

## Chapter Nine

# Political Ambition and Subnational Redistributive Spending

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### Introduction

Government spending is a powerful tool subnational incumbents can utilise to favour different social groups in a federation. As such, it spreads out redistributive conflicts over who gets what (and how) in multi-level democracies. Schematically, subnational governments can either benefit specific groups by allocating public resources to particularistic goods or they can favour a large majority of citizens by delivering collective goods. In this chapter, we analyse the institutional, contextual, and individual-level factors that affect subnational governments' redistributive spending choices. In contrast to prior research that has concentrated on both institutional and contextual determinants of government spending, we emphasise that individual factors largely explain why subnational incumbents decide to reward certain groups of citizens over others thus shaping redistributive conflicts within their territorial jurisdictions.

Our central claim is that subnational executives' (i.e., state governors) office ambitions – whether they are national-centred or state-centred – affect their decisions to strategically allocate social infrastructure (collective) and civil administration (particularistic) expenditures by delineating different electoral linkages between politicians and citizens. More concretely, governors who seek to remain in their districts will favour their core supporters and invest in patronage-based networks of political support by distributing targeted particularistic goods. On the contrary, governors who aspire to gain popularity beyond their districts in order to build a national career will target larger constituencies by providing collective goods, which are broader in scope and more visible.

There is a vibrant tradition of theoretical research on redistributive politics that has examined the conditions that provide incentives for incumbent politicians or parties to spend government funds on public goods that benefit the vast majority of citizens, rather than on private goods narrowly targeted to specific groups (e.g., Persson and Tabellini 1999, 2000; Bueno de Mesquita *et al.* 2003; Robinson and Torvik 2005). More empirically oriented studies have identified three broad categories of factors that affect government spending: structural, institutional and contextual. The structural explanations point to the negative impact of pre-existing social cleavages such as religion, caste, and ethnic divisions (Alesina, Baqir and Easterly 1999; Betancourt and Gleason 2002; Miguel and Gugerty 2005; Chandra

2007), economic deprivation and income inequality (Londregan and Poole 1993; Perotti 1996; Huber, Mustillo and Stephens 2008) on the provision of public goods. The institutional accounts refer to a wide range of key political features that are thought to shape incumbents' redistributive incentives including political regimes, electoral systems, political parties and party systems, bicameralism and malapportionment, divided government, executive powers, and federalism (Hibbs 1977; Alesina 1987; Boix 1988; Alt and Lowry 1994; McCarty 2000; Lizzeri and Persico 2001; Ansolabehere, Snyder and Ting 2003; Chhibber and Nooruddin 2004, Rodden 2005; Berry 2008). Finally, the contextual analyses highlight that the timing of elections (the political business cycle),<sup>1</sup> and the macroeconomic environment (Pierson 2001) affects both the level and shares of government spending.

We draw on some of these insights, particularly on political-institutional explanations, but argue that prior research has neglected examining the impact of individual-level factors on government expenditure choices. Perhaps the most decisive individual factor that lies at the heart of a politician's behaviour is her office goals (Schlesinger 1966: 6). Thus, in studying and empirically testing the effect of governors' ambitions on subnational expenditure patterns, particularly on their motivations to allocate public or private goods, we aim to increase our knowledge on the micro-foundations of spending redistribution and territorial power-building in federalised (multi-level) countries.

Our analysis focuses on Argentina, which is an ideal case for examining this issue due to its particular political institutions. The highly decentralised nature of the country's federalism makes provincial governors dominant players in their fiefdoms, influential national actors, and competitive aspirants to the presidency. Moreover, federal fiscal institutions and provincial budgetary rules commonly grant governors a substantial level of discretion over the use of public moneys (Jones, Sanguinetti and Tommasi 2000; Bonvecchi and Lodola 2011). Finally, governors in the period we study vary considerably in terms of their career goals. This variation allows us to explore whether different modalities of individual ambitions eventually lead to different spending patterns by affecting the nature of the electoral connection between candidates and voters, and the construction of networks of political support.

There has been a recent growth of literature on the institutional power and political influence of provincial governors in Argentina. A first strand of research has focused on their ability to control politicians' career advancement (Jones 2001, 2008; De Luca, Jones and Tula 2002; Lodola 2009), and so to influence the voting behaviour of their copartisan legislators in both the Chamber of Deputies (Jones and Huang 2005; Jones, Hwang and Micozzi 2009) and the Senate (Kikuchi and Lodola 2014). A second group of scholars has pointed to changes in the distribution of fiscal resources and policy responsibilities between governors and presidents, and how this phenomenon affected the

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1. For extensive reviews of this literature see Drazen (2000) and Franzese (2002).

intergovernmental balance of power (Benton 2009; Falletti 2010; Bonvecchi and Lodola 2011; González 2016). A third body of works has examined the causes of subnational variation in the level of democracy, and the conditions for territorial democratisation (Gervasoni 2010; Behrend 2011; Gibson 2012). Finally, a fourth stream of analyses has explored whether provincial governments strategically rely on pork-barrel or patronage activities to amass political support, and who is rewarded from these investments at the ballot box (Remmer 2007; Stokes 2005; Calvo and Murillo 2004; Lodola 2010). Our study speaks to this last area of research by examining how governors manipulate public resources in order to survive politically and fulfil their office aspirations, arguably their primary concerns. This chapter also has theoretical implications beyond Argentina. Students of redistributive politics have devoted a great deal of attention to examining the link between government spending and office retention across national institutions and actors. Yet little scholarly effort has been made to study, as we do here, this connection using subnational political actors as units of analysis.<sup>2</sup> This lacuna is important because without an understanding of how individual motivations shape expenditure patterns at the subnational level, we lack the whole structure of incentives that operates on redistributive conflicts in federalised polities.

Our empirical results indicate a strong effect of governors' political ambitions on public spending across Argentine provinces. Concretely, we substantiate that gubernatorial incentives for increasing expenditures in social infrastructure are stronger in provinces where the governor manifests a national-centred ambition. By contrast, incentives for increasing jobs, wages and salaries in the provincial civil administration are stronger where the governor has a state-centred (typically re-election) goal. We explain these different results by stressing the varied nature of electoral linkages between office-seeking politicians and their constituencies (Kitschelt 2000; Kitschelt and Williamson 2007). Our central argument is that different office ambitions promote different modes of citizen-politician linkages. Governors who nationalise their office ambition need to gain popularity abroad their provinces so that they will favour the provision of collective (non-excludable) goods that are visible and target broader constituencies. In contrast, governors who seek to remain in their home provinces will favour the allocation of particularistic (excludable) goods because this form of spending is much safer in their expected returns and allows the incumbent to build a patronage-based network of political support that reinforce provincial dominance.

We also find empirical evidence that some political-institutional variables affect subnational expenditure allocations in Argentina. As reported by prior research, political fragmentation (both electoral and legislative) reduces gubernatorial incentives to allocate collective goods while fosters particularism. Contrary to previous works, however, we find that electoral uncertainty as measured by the margin of victory have no statistical association with spending patterns. With

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2. Some notable exceptions are Calvo and Murillo (2004), Chhibber and Nooruddin (2004), Besley, Persson and Sturm (2005), Remmer (2007).

regards to the role of contextual variables, the statistical results show that election cycles have minimal to no effect depending on model specifications. Finally, in contrast to past studies on fiscal federalism, we demonstrate that governors from provinces that found a greater portion of public expenditures through their own revenues (as opposed to fiscal dependency from intergovernmental transfers) are positively associated with civil administration outlays, even after controlling for relevant macroeconomic and demographic variables.

