

**Federalism and Low-Maintenance Constituencies: Territorial Dimensions of
Economic Reform in Argentina**

Edward L. Gibson

Department of Political Science
Northwestern University

Ernesto Calvo

Department of Political Science
University of Houston

Please address all comments and correspondence to

egibson@nwu.edu

ecalvo@uh.edu

Department of Political Science
Northwestern University
601 University Place
Evanston, IL 60208

**Published in Fall 2000,
Studies in Comparative International Development, 35:3.**

Abstract

How does the territorial distribution of political and economic resources within national polities influence policy-making? This article examines the electoral dynamics of market reform in Argentina between 1989 and 1995. It provides insights into the way that the distribution of economic and institutional resources in federal political systems shapes both economic policy-making and the coalitional bases for its political sustainability. The electoral viability of the governing Peronist party during the economic reform period was facilitated by the regional phasing of the costs of market reform. Structural reforms were concentrated primarily on economically developed regions of the country, while public spending and patronage in economically marginal but politically over-represented regions sustained support for the governing party. Statistical analyses contrast patterns of spending and public sector employment in "metropolitan" and "peripheral" regions of the country during the reform period, as well as the social bases of electoral support in those regions. A conceptual distinction between "high-maintenance" and "low-maintenance" constituencies is also introduced to shed light on the dynamics of patronage spending in contexts of market reform.

Introduction

The search for political determinants of successful economic reform programs has shaped much of the recent literature on economic reform in democratizing countries. While policy innovation, strategy, and choice took up much of the literature's attention in the past, recent works have called for closer examination of the socioeconomic and institutional contexts that shape policy-makers' choices and the prospects for successful economic reform.¹ In this spirit we examine the electoral dynamics of market reform in Argentina, and from this case study, provide insights into the way that regional economic differentiation and the territorial distribution of political resources can shape the design of market reform and the coalitional bases for its political sustainability.

During its first term in office between 1989 and 1995 the Peronist government of President Carlos Menem carried out sweeping economic reforms that transformed the country's political economy and restructured political alignments. The content and scope of the economic reforms have received considerable attention. However, the electoral dynamics of the reform period have constituted one of the more enigmatic sides of the 1989-95 period. How did the Peronist party enact market reforms opposed by key historic constituencies while securing the political support necessary for electoral victories that culminated in the re-election of President Menem in May, 1995? The basic argument presented here is that the territorial organization of electoral politics had a marked impact on the political viability of the economic reform process. The electoral viability of the governing party was assured by regionally segmented patterns of electoral coalition building, and by the regional phasing of the costs of market reforms over time. These costs were initially concentrated in the most urbanized and developed regions of the country. The country's less developed regions, poor in economic resources, but politically over-represented and rich in votes for the governing party, were spared the more radical effects of fiscal adjustment and structural reform between 1989 and 1995.

¹ See, for example, Haggard and Kaufman (1994).

Argentina carried out one of the most orthodox market reform processes in Latin America. However, the implementation of economic reform was not a "one-shot" event; its intensity was not evenly distributed throughout the country, with similar patterns of winners and losers in all regions. Rather, the implementation of economic reform was shaped by the political economy of Argentine federalism and by the coalitional structure of the Peronist party. Its timing conformed to governing party's need to maintain winning national electoral coalitions.

A central objective of the article is to explore how the territorial organization of politics affects the political viability of economic reform efforts. The analysis starts off from the assumption that the realm of the political has a different territorial reach than the realm of the economic, and that this has an independent impact on key political outcomes. In federally organized polities the institutional over-representation of territories compounds this dynamic. It creates a disjuncture between the organization of political power and the territorial distribution of the economy that provides coalitional possibilities to governing parties that might not be predicted from the economic policies they pursue. The coalitions that guarantee the political survival of a governing party may not be the same as coalitions that are direct protagonists in its economic policy-making process.

Building electoral coalitions in support of market reform also depends on the manipulation of patronage and politically oriented spending on electoral constituencies. In spite of occasional references to this subject in the literature on the politics of economic reform (Waterbury, 1992), it has been conspicuous for its absence in the recent theoretical literature on structural adjustment and market reform. Where it is mentioned it is done in negative terms (Haggard and Kaufman, 1994). However, pork barrel politics is a structural feature of most polities, and it is unlikely that in developing countries it should fade away as a tool for holding together political coalitions during periods of disruptive economic change.² Disregarding its

²As Barry Ames (1987) has demonstrated, it has been crucial to the political "survival" of Latin American politicians throughout the post-World War II period, a fact that makes its neglect in recent works on market reform all the more striking. See also Barbara Geddes (1994).

importance may be neo-classically correct, but it undervalues a potentially key political ingredient to the sustainability of economic reform.

To shed light on the interactions between patronage spending and market reform we therefore suggest a conceptual distinction between "high-maintenance constituencies" and "low-maintenance constituencies." Given market reform objectives, high-maintenance constituencies will tend to have high numbers of losers, and will thus require significant levels of subsidy or compensation in exchange for continued support during the reform period. The cost in required material benefits will tend to be incompatible with a successful market reform program. Low-maintenance constituencies, on the other hand, are less costly in terms of subsidy and patronage, or yield a political payoff to the reforming government in excess of their economic costs to the reform program.

Regarding the Peronist party, we begin by disaggregating the main regional components of the party's national electoral coalition. The party is seen as encompassing two distinctive sub-coalitions, a "metropolitan coalition" located in the country's most urbanized and economically developed provinces, and a "peripheral coalition," located in the less-developed regions of the country.³ The constituencies and political networks linked to the party differed considerably across regions: labor-based, economically strategic, and mobilizational in the metropolis, clientelistic, poor, and conservative in the periphery. Pursuing redistributive developmentalist economic agendas in the past had mobilized support from both state-dependent constituencies. With the onset of market reform, however, the Peronist government leaned on its low-maintenance peripheral coalition for political support while bringing the day of reckoning to its

³The term "metropolitan" means, in this case, more than "urban," although the relationships we describe later tend to vary by urbanization level. The term denotes the most dynamic and economically dominant regions of the country. For the purposes of operationalization the Argentine "metropolitan" region in this analysis includes all areas (urban and rural) of the federal district of the city of Buenos Aires, the province of Buenos Aires, and Santa Fe, Córdoba, and Mendoza provinces. The "peripheral region," by extension, encompasses all areas (urban and rural) of the country's remaining 19 provinces. Mendoza's classification as either "metropolitan" or "peripheral" is problematic, since in political and economic development terms it lies between the two regions. We have placed it among the metropolitan provinces, although in many respects placing it in the other category would have produced stronger results in the statistical analyses that follow. The conceptual distinction between "metropolitan" and "peripheral" coalitions is taken from Gibson (1997).

high-maintenance constituencies in the metropolitan regions of the country. It did so keeping precarious state-dependent local economies afloat by postponing regional structural adjustments and maintaining flows of government financing to provincial governments. The "valley of transition" (Przeworski, 1991) of market reform was crossed by selecting which coalitional pillar of the party would bear the cost of economic reform and which pillar would be spared.

The Institutional Setting: The Political Weight of non-Metropolitan Regions in Argentina's Federal System

The bulk of Argentina's population and productive structure are located on and around an expansive and fertile plain known as the *Pampas* region. Argentina's largest city, the city of Buenos Aires, is a federal district encrusted in the agriculturally rich Buenos Aires province. The city of Buenos Aires is surrounded by a massive industrial and urban belt which makes the Greater Buenos Aires urban area the population and economic hub of the nation.⁴ In addition, the Greater Buenos Aires urban area is one end of a string of three industrial cities which stretches to the city of Rosario, in adjoining Santa Fe province, and on to the city of Córdoba, the capital of Córdoba province. Together these three provinces account for 73 percent of total industrial production and 65 percent of the national population. If Mendoza, the country's fourth most prosperous and urbanized province is added, the total share of the "metropolitan" provinces industrial production and population rises to 78 and 70 percent respectively.⁵

The demographic and economic clout of the metropolitan provinces have tended to place them--especially Buenos Aires-- at the heart of explanations of conflict and political development in Argentina. This metropolitan focus has led to an underestimation of the importance of non-metropolitan regions in the institutional power structure and the coalitional dynamics of the country's most important political parties.⁶ Non-metropolitan provinces may

⁴With a population of nearly 11 million, the greater Buenos Aires area comprises one-third of the national population.

