only cover the loss stemming from the inflation rate. The same legal constraints apply to the allocation of voluntary transfers from higher to lower levels of government. Finally, current legislation requires candidates –not parties- for all offices but the presidency to submit a registry of their campaigns contributions (*prestação de contas*) to the national electoral court (*Tribunal Superior Eleitoral,* TSE) within the two months following the election date. Violations to these laws can result in fines, candidate revocation and, as the case of Jackson Lago discussed above illustrates, loss of a position after the election.

Free television and radio time is also allocated to parties according to a formula based on seat representation in the Chamber of Deputies.[166] Moreover, neither parties nor individual candidates are allowed to buy additional ads on radio and television. Parties distribute their free

[166] Campaign regulations also include some indirect benefits such as subsidies to print/mail campaign literature, and concessions to organize party rallies in public spaces.

time among candidates in proportion to the importance of the contest. Thus, congressional candidates only spend a few seconds per week presenting themselves to voters without any party intermediation. Candidates to executive positions, on the other hand, get large TV exposure making television a powerful instrument to counterbalance predominantly weak party organizations. All candidates to the presidency, the governorship, and the larger cities spend significant amounts of money to build their campaign teams, and practically everyone purchases newspaper space.[167] But given low readership, print ads have limited electoral impact. No surprisingly, information on Brazilian newspapers indicates that four states (São Paulo, Rio de Janeiro, Rio Grande do Sul, and Minas Gerais in this order) concentrate around 90 percent of the journalist market (Instituto Verificador de Circulação 2006). Absolute numbers are striking. The most read newspapers in the country by that time, *Folha de São Paulo* and *O Globo*, only printed a daily media of 310,000 and 271,000 units respectively. Other states with highly politicized print media show meager numbers. For instance, Bahia's *A Tarde* and Pernambuco's *Journal do Comercio* had a media publication of around 37,000 and 36,000 units respectively.

The numerous campaign activities developed by candidates in Brazil, from painting walls to attending rallies, are often executed in conjunction with delivering public work projects to local leaders and mayors (Ames 2001; Becerra 1999; Mainwaring 1999). This electoral strategy, as Samuels (2001a) has demonstrated, is more pronounced among gubernatorial than legislative

[167] Brazilian elections are extraordinarily expensive. According to some analysts, they are the most expensive in the world (Ames 1995a; Mainwaring 1999). Arguably, a PR system with greater party control over nominations reduces incentives to campaign overspending because financial supporters are not inclined to spend money that has little effect on individual candidates, and because legislative candidates have fewer incentives to raise money for their own campaigns.

candidates. In exploring the sources of campaign funds, the author shows that the construction sector (*empreiteiras*) finances the bulk of gubernatorial campaigns. Indeed, state executive candidates receive half of their contributions from firms in this sector, while presidential and congressional candidates only receive an average of around 30 percent. For many candidates to the governorship winning the sympathy of municipal bosses is critical. Because aspirants to this position usually need to construct multiparty alliances, they expand their connections beyond their parties by making inroads among local leaders belonging to other political forces.

To summarize, politicians in both Argentina and Brazil pay greater attention to subnational party leaders and discount the centrality of national leadership in assessing their future career options and success. Although in both countries national parties have considerable statutory powers, they have been reluctant to sanction their members and intervene in state-level party organizations.[168] Important cross-national differences in institutional and organizational factors, however, make subnational leaders in these robust federations matter in different ways. In Argentina, the preferences of provincial party bosses and the collective performance of a candidate's party at the pools determine the fate of political careers. Consequently, ambitious politicians cultivate loyalty to regional bosses by working at different levels of the party

[168] In Argentina, federal interventions have sometimes been used as an instrument to intervene the provincial party. An individual who participated in several interventions manifested: "A federal intervention is both an institutional intervention to the constitutional powers that face a deep crisis and a party intervention that removes operatives, brokers, and internal factions from the provincial organization…Interventions are an ambulance that leaves many wounded people behind…This happened in Catamarca, where we wanted to dismantle the PJ structure involved in the assassination of María Soledad Morales and it also happened in Tucumán, where we created a PJ candidate and tried to clean up the party after the scandalous administration of José Domato." Interview with Carlos Zelkovicz. Ciudad de Buenos Aires, February 14, 2006.

organization to promote their electoral success.[169] In time, a virtuous cycle forms. As politicians rationally invest in and become oriented toward their parties (factions), more follow suit. This logic facilitates the construction of elaborated patronage-based machines. Because these political machines are financed by resources coming from the state apparatuses (public employment) they help consolidate stable bonds with voters and spread statewide. In Brazil, the preferences of individual candidates and ordinary voters (and the ability of the former to get more votes in relation to their co-partisans) shape the contours of political careerism. Party leaders exercise comparatively little control over professional politicians and aspirants because they have no formal means to pick up winners among listmates, and because they play a minor role in most electoral campaigns.[170] There is some informal room of influence available to state party leaders as they can provide targeted support through direct financial transfers to a candidate's campaign fund, provide preferential allocation of party TV or radio, or stumping on behalf of a particular candidate. But regardless of these means, individual politicians and potential candidates need to cultivate the credit claiming with voters and bilaterally articulate with local networks to avoid campaigning in isolation. This logic tends to promote the formation of territorially-narrow and individually-run machines founded on the allocation of pork-barrel goods.

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[169] It is worth noting that De Luca, Jones, and Tula (2006) find no systematic relation in Argentine provinces between divisive gubernatorial primaries and electoral results in the general election. This finding suggests that even in the presence of a "bloody" primary, militants and internal factions tend to support the party's candidate.

[170] Some authors argue that Brazilian parties cannot be completely ruled out as factors influencing political careerism because they mediate access to federal funds that incumbent legislators allocate to their electoral fiefdoms (Figuereido and Limongi 1999; Pereira and Renno 2003). Although parties do exert some control over central government's resource distribution, there is far from conclusive evidence that an organized partisan dynamics characterizes such allocative efforts.

The ways in which electoral systems work and political parties are organized distinctively affect how politicians build their careers and search for votes. Electoral and organizational rules that make politicians beholden to party leaders promote the use of patronage goods to mobilize vote support. In contrast, rules that make politicians independent from their party organizations encourage the strategic use of pork-barrel goods. Among the factors than can work either to reinforce or undermine these links, the public personnel system plays a critical role. This is the issue discussed in the next section.

4.1.3 Public Service Systems

In both Argentina and Brazil, a non-negligible percentage of employees in the public sector consist of individuals with partisan connections and political aspirations for the future. The administrative sector in both countries is also a repository for politicians who were denied nomination or lost a bid for elected office. Despite these important similarities, Argentina and Brazil have different public service systems that distinctively affect incumbent elites' ability to exploit patronage resources with coalition-building goals. The lack of stable civil service rules in Argentina makes the state apparatus serve at the confidence of the governing party or its internal factions. A comparatively long tradition of competent merit-based bureaucracy in Brazil diminishes incumbents' resource base for state patronage.

In Argentina, political criteria have traditionally colored staffing decisions at all levels of the national, subnational, and municipal administrative sectors as no formal division exists between the appointive and career civil service. Tenure for public employees is guaranteed by the 1957 Constitution (article 14). Since then and until the mid-1980s, all legislation regarding the public sector was unilaterally determined by the federal government. With the return of democracy, the administration of Raúl Alfonsín failed to pass in Congress a reform oriented to professionalize the civil service career. Some changes were introduced during the government of Carlos Menem as part of a broader package of structural market-friendly reforms. These changes, however, did not attempt to "depoliticize" the state bureaucracy but rather to downsize the number of public employees and to reform the corporatist labor regulations for state workers. With these goals in mind, the government issued a series of decrees that reduced the number of secretaries, fostered voluntary retirement, and suspended collective agreements in the national public administration (Domeniconi, Gaudio y Guibert 1992; Orlansky 1994). Moreover, counted on the support of the traditionally Peronist public sector union, it implemented a centralized model of collective bargaining that reduced the high dispersion of public employment regimes inherited from the pre-democratic period (Etchmendy 2001). At the national level, as Chapter 1 discussed, it was a considerable reduction of government employees encouraged by the privatization of state-owned enterprises, and the decentralization of the education and health systems to the provinces. At the subnational level, however, public employment was largely safeguarded from draconian measures by the federal government in exchange for congressional support necessary to move forward the president's neoliberal agenda (Gibson and Calvo 2001).

A lukewarm step toward the professionalization and institutionalization of the national civil service was taken in 1991 with the creation of the National System of the Administrative

Profession (*Sistema Nacional de la Profesión Administrativa*, SINAPA). But the SINAPA, which gradually fell in disuse and is currently delegitimized, only included around a quarter of the government employees and did not affect the conditions of provincial and municipal workers. Patronage-ridden politics thus continued playing a central role as examinations for hiring and promotion remained largely irregular and ad hoc. Although tenure makes it difficult for politicians and parties to replace permanent employees hired by previous administrations, they can still resort to alternative mechanisms of political control. On the one hand, incumbent authorities can employ disciplinary measures (*sumarios*) to condition career advancement in the state bureaucracy and limit public workers' possibility of finding a job outside the administrative sector. On the other hand, incumbents can easily hire supporters through temporary contracts which are allocated discretionally, renewed many times with the proximity of elections, and eventually converted into permanent positions with full tenure and pension rights. Finally, no legal restrictions exist regarding incumbents' authority to increase public workers' salaries in the election year.

In Brazil, the principles of a merit-based bureaucracy were introduced early in the twenty century (Evans and Rauch 1999). Although these principles were never fully implemented, the country developed an increasingly professionalized bureaucracy with a considerable portion of public employees in the federal and state governments recruited on impersonal and meritocratic bases. A powerful patrimonialist bureaucracy dominated the state apparatus during the nineteen century and the First Republic (Graham 1997). Beginning in the 1930s, attempts to reduce bureaucratic rent-seeking by increasing effectiveness and flexibilizing rigid institutions were recurrent. The first attempt to revamp patrimonialism in the public administration and build a rational bureaucracy came with the emergence of the *Estado Novo*. The government of Getulio Vargas needed to set up a centralized, hierarchical, and efficient administrative machinery in order to conduct the state-led inward-oriented development model. Along with the sanction of basic administrative norms and a system of classification, the government created a modernizing bureaucratic agency, the Administrative Department of Public Service (*Departamento Admininstrativo do Servico Público*, DASP), charged with defining and executing civil service policies including recruitment by competition, technical training, and budgetary elaboration (Geddes 1994). The DASP had administrative departments in all states, which enjoyed extraordinary powers to adapt the federal personnel system to the subnational territorial units. These collegial bodies, formally dependent on the Ministry of Justice but headed for a director nominated by the president, acted as a revision chamber of the decisions taken by the state *interventor* (Lima Junior 1998). In effect, with the votes of two-third of their members, the DASP's administrative departments could block the interventors' decisions and elevate the final verdict on the issue in conflict to the federal level. During that time, the federal government also used the public administration as a mechanism of political and economic control in the states through the pioneering creation of institutes, autarchies, and technical commissions.

Between the democratization of the Vargas regime and the 1964 military coup, there were no significant changes in the country's administrative public sector. The different governments of the period, fundamentally the Juscelino Kubitschek administration, expanded agencies in the indirect administration to facilitate the launching of the industrialist model. This process was later reinforced by the military who overthrew João Goulart by means of the Decree-Law number 200. This legal device, issued in 1967, constituted an ambitious and systematic attempt to create a career system by fostering the expansion of the entrepreneurial public sector made of state-owned enterprises and autarchies. The administrative reform designed by the authoritarian regime actually gave rise to a modern techno-bureaucracy hired on a private fashion to occupy strategic institutions such as the Central Bank, the BNDES, and PETROBRAS (Gaetani and Heredia 2002: 7). Nonetheless, it did not professionalize agencies in the direct administration which remained patrimonialist in nature (Lustosa da Costa 2008).

With the end of the military period, the democratic government of Jose Sarney made a timid effort to modernize and de-bureaucratize the public sector. It did so through the creation of the Secretary of Public Administration (*Secretaria da Administração Pública*, SEDAP) and the National School of Public Administration (*Escola Nacional da Administração Pública*, ENAP). These institutions served to reduce the number of organizations in the indirect administration, but failed to institute a merit-based system of careers. Indeed, the 1988 Constitution formally insured full tenure to all public employees with at least five years of service. To counterbalance, it turned the civil service into the only public personnel regime thus making it impossible to further employ public servants on private grounds. Three years later, the Single Labor Standard Law (*Regime Jurídico Unico,* RJU) granted additional privileges in pay and pensions that entitled federal, state and municipal civil servants regardless of their function to early retirement with full salary. In the medium term, this regime generated an uncontrollable vegetative increase of personnel spending. In an attempt to avoid these costs, the government of Collor de Mello improvised a superficial administrative reform exclusively oriented to reduce the public sector. Several institutions in the career system were therefore extinguished, government employees not protected by the Constitution were fired, recently hired public workers were forced to retire, and permanent civil servants' rights were extended to all other employees to promote early retirement. After Collor's impeachment, the government of Itamar Franco assumed a conservative position regarding the administrative reform, resuscitating several ministries and agencies extinguished by its predecessor and timidly advancing in the privatization process.

After decades of minor advances in the area, the government of Fernando Henrique Cardoso implemented an unprecedented program to reform the personnel system. The administrative reform was packaged as an integral part of a comprehensive master plan, the denominated Plan for the Reform of the State Apparatus (*Plano da Reforma do Aparelho do Estado*) designed by Minister of Administrative and State Reform Luiz Carlos Bresser-Pereira, to restructure the entire state apparatus. Two institutions were particularly sensitive to the government given their potential fiscal costs: tenure retirement with full wages, and extension of any salary increment to retired workers and pensioners. Originally, the plan focused on transforming Brazil's public administration by eliminating these institutions. In a second phase, priorities shifted to concentrate on reducing public personnel spending and strengthening a career-based system in strategic areas of the executive bureaucracy (central banking, planning, and budgeting).

The Cardoso administration presented its reform plan to Congress in October 1995. After 32 months of intense negotiations, the constitutional amendment number 173 was approved in a slighted revised form. The amendment made tenure rights in the public sector –especially those of low and mid ranking state and municipal employees- more flexible, and established a cap for abusive salaries of some civil servants popularly known as *marajás*.[171] It also eliminated the RJU and equalized wages in the administrative sector by prohibiting the judiciary and legislative powers at all levels of government from increasing salaries without a previous law or incorporating any temporary gratification as permanent salary. Furthermore, the amendment established a merit-based system of competitive recruitment (*concursos públicos*) that severely limited the capacity of incumbent authorities to nominate political allies. Although the federal government was defeated in the amendment on personnel temporary hiring, it eventually issued a provisional measure which did not require any constitutional change for setting up restrictive foundations on the matter.[172] Having the support of the business sector, the government found a crucial political ally in the state governors and mayors of larger cities, who, motivated by the possibility of serving a new term in office, viewed the administrative reform as a tool for debt renegotiation and future fiscal adjustment (Bresser-Pereira 2003; Melo 1998).[173] In exchange for support for the amendment, the Cardoso administration agreed to refinance states' debts and to incorporate a proposal made by governors and party leaders permitting redundancy dismissals of

[171] Actually, the government sent two other major constitutional amendments, the tax reform and the social security reform, which were defeated in Congress. The term *marajás* comes from the Indian word *maharaja* employed to name a local and rich potentate.
[172] The number of temporary contracts (*cargos em comissão*) allowed is considerably low. For incumbents interested in nominating political supporters in the state bureaucracy, two alternative solutions emerged: hiring people through international institutions or university foundations. These methods permitted incumbents to bypass legislation without breaking the law.
[173] Recall that a constitutional amendment allowing for presidential, gubernatorial, and mayoral reelection has been recently approved.

tenured employees only when expenditures on personnel exceeded 60 percent of the government's net revenues. Subnational political leaders thought that the removal of tenure was decisive to allow them firing public employees and then keeping payroll under the limit imposed by the Camata Law discussed in the previous chapter.[174]

The Bresser's reform was successful in fiscal terms and in enforcing several aspects related to the career system. On the one hand, it helped control public expenditures specially through limiting personnel spending. On the other hand, the reform produced positive results in key facets of the career system such as isolating strategic bureaucracies, introducing performance management reward schemes, incorporating entry examinations as recruitment mechanisms, updating personnel statistics, and training government employees (Gaetani and Heredia 2002). The public management reform was also effective with regards to states and municipalities, which adopted most of its institutions and practices. Although the lack of data about how many offices were filled by *concursos* makes it difficult to determine the exact impact of the reform upon governors' ability to patronize, anecdotal evidence indicates that it does actually matter. As a former governor and current senator of Minas Gerais stated, "public employment in the states are not important since more than a decade ago. The percentage of government employees a governor can freely hire is marginal and salary increments in the election year are limited. The vast majority of the public employees are hired by *concursos*… and people do not pressure

[174] The federal government also accepted to grant tenure to 10,800 employees from the former national territories probably recruited in irregular deals. According to the 1988 Constitution all civil servants in these territories who were active before the date of the constitution approval should be statutory federal employees paid by the central administration. Of course, it was extremely difficult to determine who was an active employee that date.

authorities to obtain a job in the administrative sector because they are convinced that public employment is executed though *concursos*. In this scheme, the president has an advantage because he can grant salary increments to public employees through provisional measures. The governor often needs the approval of the state assembly."[175]

Having discussed the nature of political and bureaucratic careers, what evidence supports my claim of Argentina and Brazil as cases of patronage and pork-ridden politics? To assess the link between political careerism and redistributive electoral spending, the next section documents the structure of subnational career ambitions in both countries during the post-authoritarian period. A comparative study of state legislators' career paths demonstrates that Argentina's provincial legislatures constitute an additional ingredient of the large portfolio of jobs that subnational party leaders (in particular, governors) have at their disposal to distribute among party adherents and run their statewide patronage-based machines. In contrast, Brazil's state assemblies constitute a desirable source of club goods and other particularistic benefits that individual politicians use to build local networks of support and climb up their career ladders.

4.2 SUBNATIONAL CAREER AMBITIONS AND PARTICULARISTIC SPENDING

After decades of being driven by a "presidential bias", research on Latin American politics has increasingly turned its attention to the study of legislatures. Within this literature, a group of

[175] Interview with Eduardo Azeredo. Brasília, June 1, 2006.

analysts has examined questions related to legislators' political ambitions and career pathways. In exploring these issues, however, scholars have largely concentrated on national legislative institutions and actors of single countries such as Chile (Navia 2008), Colombia, (Carey 1996; Martz 1999), Costa Rica (Carey 1996), Mexico (Camp 1995; Langston 2008), Uruguay (Buquet 2001; Morgenstern 2004), and Venezuela (Martz 1999). In contrast to this growing literature on national politicians' ambitions, comparative research using subnational elected offices as unit of analysis is noticeably absent.[176] Part of the reason for this lacuna is that any credible work on the matter requires a considerable amount of data, which are hard to obtain. Like prior research on presidentialism, legislative studies in the region are still dominated by a "nation bias" that limits our understanding of the whole structure of incentives shaping politicians' office goals and their consequent behavioral patterns. The lack of systematic analyses on this issue is particularly surprising in the case of Argentina and Brazil where, as several authors have noticed, politicians' future is a game played and defined at the subnational level.

With regards to Argentina, analysts have shown that a party-centered structure of incentives makes long-lasting legislative careers in the Chamber of Deputies extremely rare (Jones 1997). The fundamental idea is that having the upper hand in the politicians' careers, provincial party bosses rotate incumbent legislators to reduce their visibility and avoid potential challenges from popular politicians. Using data from congressional delegations between 1983 and 1997, Jones, Saiegh, Spiller and Tommasi (2002) find that the probability of keeping a seat

[176] There are some isolated works on gubernatorial candidate selection in Mexico (Smith 1979; Langston and Diaz-Cayeros 2005), Argentina (De Luca, Jones, and Tula 2006), and Brazil (Power and Mochel 2008).

in the Argentine Congress decreases with the passage of time and increases if the incumbent has had a leadership position in the chamber. In the same line, Jones (2001) presents evidence suggesting that the majority of the national deputies continued a career path linked to their respective parties, while an important number return home to occupy a political post in their provinces. The author's analysis of the position held by PJ and UCR members of the 1991 legislative class indicates that 85 percent of these legislators occupied a (nominated or elective) political post after leaving office, while 44 percent of them held a position at the provincial level.

Scholarly understanding of the factors shaping Brazilian federal deputies' careers initially highlighted the centrality of particularistic politics. It was argued that pressures coming from the electoral system stimulate PR candidates to build their personal reputation by concentrating or scattering their campaign efforts among specific localities (Ames 2001). Distributing pork-barrel benefits to their cohorts was a central determinant of their electoral success (Ames 1995b). This view was contested by a group of analysts who argued that only a minuscule portion of the federal budget is spent on pork-barreling (Figueiredo and Limongi 2005; Samuels 2000), and that programmatic issues (Figueiredo and Limongi 1999) and the Chamber of Deputies' internal rules (Pereira and Renno 2003; Leoni, Pereira and Renno 2004) also appear to play a decisive role in structuring politicians' career decisions and prospects of success. In a recent piece, Botero and Renno (2007) move the discussion a step further by incorporating some non-institutional factors in comparing the career paths of national legislators in Brazil's and Colombia's "hybrid" electoral systems. The authors report that in both countries legislative fragmentation, legislative performance, and congressional rules increase incumbents' likelihood of running for reelection, while their chances of winning office decrease significantly in competitive electoral markets and increase –although with different magnitudes- for members of traditional parties.

Yet in what constitutes the most elaborated study on political careerism in Brazil, Samuels (2003) demystifies the discussion a bit by arguing that Brazilian federal deputies –in contrast to their American counterparts- are not primarily motivated by the desire of winning repeated reelection. Although many deputies do run for reelection, the author claims that that they do not aim to build long-term careers in the chamber. Instead, congressional legislators conceive it as a stepping-stone to other (executive and ministerial) positions at the state and municipal levels. The payoff structure of elected offices and the competitive nature of legislative elections make extra-legislative careers more attractive to ambitious politicians. This particular form of progressive ambition, in which federal deputies prefer to "descend" to a state or municipal executive post, weakens legislative institutions by discouraging deputies' involvement in the decision-making process, making standing committees unappealing as instruments of retention, and keeping politicians focused on local and particularistic policies**.** The career tendencies documented by Samuels for the 1945-1998 period were recently confirmed by Santos and Pegurier (2004) for a longer time frame. These scholars, however, convincingly reassess Samuels' core argument by emphasizing that serving in the Brazilian Chamber of Deputies is a strong incentive for politicians wishing to consolidate their local bases of support. A successful return to their home states or municipalities, in other words, hinges on prominent activities in the national chamber.

4.2.1 A Typology of Political Careers in Federalized Systems

Arguably, a “career” –whether in politics or anything else- entails long term trends of at least two decades or so. Given data availability, however, I do not analyze long-term sequences of movements across different positions through time but rather single, discrete movements. I then simplify the choice process because careers rarely involve one-shot, unidirectional movements. In addition, there is a lively debate in the literature as to how offices are arranged, and to whether they are ordered into a stable hierarchical ladder or they shift more fluidly (Canon 1990; Francis y Kenny 2000; Schlesinger 1966, 1991). Of course, without direct information on politicians’ office goals one cannot provide a definite answer to these issues.

Based on aggregate-level data, I assume that the value associated with each position depends on the political opportunity structure available to rationally minded politicians (Black 1972; Rohde 1979; Samuels 2003). That is, politicians rank positions after evaluating the relative benefits derived from each office (salary, appointments, budget, additional privileges such as air tickets, electoral vulnerability, capacity of political influence, term limits, and prospects to move upward in the hierarchy of positions), the relative costs of holding each office (campaign spending, level of public accountability and exposition), and the probability of winning each office (number of positions available, form of election, and electoral risk). In short, my stated assumption is that politicians chose to compete (or accept to be appointed) for the best job available, given both the benefits and constraints associated with that office. This means that I infer career ambitions from the positions that politicians actually sought to win. Certainly, this is an impure measure because one cannot infer pure preferences from observable choices.[177]

The subnational structure of political careers discussed below draws upon prior academic contributions and observations derived from my personal interviews. Although it holds a great deal of factors constant, the study I proposed here constitutes a sensible –and the first that I know- “snapshot” of the logic underlying territorial power-building across and within states of different federations.

There is a multiplicity of ways by which ambitious politicians can seek government office and build their professional careers in federalized systems. The great number of available (both elective and appointive) positions and the possibility of accumulation bring about career paths with a considerable degree of mobility. To simplify, I contend that politicians in multi-tiered regimes can structure their careers across two territorial dimensions. They can direct their future towards holding positions at the same level (national, state, or municipal) of government. This is the horizontal dimension of political careerism. Politicians can instead build their careers by moving across positions held at different levels of government. This is the vertical dimension of political careerism. In addition, politicians can be motivated by two modalities of careerism each with involving a unique electoral connection: progressive and static ambition (Schlesinger

[177] It is then impossible for me to know which position politicians actually wanted. It may be the case, for example, that a state legislator desired to become a governor in the next term but chose to compete for reelection knowing that her/his chance to win the governorship was low.

1966).[178] Politicians who are progressively ambitious seek to gain higher office, while statically ambitious politicians attempt to retain their current position as a long-term career. As Figure 15 illustrates, the cross tabulation of these two distinctions produces four ideal types of political careers in federalized systems: horizontal-progressive (HP), horizontal-static (HS), vertical-progressive (VP), and vertical-static (VS).

Federalism Ambition	Horizontal	Vertical
Static	Subnational: GO / MY / ***SD*** / CO National: PR / ND / NS	?
Progressive	Subnational: ANY → GO ***SD → GO*** ***SD ←→ MY*** National: ANY → PR ND → NS	Subnational: ANY → PR MY → ND / NS ***PD → ND*** / NS National: ND → MY (Samuels 2003)

Notes: GO (Governor), MY (Mayor), SD (State Deputy), CO (Municipal Council), PR (President), ND (National Deputy), NS (National Senator). Career movements in bold and italics are treated in the text.

Figure 15: The Structure of Career Ambition in Federalized Systems

[178] Schlesinger (1966) mentions a third form of ambition, "discrete" ambition, in which the goal is to return to private life after limited service. I exclude this modality from the analysis because politicians who hold discrete ambition lack a clear electoral motivation for behavior.

I define HS ambition as career choices in which incumbents harbor to stay two or more additional terms in their current post. HP ambition, in contrast, refers to career choices oriented toward higher offices held at the same level of government. Some obvious examples include movements from the Chamber of Deputies to the Senate, from any of these two positions to the presidency, and from the state legislature to the governorship. More debatable is whether a state (or national) legislative seat has hierarchic priority over governing a municipality. According to Samuels' (2003) political career ladder in Brazil, the position of mayor of a large municipality provides greater payoffs than does the position of federal (and state) deputy. Yet there is no rank order between the political value of a legislative seat and the value of ruling one of the thousands small and insolvent Brazilian *municípios*. Many politicians I interviewed suggested that the state assembly is more valuable than a politically and financially unexpressive mayoralty post, which limits politicians' ability to expand their influence and, in doing so, threatens their future career. In order to evaluate whether state deputies seek to obtain a municipal executive post or mayors attempt to reach a state legislative seat, the analysis below considers career ambition movements in both directions.

At the vertical axis of federalism, VP ambition prompts instrumentally rational politicians through higher posts held at different levels of government.[179] Some examples include movements from mayor to governor and from governor to president. A much less obvious example is the movement from the state legislature to the Chamber of Deputies. Especially in the

[179] Note that the VS type of career ambition located at the upper-right corner of Figure 3.1 is a theoretical construct with no empirical reference, because "verticality" by definition implies some kind of integrated movements across both offices and levels of government. Thus, VS looks the same as HS if a politician wants to remain where s/he is.

small Argentine provinces, moving from the provincial to the national legislature can be a political punishment rather than a reward. As an experienced former legislator of Formosa who occupied both positions expressed: "There is an old adage here: who goes to the national-level losses his power in the province…becomes a political dead. We called the Chamber of Deputies [and the Senate] the *elephants' cemetery*. If you go there, someone else occupies your space here, where the real businesses are done."[180] In the same token, a well-known Peronist leader from the same province related: "The governor asked me to go to the national Congress because I had too much power here…Who is in charge of the provincial party organization thinks: 'I'll send this guy to the Chamber of Deputies, to the elephants' cemetery, to do whatever he wants there'. And you cannot refuse to go, you don't have arguments; if you say 'I don't go', the only option you have is to challenge the governor. Now you go, and if you are an active and working person, you have to stay in Buenos Aires. I came back to Formosa every 15 days. But that's too much time to stay out of here. Your power in the province simply banished."[181] One ex-councilor and three-times provincial deputy from the Chaco province suggested that the hierarchal order between national and subnational legislative positions actually depends on who governs the province: "If you are in the opposition, it is preferable to be national deputy because you receive voters' demands but cannot solve anything here as you lack influence and attention from the government. If you belong to the governor's party, it is preferable to be provincial deputy. You also receive voters' demands but you have some capacity to respond…and if you

[180] Interview with Aníbal Hardy. Formosa, April 6, 2006.
[181] Interview with Ramón Gimenez. Formosa, April 9-10, 2006.

are lucky, you can make some progress in your career…If you have to leave [be a national deputy] it is preferable to belong to the presidential party, although that is less important because you can always do little there."[182]

Moving up to the Chamber of Deputies can even be a reclusion punishment for important political figures in the province. A former mayor, current UCR senator, and rival of presidents Néstor and Cristina Kirchner in the province of Santa Cruz, explained: "That happened twice in my province. When the vice-governor Eduardo Arnold began to annoy politically, the governor Néstor Kirchner sent him to the Chamber of Deputies. Bye, that's it, he killed Arnold. Years later, when the vice-governor Sergio Acevedo began to increase a bit his political influence in the province, Kirchner also nominated him to head the list of national deputies."[183]

Brazilian federal deputies also underlie the relative political inefficacy of the Chamber of Deputies. In some cases, they even claim that serving in Brasília drew them away from their electoral basses (Samuels 2003: 18). However, politicians from all state delegations agreed that the position of federal deputy offers a higher attraction in terms of resources, political influence, and career prospects than a state assembly seat. Without attempting to solve the discussion as to whether national or subnational legislative positions have a higher political status, and for the

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[182] Interview with Rodolfo García. Resistencia, November 27, 2006. Asked about this interpretation, a national deputy from Chaco emphasized: "It is possible that things work in that direction. The point is that I cannot lobby for the province in Buenos Aires. Of course, I try to solve concrete problems… But the point is that no one pays attention to you here. Each day I call the ministries and secretaries to make appointments. And they never answer me. It's a drama. We do not exist." Interview with Rodolfo Fabris. Buenos Aires, November 22, 2006.
[183] Interview with Alfredo Martínez. Buenos Aires, November 22, 2005.

exclusive purpose of the exercise at hand, I consider a seat in the state assembly at a lower value relative to a seat in the Chamber.

Drawing upon this typology, I compare the structure of state legislators' political careers in Argentina and Brazil. The universe of analysis consists of all legislators (substitutes excluded) who were elected in the 1983-2007 and 1982-2006 periods respectively.[184] For Argentina, I compiled unpublished data from each provincial legislature, and from original party ballots as shown in Figure 16 archived at the National Electoral Chamber. Missing data are only a problem for the provinces of La Rioja (1983-1995), and Santiago del Estero (1989-1993). For Brazil, I used data generated by the *Laboratorio de Estudos Experimentais* (LEEX) and the TSE completed with unpublished data provided by the state legislatures to cover the period prior to 1994.

[184] The decision to exclude substitutes may deflate the rates of running and winning (re)election because the total number of deputies includes those individuals who, for whatever reason, had left the assembly and were not eligible to run for elected office.

Figure 16: Party Strip Ballot, 1995 Elections. Province of Chubut

I began the descriptive analysis by exploring the HS career ambition. I then analyze the HP ambition by tracing state legislators' career movements to gubernatorial and mayoralty offices. The former analysis is done by relying on two original datasets that cover novel information about all governors popularly elected in Argentina (1987-2007) and Brazil (1986-2006). The passage from the state assembly to the local executive is conducted by using electoral data on six municipal contests in Argentina (1987-2007) and three in Brazil (1996-2004). I finally examine the VP career ambition by documenting state legislators' mobility from the state legislatures to the Chamber of Deputies. As expected, the evidence reveals substantial differences between both countries in the three types of career pathways analyzed. But it also uncovers significant subnational variation within both federations that cannot be exclusively attributed to the electoral system and party nomination rules.

4.2.1.1 Horizontal-Static Subnational Ambition

The two most important indicators of political careerism, the rates of running and winning reelection, indicate that Argentine provincial deputies do not build a long-term legislative career while their Brazilian counterparts direct a good deal of energies toward ensuring repeated reelection. In this sense, the patterns of static legislative careerism observed for state legislators in both countries are surprisingly similar to those observed by prior studies for federal deputies. It is enough to highlight here that the running and reelection rates of state and national deputies belonging to the same subnational unit may exhibit different levels of congruency. I computed a congruence index to determine whether national and subnational patterns of HS legislative careerism diverge or converge across states. The index considers the absolute difference between reelection rates for both positions in each state in each electoral year. A value of 0 indicates perfect congruence and a value of 1 denotes perfect incongruence. In Argentina, congruency for reelection averages .19 ranging from .08 in Buenos Aires to .37 in San Luis.[185] In Brazil, the running and reelection congruency indexes average .13 and .15 respectively, ranging from .05 in Maranhão to .24 in Sergipe, and from .06 in Pernambuco to .34 in Rôndonia.

[185] Data constraints preclude estimation of the congruency index for reelection running.

Although there are practically no restrictions to immediate reelection, provincial legislative careers in Argentina are a rarity.[186] Indeed, of the 6,645 incumbent legislators included in my dataset, 83.4 percent served only one consecutive term, 13.5 percent served two terms, 2.4 percent served three terms, and less than 1 percent served four or more consecutive terms. Between 1983 and 2007, there was only one provincial deputy, local boss Osvaldo Mercuri (PJ-Buenos Aires), who served continuously in the legislature. Different types of subnational legislators served during four (32 cases) and five (7 cases) consecutives terms.

First, we find political leaders from relatively small or even inexistent parties at the national level which congregate a reasonable quota of electoral support in some provinces or a single province. Some examples include Demetrio Alume (MID-San Luis), Carlos Favario (PDP-Santa Fe), and Carlos Lomónaco (ByP-Chaco). Second, we observe the presence of powerful regional *caciques* with ability to mobilize local clienteles and nominate members of their family nucleuses for occupying political posts. Examples include the Peronists Víctor Fernandez from Formosa's Western region, Carlos Fuertes from Entre Ríos' central area, Isidoro Laso from the Buenos Aires' locality of Bolívar, and Mario Magisteri from Mendoza.[187] Third, we also find professional politicians who developed a long party career such as the Peronist Julio Sotelo (Chaco), the radical Raúl García Goyena (Jujuy), and the socialist Alejandro Rébola

[186] Executive careers, in contrast, show relatively high running and reelection rates. As Chapter 1 discussed in greater detail, about 66 percent of the incumbent governors eligible for reelection (including the vice-governors who occupied the governorship for at least six consecutive months) run for a new mandate. Of those, about 83 percent won. The reelection rate in mayoralty contests in the 1987-2007period is nearly 62 percent.
[187] Fernández' cousin was provincial deputy; Fuertes' son, as his father, was mayor of Villaguay and provincial deputy; Magisteri's cousin was provincial senator and Secretary of Government, while his brother was instruction judge; Laso's wife was Director of the Human Development Ministry.

(Santa Fe). The last category of provincial deputies with a prolonged legislative career includes a group of individuals who respond to a political godfather with personal influence upon local politicians and party allies. In general, these provincial deputies lack a prior political career and are nominated for his loyalty rather than for their blood relations. A typical example is José Mirabille, political cadre of former governor Adolfo Rodríguez Saá (PJ, San Luis). In 2001, after serving several periods in the provincial legislature, Mirabille was nominated federal deputy to coordinate Rodríguez Saá's presidential campaign. Some years later, he came back at the provincial senate. According to some interviewees who preferred to remain in the anonymity, Mirabilles' nomination responded to Rodríguez Saá's necessity of counterbalancing the political power acquired by his personal successor –and brother, Alberto- in the governorship.

Brevity of Argentina's subnational legislative careers may result from the fact that incumbent legislators do not seek reelection but decide to quite electoral politics or to run for other elective posts. Unfortunately, I am unable to test this hypothesis because official records on voluntary retirements from politics do not exist. Alternatively, brevity may stem from voters' decisions to punish incumbent deputies once they have gained their regional party renomination. I gathered data on renomination for about 50 percent of all provincial legislative races held between 1987 and 2007 and found no support for the "throwing the rascals out" hypothesis.[188] Only an average of 20 percent of the incumbent legislators was successfully renominated by their

[188] For some provinces and years, data on candidacies to provincial deputy were provided by Alberto Forigh. The information I collected only includes those sitting legislators who desired and obtained their renomination. The number of those who actually wanted renomination is higher but impossible to accurately measure as it requires identifying all incumbents who competed in, but lost, a primary election.

parties, but 95 percent of them achieved reelection. Thus, provincial incumbents who obtain renomination typically are strong candidates receiving a high placement on their party closed lists. This finding points to intra-party competition to obtain a spot on the ballot as a major impediment for the fulfillment of legislative static ambition in the Argentine provinces. In other words, the reason why legislative turnover is so high is precisely because provincial party bosses control incumbents' future and use regional legislatures to run their party machines.

The Figure 17 provides additional information on the nature of subnational legislative careers in Argentina by displaying the evolution in the percentage of incumbent provincial legislators who obtained reelection between 1985 and 2007. The average reelection rate is only 20.3 percent, ranging from a low of 14.8 percent in 1987 to a high of 27.2 percent in 2007.[189] After experiencing a considerable decrease at the beginning of the period, the reelection rate shows a slight increment in the eighties, a minor decrease in the nineties, and an irregular upward trend since then with peaks in the presidential election years. Also interesting to note is the marginal percentage of legislators (average of 5 percent) who returned to the provincial legislature at some point of their careers. If the link between party renomination and high reelection rate mentioned in the previous paragraph is correct, such exceptionally low rates of legislative careerism and return suggest that provincial legislatures constitute a home base only for a small fraction of politicians. For provincial party bosses, in contrast, this institution

[189] The average reelection rate for the Chamber of Deputies in the same period is notoriously similar: 20.6 percent.

constitutes a component of the large portfolio of payments they use to reward second- and third-tier politicians, payback resolute militants, and strengthen their power within the organization.