The rest of the chapter is organised as follows. The second section discusses the defining features of gubernatorial politics in Argentina, and provides descriptive evidence on the structure of provincial governors' political ambitions. The third section expands upon the theoretical arguments that underlie our hypotheses on how incumbents' office goals, as well as other institutional and contextual factors, affect the way in which governors use public spending as an electoral strategy for fulfilling their personal aspirations. The fourth section describes our data and operationalises the relevant variables. The fifth section tests our hypotheses and discusses the statistical results. The last section considers the potential generalisability of our findings, and how they contribute to the current debates on political careerism and subnational redistributive politics.

### Gubernatorial Politics and Career Ambitions in Argentina

In this section we outline the fundamental aspects of gubernatorial politics in Argentina, and describe the modalities of political ambitions held by provincial governors in the 1993–2004 period.

Argentina is a highly decentralised federal republic composed of twenty-three provinces and an autonomous city. The country is commonly regarded as a textbook example of robust federalism, that is, a multi-level polity where subnational territorial units (provinces) comprise the most salient arena of political competition for national power (Mainwaring 1991; Stepan 2004). Politically, each province has the authority to determine its own constitution and electoral system thus generating one of the most complex institutional architectures in the world. All subnational jurisdictions have popularly elected governors for four-year terms. However, the rules of gubernatorial election have exhibited considerable variation both across provinces and through time. During the period covered in this chapter, twenty-one provinces eventually allowed for the immediate re-election of governors, with seventeen of them limiting gubernatorial incumbency to two consecutive terms, one province to three terms, and the remaining permitting indefinite re-election.<sup>3</sup>

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3. Four provinces reformed their gubernatorial electoral rules in this period: one of them introduced the possibility of reelection for two consecutive terms, while the other three indeed limited governors' static aspirations by moving from allowing unlimited mandates to permit only one reelection. With regards to the electoral formula, Argentine governors have been typically elected according to the plurality rule, with a few provinces using the majority runoff system. Some jurisdictions introduced adapted versions of the *apparentment* please check if this word is correct rules (*Ley de Lemas*) to allow different candidates from the same party to compete against each other at the time of the general election.

The institution of gubernatorial re-election – along with provincial electoral rules that allow governors to improve their control over local legislatures by introducing a majoritarian bias or premium seat (Calvo and Micozzi 2005) – contributed to the political consolidation of regional elites, typically structured around a dominant family clan, a personalistic leader, or a small group of local politicians.<sup>4</sup>

There are other institutional factors that make provincial governors almost unbeatable contenders in their districts. First, career opportunities are essentially decided by subnational – not national – party bosses given Argentina's party-centred electoral system (the closed list proportional representation), and provincial party delegations' control of candidate nomination procedures (Jones 1997, 2001, 2008; De Luca, Jones and Tula 2002; Jones, Saiegh, Spiller and Tommasi 2002; Jones and Hwang 2005; Lodola 2009). As almost every elective position and an overwhelming majority of appointed posts are determined within the provinces, and there is a lack of stable civil service rules typical of merit-based systems, governors – who are *de jure* and/or *de facto* presidents of the incumbent parties – can distribute electoral candidacies and public jobs with ample discretion. Second, governors also retain tight control over campaign financing, and enjoy virtually full authority over a vast amount of resources transferred from the central government that can help politicians get elected. This is mainly due to the country's peculiar federal fiscal system, which prioritises gubernatorial – rather than presidential – discretion over the use of sizeable intergovernmental transfers and royalties for the extraction of natural resources in the provincial territories (Bonvecchi and Lodola 2011).<sup>5</sup> Third, although the division of budgetary powers between the governor and the local legislature varies greatly across provinces (Jones, Sanguinetti and Tommasi 2000), there is a tendency towards governors' institutional dominance over the budgetary process. This tendency, as we mentioned above, is reinforced by the fact that local legislatures are usually politically controlled by governors: in our sample, the governor's party enjoyed majority in the legislature as high as 70 per cent of the time, while it captured an average of 54.3 per cent of the seats.<sup>6</sup>

Because governors have a greater say over the way in which provinces are financed and local politics is arranged, the gubernatorial post has become a critical vehicle for achieving national stature. Since the return of democracy, provincial

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4. Personalistic leadership does not necessarily imply absence of political parties because personalism is not often exercised in the same way. Some personalistic leaders – in Argentina and elsewhere – favour the construction of enduring party organisations, while others are indifferent or even antithetical to parties.
  5. A significant number of Argentine provinces raise extremely low proportions of their budgets and depend heavily on revenues from the federal government. The bulk of this money comes directly from a revenue-sharing mechanism and is transferred by statute with no strings attached. Other smaller transfers have specific purposes, but in practice the central government finds it difficult to monitor or sanction the misuse of these funds.
  6. Data on provincial legislatures always refer to the lower chamber. Depending on their constitutions, provinces have either unicameral or bicameral legislatures which are renewed either partially or totally every two or four years. In the time-frame we study here sixteen provinces had a unicameral system.

chief-executives have been the most competitive contenders for the presidency as six out of eight presidents were previously governors.

We assume that governors strategically harness public expenditure to marshal vote support that may increase their chances of political survival. Particularly, we are concerned about whether or not – and how – governors’ priorities towards the allocation of collective (social infrastructure) and private (civil administration) goods are affected by their career aspirations.

Research on political careerism and ambition in Latin America has mostly focused on exploring political recruitment, career pathways to power, and office retention of presidents and congressional legislators.<sup>7</sup> In contrast, there has been only limited scholarly attention devoted to the study of subnational political actors, in particular state governors. The few extant studies on gubernatorial careerism in the region have examined how individual candidates to the statehouse are ultimately recruited and nominated by established parties or elites (Siavelis and Morgenstern 2008).

For example, Power and Mochel (2008: 229–38) analyse candidate selection for the governorship in Brazil between 1990 and 2002. Based on descriptive and anecdotal evidence, the authors contend that both partisan and regional factors help explain variation in the types of gubernatorial candidates selected. Thus candidates from leftist (ideological) political parties and pluralistic states (i.e., where politics is not controlled by a personal clique or a traditional political clan) are more likely to build their careers in a party organisation than candidates from rightist (catchall) parties and oligarchic states, who are more independent from partisan ties. In a similar vein, De Luca (2008: 204–15) shows that party-centred electoral and candidate selection rules in Argentina generate aspirants to the governorship with personal electoral appeal (such as senators, federal deputies, and mayors of large cities), and substantial economic resources so as to maintain their own machines or get the support of the party machine, and thus have stable prior political careers underwritten by their parties. Finally, in what constitutes the most elaborated research on gubernatorial recruitment in Latin America, Camp (2008, 2010) studies some changing patterns in the social background and career paths of Mexican governors throughout the twentieth century. The evidence substantiates that the generation of governors from the recent democratic period is more localistic than previous generations. Indeed, most of these new governors were born in small provincial cities, remained in their home state or nearby for their secondary and tertiary education, and began their professional careers linked to their parties in a local political position.

This literature has contributed substantially to our understanding of state-executive recruitment processes in federal countries with different electoral systems and nomination procedures. Nonetheless, the emphasis on gubernatorial recruitment has often neglected to explore the defining attributes of governors’

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7. This literature is legion. For references, see Siavelis and Morgenstern (2008) and the literature quoted therein.

political ambitions, and how these personal aspirations affect their behaviour – in this chapter, their redistributive strategies – in office.