⁵Population figures taken from INDEC (1991); economic figures taken from INDEC (1994).

⁶In fact, studies that systematically examine the effects of the provinces on the workings of the Argentine federal system are rare. Notable exceptions in the North American literature are recent works by Mark Jones (1995 and 1997) and Larry Sawers (1996).

only comprise 30 percent of the national population, but in the federal system of government their institutional representation has far exceeded their population. This has given them considerable political influence over national political decision-making. It has also profoundly shaped the structure of national political coalitions and the political allocation of economic resources.

On most counts, Argentina's federal system over-represents poor and underpopulated territories more than any federal system in the world. According to one study, the Argentine Senate ranked highest on a scale of territorial over-representation among the world's upper chambers.⁷ Until 1995 the peripheral region, with 30 percent of the national population, held 40 of 48 seats in the Senate--83 percent of the total.⁸ This arrangement also creates a yawning representation gap between the most populated province and the least. With a population of 12.6 million, Buenos Aires province is granted three senators, the same number received by Tierra del Fuego, with a population of 59,000. Thus, one vote in Tierra del Fuego is worth 214 votes in Buenos Aires.⁹ Similarly yawning ratios exist between Buenos Aires and most provinces of the interior (see Table 7). Only one of the nineteen peripheral provinces has more than 10 percent of the population of Buenos Aires. Yet with 40 percent of the population, Buenos Aires province holds 4 percent of the senate seats.

This over-representation also extends to the lower chamber of the congress, the Chamber of Deputies, where peripheral region provinces, with 30 percent of the population, hold 52 percent of the seats. The Argentine Constitution of 1856 had established that seats in the Chamber of Deputies would be allocated proportionally to district population. However, this principle was abandoned in the 20th century, when both Peronist and military governments, each for their own political reasons, introduced amendments that bolstered representation of the

⁷ See Stepan (1997). Stepan provides comparison of upper chambers based on a "Gini Index of Inequality of Representation," in which Argentina's senate scored highest followed by Brazil and the United States.

⁸ According to constitutional reforms enacted by a constitutional convention in 1994, number of senators per province was increased to 3, raising the total number of senators in the chamber to 72. Peripheral provinces will have 57 of those seats, 80 percent of the total.

⁹ This would place Argentina only after Russia in the continuum of "ratio of best to worst represented federal unit" for all federal systems (Stepan, 1997, p. 32).

traditionally conservative peripheral regions in the lower chamber. The first departure from direct proportional representation was in 1949, when a constitution drafted by the government of Juan Perón established a minimum of two deputies per province, regardless of population. In 1972 the minimum number was increased to three (Sawers, 1996). In 1983 the departing military government of General Reynaldo Bignone increased that number to 5 deputies per province.¹⁰ As a result, a congressional candidate in the city of Buenos Aires is required to obtain almost seven times the number of votes as those required by his counterpart in Tierra del Fuego (Cabrera, 1993, and Cabrera and Murillo, 1994).

Finally, until the 1995 national elections the over-representation of the periphery extended to the election of the president as well. Presidential elections were decided in an electoral college which over-represented the less populated provinces. With 30 percent of the national population, the peripheral region provinces had over 50 percent of the Electoral College votes, 306 out of 610.¹¹

This institutional overrepresentation meant that no national winning electoral or legislative coalition could be put together without the support of the regional structures of power in the periphery. It also meant that the periphery played a tiebreaker role of sorts to the often-stalemated social and political conflicts wracking the metropolitan regions. Given the highly contested electoral contexts in the more developed and urbanized regions, the national party that won electorally would be that party that possessed institutional ties with the networks of regional power brokers capable of delivering the vote in the "interior" regions of the country.

¹⁰ This degree of over-representation in the lower chamber is somewhat of a rarity in federal systems. The Argentine arrangement is matched only by Brazil, which establishes a minimum number of eight deputies per state, and, additionally, establishes a ceiling for the most populous states, of 70 deputies. See Scott Mainwaring and David Julian Samuels, "Bringing the States Back In: Robust Federalism and Democracy in Brazil," paper presented at conference on "Federalism, Nationalism, and Democracy," All Souls College, Oxford University, 6-7 June, 1997.

¹¹ The 1994 Constitutional Convention somewhat reduced both the peripheral regions' overrepresentation and the Peronist party's advantage in the regions. Relevant changes agreed to by the governing party in exchange for a re-election clause for the president included the abolition of the Electoral College, which now makes population rather than territory determinative of presidential election outcomes. In addition, a third minority-party senator for each province was added to the National Senate, which lessened the Peronist party's hold over provincial delegations to that body. Many federalist provisions remain, however, including the over-representation of the provinces in the lower house of congress. The constitutional reforms went into effect after the period under study, and are thus not analyzed in this article.

Federalism and Electoral Coalitions: the case of the Peronist Party

The party that proved most successful at this task after the 1940s was the Peronist party.¹² A look at Peronism's evolution provides a sense of the centrality of its own "peripheral coalition" to the party's electoral viability and national governing capabilities. Much has been made in the literature on Peronism about the party's reliance on the mobilizational and electoral clout of urban labor since its first ascent to power in 1946. But Peronism was as much a party shaped by federalism and regional power structures as it was by class conflict in the metropolis. At the national level it harbored two distinctive regionally based sub-coalitions. As important as its urban electoral machines were in economically advanced areas, its national electoral majorities were provided by party organization in backward regions with negligible proletarian populations and in rural electoral bastions throughout the country.¹³ The fact was that Peronism fared far better electorally in such regions than in the urban areas where its powerful labor constituencies were located. Peronism's seeming invincibility at the polls--what came to be known by supporters and detractors alike as the "iron law" of Argentine elections--was due not to organized labor in the metropolis, but to its ties to clientelistic and traditional networks of power and electoral mobilization in the periphery.

At every step Perón sought to shore up his support in the interior, and he sought--paradoxically to those who visualized his movement primarily in terms of its radical urban labor agendas--to bolster the representation of the traditionally conservative constituencies in national political institutions. It was Perón's 1949 constitution that first violated the principle of direct proportional representation in the chamber of deputies and granted seats to the interior not based on its population share. Perón courted regional oligarchic *caudillos*, hungry for economic protectionism, subsidy, and state-led economic initiatives, in his struggles against the liberal

¹² The party's official name is the Partido Justicialista.

¹³ A collection of essays in eds. Manuel Mora y Araujo and Ignacio Llorente (1980) analyzes the pivotal electoral role played by backward and rural regions in the generation of Peronist electoral majorities between 1946 and 1973.

coastal economic elites. One of the first measures of his 1946 presidency was to alter the most important federal revenue sharing program, which had distributed federal tax revenues proportionally to the provinces, so that it redistributed funds away from the prosperous *Pampas* region to the periphery. As a result of this change peripheral region provinces found that their revenues from this program doubled and tripled (Sawers), and a highly redistributive revenue sharing scheme was established that has lasted to this day, and has become the primary economic sustenance for many provincial economies.

The strength of Peronism's organizational and electoral presence in the poorer regions of the country proved an effective counter-balance to its more problematic electoral performance in urban regions, where social diversity and class conflict created a more contested political environment. In addition, the party's ties to regional structures of power in the periphery proved important to governability when the party was in power.¹⁴ Peronist electoral dominance in the over-represented interior provinces gave it the greater share of seats in the Chamber of Deputies from those provinces. Provincial governors and peronist-controlled provincial legislatures also assured the party control of the national senate.