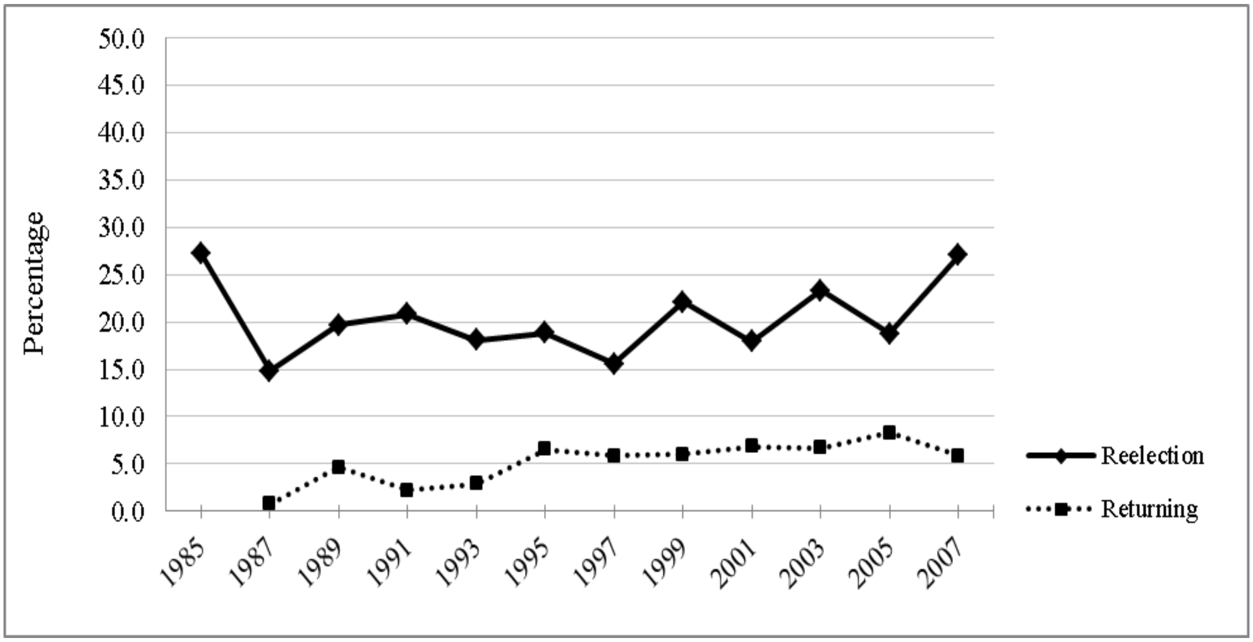

Figure 17: State Deputies' Reelection and Returning Rates. Argentina, 1985-2007

This interpretation resembles Jones' (2001) hypothesis of rotation in the Argentine Chamber of Deputies. My explanation, however, differs from that account in a central aspect. It is not that subnational party bosses rotate provincial legislators to reduce their visibility and weaken their capacity to challenge the regional party leadership. Actually, as we will see below, most politicians who occupy a seat in the provincial legislatures are party cadres with low socialization in elective positions, little personal expressiveness in the electorate, and low capacity to manage significant economic resources. Legislative rotation at the subnational level is related to the redistributive logic of providing selective incentives to reinforce party (factional) loyalties, foster political activism, encourage competition among members of the organization, and preserve the control of political structures in the party. In the words of a two-times Peronist governor: "Everyone in the party has the chance of occupying a [legislative] seat here, and you, as a leader, have to promote that; if not, people go somewhere else to find that chance."[190] Or, as explained by the president of Chaco's provincial legislature: "Party leaders rotate us to foster competition but also to avoid being criticized…Everybody here aspires to a political position… there are ten positions and one hundred and fifty aspirants.."[191] In many Argentine provinces, politics is a business. And in some provinces, it is the only business. From the perspective of most provincial deputies who act as loyal militants in the periphery of the party inner circle, obtaining a seat in the legislature grants them a relatively well-paid salary, a small cash till (*caja*) to do local politics, an opened door to receive future party rewards, and a privileged retirement (*jubilación de privilegio*) to enjoy at the end of their political careers.

For many Brazilian politicians, in contrast, the state assembly represents a decisive stage in their careers as suggested by the comparatively high running and reelection rates. According to my dataset, less than 40 percent of the incumbent legislators in the 1986-2006 period were "freshmen" while close to one-fourth served at least during three consecutive terms. To some

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[190] Interview with Vicente Joga. Formosa, April 10, 2006.

[191] Interview with Carlos Urlich. Resistencia, November 27, 2006. In a meeting in which the provincial leadership was deciding on list nominations, the UCR leader, former governor, and candidate to return to the governorship, Angel Rozas, claimed: "This is the last time I build the lists. I'm gaining a few friends and a lot of enemies". Interview with José Wajfeld. Resistencia, December 4, 2006. Unexpectedly, Rozas lost the election against the PJ candidate Jorge Capitanich.

extent, political attractiveness for this office is higher in Brazil because there are more institutional opportunities that legislators can use to cater particularistic benefits to their backers, and to discuss local policies.[192] First, unlike their Argentine counterparts, Brazilian state legislators are legally entitled to make individual appropriations to budgetary investment categories establishing where and how money should be reassigned. Although the governor is not required to allocate these appropriations, having the authority to assign any percentage between 0 and 100, such a constitutional provision allows state deputies to discuss and get involved in public work contracts. Second, as we have seen, Brazil's fiscal federalism and campaign finance laws enable state deputies to have a say regarding the geographic allocation of some federal transfers to the municipalities. These legal mechanisms are absent in Argentina, where federal grants and special loans flow directly to the provincial governments which in turn reallocate them across municipal units. Furthermore, the structure of regional political competition in Brazil impedes state governors to count on stable legislative majorities thus limiting their unilateral actions and fostering higher levels of legislative activity.[193]

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[192] In Argentina, as a provincial deputy and former Minister of Production linked to the agricultural sector in the Chaco province explained, "…being provincial legislator does not allow you to develop as a politician nor to respond to the compromises you assumed with those who supported you. I prefer an executive position because it allows you to do things. You can do little or nothing for my sector from here [the provincial legislature]." Interview with Oscar Dudik. Resistencia, November 29, 2006. One of the local leaders of the PJ in the same province stated: "The provincial legislature functions with simple majority, unless they [the government] want a credit. In that case, they need two-thirds of the votes in the chamber…When do they need us? Almost never. Actually, we do not exist [*estamos pintados*] because they have the number required to session." Interview with Rodolfo García. Resistencia, November 27, 2006.

[193] Since the return of democracy, two-thirds of the Brazilian governors have ruled a divided government while 70 percent of the Argentine ones have had party control of the provincial legislatures. This is not to say, however, that Brazilian state assemblies condition regional political dynamics. Indeed, scholars have shown that in several states

The Figure 18 displays running, wining, and turnover (composed of both voluntary retirements and electoral defeats) rates for Brazilian state legislators between 1986 and 2006. It is first important to observe that incumbents have sought and obtained reelection at high and increasing rates. Indeed, these values almost triple those identified for the Argentine provinces. After a minor decline in 1990, partially explained by the decision of several state deputies to compete for municipal executive office, the running rate increased in each election. The median percentage of state legislators seeking a new mandate is 68.3 percent, fluctuating between 54.6 percent in 1990 to 75.6 percent in 2006. The reelection rate has also remained considerably high: an average of 61.8 percent of the incumbents seeking reelection managed to keep their seats.[194] A second interesting aspect to mention is the fact that both reelection bids and incumbency advantage increased continuously since 1998. This pattern seems to indicate that the elimination of the *candidato nato* rule had little impact upon the dynamics of subnational legislative careerism in the country. Finally, turnover rates have also exhibited a relative stable pattern averaging 57.5 percent in the whole period. Although a turnover rate of that level may appear to contradict the motivational assumption of reelection, roughly two-thirds of the subnational incumbent legislators seek an immediate return to the state assembly. This number is a crude indicator of the importance that regional assemblies have in the structure of Brazilian political careerism.

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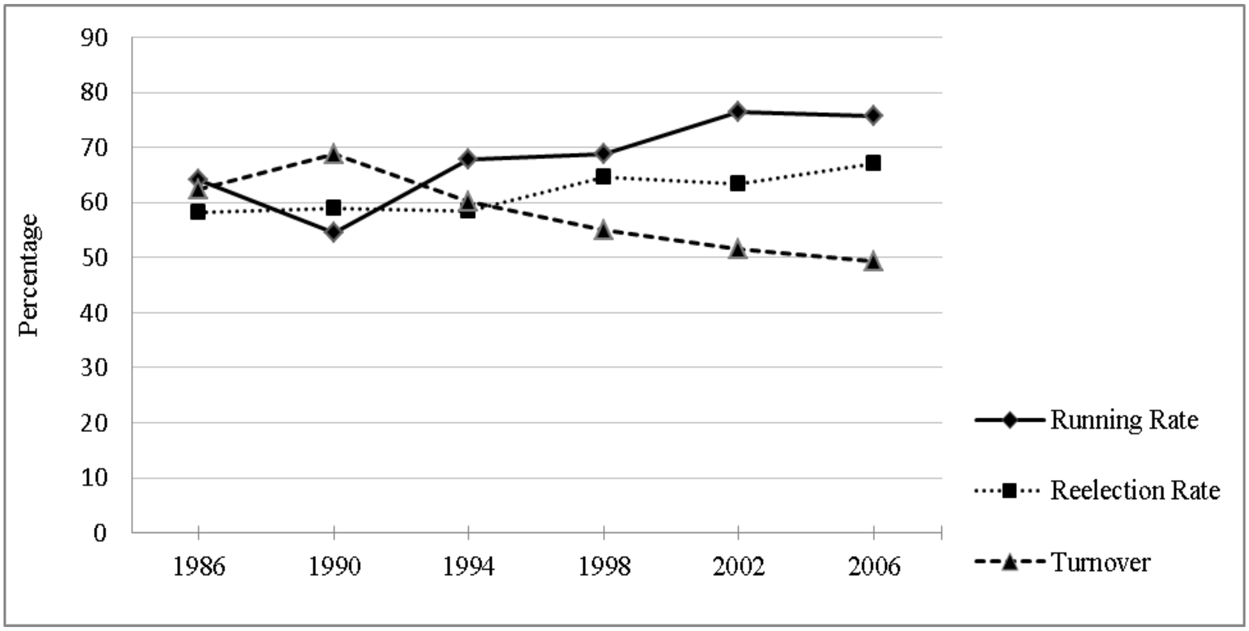
governors dominate the legislative agenda (Abrucio 1998, 2001; Petersem 2001) and the budgetary process (Schneider 2001; Desposato 2001; Pereira 2001).

[194] These numbers are notably similar to those observed for the Chamber of Deputies, where running and winning rates averaged 67.7 and 59.4 percent respectively.



Note: Reelection rate is computed as percentage of runners. Turnover includes both voluntary retirements and electoral defeats.

Figure 18: State Deputies' Running, Reelection, and Turnover Rates. Brazil, 1986-2007

Having established that the HS legislative ambition plays a different role for Argentine and Brazilian politicians, the central question becomes how greatly it diverges across regions within each federation. The Figures 19 to 21 display the countries' averaged running and reelection rates (solid lines) for subnational legislative office against each state's averaged value. As we can see, there is significant intra-national variation in both countries with most cases not converging around the averaged national values. In Argentina, the variance ranges from 12 percent in the impoverished and traditionally Peronist province of Santiago del Estero to 30.3 percent in the also Peronist but richer province of San Luis. In Brazil, running rates fluctuate from a minimum of 51 percent in Goiás to a maximum of 85.2 percent in Amapá. Reelection rates exhibit a range of 47 percent in Espírito Santo to almost 72 percent in Bahia. We have already mentioned that most candidates to provincial legislative reelection in Argentina are electorally successful. It is now worth noting that there is practically no correlation between seeking and winning reelection across Brazil states (Pearson's r .293). Thus, the reasons why incumbent state legislators are more or less successful in some Brazilian territorial subunits than in others are not directly related to how many of them attempt to win repeated reelection.

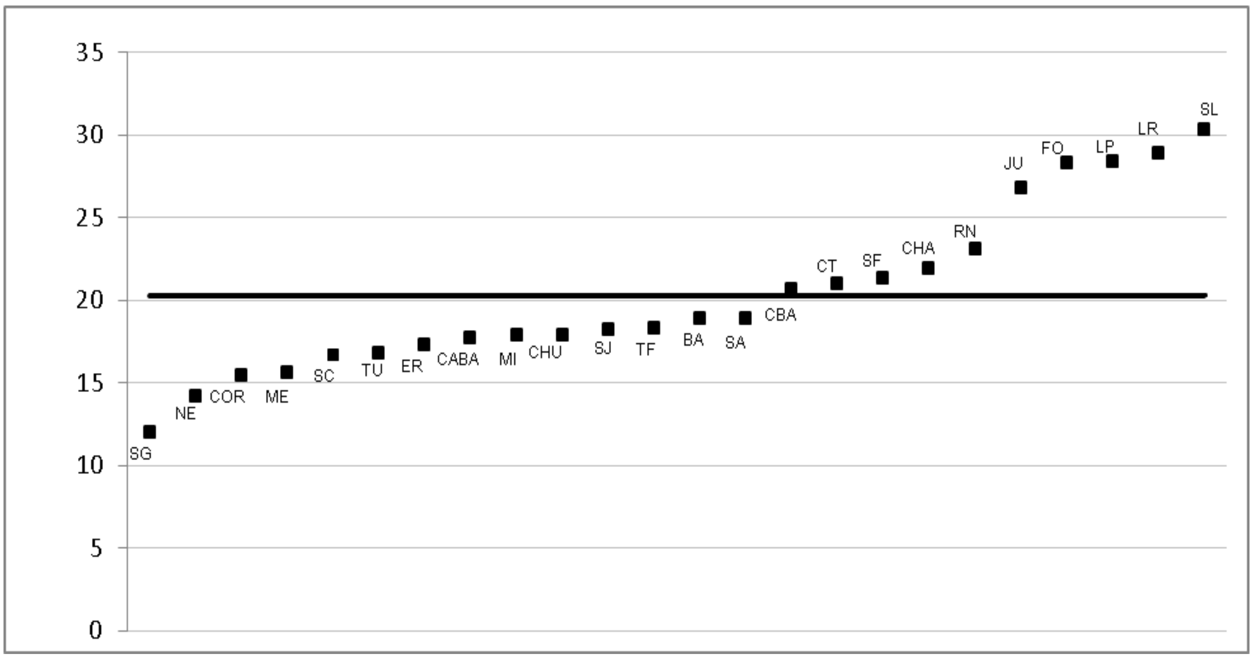


Figure 19: Averaged Reelection Rates and National Media. Argentina, 1985-2006

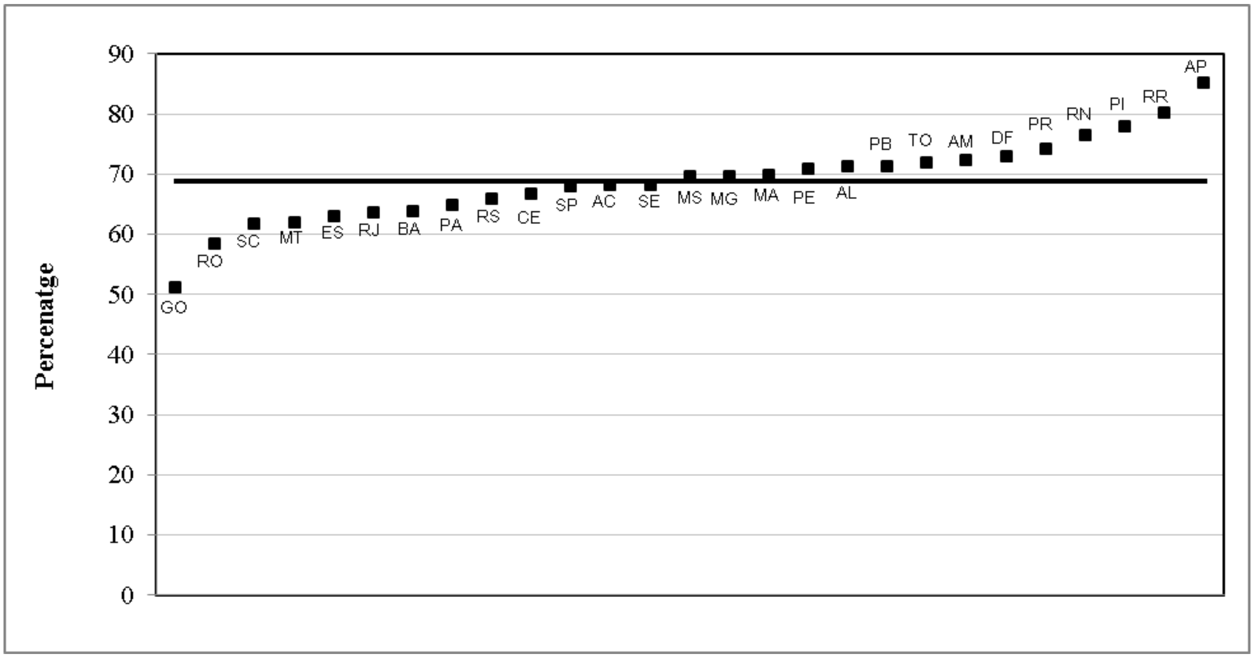


Figure 20: Averaged Running Rates and National Media. Brazil, 1986-2006

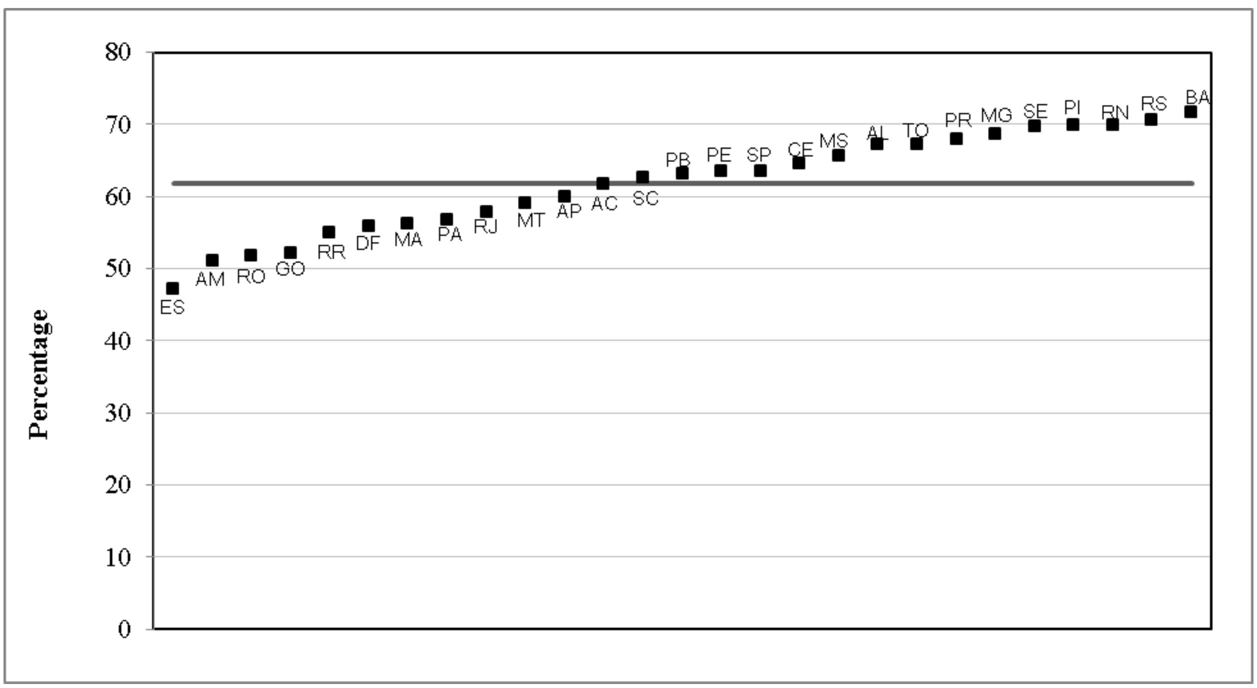


Figure 21: Averaged Reelection Rates and National Media. Brazil, 1986-2006

On the basis of the descriptive evidence presented above, institutional theories seem to offer little insights to explain the source of intra-national variance in the patterns of HS subnational careerism in Argentina and Brazil. First, identical electoral institutions do not channel state legislators in Brazil toward a particular form of career ambition. Neither do they affect the chances of state legislative reelection in a distinctive fashion. Even legislative elites of territorial subunits with similar socio-demographic features, such as the newly created and impoverished Northern states of Amapá, Roraima and Rôndonia, or the rich Southern states of Santa Catarina and Paraná, exhibit different levels of HS ambition. Second, nearly identical electoral rules coexist with different HS career paths in some Argentine provinces. For example, Chaco and Corrientes historically used a PR D'Hondt system of single district.[195] Nonetheless, Chaco is among the provinces with high reelection rates while Corrientes exhibits one of the less stable provincial legislative elites. Third, in some other Argentine provinces, different subnational electoral regimes produce similar results. Take for example the cases of San Luis, La Rioja, La Pampa, Formosa, and Jujuy. All these provinces are located at the upper right side corner of Figure 19 averaging the highest reelection rates. The first three of them have used the *Ley de Lemas* from the mid-eighties and early nineties. But Formosa and Jujuy have employed single-member districts with low district magnitudes, while La Rioja maintains multimember districts that favor the representation of rural areas against the more competitive provincial

[195] The difference between both regimes is that Chaco left to use a 3 percent barer in 1995 while Corrientes preserved it.

capital.[196] La Pampa and San Luis, on the other hand, never used the *Ley de Lemas*. Instead, they utilize similar PR formulas (D'Hont with an electoral threshold of 3 percent) with similar district magnitudes (average of 22 and 24 respectively). Yet whereas La Pampa employs a single district, San Luis uses multimember districts with different magnitudes.[197] Fourth, although electoral systems do not vary across Brazilian states, intra-national variation is wider in Brazil than in Argentina: standard deviations of 6.9 and 5 respectively. Fifth, I estimated a series of models with the appropriate corrections to empirically test the impact of different subnational electoral arrangements, district magnitude, and the interaction of both upon running and reelection rates in Argentina. Results, which are available upon request, were often statistically insignificant.

4.2.1.2 Horizontal-Progressive Subnational Ambition

I provide empirical evidence of state legislators' HP ambition by tracing their movements toward both gubernatorial and mayoralty positions. The data reveal profound differences in the horizontal career pathways of state legislators in both federations. A considerable number of Brazilian state deputies use the regional assembly as a springboard to reach horizontally higher positions. But only a small fraction of their Argentine counterparts seek to climb to provincial or municipal executive office.

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[196] Formosa does not establish a barrier clause. In Jujuy, the Ley de Lemas works with a 5 percent barrier for *lemas* and 10 percent of the *lema* vote for the *sublemas*. La Rioja abandoned a system that reserved two deputies for parties without departmental representation and a minimum of 2 percent of the electors' vote, and incorporated the D'Hont formula with a barrier of 3 percent.

[197] The district magnitude of different departments varies from 2 to 10. San Luis incorporated a 3 percent barer in 1999.

State governors in the countries under study scarcely reach the governorship without some kind of prior political experience.[198] Although governors arrive from multiple posts, that of state deputy has been a more common launching pad in Brazil than in Argentina. The Table 1 illustrates this tendency by displaying information on the previous political positions held by 110 Argentine and 180 Brazilian politicians who occupied the statehouse between 1983-2007 and 1982-2006 respectively.[199] Nine different positions are included thus covering the gamut of posts held by these regional officials prior to taking gubernatorial office. The table also distinguishes between political positions held immediately before an incoming governor assumes office and those held at some point of his/her prior political career.

[198] Notable exceptions are Argentine businessman Jorge Escobar (PJ-San Juán), F-1 car racer Carlos Reutemann (PJ-Santa Fe), and popular singer Ramón Ortega (PJ-Tucumán). Brazilian amateur governors include businessmen Onofre Quinan (PMDB-Goiás), Blairo Maggi (PPS-Mato Grosso), Cícero Lucena (PMDB-Paraíba), and Tasso Jereissati (PSDB-Ceará), and popular singer Carlos Santos (PMDB-Pará).

[199] I exclude from the analysis amateur governors, and vice-governors (12 in Argentina and 6 in Brazil) who either occupied the governorship for less than six months or were not serious candidates for any elected office. Incumbent governors who were reelected (48 in Argentina and 39 in Brazil) are counted only once.

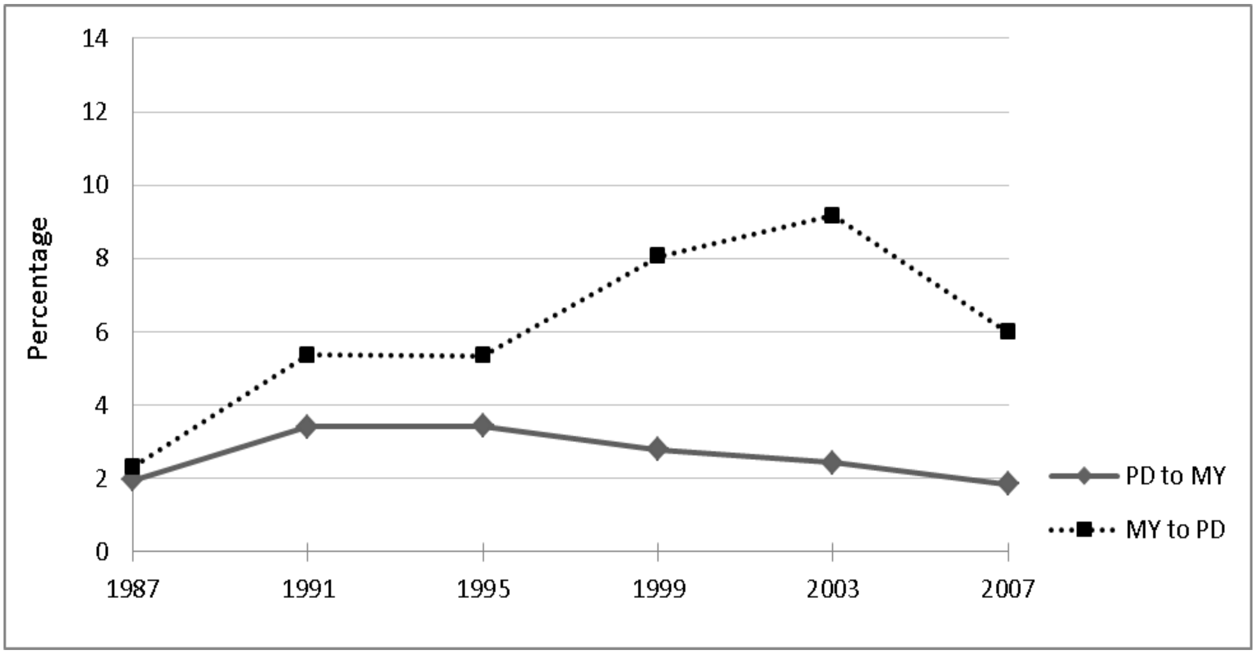
Table 1: Career Experience of Argentine and Brazilian Governors, 1982-2007

	Argentina		Brazil	
	Immediately Before	**Some Point Prior**	**Immediately Before**	**Some Point Prior**
President and Vice President	1.8	0	0	0
Governor and Vice Governor	n.c	15.4	n.c.	17.2
Municipal Mayor	10.1	17.4	22.2	32.2
Senator	19.2	4.6	3.9	1.1
Federal Deputy	14.6	16.5	6.1	8.6
State Legislator	10.1	16.5	9.4	41.1
Municipal Council	0	10.1	0	21.1
Federal Bureaucracy	3.7	11.8	3.9	2.8
State Bureaucracy	14.7	21.1	3.3	74.4

Note: n.c. (does not correspond). Source: Elaborated by the author.

Approximately one-fourth (26.6 percent) of the Argentine governors had some previous experience as provincial legislator, and nearly 10 percent occupied a seat in the regional legislature immediately before winning the governorship. This latter figure represents the lowest value among the nine political positions analyzed in this chapter, with the obvious exception of the presidency and federal bureaucracy nominations (i.e., minister, secretary, under-secretary, and national director). It is possible to argue that the 10 percent value is underestimated because it only captures the career paths of those provincial deputies who eventually became governors. In order to eliminate this potential selection bias, I collected data on all gubernatorial candidates who lost the election. The sample includes all gubernatorial candidates from a either a party, electoral coalition or *sublema* who were not elected (excluding the candidates who had already occupied the governorship for less than six consecutive months) and obtained at least 3 percent of the votes. The number of candidates is 332. Again, around 26 percent of them had prior provincial legislative experience and only 14 percent had in the subnational legislature their last (or current) position. In Brazil, by contrast, exactly a half of the governors had been elected state deputies during their careers. Indeed, behind the position of mayor (54.4 percent) and state bureaucrat (77.7 percent), state deputy is the most common post occupied by governors. If we include the vice-governors into the analysis, the state deputy category becomes second in importance.

State legislators' passage to the municipal executive position provides additional evidence to the argument advanced above that subnational legislatures do not serve as a stepping stone to higher office in Argentina but they occupy a prominent role in the opportunity structure of individual politicians in Brazil. On the one hand, although there are not systematic data on the subject, I detected that only 124 (2.5 percent) Argentine provincial deputies from the 1983-2005 classes won a mayoralty election after leaving office.[200] As Figure 22 shows, the proportion of legislators who governed a municipality never exceeded 3.5 percent of the provincial legislatures' members in the time of the local election. Moreover, this rate has constantly decreased in the last years until it attained the minimal record of 1.8 percent in 2007.



Note: PD (Provincial Deputy), MY (Mayor).

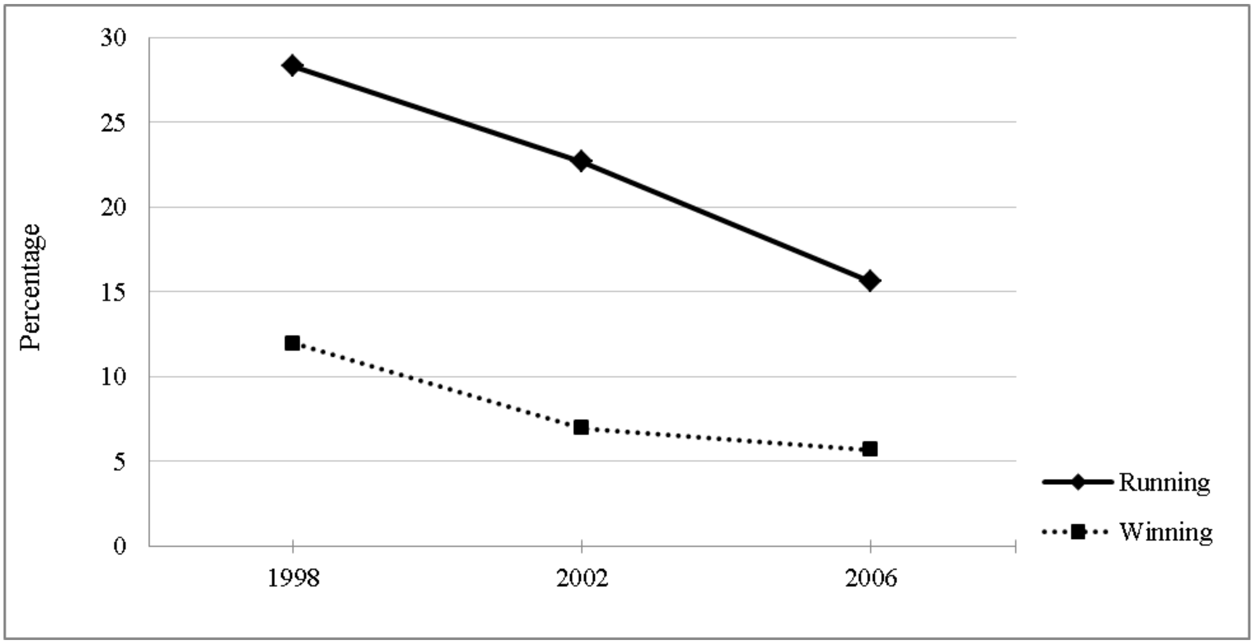
Figure 22: Argentine Provincial Deputies' Movement to Mayor and Vice-versa, 1987-2007

For an important number of Brazilian state legislators, the legislature is a way station on their road to competing for executive power. Being the mayor of a populated city affords more power and prestige than being state deputy. This explains why of the 697 state deputies elected

[200] Furthermore, only 46 (1.2 percent) mayors were provincial deputies during their political life.

between 1994 and 2002 (22.2 percent or more than one in five) run for mayor during or immediately after the end of their mandates.[201] The Figure 23 depicts running and winning rates for state legislators of the 1994-2002 classes who participated as candidates in mayoralty races. The first relevant thing to notice is that, although a pronounced downward trend in the number of state legislators who stood for mayor, it continues to be relevant: 28.3 percent in 1998, 22.7 in 2002, and 15.6 in 2006. The second important remark is that state legislators are relatively good candidates for municipal executive office as their winning rate (measured as percentage of runners) averaged 37 percent in the whole period. Considering that almost half of the municipal elections in Brazil are "closed" races in which the incumbent mayor has access to very significant perks to offer, state legislators appear to be strong candidates.[202]

[201] Of these 697, 258 (37 percent) managed to win election. In addition, 62 (5.8 percent) state deputies run for mayor at some point of their careers, and 21 of them (33.9 percent) were successful.
[202] This number is actually higher if we include the incumbent vice-majors who run for mayor. There are not data available on the issue for Argentina.



Source: LEEX and TSE.

Figure 23: Brazilian State Deputies: Running and Reelection Rates in Mayoralty Elections, 1996-2004

With the purpose of evaluating the political value of state assemblies vis-à-vis the value of mayoralties, I codified all cases in which a state deputy competed in an executive municipal election before assuming a seat in the chamber. For Argentina, the proportion of provincial deputies coming from a municipality is 6 percent. As we can see in Figure 22, in most electoral years the average of municipality-legislature movements more than triple movements in the opposite direction. Although this fact seems to indicate the superior hierarchic order of municipalities, it is worth noting that the vast majority of the mayors who moved “downward” to the provincial legislature came from small *municipios* with little or no financial autonomy. The pattern is substantially different in Brazil. There are 546 (17.3 percent) state deputies from the

1998-2006 classes who run for mayor. Of these, 62.2 percent (340 cases) did it immediately before assuming legislative office, and around 10 percent (32 cases) won the election. As stated but not demonstrated by Samuels (2003), these numbers reveal the higher political value of a municipal position over a legislative seat in the subnational structure of Brazil's political careers.

Once again subnational variation is higher across Brazilian than Argentine subnational units, despite electoral regimes do not vary in the former country. In effect, running rates for mayor range from a considerable 56.5 percent of the state deputies in Pará to a marginal 4.5 percent in Roraima, two states located in the north region of the country noted for the traditional power of oligarchic politics. Winning rates as percentage of runners, on the other hand, fluctuate from 58.8 percent in Piauí to 16.7 in Mato Grosso. It is interesting to note that seven of the ten states with the lowest running rates for state legislative reelection are among the ten states with the highest running rates for mayoralty elections. The most striking case is Goiás, which ranks in the last and first positions of these categories respectively. As for Argentina, mobility rates from the provincial legislature to mayor range from 14.3 percent in Mendoza to 0 in Corrientes, province in which none provincial deputy ever jumped to govern a municipality.

To sum up this subsection, despite there is large intra-national variation, career movements across positions located at the subnational and municipal levels of government are more intense in Brazil than in Argentina. State legislatures in the former –but not in the latter- country seem to be a lynchpin around which political careers are built. For most Argentine politicians, winning provincial legislative office is a transitory payback for their party (factional or personal) loyalty and resoluteness which need to be continuously cultivated if one wants to survive politically. For Brazilian politicians, state assemblies represent an instrument to build local networks of political support that are functional to career advancement. The last evidence I present supporting the claim that state legislatures serve to run the party machine in Argentina and to build personal careers in Brazil maps the passage from this institution to the Chamber of Deputies.

4.2.1.3 Vertical-Progressive Subnational Ambition

In addition to horizontal career pathways, political ambitions in multi-tiered regimes can be structured along national-subnational linkages. Only three elective posts (presidency, deputy, and senator) are available for state deputies at the federal level. It is then reasonable to assume that politicians aiming at nationalizing their careers will see the Chamber of Deputies rather than the Senate as the immediate step in that direction. As shown in detail below, the intensity of these linkages is much higher in Brazil than in Argentina.

The Figures 24 and 25 below illustrate the dynamics of such movements. The first of the two figures shows that in the twelve federal deputy elections held in Argentina between 1985 and 2007, only 383 provincial legislators competed for obtaining a seat in the Chamber of Deputies. This number represents an average of only 6.4 percent. Of these runners, 175 (45.7 percent) eventually won a congressional seat.[203] The Figure 24 also reveals that the running rate

[203] The number of candidates increases to 636 (5.3 percent) and the election rate decreased to 40.6 percent if we compute all cases in which a state legislator run for federal deputy at some point of his/her career (but not immediately after leaving the state assembly). In all cases, values are computed as the proportion of provincial deputies who run for a seat in the Chamber in a given election (say 1995) relative to the number of those eligible for

displays an irregular upward trend ranging from 1.3 percent of the sitting provincial legislators in 1983 to 5.3 percent in 2003. Trend irregularity is partially explained by the fact that national legislative elections in Argentina take place every two years while provincial legislative elections in many districts are held every four years. This electoral calendar, of course, discourages provincial deputies who are in the middle of their mandates to run for the Chamber.[204] With regards to the winning rate, it is enough to highlight here that only an average of 1.5 percent of the provincial legislators successfully moved to the Chamber of Deputies in each electoral contest. These values speak by themselves: provincial legislatures do not seem to catapult the national ambition of their members. Quite the contrary, they represent a middling office that less successful politicians and ordinary party members are forced to leave with hopes that they may get in the future an elected or appointed nomination linked to their parties' portfolio of jobs.

Brazilian state legislators, on the other hand, have more systematically tried to ascend to the position of federal deputy and have been more successful in reaching that goal. Figure 25 shows that in the six elections held between 1986 and 2006, 667 state legislators run for a seat in the federal Chamber. This number corresponds to a media of 11 percent of all sitting subnational deputies.[205] Of these 667 runners, 401 (60.1 percent) successfully managed to win office. The Figure also indicates that running and winning rates evolved in parallel trough time. A steady

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reelection (i.e. the provincial deputies who began their mandates in 1991 and 1993). Of course, it would be better to use the proportion of candidates relative to the number of provincial deputies who occupied a seat and did not run for reelection. These data, however, only exist in a very fragmented way for some provinces.

[204] In effect, running rate averages 2.5 percent versus 4 percent in concurrent election years.

[205] If we exclude the state deputies who run for reelection, the running rate for the Chamber of Deputies boosts to 33.8 percent.

upward path may be observed in the first Brazilian races following the transition to democracy. In 1994 and 1998 the pattern of recruitment to the Chamber of Deputies decreased substantially due to state legislators' decision of focusing on their reelection: the rates of reelection bids increased around 40 percent in those years. In the last two legislative races, running and winning rates increased again (although they did not reach the levels observed in the initial period) probably as a result of state legislators' decision of not standing for mayor (see Figure 23).