The rest of this section discusses the structure of Argentine governors' office ambitions based upon an original dataset that contains biographic information on each *acting* governor (i.e., any individual who occupied the governorship for at least six months) between 1993 and 2004.<sup>8</sup> Data collection drew upon multiple sources – such as governors' biographies, non-academic studies that gathered personal information on politicians (CIPPEC 2002, 2009), official data on candidate nominations, and pictures of party ballots taken at the Archives of the National Electoral Court. The sample includes 103 individual cases: ninety-two popularly elected governors, seven elected vice-governors, and four interim governors.<sup>9</sup>

The systematic examination of political ambition is problematic because ambition is a psychological predisposition rather than an observable behaviour (Hibbing 1986). Ideally, we would like to have measures of such predispositions for each governor over their entire time in office. This information, however, is almost impossible to collect as it would demand interviewing governors to know their 'true' office goals. To address this limitation, we use a governor's observed decision to pursue a given office (or to quit politics for whatever reason) as a surrogate for her psychological predisposition, which is assumed to exist prior to her spending decisions in office and constant during the entire gubernatorial mandate (Herrick and Moore 1993: 772). This strategy allow us to infer governors' ambitions from the posts (both nominated and elected) they actually occupied or vied for. Certainly, this is an impure measure because we infer pure preferences from observable choices. For example, it has been shown that incumbents usually choose to retire when their electoral prospects look dim and to run for office when they are assured of winning (Coates and Munger 1995). Hence, our approach is likely to introduce bias in the statistical estimates, specifically to underestimate

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8. This criterion excludes five cases of interim governors from the provinces of Corrientes and Santiago del Estero who only served as provincial executives for a few weeks or days. We also exclude federal interventions to these jurisdictions.

9. On average, vice-governors and interims occupied the governorship for almost fifteen consecutive months. They did so either because the elected governor stepped down to assume the presidency (three cases), a presidential cabinet position (1), or a seat in Congress (1), resigned from office (5) – typically to avoid an impeachment from the provincial legislature –, or died (1). We have strong reasons to include both vice-governors and interims in the analysis. Argentina's electoral rules mandate elected governors to resign from office in order to get a job in the public administration or to occupy (but not to run for) any other elected position. In these cases, as well as when the governor resigns, is impeached or dies, the vice-governor (occasionally, an interim) completes the gubernatorial term. Most provincial constitutions allow vice-governors and interims to vie for office, including gubernatorial reelection. Indeed, almost 73 per cent of the vice-governors and interims in our dataset ran for an elected post (55 per cent did it for re-election) when their mandates expired, and three-quarters of them succeeded in their attempts. These numbers suggest that governors' substitutes have access to the perks and resources of office and use them strategically for career advancement. Therefore, excluding these cases from the sample would arbitrarily reduce observations and lead to selection bias.

the effect of political ambition because we do not observe the performance that vulnerable incumbents would have had if they had run for office.

Furthermore, we accept that an ‘ambition’ – whether in politics or anything else- commonly entails long term trends, and not necessarily remains constant for any one person over a lifetime. We do not analyse, however, sequences of positions (attempted to be) occupied by a salient governor. Rather, we only consider the first, single position (failed to be) captured by a governor immediately after the end of her executive term. In this way, we simplify the political ambition process because it rarely involves a one-shot, unidirectional movement.

Figure 9.1 displays data on the career choices and electoral performance of the four salient gubernatorial cohorts (from 1995 to 2007) included in our sample.<sup>10</sup> The information shows gubernatorial running and winning rates, and turnover from both electoral defeats and retirements. The first notable observation is that Argentine governors usually sought to get an elected office (including re-election) at the end of their executive terms. Indeed, the average running rate is 81 per cent and it is highly stable over time. The second pattern to observe is that governors who vied for an elected position were unquestionably successful in reaching their office goals. Note that the gubernatorial winning rate (as percentage of incumbents competing for office) averaged nearly 84 per cent in the period with relatively minor fluctuations among cohorts. Third, gubernatorial turnover was persistently low, especially after 1995 once most provinces had incorporated re-election clauses, thus averaging 32 per cent in the period. Of this percentage, as we will see in greater detail below, the smallest group (around 40 per cent) corresponds to electorally defeated governors, while the largest group is composed of governors who quit electoral politics either voluntarily or forced by local political crises and governmental scandals.

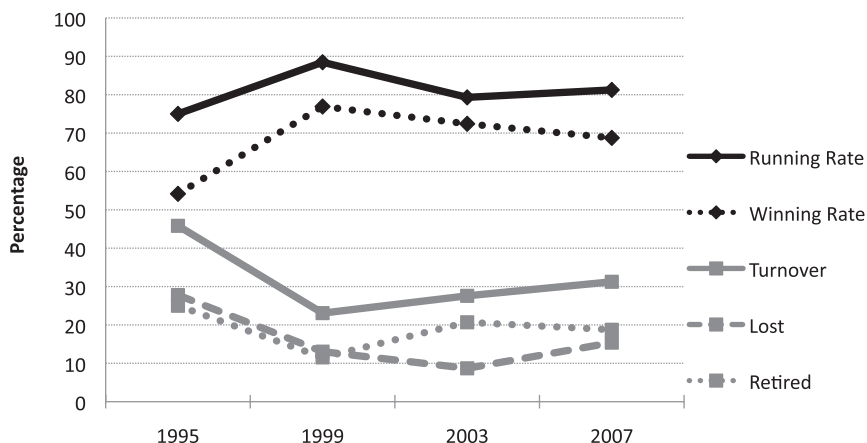
Table 9.1 provides more detailed information on the political ambitions held by the 103 Argentine governors included in our analysis. We contend that governors can be motivated by two fundamental modalities of careerism, each involving a unique electoral connection: national-centred and state-centred. The former refers to the observed desire of continuing a professional career in the home province. The latter denotes the goal of moving to the national level. We prefer this distinction to the seminal conceptualisation of static (to retain current office) and progressive (to gain higher office) ambitions (Schlesinger 1966), because adopting this classical distinction would inevitably entail defining a hierarchy of careers. Yet there is a lively debate among scholars as to how offices are arranged, and to whether they are ordered into a stable hierarchical ladder or they shift fluidly (Schlesinger 1991; Francis and Kenny 2000). Moreover, in the

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10. With a few minor exceptions gubernatorial contests in the period under analysis were held in 1991, 1995, 1999, and 2003. To preserve consistency, those governors who assumed office in a different year from the ones mentioned above are considered as members of the most proximate prior cohort. For example, Corrientes held gubernatorial elections in 1993 so we coded the elected governor as member of the 1991 cohort.



Figure 9.1: Career choices and electoral performance of governors in Argentina (salient cohorts, 1995–2007)



Source: Authors' compilation.

context of Argentina's robust federalism it is not obvious whether a national office (but the presidency) is hierarchically superior or inferior to a provincial position.<sup>11</sup>

Especially in the small and poorer provinces, moving to the nation can be a political punishment rather than a reward. As a former legislator of Formosa expressed:

There is an old adage here: who goes to the [national] capital loses 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.<sup>12</sup>

In the same token, a former senator, rival of presidents Néstor Kirchner (2003–2007) and Cristina Fernández de Kirchner (2007–present), 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. 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.<sup>13</sup>

11. See also Samuels (2003), who notes that despite the possibility of consecutive re-election many federal deputies in Brazil decide not to stay in the chamber but to cycle back to the state and municipal governments.

12. Interview with Anibal Hardy, Formosa, April 6, 2006.

13. Interview with Alfredo Martínez. Ciudad de Buenos Aires, November 22, 2005.

The frequencies presented in Table 9.1 show that around a third of the governors attempted to obtain a national level position at the expiration of their terms: almost 6 per cent the (vice) presidency, close to 28 per cent a congressional seat at either the Chamber of Deputies or the Senate, while a marginal 1 per cent was nominated as cabinet member or secretary at the federal government. On the other hand, 47.6 per cent of the incumbent governors sought to continue their careers at the provincial level. The vast majority of them competed for another gubernatorial period, while only 7 per cent became provincial legislators, municipal mayors, or provincial cabinet members. Naturally, governors exhibit a tendency to run for re-election when they are constitutionally allowed to do it, and to nationalise their careers when they are not. Seven out of ten sought a new gubernatorial term when it was permitted (82 per cent of them did it successfully), while less than two attempted to get a national elected post. In contrast, 66 per cent of the lame duck governors competed for a national legislative seat or the presidency.