A glance at the Peronist party's control over representative institutions during the Menem presidency suggests that the peripheral coalition continued to play this important stabilizing role throughout the 1989-95 period of Peronist-led economic reform. In addition, the peripheral region's political weight in Menem's governing coalition during this period was augmented considerably by the Peronist Party's coalition-building with conservative parties. Provincial conservative parties play an important role in local politics in several provinces, and during Menem's first term in office became full partners in government, occupying high government positions, providing pro-government voting blocks in the Congress, and endorsing the president's re-election bid in 1995.¹⁵

¹⁴In the pre-1994 constitution national senators were elected by provincial legislatures.

¹⁵The Peronist-Conservative alliance took place in both metropolitan and peripheral regions. See Gibson (1996).

The Senate, organized around the principle of territorial representation, was naturally the legislative branch where the peripheral coalition's political weight was greatest. During Menem's presidency the Peronist Party controlled the lion's share of seats from non-metropolitan provinces, a fact which gave it an overwhelming majority in the senate. This majority was turned into outright control of that body by the Peronist party's alliance with conservative provincial parties. The block of provincial parties functioned in effect as a pro-Peronist voting block during this period. The combination of Peronist senators and provincial party senators effectively gave president Menem a 78 percent majority of seats in the Senate.

Table 1
Composition of the Argentine Senate, 1992-95

	Metro Region	Non-Metro	Total	% of Seats
Peronist Party	5	25	30	63%
Radical Party	5	6	11	23%
Provincial Pties.	0	7	7	15%
Total	10	38	48	101%*

*Does not add to 100% due to rounding.

Source: Dirección de Información Parlamentaria, Argentine National Congress.

The key to the Menem government's control of the Senate lay in the Peronist Party's control over provincial governorships and provincial legislatures, which, under the pre-1994 constitution, determined the composition of the national Senate. Between 1989 and 1991 the Peronist Party controlled 17 out of 22 provincial governorships. Between 1991 and 1995 it controlled 14 out of 23 governorships.¹⁶ However, the increase of governorships controlled by conservative provincial parties ensured that the number of pro-Peronist governors would stay largely constant between these periods.¹⁷ On average, 87 percent of all governors in office during the 1989-95 period were allied with the national governing party.

¹⁶During this period the territory of Tierra del Fuego was made a province, increasing the total number of provinces to 23.

¹⁷Three provincial parties controlled provincial governorships between 1987 and 1991; five controlled provincial governorships between 1991 and 1995. See Fraga (1995).

The Peronist Party's control over provincial legislatures was no less impressive. For example, during the 1993-1995 period the Peronist Party held an outright majority in 15 out of 23 provincial legislatures. In addition, conservative provincial parties controlled three additional provincial legislatures.

Control of the periphery thus meant that the Peronist Party could rely on local structures of political power to ensure support for Peronist Party rule throughout the country. Even more importantly, it permitted knitting together a pro-government national Senate that gave vital support to the enactment of the governing party's economic reform policies.

The regional allocation of seats in the national Chamber of Deputies is meant to more accurately reflect national population distributions. Nevertheless, over-representation of smaller provinces also gives the peripheral region a slight advantage over metropolitan provinces. With 30 percent of the population the non-metropolitan provinces hold 45 percent of the seats. As can be seen in Table 2, this over-representation, coupled with the Peronist Party's electoral strength in those regions, worked to the advantage of the Peronist Party during Menem's presidency.

Table 2
Composition of the Argentine Chamber of Deputies, 1993-1995

	Metro Region	Non-Metro	Total	Percentage
Peronist Party	69	59	128	50%
Radical Party	49	34	83	32%
Conservative/ Provincial	8	21	29	11%
Other	16	1	17	7%
Total	142	115	257	100%

Source: Fraga (1995).

The Peronist Party dominated other parties in both metropolitan and non-metropolitan delegations to the lower house of Congress. Yet its near-majority in the Chamber of Deputies owed much to its edge in seats from non-metropolitan provinces. The ruling party controlled 51 percent of seats from those provinces, compared to 48 percent of seats from metropolitan provinces. Furthermore, it was in the peripheral regions where the Peronist alliance with conservative provincial parties gave the ruling party its lock on the legislative body. Together

Peronists and provincial parties controlled 70 percent of the non-metropolitan delegation to the Chamber of Deputies, compared to 54 percent for the Peronist-conservative blocks from metropolitan provinces. In sum, even in the Chamber of Deputies the peripheral coalition delivered greater political leverage to the ruling party than its population size would have indicated. With 30 percent of the electorate peripheral provinces gave the Peronist-provincial party alliance a total of 70 seats in the Chamber of Deputies. The metropolitan region, with 70 percent of the electorate, yielded a total of 77 seats.

In sum, the peripheral coalition played an important political role in bolstering the governing capabilities of the Peronist Party. It gave the party electoral majorities it needed to win national elections, and it gave it legislative majorities and access to regional power structures that helped it govern effectively. Although its constituencies lay largely outside the major conflicts and decisions surrounding national economic policy-making--this would fall more heavily on metropolitan constituencies--the peripheral coalition was not merely a residual coalition. It was pivotal to maintaining the party's political viability, and would, in the early 1990s, provide a buttress of support to the Menem government as it brought the day of reckoning to the party's traditional constituencies in the metropolis. To understand how this feature of the party's political organization interacted with the implementation of economic policy, we now turn to the regional phasing of market reform during Menem's 1989-1995 presidential term.

The Staging of Market Reform: Adjustment for the Metropolis, Continuity for the Periphery

When Carlos Menem assumed office in July 1989 Argentina was in the midst of acute economic and political crisis. Hyperinflation levels soared to almost 200 percent per month, civil disturbances wracked several cities, and President Raúl Alfonsín, recognizing his government's colossal loss of political authority, handed power to his successor several months before the official transfer of power had been scheduled to take place.

President Menem himself had come to power on vague but clearly expansionist and populist economic promises to a crisis-weary electorate. His quick and surprising embrace of

free-market reform thus produced shock and indignation among his supporters and cautious optimism among traditional anti-Peronist constituencies in the business community and urban middle classes. Early in his term, Menem was granted extraordinary political powers by the congress to enact his reforms. Congressional sanction of two laws, the *Ley de Emergencia Económica* (Economic Emergency Law), and the *Ley de Reforma del Estado* (Reform of the State Law), gave the president powers of decree to enact the main components of his economic reform program. This led to sweeping measures that, by 1993, culminated in the elimination of well over half a million jobs from the national public sector, the privatization of most state-owned enterprises, and an unprecedented decentralization of public administration.

The most vigorous opposition came from sectors of the labor movement and from metropolitan Peronist Party politicians. Within the first year of Menem's presidency the labor movement divided into pro-and anti-government camps, and defections by Peronist Party leaders produced the beginnings of an organized opposition of Peronist dissidents.¹⁸ Menem's response to this opposition by metropolitan constituencies was to weaken union opposition through the co-optation and division of union leaders, and to reach out to non-Peronist forces in the business community and the political establishment. Policy-based alliances with business and electoral alliances with conservative parties would counter the turmoil in the metropolitan Peronist ranks. The taming of inflation eventually also helped generate new support for the government in contested metropolitan regions. However, this would not happen until nearly two years into Menem's presidency, when, after the bulk of the state reform measures had been passed, a 1991 "currency board" law produced an immediate and lasting decline in inflation levels.¹⁹

Nationally, turmoil in metropolitan regions was countered by steady political support from the interior regions of the country. The strength of Peronist party organization in those

¹⁸Early in Menem's presidency dissident Peronist leaders formed an opposition front known as the "Group of Eight." This eventually evolved into a broader opposition front known as the *Frente del País Solidario* (FREPASO), which challenge president Menem in the 1995 elections. For analyses of labor movement reactions to Menem government policies see Murillo (1995) and McGuire (1997), Chapter 8.