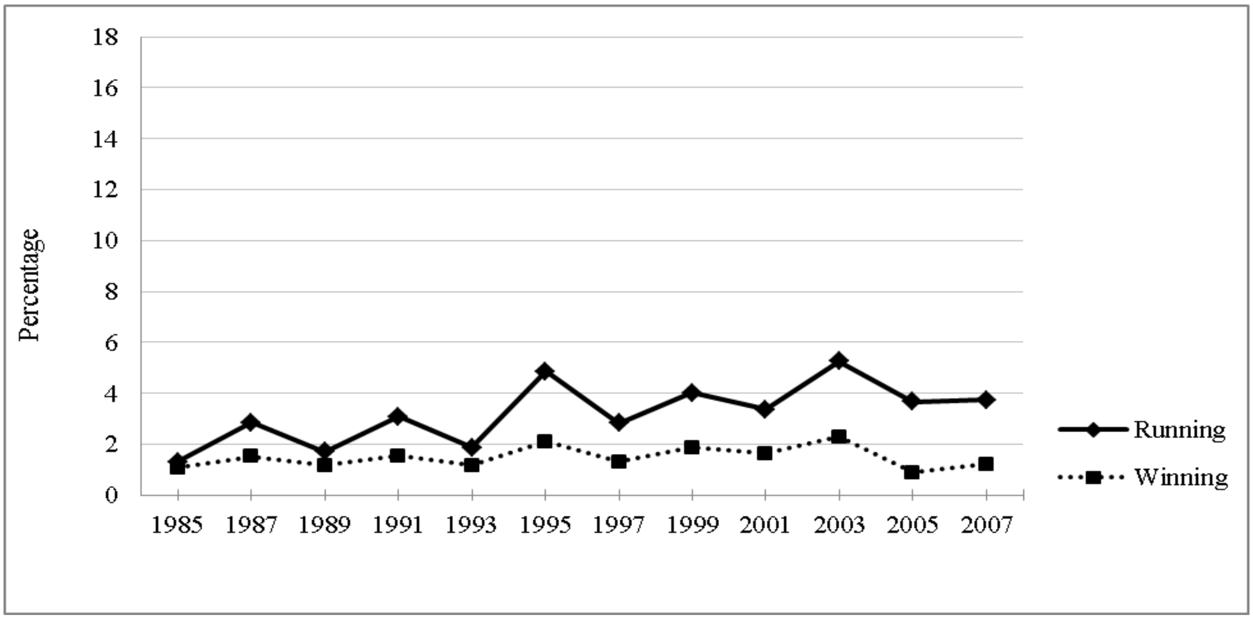

Figure 24: Argentine Provincial Deputies: Running and Reelection Rates in Elections to the Chamber of Deputies, 1985-2007

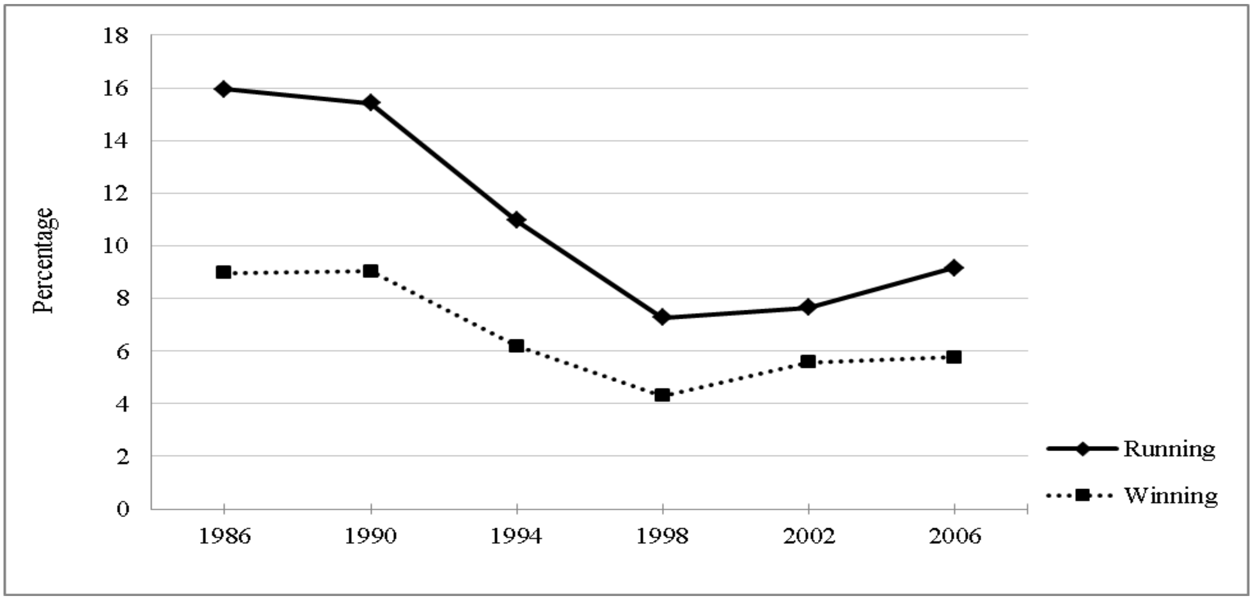

Figure 25: Brazilian State Deputies: Running and Reelection Rates in Elections to the Chamber of Deputies, 1986-2006

Like in the other two types of career ambitions studied in this chapter, we find a significant degree of subnational variation in the VP type that cannot be attributable to institutional or organizational factors. This variance is, again, larger in Brazil than in Argentina. In Argentina, running rates from state legislators to the Chamber of Deputies range from an average of 1.7 percent in Santa Cruz to 9.7 percent in the metropolitan province of Santa Fe, with the remaining provinces located near the national mean. The most successful provincial legislators are those from Corrientes (who never lost an election), and the less successful ones are those from Neuquén. In Brazil, the running rate varies from 2.1 percent in Amapá to 13.9 percent in Sao Paulo. The most successful legislators (considering states in which at least one state legislator run for federal deputy in each election year) are from Alagoas with a winning rate of 81.6 percent, while the less successful ones are those from Acre with 38.6 percent. Although we should take with caution conclusions based on descriptive data, one of the most interesting findings about legislative recruitment in Brazil is the presence of a clear regional pattern. All states with the lowest running rates for the Chamber of Deputies, except Paraná and Rio de Janeiro, are from the North and Northeast regions of the country. Similarly, all states with the highest running rates, except Bahía and Pernambuco, are from the South, Southeast, and Center regions. Thus, state elites from the poorer subunits tend to be locally-oriented and those from the more advanced regions tend to nationalize their careers. The exceptions certainly seem to confirm the rule. Politics in Paraná is recognized as localistic and its political elites seldom ever reached national expression (Ames 2001). Bahía and Pernambuco, on the other extreme, are among the most politicized states even before the inception of Brazilian federalism.

4.3 CONCLUSION

Students of Argentina and Brazil disagree regarding many aspects of these federal politics. But there is an agreement that the base of political support for politicians and parties in both countries is concentrated at the subnational level. There is also a surprising dearth of parallel research agendas on state political careerism. This shortfall is serious given that any explanation of how national politics works must start by identifying patterns operating within the states.

The issues and data discussed in this chapter provided help explain how politicians and parties function, and how this functioning affects patterns of government spending with territorial-building goals. The chapter proposed a relation between political careerism and styles of electoral spending based on the nature of political actors' control over candidacies, campaign finance and the public sector. Concretely, it argued that institutional (electoral) and organizational (party nomination) factors structure the electoral finance of politics in Argentina and Brazil by affecting the degree to which subnational party leaders control political and bureaucratic careerism. In Argentina, these factors make politicians beholden to provincial party bosses and their statewide patronage-based machines. In Brazil, they make politicians dependent upon individually-run machines founded on pork-barreling activities and localized benefits. The chapter illustrated this argument with novel data on subnational career ambitions that make it possible to understand the role played by state legislatures in the construction of territorial power. The analysis showed that Argentine provincial legislatures do not have a fundamental importance for individual politicians' careers. Instead, they represent a component of the large basket of resources (i.e., jobs) that regional party leaders have to selectively distribute among party adherents in order to build and maintain elaborated machines. Brazilian state assemblies, in contrast, are attractive places to ambitious politicians who use them as a platform to organize loose networks of local political support.

This chapter opens up two avenues for further research. Theoretically, I will specify more correctly the choice model. After all, the structure of political ambitions is more complex and dynamic that a series of discrete movements. Empirically, I will conduct a multivariate study investigating the impact of regional political competition, electorate partisanship, and different types of gubernatorial machines upon state legislators’ career choices and success. This analysis will provide insights to understand under what conditions governors, influence individual voters. The next chapter moves in that direction by investigating cross-state variation in the way subnational particularism affects vote choice in Argentina and Brazil.

5.0 SUBNATIONAL PARTICULARISM AND ELECTORAL RETURNS

"*Money talks in politics.*"
V. O. Key

"*Politics is done with the power of pen.*"
Political adagio[206]

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This chapter analyzes the electoral performance of state incumbent parties in Argentine and Brazilian gubernatorial elections during the post-authoritarian period. It focuses on the impact of particularistic strategies of electoral mobilization upon aggregate incumbent vote share. There is a long-lasting debate among social science researchers about how, if at all, distributive politics affects voters' electoral calculus and the enduring creation of power machines. Political scientists have devoted a great deal of attention to analyzing the link between particularized benefits and electoral results across national institutions and actors.[207] Sociological and anthropological

[206] Surprisingly, this adagio exists with almost no variation in both Spanish and Portuguese. Pens, of course, serve to sign checks and therefore to distribute money and favors.

[207] Much effort in the field has been dedicated to explore the relation between legislative pork-barreling and the ability of congressional legislators to retain office. For evidence of a positive connection, see for example Ames (1995a, 1995b, 2001), Ferejohn (1974), Fiorina (1977), Levitt and Snyder (1997), Mayhew (1974), and Weingast, Shepsle, and Johnson (1981). For evidence that questions the existence of such association, see for instance Bickers and Stein (1996), Samuels (2002), Sellers (1997), and Stein and Bickers (1994). There is also a rich cross-national literature on the relation between central government spending and national executives' electoral success. See, for

studies have mostly investigated the logic of particularistic exchanges in small political settings of single countries.[208] But systematic efforts to examine these issues using geographic subdivisions (states) as units of analysis are virtually inexistent beyond the U.S. case. Indeed, no temporally-broad comparative study has yet uncovered the electoral returns and ultimate efficiency of particularistic politics for territorial power-building across states of different federalized countries.

Conventional accounts for variations in regional election outcomes and incumbent political survival include sociological factors such as preexisting societal cleavages and local identities (Chandra 2004; De Winter and Türsan 1988; Hearl 1996; Jeffrey and Hough 2003; Rice and Van Cott 2006; Rokkan and Urvin 1982), institutional factors such as electoral rules (Calvo and Micozzi 2005; De Luca, Tula, and Jones 2006; Diaz Cayeros and Magaloni 2001; Moraski 2003; Stolt 2004), the sequencing of elections and presidential coattails effects (Alesina and Rosenthal 1989; Born 1990; Mebane and Sekhorn 2002; Van der Eijk 1987), economic factors stemming from national and/or subnational swings (see discussion below), and formal or informal political linkages between federal and state-level authorities (Bernick 1979; Dometrius 1987; Gibson 2005; Key 1953; Mueller 1985; Snyder 1999). I contend that one important –and typically overlooked– factor affecting subnational vote choice and the survival of regional

example, Alesina, Perotti, and Tavares (1998), Ames (1987), Brender and Drazen (2003), Persson and Tabellini (2002), Schuknecht (1994), and Shi and Svensson (2000).

[208] With regards to the countries studied in this dissertation, the few often-cited essays on the topic are Auyero (2000), Diniz (1982), Gay (1994), and Lamounier (1978).

political elites is the strategic manipulation of government resources that comes from controlling the state apparatus.

Chapters 2 to 4 showed that the institutions of fiscal federalism and political careerism shape the incentives that state governors in both Argentina and Brazil have to strategically target public expenditures with electoral goals. Specifically, the chapters discussed the argument that incentives for spending on patronage (private or public employment) allocations are stronger for Argentine governors because fiscal institutions concentrate access to intergovernmental transfers in gubernatorial hands and assign provincial executives high spending authority to discretionarily use such funds, while the electoral system and party nomination/selection rules maximize provincial party leadership control over political careers. Furthermore, permissive federal legislation regarding subnational spending and borrowing and the lack of stable civil service rules reinforce governors' proclivity towards patronage by allowing subnational leaders to manage hiring and firing in the public sector without major restrictions. In stark contrast, Brazilian governors have stronger institutional incentives for pork-barrel (semi-public or infrastructure/capital projects) allocations because fiscal institutions disperse access over federal transfer funds among multiple political actors located at different levels of government (in particular, governors, mayors and congressional legislators) and limit gubernatorial discretion over their use, while the electoral system and candidate nomination/selection norms foster candidate-centered political careerism. Moreover, restrictive legislation and professionalized civil service rules reinforce state governors' tendency towards pork-barreling by restricting their latitude to freely manipulate public sector personnel management.

The present chapter moves the analytical focus from the strategic design to the ultimate effect of gubernatorial spending choices by investigating the electoral returns associated with different redistributive mechanisms of mobilization. It provides systematic empirical evidence supporting the claim that particularistic inducements render governors in two prominent Latin American federations with different electoral payoffs. The statistical analysis indicates that patronage allocations provide net electoral returns to Argentine but not to Brazilian state incumbent candidates, while pork-barrel benefits Brazilian but not Argentine ones. The chapter also emphasizes that the causal link between particularistic spending and electoral premiums is mediated by the structure of political competition. Using aggregate level data, it demonstrates that spending electoral effects decrease significantly with the number of parties competing in gubernatorial elections. The argument discussed below contends that apart from political competition, the strategic manipulation of patronage and pork interacts with other contextual factors including organizational components of support (i.e., the degree to which partisan networks are enmeshed in society), voting technologies (i.e., party balloting versus electronic voting), and electoral fiscal agendas (expansive versus conservative).

The chapter begins with a critical review of the scholarly literature on subnational elections. After discussing the relative merits and drawbacks of current explanations, it puts the issues of particularistic electoral strategies and political competitiveness at center stage. Then, it moves to the empirical analysis, which investigates the effect of these and other political, economic, and societal factors on the vote shares of Argentine and Brazilian gubernatorial incumbent parties between 1983-2003 and 1982-2006 respectively. Finally, the chapter concludes by discussing the implications of my findings for subnational incumbent stability.

5.1 EXPLAINING SUBNATIONAL ELECTORAL OUTCOMES

Two alternative approaches have guided the discussion about subnational elections in federal systems. Built mostly on the U.S. experience, these perspectives share a concern about the role of retrospective economic voting in shaping the electoral prospects of regional incumbents. A first group of studies considers subnational elections as national referenda in which local voters evaluate the presidential performance in order to cast their ballots for state-level officials. Thus, gubernatorial, senatorial, and state legislative contests are simple projections of national-level phenomena as they are assumed to be closely tied to the public standing of the incumbent president. It is argued that strong presidential approval rates reward national in-party candidates (both incumbents and challengers) at all levels of governance. Conversely, if voters are not satisfied with how the federal administration is doing, candidates from the president's party are penalized and those from opposite parties are rewarded. A second school, in contrast, suggests that state executives are held accountable for the economic health of their districts regardless of fluctuations in national economic conditions and approval of the sitting president. For this view, the level of government at which an election is held is what ultimately determines the content of voter considerations and the fortunes of running candidates. Citizens are able to discriminate between jurisdictional responsibilities and acknowledge that incumbent governors of *either* political party have little capacity to influence national economic outcomes. Whereas the general shape of the economy is a national matter that falls under the responsibility of federal officials, subnational economic performance entails important electoral effects for regional incumbents and aspirants.

By far, efforts to test the *national referendum* and *economic voting* hypotheses have focused on the American states. Drawing upon different samples, statistical techniques and time-periods, extant analyses have reached somewhat inconsistent empirical results. Although it has been well established that national economic conditions influence presidential approval and elections, the relationship between assessments of the president's job, patterns of variation in macroeconomic performance, and gubernatorial electoral results is still a matter of debate.[209]

A number of works have lent credit to the national referendum model. In effect, both macro and micro level analyses have documented that presidential performance and national – but not state economic conditions affect subnational voters' expectations and gubernatorial vote choice (Chubb 1988; Crew and Weiher 1996; Holbrook-Provow 1987; Kenney 1983; Kone and

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[209] On the positive relation between national economic expectations and presidential contests in the U.S., see Kramer (1971), Tufte (1978), Fair (1978), Kiewit and Rivers (1985), Erikson (1989), and Holbrook (1991). Some research has found empirical evidence supporting this claim in Western Europe (Lewis-Beck 1988; Powell and Witten 1993), and developing countries (Remmer 1991; Pacek and Radcliff 1995; and Echegaray 2005). Nonetheless, Tucker (2006) finds little evidence for the standard predictions of the referendum and economic voting models in national legislative and presidential races across regions of five post-communist countries. An impressive amount of literature in the American politics field also points to the connection between congressional legislators' electoral fates, the approval rates of the sitting president, and the evolution of economic indicators. See, for instance, Abramowitz (1988), Abramowitz and Segal (1986), Lewis-Beck and Rice (1992), and Carsey and Wright (1998).

Winters 1993; Peltzman 1987; Piereson 1975; Simon 1989; Simon, Ostrom, and Marra 1991; Stein 1990). Several scholars, however, have emphasized that regional voters reward or punish gubernatorial incumbents based on the shape of the state economy rather than on considerations about raw national macroeconomic aggregates and the functioning of the presidential office (Adams and Kenny 1989; Atkeson and Partin 1995; Carsey and Wright 1998; Hansen 1999; Howell and Squire and Fastnow 1994; Howell and Vanderleeuw 1990; Lowry, Alt, and Ferree 1998; Niemi, Stanley, and Vogel 1995; Orth 2001; Partin 1995; Tompkins 1988).

Within this second line of thought, some analysts linking gubernatorial races to incumbent taxing decisions and fiscal performance have indicated that American governors appear to suffer from electoral retribution if local taxes are raised (Kone and Winters 1993; Niemi, Stanley, and Vogel 1995) and fiscal deficits increase (Peltzman 1992), whereas they seem to be rewarded if taxes are kept lower than in neighboring states (Besley and Case 1995a). It has also been argued that subnational voting reactions to tax policies, fiscal deterioration, and local economic swings are contingent on what political party controls the statehouse (Lowry, Alt, and Ferree 1998), the structure of the state economy (Ebeid and Rodden 2006), the possibility of incumbent reelection (Alt and Lowry 1994), and whether responsibility for government performance is unified or divided (Leyden and Borrelli 1995). Finally, contrary to “either-or” explanations, a few students have underscored that gubernatorial elections are indeed influenced by both national and state economic conditions (Squire and Fastnow 1994; Svoboda 1995; King 2001).[210]

In recent years, a novel literature on comparative decentralization and federalism has drawn heavily on these theoretical models to move the study of subnational elections beyond the U.S. context. As in that scholarship, students have paid special attention to the effect of national and state macroeconomic conditions, presidential popularity, and intergovernmental co-partisanship upon subnational vote choice. If anything, researchers find that regional voters tend to cast their ballots after evaluating national macroeconomic swings and how well (or poorly) the federal administration is doing. Such a national-regional link appears to characterize *Länd* elections in Germany (Gaines and Combez 2004), and provincial contests in Russia (Konitzer 2005) and Canada (Gélineau and Bélanger 2006) where state parameters also affect federal voting behavior (Cutler 2002). Relying upon aggregate level data for six federal countries, one of the few comparative pieces existing on subnational contests reports no systematic evidence whatsoever of state economic issues in shaping gubernatorial election outcomes, while it indicates that the impact of national changes is relatively small and conditional upon other factors (Rodden and Wibbels 2005). Political parties in control of the governorship that share the president's party label usually receive lower vote shares than out-party incumbents in Australia, Canada, Mexico, Germany, and the U.S. (with Argentina being the only exception). The gap

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[210] In general, statistical analyses using individual-level data find that state rather than national economic factors affect gubernatorial approval and voting. Aggregate-level studies, on the other hand, commonly report that state economic conditions do not seem to matter, but there is inconclusive evidence regarding whether or not national expectations influence gubernatorial electoral results.

between presidential in-party and out-party candidates, however, decreases considerably with the strength of the national economy. Comparative accounts also suggest that the way in which national and state elections are linked together varies across countries and through time, being more tightly connected in fiscally centralized than in fiscally decentralized polities.

With regards to the countries examined in this dissertation, research on subnational elections is underdeveloped. Biographical chronicles of local bosses are legion, and descriptive studies of specific electoral events abound. But theoretically-driven multivariate models are nearly absent. Actually, there is no systematic analysis that incorporates a wide range of Brazilian states while only a small number of recent works deal with the Argentine provinces.[211] Remmer and Gélineau (2003) and Gélineau and Remmer (2005), for example, use aggregate and individual level data to test the referendum voting hypothesis in gubernatorial and provincial deputy elections held in Argentina between 1983 and 2001. The authors claim that the vote share of national in-party candidates (their dependent variable) fluctuates in accordance with the rise and fall of the presidential administration, the performance of the national but not the state economy, the midterm punishment phenomenon, and the amount of federal transfers received by provinces (without considering, as we have seen in Chapter 2, whether or not these grants remain at the president's political discretion). According to these analysts, electoral support for the president's co-religionists also varies with provincial political control as provinces governed by

[211] For instance, Souza (2007) studies the impact of regional fiscal adjustment policies on gubernatorial elections in the Brazilian states of Bahia, Ceará, and Paraná between 1994 and 2002. Some research has also asked whether the political fortunes of federal politicians in the country are influenced by the popularity of their municipal copartisans in a phenomenon known as "reverse" coattails effects (Ames 1994), or by gubernatorial coattails (Samuels 2000a, 2000c). For analyses on the later topic in Argentina, see Cabrera (1998), and Jones (1997).

opposite parties return a lower vote share than those ruled by the sitting president's party. Scholars interested in Argentina have also applied a partisan bias model of patronage spending to four congressional races finding that the PJ benefits more from investment in public employment than does the UCR/Alianza (Calvo and Murillo 2004). Some other observers have found no empirical evidence of a negative impact of divisive gubernatorial primaries upon provincial executive elections (De Luca, Jones, and Tula 2006). And still others have emphasized that the widespread adoption of provincial electoral reforms allowed governing elites in most Argentine provinces to secure control of their respective local legislatures and, at the same time, avoid the potentially hurtful consequences of competitive national contests (Calvo and Micozzi 2005).

Although compelling, most of the literature discussed in this section faces a number of shortcomings that limit our understanding of how territorial power is built and retained *within* and *across* federations through time. First, both referendum and economic voting models see regional politics through the undifferentiated lenses of nationwide politics. The main concern of these approaches is to single out the degree of "nationalization" of subnational elections rather than to uncover the dynamics of voting behavior, party competition, and power-building in the states. Hence, the effect of looking at how far voters make different judgments for different elected offices is to characterize regional politics as significant only for what it tells us about the fate of national governments. Second, and related to that, prior studies are typically built upon an unrealistic "bottom-up" model of democratic accountability that involves an apolitical view of incumbency. Most extant explanations assumed that voters are sophisticated users of information able to obtain and connect complex data with incumbent performance. But even if we assume that voters have access to these data, apportioning political responsibility in multi-tiered systems is a difficult task because many policy areas are shared among different levels of government, which claim credit for success and blame competitors for failure. What is missing in most extant accounts is an assessment of the role played by politicians' strategic manipulation of the resources and perks of office.[212] Subnational elections, like politics, encompass much more than coattails effects and cold evaluations of office-holders. Critically, they encompass the strategic redistributive mechanisms through which state political elites assemble voters' interests and craft coalitions of support.

Distributive taxation theorists, as we have seen, well understood the connection between budgetary politics and election outcomes in the American states. But they have drawn inferences based almost exclusively on aggregate fiscal data (either surpluses or deficits, or the differences between them). Perhaps more important, studies in this tradition impute politicians operating in quite different institutional settings essentially the same incentives for manipulating the public money. In addition to these theoretical limitations, empirical analyses in the area have remained confined to national or regional patterns observed in single countries. We therefore are far from being able to assess the validity of existing claims on voter reactions to fiscal spending and to elaborate broad causal inferences about the importance of particularistic electoral investments choices and political reward networks for both short-term electoral outcomes and the durable construction of territorial power.

[212] Several students recognize that referendum and economic voting models overlook questions involving incumbents' strategies (Jacobson 1989; Gerber 1998; Marra and Ostrom 1989), and their expenditure calculations (Bickers and Stein 1996; Stein and Bickers 1994).

The redistributive approach I propose stresses that over and above intergovernmental co-partisanship, macroeconomic swings, and ideological predispositions, subnational vote choice is influenced by efforts of state executives to harness government resources with the purpose of shaping individual perceptions, shoring up their political support, and enhancing incumbents' electoral performance. Government spending is a potent instrument politicians use to preserve and expand their political dominance. Properly targeted, public expenditures benefit party elites, reward activists, finance electoral campaigns, and "buy-off" potential voters. One can argue that the electoral impact of particularistic politics is secondary in contexts where voters react to more programmatic appeals and the provision of public goods –some of the usual determinants of electoral results in advanced industrial democracies. But particularistic activities and political machines lead electoral politics in systems with non-programmatic parties and citizen-politicians particularistic ties like those prevailing in most underdeveloped countries.

Several authors have underscored that territorial political control in Argentina (Auyero 2000; Brusco, Nazareno, and Stokes 2004, 2006; Calvo and Murillo 2004; Gibson 2006; Jones and Hwang 2005; Levitsky 2003; Powers 2001; Remmer 2007; Stokes 2005) and Brazil (Abrucio 1998; Ames 2001; Desposato 2002; Graham 1990; Hagopian 1996; Mainwaring 1997; Samuels 2002) is based on the extensive use of resources gained from patronage and pork-ridden politics. Nevertheless, no study has measured the relative priority and electoral returns placed on different particularistic mechanisms of electoral mobilization both *within* and *between* these –or any other– federations. In assessing spending electoral effects from a subnational comparative perspective, this chapter fills a significant gap in the literature on distributive politics and makes a novel contribution to the study of regional voting and territorial power-building in politically decentralized regimes.

5.2 WHAT AND HOW PARTICULARISTIC SPENDING MATTERS?

The shift in placing particularistic politics at the forefront of subnational studies requires a discussion of the alternative goods that gubernatorial incumbents deliver with coalition-building ends. It is worth opening such a discussion by emphasizing what is *not* this chapter about. The arguments developed and empirically tested here do not concern the incentives influencing rational governors' expenditure priorities and their ultimate investment choices, two related topics I addressed in previous chapters. Rather, I assess the electoral returns state incumbents reaped from their particularistic spending allocations. Focusing on the logic of vote-trading discussed in Chapter 1, the subsequent analysis is designed to explore whether and how gubernatorial incumbents who strategically allocate public resources to their political backers are rewarded for their efforts at the ballot box. Concretely, I estimate the effect of patronage and pork-barrel electoral strategies on subnational vote choice. The virtue of estimating the concurrent impact of these strategies is that we capture two pivotal instruments of territorial power-building in federalized polities. Almost no political individual I have interviewed failed to mention that political networks in subnational Argentina and Brazil dominate electoral interactions based on the control that gubernatorial incumbents exercise over administrative appointments and the execution of public works. Filling bureaucratic jobs with political supporters and dispensing targeted goods to specific electoral districts and cohorts constitute the fundamental mechanisms of vote assembling within the states in both federations. The theoretical presumption is twofold: particularistic allocations are strategic decisions made by rational-minded politicians, and electoral results are somewhat caused by the public moneys spent prior to the elections.

As discussed in Chapter 1, I measure patronage as state government spending on personnel, and pork-barrel as state government spending on public works and capital projects. It is worth noting that there is an intrinsic problem in using both categories of spending simultaneously. On the one hand, expenditures in public works commonly produce a second beneficial effect because they allow politicians to provide temporary jobs to their cohorts through contracts for the construction and maintenance of infrastructure. They also infuse money into the party coffers, which in turn can be employed to create and maintain political machines. Thus, when engaging into pork-like spending incumbents often value the direct appeal to voters and the private goods that can be used for exercising patronage. Unfortunately, these indirect transfers to individual voters are difficult (if not impossible) to sort out. A second potential problem refers to the incremental and sticky nature of budgetary spending. Incrementalism and stickiness would condition the ability of politicians to manipulate public outlays so as to enhance their personal and/or party ambitions. Correlations for the spending variables of interest across the four years of each gubernatorial term reveal the presence of certain continuity in the level of expenditures (see Appendix C, Table 12). But they also show enough variation allowing for an assessment of the distinctiveness of patronage and pork.

Having defined what types of government expenditures matter, it remains the question of how they actually matter. A novel line of research in political science has recently moved to examining the impact of political parties on spending patterns and the supply of public expenditures (Bueno de Mesquita, Morrow, Siverson, and Smith 2003; Chhibber and Nooruddin 2003; Magaloni 2005; Magaloni, Diaz Cayeros, and Estévez 2007; Persson and Tabelini 1999). This research program suggests that reelection-minded parties make their strategic investment choices in response to the actions taken by other parties competing in the electoral arena, while strategic voters force parties to respond to the competitive pressures of their opponents. Critical to this theoretical framework is the number of competing parties in the system because variations in the structure of political competition are likely to influence the provision of (semi) public versus private goods. More than the ideology of a particular party (Alesina 1987; Alesina and Roubini 1997; Boix 1998; Hibs 1977), it is the features of the party system what affects policy outcomes and the delivery of government resources. The general argument runs as follows. The larger the electoral coalition on which political leaders depend to remain in office, the more important public good provision is. In contrast, politicians who depend on a small coalition can reserve resources on public goods to distribute as private benefits to their supporters. This logic indicates that in highly fragmented electoral contexts political leaders are more likely to rely on club goods in order to maintain a small but unified coalition. In moderately competitive settings, they will provide public goods to cobble together a large coalition. While under low levels of political competition, politicians have strong incentives to government spend resources without public regardedness because they can placate their backers with private goods.

Drawing on this tradition, I argue that the competitive political climate in which subnational incumbents operate also need to be considered in examining the electoral returns – that is, the expected number of votes from a unit of targeted transfer– of different particularistic strategies. Unquestionably, it is difficult to measure the electoral effects of government spending because voters' behavior responds to various factors, not just to the allocation of public moneys. I show, however, that regional patterns of competition affect what subnational office-holders reap from investing public funds in patronage and pork-barrel activities. I reason that incumbents' electoral payoffs are inversely related with the number of alternative choices (or candidates) available to voters. The intuition behind this reasoning is straightforward: competitive political settings expand electoral bids and generate the image of vote trading discontinuity thus making vote more volatile. Therefore, the same level of electoral investment – a unit of patronage or pork-barrel transfer– would *ceteris paribus* yield lower electoral returns in districts where multiple parties compete for office than in non-competitive electoral turfs. In other words, as competition (i.e., the number of running parties) increases, the winning candidate's vote share will on average decline.[213]

[213] This raises a potential problem of endogeneity as incumbent vote share and the effective number of competing parties may be reciprocally (and negatively) related. Although these variables are indeed correlated, correlation is reasonably low: -6.8 and -5.3 in Argentina and Brazil respectively.

5.3 DATA AND METHODS

To assess whether redistributive politics does have an impact on subnational vote choice and the electoral fortunes of state incumbent parties or candidates, I collected data on each election held in the twenty-four Argentine provinces and the twenty-seven Brazilian states during the 1983-2003 and 1982-2006 periods respectively. Taking as my baselines the 1983 and 1982 gubernatorial contests, the statistical analysis investigates the determinants of gubernatorial incumbent party/candidate share of the vote over eleven state executive elections (five races in Argentina and six races in Brazil).

It should be mentioned that the Argentine district of Ciudad de Buenos Aires held the first contest to determine governor in 1996, while the former national territory of Tierra del Fuego did it in 1991 after acquiring provincial status. In addition, the Brazilian states of Amapá, Roraima, Tocantins, and the Distrito Federal began to popularly elect governors after their creation in 1990, whereas Rôndonia began to do it in after its foundation in 1986. All this leaves a total of 115 gubernatorial elections in Argentina and 154 in Brazil.[214]

Following prior research on the topic, I estimate models on a continuous variable measuring the percentage of the vote received by the state incumbent party or candidate in each gubernatorial election. The incumbent share of the vote for Argentine provinces ranges from a

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[214] I exclude the 1994 gubernatorial succession in Rôndonia because the incumbent governor, Oswaldo Piana (PTR), and his closest political allies were forced to abandon politics after a special committee of the Chamber of Deputies found evidence of their involvement in the assassination of Olavo Pires (PDS), Piana's most serious competitor to the governorship in the 1990 election.

value of 19.2 percent in San Juan (2003) to 90.1 percent in San Luis (2003), with a mean of 48.7 and a standard deviation of 12.2. For the Brazilian states, these values range from a marginal 0.2 percent of the vote in Espirito Santo (2002) to 81 percent in Maranhão (1986), with a mean of 41.2 and a standard deviation of 17.1.[215]

Defining incumbency in the relative stable atmosphere of Argentine provincial elections is a fairly simple task. The incumbent party is the party of the person who holds the governorship.[216] Without exceptions, regional incumbent parties in Argentina always presented and backed their own candidates to the gubernatorial house. But things work markedly different in Brazil. First, if the incumbent party does not run for reelection nor take part in a gubernatorial electoral coalition but supports an out-party runner to the governorship, I relied on the vote share received by the out-party candidate in question. These instances included the gubernatorial candidacies of Wall Ferraz (PSDB-PI, 1990), Lavoisier Maia (PDT-RN, 1994), Amazonino Mendes (PPB-AM, 1994), Jose Ferreira (PSDB-ES, 1998), Alvaro Dias (PP-PR, 1994), and Teotino Vilela (PSDB-AL, 2006). Second, if the incumbent party runs for reelection or becomes a member of an electoral coalition but the sitting governor her/himself sponsors an out-party

[215] The main reason for such an insignificant vote share obtained by the gubernatorial incumbent party in Espirito Santo is related to the several acts of corruption that involved governor Jose Ignacio Ferreira (PSDB, 1998-2002). Pressed by his own party and an impeachment attempt, Ferreira abandoned the PSDB in 2001. Along with other politicians who had been expurgated from politics, such as senator Luiz Estevão (forced to resign by the Sao Paulo's TRE) and federal deputy *suplente* Talvane Albuquerque (accused of orchestrating the assassination of federal deputy Ceci Cunha to capture her seat), Ferreira affiliated to the small PTN. In the 2002 election, Ferreira's political support zigzagged between the candidates of the PSDB and the PTN, Paulo Ruy and Walter Maciel, who obtained 1.5 and 0.2 percent of the vote respectively.

[216] The provincial incumbent party in gubernatorial elections held at the end of federal interventions (i.e., Catamarca 1991, Corrientes 1992 and 2001, and Tucumán 1991) is that removed from office by the intervention in question. Models coding the provincial incumbent as the party of the sitting president reached identical results.

candidate in a process of political grooming known as *apadrinhamento* (or “godfatherism”), I estimated separate models using the vote share obtained by the regional in-party candidates and that received by the governors’ personally elected successors.[217] The latter cases included the candidacies of Geraldo Bulhões (PSC-AL, 1990), Helio Garcia (PRS-MG, 1990), Said Xerfán (PTB-PA, 1990), Ronaldo da Cunha (PMDB-PB, 1990), Paulo Ruy (PSDB-ES, 2002), Aecio Neves (PSDB-MG, 2002), and Eduardo Dutra (PT-SE, 2002). Finally, if the party in control of the governorship changes during a given gubernatorial term, several coding rules may apply.[218] Recall that incumbent party changes can occur either because the sitting governor switches party while in office, because he/she stands down to run for other elected post leaving executive office to a vice-governor from a different political party, or because the sitting governor is forced to resign. In the first case, incumbency is coded based on the governor’s new party affiliation. In the second scenario, I relied on the vice-governor’s party affiliation if he/she acts as governor for more than one year or runs for reelection against his/her predecessor’s candidate. In the third case, I simply drew upon the party affiliation of the new governor.[219]

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[217] Statistical results proved to be highly robust remaining virtually unchanged.

[218] Party switching is a common practice among Brazilian politicians. See Nicoloau (1996) and Desposato (2006) on the determinants of party switching in the Chamber of Deputies. See Appendix C, Table 13 for detailed information about gubernatorial party switching throughout the period under consideration.

[219] The only case of a vice-governor from a different party than that of the governor who acted as such for more than one year is Manuel Barros (PTB-AL, 1997-1998), whereas acting governor Benedita da Silva (PT-RJ, 2002) ran for reelection against his predecessor’s candidate (and wife) Rosinha Garotinho (PSB). There were three cases in which the incumbent governors were forced to resign. In all of them, the outcoming governor was replaced by the runner-off candidate in the previous election. First, governor Mao Santa (PI-PMDB, 1994-2001) was separated (*cassado*) from the governorship by the TSE charged with illegal use of public resources while campaigning for his reelection. The governorship went to Hugo Napoleão (PFL). Second, governor Neudo Campos (PPB-RR, 1994-2001) resigned pressed by several cases of corruption. Later on, he was imprisoned charged with leading the *mafia dos gafanhotos*, a corruption scheme through which Campos and other state-level politicians and bureaucrats took the salaries of

The basic research design employed to measure the effect of particularistic spending on regional incumbent vote share approximates the statistical models used by aggregate level economic voting literature in the U.S. and other federal nations. My approach is then based on a pooled cross-sectional time-series analysis, which allows me to compare the effect of national and subnational factors across geographic subunits. I rely on ordinary least squares (OLS) with panel corrected standard errors to address potential problems of heteroskedasticity. I also use the unit-fixed effects technique, which is a common approach for analyses of panel or cross-sectionally dominant pooled data.[220] Yet contrary to research that treats these unit (state) effects as mere control variables, I argue that they are of great analytical interest precisely because state dummies encompass information about how the explanatory variables work in specific historical cases. Considering the current state of the debate among methodologists and the lack of clear statistical conventions involving panel data, I have cross-checked my results using a random effects model. Results obtained through this alternative approach remained almost identical to those reported below.[221]

"ghost" public employees. The governorship was occupied by Francisco Flamarion Portela (PSL). Reelected two years later, Portela was also *cassado* by the TSE under charges of using the state machine to promote his reelection. Paradoxically enough, the state executive went to former governor Ottomar Pinto (PTB), who had been accused of committing the same crime during his 1990-1994 mandate.

[220] As mentioned earlier, the mean of the incumbent party vote share variable in Argentina and Brazil is 48.7 and 41.2 percent respectively. I exclude as baselines in the fixed effects models the states of Cordoba (48.1 percent) and Espirito Santo (41.7 percent). Coefficients for the fixed-effects thus indicate the effect of patronage and pork-barrel over a province/state compared with the effect over their respective baselines.

[221] In all the regressions, a Hausman specification test rejects the suitability of using random effects (chi2 > .05). Arguably, random effect models are more suitable to analyze data where the units are chosen randomly from a population. This assumption, however, does not apply here since my data encompass the entire universe of cases. See Appendix C for specification tests including Hausman results and models with random effects. All models using this technique are available upon request.

All electoral results are from the first round, even if second round elections were held to determine the gubernatorial winner.[222] An issue of concern with comparative cross-state analysis stems from the fact that the size of the datasets from different countries may not be perfectly identical (Tucker 2006). All things being equal, countries with larger number of regions and elections would generate estimations with higher confidence levels simply because more data reduces uncertainty. From a mathematical viewpoint, however, variation in the size of the datasets used in this dissertation is not sufficiently great so as to affect the empirical results. Indeed, having smaller number of observations in Argentina does not generate less or poorer support for the central hypotheses explored below. From a research design stance, my analysis does not employ a potentially biased sample of cases but rather the entire universe. In sum, while there certainly is some discrepancy in the number of observations in the two datasets, by no means does this fact preclude the elaboration of substantive comparisons between cross-state dynamics and patterns observed in both federations.[223]

[222] Second round elections took place in Ciudad de Buenos Aires (2003*), Chaco (1995*), Chubut (1991), Corrientes (1997, 2001*), Tierra del Fuego (1991, 1999*, 2003*), Acre (1990, 1994), Amapá (1990, 1994, 1998, 2002), Bahia (1994), Ceará (2002), Distrito Federal (1994*, 1998*, 2002), Espirito Santo (1990, 1994), Goiás (1994, 1998, 2006), Maranhão (1990*, 1994, 2006), Mato Groso do Sul (1998*, 2002), Minas Gerais (1990, 1994*, 1998), Pará (1990, 1994*, 1998, 2002, 2006), Paraiba (1990*, 1994, 2002), Paraná (1990*, 2002*, 2006), Pernambuco (2006), Piaui (1990, 1994*, 1998*), Rio de Janeiro (1994, 1998, 2006), Rio Grande do Norte (1990, 2002, 2006), Rio Grande do Sul (1990, 1994, 1998*, 2002, 2006), Rôndonia (1990*, 1994, 1998, 2002), Roraima (1990, 1994, 1998, 2002*), Santa Catarina (1994*, 2002*, 2006), São Paulo (1990*, 1994, 1998*, 2002), Sergipe (1994, 1998, 2002), and Tocantins (1990). Elections marked with an asterisk indicate those contests in which the final winner had lost in the first run.

[223] Variation in measurement error by country can also affect our confidence in the model estimations by introducing inefficiency into the analysis (King, Keohane, and Verba 1994). Nonetheless, I do not have good reasons to expect more measurement error in Argentina than in Brazil or vice-versa. Although the latter country has probably a more efficient bureaucracy, clearer fiscal legislation, and a longer tradition in recording information on financial matters, official data on state macroeconomic issues is more developed in Argentina. I do think, however, that measurement error was decreasing in the two countries as time passed. Unfortunately, there is no remedy to solve this problem

The crucial independent variables measure state government particularistic spending, regional political competitiveness, intergovernmental fiscal transfers, state incumbency, political scandals, and national and state macroeconomic conditions. My models also include a battery of societal and demographic variables that are thought paramount in explaining patterns of electoral support for political parties. When data for these indicators are not available for a given year, I use the linear interpolation between the two most recent years for which official figures do exist. The operationalization of the explanatory variables included in the analyses is described below. Data sources are as detailed in the Appendix C, Table 14.

All models estimate regional incumbents' strategic efforts to harness public expenditures with the purpose of influencing voters' behavior and affecting electoral results by means of two variables. The first variable is patronage spending, measured on the basis of state expenditures on public sector employment as described above. The second variable is pork-barrel spending, measured as state expenditures on geographically targeted infrastructure and capital projects as explained earlier in this chapter.[224] Both variables are measured in per elector (adult 18 or older) constant values. I use the natural log to reduce skewness. By expressing values in per elector terms, my models account for patronage and pork-barrel spending relative to their potential level of demand. This measure has therefore an important theoretical advantage over absolute and

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because any attempt designed to ameliorate such a difficulty (including pooling the data between countries) will still generate results on the basis of time-based measurement error.