Table 9.1 also includes a third direction of ambition that classical literature refers to as ‘discrete ambition’ (Schlesinger 1966: 10ff). Politicians with discrete ambition voluntarily withdraw from public life after serving only for a limited time in a single office, commonly to pursue some narrow objective. Strictly speaking, Argentine governors in our sample do not fully fit into this definition since virtually all of them were professional politicians who had held an elective or appointed post before conquering the statehouse: on average, governors had served in three different positions (only 15 per cent of them had served in only one post) for a

*Table 9.1: The structure of gubernatorial political ambitions in Argentina (salient cohorts, 1995–2011)*

<b>Structure of Political Ambitions</b>	<b>Percentage</b>
<b><i>National Ambition</i></b>	<b>34.9</b>
President	4.8
Vice-President	1.0
Senator	11.6
National Deputy	16.5
Federal Bureaucracy	1.0
<b><i>Provincial Ambition</i></b>	<b>47.6</b>
Governor	40.8
Mayor	1.0
State Deputy	3.9
State Bureaucracy	1.9
<b><i>Discrete (Retirement)</i></b>	<b>17.5</b>
Voluntary	7.8
Non-voluntary	9.7

Source: Authors’ compilation. N = 103.

tenure of 12.3 years.<sup>14</sup> Hence, given our purposes in this chapter, we include in the discrete category only those governors who did not run for any elected office or were not appointed to any political position at the end of their executive mandates. The information provided distinguishes between voluntary and involuntary (i.e., legal impeachments and resignations) retirements, with values of almost 8 and 10 per cent of the total governors respectively.<sup>15</sup> As it can be appreciated, only rarely did Argentine governors decide to quit politics voluntarily while a non-marginal number were either impeached by their provincial legislatures or forced to resign due to severe government crises.

### Subnational Redistributive Spending

In this section we discuss a set of theoretical expectations on the determinants of subnational government spending, and offer testable hypotheses on how provincial governors' office ambitions as well as other institutional and contextual factors could potentially affect gubernatorial incentives to strategically divvy up public resources to collective and particularistic goods. Table 9.2 offers a summary of the initial hypotheses based on past empirical research and our argument about the potential impact of political ambition on government spending.

It is important to underscore that we conceive difference in subnational governments' redistributive orientations in relative terms only. That is, incumbent governors must decide how to allocate a basket of goods, which differ in their relative budgetary cost, expected electoral return and level of electoral risk, to voters. We expect that governors in all provinces use both collective and particularistic goods to appeal to their constituents. But these two modalities of spending are offered in different combinations depending, at least in part, on the nature of incumbents' political ambitions. Our central argument is that governors' ambitions affect their spending incentives because different types of offices entail different electoral connections (or linkages) between candidates and voters.

Different electoral constituencies coexist in a federalised (multi-level) polity. We assume a two-level polity in which subnational incumbents' behaviour – in particular their decisions concerning public expenditures – constitutes a signal towards voters. We also assume that voters in both (the national and subnational) constituencies are sensible to such a signal so that they evaluate governors by observing the level and type of spending (and taxes) they execute in their provinces. Governors who aspire to national office need to gain popularity on board their districts and maximise the number of votes obtainable from both constituencies. In redistributive terms, these governors will privilege the expenditures with the highest positive territorial spill-overs. We thus hypothesise that as a governor's

14. There are only two amateur governors in our sample. These are F-1 car racer Carlos Reutemann, and popular singer Ramón 'Palito' Ortega.

15. Relying on qualitative data (mainly national and local newspapers) and some personal interviews, we built an inventory of the 'motives' that could have led Argentine governors to retire from politics. A complete list of these cases is shown in the Appendix.

Table 9.2: Summary of hypotheses

Hypothesis	Independent Variable	Social Spending	Civil administration Spending
Individual			
H1	Office ambitious	+	-
Political-institutional			
H2	Party system fragmentation	-	+
H3	Electoral uncertainty	+	-
H4	Vertical copartisanship	empirical	empirical
H5	Provincial revenues	+	-
Contextual			
H6	Electoral cycles	+	+
H7	Macroeconomic conditions	empirical	empirical

career becomes nationalised she will attempt to assemble the increasingly more heterogeneous electorate through the provision of collective rather than particularistic goods. The logic behind this expectation is that collective goods constitute non-excludable benefits that target broader constituencies. This peculiarity reduces the transaction costs between potential beneficiaries thus resulting in beneficiaries being more cost-effective.

In sharp contrast, governors who possess a state-centred political ambition, especially those seeking re-election, have strong incentives to deliver particularistic goods. Because this form of spending is excludable as it targets specific individuals, it does not yield spill-overs beyond the province thus reducing overall electoral payoffs. However, it is much safer in their expected returns than collective goods. Assuming some capacity of vote monitoring as that exhibited by relevant parties in Argentina (Stokes 2005), particularistic goods provide a better oversight to assure that citizens receiving a material benefit will vote for the incumbent and not defer to the opposition. In many Argentine provinces, one of the most commonly offered particularistic good is a government job. These jobs are a key weapon to build stable provincial networks of political support. In return for getting a job in the civil administration, individuals are expected to participate in observable services such as the party daily-life and electioneering activities. Essentially, patronage-based networks contribute to the enduring territorial dominance of governors by shaping expectations about the future distribution of public jobs over an elaborate network of party operatives able to monitor voters and dissuade them from migrating to the opposition (Robinson and Verdier 2003; Calvo and Murillo 2004). This discussion led us to hypothesise that as a governor's career remains localised she will attempt to mobilise provincial voters through the provision of particularistic rather than collective goods.

Along with this individual-level factor, two political-institutional features are considered to affect incumbents' motivations to manage public outlays with political survival and career advancement goals: the party system and electoral competitiveness. The former factor refers to both the extent of party competition (i.e., the number of participants that incumbents confront when competing for votes) and legislative fragmentation (i.e., the number of parties in the provincial legislature). The latter factor denotes a crucial aspect of electoral competition: the uncertainty of winning that the incumbents face (i.e., the margin of victory). These two characteristics are interrelated but should also have a distinct impact on public goods provision.

Researchers have recurrently argued that two-party systems provide a greater share of collective goods and longer periods of fiscal solvency than multiparty systems (Cox 1997; Hallerberg and von Hagen 1999; Persson and Tabellini 1999; Bueno de Mesquita *et al.* 2003; Mukherjee 2003; Chhibber and Nooruddin 2004; Hallerberg 2004). The general argument is that when only two parties compete for office (especially in winner-takes-all systems like that used in most Argentine provinces) each of them needs to assemble a majority in order to win the election. Each party has therefore to build electoral alliances across different social groups through, as we have seen, the provision of collective goods that are highly visible and widely valued. As political parties face other viable competitors and the party system becomes more fragmented, it is riskier (and too costly) to spend resources in building broad electoral coalitions because other parties can make more direct offers to narrower segments of the electorate. Hence, under party system fragmentation – a large number of effective competing parties – it is safer for incumbents to mobilise specific groups of the voting population through the allocation of particularistic goods rather than all citizens through collective goods.