¹⁹For an analysis of the currency board law and the internal tensions in the Menem coalition, see Stark (1996).

regions, the local weakness of organized labor, and President Menem's own connections to the peripheral coalition, helped maintain this support.²⁰ However, political support in the periphery was also due to the regionally-differentiated effects of economic reform, and to a staging of fiscal adjustment and state reform which delayed the distribution of their costs to peripheral regions until well after the 1993-94 period. Only after 1994, once the major adjustments in the metropolitan economies had been made, and once the local political dividends of these adjustments began to be collected, did the national government turn its attention to reform of the provinces.

During the 1989-95 period political support from the peripheral coalition was maintained by the central government in two key ways: postponing public sector employment cuts in the provincial public sectors, and increasing subsidy flows from the central government to provincial government coffers.

The Menem government's state reform agenda during this period was limited to restructuring the national public sector while leaving the provincial public sectors largely intact. A look at employment changes in both levels of the public sector between 1989 and 1995 captures both the drastic cuts in the national public sector employment and the continuity of employment levels in provincial governments. Nearly 700,000 jobs were eliminated from the national public sector payroll during this period, representing a 77 percent cut in national public employment. Employment levels in the provincial public sectors, however, remained largely intact.²¹

²⁰Menem himself was the ex-governor of La Rioja province, one of the poorer provinces of the northwest region of the country.

²¹The official figures for the national public sector displayed in Table 3 represent the number of people officially removed from the national public sector payroll. As such, they should be interpreted with some caution. Nearly 300,000 jobs were removed as a result of privatization of public enterprises. While we were unable to obtain data on this, it can be assumed that a sizeable share of these jobs eventually remained in the private sector and were not eliminated. In addition, some national public sector functions, particular in health and education, were transferred to provincial public sectors in 1992, resulting, again, in a transfer, rather than an outright loss, of approximately 200,000 jobs. Nevertheless, these figures reflect a massive cut in national public sector employment spending, as well as a significant disruption of public sector employment patterns. For a critique of the Menem state reform program which both details the program empirically and criticizes the government's job-downsizing claims, see Orlanski (1994).

Table 3
Employment Levels in National and Provincial Public Sectors
1989-1994
(Number of Employees)

	1989	1990	1991	1992	1993	1994
National Public Sector	874,182	835,485	629,455	558,445	201,428	190,414
Provincial Public Sectors						
Buenos Aires	282,480	284,548	282,635	286,255	287,855	287,855
Catamarca	22,615	23,971	22,480	22,752	23,257	22,583
Chaco	41,776	38,404	35,596	35,244	37,903	37,008
Chubut	20,502	20,312	18,885	18,618	18,788	18,750
Córdoba	79,036	79,055	79,923	80,224	82,513	82,513
Corrientes	38,417	41,441	45,180	41,466	40,962	39,323
Entre Ríos	40,805	41,855	43,247	42,077	40,034	42,389
Formosa	35,646	34,100	34,141	31,151	32,015	32,493
Jujuy	31,268	31,268	30,083	28,816	28,083	26,939
La Pampa	14892	14423	14184	14,453	14,789	14,931
La Rioja	20,430	20,613	21,122	21,178	20,868	20,437
Mendoza	40,747	42,020	41,674	41,645	46,131	41,965
Misiones	29,407	32,973	32,763	33,373	32,137	32,259
Neuquén	25,994	26,708	28,101	28,908	28,649	27,977
Río Negro	27,402	28,031	29,213	29,062	29,233	29,976
Salta	45,899	44,224	42,802	42,797	41,567	41,680
San Juan	20,837	23,087	23,418	23,985	23,985	30,807
San Luis	15,676	15,556	15,359	15,529	16,569	16,842
Santa Cruz	15,521	15,498	15,029	13,750	13,635	13,641
Santa Fe	73,955	77,625	80,629	81,060	80,553	84,216
Stgo. del Estero	30,691	32,525	30,973	31,858	31,612	31,412
T. del Fuego	4,522	5,530	5,190	5,139	5,139	5,139
Tucumán	47,548	44,493	41,411	42,082	42,344	43,076
Total Provincial	1,093,651	1,107,568	1,104,321	1,097,837	1,100,678	1,102,732

*Provisional figures.

Note: Provincial public sector figures do not include education and health personnel transferred from the national administration to provincial administrations in 1992.

Source: Provincial employment figures: Ministry of the Interior, Subsecretaría de Asistencia a las Provincias; National Figures: INDEC, 1995 .

Deferring the reform of provincial public sectors had the effect of concentrating the bulk of costs of the early years of state reform on the areas where most national public sector employees are located: urban areas, and particularly the urban areas of the metropolitan region.²² In urban areas of peripheral provinces the political effects of the reduction of the national public sector workforce was tempered by the greater weight of provincial public employment²³ as well as by the relative importance of rural populations, which were largely untouched by the national government's state-shrinking policies.

The effect of this segmentation of state-reform costs was to limit most organized opposition to economic reform to metropolitan urban regions during the first four years of the Menem administration. Urban protest in peripheral regions would not break out until after 1993- following the signing of two agreements between the national government and provincial governors, known as the *Pacto Federal* (Federal Pact) and the *Pacto Fiscal* (Fiscal Pact), which committed provincial governments to a coordinated program of fiscal adjustment and local public sector reform. Even these reforms, however, were tentatively implemented, and in most provinces their effects on unemployment and economic activity were not felt until after the May 1995 presidential elections.²⁴ Where they were felt, the political consequences, in terms of civil disturbances and electoral costs, were limited to provincial urban areas.²⁵ The administrative

²²According to our calculations from official government figures, approximately 80 percent of national public sector employees in 1991 were concentrated in metropolitan provinces.

²³On average, around two-thirds of public employees in peripheral provinces were employed by the provincial public sector in 1991, compared to about 40 percent in metropolitan provinces (calculated from INDEC and Ministry of the Interior figures).

²⁴This was admitted in a 1994 Ministry of the Economy report which, reflecting upon the impact of prevailing "political methodologies" on the reform process in the provinces, anticipated that "the structural transformations of the public sector will undoubtedly be delayed by the election year, a situation which makes necessary and possible savings unlikely." Ministry of the Economy (1994), 15. Delays in provincial public sector reform are also discussed in World Bank (1993 and 1996). See also Sawers (1996) for an interesting analysis of the political and economic dimensions of central government subsidies to peripheral region provinces before and during the Menem government.

²⁵In a handful of provinces, notably the northern provinces of Santiago del Estero and Chaco, civil disturbances broke out following initial efforts at local state reform in 1994. However, these were limited to the capital cities, as were the disturbances in late 1995 (well after the May presidential election) in San Luis province, and were led primarily by national public sector workers and teachers, which in 1992 had been transferred from the national public sector to provincial governments.

machinery of clientelism and political control in the rural and semi-urban areas of the periphery were largely unaffected by the reforms emanating from the national government.

The second tool for deferring the costs of economic reform in the periphery was to increase federal government subsidies to provincial governments during the 1989-95 period of state restructuring. All provinces have a substantial share of their public expenditures subsidized by the national government. However, as will be discussed further below, peripheral provinces are particularly dependent on such subsidies, and national revenue sharing schemes discriminate strongly in favor of those provinces (Sawers, 1996). Resource transfers to provincial governments from the national government take place primarily through two channels. The first is a mechanism for sharing national tax revenues, known as "co-participation," which systematically favors peripheral region provinces according to an automatic revenue sharing formula. The second is a cluster of discretionary flows, including national treasury contributions to provincial governments, a fund to aid provinces in "fiscal disequilibrium," and federal grants and credits for housing, public works, health, and education.²⁶

As the figures in Table 4 show, total federal transfers to the provinces more than doubled between 1990 and 1995. This increase was in large part a boon to the provincial public sector from the national reforms carried out by the Menem government, notably a substantial increase in federal tax collections during the government's first years. This meant that, according to automatic tax revenue sharing arrangements established in 1988, under the previous government of President Alfonsín, "co-participated" transfers to provincial governments would increase substantially in the early 1990s. However, as can be seen in Table 4, not only automatic revenue sharing flows increased during this period. Discretionary flows kept apace, nearly doubling between 1990 and 1995.