[224] Ideally, one would draw upon municipally allocated expenditures within states and across diverse governmental agencies. This information would allow me to disaggregate the major spending categories in the state budgets, select individual items and programs, and track budgetary trade-offs. But subnational authorities are resilient to realizing these data. I collected municipal-level data for a reduced number of states, though. These data will be used in further extensions of this dissertation to investigate municipal patterns of gubernatorial spending in several case studies.

share indicators since it integrates politicians' incentives to spend (supply-side) with voters' latent dependence on public largesse (demand-side). To capture differing dimensions of redistributive politics I estimated four different models using alternative measures of patronage and pork expenditures: (a) spending during the year of the gubernatorial election (Model 1); (b) spending averaged over the electoral and pre-election years (Model 2); (c) spending averaged over the four years of each gubernatorial term (Model 3); and (d) spending as percentage of budgetary expenditures net of interest payments of the state debt (Model 4).[225] The first three indicators capture the timing of patronage and pork-barrel whereas the forth indicator captures the relative priority placed to patronage and pork within the state budget.[226]

The Figures 26 and 27 map the averaged percentage of government spending that Argentine and Brazilian states devoted to public employment and infrastructure projects throughout the period under study. The figures clearly reveal than Argentine provinces spend more on patronage while Brazilian states spend more on pork. They also exhibit large variation across states within both federations. On average, the metropolitan provinces in Argentina (Buenos Aires, Cordoba, Mendoza, and Santa Fe) spent almost 10 percent of their budgets on pork-barrel, while San Luis assigned close to 30 percent to similar activities. Considerable

[225] I also explored the possibility that stream flows of government resources might impact gubernatorial electoral outcomes. To do so, I measured expenditure allocations as yearly differences. In no specification, however, did these coefficients approach statistical significance. For that reason, I decided not to report them.

[226] Moreover, Model 2 accounts for the potential impact of Brazilian electoral and fiscal rules that limit the expansion of state personnel spending in election years and ban incumbent governors from participating in the inauguration of infrastructure works. See Chapters 2 and 3 for a detailed description of these rules. Although in the four models the personnel and infrastructure spending variables are correlated at the 5 percent level (r = .733, .745, .727, -.483; and .318, .444, .475, -.354 for Argentina and Brazil respectively) statistical results are robust to specifications including each of these variables separately.

differences are also evident with regards to public employment, with provinces such as Tierra del Fuego devoting an average of nearly 67 percent of its budget and La Pampa spending 41 percent to that area. Brazilian states also show significant variation. For instance, Tocantins dedicated an average of nearly 37 percent to infrastructure and capital projects, while Alagoas only devoted a marginal 5 percent. As for public employment, Acre dedicated approximately 55 percent of its budget to finance the state bureaucracy, while Roraima dedicated close to 25 percent to that spending category. As it can be appreciated in Figures 28 and 29, subnational variation in both patronage and pork-barrel expenditures is not a function of state size given that they also vary in per elector terms.

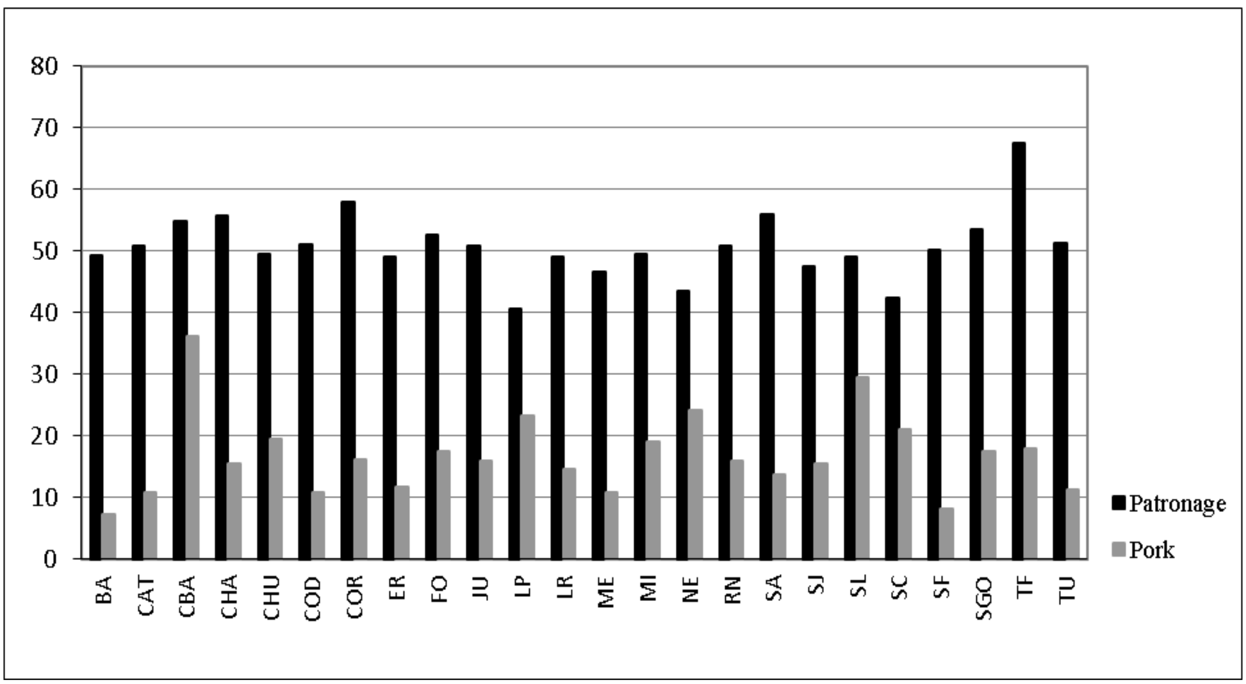

Figure 26: Averaged Percentage Spending in Patronage and Pork-Barrel. Argentine Provinces, 1985-2003

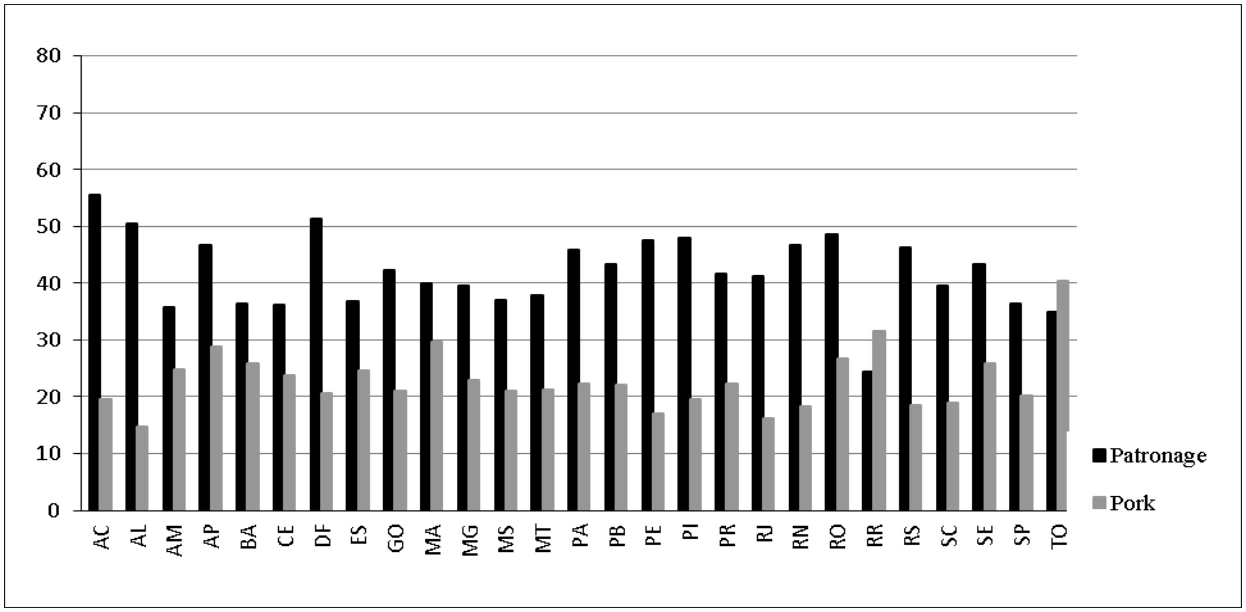

Figure 27: Averaged Percentage Spending in Patronage and Pork-Barrel. Brazilian States, 1985-2006

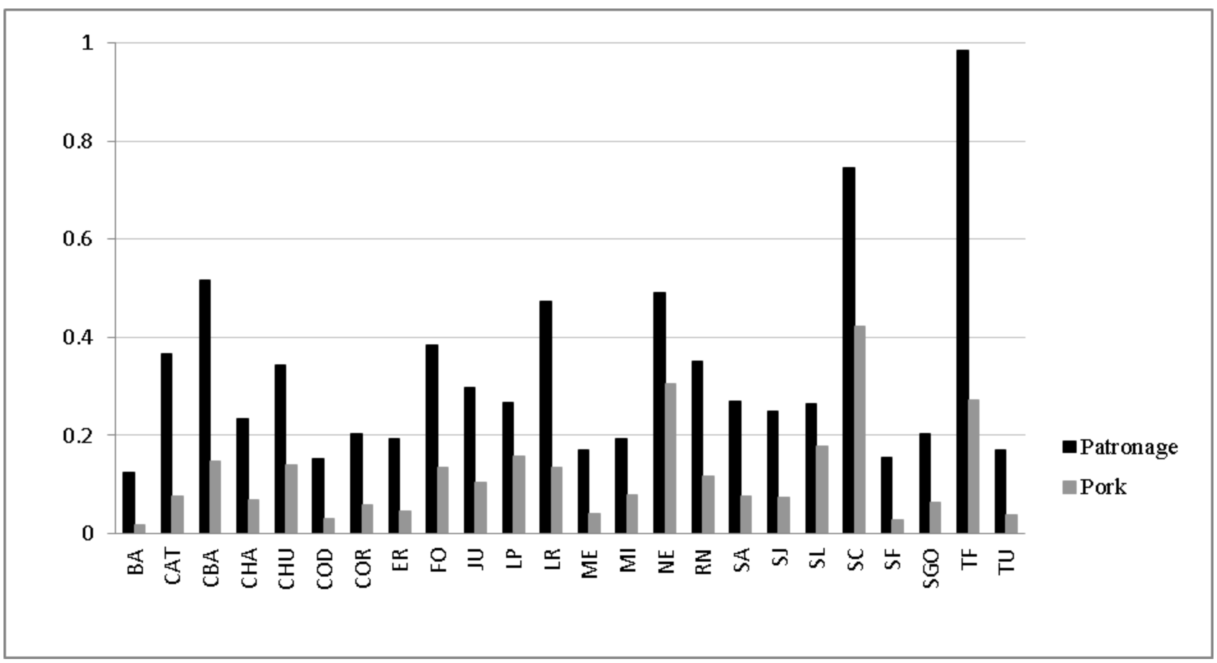

Figure 28: Averaged Per Elector Spending in Patronage and Pork-Barrel. Argentine Provinces, 1985-2003

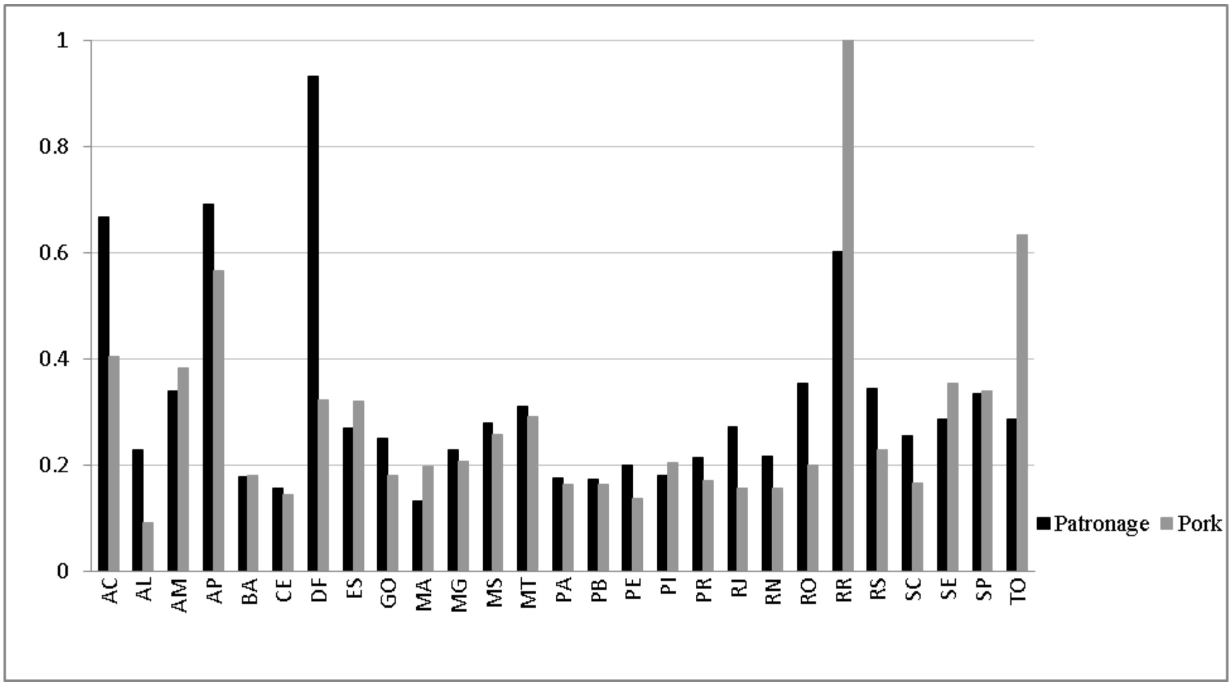

Figure 29: Averaged Per Elector Spending in Patronage and Pork-Barrel. Brazilian States, 1985-2006

The impact of electoral competition at the state-level is measured on the basis of the effective number of competing parties (or electoral coalitions) in each gubernatorial contest. I estimate this variable using the Laakso and Taagepera (1979) index of $1 / \Sigma\, \upsilon^2_{(i)}$, where $\upsilon_{(i)}$ is the share of votes for every party *i*. Although this index has become the standard measure for the comparative analysis of party systems (Caulier and Dumont 2003), it has been argued that it does not apply well to some empirical situations because it over-counts the larger party (Molinar 1991) and increases consistently with greater atomization. I tested the robustness of my findings employing the Molinar alternative index of $1 + \text{ENP}\ (\Sigma\, \upsilon^2_{(i)}) - \upsilon^2_{(1)}\ /\ \Sigma\, \upsilon^2_{(i)}$, where ENP is the Laakso and Taagepera index, and $\upsilon^2_{(1)}$ is the proportion of the votes of the winning party squared.

In contrast to Laakso and Taagepera, the Molinar index counts the winning party as one and weights ENP by the contribution of the smaller parties. Conceptually, it focuses on the gap between the winning party and other parties. Small/large gaps mean more/less political competitiveness. In dominant party systems like those prevailing in many Argentine and a few Brazilian states, this index therefore yields fewer party numbers than Laakso and Taagepera. Both indexes are positively correlated in Argentina and Brazil (r = .663 and .868, p >.05 respectively), and despite some minor differences discussed below they produce highly consistent results.

In Argentina and Brazil, the effective number of parties competing in gubernatorial elections varies across states and within a state over time. Values for this variable in the former country range from 1.2 in the province of San Luis (1999 and 2003 elections) to 4.9 in Ciudad de Buenos Aires (2003), with a median of 2.5 and a standard deviation of 0.64. Values for Brazilian states range from 1.5 in Alagoas (1994), Maranhão (1986), and Paraiba (1998) to 5.1 in Rôndonia (2002), with a median of 2.5 and a standard deviation of 0.63. The similarity of these values may obscure sharp differences between the nature of political competition for state executive office in Argentina's and Brazil's subnational polities. As we have mentioned in Chapter 1, gubernatorial candidates in both countries lead a state based party branch and attempt to incorporate other politicians to their camps. But while Argentine candidates command strong and well-organized parties, their Brazilian colleges represent changing multiparty alliances. Indeed, competition for subnational leadership in Argentina has traditionally taken place between the PJ, the UCR, and several provincial parties with expressiveness in only one province thus making most subnational party systems in the country either dominant or hegemonic (Malamud and De Luca 2005). Party life in this context is typically controlled by a single leader, who allows and sometimes fosters the possibility of intra-party competition among different factions and second-tier politicians, or by a small group of influential individuals. By contrast, most Brazilian states are plagued by varied mosaics of small and weakly organized parties with low capacity to win the governorship (Lima Júnior 1983, 1997). The local bosses of these parties line up behind favorite gubernatorial candidates to survive politically. They "sell-off" their electoral support in exchange for cabinet positions, administrative appointments, and slots for federal and/or state deputy slates (Samuels 2000a, 2000c). In short, political competition for territorial power is basically partisan and factional in Argentina, and coalitional and personalized in Brazil. We will see in the next few pages that the presence (lack) of dominant parties with dense organizational networks affects the electoral gains obtained from patronage and pork-barrel spending by either facilitating or impeding politicians to screen between true voter loyalists and opponents.

For theoretical reasons explained in the previous section, I expect that the electoral effect of patronage and pork will be conditional upon variations in the structure of regional political competition at the time of election. While based on rational choice accounts several scholars predict that past levels of political competitiveness shape self-interested politicians' willingness to target public funds, I expect a contemporaneous effect of party competition on the electoral returns reaped from different redistributive strategies. Furthermore, I anticipate that patronage and pork will provide distinctive premiums for Argentine and Brazilian incumbents in the electoral market. Specifically, I hypothesize that the impact of particularistic spending in public sector employment will be higher across Argentine provinces. In contrast, the impact of spending in local infrastructure projects will be more important across Brazilian states. The positive effect of budgetary allocations, I argue, decreases with increasing levels of competition for subnational elected office. In order to test these propositions, I introduce two multiplicative interaction terms to each model specification. State government spending on both personnel and pork-barrel are therefore interacted with the effective number of parties competing in gubernatorial elections.

Differences between subnational party systems aside, we may expect regional voters in both Argentina and Brazil to associate redistributive politics, economic outcomes, policy choices, and contingent political events not simply with the particular incumbent governor but with his/her party as well. Thus, when an incumbent retires from politics (i.e., when s/he does not run for an elected position immediately after the end of his/her state executive mandate), we can assume that his/her party or candidate shoulders responsibility for the governor's performance over the prior office term. But when an incumbent does run for office, s/he typically enjoys the benefits associated with the manipulation of public resources and other well-known advantages to protect their turfs. These electoral assets make elections with an incumbent notably different from open races. To account for this fact, I include in my estimations a dummy variable indicating the presence of an incumbent governor running for reelection immediately after the end of his/her term in office: 44 and 54 observations in Argentina and Brazil respectively. Alternatively, I also estimate models with dummy variables indicating whether the incumbent governor runs for an elected (lower or higher) position other than the governorship immediately after the completion of their mandates: 45 and 38 observations in Argentina and Brazil respectively. Although I expect state executive incumbents to fare better than open-seat candidates, whether and to what extent state governors running for reelection perform better than those running for other office is an open question.

In order to deal with the effect of regional features that are relatively stable through time, I include a measure of the gubernatorial incumbent party's "normal vote" within each state. This variable serves as an indicator of the partisan predisposition of the states, and the degree of electoral support a given candidate is expected to receive.[227] In addition, it partially controls for the endogeneity problem of electoral results being affected by government spending and that spending being itself dependent from the expected electoral results (see below). Prior research has measured the normal vote in very different ways: the lagged vote for a given office (Erikson 1971; Remmer and Gélineau 2003; Gélineau and Remmer 2005; Gélineau and Bélanger 2006), the lagged vote corrected with lagged party control (Gelman and King 1990), unit and/or time fixed effects (Levitt and Wolfram 1997; Rodden and Wibbels 2005; Ansolabehere and Snyder 2002a, 2002b), and survey-based data of party identification (Erikson, Wright, and McIver 1993). Even in stable democracies, scholars have shown that the lagged vote for a single office is a poor proxy for the normal vote because it contains both the effect of incumbency advantage plus any idiosyncratic factor that may affect the results of an election. Presidential vote alone is

[227] Arguably, the decision to include a variable accounting for previous party vote mitigates the ecological problem associated with the use of aggregate level data because it constitutes a proxy of voters' partisan identification and policy preferences. In addition, it serves to mitigate a potential problem of endogeneity in the statistical models (see discussion below).

also biased because it reflects national rather than subnational party divisions (Gelman and Huang 2004). Of course, state-level surveys solve these problems but they are only available for a very limited group of states in a reduced number of years.

In spite of the inherent error associated with this variable, I operationalize the normal vote as a running average from multiple prior elections. Concretely, I draw upon the average share of the vote obtained by the state incumbent party in the previous gubernatorial, congressional (national deputy), and presidential contests. Using presidential elections as an indicator of the normal vote, however, is highly problematic in the case of Brazil. First, the Brazilian president was not popularly elected until 1989. Second, former mitigate president Fernando Collor de Mello (1990-1992) created a minuscule party with virtually no political expression in the states, the PRN, to run for the presidency. And third, vice-president Itamar Franco (1992-1994) did not formally belong to any political party when he assumed the presidential office after Collor's forced resignation. Consequently, estimates for Brazilian states rely on a variable measuring the average vote of the previous gubernatorial and national deputy elections. Results were cross-checked by including the presidential vote for state executive elections held between 1994 and 2006, when presidents had an explicit party identification. A second difficulty that raises the question of how one would determine the correct normal vote in Brazil is the fact that parties appear and disappear between elections. When the gubernatorial incumbent party had not previously run for the governorship (either because it did not present candidates or did not exist), I rely on the vote share received by the party of the sitting governor at that time.[228] In line with dominant literature on party systems in Argentina (Cantón and Jorrat 2002; Lupu and Stokes 2009; Torre 2003) and Brazil (Ames 1995a, 1995b, 2001; Ames and Power 2006; Dix 1992; Mainwaring 1991, 1997; Mainwaring and Scully 1995; Renno 2000; Samuels 2006; Schneider 1973), I expect the normal vote variable to be a strong predictor of voting behavior across states of the former polity but not across territorial subunits of the latter. Although there is some controversy among Brazilianists about the degree to which parties are truly institutionalized actors, both party affiliation and organization have traditionally meant much more and played a higher role in Argentine than in Brazilian politics.

Along with somehow invariant political dynamics, contingency may impact electoral results. Mostly due to practical data constraints, extant research on subnational voting has been silent regarding the effect of a key contingent factor: political scandals.[229] Based on qualitative data collection, I coded political scandals directly or indirectly involving incumbent governors and vice-governors.[230] Following Pérez-Liñán (2007: 65), who has convincingly shown that political scandals were a common denominator in all six cases of presidential impeachments occurred in Latin America, I operationalize "scandal" as an event disclosing an act of corruption

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[228] This rule applies to the gubernatorial contests held in Acre (1990, 1998), Amazonas (1994, 2002), Alagoas (1990, 2006), Espirito Santo (1990, 1994, 2002) Minas Gerais (1990), and Rio Grande do Norte (1990).

[229] Some American scholars (see Chappel and Keech 1985) have included in their time-series analysis of economic voting a variable to test for the effect of the Watergate.

[230] For Argentina, I used the national newspapers *Clarín* and *La Nación*, and several on-line provincial newspapers. For Brazil, I relied on the *Dicionário Histórico-Biográfico Brasileiro Pós-1930*, and folders archived at the Senate library that contain information published by the national newspapers *O Globo, O Estado do Sao Paulo*, *Folha de Sao Paulo, Jornal de Brasília, Jornal do Brasil,* and *Correio Braziliense*. Needless to say, systematic data collection on subnational political scandals is particularly difficult (if not impossible) for a single researcher. My inventory is therefore necessarily incomplete. But it has two virtues. First, it includes the most serious acts of corruption and misuse of power since they cannot pass unnoticed for national news stories. Second, it constitutes the only treatment of political scandals at the subnational level.

or abuse of power performed by (these) politicians. My measure is then a dummy variable coded 1 if the governor or vice-governor were involved in a political scandal during their terms in office and 0 if they were not. I expect a negative and significant coefficient on the scandal variable suggesting that the state electorate does indeed punish incumbents for getting involved in political wrongdoing.

A critical insight of this dissertation is that a focus on either national or state politics alone is inappropriate for explaining the nature of power-building along territorial lines. In all federalized political systems, subnational office-holders derive their resources and preferences from a pattern of influences involving the national and regional levels. In the former level, governors articulate with the national government, the federal bureaucracy, and congressional legislators. In the latter, they deal with state legislatures, mayors, and ordinary voters. Building territorial power thus requires subnational political leaders to play out across vertical and horizontal axes of intergovernmental relations. In this two-level game, national executives can help or undermine state incumbents' efforts to advance their party and/or personal aspirations by reallocating material resources to the states. Building upon the measurement of discretionality elaborated in Chapter 1, I test for this possibility by including alternative measures of federal grant allocations that reflect gubernatorial discretion over the use of transfer funds. Accounting for the effect discretional gubernatorial transfers constitute a significant improvement over prior research (Gibson and Calvo 2001; Gordin 2004; Jones 2001; Gélineau and Remmer 2005; Remmer and Gélineau 2003; Remmer and Wibbels 2000), which has repeatedly failed to assess how national and subnational executives can actually manage the federal money with coalition-building goals (see Bonvecci and Lodola 2011). To the extent that higher amounts of federal transfers entail lower local taxes, I expect the fiscal transfer variable to carry a positive sign.

Finally, to empirically test whether and how regional voters' assessments of the economy affect gubernatorial election outcomes, I include a series of aggregate variables that accounts for national and state macroeconomic conditions. Adopting a familiar pattern from the referendum and economic voting models, I stress aggregate level hypotheses with plausible assumptions about individual level behavior.[231] My assumption is that citizens who are satisfied with the condition of the economy are more likely to vote for incumbent parties/candidates than economically dissatisfied voters. I do not make any assumption about the likelihood of finding citizens more inclined to evaluate the performance of the national or the regional economy when casting their votes. Thus, if the national economic measures prove to be statistically significant, state executive elections are affected by national trends. If the state economic variables reach significance, voters factor regional performance and hold incumbents responsible for the health of their districts. And if variables measuring the difference between state and national indicators are statistically significant, electoral constituents evaluate the performance of regional officials by considering whether the local economy is doing better or worse than the national economy. Note that these simple statements are essentially different from the standard retrospective voting hypotheses discussed earlier in this chapter. The argument tested here is *not* that voters compare changes in the economy between the existing and previous government in order to evaluate

[231] Of course, this does not mean that such variables can function as a test for micro-level propositions or for the individual level behavior itself.

incumbents' political competence. Rather, the prediction is that incumbents enjoy greater (lower) electoral strength where the economy is stronger (weaker).

I measure national macroeconomic performance by relying on three conventional indicators: the monthly change in the consumer price index lagged one month with respect to the date in which a specific gubernatorial race occurred, the annual rate of national unemployment, and the annual change in national GDP both weighted for the electoral month.[232] State macroeconomic performance is captured by means of the weighted annual rate of state unemployment (limited to a reduced number of years for the Brazilian states due to data inconsistency), and the annual change in provincial GDP.[233] In addition, I include measures of "relative" GDP and "relative" unemployment as measured by the national GDP/unemployment rate relative to the provincial GDP/unemployment rate. Because inflation, unemployment, and declines of GDP affect the purchasing and income power of voters, I expect that these factors will be hurtful for incumbents regardless of their political affiliation.

The Tables 2 and 3 present the correlation values for national and state economic indicators in Argentina and Brazil respectively. As we can appreciate, there is a considerable deal of correlation between national and subnational trends in the two countries. This fact of

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[232] I use the following formula of the natural logarithm of the inflation rate: ln $[1 + i]$ for any case of $i \geq 0$, and – ln $[1 + |i|]$ if $i \leq 0$ (i.e. deflation), where i is the annual percent change in the consumer price index (see Mainwaring and Pérez-Liñán 2005). As in prior studies, the weighted macroeconomic indicators are calculated on the basis of the following formula: $\rho = [\rho_{(t-1)} * (12-\sigma_{(t)}) / 12]_{+} [\rho_{(t)} * (\sigma_{(t)} / 12)]$.

[233] Official data on state unemployment in Brazil is limited to six metropolitan areas. I calculated unemployment rates for the remaining states based on their economic active population as it is reported by the *Pesquisa Nacional por Amostra de Domicílios*, PNAD-IBGE and the national periodical censuses. Unfortunately, data to compute this variable are not available for the 1983-1991 period.

course limits our ability to rely exclusively on econometric models including both types of indicators at the same time. To avoid multicollinearity, I estimated separate models for national and state-level economic variables. I introduced each national and state indicator individually so as to assess its separate effect, and simultaneously to capture their combined impact. Furthermore, in order to test the referendum voting hypothesis that the president's management of the economy affects subnational electoral results, I interacted the national economic indicators with dummy variables denoting whether a regional incumbent candidate belongs to the presidential party (Argentina) or to the presidential cabinet coalition (Brazil). For Argentina, I coded provincial incumbency as belonging to the PJ or to the UCR/Alianza. For Brazil, I draw upon Amorin Neto's (2002) data on presidential cabinet coalitions (see Appendix C, Table 15).

Table 2: Correlation between National and State Macroeconomic Conditions at the Time of Argentine Gubernatorial Elections, 1987-2003

	Une (N)	Une (S)	Une (R)	CPI	GDP (N)	GDP (S)	GDP (R)
Unemp (N)	1.000						
Unemp (S)	.718*	1.000					
Unemp (R)	-.366*	.385*	1.000				
CPI	-.813*	-.615*	.254*	1.000			
GDP (N)	-.613*	-.524*	.118	.341*	1.000		
GDP (S)	-.301*	-.288*	.012	.118	.567*	1.000	
GDP (R)	0.109	-.054	-.079	-.121	-.085	.773*	1.000

Note: Entries are Pearson's R correlation coefficients with significance at $p < .05$ level. (N)= national; (S)=state; (R)=relative.

Table 3: Correlation between National and State Macroeconomic Conditions at the Time of Brazilian Gubernatorial Elections, 1986-2006

	Une (N)	Une (S)	Une (R)	CPI	GDP (N)	GDP (S)	GDP (R)
Une (N)	1.000						
Une (S)	.394*	1.000					
Une (R)	-.078	.885*	1.000				
CPI	-.351*	.047	.130	1.000			
GDP (N)	-.515*	-.335*	.127	-.365*	1.000		
GDP (S)	-.122	-.186	.020	-.383*	.605*	1.000	
GDP (R)	.116	-.045	-.045	-.289*	.232*	.915*	1.000

Note: Entries are Pearson's R correlation coefficients with significance at $p < .05$ level. (N)= national; (S)=state; (R)=relative

Considering that an important explanation for variation in patterns of electoral support for political parties and citizens' vulnerability to particularistic appeals emphasizes the role of demographic and societal factors, I include a battery of variables that tap into this question. A large literature on the topic that comes from studies of Western European countries points to the importance of labor patterns, rural-urban splits, and ethnic cleavages (see Lipset and Rokkan 1967 and the voluminous work that followed it). The variables chosen in this study to tackle the effect of these factors on vote share are the state population density (log), the state median voter's income (log), the percentage of the workforce employed in agriculture and industry, and the percentage of the population living in rural areas. Along with societal voting patterns, I finally test for regional distinctions in the efficacy of patronage and pork. Region is crucial in the particularistic equation. Specifically, the absence of alternative sources of employment, social mobility, and infrastructure is expected to generate greater societal dependence from government largesse. This dependence is likely to be stronger in underdeveloped and less industrialized states. Consequently, I estimated models with dummy variables for Argentine and Brazilian peripheral regions.[234] Summary statistics for the economic and societal variables used in this analysis are presented in Tables 4 and 5. The generic version of the model is specified as follows:

Incumbent Vote Share = $\alpha + \beta_1$ *Personnel Spending* + β_2 *Infrastructure Spending* + β_3 *Effective Number of Parties* + β_4 *Personnel Spending* * *Effective Number of Parties* + β_5 *Investment Spending* * *Effective Number of Competing Parties* + β_6 *Federal Fiscal Transfers* + β_7 *Political Scandals* + β_8 *Incumbency* + β_9 *Normal Vote* + β_{10} *National / State Economic Conditions* + β_{11} *Societal and Demographic Conditions* + β_{12} *Regions* + ε

[234] In Argentina, the peripheral region comprises all provinces but the metropolitan Buenos Aires, Ciudad de Buenos Aires, Córdoba, and Santa Fe. I also estimated models coding Mendoza as metropolitan. In Brazil, it is composed of the poor states located in the North (Acre, Amapá, Amazonas, Pará, Rondônia, Roraima, and Tocantins) and Northeast (Alagoas, Bahia, Ceará, Maranhão, Paraiba, Piauí, Pernambuco, Rio Grande do Norte, and Sergipe).

Table 4: Descriptive Statistics for Macroeconomic and Socio-demographic Variables. Argentina, 1986-2003

Variable	Mean	Standard Deviation	Minimum	Maximum
National Unemployment (%)	.117	.047	.054	.190
State Unemployment (%)	.106	.048	.018	.204
Relative Unemployment (%)	-.011	.036	-.148	.063
CPI (ln)	.697	1.06	-.4	2.69
National GDP	.028	.039	-.092	.106
State GDP	.028	.062	-.24	.151
Relative GDP	-.000	.051	-.295	.131
Median Voter’s Income (ln)	6.13	.295	5.53	6.99
Population Density (ln)	2.18	1.83	-.030	9.63
Rural Population (%)	.199	.109	0	.513
Labor Agriculture (%)	.025	.028	.002	.172
Labor Industry (%)	.193	.047	.114	.329

Table 5: Descriptive Statistics for Macroeconomic and Socio-demographic Variables. Brazil, 1986-2006

Variable	Mean	Standard Deviation	Minimum	Maximum
National Unemployment (%)	.060	.018	.032	.083
State Unemployment (%)	.075	.030	.025	.2
Relative Unemployment (%)	.003	.028	-.048	.117
CPI (ln)	.946	.823	-.02	2.54
National GDP	.029	.030	-.014	.075
State GDP	.042	.072	-.129	.247
Relative GDP	1.34	5.89	-11.47	18.12
Median Voter's Income (ln)	6.13	.410	5.2	7.06
Population Density (ln)	2.95	1.55	-.105	5.87
Rural Population (%)	.265	.121	.04	.63
Labor Agriculture (%)	.038	.028	.003	.143
Labor Industry (%)	.210	.084	.069	.469

5.4 EMPIRICAL ANALYSIS

The estimates of four different specifications of my basic model measuring the electoral returns of patronage and pork-barrel allocations in the Argentine and Brazilian provinces/states are reported in Tables 6 and 7 respectively. Quite simply, I found strong empirical evidence supporting the claim that public sector employment (patronage) works in favor of Argentine –but not of Brazilian– provincial in-party candidates while targeted infrastructure projects (pork-barrel) benefit Brazilian –but not Argentine– gubernatorial incumbent candidates. As expected, the electoral premiums reaped from these different redistributive mechanisms of mobilization are conditioned by the structure of regional political competition: spending effects are highest in monopolistic electoral turfs and gradually decrease until become null in highly competitive electoral markets.

In Argentina, the point estimates for the personnel spending variable measured in the gubernatorial election year (Model 1) and its interaction with the effective number of competing parties in gubernatorial races are .302 and -.100 respectively. These coefficients are statistically significant, both alone and jointly, and can be interpreted as follows. For every point increase in the number of competing parties, the slope of personnel spending on gubernatorial incumbent party vote share decreases by .100. Similarly, the magnitude of the infrastructure investment variable in Brazil indicates that for every point increase in political competition, the slope of infrastructure spending on state incumbent electoral performance decreases by .052.[235]

[235] In all estimations, the effective number of competing parties has a negative and statistically significant effect on subnational incumbent vote share. Conditional coefficients for this variable indicate that such an effect is significant at all relevant values of the personal (Argentina) and infrastructure (Brazil) spending variables. Thus, a higher level of political competition is a sufficient condition to reduce incumbent vote share.

Table 6: Redistributive Spending and Electoral Returns in Gubernatorial Elections. Argentina, 1987-2003

	Model 1	Model 2	Model 3	Model 4
Personnel Spending or Patronage (ln)	.302 *** (.115)	.289 ** (.116)	.260 ** (.125)	.679 *** (.157)
Investment Spending or Pork (ln)	-.016 (.045)	.001 (.040)	.045 (.048)	.099 (.064)
Effective Number of Parties	-.058 ** (.029)	-.061 ** (.030)	-.082 *** (.029)	-.385 *** (.069)
Patronage * Effective Number of Parties	-.100 ** (.045)	-.117 *** (.045)	-.091 * (.049)	-.269 *** (.068)
Pork * Effective Number of Parties	.012 (.017)	.010 (.016)	.009 (.016)	-.037 * (.020)
Party Normal Vote	.236 ** (.113)	.237 ** (.109)	.189 ** (.106)	.230 ** (.097)
Incumbent Governor	.036 *** (.012)	.028 ** (.013)	.034 *** (.011)	.046 *** (.012)
Political Scandals	-.010 (.010)	-.003 (.012)	-.002 (.012)	-.011 (.011)
Federal Transfers (ln)	.020 *** (.004)	.024 *** (.003)	.021 *(* (.005)	.020 *** (.007)
Provincial Unemployment	-.441 ** (.181)	-.428 ** (.183)	-.420 ** (.177)	-.607 *** .189
Median Voter's Income (ln)	-.004 (.033)	-.011 (.032)	-.013 (.038)	-.015 (.027)
Population Density (ln)	-.264 *** (.078)	-.243 *** (.054)	-.318 *** (.083)	-.184 ** (.085)
Constant	-.102 (.279)	-.126 (.229)	-.073 (.252)	.793 ** (.273)
R^2 Wald Test	.76 4994.61 ***	.76 1153.45 ***	.77 5518.86 ***	.76 359.86 ***

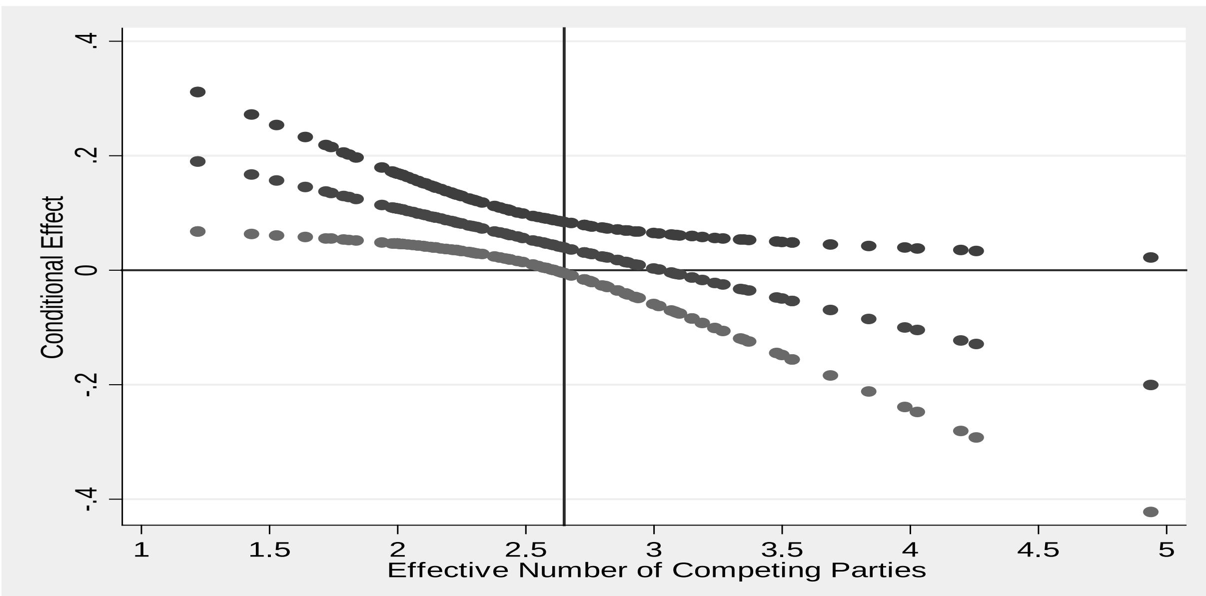
Note: ***p ≤ .01, **p ≤ .05, *p ≤ .1. Dependent variable: Provincial Incumbent Party Vote Share. N=115

Table 7: Redistributive Spending and Electoral Returns in Gubernatorial Elections. Brazil, 1986-2006

	Model 1	Model 2	Model 3	Model 4
Personnel Spending or Patronage (ln)	-.197 (.153)	-.201 (.171)	-.020 (.145)	-.161 (.251)
Investment Spending or Pork (ln)	.143 ** (.048)	.154 ** (.061)	.080 * (.049)	.141 *** (.039)
Effective Number of Parties	-.236 *** (.041)	-.217 *** (.046)	-.202 *** (.037)	-.208 *** (.058)
Patronage * Effective Number of Parties	.028 (.051)	.028 (.058)	-.039 (.049)	.036 (.091)
Pork * Effective Number of Parties	-.052 * (.018)	-.050 ** (.022)	-.011 (.018)	-.049 *** (.014)
Party Normal Vote	.019 (.129)	.062 (.117)	.035 (.120)	.042 (.130)
Incumbent Governor	.101 *** (.028)	.101 *** (.027)	.119 *** (.028)	.106 *** (.026)
Political Scandals	-.098 *** (.025)	-.091 *** (.025)	-.091 *** (.025)	-.100 *** (.026)
Federal Transfers (ln)	.052 ** (.017)	.040 ** (.019)	.032 * (.018)	.063 * (.036)
National Unemployment	-2.55 ** (1.03)	-.1.95* (1.18)	-2.05 ** (.894)	-2.42 ** (.955)
Median Voter's Income (ln)	.106 ** (.047)	.086 ** (.041)	.073 * (.042)	.015 (.031)
Population Density (ln)	-.011 ** (.006)	-.006 (.004)	-.009 (.004)	-.012 ** (.004)
Constant	.423 (.371)	.473 (.364)	.619 * (.342)	.939 ** (.293)
R^2 Wald Test	.63 188.98 ***	.64 551.91 ***	.64 284.91 ***	.61 155.14 ***

Note: ***p ≤ .01, **p ≤.05, *p ≤ .1. Dependent variable: State Incumbent Party Vote Share. N=153

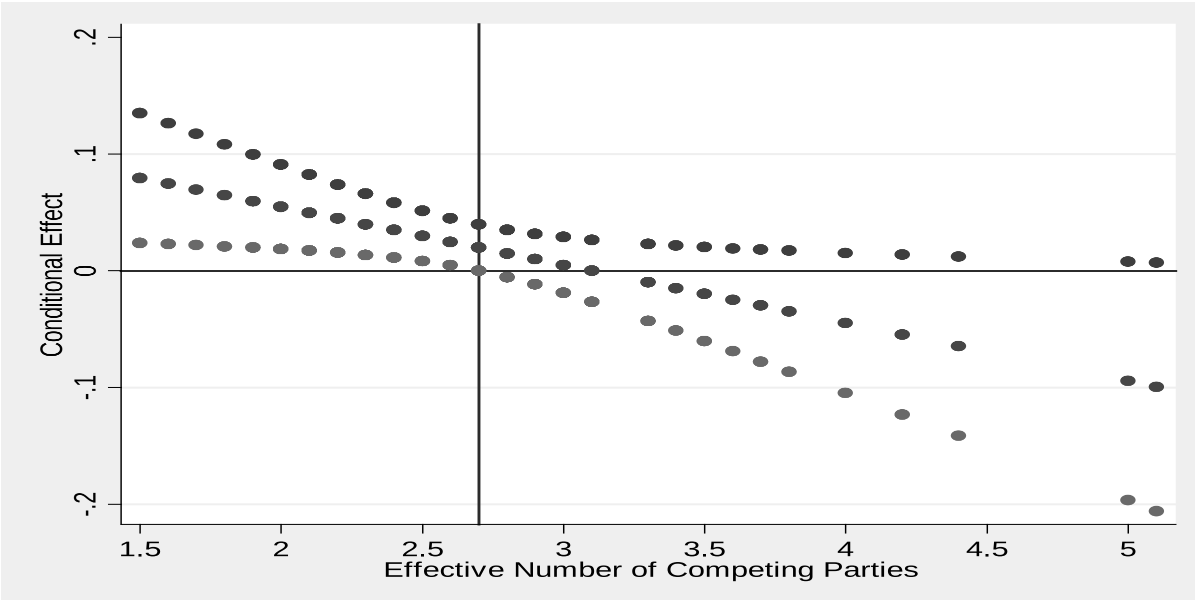
The conditional effect of patronage and pork-barrel on incumbent vote share for Argentina and Brazil are displayed in Figures 30 and 31.[236] The horizontal axis in each figure plots the effective number of competing parties through their sample range. The vertical axis plots the marginal effect on vote share of spending in patronage (Argentina) and pork (Brazil). The middle line in each figure is the estimated conditional effect, while lines above and below the middle line depict lower and upper bounds of the 95 percent confidence interval.