An analytically distinct, but related, mechanism might be at work simultaneously. Political fragmentation can be considered an indicator of social heterogeneity or the degree to which policy preferences in a society diverge.<sup>16</sup> Extant research has documented a strong negative relationship between social heterogeneity – both in isolation and in interaction with the mechanical effects of the electoral system – and the provision of public goods. The usual account for this relation lies in the increased costs of collective action that groups face when their preferences are not homogeneous. In line with this reasoning, we anticipate that an increase in the effective number of parties represented in a provincial legislature would be detrimental to the provision of collective goods and would instead result in more particularism.

The second political-institutional factor that might affect subnational spending decisions is electoral competition or the uncertainty the incumbent faces about winning the election. In general, extant research highlights the benefits of electoral

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16. Social heterogeneity can manifest itself through various channels, but recurrent topics in the literature refer to some relevant social dimension such as ethnicity, religion, landowner-peasant relations, and income inequality. Compared to these dimensions, we acknowledge that political fragmentation is a 'soft' indicator of social heterogeneity.

competition and alternation in encouraging the provision of public goods. The theoretical expectation is that those incumbents who confront a competitive (uncertain) election will derive expenditure towards 'lumpy' goods and more universalistic forms of spending in an attempt to catch more votes. For example, Hecock (2006) shows that subnational governments in Mexico with more competitive elections spend more on education. Conversely, incumbents who anticipate winning with a large margin of victory face low pressure to be responsive to their constituents. Thus, under political monopoly – or at least reduced political contestation – where politicians have no fear of being removed from office, voters are tied to the incumbents who are likely to bribe voters through particularistic goods. Despite these theoretical considerations, it is important to note that Argentina has experienced a notable pro-incumbency vote at the subnational level. The effect of such an incumbency bias in the voting trend would be to diminish the potential impact of electoral uncertainty on public expenditures as Argentine governors, on average, tend not to face many risky elections.

An additional political-institutional factor that might shape the spending choices of subnational governments, especially in countries like Argentina with relative disciplined parties, is vertical co-partisanship. Some researchers claim that partisan harmony between presidents and governors is conducive to spending reductions, a finding observed in Argentina during the mid-1980s and 1990s (Jones, Sanguinetti and Tommasi 2000). The central argument is that the president, who has better incentives for fiscal conservatism than state governors because the former is held responsible for macroeconomic outcomes, has additional coercive tools to compel governors from the same party to behave in line with national fiscal objectives. Furthermore, inasmuch as the electoral success of co-partisan governors depends in part on voters' assessment of the national government (the coattails effect) subnational leaders have incentives to minimise macroeconomic profligacy that might result from overspending (Rodden 2005; Wibbels 2006). Nonetheless, if the connection between overspending and macroeconomic performance is not acknowledged by voters, co-partisan governors might be tempted to be more – not less – fiscally profligate because they might expect easier access to bailouts from the central government. Empirical work on Germany (Rodden 2005), India (Khemani 2007) and Italy (Bordignon and Turati 2005) shows that regional governments have higher spending and fiscal deficits precisely when they belong to the same party as that occupying the presidency. It is therefore an empirical question whether vertical co-partisanship is associated with subnational overspending or fiscal conservatism.

The last political-institutional factor we address and test refers to the sources of provincial income. According to public finance literature, the incentives to expand government expenditures vary with the sources of income. Larger levels of nontax revenues – mainly coming from federal fiscal transfers – generates incentives for state expansion, particularly for expanding public employment and other forms of patronage distribution (Remmer 2007; Rodden 2002; Rodden and Wibbels 2002). The argument is that citizens and politicians view intergovernmental grants and locally-generated revenues through different lenses. Federal transfers create

the fiscal illusion that subnational expenditures are funded by non-residents. In doing so, these transfers break the link between taxes and benefits, thus making voters less likely to sanction overspending. Subsidised by a sustained inflow of revenues coming from the centre, and protected from being electorally punished for their fiscal behaviour, governors sooner or later manipulate public spending to construct territorial power based on a large state apparatus.<sup>17</sup> For incumbents that are uncertain about how voters will respond to targeted benefits, supplying particularistic goods to their core friends is preferable to delivering collective goods to their swing neighbours. Conversely, to the extent that governors 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, voters have incentives to monitor authorities' fiscal behaviour making governors less likely to invest domestically-generated revenues in financing a large civil administration and more likely to spend these resources on delivering collective goods.

In addition to the individual and institutional factors described above, we also want to examine the effect of contextual variables on subnational government expenditure. These variables include the timing of elections and the macroeconomic conditions.

Because budgetary resources are limited, politicians should allocate spending when it is more needed. The concern of incumbents for their political survival is arguably greatest in periods proximate to elections, when they will seek to improve the lots of their voters. The conventional view is that incumbents pursue expansionary policies prior to elections in anticipation of a potential alternation of power in the electoral cycle (Levitt and Snyder 1995), and voters' reliance upon retrospective judgments on the functioning of the economy. Empirical evidence of electoral business cycles, however, is mixed. On the one hand, some studies of both well-established and less developed democracies find evidence consistent with the opportunistic manipulation of the economy (Ames 1987; Kiefer 2000; Clark 2005). Within this tradition a number of scholars argue that pre-electoral spending tends to be biased towards patronage or civil administration expenditures (Rogoff 1990; Gimpelson and Treisman 2002) because incumbents presumably seek to expand patronage appointments among their adherents. Others instead suggest that spending before elections is biased towards observable public investment projects (Khemani 2003) and social security policies (Wibbels 2006). On the other hand, however, there is some relevant research that has found no systematic evidence of pre-election spending booms. For example, Alesina *et al.* (1999) substantiate that there are no patterns of this in OECD countries. Based on a time-series analysis of six Latin American countries, Remmer (1993) demonstrates that some nations exhibit the predicted pattern of manipulation while others do not. Finally, a group of comparative analysts indicate that politicians might differ in whether public spending is to be

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17. Furthermore, as provincial bureaucrats anticipate flows of revenues from the centre they have incentives to increase the resources allocated to them.

used after – rather than before – the elections (Ames 1987: 13; Remmer 2007). This might be especially the case of a newly elected government that needs to reinforce its territorial presence on the ground, or incumbents that negotiate to honour pre-electoral support conditional upon the observed electoral results and voters' behaviour.

Finally, our analysis incorporates some macroeconomic contextual variables that are expected to influence the amount and share of different types of spending. According to Wagner's law of increasing state activity, economic development should foster both social infrastructure and civil administration spending as it creates demands for new government services to satisfy the needs of the population. Yet expenditures can also be expanded in hard economic times in order to safeguard the population against private sector unemployment (Gimpelson and Treisman 2002). Empirical evidence on this issue is also mixed. On the one hand, relying upon time series and cross-sectional data Wu, Tang, and Lin (2010) find strong support for Wagner's law, a finding confirmed by several country-specific studies (Lin 1995; Yousefi and Abizadeh 1992). On the other hand, however, numerous comparative and single case analyses report weak or no association between economic development and government spending (Afxentiou and Serletis 1996; Akitoby *et al.* 2006; Afzal and Abbas 2010).

We also consider the potential effect of income inequality on public expenditure. The usual account for this relationship is that income inequality yields to a lower (suboptimal) supply of public goods because, first, it elicits cooperation dilemmas between the rich and the poor as these groups have heterogeneous preferences over which goods should be provided and, second, it privileges the position of established elites who have asymmetric access to public services (Dayton-Johnson 2000; Khwaja 2009). Finally, we consider the province population size because it might affect the leeway a province has over its spending. The argument goes in both directions. The biggest provinces have incentives to overspend because they might expect to be bailed out by the central government if they 'fail'. But the smallest provinces might also be tempted to overspend because their size limits the negative macroeconomic effects of their behaviour (Rodden 2005).