²⁶For details on central government revenue sharing arrangements with the provinces, see Inter-American Development Bank (1994), and World Bank (1993). The revenue sharing formula was last modified in 1988. This last modification placed the bulk of resource transfers under the "co-participated" funds category, and reduced the discretionary flow component of total federal transfers.

As a result of increased federal funding, the provinces' beleaguered public finances improved somewhat. However, the enhanced flows were a major disincentive for local public sector reforms, and these were well avoided by local governments throughout Menem's first term in office.²⁷

While federal funding is important to all provinces, the greater dependence of peripheral region economies on the national state can be seen in Table 4, which contrasts subsidy patterns in metropolitan and peripheral provinces. Total public spending in individual metropolitan provinces greatly exceeds that for peripheral region provinces, but peripheral provinces have a much larger share of their budgets subsidized by the federal government. Approximately 43 percent, on average, of metropolitan provincial budgets were subsidized by the federal government, mostly through the institutional mechanism of co-participation. On the other hand, 78 percent of expenditures of non-metropolitan provinces were financed by the national government, with discretionary funds taking up 18 percent of total federal subsidies (compared to 7 percent for the metropolitan region).²⁸

²⁷ See World Bank (1993 and 1996) citations above. In 1992 the Menem government transferred education and health functions from the national government to the provinces, which did increase the fiscal burden on those provinces and offset some of the increased revenue flows. However, the increase in revenue sharing represented more than double the expense of services transferred to the provinces (Sawers, 226).

²⁸ According to one source, nearly 70 percent of public spending goes to salaries of public sector personnel in peripheral provinces, compared to 55 percent in metropolitan provinces (Sawers, 246).

Table 4
Federal Expenditures and Public Employment by Province

Province	Public Employees as % of Total Employment, 1990	% of Provincial Budget Financed by Federal Govt. 1994	Total Federal Transfers 1990 (Millions, U.S. \$)	Total Federal Transfers 1995 (Millions, U.S. \$)	Discretionary Transfers 1990 (Millions, U.S. \$)	Discretionary Transfers 1995 (Millions, U.S. \$)
Federal District*	16.16	6.16				
Buenos Aires	14.96	46.04	1,292	3,544	164	290
Córdoba	16.45	55.16	514	1,007	63	68
Mendoza	17.97	58.57	306	611	25	37
Santa Fe	16.67	52.28	989	2,031	104	97
Metro (mean)	16.44	43.64	775	1,798	89	123
Catamarca	38.28	90.88	198	339	53	30
Corrientes	23.28	85.71	260	501	65	70
Chaco	18.47	87.97	311	596	69	70
Chubut	25.18	79.98	182	395	40	99
Entre Rios	21.76	70.74	306	638	58	62
Formosa	26.06	92.44	235	497	53	99
Jujuy	27.11	74.46	303	392	153	54
La Pampa	20.56	62.59	124	302	21	67
La Rioja	40.05	84.04	172	530	51	259
Misiones	14.43	82.35	220	468	52	72
Neuquen	28.57	68.55	359	608	66	123
Rio Negro	21.43	66.16	289	401	111	74
Salta	22.41	71.14	271	535	34	64
San Juan	22.91	82.97	214	449	41	64
San Luis	21.62	76.19	159	321	41	56
Santa Cruz	45.45	76.30	224	426	43	97
Stgo. del Estero	21.98	85.63	243	548	43	89
Tierra del Fuego**	32.76	71.58	90	236	33	92
Tucumán	22.38	76.42	323	613	62	58
Periph.(mean)	26.04	78.22	235	463	57	84

*Federal District is not a province, and thus did not participate in Federal revenue sharing programs.

Sources: 1990 figures, INDEC (1991); 1994 figures, Ministry of the Economy (1995); unemployment figures, INDEC (1995); electoral figures calculated from data supplied by the Ministry of the Interior.

Table 5
Federal Transfers, Unemployment, and Votes

	Federal Transfers: U.S. Dollars per Capita 1995	Ratio: Voters Needed to Elect a Member of Congress over the National Average (1=Natl. Av.)	Percentage Growth in Discretionary Transfers, 1990-1995	Unemployment Growth: 1989-1995	Peronist Presidential Vote Percentage 1995	Change in Peronist Presidential Vote 1989-1995
Federal District				9.10	41.5	5.20
Buenos Aires	282	1.75	76	12.60	51.8	1.90
Córdoba	363	1.74	7	6.40	48.2	3.60
Mendoza	432	1.53	48	2.40	52	9.90
Santa Fe	725	1.75	-7	6.50	46.8	-4.80
Metro (mean)	451	1.69	31%	7.40	48.38	3.16
Catamarca	1282	.52	-43	2.00	52.3	-3.60
Corrientes	709	1.16	0	7.20	46	3.90
Chaco	1105	.66	147	4.10	56.8	5.10
Chubut	629	1.14	8	2.90	57	14.40
Entre Rios	625	1.19	7	2.80	46.2	-5.40
Formosa	1247	.9	87	-3.80	49.5	-8.50
Jujuy	765	.75	-64	5.60	44.2	1.10
La Pampa	1161	.56	220	2.30	50.3	-1.20
La Rioja	2401	.44	407	5.20	76.1	9.50
Misiones	593	1	38	3.50	49.5	-3.20
Neuquen	1563	1.18	86	8.10	53.5	14.30
Rio Negro	791	.85	-33	3.70	44	-3.20
Salta	617	1.14	88	10.60	54.1	12.90
San Juan	849	.88	56	5.20	59.8	11.40
San Luis	1120	.6	37	3.20	51.7	5.40
Santa Cruz	2665	.35	126	2.40	58.4	3.70
Stgo. del Estero	815	.95	107	.00	64.6	-.30
Tierra del Fuego	3402	.15	179	-.20	61.1	18.40
Tucumán	536	1.42	-6	7.30	45.5	4.20
Periph. (mean)	1204	.83	76%	3.79	53.37	7.63

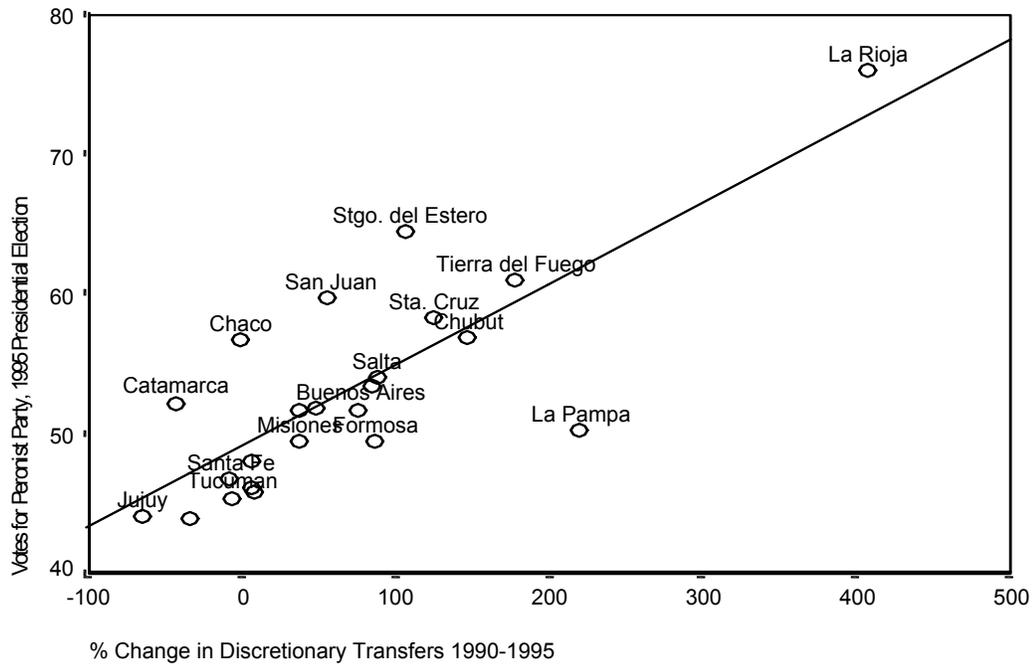
These data also give an indication of the political dimensions of federal spending on the provinces during the Menem government and of the potentially greater political payoff to the ruling party from every dollar spent on low-maintenance constituencies in the interior. In absolute terms, federal transfers to metropolitan provinces far exceeded those to peripheral provinces (Table 4). However, the per capita spending figures in Table 5 show just how favored populations living in the periphery are in federal redistributive schemes. They also show the