Note: Personnel spending variable measured in gubernatorial electoral year.

Figure 30: Conditional Effect of Personnel Spending on Gubernatorial Incumbent Party Vote Share. Argentina, 1986-2003

[236] Note that these figures display government expenditures measured in the election year (Model 1) for Argentine provinces and averaged over election and pre-election years (Model 2) for Brazilian states. I opted for reporting these displays because they represent the most comprehensive models inasmuch as both fiscal and electoral rules, as we have discussed in previous chapters, set important limits to the way in which Brazilian executive incumbents can manipulate budgetary expenditures in their last year in office. All other displays are quite similar and are available upon request.



Note: Investment spending variable averaged gubernatorial electoral and pre-electoral years.

Figure 31: Conditional Effect of Investment Spending on Gubernatorial Incumbent Party Vote Share. Brazil, 1985-2006

The Figure 30 shows that patronage spending in Argentina has a statistically distinguishable (at the 5 percent level) positive effect on the percentage of votes received by incumbent parties' candidates whenever competition for provincial executive office is approximately 2.6 political parties or lower. Beyond that level of competition, like in the provinces of Buenos Aires and Mendoza during most of the period under analysis, the conditional coefficient cannot longer be distinguishable from zero. This finding parallels a rich base of prior research that has documented the centrality of support networks build around the distribution of public jobs in Argentine politics. With very notable exceptions, however, this literature has conspicuously overlooked to explore the full electoral impact of patronage allocations.[237] My results serve to fill this critical gap by identifying the electoral markets where public sector employment prevails, and demonstrating its relative electoral importance *vis-à-vis* other vote trading strategies based on the provision of semi-public or club goods.

The Figure 31 tells a similar story for pork-barrel spending across Brazilian territorial subunits. Expenditures on public infrastructure projects provide positive electoral returns for gubernatorial candidates whenever political competition for controlling the governorship is equal or lower than 2.7 parties. Far from marginal, such a level of competitiveness characterized nearly 65 percent of all gubernatorial races held in the country. Important exceptions to this pattern are contest to determine governor held in the states of Amapá, Pará, Rio de Janeiro, Rio Grande do Sul, Rôndonia, and Sao Paulo.

Having established both cross- and intra-national variation in the way redistributive politics matters for territorial power-building, the question remains whether or not this electoral impact is substantively significant. To appreciate the substantive significance of my results, consider some hypothetical examples based on sample data. Drawing upon my sample, one can

[237] In what constitutes the most notable exception to this trend, Calvo and Murillo (2004) argue that the rules of Argentine fiscal federalism introduce a partisan bias in the distribution of federal fiscal revenues that encourages investment in provincial public employment. Given the geographic concentration of the Peronist vote in the most favored provinces, such an allocative bias in turn encourages the PJ –but not the UCR/Alianza- congressional vote. My estimates do not reveal any consistent evidence that patronage rewards vary with partisanship. Indeed, dummy variables indicating whether or not the provincial incumbent party is the PJ or the UCR/Alianza regularly failed to achieve statistical significance. Other methodological differences aside, a possible explanation for this discrepancy is that my dependent variable captures gubernatorial (not congressional) electoral patterns for a longer period of time. A second possibility would be that Calvo and Murillo rely on a different indicator of patronage spending: the number of provincial public employees per 1000 inhabitants. I reestimated models using this variable and dummy variables indicating a Peronist and an UCR/Alianza provincial incumbent government. I found no meaningful effects of partisanship, while the impact of patronage and pork remained unchanged.

define an Argentine province with “high” patronage and “low” gubernatorial competition if its variables of personnel spending per elector in the election year (Model 1) and effective number of competing parties are .99 or higher and 1.9 or lower (i.e., one standard deviation above/below the mean) respectively. In that hypothetical province, as is the case in La Rioja, the overall impact of patronage on gubernatorial incumbent vote share is calculated as (.302*.99) + (-.100*.99*1.9) = .110. In other words, the candidate backed by the provincial incumbent party can expect to obtain an additional 11 percent of the vote in this scenario. Similarly, one can define a Brazilian state with “high” pork-barrel spending and “low” political competition if its variables measuring infrastructure spending per elector and the effective number of parties are 1.34 or higher and 1.9 or lower respectively. Under these hypothetical circumstances, like those present in the state of Bahia in 1998, the model specification predicts that the governing candidate can expect to receive an additional 8 percent of the vote.[238] Such considerable advantages of 11 and 8 percent are high enough to swing a relatively close gubernatorial election in favor of the incumbent. Close races with those margins of incumbent victory occurred almost 36 percent of the time in Argentina and 22 percent of the time in Brazil**.**

To test whether mobilization through patronage and pork-barrel allocations has a *timing effect* that fluctuates in accordance with the electoral cycle, I reestimated separate models for each of the four years of a gubernatorial term. Estimations yield a positive but statistically insignificant effect for spending strategies in the election year. Setting to one side the incentives

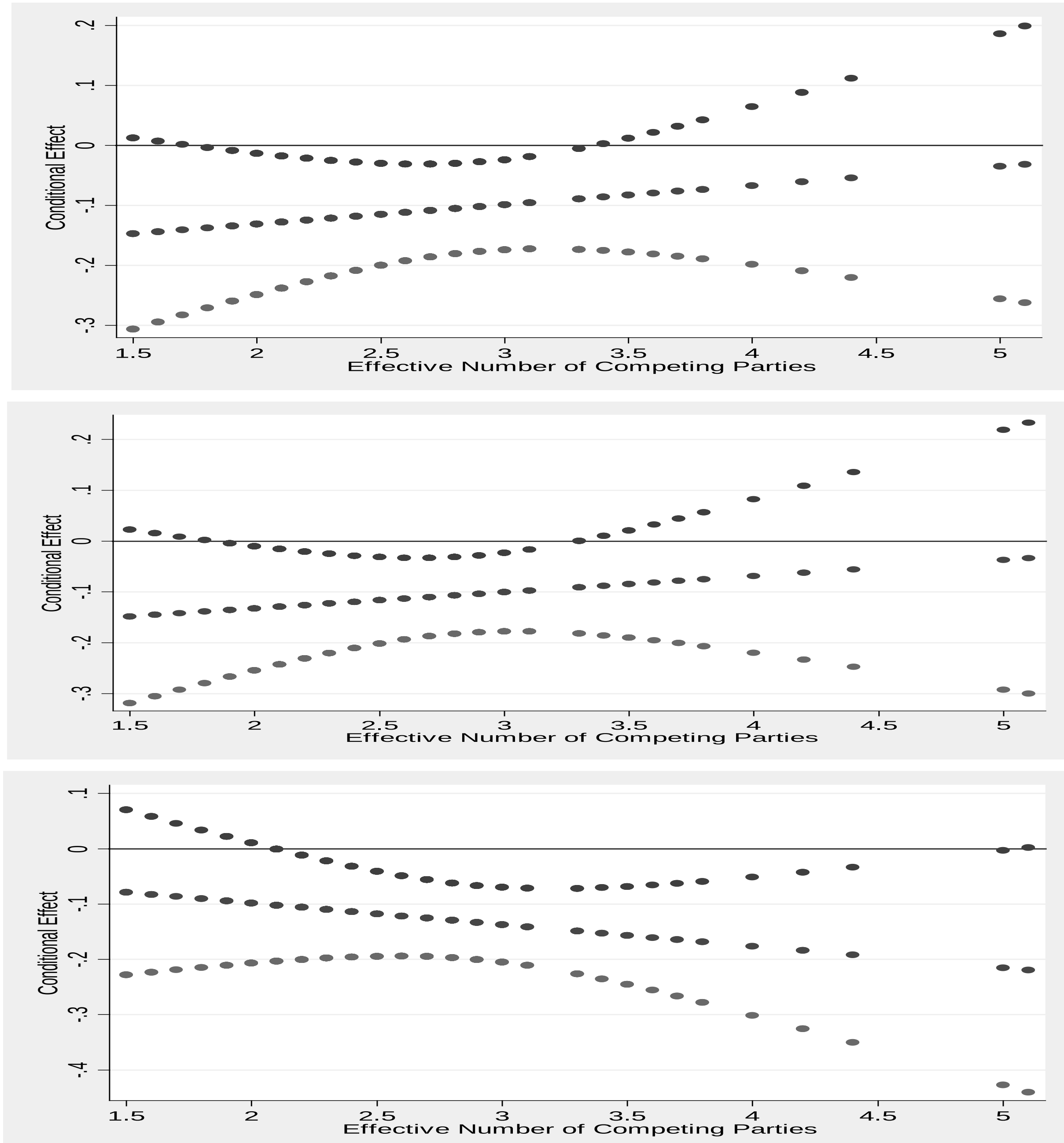
[238] The calculation for this hypothetical example is (.154 * 1.34) + (-.05 * 1.34 * 1.9) = .079

that incumbents have to spend the most just before elections (Nordhaus 1975; Persson and Tabellini 2002; Rogoff and Sibert 1988) or to expand spending after them so as to reward supporters and build a new governing coalition (Ames 1987; Remmer 1993, 2007), my findings indicate that electoral cycles do not shape the reliance of Argentine and Brazilian voters upon patronage and pork distributions targeted in the proximity of a gubernatorial race.

Although there are some minor differences, statistical results are highly consistent across the four specifications. As indicated by the R^2 values, each specification has a considerable overall fit –a fit similar to previous analyses of the subnational vote– which is an assessment of the models' explanatory power. It is first relevant to note that no matter how I estimate the models, spending on public infrastructure projects has no real impact on incumbent party support across Argentine provinces (see Appendix C, Figure 35). But it clearly has a positive effect in Brazilian states with relatively low and moderate levels of political competition (see Appendix C, Figure 36). Second, patronage effects in Argentina attain statistical significance in a narrower range of provinces in Models 2, 3, and 4 than in Model 1 (see Appendix C, Figure 37). In the former specifications, incumbents can expect to gain an additional percentage of the vote whenever a province's level of competitiveness is around 1.8 competing political parties (versus 2.6 parties in Model 1) or lower.

Also relevant to notice is that particularistic politics entail redistributive effects that under some conditions may bring about electoral costs –rather than benefits– or "negative mobilization" (Brusco, Nazareno, and Stokes 2006). Because incumbents often trade-off budgetary allocations to reward their cohorts, voters excluded from that benefits and those who bear the costs of redistribution are likely to vote against office-holders (Ames 1987; Dixit and Londregan 1996). Increasing personnel spending implies cutting off expenditures in other areas (in particular, services and investment) as more redundant employees are hired. Pork-barreling benefits one or a few districts while charges the costs across all other districts (especially those located far away), and generates opportunity costs of investments never done or completed. If budgetary tradeoffs reduce support more than they reinforce it, the net electoral effect of redistributive spending may be negative. In Argentina, for example, Models 2 and 4 indicate that patronage effects become negative in provinces with extremely high –and notoriously rare- levels of political competition: in fact with more than 3.5 effective parties.[239] But targeting public sector allocations does actually undermine electoral support for incumbent parties in a wide range of Brazilian states. As Figure 32 shows, in Models 1, 2, and 3 patronage spending has a statistically significant negative effect on vote share in intermediate and high ranges of political competition.[240]

[239] Twelve percent of the sample cases have that level of competition: Buenos Aires (2003), Ciudad de Buenos Aires (all its five elections), Córdoba (1999), Rio Negro (2003), San Juan (1987, 1991), Tierra del Fuego (1987, 1991, 2003), and Tucumán (1987). The figure is only 5 percent if we exclude Ciudad de Buenos Aires and Tierra del Fuego, the two provinces with highest per capita income and special intergovernmental fiscal regimes.
[240] Specifically, it has a when competitiveness ranges between 1.7 and 3.4 (Models 1 and 2), or more than 2 (Model 3) political parties. This result suggests that patronage lends Brazilian gubernatorial incumbents worst returns when it is used as a systematic rather than as an opportunistic strategy.



Note: Personnel spending variable measured in gubernatorial electoral year.

Figure 32: Conditional Effect of Personnel Spending on Gubernatorial Party Vote Share. Brazil, 1985-2006.

Models 1, 2, and 3

Why is patronage an efficient electoral strategy in Argentina and an inefficient tool in Brazil? And why does pork-barrel investment provide no payoffs to Argentine gubernatorial incumbent parties/candidates while it rewards their Brazilian counterparts? As anticipated in Chapter 1, my explanation of the electoral efficacy of redistributive politics emphasizes both supply-side and demand-side factors and the institutional rules that condition vote trading interactions between politicians and citizens.[241] On the supply-side, the argument highlights incumbents' access to economic resources and their organizational capabilities to screen voters' electoral behavior. On the demand-side, it points to the role of conservative versus expansive fiscal agendas. And on the institutional-side, it underlines the effect of ballot systems and voting technologies.

Recent models of political clientelism emphasize that the efficacy of patronage exchanges are primarily based on the incumbents' access to private goods (Calvo and Murillo 2004), and their capacity to monitor the conduct of voters in response to targeted material incentives (Kitschelt and Williamson 2007; Magaloni, Diaz Cayeros, and Estevez 2007; Magaloni 2007; Medina and Stokes 2007; Robinson and Verdier 2001; Stokes 2005). Chapters 2 to 4 discussed in detail the differential ability of Argentine and Brazilian governors to deliver patronage and club goods.[242] But how can politicians be sure that voters will honor their part of

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[241] A complete answer to this question would require micro-level information of voters' individual predispositions. I acknowledge that problems of ecological inference can mar my approach. But notice that the survey approach to this issue faces the problem of patronage underreporting. That is, respondents may be reluctant to acknowledge having received a job in the public administration as a private reward.

[242] In this discussion that follows, I assume that the more an incumbent can target private goods, the better it can solve the commitment problem of voters reneging on their exchange contract once in the voting booths.

the exchange? The problem is that they can never be sure. Dense organizational networks, however, facilitate screening between true loyalists and opponents allowing incumbents to punish opportunistic defection and enforce the implicit redistributive contract. In other words, patronage strategies provide higher electoral returns where incumbent party organizations with extended networks and resources are capable of deterring voters from exit to the opposition.[243] Under these conditions, patronage linkages motivate voters to support providers and reinforce a social network in which both of them are embedded. Where political parties that are not enmeshed in society attempt to buy votes through patronage inducements, voters greet these redistributive efforts with major skepticism and express a higher propensity to free ride by ignoring the private rewards (or promises) they had received.

On the supply side, I argue that patronage spending is an efficient electoral instrument in many Argentine provinces because relevant parties are able to effectively (although imperfectly) target individual transfers and condition further rewards by using their strong organizational networks. Previous chapters showed that the institutions of fiscal federalism, candidate selection rules, and permissive public sector legislation encourage the use of personnel spending to run state-level party machines. These machines have the tools to influence the choice of voters and then help provincial bosses to win office. During the period under analysis, long-standing and bottom-heavy party apparatuses have controlled most provincial governorships in the country. Built around a highly decentralized structure that relies on a territorially concentrated army of

[243] Of course, parties do not have to actually punish voters but to make a credible threat of punishment. These threats can also come from intimation and political coercion.

grassroots militants and operatives (*punteros*), these subnational party machines became deeply inserted into the constituents' communities. They used their social proximity to voters to gain knowledge about their party predispositions, and to monitor their voting behavior (Alvarez 1999; Auyero 2000; Brusco, Nazareno, and Stokes 2004; Levitsky 2003; Stokes 2005).[244] When interactions between solid party structures and voters became sustained over time and when incumbents garnered richer economic resources than their opponents, patronage is likely to generate a "self-enforcing group equilibrium" (Kitschelt and Williamson 2007) that served the governing elite to endure its political monopoly. At the extreme, patronage-based regimes sustained on a territorially scattered and functionally differentiated troupe of party brokers, intermediaries, and militants who operate at a fine-grained level actually sidestep the voting booth by spying on voters.

Compared with Argentina's traditional parties, Brazil's parties are organizationally weaker, far less enmeshed in society, and have less resources to sponsor activities. Even though parties' commitment to organization varies across states, clientele networks around the country have traditionally been individually dominated rather than party-oriented and controlled.[245] Furthermore, political machines have usually operated at the local or municipal-level facing

[244] Stokes (2005) reports that nearly 40 percent of the respondents in a survey conducted in 2003 (500 adults in the provinces of Buenos Aires, Córdoba, Misiones, and San Luis) affirmed that party operatives can find out how a person has voted. In marked contrast, less than 10 percent of the interviewees in a four-wave panel study conducted in the Brazilian cities of Juiz do Fora and Caxias do Sul manifested having had personal contact with party operatives (Barker, Ames, and Renno 2006).

[245] Weak organizational commitment and a small base of partisan identifiers are not attributes of the PT and the PC do B. To a lesser extent and depending on the period under analysis, the PPS, the PSOL, and the PDT also cultivated intra-party organizational networks.

institutional impediments to expand their territorial influence to entire states. Besides the comparatively weak identification and socialization of Brazilian citizens with political parties, I have contended that three institutional factors are partially responsible for this pattern. First, Brazilian federalism grants *municípios* –and then local elites- significant fiscal and political autonomy. Second, electoral and candidate nomination rules foster individual careerism and campaigning. And third, restrictive legislation limits discretionality over personnel spending and appointments in the public sector. In the absence of tentacle-like organizational structures (with the notable exceptions of the PT and the PC do B) capable of developing strong and stable roots in society, Brazilian parties are less capable of making inferences about how individuals vote and whether or not they are good candidates for patronage vote buying. Monitoring in this scenario is more symmetrical among different competing forces and individual opportunistic defection is therefore more likely.[246] This structure of politics has constituted a fertile ground for a multitude of regional politicians to compete for popular votes, making enduring subnational leadership in contemporary Brazil the exception rather than the norm. Because organizational penetration is weak and incumbent parties have difficulties to repeatedly win elections, voters have little

[246] Why do Brazilian politicians resort to patronage strategies if they do not provide net electoral payoffs? The most obvious answer is that they miscalculate patronage effects or fail in designing their strategies. A more promising response points to the fact that different incumbents resort to different distributive strategies. Preliminary evidence subject to further investigation seems to indicate that the use of patronage and pork-barrel resources is conditional upon incumbents' own political ambitions and chances of election. I estimated several models which suggest that subnational patronage in Brazil is primarily used by gubernatorial incumbents who do not run for reelection and, consequently, have little incentives to refrain opportunistic and rent-seeking behavior. When state governors decide not to (or cannot) run for a new mandate they are more prone to relentless spend their last time in office granting favors and employment to close supporters.

incentives to back exchanges based on the provision of public jobs as they anticipate that the patronage interaction will not continue in the long future.

The regression results above provides cross-state systematic evidence of the extent to which parties in both countries are rooted in society and, consequently, are more or less conducive to durable patronage linkages. Where political parties are deeply enmeshed in social networks, most voters regularly support the same political party in different elections. Conversely, where parties have weak social ties, voters (and parties themselves) are more inclined to shift electoral allegiances over time. Statistical results reflect the underlying difference in the way partisan attachments or loyalties –or even the long-term value of a party's name- in Argentina and Brazil distinctively shape subnational citizens-politicians linkages. Estimates for the normal vote variable indicate that gubernatorial incumbent candidates in the former but not in the latter federation may have a good idea of how they may fare. In all Argentina's model specifications, this variable produces a positive and statistically significant (at the 5 percent level) coefficient of at least .23 suggesting that voting patterns are relatively stable through time. When estimations are run without an intercept (i.e., the regression line is forced through the origin), coefficients are no lower than .19. Thus, a candidate from the provincial incumbent party in Argentina can expect to obtain around 20 percent of the party's normal vote, ceteris paribus.[247] In contrast, as anticipated by our previous discussion, coefficients for the

[247] There is some agreement among observers of Argentine politics that the country's 2001 crisis frayed the national party system by consummating the UCR's debacle and fostering PJ's internecine divisions. I include a dummy variable for the 2003 gubernatorial elections to test whether the political and financial crisis affected gubernatorial incumbent parties at the provincial level. Contrary to conventional wisdom, this variable has a positive sign and

normal vote variable across Brazilian states are extremely low and never remotely close to achieving statistical significance.

A second important factor to explain variation in the electoral returns reaped from patronage investment is located at the demand-side of public policies: the electoral fiscal agendas. In Argentina, as several scholars before me have noticed, the federal government of Raúl Alfonsín was unable to implement a fiscal reform program that punished provincial spending profligacy and constrained subnational borrowing, while the administration of Carlos Menem strategically delayed the implementation of fiscal adjustment policies –including the rationalization of the administrative sector- in the provinces in exchange for legislative support (Gibson and Calvo 2001; Wibbels 2005). During the short-lived Alianza government and the years following the 2001 devastating economic collapse, provincial governors continued to show remarkable strength and stamina stymieing efforts to reform fiscal policies, especially when it affected financial matters in their fiefdoms. Many provinces even assumed the right of seigniorage by issuing bonds to pay public sector workers. Fueled by week national constraints and strong institutional incentives to overspend, provinces have showed a chronic tendency to structural fiscal deficits. Overspending tended to concentrate in personnel categories at the expense of investments, while fiscal deficits were typically financed through provincial and commercial banks with the tacit guarantee of the Central Bank. Perhaps induced by "systemic" forces that implicitly combated subnational fiscal discipline, voters received no cues that

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reaches significance at the 5 percent level. Substantively speaking, its coefficient indicates that incumbents obtained an additional 9 to 10 percent of the vote in the 2003 provincial executive contests.

subnational governments were held responsible for their provinces' fiscal health. Argentine voters have had the perception, reinforced by some members in Congress, that provincial deficits and debts were not a problem in large part caused by state-level officials. But even when voters could have wrongly attributed responsibility for provincial fiscal outcomes to the federal government, the fact is that electoral agendas were never dominated by the issue of fiscal stabilization.

Throughout the 1980s and most part of the 1990s, the vast majority of Brazilian states also ran large fiscal deficits and experienced major debt crises. But once the benefits of the *Plano Real* were stabilized, state governments began, at different paces, to incorporate the conservative fiscal agenda designed by the federal administration. Unlike its predecessors, the government of Fernando Henrique Cardoso counted on political support for fiscal reform in the business sector (Kingstone 1999), and among centrist and rightist parties in Congress (Power 1998). Moreover, central monetary institutions and financial regulators gained leverage over states to implement restrictions on subnational spending and borrowing. Under the Program to Support Restructuring and Fiscal Adjustment, the federal government negotiated the terms of state debt workouts, which required privatizing provincially-owned banks, reducing personnel costs, and limiting borrowing activities. These fiscal pressures to the states, as we have seen in Chapter 3, were progressively enhanced with the enactment of the Camata Law, the Kandir Law, and the Fiscal Responsibility Law. Precisely because the central government was heavily involved in regulating transcendental fiscal decisions of the states, it created expectations among voters and the mass media that governors could not reasonably claim that states' finances were beyond their responsibility. The Brazilian electorate thus became strongly inflation averse and unprepared to support governments favoring unorthodox fiscal practices. Indeed, according to some observers, the adoption of an external (federal) conservative fiscal agenda did not affect – and in some cases increased- gubernatorial incumbents' territorial bases of support (Souza 2007).

My estimates confirm the expected effect of fiscal electoral agendas on incumbent vote share in the two countries. In the absence of survey responses, any measure of voters' fiscal concerns must rely on actual economic outcomes. This is the justification for the inclusion in the model of the fiscal policy management variable, the ratio of state fiscal deficit (total revenues minus total expenditures) relative to expenditures.[248] Increases in total spending should have a negative effect on vote share because it necessarily entails higher taxes in the future. But, if as suggested above, Argentine voters are not fiscal conservatives, this variable should have a negative sign indicating that the higher the level of deficit spending (and public employment expenditures), the greater the incumbent share of the vote. If, on the other hand, Brazilian voters are fiscal conservatives, this variable should be positively signed indicating that the higher the fiscal deficit the lower the incumbent vote. In all Argentina's equations, the variable carries a negative and statistically significant (at the 1 or 5 percent level) coefficient suggesting that regional voters do reward provincial governing elites for running unhealthy finances. Although results are more sensitive to econometric specification, the fiscal policy management variable is

[248] Controlling for state debt interest payments did not affect the results discussed below. Because the impact of fiscal performance on the real economy is not immediate, this variable is measured as the averaged value of the election and pre-election years, and the averaged value of the four years of each gubernatorial term. To facilitate discussion, results are not reported in the tables.

often positive and significant in most Brazil's models. This results suggests that deficit financing does not matter politically as Brazilian voters punish spending increases regardless of whether they are financed by taxes or borrowing.

In addition to dense organizational networks and expansive fiscal electoral agendas, certain voting technologies and balloting systems facilitate patronage vote buying by helping parties to monitor voters' choices. Argentina uses a system that gives parties great control over individual voters. Balloting is secret and takes place in enclosed booths but, contrary to the Australian ballot system, ballots are paper-based, produced by political parties, and distributed by party workers well before the election. Each party has therefore a different paper ballot with all candidates for all elected categories included on it. Individual candidates for executive offices and party lists for legislative positions appear on separate tickets in the same party ballot.[249] This ballot structure contributes to vote inducement and monitoring. First, it enhances parties' power to force straight-ticket voting. When many categories are elected on the same day, it is simply "expensive" for voters to split tickets (vote for different parties in different categories) because it requires them to actually cut the ballot by hand. Second, it allows parties to keep track of turnout and voting patterns (*punteo*) through different mechanisms. Local *punteros* distribute ballots in their territorial areas of responsibility weeks before the election day along with other private material goods (bags of food building materials, clothes, or mattresses) sending a clear message that such individualistic favors are expected to be reciprocated with a vote. Although voters can

[249] In the Australian ballot system, all candidates or lists of candidates for a given office appear listed in the same single format, while government agencies produce and distribute the ballots under controlled conditions on or close to the election day.

obtain ballots anonymously in the voting booth, many individuals receive them directly from party operatives before going to vote and even in the voting line. Handing out ballots also serves to monitoring voters through more complex forms of vote buying such as the chain-vote (*voto cadena*).

In Brazil, the pioneering adoption in 1996 of a user-friendly electronic voting system known as direct-recording electronic voting (DRE) reduced monitoring and vote trafficking by impeding parties and candidates to violate the secrecy of the ballot (Nicolau 2002). The utilization of these devises raises important questions concerning whether, and if so how, electronic elections can be audited meaningfully.[250] Questions of electoral fraud aside, the fundamental issue here is why the Brazilian voting system is less amenable to monitoring and then to increasing patronage returns. The DRE system is less opened to patronage because it reduces party activists' involvement into the electoral process. By impeding party brokers from manipulating ballots before the election, it weakens the efficiency of vote inducements through personal gifts/threats and face-to-face interaction. Moreover, because party operatives cannot stuff ballots into the voters' pockets and voters do not return ballots to party operatives (recall that voters never get printed slips of their choices but only saw them behind a window), the system also eliminates monitoring mechanisms such as the chain vote. Brazilian parties undoubtedly compensate these institutional constraints to monitor voting behavior by performing a range of other actions that enhance their ability to make informed guesses. But as several

[250] The mayor problem is that DREs do not allow for manual recounts of the (digital) votes because they do not emit any material prove that the vote was received by the system and tallied.

features of the country's political system are inimical to the formation of party organizational structures –at least in comparison with Argentina–, these activities are circumscribed to local territorial domains where autonomous political elites control the scene. Politicians thus need to carve out rather reliable electorates, and pork-barrel appears as a potent instrument to claim credit and fulfill that goal.

With respect to the other independent variables, they mostly perform in conformity with my theoretical expectations. Unsurprisingly, Argentine and Brazilian governors enjoy the benefits of incumbency. An incumbent governor who runs for reelection in Argentina is expected to get a boost of about 2.8 to 4.6 percent of the vote (that is, coefficients for this variable across the four specifications range from .028 to .046), while Brazilian gubernatorial incumbents seeking a second executive mandate are expected to obtain a higher increment of around 10 to 12 percent of the vote.[251] Replacing the indicator of incumbency with a dummy variable measuring whether or not the sitting governor runs for other elected position but the governorship, yields insignificant results. At least two reasons may explain why departing governors do not enhance their fellow candidates' vote. First, estimates may be biased downward because of an omitted variable problem: unpopular governors tend not run for reelection, which leaves them in the departing category. Second, some outgoing governors plan to return to state executive office after a term out of the governorship. In an attempt to limit the consolidation of future

[251] As we have seen in Chapter 1, however, this result does not mean that *individual* governors are more successful in Brazil than in Argentina. Actually, they are not.

challengers, they may decide not to mobilize significant resources and perks that would facilitate their successors to compete for popular votes and build independent machine structures.

In the context of Argentine subnational politics, internal factionalism in both hegemonic and non-hegemonic parties is a major source of organized challengers. To a larger extent this is so because, as the popular adagio that opens this chapter states, political structures tend to move behind those leaders who currently control public jobs and government resources. This particularity causes many former governors to desist from any attempt to recapture the governorship. A relatively decent number of them, however, do run for provincial executive office once again although with little electoral success. Specifically, 30 percent of the 105 individuals (reelected excluded) who occupied an Argentine governorship between 1983 and 2003, tried to return to that office. As much as two-third of them failed in their attempts, and close to a half did it against a fellow candidate in a party primary or the *Ley de lemas*. In Brazil, nearly 50 percent of the 107 governors (reelected and *tampão* excluded) from the 1982-2006 period sought to return, and a similar proportion of them (65 percent) failed. Consistent with observed party switching in Brazilian politics, 36 percent of these “returners” switched party to maximize their chances of electoral success. Yet there is a negative effect of party switching on returners’ election as only 14 percent of them eventually won the contest in question. In short, considering the low likelihood of regaining executive office, governors who do not run for reelection and plan to return in the near future have little incentives to promote their co-partisan candidates through budgetary allocations.

Interestingly enough, political scandals do not affect the electoral performance of provincial incumbent parties/candidates in Argentina but they do emerge as a statistically significant (at the 1 percent level) determinant of gubernatorial vote losses in Brazil.[252] It is estimated that if a Brazilian governor or vice-governor incurred in irregularities during the four-year term of office, incumbent vote share is reduced by 9/10 percent. An interaction term between the scandal and incumbent reelection variables generates interesting results. In line with scholarly literature that emphasizes the deterrence effect of reelection over incumbent rent-seeking behavior (Besley and Case 1995b; Ferejohn 1986; Persson and Tabelini 2000), scandals only affect candidates backed by governors who do not run for reelection. But in contrast to theoretical expectations, governors seeking a second term do not refrain more than lame ducks from rent extraction and abuse of power. For reasons whose analysis is beyond the focus of this dissertation, both types of governors commit irregularities in almost the same proportion.[253] It rather seems that some incumbents caught engaging in corrupt practices counted on a better protection against popular electoral sanctions. Protection, of course, may take many different

[252] Why did political scandals ultimately not sink the electoral performance of Argentine subnational incumbents while they affect the fortunes of Brazilian state-level officials? Perhaps, the reasons have to do with a different development of television networks, corporate media groups, and the professionalization of newsroom that created greater incentives for Brazilian politicians to use scandal as a political weapon. Indeed, although these trends have been common to most Latin American countries, they have been dramatic in the case of Brazil (see Pérez-Liñán 2007: Chapter 4).

[253] These numbers are 31 and 26 percent respectively. For a compelling framework on the corruption-reelection link, see Pereira, Melo, and Figuereido (2008). In a panel of 184 municipalities in the Brazilian state of Pernambuco, the authors do not find evidence on the governance-enhancing role of reelection incentives as first-term mayors are not less likely to commit irregularities than do second-term ones. The effect of corruption over electoral success, on the other hand, indicates that mayors who committed irregularities while in office are less likely to be reelected. Such an effect, however, only occurs if information about mayors' misbehavior is released in the electoral year.

forms including privileges when responding to criminal charges, control of the judiciary and the mass media, intimidation, and cooptation.

Also consistent with my expectations is the effect of federal fiscal transfers upon subnational incumbent vote. In both Argentina and Brazil, regardless of how this variable is operationalized, it often reaches statistically significant coefficients (at the .5 or .01 level) in all model specifications..[254] Note that the transfer variables included in the models do not capture the potential political value of other federal tools (such as central government social programs, and direct infrastructure investments) usually regarded as key instruments for territorial coalition building. Furthermore, as one expects, coefficients for federal transfers under gubernatorial discretionality (not reported) most of the times double or triple in size coefficients of transfers under exclusive presidential authority.

Evidence regarding the impact of national and state macroeconomic conditions offers some empirical insights about how subnational incumbents are punished or rewarded by rational voters. In a nutshell, a variety of tests points toward the importance of provincial influences in Argentina and of national influences in Brazil. The estimates for the former federation suggest that incumbent vote share decreases with provincial unemployment and increases, although less consistently, with provincial economic growth. Estimations including both indicators separately

[254] Note that Table 5.5 and Table 5.6 only report results of the federal transfer variable measured as total annual transfers per elector averaged over the four years of each gubernatorial term. Models for Argentina including this variable as measured by transfers discretionally managed by the governor as coded in Chapter 2 and 3 also generate significant coefficients.

produce coefficients that achieve statistical significance at the 5 percent level.[255] If both variables are included in the analysis, easier coefficients for economic growth are significant at the less stringent 10 percent level. Substantively, a one percent increase in the provincial unemployment rate undermines incumbent electoral support by about 0.4 to 0.6 percent. A similar increment in provincial economic growth fosters incumbent support in Argentine provinces by almost 0.2 percent. Despite multicollinearity, coefficients for provincial unemployment remain statistically significant if national economic factors are included (either individually or simultaneously) in the estimates. Yet if we replace the indicators of provincial unemployment with those of provincial economic growth, results are weaker. The coefficients for GDP growth remain significant across the four models if national economic indicators are included individually but not if there are included simultaneously.

Unlike provincial conditions, national performance as measured by unemployment, GDP growth, and inflation do not have any discernible effect on subnational vote choice. Models including these variables routinely produce insignificant coefficients, suggesting that Argentina's gubernatorial elections are regional contests not driven by national swings. If we include the national economic indicators, a dummy variable for provincial incumbent parties sharing the president's party label, and the interaction of the two terms, results remain unaltered whereas the conditional coefficient for the interaction does not reach statistical significance. In other words, presidential co-partisan candidates are not particularly affected by the overall condition of the

[255] To make the presentation simpler, I only report results for specifications including the provincial (Argentina) and national (Brazil) unemployment rates. All other models are available upon request.

economy. This finding is at odds with the referendum voting hypothesis and some prior studies on the matter discussed in this chapter (Remmer and Gélineau 2003; Gélineau and Remmer 2005). Contrary to this interpretation, my findings stress that although the president's provincial co-partisans do better than candidates from opposition parties (the incumbent vote share variable has a mean of 52 and 44 percent respectively), they do not reveal strong linkages with the economic performance of the national administration.[256] Indeed, national economic factors only seem to be considered as referential points to reward or punish provincial office-holders. Estimations with the "relative" unemployment variable (not reported) show that a one percent increment in the national unemployment rate relative to the provincial rate leads to a boost of around 0.5 percent in the vote of gubernatorial incumbents regardless of their political affiliation. The impact of "relative" GDP, on the other hand, runs in the expected direction but estimates often fail to attain statistical significance. At the aggregate level of analysis, therefore, absolute and relative provincial unemployment constitute the most electorally salient dimensions of economic performance in Argentina. This finding is not surprising considering that over the past fifteen years unemployment rather than inflation has represented the major source of economic insecurity in the country. A logical implication of these results would be that Argentina's

[256] Using a different dependent variable from that employed here (i.e., the vote share received by presidential –not provincial- in-party gubernatorial candidates), Remmer and Gélineau (2003, 2005) contend that that the fortunes of candidates from the presidential party are conditioned by national economic factors, especially unemployment and inflation, and approval rates of the sitting president. Provincial economic conditions also matters but only to credit or blame the presidential party. In contrast, relying on the same dependent variable used in this chapter, Rodden and Wibbels (2005) find that the impact of the national economy is weak across Argentine provinces and conditional upon intergovernmental co-partisanship. The impact of national economic conditions, however, runs in a perverse way since provincial incumbent candidates who *do not* share the party affiliation of the president actually benefit for good national economic performance. Among Argentine scholars, Meloni (2000), and Porto and Porto (2000) also argue, like me, that national economic assessments do not influence subnational electoral results.

subnational governments reaping the blame or credit for their economic performance confront incentives to perform in accordance with the preferences of local electorates. Inferences, however, should be drawn with caution. Provincial performance matters but aggregate data cannot tell us whether it does in ways that bolster accountability of policy management. Actually, we have seen that voters do not punish but reward provincial governments' reckless fiscal behavior.