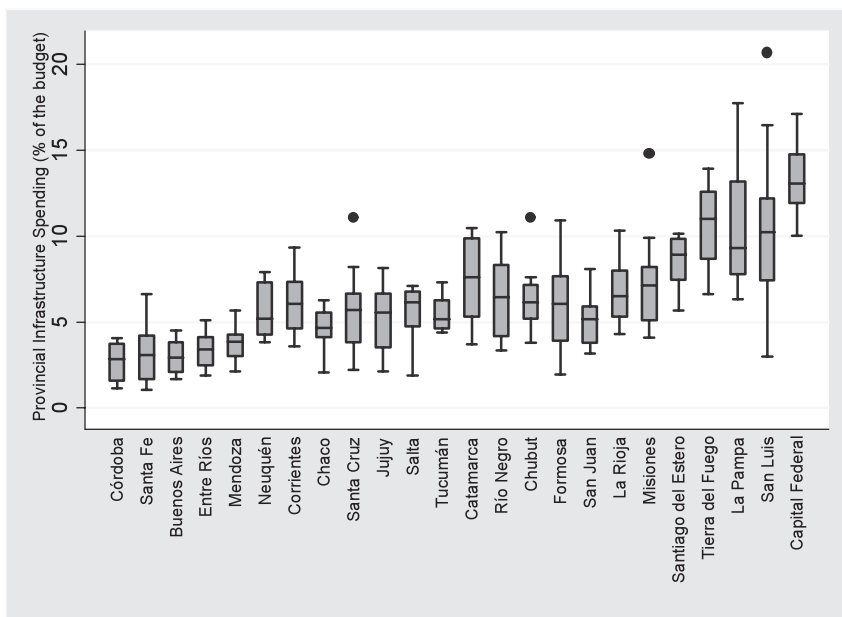
In sum, our theoretical approach builds on existing political-institutional and contextual explanations that emphasise the role of party systems, electoral competition, and election cycles. We also introduce the effect of individual level factors (incumbents' office ambitions) on subnational government spending. Although other important work has looked at related questions in Argentina and elsewhere, we are the first to empirically examine this set of determinants together. In doing so, we better capture the complexity and causal heterogeneity of provincial governors' decisions to allocate collective and particularistic goods.

## **Data and Methods**

To assess whether individual, institutional or contextual factors better explain variation in subnational government spending across Argentina's provinces, we



Figure 9.2: Social infrastructure spending, by province (1993–2004)



Source: Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía.

collected official data on provincial expenditures for the 1993–2004 period.<sup>18</sup> Our dependent variables are government spending on social infrastructure and on civil administration, both measured as shares of the total provincial budget (expressed in constant *pesos*) and naturally logged to reduce skewness. The former type of spending includes expenditure on housing, urban development, sanitary engineering, water supply, sewerage, and sewage. Because capital investment on social infrastructure is geographically targeted – and, as such, non-excludable – it is considered a semi-public or collective good.<sup>19</sup> The latter type of spending includes personal allocation (jobs, wages and salaries) to finance the provincial civil administration. Because this expenditure only targets specific individuals (i.e., public workers) it is excludable and then a classic example of particularistic good.<sup>20</sup>

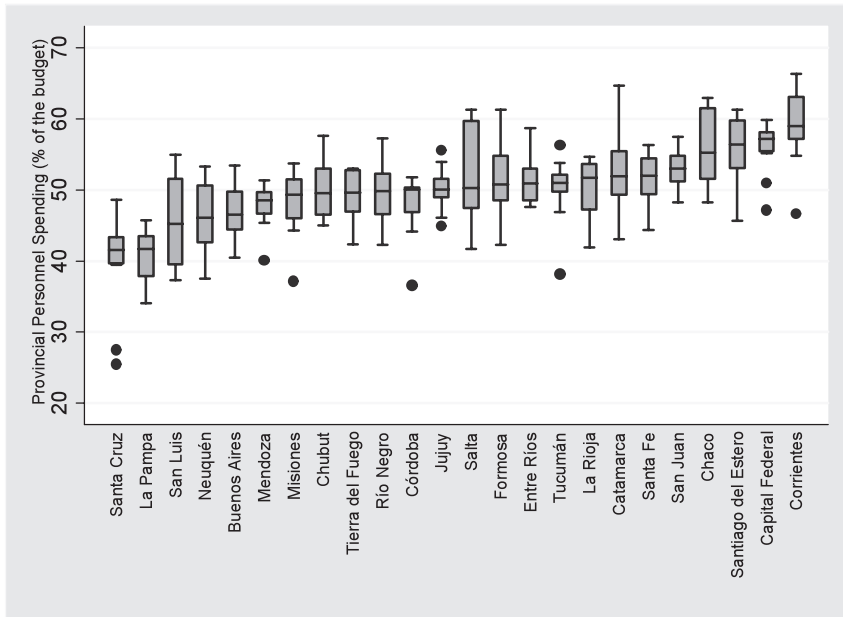
The Figure 9.2 displays the annual percentage of the total provincial budget that each province devoted to social infrastructure and civil administration during the

18. Data were provided by the Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía.

19. In measuring infrastructure expenditures, we deliberately excluded spending on capital projects such as credits to specific economic sectors and firms, which are sectorally targeted club goods.

20. This measurement naturally excludes administrative expenditures associated with the delivery of goods and services, including social security services.

Figure 9.3: Civil administration spending, by province (1993–2004)



Source: Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía.

period under study. As it can be seen, percentages vary widely across jurisdictions. On average, these values range from a minimum of 1.05 per cent (Santa Fe, 2003) to a maximum of 20.7 (San Luis, 1998), with a median of 6.4 and a standard deviation of 3.4 per cent. The provinces with the highest averaged percentages are Ciudad de Buenos Aires (the richest district), San Luis and La Pampa, while those with the lowest percentages are the metropolitan provinces of Córdoba, Santa Fe, and Buenos Aires.

As for public spending on civil administration, Figure 9.3 shows that variation across provinces is less remarkable but still considerable. Indeed, it ranges from a maximum of 66.3 per cent (Corrientes, 1993) to a minimum of 25.5 (Santa Cruz, 2003), with a mean of 50.1 and a standard deviation of 6.3. The jurisdictions that comparatively devoted more resources to personnel expenditure are Corrientes, Ciudad de Buenos Aires, and Santiago del Estero, while those with the lowest percentages are Santa Cruz, La Pampa, and San Luis.

The crucial independent variables included in our estimations are designed to measure provincial governors' office ambitions at the end of their mandates, political fragmentation (both electoral and legislative), political competitiveness, vertical co-partisanship, provincial vertical fiscal balance, gubernatorial and presidential electoral cycles, and provincial socio-economic conditions.