potentially greater political dividends yielded by federal spending in those areas. The federal government spent, on average, three times as much per person in the periphery than in the metropolis. The figures in Table 5 also suggest that the potential political impact of this spending on the ruling party's legislative coalition was magnified by the relatively lower cost in votes required to elect a member of congress in the periphery. In addition, if we look at the more politically driven discretionary funding patterns, we see a marked peripheral bias to the Peronist government's spending during this period. Discretionary transfers increased in both regions; however, the rate of growth in the periphery was well over double that in metropolitan provinces.

Table 5 and Figure 1 also provide a glimpse of the political benefits of the Menem government's subsidy of provincial government budgets. The more heavily subsidized but less costly provinces in the periphery experienced smaller increases in unemployment than their less-subsidized metropolitan counterparts (Table 5, column 4). In addition, Figure 1 suggests a rather strong relationship between the growth of federal discretionary funding in the provinces and the Peronist party's electoral performance in the 1995 presidential elections.²⁹

²⁹This relationship also held for the party's performance in the 1995 congressional election. The correlation between growth in discretionary spending and the party's congressional electoral performance was .57. We use discretionary spending as the independent variable rather than total spending in order to provide a more fine-tuned view of potential political biases in central government spending.

Figure 1
Discretionary Federal Spending and Votes for the Peronist Party, 1995 Presidential Election
R= .793



Thus, public employment and spending helped maintain systems of patronage and clientelistic relations that for generations had maintained order in the periphery and which now undergirded key networks of political support for the Peronist party. The Peronist formula for building political support during the early years of economic reform thus employed different logics across regions. In high-maintenance metropolitan regions the party lost support from traditional constituencies and gained new support from traditionally anti-Peronist constituencies in the business community and affluent sectors of the electorate through its market reforms and successful quest for price stability. Gains were made from successful policies but transitional costs imparted considerable uncertainty to Peronist party prospects in the region. This turbulent picture contrasted with a calmer situation in the politically strategic periphery, where the gains of price stability were not accompanied by the costs of dismantling state-funded local economies.

Price stability *cum* state patronage for low-maintenance regional constituencies undergirded the Peronist party's political strategy in a vast region of the country which played a crucial part in ensuring governability in the political system. Economic costs to the reform process from this strategy would be more than compensated by the payoff in political support from over-represented low-maintenance constituencies in the state-dependent economies of the periphery.

Public Employment and Elections: Regional Variations

What were the regional keys to the Peronist Party's electoral performance during the 1989-95 period of economic reform? To explore this question we conducted two analyses that examined the political impact of public employment, controlling for other key socioeconomic variables. The first consisted of four OLS regressions that measured the impact of different socio-economic variables on the Peronist party's electoral performance at the electoral department level for the metro and the peripheral region. The second analysis consisted of two logistic regressions which estimated the likelihood that the Peronist party would achieve a simple majority --50 percent of the vote or more--in congressional elections given the weight of different socio-economic groups at the electoral department level.³⁰

There are 520 electoral departments in 23 Argentine provinces. By shifting the geographic unit of analysis from the provincial level to the electoral department level we were able to increase the number of cases substantially, and thus reduce distortions due to ecological analysis.³¹ The database was constructed with socio-economic information from the 1990

³⁰On average, this is actually more than would be required for a Peronist working majority in the congress, given regional overrepresentation of the periphery and the fact that provincial parties take a significant share of the vote in local elections. As mentioned earlier, most of these allied with the governing party during Menem's presidency and threw their support to his candidacy during the 1995 presidential election.

³¹Our arguments for using ecological data are twofold. First, as usual, availability is an important factor. To our knowledge, no survey data currently exist that could be used to assess the behavior and impact of different actors and groups in rural areas. Similarly, there is almost no survey data available for towns and small cities. As Juan Manuel Villar (1995), an Argentine pollster and social scientist asserted on the eve of the 1995 elections, those areas constitute "the dark side of the moon" for the Argentine polling community. Second, the logic of the argument we provide could be understood in terms of a "contextual study," in which the departmental electoral performance of the peronist party constitutes the unit of analysis. Our purpose in this section is thus primarily to assess how different regional contexts shape the Peronist party's electoral coalition, a task for which ecological data are well suited. For useful recent works on this subject see Achen and Shively (1995) and King (1997).

census provided by Argentina's national census bureau (INDEC), and from electoral data provided by the Argentine Ministry of the Interior's *Dirección Nacional de Estadísticas Electorales*.

The OLS equation (dependent variable: \hat{Y}) and the logistic regression (dependent variable: Prob (\hat{Y})) have the form:

$$\hat{Y}, P(\hat{Y}) = b_0 + PSE X_1 + U X_2 + R X_3 + MG X_4 + IL X_5 + ST X_6 + e$$

Whereas, in the OLS analysis, \hat{Y} = Peronist party vote percentage, and in the logistic regression, $P(\hat{Y})$ =the probability that the Peronist party will achieve a 50 percent electoral majority for Congress in 1995. PSE= Public sector employment as represented by the percentage of the economically active population that are public employees in the department. U= level of urbanization of the department, measured by a five point index.³² R= percent of the economically active population that are retirees on pension in the department. MG= percent of the economically active population that have managerial positions. IL= percent of the population that is illiterate. ST= percent of the economically active population over fourteen enrolled in secondary and post-secondary schools.

The results of the OLS regressions presented in Table 6 display a variation in the performance of most socioeconomic variables across metropolitan and peripheral regions. In almost all cases, socioeconomic variables performed differently according to their regional location. Our expectation that the electoral coalition supporting the Peronist party would look different in the peripheral region than in the metropolitan region was borne out by these results. Regional contexts clearly matter.

Of particular importance to our argument is the performance of the "public sector employment" variable. Its impact was positive and significant only in peripheral departments, while it was negative (though not significant) in metropolitan departments.³³ Public sector

³²The values on the index are calculated as 0= population < 25,000, 1= population 25,000-50,000, 2= population 50,000-75,000, 3= population 75,000-100,000, 4= population > 100,000.

³³ It was, however, negative and significant in analyses that included only departments in the major urban areas of Buenos Aires, Rosario, and Córdoba. However, for the sake of consistency, we limit ourselves to

employment thus boosted the Peronist party's electoral prospects in the periphery, while it was inconclusively linked at best to the party's performance in the metropolis. Also of interest is the impact of urbanization on the Peronist party's electoral performance, which, in contrast to the other variables, showed a consistently strong tendency across regions. The results show a definite rural bias to the Peronist vote in both metropolitan and peripheral regions. The more urbanized the geographic unit, the worse the party's electoral performance. This is consistent with historical experience,³⁴ and provides additional insight into why the electoral effects of state reform might be more costly to the Peronist party in the metropolis than in the periphery. In a period in which reform of the national state brought disruption to key urban constituencies, the size of the rural population in the peripheral region provided an electoral cushion for the Peronist party that was simply not available in the metropolitan region.³⁵

presenting analyses for the more broadly defined "metropolitan region" provided above, which encompasses rural and urban departments and includes Mendoza province among metropolitan provinces.