Do Brazilian gubernatorial elections revolve around state or national economic performance? First, and in contrast to what we observe across Argentina's provinces, I find consistent evidence indicating that the conditions of the local economy exercise no influence on gubernatorial vote choice (when holding national economic performance constant). Models reduced in the number of cases due to missing data indicate that no significant relation exists (at the 10 percent level or lower) between state unemployment and incumbent vote. Estimations with state GDP also remain statistically insignificant as do analyses including relative unemployment and relative economic growth. Second, models conducted with national indicators speak to a pattern of moderate influences. In particular, support for gubernatorial incumbents in Brazil appears to fluctuate negatively with national unemployment and inflation, and positively with national GDP. But due to high multicollinearity, the effect of these factors is sensitive to model specifications. Signs of national economic voting are discernible if the national economic variables are included separately in the estimates attaining significance at the 5 or 10 percent level. But if incumbent support is regressed on all tree national indicators, only inflation remains negatively significant at the 10 percent level.

Dividing the sample into time periods helps clarify this issue. If Brazilian voters punish and reward state incumbents for how the national economy works, we should expect the effect of inflation to be particularly significant in the devastating high-inflationary period prior to the introduction of the Real Plan. Similarly, we should expect unemployment to negatively affect gubernatorial races in the last decade or so, period in which it almost double from 4 to 8 percent. I find evidence of both patterns. The signs of inflation and unemployment rate are consistently negative only during the 1982-1994 and 1998-2006 periods respectively. Utilizing an interaction term to assess the difference between gubernatorial incumbents belonging to the presidential cabinet coalition and to the opposition, yields a striking result: inflation only harms presidential incumbents while unemployment undermines both.

With the inclusion of societal and demographic variables, the effects of patronage and pork-barrel spending remain unaltered. Argentine subnational incumbent parties/candidates continue to benefit from public employment targeting while Brazilians reap gains from expenditures in infrastructure investment projects. Regarding the socio-demographic factors, some of them produce the expected effects, others do not. First, neither the median income of the economically active population nor the structure of the provincial economy (as measured by the percentage of the workforce formally employed in agriculture and manufacturing activities) affects subnational incumbent performance in Argentina. Estimates for the former variable are often negative while coefficients for the latter (not reported) are positive but in both cases far from attain statistical significance. In Brazil, state incumbents do better in jurisdictions with higher per capita income and worse in areas with more industry as indicated by the negative sign of the manufacturing employment variable (not reported).[257] Second, we observe that in both countries incumbent vote share tend to decrease in less urbanized states. Given the spatial distribution of Argentine and Brazilian populations, measures of urbanization tend to correlate with those of total population (.63 and .59 respectively). Indeed, replacing the population density variable by the natural log of the state population generates identical results.

Why do incumbents do better in less urbanized and less populated areas? The reason lies in the greater ease of vote monitoring in small communities. Actually, community size and geographic dispersion are proxies for *observability* of residents' votes. In small towns and cities where social relations are multifaceted, voters are less anonymous, politicians are more present, and partisan predispositions are more a matter of public knowledge. Party organizations are therefore more able to credibly commit to helping (or excluding) individuals who vote (or don't vote) for them. Moreover, sparsely populated communities –which are typically small constituencies-, are small markets where political monopolies and patronage-like activities are more likely to exist (Media and Stokes 2007). In large cities, voter heterogeneity, urban mass media, easy transportation to the ballot, alternative sources of employment and social mobility, and a greater menu of electoral choices make monitoring and patronage relations more difficult to develop. The inclusion of regional dummy variables appears to confirm this argument. In the four Argentina's models, a variable indicating the metropolitan provinces is often negative and

[257] A possible explanation for this result, as Ebeid and Rodden (2006) explain for the U.S. case, is that the economic well-being of the population in agriculture regions is driven by factors that are beyond the control of state officials such as the value of fixed assets and commodities in international markets. In a more diversified and modern economy, state governments have more influence over local welfare as it is linked to investment capital, the presence of propitious investment environments, and a skilled workforce.

significant at the .1 or .05 level, while a variable denoting the provinces located at the very poor Northwest and Northeast attain positive coefficients that are consistently significant at the more stringent .01 level. In Brazil, on other hand, regional variables where politics has long been dominated by conservative politicians –the Northern and Northeastern states- are positively signed but statistically insignificant.[258] Furthermore and in line with some of my findings, regions where the bulk of Brazilian industry and left-centrist electorates exist –the Southern states- are less prone to support incumbents as suggesting by the negative and significant coefficient (at the .05 level) routinely attained by that variable. An obvious implication of this analysis is that although in certain areas patronage and traditional styles of politics may still prevail, reforms that shrank the scope and resource base for state patronage have diminished its prevalence.

Having reported my statistical results and offered substantive explanations, it is important to consider whether the whole analysis is subject to question because of a potential endogeneity problem. The fundamental issue here is that incumbent vote share and government spending may be reciprocally related. Candidates spend in reaction to their anticipated electoral chances and other candidates' spending priorities. In particular, candidates who appear to have a better chance of winning should have an easier time spending money. If incumbents face no serious competition, they may win by large margins without spending much. If they find in a dogfight against a well-qualified challenger, they spend *reactively* and, although they win more often than

[258] A triple interaction among patronage spending, competitiveness, and the North-Northeast variable also generated insignificant results.

not, their vote shares are lower than those of their unchallenged colleagues. As candidates who knew they were in trouble heading into an election will spend more even if the extra spending do not enhance their vote share, spending would appear, misleadingly, to depress the incumbent's support (Ansolabehere and Snyder 1996). This creates an endogeneity problem: anticipated poor electoral performance might cause more spending, rather than spending cause poor electoral performance.

I provide two answers, one analytical and the other methodological, to this potential problem. First, there are lots of factors identified as affecting anticipated electoral performance (such as challenger quality, and ideological proximity with the constituency) that are often poorly measured or not measured at all. Second, there are no conventions regarding how to deal with endogeneity in interactive models. The question is whether or not interaction terms should be instrumented as well. An additional problem is that in models with fixed effects the endogenous variables X_{t-1} or X_{t-2} cannot be used as instruments because they are related to the error term ε_{t-1} and ε_{t-2} of the fixed effect equation respectively.[259] In the absence of outside exogenous variables available to add as an instrument set, I decided to estimate an augmented regression or Durbin-Wu-Hausman test for endogeneity (Davidson and MacKinnon 1993). I obtained a high *p* value which indicates that OLS estimates were consistent. Since I do not find evidence of a reverse impact of spending on incumbent vote share in my data, we can be

[259] Actually, all the values of the lagged X are related to some past value of the error term. In other words, in fixed and random effect models all instrumental variables must be strictly exogenous or unrelated to past, current, or future values of the error term.

confident that patronage and pork-barrel investment play an important role in explaining gubernatorial elections and territorial power building in both Argentina and Brazil.

5.5 CONCLUSION

Building upon distributive approaches to electoral politics, this chapter has demonstrated that gubernatorial incumbents in Argentina and Brazil obtain different returns from different particularistic allocations of public outlays. Perhaps most important, it has shown that state incumbents in these prominent Latin American federations garner electoral rewards from different redistributive mechanisms of mobilization. Patronage investment benefits subnational incumbents in Argentina but not in Brazil, while pork-barrel spending provides net electoral premiums in Brazil but not in Argentina. I argued that, along with incumbents' latitude to manage patronage and pork-barrel resources, three factors help explain variation in the effect of particularistic spending in both countries: organizational tools, electoral fiscal agendas, and voting technologies. Where dense party networks are enmeshed in society, electoral agendas do not punish fiscal profligacy, and the balloting system undermines the anonymity of the vote, voters are more likely to reward incumbents for private good allocations. In contrast, where party structures have weak social ties, electoral agendas incorporate fiscal conservative principles, and voting technologies make it difficult for parties/candidates to monitor individual choices, credit claiming prevails and voters are then more likely to reward incumbents for semi-public (local or club) good allocations.

In addition to uncovering the electoral impact of budgetary policy manipulation, this chapter has offered several pieces of empirical evidence for our understanding of subnational elections in federalized regimes. First, my statistical findings provide partial support for the established literature on economic voting, which suggests that the electoral fortune of the incumbent party revolves around its economic performance in office. Provincial economic performance, whether measured in absolute or relative terms to national economic performance, exercises a significant influence on gubernatorial election outcomes in Argentina but not in Brazil. My results also confronts to the traditional literature on referendum voting in showing that national economic swings affect the vote share of regional incumbents that belong to the presidential party coalition in Brazil but not in Argentina. Second, the evidence discussed here suggests that incumbency gives an advantage to sitting governors who run for reelection over new-comers. Third, consistent with scholarly work on party systems, the party's normal vote gives incumbents across Argentine provinces –but not across their Brazilian counterparts– a good idea of how they may fare. Fourth, because of reasons that go beyond the scope of this chapter, political scandals only affect subnational incumbents' electoral performance in Brazil. Fifth, the relative magnitude of federal transfers discretionally controlled by the sitting governor appears to affect electoral support for the incumbent party/candidate. Finally, when societal and demographic factors are considered into the analysis, it indicates that community structure and size rather than voters' income levels ultimately shape the electoral efficiency of vote buying strategies.

Having discussed the institutional foundations of subnational redistributive politics in Argentina and Brazil and identified cross-state variation in the strategic use and returns reaped from patronage and pork-barrel spending, the next step in my research agenda would be to increase analytical resolution by carrying out a case-study approach of two states in each country that match on socioeconomic and demographic conditions –at least for the whole range of subnational cases– but exhibit quite distinct internal politics, especially regarding the structure of political competition and the nature of territorial political machines.

6.0 OVERVIEW OF FINDINGS

I began this dissertation with the general idea that much of the emerging literature on fiscal federalism and decentralization has overlooked an analysis of within-state political phenomena. Specifically, I emphasized that what is still missing in the field of comparative politics is an understanding of the strategies that subnational incumbents (i.e., state governors) deploy for governing the countryside. I focused on state governors' relative preferences for two types of redistributive or particularistic strategies: patronage (public employment) and pork-barrel (public infrastructure and capital projects).

I proposed a comparative theoretical framework tying different types of fiscal institutions and electoral/partisan rules to different spending incentives for state governors to strategically allocate public outlays with electoral goals. The model predicts that state governors will prefer to spend on patronage allocations when fiscal institutions concentrate access to federal transfers at the state level and grant subnational executives high political latitude over such funds, and the electoral system and intra-party nomination rules maximize gubernatorial control of political careers. By contrast, governors will prefer to spend on pork-barrel goods when the institutions of fiscal federalism disperse access to federal grants among multiple political actors located at different levels of government (in particular, governors, mayors, and congressional legislators) and limit gubernatorial discretion over funds transferred from the center, and the electoral and partisan rules place control of political careers on the hands of individual politicians.

The paramount causal mechanisms through which fiscal institutions shape gubernatorial incentives toward patronage and pork are the “rentier” and “barriers to entry” effects. Where states rely intensively on discretionary federal transfers (i.e., fiscal rents) rather than on their own revenue sources, governors can overspend such resources on financing a large state apparatus. The reason is that subnational rentierism breaks the fiscal accountability link between citizens and state officials, and leads economically dependent individuals and groups to withdraw from challenging subnational incumbents in the electoral market. Under such conditions, governors who are uncertain about how citizens will respond to targeted material benefits will prefer to supply private goods (patronage) to their electoral cohorts instead of semi-public goods (pork) to swing voters. By contrast, where states rely on broad-based domestic taxation to finance their expenditure responsibilities and governors enjoy little discretion over federal transfer funds, gubernatorial spending choices are more likely to be monitored by local taxpayers and opposition forces are more likely to challenge incumbents. To differentiate themselves from their potential competitors and assemble the electoral acquiescence of economic groups and voters, governors will prefer to draw upon their pork-barrel credit-claiming ability rather than upon the oversupply of jobs in the state administration.

With regards to the effect of party and candidate centeredness on gubernatorial spending priorities, the key causal mechanism posited that where governors control political careerism and campaign finance individual politicians and politically-oriented bureaucrats in the public sector became dependent from subnational bosses to fulfill their personal ambitions. Thus, governors can resort to a spoils system financed with state resources to induce participation in their political machineries. Because such participation is an observable service, patronage exchanges are profitable for both state bosses and ambitious politicians. Where state incumbents do not control political careerism, in contrast, governors lack formal mechanisms to attract participation and reward compliance. Individual politicians and ambitious bureaucrats find it more profitable to cultivate a personal vote than to line up behind state leaders. This decision typically involves satisfying local constituents with parochial policies and pork-barrel goods. A party-centered system therefore provides a superior technology for patronage linkages while a candidate-centered system gives pork-barreling a more prominent role in party politics and the electoral process. These connections, I contended, are reinforced or undermined by the public personal system. A system founded on stable civil service rules and professionalized ranks of government employees diminishes the control that party leaders have over bureaucratic careers, thus reducing the scope of patronage.

I examined the impact of fiscal and electoral/partisan institutional rules on subnational particularism in two prominent Latin American federations, Argentina and Brazil, widely regarded as textbook examples of “robust” federalism. I developed several empirical tests to examine my arguments. First, I compared the institutions of fiscal federalism in both countries. My theory highlighted that three fiscal institutional factors (i.e., the level of subnational vertical fiscal imbalance, the allocation mechanisms that regulate the distribution of federal transfers to both states and municipalities, and the relative openness of budgetary rules to congressional appropriations of intergovernmental grants) affect the ability of governors to monopolize access to fiscal rents, while two additional factors (i.e., the spending powers assigned to governors by the transfer system, and the hardness of subnational budget constraints) affect gubernatorial discretion to arbitrarily use moneys transferred from the center. I underscored significant differences in the working of fiscal institutions in both federations.

In Argentina, fiscal federalism monopolizes gubernatorial access to fiscal rents and grants provincial bosses ample discretion to reallocate transfer funds to their patronage-based networks. A large vertical fiscal imbalance, a transfer system that exclusively allocates federal grants to the provinces and only through them to the municipalities in accordance with subnational legislation, and a set of budget rules that preclude legislators from obtaining resources to feed their own clienteles, contribute to gubernatorial monopolization. Moreover, a gubernatorial bias introduced by the transfer system and the soft nature of subnational budget constraints allow governors to control most intergovernmental funds and determine their spending priorities (especially with regards to public sector employment and borrowing) virtually without check.

In marked contrast, Brazilian governors do not monopolize access to fiscal rents but share them with both municipal mayors and congressional legislators. Along with a comparatively low level of vertical fiscal imbalance, the federal government automatically distributes unearmarked revenues to municipalities bypassing governors while budget rules encourage congressional legislators to appropriate federal grants in the form of investment projects to bestow in their electoral fortresses. Furthermore, governors enjoy less political leverage over federal transfer moneys. First, the intergovernmental transfer system mandates states to reallocate a portion of the revenue-sharing funds and their own resources to local units with almost no strings attached. Second, federal legislation orders Brazilian states to spend a fixed sum of their most important revenue source in education and health. Third, starting in the mid-1990s, the federal government has successfully imposed hard budget constraints to state jurisdictions thereby intensifying regulation over their borrowing and spending activities. Fourth and finally, the recent process of "recentralization with municipalization" reduced states' capacity to fiscally besiege the center, weakened gubernatorial ability to control patronage opportunities, and reinforced municipalities as well as central-local political linkages.

My second empirical test involved a comparative examination of the structure of political careerism through an analysis of state legislators' career paths. Relying on literature on political recruitment and novel datasets on subnational and local positions, I showed that Argentine and Brazilian subnational legislators have different static and progressive ambitions observed at both the horizontal and vertical axes of federalism. In Argentina, the centralization of political careers in the governors' hands resulted in static and discontinuous patterns of careerism. I argued that extremely high rates of legislative turnover and lack of progressive ambition suggest that provincial bosses rotate politicians and bureaucrats with political aspirations among the various positions they can offer thus making participation attractive and inducing active involvement into their organizational machinery. In Brazil, high levels of legislative reelection and dynamic extra-legislative career paths suggest that state governors are unable to involve individual politicians into their organizational political networks and make them sensitive to their political dictums.

For the final empirical test of the dissertation, I explored the electoral returns of different particularistic strategies of mobilization through a cross-state two-country statistical analysis. My theory predicted that Argentine and Brazilian governors should benefit differently from the strategic allocation of patronage and pork. Concretely, the former should benefit from spending on public employment while the latter should do it from spending in infrastructure and capital projects. These electoral payoffs, I theorized, are expected to be conditional upon the degree of regional political competitiveness. That is, incumbents' net electoral returns are expected to be inversely related with the number of alternative choices (i.e., the number of competitive political parties) available to voters. Other things being equal, the same level of electoral investment –a unit of patronage or pork investment– would yield lower electoral returns in competitive than in non-competitive markets. As competition increases, therefore, the winning candidate's share of the vote should on average decline.

I found strong empirical evidence supporting my main hypotheses. I emphasized that both supply-side (access to economic resources and organizational capabilities to screen voters' behavior) and demand-side (conservative versus expansive fiscal agendas) factors, and the institutional rules that condition vote trading interactions between politicians and citizens (ballot systems and voting technologies) largely explain these results.

6.1 BEYOND ARGENTINA AND BRAZIL

The arguments developed in this dissertation were examined through the cases of Argentina and Brazil. However, the mechanisms and predictions of my theory of subnational particularism built on the interaction between fiscal institutions and electoral/partisan rules are not country-specific. As an example of how the central arguments of this dissertation can be exported to other federalized (multi-level) countries, this section briefly examines the cases of Mexico and Colombia.

Mexico constitutes a case of “extensive patronage”. With regards to the structure of fiscal federalism, the states are highly dependent from central government transfers. Their main direct sources of revenues (taxes on property, payroll, and fees) represent less than 6 percent of total tax revenues. This high vertical imbalance is bridged through a combination of unconditional fiscal transfers (*participaciones*) allocated via the revenue-sharing agreement, and earmarked resources (*aportaciones*) to finance education and health. In 1997, PRI president Ernesto Zedillo (1994-2000) set up a series of formulae that strengthened the allocation of transfers to subnational jurisdictions rather than to municipalities. During the first PAN presidency (2000-2004), new funds such as the *Programa de apoyo de entidades federativas* were generated by the federal government to distribute fiscal resources to the states. It has been estimated that close to 40 percent of the total transfers received by the Mexican states are under governors’ exclusive discretion. As for the nature of political careerism, candidate nomination and selection processes were initially centralized in the hands of national party leadership and the president himself.

However, in the last three decades many nominations became to be controlled by state bosses. Indeed, governors from all major parties have exerted great influence over nominations for state and municipal elected positions (with the exception of the Senate). Moreover, with the recent introduction of Single Member Districts state incumbents increased their leverage over ballot access for federal deputies.

Colombia, in contrast, constitutes an example of “locally-based patronage”. On the one hand, subnational governments collectively execute expenditures worth roughly 8 percent of GDP (about a third of total public expenditures) and raise roughly 3 percent of GDP in tax revenue (about a fifth of total tax revenue). However, it is important to bear in mind that departments have an own-revenue base that is higher than most other regional governments in unitary countries in Latin America. Almost 80 percent of the revenues of subnational governments are fiscal transfers from the central government. The bulk of these resources come from the *Sistema General de Participaciones,* direct royalties and so-called *rentas cedidas* (that is, previously central government taxes which were earmarked and managed locally). Most of these transfers benefit the municipalities rather than the states. As the pressure for adjustment increased, the central government responded with a package of fiscal reforms that de-linked transfers to the states. Furthermore, measures for fiscal responsibility were established through fiscal responsibility legislation that closely monitored the fiscal behavior of subnational governments was closely monitored. On the other hand, the Colombian multiple closed list PR system encourages candidate-centered political careers as voters choose among closed party list, but each party can propose multiple lists at the district level. The electoral and partisan rules reduce gubernatorial influence because there is no limit to the number of lists parties can present and candidates do not need a party's approval to run under its name. Incentives to cultivate the personal vote tie candidates to the clientele networks of local rather than state bosses.

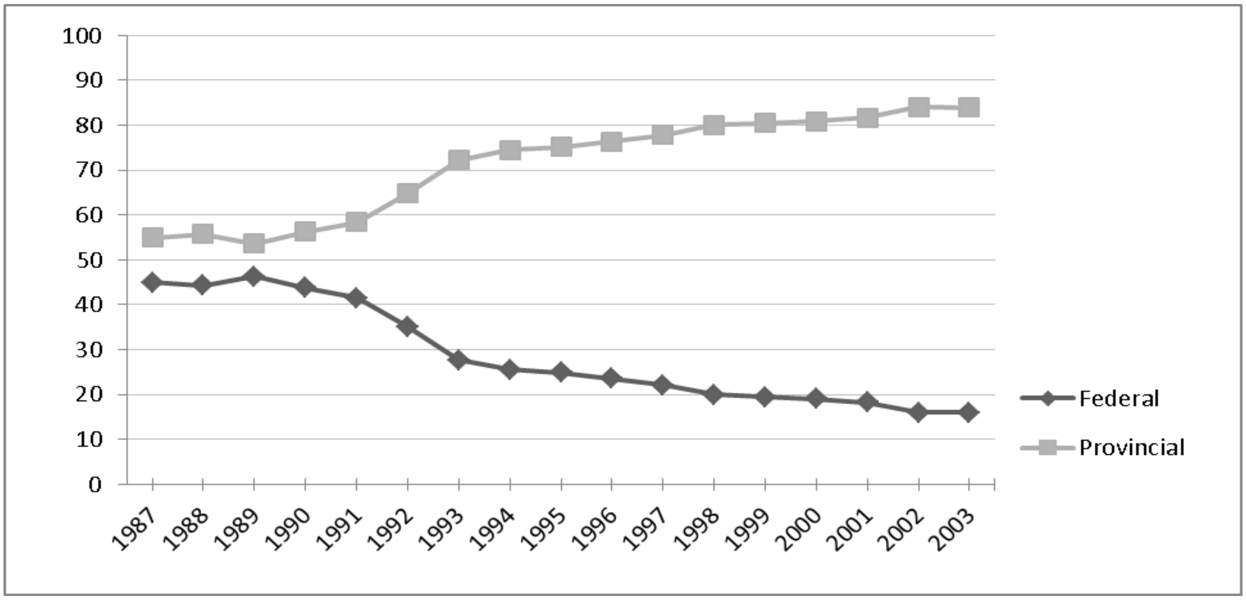
APPENDIX A

ADDITIONAL INFORMATION FOR CHAPTER 1

Table 8: Popularly Elected State Governors and Mayors in Latin America

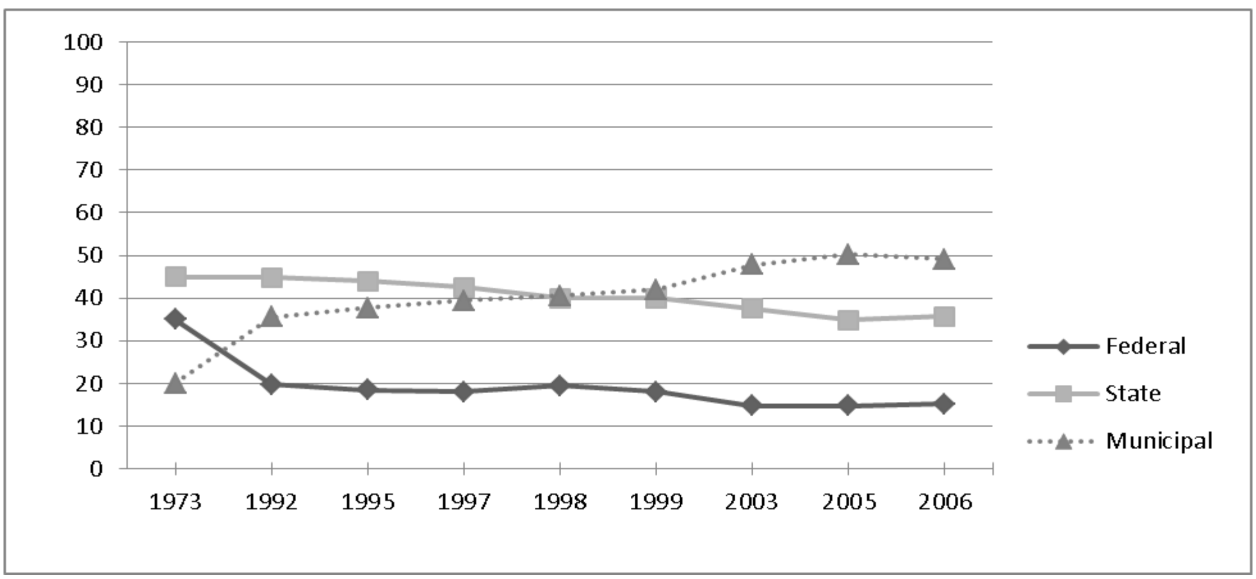
Country	State Governor		Mayor	
	Mechanism	Since*	Mechanism	Since*
Argentina	Elected	1983	Elected	1983
Bolivia	Elected	2005	Elected	1986
Brazil	Elected	1982	Elected	1985
Chile	Appointed	1989	Elected	1993
Colombia	Elected	1992	Elected	1989
Costa Rica	Appointed	1949	Elected	2002
Dominican Republic	Appointed	1966	Elected	1966
Ecuador	Elected	1998	Elected	1983
El Salvador[1]	Not Applicable	--	Elected	1984
Guatemala	Appointed	1986	Elected	1986
Honduras	Appointed	1983	Elected	1983
Mexico	Elected	1917	Elected	1917
Panama	Appointed	1990	Elected	1995
Nicaragua[1]	Not applicable	--	Elected	1992
Paraguay	Elected	1994	Elected	1994
Peru[2]	Elected	2003	Elected	1981
Uruguay	Elected	2000	Elected	1984
Venezuela	Elected	1989	Elected	1992

Notes: (*) Following military rule, where applicable. (1) State governors do not exist in El Salvador and Nicaragua (except for two autonomous regions which held gubernatorial elections for the first time in 1993). (2) Peru also featured popularly elected governors between 1990 and 1992. Source: National Constitutions.



Note: Excluding personnel in public universities, financial systems and social security system. Source: Alessandro (2009).

Figure 33: Evolution of Federal and Provincial Public Employment Sector in Argentina, 1987-2003



Source: Pessoa, Brito and Figuereido (2009).

Figure 34: Evolution of Federal, State, and Municipal Public Employment Sector in Brazil, 1973-2006

Table 9: State Incumbent Party Strength and Gubernatorial Electoral Efficiency in Argentina (1983-2003) and Brazil (1982-2006)

Brazilian States	Incumbent Party Strength	Gubernatorial Electoral Efficiency	Argentine States	Incumbent Party Strength	Gubernatorial Electoral Efficiency
TO	87.5	100	CBA	100	75
GO	83.3	100	FO	100	100
PA	83.3	100	LP	100	100
SP	83.3	100	RN	100	100
MA	83.3	83.3	SL	100	100
CE	83.3	66.7	SC	100	75
AM	75	28.6	SF	100	75
AC	66.7	87.5	LR	100	83.3
PR	66.7	80	JU	100	33.3
PB	66.7	66.7	NE	100	33.3
BA	60	75	CT	83.3	100
MG	58.3	66.7	BA	80	100
ES	58.3	40	MI	80	100
AP	50	80	SG	80	66.7
PI	50	77.8	CO	80	80
SE	50	66.7	CR	60	83.3
AL	41.7	42.8	ME	60	100
RN	33.3	87.5	SA	60	80
RR	33.3	80	TU	60	75
MT	33.3	62.5	CH	60	75
MS	33.3	40	CU	60	50
DF	25	50	ER	40	63.3
RO	20	20	SJ	40	50
SC	16.7	71.5	TF	33.3	50
PE	16.7	57.1			
RJ	16.7	28.6			
RS	0	28.6			

Source: Author’s elaboration.

Table 10: Gubernatorial Careerism in Argentina and Brazil, 1982-2006

	ARGENTINA		BRAZIL	
	N	**Percentage**	**N**	**Percentage**
Overall	131		205	
Run for Office	96	73.3	137	66.8
Win	86	89.6	99	72.3
Reelection Not Allowed	73		125	
Run for Office	43	58.9	71	56.8
Win	42	97.7	56	78.9
Reelection Allowed	58		80	
Run for Reelection	45	77.6	60	75
Win	37	82.2	39	65
Run for Other Office	8	13.8	6	7.5
Win	7	87.5	3	50
Turnover Rate	45	34.4	106	51.7

Source: Author's elaboration.

APPENDIX B

GUBERNATORIAL TRANSFER ACCESS AND DISCRETION IN ARGENTINA

This Appendix discusses all Argentina's intergovernmental transfers according to their level of gubernatorial and presidential discretionality, and provides detailed information on the provincial CMI transfer agreements discussed in Chapter 2.

B.1 TRANSFERS WITH HIGH LEVEL OF GUBERNATORIAL DISCRETION

The Provincial Fiscal Disequilibrium Fund (FDFP): Since democratization, the Argentine Congress created two funds earmarked for provinces experiencing fiscal imbalances. The first fund was introduced in 1988 and operated only until 1991. Nurtured by revenues from duties on cigarettes and taxes on the transfer of public debt bonds, it was exclusively allocated to the provinces of La Rioja, Salta, and Tucumán with no strings attached. The second fund was proposed by Minister of Economy Domingo Cavallo to entice governors into accepting the 1992

Fiscal Pact. The pact stipulated a nominal monthly sum that each province would receive to cover its fiscal disequilibrium (Law 24,130) thus constraining the federal government's discretion over its amount and earmarking. However, congressional legislation did not make any provision regarding the payment and timing of the fund, which were left under presidential discretion. Because no conditions were attached to the use of this fund and no formal mechanisms of supervision were established, the ultimate implementation to cover provincial fiscal disequilibria lied under the exclusive discretionality of subnational authorities.

The National Housing Fund (FONAVI): This fund was originally created by the military government in 1970 to finance house building for low-income families. Two years later, Law 21,581 mandated that it could also be utilized to execute urbanization, infrastructure, and communal projects associated with housing plans. The FONAVI was initially financed by taxes on employer contributions to the social security system, and it was regionally allocated by the Secretary for Urban Development according to pre-established provincial housing deficits. The Menem administration then replaced the employer contributions by a fixed percentage of taxes on oil production, and guaranteed a minimum annual sum of $900 million to finance the fund. During the period under study, the FONAVI constituted the largest intergovernmental grant (excluding the CFI) accounting for roughly 18 percent of all federal transfer resources. The 1992 Fiscal Pact decentralized the administration of the FONAVI to Provincial Housing Institutes (IPVs), and entitled governors to nominate and remove their directors without prior legislative approval. Since then, the IPVs have been in charge of administering the housing resources, deciding on credit operations, determining the costs and localization of the new buildings, selecting beneficiaries, hiring subcontractors, and controlling the constructions. In 2000, Law 25,540 expanded the IPVs' capacity to manage the housing funds by establishing that 50 percent of the resources could be used to finance "other activities". This legislation of course allowed governors to divert a considerably sum of the FONAVI from housing projects to other politically profitable policy areas. As for the federal government, it only retained authority to set up the coefficients for the regional distribution of the fund. But these coefficients have remained virtually unchanged throughout the years. In addition, because the FONAVI is transferred daily according to formulaic criteria, national authorities exercise no leverage over its amount and timing. Finally, although monitoring is legally assigned to the National Housing System, several interviewees affirmed that this federal agency cannot effectively detect the way in which the transferred resources are ultimately spent. Two indicators clearly illustrate difficulties in monitoring implementation. First, according to legislation, the resources transferred by the FONAVI must be paid back. However, less than 10 percent of the outstanding loans have been actually recovered (Secretaría de la Vivienda 1999). Second, the FONAVI was designed to finance poor families but it has gradually evolved into a mechanism for subsidizing middle-class housing (Schwartz and Liuskilla 1997).

The Interior Electric Development Fund (FEDEI): This fund was created by Law 15,336 in 1960 to support electrification programs conducted by provincial/municipal governments, and public utility companies. The FEDEI was initially nurtured by National Treasury contributions, surpluses from utilities paid by the Federal District, and 30 percent (later increased to 40 percent) of the National Electric Energy Fund created by the same legislation. Historically, the FEDEI has been managed by the Federal Council of Electric Energy (CFEE). Formed by representatives of the Secretary of Energy and the provincial governments, the CFEE is in charge of approving regional loans for electrification programs proposed by the provinces. The approved loans are distributed according to previously established coefficients (87 percent are allocated to the provincial governments, and 12 percent to local cooperatives), and must be paid back by setting utility rates at an "adequate level".[260] In practice, however, the provincial majority within the CFEE has prevented the central government from exercising control over the amount, targeting, and earmarking of the FEDEI. National authorities only have a say over its timing and payment, but this influence is based on administrative procedures that do not allow for a presidential manipulation of the fund. The system has not seemed to be effective in preventing provincial governments from diverting the FEDEI resources to other policy areas. It has neither established the timing of spending. As stated by legislation, the provinces have a maximum of three years since the loans were approved to initiate the electrification works. After that time, the programs are supposedly closed off and the assigned funds cannot be used. Nonetheless, violations are common. For example, the province of Formosa received the CFEE's approval to invest electricity funds in 1983, 1984, 1986, 1997 and 1998 but did not initiate the electrification works until 2000. Similarly, La Rioja began to receive federal approvals in 1981. Yet by 1999 it had only used around 20 percent of the assigned money (Secretaría de Energía 2000). Given that the CFEE does not monitor investment from its approval to termination, provincial governments can

[260] The remaining 1 percent is divided between the CFEE and the provinces. By Resolution 306/97, the CFEE decided to grant half of its financing (0.5 percent) to the provinces.

circumvent legal clauses and have the last word on implementation. Several interviewees indicated that within-province distribution of the FEDEI is highly informal, while contracts are usually awarded to the governors' "friends". Despite some regional and time variation, subnational executives are indeed able to influence the reallocation, timing, procurement, and monitoring of the electrification transfer funds.

The Special Tobacco Fund (FET): This is a subsidization grant designed to guarantee a "fair" price to tobacco producers and finance improvements in tobacco production processes. Created by Law 19,800 in 1972, it has always been nurtured by taxes on cigarettes. The FET, which in the 1990s accounted for around U.S. $180 million per year, is targeted according to the following criteria: 80 percent among the tobacco-producing provinces of Catamarca, Chaco, Corrientes, Misiones, Jujuy, Salta, and Tucumán in accordance to the type of tobacco produced, and 20 percent according to investment projects proposed by a committee composed of representatives of the provincial government and local producers. These projects are approved by the national Agricultural, Livestock, and Fishing Secretary (SAGyP), which until 1991 also determined the tobacco price of reference. Thus, the payment and timing of the FET have been under the discretion of the central government. In an attempt to limit the scope of the fund, the de la Rúa administration unsuccessfully sought to pass a bill that excluded the FET from the federal budget. This decision produced the immediate reaction of legislators from the benefited provinces, who forcefully argued that the tobacco fund was a "provincial right, not a federal subsidy".[261] In practice, both the administration and implementation of the FET is carried out by the provinces in line with the rules that regulate tobacco commercialization. The resources are used to pay for a surplus price to local private producers and to finance projects developed by provincial cooperatives. Between 1975 and 2002, nearly two-thirds of the FET was allocated to private producers and the rest to local cooperatives (SAGPyA 2002). With regards to monitoring, the provincial institutions that control the fund report subsidy and investment decisions to their respective General Auditor Offices and the SAGyP annually conducts technical and account controls. Principal-agent and moral-hazard problems, however, make it extremely difficult for the central government to monitor provincial tobacco institutions. As a result, the SAGyP typically approves investment plans without previously identifying who are the actual receivers. This limitation precludes national authorities to collect repayments for the credits granted.[262]

The Greater Buenos Aires Fund and the Basic Social Infrastructure Fund: These funds were instituted in the 1992 Income Tax Reform with the purpose of compensating provinces by the revenue loss inflicted by the first Fiscal Pact. The former fund appropriated 10 percent of the income tax and was exclusively transferred to the Buenos Aires province.[263] The legislation abstractly mandated that resources should finance "social policy projects" decided by the province itself. Governor Duhalde ultimately centralized the administration of the fund in the

[261] Interview with Nicolás Gadano. Ciudad de Buenos Aires, September 27, 2005.
[262] Personal communication with Senior Advisor, SAGPyA. Ciudad de Buenos Aires, November 15, 2008.
[263] This appropriation was limited to AR$ 650 million in 1995 (Law 24,621), and the surplus distributed among the remaining provinces. Anecdotal and journalistic evidence suggest that the Greater Buenos Aires Fund was negotiated by president Menem and governor Duhalde. In exchange for receiving the fund, Duhalde accepted not to run for the presidency in the 1995 contest thus paving the way for Menem's reelection.

Women Provincial Council presided by his wife. As Auyero (2000) has documented, this council became the headquarters for implementing a number of patronage-based programs. The monies allocated to Buenos Aires represented 4.4 percent of the provincial GDP in 1992, 7.8 percent in 1993, 9.5 percent in 1994, and 10.6 percent in 1995 (Danani, Chiara, and Filc 1997). Several governors from the peripheral provinces repetitively demanded the derogation of the fund. But Duhalde was often able to impede legislative movements against it by using his federal deputies to push through the derogation of gas subsidies and the FET, which benefited the Southern and Northern provinces respectively. The Basic Social Infrastructure Fund, on the other hand, is fed by 4 percent of the income tax and then distributed among all other provinces according to poverty measures to finance social infrastructure projects. Provincial governments must submit to the center proof of adequate allocation of resources. The federal government, however, has been unable to check out the authenticity of provincial certifications, exercising discretion only over timing and payment. In consequence, provincial governments have great political ability to trade-off social infrastructure funding across different investment projects, control the timing of execution, and manage the procurement of resources.

Hydroelectric and Hydrocarbon Royalties: The federal government acknowledged the right of provinces to collect hydroelectric and hydrocarbon royalties from private companies in 1967 (Law 17,319). According to this legislation, companies must pay the corresponding royalties to the federal government, which in turn shares an unspecified part of them with the provinces where energy, oil and gas were extracted and produced (Articles 12, 59, 61, 62, and 93). Throughout the years, several controversies arouse over the procedures used to calculate the primary and secondary distribution of royalties. These controversies were finally settled in 1992 when the oil-producing provinces of Chubut, Formosa, Jujuy, La Pampa, Mendoza, Neuquén, Rio Negro, Salta, and Santa Cruz bilaterally signed agreements with the national government to secure their royalty transfers. Then, representatives at the 1994 Constituent Assembly introduced an amendment stating that provinces had "original dominion of the natural resources existing within their territory" (Article 124). In terms of fiscal transfer discretionality, the federal government can only exercise control over the payment and timing of royalties. Their amount, targeting, and earmarking are established by the constitution and related fiscal legislation. Provinces that receive royalties are only mandated by provincial legislation to distribute a portion of them to the municipal governments. The range of royalties received by municipalities is quite broad varying from 50 percent in the province of Entre Rios to 7 percent in Santa Cruz.

The Industrial Promotion Regime: The first industrial promotion program was established in the late 1950s to set a duty-free zone in the Patagonia (Eaton 2001a). Certainly, the generals' motivation had less to do with equity and efficiency and more with defending the territorial integrity against potential invasions by neighboring countries (Sawers and Mazzacane 2001: 107). Since then, different promotional schemes were promulgated. These schemes offered a broad array of tax breaks to firms with no coherent rationale, but the most important was the exemption from the VAT.[264] In economic terms, industrial promotion has led to an inefficient pattern of industrial location, diversification of production, and transportation costs (Aspiazu

[264] Some of the subsidies offered include exemptions from the profits and capital taxes, benefits of deferring tax payments, credit subsidies, and waivers of tariffs. Nowhere, with the possible exception of the San Luis province has industrial promotion stimulated economic activity

1988; Schvarzer 1990). The distribution of tax subsidies has also cost several percent of GDP annually. It is therefore not surprising that the regime was considered a threat to the stability of Argentina's fiscal system (World Bank 1990). Politically, industrial promotion became pure pork-barrel spending from the center to satisfy provincial demands and buy off regional support by opening up possibilities for governors to make private businesses. Because goods produced at any stage in the production process are tax-exempted, the promoted provinces have simply conceded exemptions to firms that undertake only token activities in their territories. Most plants located in the promoted regions are part of preexisting factories elsewhere (typically, Buenos Aires) set up to collect the subsidy rather than to generate an increase in industrial activity. The system has then encouraged rent-seeking, corruption, and widespread tax evasion.