First, the effect of our individual-level factor (i.e., governors' office ambitious) is captured through an ordinal variable measuring the level of gubernatorial career nationalisation. Values of this variable are 0 (governors who quit politics), 1 (governors with provincial-centred ambition), and 2 (governors with national-centred ambition). We also estimated, with almost identical statistical results, our models with a 0–3 ordinal variable distinguishing between governors with municipal and provincial ambitions. Second, we operationalise the set of political-institutional variables discussed in the previous section. Regarding the impact of provincial political fragmentation, we are concerned with both the number of political parties competing in elections for gubernatorial office and the relative seat share that each party possesses in the provincial legislature. Although there is, of course, a direct connection between the number of votes and seats, different electoral rules in the Argentine provinces lead to substantially different mechanisms of translating votes into legislative seats (Calvo and Micozzi 2005). Therefore, we measure political fragmentation through the effective number of competitive/legislative parties, a concept that weights the number of parties by their vote share and size in the local legislature, respectively (Laasko and Taagepera 1979).<sup>21</sup> The former variable ranges from a minimum of 1.6 competitive parties to a maximum of 9.7, with a mean of 3.2 and a standard deviation of 1.1. The latter variable ranges from 1.0 legislative party to 5.1, with a mean of 2.1 and a standard deviation of 0.7. To empirically assess the role of electoral competition we compute the margin of victory (i.e., percentage point difference) between the winning party and the second largest recipient of votes in each gubernatorial election. Provincial variation ranges from a vote difference of 84.5 per cent to 2.9, with a mean and standard deviation of 17.1 and 15.3 per cent respectively. We also include a dummy variable for vertical co-partisanship coded 1 if the incumbent governor shares the president's party (55 per cent of the cases in our dataset), 0 otherwise. The last political-institutional variable incorporated to our models measures the tax structure of each province as the rate of nontax revenues to own-source revenues. This variable ranges from 86.8 to 3.1 per cent with a mean of 20.5 and a standard deviation of 17.1 per cent. Recall that we expect social infrastructure to increase and civil administration to decrease with higher levels of provincially-generated revenues.<sup>22</sup>

With regards to the contextual factors that are paramount in affecting government expenditures, we separately include in our models dummy variables indicating the presence of a gubernatorial and a presidential election year. We finally incorporate a number of variables typically used by comparative research on redistributive politics to explore whether the socio-economic conditions of each province are causally related to different patterns of subnational government spending. Thus, the models include the provincial GDP per capita in each year, the annual rate of

21. Data to build these variables come from Calvo and Escolar (2005), and our own calculations based on the Atlas Electoral Andy Tow, <http://www.andytow.com> (accessed 10 December 2016).

22. Data to construct this variable was obtained from the Dirección Nacional de Coordinación Fiscal con las provincias, Secretaría de Hacienda, Ministerio de Economía.

national economic growth, the annual share of the provincial population under the poverty line (or unsatisfied basic needs), and the population size.

To test our theoretical expectations, we employ a pooled cross-sectional time-series dataset that consists of Argentina's twenty-four provinces between 1993 and 2004. As it becomes standard in similar studies, we rely on ordinary least square (OLS) estimators with panel corrected standard errors (PCSE) to remedy for panel heteroskedasticity and spatial correlation (Beck and Katz 1995). Most cross-national studies on spending have employed fixed-effects models to control for omitted variable bias. There is considerable debate, however, over the merits of including fixed effects. Besides the fact that such controls are atheoretical, their inclusion mitigate the effect of exogenous time-invariant variables, and severely skews the estimated effects of partially invariant variables over time (Beck 2001). For these reasons, the reported results do not include fixed effect estimators. A potential problem with our models, as it has been noted in past works, is the incremental and sticky nature of budgetary spending. Correlations for the two spending variables of interest across the four years of each gubernatorial term reveal the presence of certain continuity in the level of expenditure. Yet we decided not to include a lagged dependent variable for two main reasons. First, in practical terms, including a lagged variable would seriously diminish the number of observations given the limited time span in our dataset. Second, as Achen (2000) has demonstrated, because the inclusion of a lagged dependent variable in cases with short time series may lead to autocorrelation and then to an underestimate of the effect of other explanatory (and theoretically more interesting) variables.

## Discussion

The estimates of four different specifications of our basic model examining the effect of individual, political-institutional, and contextual variables on subnational government spending in Argentina are reported in Table 9.3 and Table 9.4. The models are identical with the only exception of the variable measuring provincial political fragmentation: the effective number of competitive parties (Table 9.3), and the effective number of legislative parties (Table 9.4). In both tables, Model 1 tests for gubernatorial electoral cycles while Model 2 does it for presidential cycles.

The first result to notice is that the empirical tests provide strong support for our claim that the direction of governors' office ambitions affects gubernatorial incentives to strategically deliver collective and particularistic goods. Indeed, as the statistically significant positive sign of the ambitious variable indicates, governors spend proportionally more budgetary resources on social infrastructure projects when they possess a national-oriented aspiration. Conversely, as shown by the significant negative sign of the same variable, governors with provincial-oriented office ambitions tend to devote more resources to finance the civil administration. In substantive terms, on average, a governor with nationalised political ambition spends 5 per cent (Model 1, column 1) more of the budgetary resources in social infrastructure than a governor with provincialised office goals, whereas the latter dedicates 1.3 per cent (Model 1, column 2) more of these monies

Table 9.3: Determinants of provincial government spending, 1993–2004

Variables	Model 1		Model 2	
	Social Infrastructure	Civil Administration	Social Infrastructure	Civil Administration
Office Ambitious	.050** (.023)	-.013** (.006)	.050** (.023)	-.013** (.006)
Political Fragmentation, ENCP (ln)	-.244*** (.085)	.064*** (.021)	-.242*** (.085)	.067*** (.021)
Margin of Victory (ln)	.031 (.021)	-.007 (.006)	.032 (.021)	-.007 (.006)
Vertical Copartisanship	.005 (.048)	-.037** (.016)	.005 (.048)	-.037** (.017)
Gubernatorial Election Year	-.019 (.087)	-.026 (.026)		
Presidential Election Year			-.018 (.082)	-.022 (.025)
Provincial Revenues (ln)	-.011 (.045)	.043*** (.011)	-.011 (.045)	.043*** (.011)
Provincial GDP, per capita	.000*** (.000)	-.000*** (.000)	.000*** (.000)	-.000*** (.000)
National Economic Growth	.010* (.006)	-.005*** (.002)	.010* (.006)	-.005*** (.002)
Provincial Poverty	.015*** (.003)	.008*** (.001)	.015*** (.003)	.008*** (.001)
Provincial Population	-2.11*** (.313)	-.051 (.082)	-2.11*** (.314)	-.051 (.082)
Constant	1.31*** (.161)	3.59*** (.063)	1.31*** (.159)	3.58*** (.063)
N	278	278	278	278
Groups	24	24	24	24
R2	0.302	0.361	0.302	0.361
Prob > chi2	0.0000	0.0000	0.0000	0.0000

Note: PCSE Regression. Standard errors in parentheses. Dependent variable: share of the provincial budget allocated to social infrastructure and civil administration (natural log). ENCP: effective number of competitive parties. \*  $p < .10$ ; \*\*  $p < .05$ ; \*\*\*  $p < .01$

Table 9.4: Determinants of provincial government spending, 1993–2004

Variables	Model 1		Model 2	
	Social Infrastructure	Civil Administration	Social Infrastructure	Civil Administration
Office Ambitious	.056** (.023)	-.014** (.006)	.056** (.023)	-.014** (.006)
Political Fragmentation, ENLP (ln)	-.039* (.022)	.072** (.030)	-.039* (.022)	.074** (.030)
Margin of Victory (ln)	.099 (.101)	-.008 (.006)	.099 (.101)	-.009 (.006)
Vertical Copartisanship	.018 (.053)	-.041** (.017)	.018 (.052)	-.042** (.017)
Gubernatorial Election Year	-.007 (.094)	-.027 (.025)		
Presidential Election Year			-.012 (.090)	-.023 (.025)
Provincial Revenues (ln)	-.009 (.041)	.036** (.014)	-.008 (.041)	.036** (.014)
Provincial GDP, per capita	.000*** (.000)	-.000*** (.000)	.000*** (.000)	-.000*** (.000)
National Economic Growth	.013** (.006)	-.005*** (.002)	.013** (.006)	-.005*** (.002)
Provincial Poverty	.015*** (.003)	.007*** (.000)	.015*** (.003)	.007*** (.001)
Provincial Population	-2.11*** (.338)	-.055 (.085)	-2.11*** (.339)	-.056 (.085)
Constant	1.15*** (.145)	3.64*** (.058)	1.15*** (.145)	3.64*** (.058)
N	278	278	278	278
Groups	24	24	24	24
R2	0.291	0.367	0.291	0.365
Prob > chi2	0.0000	0.0000	0.0000	0.0000

Note: PCSE Regression. Standard errors in parentheses. Dependent variable: share of the provincial budget allocated to social infrastructure and civil administration (natural log). ENCP: effective number of competitive parties. \*p < .10; \*\*p < .05; \*\*\*p < .01

to finance the provincial bureaucracy.<sup>23</sup> Not only are coefficients of the political ambition variable statistically robust (at the .05 level) in all model specifications, but they also contain some substantive impact, especially in the case of social infrastructure considering that the media for this type of spending is 6.4 per cent of the provincial budget. Thus, we would expect a governor with national ambition to spend nearly 78 per cent more to back these projects than a governor who aspires to continue her professional career within the province.