³⁴See Gibson (1997) and Mora y Araujo et al. (1980).

³⁵According to figures from the 1991 census, nearly thirty percent of the population in peripheral provinces lives in rural areas (here defined as departments with less than 25,000 inhabitants). In contrast, the average for metropolitan provinces is 5 percent.

Table 6
Regional Electoral Impact of Selected Socio-Economic Variables on the Peronist Vote

Independent Variables	1995	1995	1995	1995	1995	1995
	Presidential Election (Metro) OLS	Presidential Election (Periphery) OLS	Congressional Election (Metro) OLS	Congressional Election (Periphery) OLS	Congressional Election (Metro) Logit	Congressional Election (Periphery) Logit
Public Sector Emplmt. (PSE)	-.006 (.085)	.358*** (.062)	.002 (.096)	.354*** (.072)	7.820*** (2.402)	1.643* (2.39)
Urbanization (U)	-1.851*** (.352)	-1.357** (.579)	-2.244*** (.397)	-1.472** (.670)	-.024 (.0374)	.043*** (.0145)
Retirees (R)	-1.107*** (.163)	.252 (.203)	-1.069*** (.184)	.533** (.235)	-.231*** (.0771)	.045 (.0458)
Managers (MG)	-.426* (.216)	-1.360*** (.234)	-.320*** (.244)	-.801*** (.271)	-.041 (.0984)	-.105** (.0517)
Illiteracy (IL)	-1.384*** (.255)	-.231* (.134)	-1.811*** (.134)	-.385** (.155)	-.234 (.1801)	-.254*** (.0596)
Students (ST)	-.265 (.375)	-2.136*** (.242)	-.831* (.423)	2.176*** (.280)	-.562*** (.1523)	-.059** (.0279)
Intercept	77.25*** (4.68)	69.368*** (16.574)	80.933*** (5.276)	62.816*** (4.535)	-.532*** (.1700)	-.342** (.1465)
F	15.3***	30.912***	16.550***	21.381***		
Adjusted R-Squared	.341	.372	.360	.288		
Chi-Square d.f.11					39.79***	54.61***
-2 Log Likelihood					184.32	358.56
Cases Correctly Predicted					70.66%	70.72%
Frequency of Modal Value					57.3%	57.5%
N	166	303	166	303	173	308

Note: Entries are unstandardized regression coefficients with standard errors in parentheses.

* p<.10, two-tailed test; ** p<.05, two-tailed test; *** p<.01, two-tailed test.

Dependent Variable: OLS: Peronist Party vote percentages; Logit: probability that Peronist party will obtain a 50 percent majority in the electoral department

Congressional Elections are for the lower house.

Table 6 presents also the results of the logistic regressions which predict the likelihood that the Peronist party would achieve a 50 percent majority given the impact of these socio-economic variables.³⁶ The results confirm the general regional tendencies of the OLS results, and suggest that differences in regional socioeconomic contexts had implications for the Peronist party's probabilities of winning local electoral majorities. The "public sector employment" variable proved once again to boost the party's chances in peripheral regions.

These contextual dynamics are explored further in Table 7. Working from the logistic regression results in Table 6, we examine how the interaction between public sector employment and urbanization shaped the Peronist party's probabilities of obtaining electoral majorities in different regions. The results show that highly urbanized contexts reduced the party's electoral prospects in both regions, but that the effects of urbanization were mediated by the public sector employment variable. That is, when the size of the public sector is introduced into the analysis Peronist electoral probabilities in metropolitan and peripheral regions move in opposite directions. In the metropolis Peronist electoral prospects dim as the size of the public sector increases (in both urban and rural areas). In the periphery they brighten significantly as the size of the public sector increases (in both urban and rural areas). The ideal regional context for the Peronist party's prospects during this period of market reform was thus a rural area in the peripheral region with a large public sector. Conversely, the worst-case scenario for the party was a highly urbanized area in a metropolitan province with a large public sector.

³⁶The logit coefficients should be read as changes in the *log-likelihood that the peronist party would achieve a simple majority in the department given the impact of the Xi variable*. While logit coefficients are not directly interpretable as probabilities, the impact of the variables can be judged in terms of their direction and relative magnitude.

Table 7
Probability that the Peronist Party will Achieve an Electoral Majority Given Levels of
Public Sector Employment and Urbanization: Metro and Periphery,
Congressional Election (Lower Chamber), 1995

		Urbanization			
		Low		High	
		Metro Rural Areas	Periphery Rural Areas	Metro Urban Areas	Periphery Urban Areas
Public Sector	Small	53.67%	37.26%	13.45%	10.22%
	Large	50.16%	61.43%	10.69%	18.76%

Note: Low/High is defined as the average value of that variable within the region minus/plus one standard deviation. Calculations are made applying logistic regression results to the average value of all variables shown on Table 9 and modifying the values of the two independent variables to high/low values.

Given these findings, the importance of regional staging to the political viability of the economic reform process becomes evident. Subsidizing low-maintenance constituencies in public sector-driven peripheral economies while submitting high-maintenance constituencies in metropolitan regions to the rigors of state shrinking helped make economic reform electorally sustainable for the Peronist party. It was also important to the governing party's cohesion during this period. The potentially destabilizing reorganization of the Peronist party's historic metropolitan coalition was countered by the maintenance of state patronage and established clientelistic networks of electoral organization in the economically poor but politically valuable peripheral provinces. Turbulence in the metropolis was made politically affordable by continuity in the periphery.

Conclusion

This study provides a number of insights into the political economy of federalism and its impact on economic policy-making. A first insight relates to the autonomy of political resources in contexts of radical economic reform. In federally organized polities over-representation of territories produces an uneven overlap between the territorial distribution of political resources and the territorial distribution of the economic structure. This can have an independent impact on policy-making outcomes. In the case under study, it provided coalitional possibilities to a reform-minded governing party that enhanced the political viability of its reform program.

Federalism is a system that compensates for regional power asymmetries. It compensates regions for their low economic and demographic clout by providing them with enhanced political clout in the national government. Structurally determined power asymmetries are balanced by institutionally determined power asymmetries. In material terms this means that over-represented regions will have the capacity to effect *political* diversions of economic resources to their regions that would not flow to them through the normal operation of the market. In effect, we should expect that over-represented regions will attract a share of federal government spending that is disproportionate to their actual population.

The policy-making implications of this situation can be glimpsed when we consider how electoral coalition building interacts with the dynamics described above. All governments, whether in federal or unitary systems, use spending to buy off constituencies to some extent. What is being analyzed here is how federalist arrangements enhance the impact of such political spending. Federalist systems, through the institutional device of territorial over-representation, create potential pockets of “low-maintenance constituencies” that can be crucial to electoral coalition building in contexts of economic reform. When the economic investment required for one unit of political support from an over-represented territory is far lower than the investment required for an under-represented, high-population territory, the dynamics of selecting between “low-maintenance” and “high-maintenance” constituencies come into play.

In Argentina regional economic differentiation facilitated the shielding of peripheral regions from major costs of the restructuring of the metropolitan economy, and the relatively small size of state-dependent peripheral economies made political spending on those regions affordable. The political effects of this regional segmentation of metropolitan and peripheral regions were compounded the political over-representation of the periphery, which provided the ruling party a substantial political payoff from relatively small investments of political spending.