Four provinces, Catamarca, San Luis, La Rioja, and San Juan, have their own industrial promotion programs. The first three jurisdictions were included in the Historical Reparation Act, a decreed issued in 1973 by the Perón administration. The military regime that followed extended essentially the same benefits to San Juan.[265] In 1985, president Alfonsín was obliged to expand industrial promotion benefits previously negotiated by the generals to a number of additional provinces. Although the federal government simply lacked the political power to eliminate these benefits, several projects were never approved (Eaton 2001a). By the time Menem assumed office there were dozens of industrial promotion schemes in the country. The government resumed the practice of granting tax breaks to different industries (including iron,

[265] It is not clear why the military regime only chose San Juan for special treatment.

steel, reforestation, sugar, yerba mate, fishery, ethanol distilling, cement, and paper) when the president decided to bid for his reelection.

Financial credits for the promoted provinces have been distributed applying a mechanism that assigns provincial quotas with a ceiling established in the annual budget. The Secretary of Industry and the Tax General Direction (*Dirección General Impositva*, DGI) are in charge of approving credit allocations to firms after estimating their potential fiscal costs.[266] Thus, the federal government controls the amount, timing, and payment of the industrial promotion but does not exert any influence over targeting and earmarking.

Provincial governments, on the other hand, enjoy exclusive authority to determine the projects that are subject to federal approval and to control the implementation of the tax-exempted projects. Therefore, the industrial promotion regime generates strong incentives for collusion among governors, potential private beneficiaries, and congressional legislators to exploit the tax-incentive scheme. A common strategy employed by provinces to maximize their quotas and increase the number of beneficiary firms is to underestimate the expected fiscal cost of the tax discounts. Another strategy is to encourage the fragmentation of projects whose costs approximate the quota and entice legislators to introduce more budgetary credits to favor a larger number of private initiatives. In addition, the complexity of legislation and the absence of accurate information on the projects make monitoring a nearly impossible task for the center. Federal officials indeed lacked the ability to recognize and impose penalties to subsidized firms

[266] The Secretary of Industry has been more inclined to approve promoted projects, while the DGI has typically attempted to reject them.

that failed to meet employment, production, or investment targets. No one inside the federal government can specify who received the subsidies –and by how much- or even identify sham projects established only to collect the subsidy. These deficiencies allow provincial authorities to easily overturn federal decisions, and permit governors to retain the ultimate control over the use of tax breaks. In the words of a former Under-Secretary of Tax and Revenue: “The industrial promotion is a key political weapon for the governors simply because provinces are the authorities of application…and because benefits are granted in an ad hoc, non-automatic manner through contracts that open avenues for bribing and private businesses. Provinces decide who they want to promote and how to do it…at the end of the day, they decide everything...The regional chief of the DGI responds to the province not to the national government because s/he is easily co-opted by the governor…Industrial promotion is pure cash till (*caja*) for the provinces.”[267]

The Non-Industrial Promotion Regime: Motivated by Menem’s desire to sum adherents for his candidacy to a third mandate, the federal government introduced fiscal credits for the promotion of “non-industrial” (i.e., agricultural and tourist) projects in thirteen provinces. The functioning of this regime mostly paralleled that governing industrial promotion. The budget proposal sets a list of provinces to be benefited from a tax-incentive quota, and national legislators systematically attempt to increase the amount and territorial scope of the fiscal credits. A former President of the Budget Committee in the Chamber explained: “Tensions between the

[267] Interview with Juan Carlos Gómez Sabaíni. Ciudad de Buenos Aires, October 17, 2005.

central government and the provinces for promotional regimes always have an effect on the budget…With the exception of the provinces of Buenos Aires and Mendoza, which always vote against these schemes, the other provinces collude, obtain the majority [in the Chamber of Deputies and the Senate], and vote to include additional money in the budget for industrial and non-industrial promotion. If the president wants to veto these articles, the provinces are able to get the two-thirds necessary to insist…because there is a lot of political solidarity among them…and because the already promoted provinces distribute quotas to the other province. Sometimes these quotas cover fifteen or sixteen provinces."[268]

Although the federal government eventually vetoed some of these initiatives, Menem issued a decree that transferred the authority to reassign tax-exemptions for non-industrial promotion (Rodriguez and Bonvecchi 2004). Governors rapidly adapted to the new legal conditions by reallocating subsidies from bankrupted to new projects, and preserving the incentives of private beneficiaries who had changed their economic activities. Although the non-industrial promotion system officially expired in 1999, several provinces continued to use their political authority to grant fiscal credits and allow modifications in the nature of investments. Under the short de la Rúa administration, the Federal Administration of Public Incomes (AFIP) denied granting tax benefits to projects directly approved by the provinces. But in 2004 president Néstor Kirchner issued a new decree by which the federal government accepted to concede these benefits.

[268] Interview with Oscar Lamberto. Ciudad de Buenos Aires, November 8, 2005.

The National Treasury Contributions (ATNs): These non-automatic grants were introduced in the 1853 Constitution (Article 67), which entitles Congress to "grant subsidies from the National Treasury to the provinces whose income does not suffice, according to their budgets, to cover their ordinary expenses". It was on this legal basis that the chief executive designed the ATNs. Until the creation of the first CFI regime, these funds constituted the single federal transfer to the provinces (Porto 1990). Then, the ATNs coexisted with the CFI accounting for almost 40 percent of the revenue-sharing pool (Cetrángolo and Jiménez 1997b). Between 1985 and 1988, in the absence of a federal fiscal agreement, these funds replaced the co-participation regime as the exclusive transfer scheme that ruled intergovernmental fiscal relations in the country. With the enactment of the current CFI law, the ATNs were reduced to a fixed total amount of 1 percent of all sharing taxes and their control was granted to the Ministry of Interior. This change transformed their regional distribution but it did not affect the absolute discretionality enjoyed by the president. Although s/he does not manage the ATNs total amount, which varies with revenue collection, the president has complete discretion to determine the sum allocated to each jurisdiction. The institutional framework sets some limits on the ATNs' earmarking by establishing that they could only be used to "attend emergency situations and financial disequilibria of provincial governments" (Article 5). Yet in practice the president has used these grants for a variety of purposes ranging from supporting Catholic dioceses to funding sports competitions. Although funds are granted to governors, federal officials seek to influence their municipal reallocation.[269] In the hands of subnational executives, the ATNs are also a highly discretionary transfer. Reallocation and authority over procurement are common as no formal restrictions exist on how and where the funds should be spent. Actually, they are legally defined as funds of "free availability". In some provinces, for instance Santa Fe and Mendoza, the Auditor General Office sets a flexible time limit for provincial and municipal governments to acknowledge the reception of an ATN. Although this procedure may affect when the fund is eventually spent (timing), it merely responds to administrative rather than to accounting purposes.

The Regional Development Fund (FDR): It was created in the 1973 CFI law to finance public infrastructure works of provincial or regional interest. It was financed by 3 percent of the total sharing revenues, federal government's contributions, and the product of its own financial management. Historically, the fund has lied under the absolute discretion of the national executive. The list of executable projects has often been defined by the Ministry of Economy on the National Development Plan. When the FDR fell into desuetude during the last military government, it began to be discretionally allocated by the Ministry of Interior. In 1985, the Ministry of Economy regained certain control but it was short-lived. During the arduous negotiations for the approval of the 1988 CFI law, as we have seen, the fund was transformed into a *de facto* automatic transfer controlled by the provinces.

[269] The Chaco province under the opposite government of Angel Rosas (UCR, 1994-2002) is illustrative of this dynamics. In the context of a dispute between Radical and Peronist municipalities regarding the reallocation of ATNs, the Minister of Interior personally intervened in the conflict urging the provincial government not to exclusively benefit its co-partisan mayors. Interview with Eduardo Gabardini. Resistencia, November 28, 2006.

B.2 TRANSFERS WITH MEDIUM LEVEL OF GUBERNATORIAL DISCRETION

Education Transference Funds: These funds are a by-product of the decentralization process that transferred education services to provincial jurisdictions without appropriate additional financing (Falleti 2010). In 1991, the Federal Education Law 24,049 dictated that the costs associated with the decentralization of education must be deducted from the CFI pie insofar as revenues exceeded their annualized average for the April-December period.[270] The federal government committed to transfer grants for the entire cost of the services in case the CFI revenues fall short of that average. The education transference funds, hence, constitute a politically sterile tool for the center since the legal framework determines their amount, targeting, and earmarking leaving only to the Ministry of Education the authority to establish their payment and timing. The decentralization of education services undoubtedly affected the provinces' budgets and financial autonomy by forcing governors to spend unearmarked transfers on an item that was formerly funded by the federal government. But, at the same time, the education funds have opened the space for the politics of patronage as the provincial devolution of fiscal responsibilities in the area was naturally accompanied by a corresponding decentralization of control over hiring. In addition, provincial governors have been able to determine how to utilize these funds because the federal government never attached conditions to their use and implemented monitoring and sanctioning mechanisms.[271]

[270] Revenue reductions began at the outset of the 1992 fiscal year.
[271] Critically, because these transfers are not tied to teachers' salaries they are harder to monitor.

Utility Rates Subsidies and Compensation Funds: The legislation on electricity and gas utilities mandates to compensate provincial jurisdictions for the difference between the flat rates for electricity/gas services and the coverage and quality of the services received. It concretely rules to subsidize consumer rates where the cost of provision vastly exceeds the financial return from consumer payments through funds nurtured by charges on wholesale buyers and/or high-income consumers. The Laws 15,336 and 24,065 created this fund to be administered by the Federal Council of Electric Energy, and successive legislation expanded these subsidies. Because the amount of subsidies depends on provincial utility rates and consumption levels and because regional distribution and earmarking are set by law, the federal government only enjoys discretion over payment and timing. By contrast, provincial governments have a considerable (though not absolute) degree of discretion. Some federal officers interviewed pointed out that the CFEE has not created an adequate mechanism to assess how provinces utilize the transferred money. Certainly, provincial governments cannot divert these subsidies to other policy areas. But they can determine whether to apply them to residential districts, specific economic sectors, or the so-called "social tariffs" –i.e., subsidies for low-consumers, retirees, shanty towns, remote localities, or poor families. There is also a considerable administrative vagueness in the procedures used by the provinces to select the potential beneficiaries, which helps governors to gain political discretion over timing and monitoring.

Budget for Public Works: The fiscal resources incorporated into the national budget to finance public work projects in the provinces have always been under the supervision of the Ministry of Economy and the amendment powers delegated to the president. The Public

Investment Law mandates that infrastructure projects can only be included in the budget proposal if they had been previously approved by the Secretary of Economic Policy. The FAL law reinforced the authority of the central government over these funds by granting the Treasury Secretary extensive powers to determine their amount, timing, and payment. Although the geographic distribution of public infrastructure projects is established in the budget, it can be easily amended by the president through budgetary under-execution or expenditure reallocations that are hard to monitor. The level of earmarking attached to these transfers is also unclear. Official publications acknowledge that there has been a scarcity of public work projects developed on the basis of well-elaborated analysis of costs, while a system of supervision and oversight has never been implemented (Plan de Inversiones Públicas, several years). Once in the provincial coffers, it is very hard to ascertain the degree to which public works are properly executed within a given policy area.[272] Deficiencies in planning and weak federal monitoring allow for gubernatorial discretionality as provinces control transfer procurement by signing contracts with private firms and conditioning the hiring of politically loyal workers.

The Highway Fund (CV): Introduced in 1958 by a presidential decree, the CV consists of federal funds for road maintenance and construction transferred by the National Road Directorate (DNV) to provincial entities. The resources, composed of 35 percent of all sharing revenues earmarked for the DNV, are distributed according to formulaic criteria: 30 percent in equal amounts, 20 percent proportional to provincial population, 20 percent proportional to the amount

[272] As stated by a federal official from the Secretary of Public Investment: "How can we know, for instance, if a governor built 300 houses of poor quality instead of 100 houses of good quality?" Personal communication. Ciudad de Buenos Aires, November 1, 2005.

of provincial resources invested on roads, and 30 percent proportional to the consumption of fuel in each province. Because the DNV has the exclusive authority to set the last two coefficients, it can influence the regional allocation of the road transfer funds. The central government does not control the amount of money to be transferred, but it enjoys certain level of discretion over payment because provinces must submit road programs, procurement documents, and disbursement requests to be evaluated by the National Road Council.[273] As anticipated above, in exchange for the signing of the 1992 Fiscal Pact the federal government decided to automatically allocate road funds to the provinces thus losing control over both timing and payment. However, it still negotiates with the provinces the opportunity cost of initiating each project. Using the CV funds as an example, Carlos Snopek pointed out: "The relation between the central government and the provinces changed in 1992 and governors do not have to travel to Buenos Aires to get the funds anymore. Perhaps, the opportunity of execution, that is, when the project is launched, whether it is initiated this month or the next month, has to do with their peregrination to the center. But the institutional design guarantees governors that they get the money."[274] Once received, provinces themselves control the CV's implementation stage. This means that governors have exclusive leverage over procurement and policy reallocation. Gabriel Hernández, former UCR mayor of the Formosa city put it in these terms: "The important tender bids are influenced by provincial officials. Then, you see here that a bid from CV is directly consulted with the governor who indicates the private firms that can and cannot participate. There is

[273] All provinces are granted representation at this deliberative body.
[274] Interview with Carlos Snopek. Ciudad de Buenos Aires, December 16, 2005.

nothing discretionally managed from Buenos Aires. Those who think that the president controls these funds are wrong. Provincial officials and the governor himself have the power over most transferred money in the province."[275]

The Fund for Provincial Public Sector Reform: This fund was incepted by decree in 1993 to assist public sector reforms in the provinces. Its financial architecture included 50 percent of the proceedings coming from the privatization of the National Savings and Insurance Board, the National Currency House, and the National Development Bank, loans from multilateral financial institutions, and contributions from the central government through special bonds designed to stimulate job creation at the local level. Managed by the SAREP, the fund has been allocated according to the cost of the public sector reform proposed by the provinces to the SAREP, and the CFI secondary distribution. The loans received by the provinces should be paid back as indicated by the agreement signed with the Ministry of Interior using each province's co-participation resources as collateral. Therefore, the central government has been able to determine the amount, timing, payment, earmarking and, to a lesser extent, regional targeting of the funds insofar as provincial sectors subject to reform are ultimately bargained between national and subnational authorities. Provincial governments, on the other hand, have exerted some discretion over these moneys by being able to control procurement and timing but falling short to manage reallocation and monitoring.

[275] Interview with Gabriel Hernández. Formosa, April 10, 2006.

B.3 TRANSFERS WITH LOW LEVEL OF GUBERNATORIAL DISCRETION

Debt Consolidation Schemes: In 1992, the Argentine Congress approved the Nation-Provinces Financial Reorganization Regime (Law 24,133) to sort out the complex web of debts and credits that both levels of government had with each other. Provincial governments were in default on long-standing loans from the center, which was in default on payments owed to the provinces. The reorganization scheme was implemented through bilateral agreements in which all standing bills were consolidated, while remnants in favor of the provinces were paid through federal government's outstanding bonds called BOCONS. The consolidated bills ranged from unpaid provincial taxes owed by privatized enterprises to provinces' non-performing loans with the Central Bank. The Ministry of Economy produced standing bills that entitled subnational jurisdictions to receive BOCONS and granted the federal government authority to determine the timing and payment of transfers (Bonvecchi 2003). The Secretary of Assistance to Provincial Economic Reform affirmed: "Negotiators made titanic efforts so that all provinces got something out of the compensation schemes. Many political rather than technical decisions were made concerning the recognition of provincial debts".[276] These bilateral agreements lasted until 1995, when the reticent province of Córdoba decided to accept its debt reorganization (Dillinger and Webb 1999). The federal government gained control over the restructuring plans, while governors' discretion was null.

[276] Interview with Oscar Souto. Quoted in Bonvecchi (2003).

Loan Approvals: In parallel with the reorganization of nation-provincial debts, the federal government sought to curb provinces' tendency towards increasing indebtedness in two additional ways. First, it contracted a loan with the World Bank to finance the reform of the provincial public sector. To access these funds provincial governments must submit a financial plan to the SAREP, which allowed technocrats at the Ministry of Economy to supervise provinces' indebtedness strategies with multilateral financial agencies (Bonvecchi 2003). Second, the federal government enacted the resolutions 1075/93 and 262/93 which mandated that new provincial debt operations must be approved by the Treasury Secretary and the Central Bank. By using its credit rating and position as guarantor, and by deciding upon the timing and granting of the loan approvals, the center actually restricted provincial indebtedness operations. Again, governors lacked discretionality over loan approvals.

Pension System Bailouts: Between 1995 and 1998, the federal government bailed out the pension systems of eleven provinces (Nicolini 2002). Designed in 1992 as an enticement for the provinces to support the federal social security reform, these bailouts were legally introduced in the 1993 Fiscal Pact. Initially, they were rejected by most provinces on the grounds that the central government would clean up the provincial systems from dubious pensions. But in the aftermath of the Tequila crisis, which prompted a run on deposits and a notable fall in revenues, all provinces with the exception of Santa Cruz and Santa Fe claimed the center to bailout their pension systems. Armed with a powerful bargaining instrument, the federal government conditioned bailouts to its decision of taking over provincial accounts at face value. To implement this decision, the bailouts incorporated a "transfer act" which set strong conditionalities to be ratified by the provincial legislatures. First, it was established that provinces could not legislate over issues related to the creation of provincial pension systems. Second, provincial governments allowed the National Treasury to retain CFI funds in order to finance personal and employer contributions to the nationalized pension system. Finally, the provinces assumed the judicial responsibility for any action promoted by the beneficiaries of the new regime. In consequence, the timing, payment, and earmarking of federal bailouts –but obviously not their amount and targeting– were entirely at the central government's discretion. Like with the renegotiation of provincial debts, governors were unable to control any dimension of transfer discretionality.

Treasury Bonds Bailouts (BOTESO): Between 1992 and 1994, the federal government issued a series of Treasury Bonds for U$ 800 million to rescue seven poor provinces experiencing severe fiscal deficits and mounting debt. These provinces were unable to obtain capital in the private financial markets because they had a high proportion of their CFI income compromised in the execution of loan's guarantees (Nicolini 2002).[277] The federal bailouts were extended through formal agreements reached between the Ministry of Economy and provincial governments, which agreed to fulfill conditionality clauses such as reducing fiscal deficits, freezing the number of public employees, and prohibiting new indebtedness. Although no legal enforcement drove provinces into compliance, all five dimensions of presidential discretionality were under the chief executive's tight control. Because the BOTESO constituted federal

[277] In 1994, for example, the BOTESO covered close to 90 percent of the provinces' financial needs (Tommasi, Saiegh and Sanguinetti 2001).

government debt, their amount, targeting, timing, and payment were at the center's own discretion. Earmarking was also determined by federal authorities as they decided the financial markets where the bonds could be traded. Like most financial transfers managed by the federal government, the BOTESO were only slightly vulnerable to gubernatorial discretionality. Once the agreement between the federal and provincial governments had been signed, the provinces deposited the bonds with a private sector financial agent, who had to gradually place the titles in the market to guarantee their normal absorption. The agreements also included a clause which explicitly stated that the loans should be canceled through automatic withdrawals from the provinces' CFI transfers. This clause guaranteed that loans would be paid back (as they ultimately were) on the scheduled dates. When the loans were due, the national government withdrew the amortization and interest payments from the CFI funds that had been use as collateral. The BOTESO rescue, however, was not a simple technical loan operation. Provincial repayment was eventually executed at a much lower financial cost than other alternatives available at the market, which set higher interest rates to the provinces.

B.4 THE PROVINCIAL CMI AGREEMENTS

This subsection provides detailed information on the CMI agreements by distinguishing its composition, primary and secondary distribution, and the authority of provincial governors to bias municipal distribution.

Table 11: Provincial CMI Agreements

Province	Primary Distribution	Secondary Distribution	Special Funds	Authority	Allocation
Buenos Aires	16.14% CFI 16.14% Provincial Taxes	58% (62% population, 23% p/c tax generation; 15% Size); 37% hospitals; 5% transferred services.	No	Governor	Daily Non-automatic No Retention
Catamarca	8.5% CFI 10% Property & Gross Receipts, 70% Motor Vehicle.	95%: 42% Capital, 58% Interior. Interior: 33% equal portions; 33% population; 34% tax generation.	Yes	Governor	Within 30 days Non-automatic No Retention
Chaco	15.5% CFI 15.5% Gross Receipts & Stamps	15% Equal portion; 25% Tax generation; 60% Number of employees.	Yes	Governor Legislature approves	Every 10 days Non-automatic Retention (up to 33%)
Chubut	10% CFI 14 - 16% Royalties	80% population; 20% equal portion Royalties: variable and earmarked.	No	Governor	CMI: Monthly Royalties: Fifteen days Automatic No Retention
Córdoba	20% CFI 20% Gross-Receipts & Property	80.5%: 21% equal portion; 79% population. 3%: 50% equal portion; 50% population.	Yes	Governor Legislature Controls	Fifteen days, Automatic No Retention

Corrientes	12% CFI 12% Property, Stamps, Lottery	98% Population; 2% reversed population.	Yes	Governor	CMI: Every 3 days Provincial Resources: daily Non-Automatic No Retention
Entre Ríos	12% CFI 24% Property, Fix Sum Gross Receipts, 60% Motor Vehicle, 50% Royalties	33% Equal portion; 20% population; 30% tax generation; 17% basic unsatisfied needs.	No	Governor	Every ten days Non-Automatic Retention
Formosa	12% CFI 12% Property, Stamps & Lottery	40% Population; 30% tax generation; 30% equal portions.	Yes	Governor	Fifteen days Non-Automatic Retention
Jujuy	Municipal Wage Bills	100% Public workers.	No	Governor	Daily Non-Automatic No Retention
La Pampa	10.71% CFI (ATN) 21% Provincial Resources 15% Royalties	5% equal portion; 20% Population; tax generation ; 20% motor vehicle; 15% property.	Yes	Governor	Daily Automatic No Retention

La Rioja	10% CFI 20% Property 50% Motor Vehicle	Provincial: Fixed coefficients CMI: 80% Population, 10% inversed population; 5% tax generation.	Yes	N/D	N/D
Mendoza	14% CFI 14% Property, Gross Receipts, Stamps, 70% Motor Vehicle 12% Royalties	25% Equal portion, 65% population; 10% fixed coefficients. Royalties: 100% production.	Yes	Governor Legislature approves	Fifteen days Automatic No Retention
Misiones	12% CFI 12% Property, Gross Receipts, Motor Vehicle	Fixed coefficients.	No	Governor	Daily Automatic Retention
Neuquén	15% CFI 15% Provincial Revenues 15% Royalties	60% Population; 15% inversed municipal personnel spending; 10% population without provincial capital; 10% tax generation; 5% equal portion. Royalties: 100% production	No	Governor Commission Controls	Monthly Non-Automatic No Retention
Río Negro	10% CFI 40% Property, Gross Receipts, Stamps 10% Royalties	40% Population; 20% equal portions; 40% tax generation. Royalties: 26% population; 13% equal portions; 35% fixed coefficients.	Yes	Governor Legislature approves	CMI: Daily Royalties: Monthly Non-Automatic No Retention

Salta	15% CFI 15% Gross Receipts, Property, Stamps 10% Royalties	24% Population; 20% inversed population; 28% municipal spending; 28% per capita personnel spending. Royalties 55.6% population; 44.44 production.	No	Governor	Monthly Non-Automatic No Retention
San Juan	Fix Sum	Fixed Coefficients.	No	Governor	Weekly Automatic No Retention
San Luis	8% CFI 20% Provincial Revenues	80% Population; 15% equal portions; 2.5% distance from provincial capital; 2.5% unsatisfied basic needs.	Yes.	Governor Commission Controls	Daily Automatic No Retention
Santa Cruz	11% CFI 40% Gross Receipts, Games 7% Royalties	83.15% Population; 11% equal portions; 5.85% difference population from provincial capital. Royalties: production	No	N/D	N/D
Santa Fe	13.44% CFI 13.44 Gross Receipts	40% Population; 30% equal portions; 30% tax generation.	No	Governor	Every fifteen days Automatic

Santa Fe (cont.)	50% Property 90% Motor Vehicles 20% Others				Retention
Santiago del Estero	15% CFI (without ATNs) 25% Provincial Resources 40% Motor Vehicles	44% population; 1% inversed population; 50% tax generation; 1% unsatisfied basic needs; 2% rural population; 1% municipal employees/population; 1% equal portions.	Yes	Governor	Monthly Automatic Retention
Tierra del Fuego	25% CFI 45% Gross Recepits, Stamps 20% Royalties	Provincial: 100% tax generation. CMI: 100% equal portions. Royalties: 100% population.	No	Governor	CMI: Weekly Royalties: Monthly Non-Automatic No Retention
Tucumán	16.5% CFI 85% Motor Vehicles 12% Property	Fixed coefficients.	Yes	Governor	Daily Non-Automatic No Retention

APPENDIX C

METHODOLOGICAL ISSUES FOR CHAPTER 5

Table 12: Correlations between Patronage and Pork-barrel Spending by Gubernatorial Year, Argentina (1983-2003) and Brazil (1982-2006)

	Year 1 (Patron)	Year 2 (Patron)	Year 3 (Patron)	Year 4 (Patron)	Year 1 (Pork)	Year 2 (Pork)	Year 3 (Pork)	Year 4 (Pork)
Argentina								
Year 1	1.000	---	---	---	1.000	---	---	---
Year 2	.841	1.000	---	---	.896	1.000	---	---
Year 3	-.153	-.283	1.000	---	.795	.887	1.000	---
Year 4	-.243	-.372	.965	1.000	.810	.873	.928	1.000
Brazil								
Year 1	1.000	---	---	---	1.000	---	---	---
Year 2	.958	1.000	---	---	.797	1.000	---	---
Year 3	.696	.735	1.000	---	.658	.805	1.000	---
Year 4	.876	.897	.709	1.000	.540	.631	.582	1.000

Note: Entries are Pearson's R correlation coefficients with significance at $p < .05$ level.

C.1 GUBERNATORIAL PARTY SWITCHING

Table 13 provides detailed information on Brazilian state governors who switched party affiliation during their executive terms in the 1982-2006 period. The Table indicates the name of the gubernatorial incumbent, the name of the state he belonged to, the specific year in which he switched party, the partisan switch, and its effect upon the governor's electoral coalition. There were several party mergers and splits since the return of democracy that I do not count as party switches: (a) In 1985, a split from the military's PDS formed the PFL; (b) In 1988, a group of defectors from the PMDB (the so-called "historic" PMDB) created the PSDB; (c) In 1992, the PCB became the PPS; (d) In 1993, the PDC and the PDS became the PPR; (e) Two years later, the PPR merged with the newly created PP to form the PPB, which in 2003 abandoned the "B" from its acronym to become the PP.

Table 13: Gubernatorial Party Switching in Brazil, 1982-2006

NAME	YEAR	FROM	TO	EFFECT OVER COALITION PARTNERS
Romildo Magalhaes	1993	PDS	PPB	PDS followed the governor.
Orleir Cameli	1997	PPB	PFL	Fracture with PPB.
Augusto Lessa Santos	2005	PSB	PDT	Most PSB followed the governor.
Amazonino Mendes	1994	PPB	PFL	Most coalition partners followed the governor.
Carlos Souza Braga	2005	PPS	PMDB	Fracture with PFL; PPS followed the governor.

Joao Capiberibe	2002	PSB	PT	PSB followed the governor.
Joaquim Roriz	1993	PTR	PP	Most coalition partners followed the governor.
Max Mauro	1989	PMDB	PDT	Fracture with PMDB.
Vitor Buaiz	1997	PT	PV	Fracture with PT.
Paulo Hartung	2005	PSB	PMDB	Fracture with PT; other allies followed governor.
Reynaldo Tavares	2004-05	PFL	PTB-PSB	Fracture with most coalition partners.
Dante Martins	1997	PDT	PSDB	PDT forced governor's resignation.
Tarciso Buriti	1989	PMDB	PRN	Fracture with PMDB.
Alberto Silva	1989	PMDB	PRN	Fracture with both PMDB and PDS.
Jaime Lerner	1998	PDT	PFL	Most PDT followed the governor.
Anthony Garotinho	2003	PDT	PSB	Fracture with PDT.
Ivo Cassol	2005	PSDB	PPS	PSDB forced governor's resignation.
Neudo Campos	1998	PTB	PPB	Fracture with PTB.
Jose Siqueira Campos	1998	PPR	PFL	PPR followed the governor.
Marcelo Miranda	2004	PFL	PMDB	Fracture with sector PFL led by Siqueira Campos.

Source: Author's elaboration.

C.2 DATA SOURCES

The Table below provides information on the data sources used for the estimations discussed in Chapter 5.

Table 14: Data Sources

Argentina	
Electoral Results	Ministerio del Interior, Dirección Nacional Electoral, Elecciones Nacionales, Escrutinio Definitivo (http://www.mininterior.gov.ar); and Atlas Electoral de Andy Tow (http://www.towsa.com/andy/index. html).
State Expenditures	Ministerio de Economía, Dirección Nacional de Relación Fiscal con las Provincias, Ejecuciones Presupuestarias por Objeto del Gasto (http://www.mecon.gov.ar/hacienda).
Federal Transfers	Ministerio de Economía, Dirección Nacional de Relación Fiscal con las Provincias, Ejecuciones Presupuestarias por Objeto del Gasto (http://www.mecon.gov.ar/hacienda), and unpublished data.
CPI	Instituto Nacional de Estadísticas y Censos (INDEC), Dirección de Indices de Precios de Consumo, Serie 1983-2003 (http://indec.gov.ar).
Unemployment Median Income Employment Sector	INDEC, Encuesta Permanente de Hogares (http://indec.gov.ar).
National GDP	INDEC, Dirección Nacional de Cuentas Nacionales (http://indec.gov.ar).
Provincial GDP	Mirabella de Sant and Nanni (2003).
Brazil	
Electoral Results	Tribunal Superior Electoral (http://www.tse.gov.br); and Jairo Nicolao's electoral dataset (http://www.iuperj.br).
State Expenditures	Secretaria do Tesouro Nacional (STN-COREM), Ministerio da Fazenda, (http://www.tesouro.fazenda.gov.br); and Instituto de Pesquisa Econômica Aplicada (IPEA) (http://www.ipeadata.gov.br).
Federal Transfers	Secretaria do Tesouro Nacional (STN-COREM), Ministerio da Fazenda, (http://www.tesouro.fazenda.gov.br).
CPI	Fundação Getúlio Vargas (FGV), Conjuntura Econômica (http://www.fgvdados.com.br).
Unemployment Median Income Employment Sector National GDP	Instituto Brasileiro de Geografia e Estatística (IBGE), Sistema de Contas Nacionais Consolidadas (www.ibge.gov.br); Pesquisa Nacional por Amostra de Domicílios (PNAD-IBGE), Serie 1991-2006.
Provincial GDP	IPEA (http://www.ipeadata.gov.br).

C.3 METTHODOLOGICAL SPECIFICATION TESTS

I include below examples of the Hausman specification tests performed on Models 1, and their respective specifications with random (instead of fixed) effects for Argentina and Brazil respectively. In both cases, the Hausman tests indicate that using random or fixed effects leads to the same coefficient estimators since chi 2 > .05. This result can be confirmed visually by comparing the figures included below with figures reported in the text.

Argentina

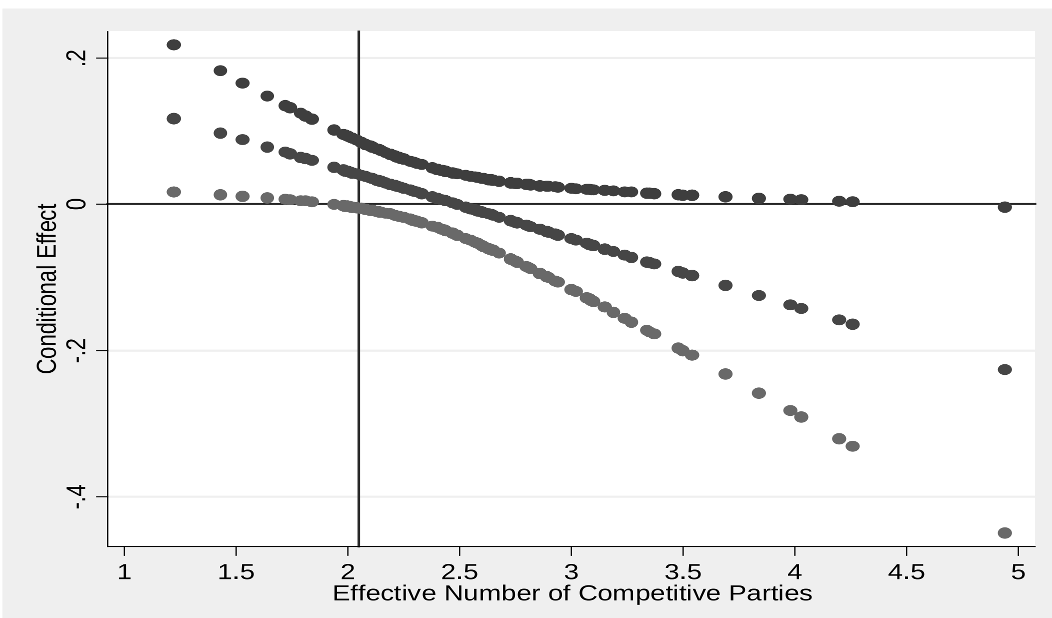
Hausman test

```
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed          .          Difference          S.E.
-------------+----------------------------------------------------------------
ln_person_~w |    .3019683     .1700535        .1319148          .08431
       encpg |   -.0578134    -.0814036        .0235902        .0213131
ln_p~wxencpg |   -.1004826    -.0565433       -.0439394        .0298248
ln_invest_~w |    -.016378    -.0050381       -.0113399        .0312947
ln_i~wxencpg |    .0124218     .0038291        .0085927        .0113046
      run_re |    .0357736     .0572015       -.0214279        .0103738
  trf_raw_av |   -.0200598    -.0122829       -.0077769        .0249905
     scandal |   -.0105479      -.01208        .0015321        .0066853
lag_vot_aver |    .2357234     .2893015       -.0535781        .0736815
   unp_pv_ip |   -.4515977    -.1673785       -.2842192        .1712673
   ln_inc_pv |   -.0036764      .024508       -.0281844        .0486721
 ln_dens_pop |    .2646113     .0088826        .2557287        .1028715
------------------------------------------------------------------------------
            b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic
                 chi2(12) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        9.65
                Prob>chi2 =      0.6464
```

Random Effect Model

```
Random-effects GLS regression                   Number of obs      =       115
Group variable: state_c                         Number of groups   =        24
R-sq:  within  = 0.5133                         Obs per group: min =         2
       between = 0.8673                                        avg =       4.8
       overall = 0.6855                                        max =         5
Random effects u_i ~ Gaussian                   Wald chi2(12)      =    152.94
corr(u_i, X)       = 0 (assumed)                Prob > chi2        =    0.0000
                                (Std. Err. adjusted for clustering on state_c)
------------------------------------------------------------------------------
             |               Robust
    spy_sh_g |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
ln_person_~w |   .2272168    .117627     1.93   0.053    -.0033278    .4577615
       encpg |  -.0698179   .0347951    -2.01   0.045     -.138015   -.0016208
ln_p~wxencpg |  -.0743294   .0420323    -1.77   0.077    -.1567112    .0080525
ln_invest_~w |   -.005766   .0483872    -0.12   0.905    -.1006032    .0890712
ln_i~wxencpg |   .0074343   .0187215     0.40   0.691    -.0292592    .0441278
      run_re |    .048842   .0148401     3.29   0.001     .0197559    .0779282
  ln_trf_raw |  -.0180614    .012909    -1.40   0.162    -.0433625    .0072397
     scandal |  -.0104988   .0185502    -0.57   0.571    -.0468564    .0258589
lag_vot_aver |   .2760835   .0968128     2.85   0.004     .0863338    .4658331
   unp_pv_ip |    -.00493   .0020988    -2.35   0.019    -.0090435   -.0008165
   ln_inc_pv |  -.0128923    .030544    -0.42   0.673    -.0727575    .0469729
 ln_dens_pop |   .0102785   .0064141     1.60   0.109    -.0022929    .0228499
       _cons |   .6077448   .2167397     2.80   0.005     .1829428    1.032547
-------------+----------------------------------------------------------------
     sigma_u |  .02499446
     sigma_e |   .0710156
         rho |   .1102205   (fraction of variance due to u_i)
```



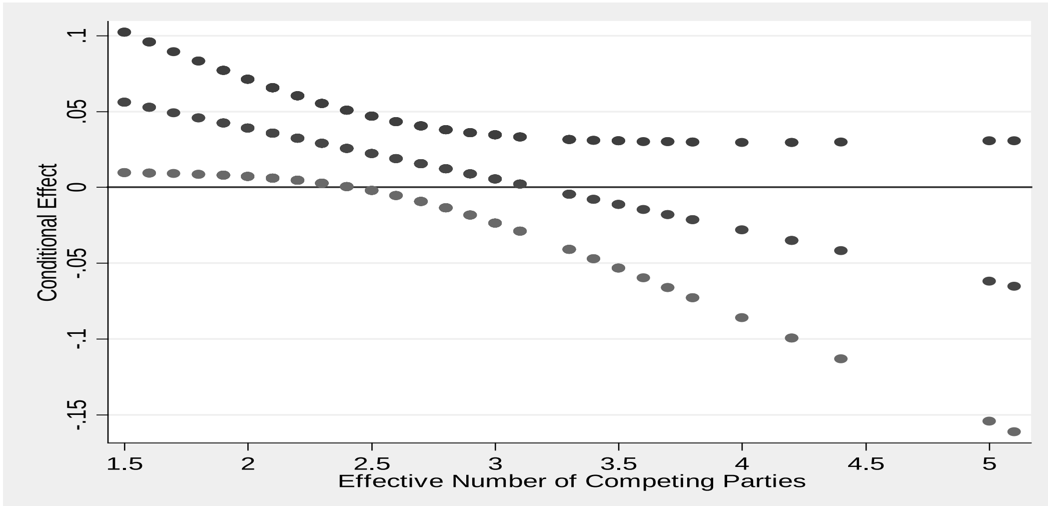
Brazil

Hausman test

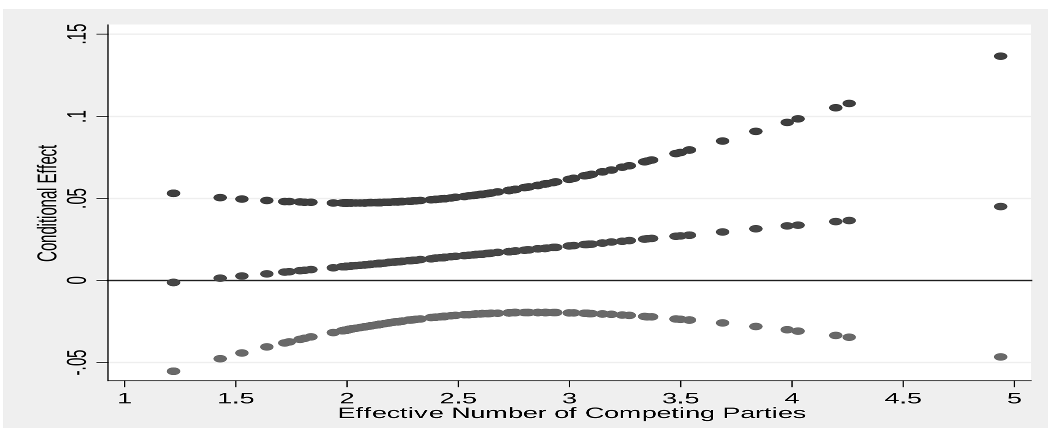
```
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed          .          Difference          S.E.
-------------+----------------------------------------------------------------
ln_invest_~w |    .1053801     .1064093       -.0010292        .0263867
       encpg |   -.1449804    -.1641157        .0191353        .0509843
ln_i~wxencpg |   -.0361191    -.0336679       -.0024511        .0100397
ln_person_~w |   -.2242506    -.1866777       -.0375729        .0723887
ln_p~wxencpg |    .0597902     .0380622         .021728        .0259936
      run_re |    .1149294     .0963835        .0185459        .0144503
ln_trf_raw~v |    .0748553     .0503935        .0244618        .0391885
     scandal |   -.0984606    -.0963645        -.002096        .0121196
lag_vote_g~d |    .0579789     .0191009         .038878        .0727318
   unp_nc_ip |   -1.159384    -.4046849       -.7546987        .4641493
   ln_inc_pv |    .0394788     .0698732       -.0303944        .0679658
 ln_dens_pop |    .0716252    -.0074282        .0790534         .093335
------------------------------------------------------------------------------
            b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg
    Test:  Ho:  difference in coefficients not systematic
                chi2(12) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =       16.08
                Prob>chi2 =      0.1874
```

Random Effects Model

```
Random-effects GLS regression                   Number of obs      =       153
Group variable: state_c                         Number of groups   =        27
R-sq:  within  = 0.4650                         Obs per group: min =         4
       between = 0.6220                                        avg =       5.7
       overall = 0.4950                                        max =         6
Random effects u_i ~ Gaussian                   Wald chi2(12)      =    201.28
corr(u_i, X)       = 0 (assumed)                Prob > chi2        =    0.0000
                                (Std. Err. adjusted for clustering on state_c)
             |               Robust
    spy_sh_g |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
ln_invest_~w |   .1064093    .049661     2.14   0.032     .0090756     .203743
       encpg |  -.1641157   .0488675    -3.36   0.001    -.2598942   -.0683372
ln_i~wxencpg |  -.0336679   .0187116    -1.80   0.072     -.070342    .0030061
ln_person_~w |  -.1866777   .0919978    -2.03   0.042    -.3669901   -.0063653
ln_p~wxencpg |   .0380622   .0311406     1.22   0.222    -.0229721    .0990966
      run_re |   .0963835   .0334081     2.89   0.004     .0309048    .1618623
ln_trf_raw~v |   .0503935   .0209472     2.41   0.016     .0093378    .0914492
     scandal |  -.0963645   .0244657    -3.94   0.000    -.1443164   -.0484126
lag_vote_g~d |   .0191009   .0931694     0.21   0.838    -.1635077    .2017094
   unp_nc_ip |  -.4046849   .8352603    -0.48   0.628    -2.041765    1.232395
   ln_inc_pv |   .0698732   .0327926     2.13   0.033     .0056008    .1341455
 ln_dens_pop |  -.0074282   .0079384    -0.94   0.349    -.0229872    .0081308
       _cons |   .4617134     .29054     1.59   0.112    -.1077346    1.031161
-------------+----------------------------------------------------------------
     sigma_u |          0
     sigma_e |   .1257501
         rho |          0   (fraction of variance due to u_i)
```



The Figures 35 to 37 included below illustrate the conditional effect of patronage and pork for Argentina and Brazil in different models discussed in Chapter 5.