Second, our results also lend credence to the hypotheses that link political fragmentation with subnational expenditure patterns. As it can be appreciated, there is a statistically significant negative relationship between the effective number of parties (irrespective of whether we use votes or seats as indicators) and social infrastructure spending. Therefore, increased fragmentation in either the electoral market or the local legislature decreases gubernatorial incentives to provide collective goods. In line with our theoretical expectations, moreover, there is a positive significant relationship between party system fragmentation and personnel spending. Substantive results demonstrate that for every percentage increase in the effective number of competitive parties, the budgetary share of spending on social infrastructure diminishes 0.24 per cent (Model 1, column 1), while spending on civil administration increases .06 per cent (Model 1, column 2).<sup>24</sup> Taken together, these results suggest that the greater the fragmentation of the party system (the more the number of parties), the more provincial governors are forced to focus on the narrow objectives of specific groups and individuals rather than on the shared benefits of broader constituencies.

Third, contrary to our theoretical expectations and much past research, we find no empirical evidence that electoral uncertainty – as measured by the margin of victory – has a real impact on redistributive spending in the Argentine provinces. Although the coefficients for this variable have always the expected sign, they do not reach the standard levels of statistical significance.

Fourth, with regards to the effect of vertical (federal-provincial) copartisanship, the results are somewhat mixed. On the one hand, no matter how we estimate the models, belonging to the president's party has no causal effect on the level of social infrastructure spending. On the other hand, however, this variable has a strong and significant inverse effect on civil administration spending. On average, provinces where the governor is a member of the president's party spend significantly less (between 3.7 and 4.2 per cent depending on the model) in personnel expenditure than provinces ruled by governors from the opposition. This result seems to confirm the argument that presidents are capable of compelling their copartisan

23. Recall that the dependent variable is expressed in its log-transformed state and the political ambition variable is in its original metric. In such models, the format for interpretation is that the dependent variable changes by  $100 \times (\text{coefficient})$  per cent for a one unit increase in the independent variable holding all other variables in the model constant.

24. Because variables of the effective number of parties are log-transformed, their impact is measured as the per cent change in the share of spending while the effective number of parties increases by 1 per cent.

governors to behave more conservatively, at least regarding the financing of the state apparatus.

The one counterintuitive finding from the regression results is that provinces with higher shares of income coming from domestic taxation spend proportionally more public outlays on civil administration (between 3.6 and 4.3 per cent). This finding contradicts a common expectation of prior work on fiscal federalism and public finance that subnational dependence on federal fiscal transfers generates incentives to allocate particularistic goods and thus increase the size of the public administration. Yet it should be noticed that this result is the artifact of an outlier: the Ciudad de Buenos Aires, which collects an average of 82 per cent of its total income from local taxes, whereas the other provinces only collect an average of 16 per cent from domestic tax sources. Once this outlier is dropped from the analysis the positive relationship is no longer statistically significant.

Fifth, the estimated coefficients for both gubernatorial and presidential election years do not reach statistical significance. Thus, we do not find empirical support for the conventional wisdom that governing parties at the provincial level in Argentina tend to increase spending during electoral times through either public works or salary bonuses for provincial public sector employees.

Finally, the macroeconomic variables included in the models are highly robust and tend to perform as expected. Good economic performance, both at the national and provincial levels, is positively related to the allocation of social infrastructure and negatively to the provision of public jobs and salaries. Economic growth then fosters provincial governments to invest in public work – mainly urban – services, and indirectly reduces the size of civil administration as private employment increases. The poverty and population variables partially conform to expectations as provinces with a larger share of poor households spend proportionally more on both types of expenditures, while more populated provinces spend less.

## Conclusion

Redistribution conflicts in a federation usually take place within the territorial boundaries of subnational jurisdictions. Hence, in order to understand the nature of several distributional conflicts in multi-level systems it is critical to examine how subnational incumbents strategically divvy up the public money to benefit certain groups of citizens over others.

This chapter assesses the role played by individual, political-institutional and contextual factors in shaping subnational government spending – particularly, the ability of provincial governors to strategically deliver collective and particularistic goods – across Argentina's provinces. In doing so, this analysis contributes to an understanding of public goods provision and redistributive conflicts in an important federal country where governors are regarded as textbook examples of powerful subnational political actors and federal institutions provide subnational executives with ample spending discretion.

We draw on the existing literature on public finance and fiscal federalism for building our key arguments, but we introduce an important innovation to the



institutional and contextual approaches commonly used to study government spending in comparative politics. We focus on the influence that governors' office ambitions have on their strategic decisions to allocate the public money. That is, we examine the micro-foundations of subnational government spending.

Our analysis provides systematic evidence of the effect that gubernatorial ambitions have over different types of government expenditure. On average, governors with national-oriented ambitions systematically spend more resources to finance social infrastructure projects and less to public employment. Moreover, provincial party-system fragmentation – but not political competition – generates incentives to deliver particularistic rather than collective goods. We found partial evidence regarding the impact of federal-provincial copartisanship as it reduces particularism but does not affect the provision of collective goods, and no evidence of the presence of election (neither gubernatorial nor presidential) cycles.

This chapter leaves a number of significant questions open for further research. First, with regard to the nature of incumbents' ambitions, it would be important to obtain data on whether or not they change their future political ambitions while in office. Second, future research should consider other factors that might influence incentives to allocate collective and particularistic goods such as subnational public debts as well as the interactions between institutional and individual variables. Third, researchers should consider the importance of other types of universalistic forms of spending to examine whether the structure of incumbents' incentives differ when they distribute private, collective, and public goods.

## APPENDIX

Table 9.1A: Motives of gubernatorial retirement in Argentina (salient cohorts, 1995–2011)

Name of Governor	Voluntary Retirement	Motive
Arnoldo Castillo	Yes	Advanced Age
Juan Manuel de la Sota	Yes	Party Politics*
Néstor Braillard Pocard	No (impeached)	Scandal
Sergio Montiel	Yes	Party Politics*
Mario Moine	Yes	Quit Politics**
Roberto Domínguez	No (resigned)	Political Crisis
Carlos Ficosecco	No (resigned)	Political Crisis
Carlos Ferraro	No (resigned)	Avoid Impeachment
Angel Mazza	No (impeached)	Scandal
Felipe Sapag	Yes	Party Politics*
Juan Carlos Rojas	Yes	Party Politics*
Alfredo Avelín	No (impeached)	Scandal
Sergio Acevedo	No (resigned)	Political Crisis
Jorge Obeid	Yes	Quit Politics**
Carlos Mujica	No (resigned)	Avoid Impeachment
Mercedes A. de Juarez	No (resigned)	Political Crisis
José Estabillio	Yes	Party Politics*
Mario Collazo	No (impeached)	Scandal

Source: Authors' compilation. Notes: (\*)The person was engaged in a noteworthy partisan activity. (\*\*)The person did not hold any elective or appointed position, and was not engaged in a partisan activity.

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