An additional insight from this study relates to the importance of political parties. Several authors have noted the importance of parties to successful economic policy-making (Remmer 1991; Haggard and Kaufman 1994). While such authors have stressed the role of party system factors (e.g. party system fragmentation, competition patterns, etc.), this study suggests looking at party-level dynamics, particularly the social bases of governing parties and the organizational networks they rely upon for the mobilization of support and control of electorates. Given massive international economic pressures on developing countries to adjust to the global shift toward market development, reform experiments are being launched by governing parties with varying coalitional characteristics. We should expect variations in economic reform outcomes according to reforming parties' support coalitions. When looking into this issue, we might ask such questions as, what differential impact will market reforms have across politically salient electorates? What are the reforming parties links to such electorates? Do governing parties pursuing market reform rely on "high-maintenance" constituencies for political support, or does their party possess organizational links to potential "low-maintenance" constituencies whose support could be bought off at an economic cost affordable to market reform objectives?

This study also points to the need to rethink the importance of patronage and public spending on electoral constituencies for the political viability of market reform programs. While the conventional wisdom on market reform sees incompatibility between patronage politics and the economic rationality of market reform, this study suggests that it is integral to its *political* rationality. In his study on heterodox policy-making in Turkey, John Waterbury (1992) noted the importance of public spending to the crafting of pro-export-led growth coalitions. The turn

to orthodox market reform in much of the world today has not meant a retreat from patronage politics, but its adaptation to more stringent fiscal requirements.³⁷ Even in the most orthodox cases of market reform there will probably be constituencies whose political support can be bought at affordable costs--especially if reforming parties possess organizational links to such constituencies. Clientelism, patronage, and other 'non-modern' forms of political intermediation can thus be crucial to political elites bent on bringing the 'modernity' of market-led development to their borders.

³⁷Mexico's National Solidarity Program is a suggestive case in point. See, for example, eds. Cornelius, Craig, and Fox (1994). See also Heredia (1997) for a suggestive analysis of the enduring power of clientelism in post-market reform Mexico.

References

- Achen, Christopher H. and Shively, W. Phillips (1995). *Cross-Level Inference*. Chicago: University of Chicago Press.
- Ames, Barry (1987). *Political Survival: Politicians and Public Policy in Latin America*. Berkeley, Calif.: University of California Press.
- Cabrera, Ernesto (1993). "La cuestión de la proporcionalidad y las elecciones legislativas en la República Argentina." *Revista Mexicana de Sociología* 55 (September), no 1 .
- Cabrera, Ernesto, and Murillo, María Victoria (1994). "The 1993 Argentine Elections." *Electoral Studies* 13, no. 2 .
- Cornelius, Wayne A., Craig, Ann L. and Fox, Jonathan, eds. (1994). *Transforming State-Society Relations in Mexico: The National Solidarity Strategy*. San Diego, CA: Center for U.S.-Mexican Studies, University of California, San Diego.
- Fraga, Rosendo (1995). *Argentina en las urnas, 1916-1994*. Buenos Aires: Editorial Centro de Estudios Unión para la Nueva Mayoría.
- Geddes, Barbara (1994). *Politician's Dilemma: Building State Capacity in Latin America*. Berkeley, Calif.: University of California Press.
- Gibson, Edward L. (1996). *Class and Conservative Parties: Argentina in Comparative Perspective*. Baltimore: The Johns Hopkins University Press.
- Gibson, Edward L. (1997). "The Populist Road to Market Reform: Policy and Electoral Coalitions in Mexico and Argentina." *World Politics* 49 (April), no. 3.
- Haggard, Stephan and Kaufman, Robert R. (1994). *The Political Economy of Democratic Transitions*. Princeton: Princeton University Press.
- Haggard, Stephan and Webb, Stephen B. (1994). *Voting for Reform: Democracy, Political Liberalization, and Economic Adjustment*. Published for the World Bank by New York and Oxford: Oxford University Press.
- Heredia, Blanca (1997). "Clientilism in Flux: Democratization and Interest Intermediation in Contemporary Mexico." Mexico City: Centro de Investigación y Docencia Económica (CIDE). Manuscript.
- INDEC (1991). Instituto Nacional de Estadísticas y Censo, Ministerio de Economía y Obras y Servicios Públicos. Buenos Aires, Argentina. *Censo nacional de población y vivienda, 1991*.

- INDEC (1994). Instituto Nacional de Estadísticas y Censo, Ministerio de Economía y Obras y Servicios Públicos. Buenos Aires, Argentina. *Censo Nacional Económico, 1994*.
- INDEC (1995). Instituto Nacional de Estadísticas y Censo, Ministerio de Economía y Obras y Servicios Públicos. Buenos Aires, Argentina. *Anuario Estadístico, 1995*.
- Inter-American Development Bank (1994). "La descentralización fiscal en América Latina, problemas y perspectivas: el caso de Argentina." Washington, D.C.: IDB Working Paper 184 (July).
- Jones, Mark (1997). "Determinants of Multipartyism in Argentine Congressional Elections: The Impact of Provincial Elections in a Federal System. *Journal of Politics* 59 (May), no. 2.
- Jones, Mark (1995). *Electoral Laws and the Survival of Presidential Democracies*. Notre Dame, Ind., and London: University of Notre Dame Press.
- King, Gary (1997). *A Solution to the Ecological Inference Problem : Reconstructing Individual Behavior from Aggregate Data*. Princeton, NJ: Princeton University Press.
- McGuire, James (1997). *Peronism Without Perón: Unions, Parties, and Democracy in Argentina*. Stanford: Stanford University Press, forthcoming.
- Ministry of the Economy (1994). Ministerio de Economía y Obras y Servicios Públicos. Buenos Aires, Argentina. "Situación de las provincias Argentinas: cierre de 1994 y perspectivas para 1995."
- Ministry of the Economy (1995). Secretaría de Programación Económica. Ministerio de Economía y Obras y Servicios Públicos. Buenos Aires, Argentina. *Argentina en crecimiento, 1995-1999*. Internet version.
- Mora y Araujo, Manuel, and Llorente, Ignacio, eds. (1980). *El voto peronista: ensayos sobre la sociología electoral argentina*. Buenos Aires: Editorial Sudamericana.
- Murillo, María Victoria (1994). "Union Response to Economic Reform in Argentina," paper presented at the Conference on Inequality and New Forms of Popular Representation in Latin America," Columbia University, New York, NY, March 3-5, 1994.
- Orlanski, Dora (1994). "Crisis y transformación del estado en la Argentina (1960-1993)." *Ciclos en la historia, la economía y la sociedad* 4, no. 7. Buenos Aires: Instituto de Investigaciones de Historia Económica y Social, Facultad de Ciencias Económicas, Universidad de Buenos Aires.
- Przeworski, Adam (1991). *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America*. New York and Cambridge: Cambridge University Press.

- Remmer, Karen (1991). "The Political Impact of Economic Crisis in Latin America in the 1980s." *American Political Science Review* 85 (September), no. 3.
- Sawers, Larry (1996). *The Other Argentina: The Interior and National Development*. Boulder, Colo: Westview Press.
- Starr, Pamela (1996). "Government Coalitions and the Viability of Currency Boards: Argentina under the Cavallo Plan." Department of Political Science, University of California, Los Angeles: unpublished manuscript.
- Stepan, Alfred (1997). "Toward a New Comparative Analysis of Democracy and Federalism." Paper prepared for conference on "Democracy and Federalism," All Souls College, Oxford University, June 5-8.
- Villar, Juan Manuel (1995). "Elecciones y encuestas: el lado oscuro de la luna." Buenos Aires: Sofres/Ibope,
- Waterbury, John (1992). "Export-led Growth and the Center-Right Coalition in Turkey." *Comparative Politics* 24, no. 2. 127-146.
- World Bank (1993). *Argentina: From Insolvency to Growth*. A World Bank Country Study. Washington, D.C.: World Bank.
- World Bank (1996). "Argentina: Córdoba--Public Sector Assessment and Proposals for Reform." Latin America and Caribbean Regional Office, Washington, D.C.