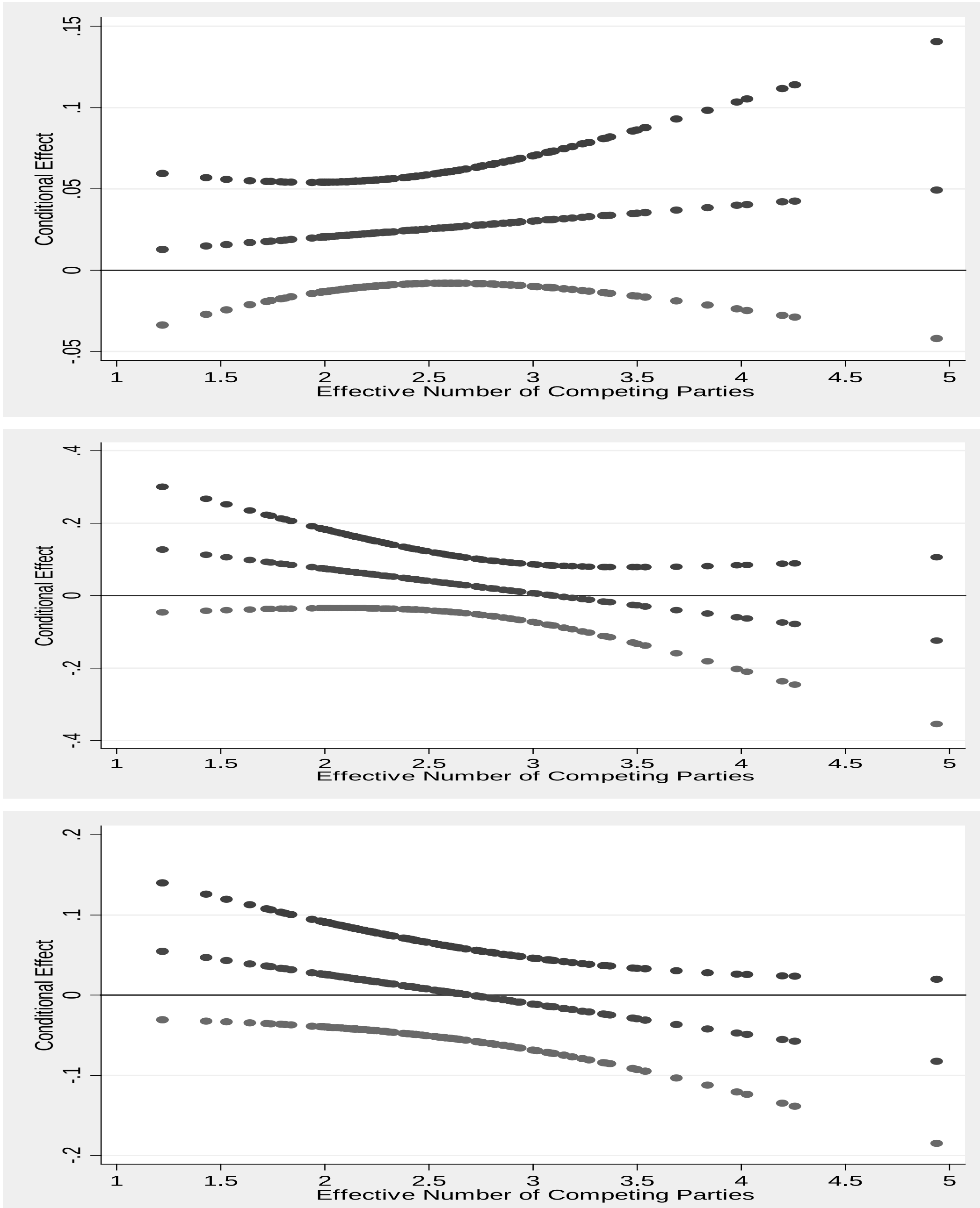


Figure 35: Conditional Effect of Investment Spending on Gubernatorial Party Vote, Argentina (1983-2003). Models 1 to 4

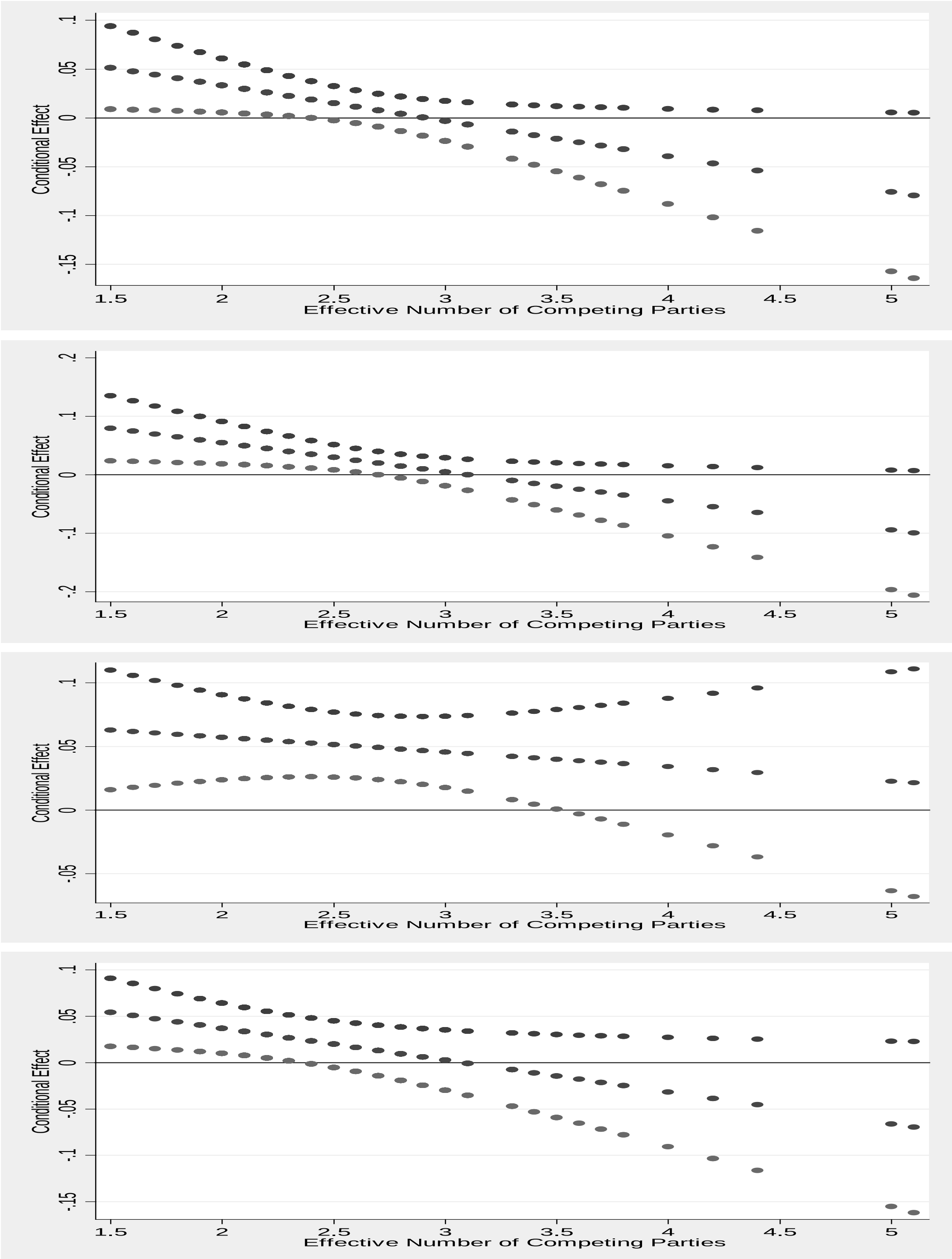


Figure 36: Conditional Effect of Investment Spending on Gubernatorial Party Vote, Brazil (1982-2006).

Models 1 to 4

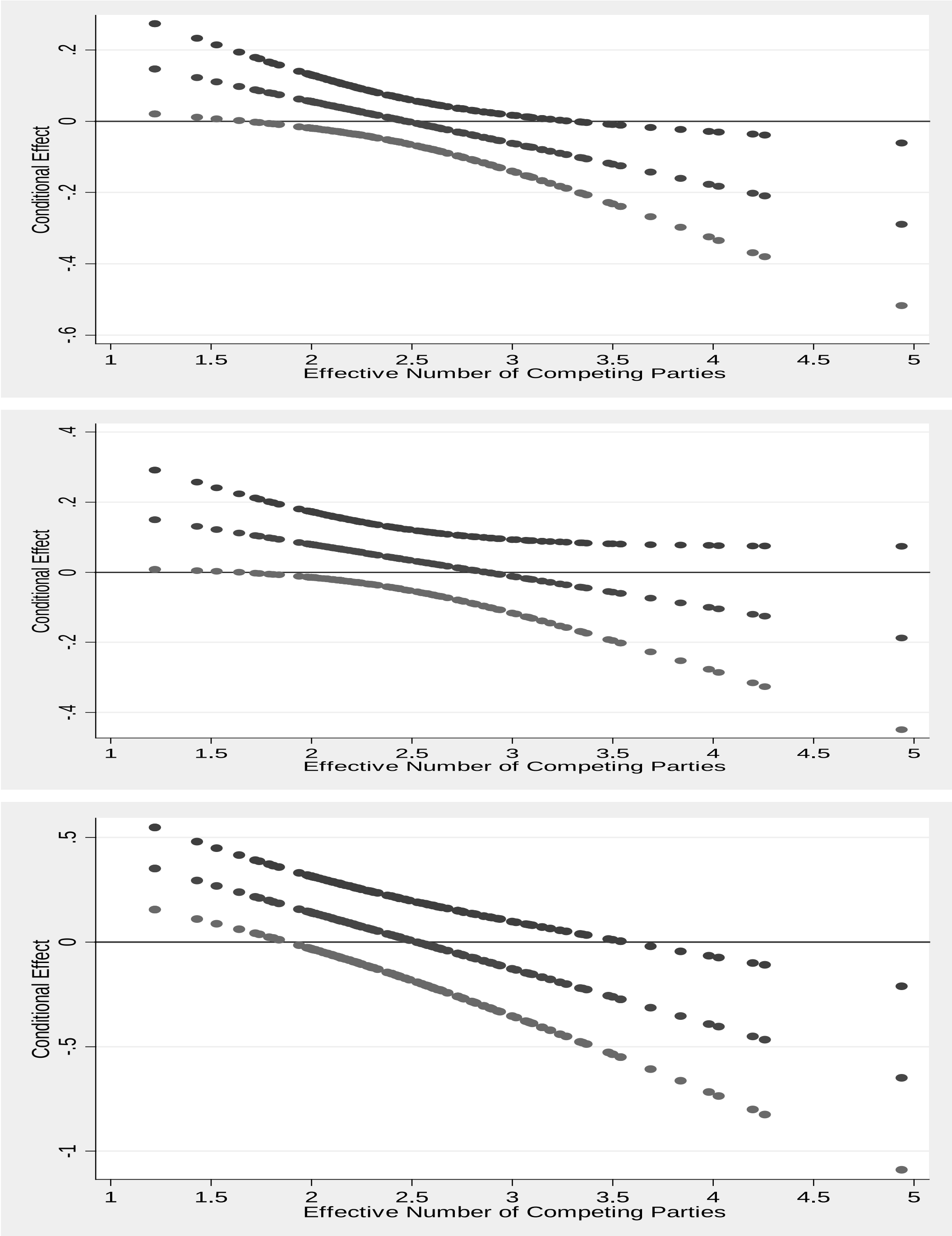


Figure 37: Conditional Effect of Personnel Spending on Gubernatorial Party Vote, Argentina 1983-2003.

Models 2, 3, and 4

C.4 PRESIDENTIAL COALITIONS, BRAZIL 1983-2006

The table below summarizes presidential coalition in Brazil during the period under study.

Table 15: Presidential Coalitions, Brazil 1982-2006

	PARTY	ELECTORAL COALITION	CABINET COALITION
FIGUEREIDO (1983-1985)	PDS	PDS	PDS
SARNEY I (1985) SARNEY II (1986-1989)	n.a. n.a.	PMDB-PFL PMDB-PFL	PMDB-PFL-PTB-PDS PMDB-PFL
COLLOR I (1990) COLLOR II (1991) COLLOR III (1992)	PRN PRN PRN	PST-PSL PST-PSL PST-PSL	PFL-PMDB-PDS PFL-PDS PFL-PDS-PSDB-PTB-PL
ITAMAR I (1993)[1] ITAMAR II (1994)	n.a. n.a.	n.a. n.a.	PMDB-PFL-PSDB-PTB-PSB PMDB-PFL-PSDB-PTB-PP
FHC I (1995-1998)	PSDB	PFL-PTB	PMDB
FHC II (1999-2002)	PSDB	PFL-PTB-PPB-PPS	PMDB
LULA (2003-2006)	PT	PCB-PL-PMN-PCdoB	PCB-PL-PMN-PCdoB

Notes: (1) I do not consider the PDT and the PT as members of President Itamar Franco's coalition because these parties only have cabinet representation during six and four months respectively. Sources: Amorin Neto (2002), and Borzani (n.d.).

APPENDIX D

POLITICAL ELITES INTERVIEWS

This appendix lists the names, positions held, partisan affiliation (if applicable), and state of origin (if applicable) of the 185 individuals I interviewed in Argentina and Brazil between May 2005 and December 2006. Information regarding each of the interviewees is followed by the date and city where the meeting took place. Most of these individuals are former or current first and second-level officials, national and state legislators, governors, vice-governors, mayors, and journalists. I list the interviews by country/state and in alphabetical order by the interviewees' last name.

Argentina

[1] Arlía, Alejandro. Under-Secretary of Fiscal Relations with the Provinces and President of the Provincial Development Fiduciary Fund, Ministry of Economy (2001-2003). Ciudad de Buenos Aires, October 26, 2005.

[2] Arroyo, Daniel. Secretary of Social Policies and Human Development, Ministry of Social Development (2003-2007). Ciudad de Buenos Aires, December 12, 2005.

[3] Baldrich, Jorge (Acción por la República, Mendoza). Secretary of Treasury, Ministry of Economy (2001); Secretary of Budget Committee in Chamber of Deputies (1999-2000); Federal Under-Secretary of Economy, Ministry of Economy (1994-1996). Buenos Aires, December 7, 2005.

[4] Bericua, Jorge (UCR, Tierra del Fuego). Federal Deputy (1996-2000); Provincial Deputy (2001-2005). Ciudad de Buenos Aires, October 14, 2005.

[5] Berra, Claudia. General Coordinator of Federal Employment Programs (1997-present), Ministry of Labor. Ciudad de Buenos Aires, February 2, 2006.

[6] Bonari, Damián. Director of Social Public Spending, Ministry of Economy. September 18, 2005.

[7] Camaño, Graciela (PJ, Buenos Aires). Minister of Labor (2002-2003); Federal Deputy (1989-1993, 1997-2001, 2003-2007). Ciudad de Buenos Aires, February 22, 2006.

[8] Carcioffi, Ricardo. Federal Secretary of National Budget, Ministry of Economy (1985-1989). Ciudad de Buenos Aires, November 2, 2005.

[9] Castillo Marín, Luis. Director of Employment Promotion (1997-2002), and Director of the Federal Employment System (2002-present), Ministry of Labor. Ciudad de Buenos Aires, February 1, 2006.

[10] Centurión, Adrián. Under Secretary of Fiscal Relations with the Provinces, Ministry of Economy. Ciudad de Buenos Aires, September 15, 2005.

[11] Cetrángolo, Oscar. Under-Secretary of Fiscal Relations with the Provinces (1999-2001), Ministry of Economy. Ciudad de Buenos Aires, September 21, 2005.

[12] Doga, Nélida (PJ, Buenos Aires). Minister of Social Development (2002-2003); Federal Deputy (2003-2007). Ciudad de Buenos Aires, December 20, 2005.

[13] Estabillo, José (MOPOF, Tierra del Fuego). Governor Tierra del Fuego (1991-1999); President of the Regional Infrastructure Federal Fiduciary Fund (2002-present). Ciudad de Buenos Aires, December 12, 2005.

[14] Fadel, Mario (PJ and FCyS, Catamarca). Minister of Economy, Catamarca (1989-1990); Federal Deputy (1993-1995); Senator (1995-1999). Ciudad de Buenos Aires, September 20, 2005.

[15] Fernandez Meijide, Graciela (FG/Alianza, Buenos Aires). Minister of Social Development (2001); Buenos Aires Governor Candidate (1999); Senator (1993-1995; 1997-2001); Federal Deputy (1995-1997). Ciudad de Buenos Aires, October 10, 2005.

[16] Freytes, Guido (PJ, Chubut). Federal Deputy (1987-1991); Administrative Secretary of the Peronist Party in the Chamber of Deputies (1995-2003). Ciudad de Buenos Aires, February 2, 2006.

[17] Frigerio, Rogelio. Secretary of Economic Planning, Ministry of Economy (1991-1995); Under-Secretary of Public Work and Services, Ministry of Economy (1999); President of the FFDP, Ministry of Economy (1997-1999). Ciudad de Buenos Aires, October 25, 2005.

[18] Gadano, Nicolás. Secretary of National Budget, Ministry of Economy (1999-2001). Ciudad de Buenos Aires, September 27, 2005.

[19] Gascón, Silvia. Under-Director of Social Policy, Ministry of Social Development (2002-2003). December 19.

[20] Gómez Sabaini, Juán Carlos. Under-Secretary of Tax and Revenue, Ministry of Economy (1999-2001). Ciudad de Buenos Aires, October 17, 2005.

[21] Jones, Polly. General Coordinator of Employment Programs, World Bank. Ciudad de Buenos Aires, January 30, 2006.

[22] Kohan, Alberto. General Secretary of Government (1989-1999). Ciudad de Buenos Aires, December 17, 2009.

[23] Lamberto, Oscar (PJ, Santa Fe). Secretary of Economy, Ministry of Economy (2001-2002); Federal Deputy (1992-2001; 2003-2007), President Budget Committee in Chamber of Deputies (1992-1999). Ciudad de Buenos Aires, November 8, 2005.

[24] Lebedinsky, Santiago. Under-Director of Public and External Investment, Ministry of Economy. Ciudad de Buenos Aires, January 10, 2006.

[25] Lousteau, Martín. Minister of Production, Buenos Aires (2005); President Buenos Aires Provincial Bank (2006-2007). Ciudad de Buenos Aires, October 31, 2005.

[26] Massacesi, Horacio (UCR, Río Negro). Minister of Government (1984); Governor (1987-1991, 1991-1995); Senator (1995-2001). Ciudad de Buenos Aires, November 18, 2005.

[27] Makón, Marcos. Secretary of National Budget, Ministry of Economy (1991-1995). Ciudad de Buenos Aires, November 2, 2005.

[28] Martinez, Alfredo (UCR, Santa Cruz). Mayor Rio Gallegos (1991-1999); Governor Candidate (1995); Federal Deputy (2001-2005); Senator (2005-present). Ciudad de Buenos Aires, November 22, 2005.

[29] Molinari Romero, Luis (UCR, Cordoba). Vice-Governor (1995-1998); Minister of Coordination, Cordoba (1991-1993); Federal Deputy (2001-2005). Ciudad de Buenos Aires, December 13, 2005.

[30] Mediza, Humberto (PJ, La Pampa). Vice-Governor (1999-2003); Federal Deputy (2003-present); Provincial Deputy (1983-1991). Ciudad de Buenos Aires, November 10, 2005.

[31] Negri, Sergio (PJ, Santa Fe). Secretary of Education, Santa Fe (1991-1995); Secretary of Health, Santa Fe (1995-1999). Ciudad de Buenos Aires, October 23, 2005.

[32] Pisoni, Jimena. Governmental Official of the Federal Intervention to Santiago del Estero (2003-2005). Ciudad de Buenos Aires, January 9, 2006.

[33] Salvatori, Pedro (MPN, Neuquén). Governor (1983-1987); Minister of Economy, Neuquén (1983-1987); Senator (2001-present). Ciudad de Buenos Aires, November 16, 2005.

[34] Snopek, Carlos (PJ, Jujuy). General Secretary of the Governorship, Jujuy (1983-1987); Minister of Social Welfare, Jujuy (1996-1997); Chief of Budget Committee in Chamber of Deputies (2001-present); Chief Campaign for 1983 and 1995 Jujuy's gubernatorial elections. Ciudad de Buenos Aires, December 16, 2005.

[35] Tangelson, Oscar. Secretary of Employment, Ministry of Labor (2002-2003); Secretary of Economic Policy, Ministry of Economy (2003-present). Ciudad de Buenos Aires, December 19, 2005.

[36] Vacchinao, Rodolfo (PJ, Santa Fe). Secretary of Financial Relations with the Provinces, Ministry of Economy (1997-1999); Minister of Government of the Federal Intervention to Corrientes (1997-1998); Minister of Agriculture, Santa Fe (1986-1989). Ciudad de Buenos Aires, March 8, 2006.

[37] Vernet, José María (PJ, Santa Fe). Governor (1983-1987); Ministry of Interior, Minister of Interior (2001). Ciudad de Buenos Aires, December 14, 2006.

[38] Zelkovicz, Carlos. Under-Secretary of Government of the Federal Interventions to Tierra del Fuego (1990), Tucumán (1991), Catamarca (1991), and Corrientes (1997-1998). Ciudad de Buenos Aires, February 14, 2006.

Argentina: Province of Formosa

[39] Aguero, Carlos. Journalist, Formosa, April 5, 2006.

[40] Aranda, Benito (UCR). Provincial Deputy (1995-1999; 2001-2005). Formosa, April 11, 2006.

[41] Barberis, Alfredo (UCR). Provincial Deputy (1983-1991); Director Journal *Opinión Ciudadana*. Formosa, April 6, 2006.

[42] Bigatti, Angel Luis. President *Empresas del Estado* (1974-1976); Director of Planning and Finance, Chaco (1978-1980); President CENEA, Formosa (1980-1982); President Formosa Economic Federation (1983). Formosa, April 4, 2006.

[43] Joga, Vicente (PJ). Governor (1990-1994); Federal Deputy (1995-1999); Governor Candidate (1998, and 2002). Formosa, April 10, 2006.

[44] Hardy, Aníbal (MID). Federal Deputy (1991-1995); Provincial Deputy (1983-1991). Formosa, April 6, 2006.

[45] Díaz Roig**,** Juan Carlos (PJ). Federal Deputy (2001-2005); Council Formosa City (1983-1987); Secretary of Planning and Development, Formosa (1995-2001); Minister Social Assistance, Formosa (1991-1994). Ciudad de Buenos Aires, March 14, 2006.

[46] Encina, Nicasio. General Secretary of the Argentine Rural Workers Union. Formosa, April 12, 2006.

[47] Gimenez, Ramón (PJ). Federal Deputy (1985-1989; 1993-1997); Provincial Deputy (1989-1993); Ministry of Education, Formosa (1997-2001). Formosa, April 10, 2006.

[48] Hernández, Gabriel (UCR). Mayor Formosa City (1999-2003); Provincial Deputy (1997-1999). Formosa, April 10, 2006.

[49] Hernández, Martín (UCR). Provincial Deputy (2005-persent). Formosa, April 4, 2006.

[50] Montoya, Carlos. President Formosa's Rural Society (2000-present). Formosa, April 13, 2006.

[51] Ojer, Carlos. Secretary of Economy, Formosa (1982-1986). Formosa, April 3, 2006.

[52] Petcoff Naidenoff (UCR). Senator (2005-present); Provincial Deputy (1993-1997); Council Formosa City (1999-2003). Formosa, March 15, 2006.

[53] Rhiner, Rodolfo (MID). Governor (1982-1983); Secretary of Economy, Formosa (1980-1982). Formosa, April 5, 2006.

[54] Sebriano, Luis (PJ). Federal Deputy (1999-2003); Provincial Deputy (1987-1995). Formosa, April 4, 2006.

[55] Viscaíno Braida, Roberto (PJ). Provincial Deputy (2003-present). Formosa, April 7, 2006.

[56] Zerbato, Orlando. Journalist. Formosa, April 3, 2006.

Argentina: Province of Chaco

[57] Bergia, Juan José (UCR). Provincial Deputy (2003-present); Council Castelli (1991-1993). Resistencia, November 27, 2006.

[58] Capitanich, Jorge (PJ). Governor Candidate (2001; 2005); Chief of Federal Cabinet (2002); Senate, Chair of Budget Committee (2003-present). Ciudad de Buenos Aires, September 26, 2005.

[59] Dellamea, Néstor (UCR). Secretary of Public Works, Chaco (2003-present); Under Secretary of Social Development, Chaco (1999-2003). Resistencia, November 28, 2006.

[60] Dell' Orto, Roberto. Minister of Economy, Chaco (2003-present). Resistencia, November 30, 2006.

[61] Dudik, Oscar (ACHA, UCR). Provincial Deputy (2003-present); Minister of Production, Chaco (1998-2003). Resistencia, November 29, 2006.

[62] Fabris, Rodolfo (UCR). Federal Deputy (2005-present); Secretary of Commerce, Chaco (1997-2003). Resistencia, November 22, 2006.

[63] Gabardini, Eduardo (UCR). Minister of Government, Chaco (1996-2000); Director National Central Bank (1993-1995). Resistencia, November 28, 2006.

[64] García, Rodolfo (PJ). Provincial Deputy (1995-present); Council San Martin (1991-1994). Resistencia, November 27, 2006.

[65] García Solá, Manuel (PJ). Minister of Government, Education and Justice, Chaco (1993-1995); Under-Secretary of Education (1996-1998) and Ministry of Education (1998-1999). Resistencia, December 5, 2006.

[66] González, Rafael (PJ). Minister of Economy, Chaco (1983-1986); Minister of Economy, Tierra del Fuego (1991); Minister of Economy, Corrientes (1992); Mayor Resistencia (1995-1999); Chaco Vice Governor Candidate (2003); Federal Deputy, Vice President of Budget Committee (2001-2005). Ciudad de Buenos Aires, November 1, 2005.

[67] Gigli, Carlos (PJ). Minster of Economy, Chaco (1992-1995). Resistencia, December 2, 2006.

[68] Lomónaco, Carlos (ACHA, Bases y Principios). President SECHEEP, Chaco's Energy Provincial Company (2003-present); Provincial Deputy (1989-2003). Resistencia, December 5, 2006.

[69] López, Eduardo. Journalist *Diario Norte*. Resistencia, November 30, 2006.

[70] Maldonado, Hugo (UCR). Provincial Deputy (1997-2003). Resistencia, December 7, 2006.

[71] Marinelli, Daniel (UCR). Under Secretary Public Works, Chaco (2000-present). Resistencia, November 28, 2006.

[72] Matkovich, Hugo (UCR). Minister of Government, Chaco (2000-present); Mayor Saenz Peña (1991-1999). Resistencia, November 29, 2006.

[73] Moro, Eduardo (UCR). Vice Governor (2003-present); Senator (2001-2003); Secretary of Government, Chaco (1995-1997); Provincial Deputy (1991-1995; 1997-2001). Resistencia, November 30, 2006.

[74] Ordenavia, Edmundo (PJ). Minister of Economy, Chaco (1987-1991). Resistencia, December 8, 2006.

[75] Salomón, Marcos. Journalist *El Diario de la Región*. Resistencia, November 28, 2006.

[76] Sanchez, Ricardo (PJ). Provincial Deputy (1989-present); Council Saenz Peña (1987-1989). Resistencia, November 27, 2006.

[77] Sotelo, Julio (PJ). Vice Governor Candidate (1991); Provincial Deputy (1985-1991; 1995-2003). Resistencia, November 30, 2006.

[78] Soporsky, Carlos. Minister of Economy, Chaco (1995-2003). Resistencia, December 11, 2006.

[79] Tauguinas, Rolando (ACHA). Governor (1991-1995); Ministry of Health, Chaco (1981-1983). Resistencia, December 5, 2006.

[80] Urlich, Carlos (UCR). Provincial Deputy (1995-present); Council Quitilipi (1983-1985; 1993-1995); Mayor Quitilipi (1985-1989). November 27, 2006.

[81] Verdún, Luis (UCR). Provincial Deputy (2003-present); Minister of Education, Chaco (1999-2003). Resistencia, November 29, 2006.

[82] Wajfeld, José (UCR). Provincial Deputy (1983-1989). Resistencia, December 4, 2006.

[83] Zerco, Darío. Journalist *Primera Línea*. Resistemcia November 28, 2006.

Brazil

[84] Alves Filho, Garibaldi (RN-PMDB). Governor (1995-1999; 1999-2003); Governor Candidate (2006); Senator (1991-1994; 2003-present); Mayor Natal (1986-1988); State Deputy (1971-1987). Brasília, June 1, 2006.

[85] Azeredo, Eduardo (MG-PSDB). Governor (1994-1998); Mayor Belo Horizonte (1990-1992), Senator (2003-present). Brasília, June 1, 2006.

[86] Buarque, Cristovam (DF-PDT). Governor (1990-1994); President Candidate (2006); Senator (2003-present); Ministry of Education, Minister of Education (2003-2004). Brasília, June 6, 2006.

[87] Gondim, Fabio. Director Senate Budgetary Consulting. Brasília, June 2, 2006.

[88] Gonzaga Mota, Luiz (CE-PSDB). Governor (PDS, 1982-1986), Federal Deputy (1991-1999; 2003-present); Secretary of Planning, CE (1979-1982). Brasília, June 6, 2006.

[89] Graça, Eliana Magalhães. Assessor in Budgetary Policy, INESC. Brasília, May 22, 2006.

[90] Kunder, Marcia. Director Caixa Economica Federal (CEF). Brasília, June 1, 2006.

[91] Mestrinho, Gilberto (AM-PMDB). Governor (1959-1963; 1982-1986; 1990-1994), Senator (1998-present); Council Manaus (1956-1958); Secretary of Economy, AM (1959). Brasília, May 29, 2006.

[92] Piancastelli, Marcelo. Director Urban and Regional Studies, IPEA. Brasília, May 17, 2006.

[93] Romero Jucá Filho (RR-PSDB). Governor (1988-1992); Governor Candidate (2006); Senator (1998-present); Federal Secretary of Housing (1992); Secretary of Social Assistance, RR (2005). Brasília, June 7, 2006.

[94] Stranz, Eduardo. Director Confederação Nacional de Municípios (CNM). Porto Alegre, October 9, 2006.

Brazil: State of Bahia

[95] Alban, Marcus. General Director Secretariat Industry, Commerce and Tourism, BA (1991-1993). Salvador, July 4, 2006.

[96] Aleluia, José Carlos (PFL). Federal Deputy (1991-present); Directory Member of the Superintendência de Desenvolvimento do Nordeste (SUDENE), and Director of the Banco do Nordeste (1987-1991). Salvador, July 5, 2006.

[97] Borges, Cesar (PFL). Senator (2003-present); Vice-Governor (1998-1999); Governor (1999-2003); Secretary of Water Resources, BA (1992-1994). Brasília, May 24, 2006.

[98] Câmara, Paulo (PFL). State Deputy (1995-present), President Budgetary Committee (2001-2006). Salvador, June 26, 2006.

[99] Castro, Manoel (PFL). Council Tribunal de Contas, BA (2003-present); Federal Deputy (1986-2002); Mayor Salvador (1981-1985); Secretary of Industry and Commerce, BA (1979); Directory Member of the Banco do Desenvolvimento do Estado da Bahia (DESENBAHIA), and the Banco da Bahia. Salvador, July 7, 2006.

[100] Celestino, Samuel. Journalist, *A Tarde*. Salvador, June 28, 2006.

[101] Da Matta, Lídice (PSB). State Deputy (1999-present); Mayor Salvador (PSDB, 1993-1996); Governor Candidate (PCdoB, 1990); Federal Deputy (PCdoB, 1987-1991); Council Salvador (PMDB, 1982). Salvador, July 6, 2006.

[102] Dantas Neto, Paulo Fabio (PMDB). Council Salvador (1982-1990); Academician. Salvador, June 30, 2006.

[103] José, Emiliano (PT). State Deputy (1988-1990; 2003-present); Council Salvador (1999-2003). Salvador, July 13, 2006.

[104] Gomes, Alvaro (PCdoB). State Deputy (2003-present), Vice-President CUT-BA (1997-2000). Salvador, June 29, 2006.

[105] Leite, Murilo (PSDB). Federal Deputy (1989-1991); State Deputy (1982-1986, 1992-1995); Secretary of Governorship, BA (1989); Secretary of Public Resources, BA (1988); President DESENBAHIA (1987); Council Salvador (MDB, 1977-1980). Salvador, July 11, 2006.

[106] Leonelli, Domingos (PDT). Secretary of Economy, Employment and Rent, Salvador (2004-present); Candidate Mayor Salvador (PSDB, 1996); Federal Deputy (PSB, 1983-1991; PSDB, 1995-1999); Secretary of Communication, Development, and Strategic Actions, Salvador (1993-1994); State Deputy (MDB, 1979-1982). Salvador, July 10, 2006.

[107] Menezes, Vladson. President DESENBAHIA (2004-present). Salvador, July 12, 2006.

[108] Penino, Cristiano. Coordinator of Industry, Secretariat of Industry, Commerce, and Mining, BA. Salvador, July 10, 2006.

[109] Santos, Roberto (ARENA, PSDB). Governor (1975-1979); Governor Candidate (1982); Minister of Health, Ministry of Health (1986-1987); Federal Deputy (PSDB, 1995-1999). Salvador, July 17, 2006.

[110] Soares, Dennis (PT). President CUT-BA (1997-2000), Assessor of Federal Deputy Zezeu Ribeiro. Salvador, June 21, 2006.

[111] Princhak, Rogério. Director of Credit Operations and State Public Debt, Secretariat of Economy, BA. Salvador, June 22, 2006.

[112] Uderman, Simone. Assessor Technical Operations, DESENBAHIA. Salvador, July 12, 2006.

[113] Vaz, Cesar. Director Superintendência de Estudos Econômicos e Sociais (SEI), BA. Salvador, July 17, 2006.

Brazil: State of Pernambuco

[114] Araújo, Bruno (PSDB). State Deputy (1998-present). Recife, July 26, 2006.

[115] Anonym: Assessor former Governor and Federal Deputy Joaquim Francisco (PFL). Recife, August 9, 2006.

[116] Anonym: Assessor former Mayor of Lajedo and State Deputy Adelmo Duarte (PFL). Recife, August 10, 2006.

[117] Briano, Maria José. Secretary of Economy, PE (2005-present). Recife, August 4, 2006.

[118] Cavalcanti, Luis Otavio. Secretary of Planning, PE (1975-1979, 1991-1992); Secretary of Economy, PE (1983-1986, 1992-1993); Director *Diario de Pernambuco* (1997-2002). Recife, July 25, 2006.

[119] Chaves, Felipe. Director AD/Diper (Economic Development Agency, PE). Recife, August 3, 2006.

[120] Coelho, Geraldo (PFL). State Deputy (1982-present); Mayor Petrolina (1973-1977); Council Petrolina (1966-1973). Recife, July 31, 2006.

[121] Costa, Silvio (PMN). State Deputy (2002-present); Council Recife (1992-2002). Recife, July 21, 2006.

[122] De Paula, André (PFL). Federal Deputy (1999-present); Secretary of Rural Production and Agrarian Reform, PE (1999-2002); State Deputy (1995-1999). Recife, August 4, 2006.

[123] Freire, Roberto (PPS). Federal Deputy (2004-present, 1979-1995); Senator (1995-2003); President and Vice-President Candidate (1989, 1988). Brasília, August 16, 2006.

[124] Guerra, Sergio (PSDB). Senator (2003-present); Federal Deputy (1990-2002); Secretary of Industry and Commerce, PE (1988-1989); Secretary of Science and Technology, PE (1989); Secretary of Economy, PE (1993-1994); State Deputy (1982-1988). Brasília, August 22, 2006.

[125] Jatobá, José. Secretary of Employment (1996) and Minister of Labor (1998), Ministry of Labor; Secretary of Economy, PE (1999-2004). Recife, August 8, 2006.

[126] Jucá Maciel, Suely. Director of Planning and Local Development, PE. Recife, July 26, 2006.

[127] Krause, Gustavo (PFL). Secretary of Economy, PE (1975-1979 and 1991); Mayor Recife (1979-1982); Vice-Governor (1982-1986); Governor (1986-1987); Federal Deputy (1991-1995); Minister of Economy, Ministry of economy (1992); Governor Candidate (1994). Recife, August 1, 2006.

[128] Magalhães, Roberto (PFL). Governor (1990-1994); Mayor Recife (1994-1998); Federal Deputy (1998-present). June 8.

[129] Maciel, Marco (PFL). Governor (1978-1982); Vice-President (1994-2002) Senator (2002-present). Recife, August 5, 2006.

[130] Nascimento, Isaltino (PT). State Deputy (2004-present); Council Recife (2000-2004); President CUT-PE. Recife, August 1, 2006.

[131] Negromonte, João (PMDB). State Deputy (1998-present); Council Nazaré da Mata (1992-1996); Council Recife (1996-1998); Secretary of Government and Social Action, Recife (1990-1992). Recife, August 6, 2006.

[132] Pais, Djalma (PSB). Secretary of Planning, Recife (2002-2004); Federal Deputy (1998-2002); State Deputy (1990-1998). Recife, July 27, 2006.

[133] Queiroz**,** José (PDT). Mayor Caruarú (1992-1996); State Deputy (1978-1982, 1996-present). Recife, August 8, 2006.

[134] Ribeiro, Ceça (PSB). State Deputy (2002-present). Recife, August 12, 2006.

[135] Sampaio, Ivanildo. Journalist, *Journal do Comercio*. Recife, July 27, 2006.

[136] Soriano, Aymar. Director of Fiscal Benefits and Relations with Municipalities, Secretariat of Economy, PE. Recife, August 1, 2006.

[137] Suarez, José Arnildo. Secretary of Planning and Social Development, PE (2001-2004). Recife, August 11, 2006.

Brazil: State of Paraná

[138] Beraldin, Neivo (PDT). State Deputy (1986-present), President Budgetary Committee; Council Curitiba (1982-1986). Curitiba, September 4, 2006.

[139] Bueno, Nestor. Secretary of Planning, PR (2006-present); General Director, Secretariat of Economy, PR (1991-2006). Curitiba, August 30, 2006.

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