

Undermining Governors: Argentina's Double-Punishment Federal Spending Strategy

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Throughout Latin American federations, programmatic welfare spending is increasingly nationally oriented and bureaucratically delivered. By explaining the logic and the effects of combining two types of federal spending, discretionary and non-discretionary, this article uncovers an additional driver that contributes to understanding policymaking and its implementation not only in Argentina, but potentially in other robust federal systems such as Brazil, Canada, and the United States. Using original data on federal infrastructure and programmatic social welfare spending for the twenty-four provinces of Argentina between 2003 and 2015, we provide empirical evidence that both forms of spending penalize opposition districts and more populated urban provinces (regardless of partisan affinity), and thus undercut the ability of key governors to become future presidential challengers. This research suggests that presidents of territorially diverse federations with strong governors can utilize the dual-punishment spending strategy to alter the balance of power, reinforcing the dominance of the center.

There is no normative dispute that voters benefit from the redistributive consequences of programmatic spending regardless of whether or not they support the governing party. Empirically, it can also be true that non-discretionary spending which is procedurally allocated is not politically manipulated. Our contention, however, is that the design of many programmatic social programs, such as Latin America's Conditional Cash Transfer Programs (CCTs), that cut out subnational participation and require no subnational buy-in, becomes a centralizing policy mechanism that is not politically neutral. These types of social programs offer great political utility to a president in building direct linkages with socially vulnerable citizens residing in key territories.

Moreover, even large non-discretionary programs can be eliminated when they no longer offer presidential utility. Mexico's gold-standard CCT *Progresas-Opportunidades*, for example, was terminated in 2019. Like Argentina's social

program *Asignación Universal por Hijo* (AUH), explored below, it should be considered as a kind of social security program because of its centralized program administration (Levy 2006, 97). The central puzzle we address, therefore, is the following: if presidents can use discretionary types of spending to punish and reward governors for strategic reasons, why do they simultaneously decide to pursue non-discretionary spending strategies that are well known to have indirect electoral impacts, but that are more difficult to manipulate politically? Why do presidents decide to pursue both types of spending sending out contradictory signals to voters?

The goal of this research is to explain why presidents decide to allocate part of their resources in a discretionary way, while implementing non-discretionary programs. Using the case of Argentina, we show that, even though programmatic welfare spending is increasingly nationally oriented and bureaucratically delivered throughout Latin American federations, non-discretionary social spending combined with traditional punishment/reward federal transfers can have the effect of controlling control key provinces, both politically and socially, especially those ruled by governors who have presidential aspirations. Our central argument is that, although the logic of these two alternative types of spending may be different, when presidents keep both types of spending, often distributing them simultaneously in certain localities, they doubly punish key governors. This is the logic behind the “dual-punishment spending strategy” that we uncover in this article.

We know that CCTs in Latin America that avoid political intermediation enhance citizenship rights, the central government’s credibility, and even regime legitimacy in the eyes of recipients (Sugiyama and Hunter 2013; Layton et al. 2017). Yet, we also know they can undermine governors who cannot easily claim credit for their success (Borges 2011; Fenwick 2009, 2016; Niedzwiecki 2016). As well as further exploring the underlying political logic behind decisions to use one type of spending strategy or another, we aim in this article to understand under what conditions presidents choose to pursue both strategies simultaneously. Our assumptions are rational, as we are suggesting that political motivations exist behind designing large social programs that require no provincial or municipal buy-in.

We are by no means the only scholars to examine the presidential utility of using both discretionary and non-discretionary spending. Several seminal pieces have done so. Their dominant argument is that presidents derive different political utility from transfers with varying levels of discretion (Bonvecchi and Lodola 2011), that each type of spending shapes political linkages with voters at varying levels of government (Kitschelt 2000), and that insofar as party portfolios include both types, voters develop related expectations, mediated by a range of other factors (Calvo and Murillo 2013). However, these arguments do not explain how these spending strategies, *when combined within the same locality*, simultaneously

undermine the ability of a governor to use federal transfers as a mechanism to build autonomous support for electoral purposes—even when they are aligned with the president's coalition. We further suggest that non-discretionary spending is a counterbalancing mechanism to the negative outcomes imposed on populous and urbanized provinces which are deprived of infrastructure spending for political reasons.

In a robust federation where governors have potential veto-power, we argue that a president and their coalition can derive utility from both discretionary and non-discretionary spending in certain localities, but that the governor can only derive political utility from distributional spending strategies that they can intermediate or, in other words, claim credit for. By combining both types of spending, the balance of intergovernmental power is thus altered, increasing the dominance of the centre. Thus, when a province is both deprived of discretionary spending and simultaneously targeted by centralized programmatic welfare spending that requires no (or very limited) subnational collaboration, its governor is doubly punished.

We use the case of Argentina to illustrate the conditions under which such a strategy is applied. Argentina is exemplary for the following reasons: First, presidents have traditionally used discretionary spending to punish and reward governors, who have extensive policymaking authority owing to high levels of political and administrative decentralization, yet who, because of a draconian vertical fiscal imbalance, rely on centralized fiscal handouts to exercise their authority. This allows the centre to use fiscal appeasement for political leverage. Second, welfare spending, historically, was also discretionary, used to reward governors who could return local votes to the national candidates. Both types of spending were part of a top-down strategy advanced for political reasons. Increasingly, however, the kind of welfare spending we examine here—targeted social spending—has become both more centralized and non-discretionary (programmatic). Observations from this case and other Latin American federal democracies highlight the need for further theoretical investigation into why presidents design certain policies that are quite insulated from subnational influence and local pressure (including local bureaucratic agencies), while simultaneously maintaining other types of spending that are usually quite discretionary or, at the very least, easy to manipulate politically by both the president and the governor who can each claim credit for its allocation.

Our prime concern in this article is to analyze the two most important actors in robust federations—the president and the governors—and to demonstrate how combining these two benchmark types of spending impacts their political ambitions. While it is far from novel to suggest that a president utilizes federal spending strategies for electoral survival in Argentina and elsewhere, we further argue that the increasing use of centralized targeted welfare spending, which is absent of discretion for either president or governor, is still politically beneficial.

We show this empirically by demonstrating which electoral districts received higher and lower allocations of each type of spending in Argentina.

The article is organized as follows. The first section discusses the literature and shows why we need to integrate the politics of both types of federal spending. The second section introduces the main theoretical framework to explain the politics of dual federal spending strategies. In the third section, we present our empirical evidence based on a mixed-methods approach from the Argentine case. The last section discusses the main conclusions and explores the implications for comparative debate.

The Politics of Discretionary versus Non-Discretionary Spending

Research into the logic of how central government spending is territorially allocated in federal democracies finds that the politics of discretionary spending are different from those of non-discretionary targeted welfare spending. First, we want to highlight those differences.

We know that the top-down provisioning of discretionary funds to constituent units is a powerful tool available to presidents to either generate political loyalties or penalize political enemies. Transfers are targeted to key areas (swing, core, or opposition districts) if the president believes it will help attract votes and the legislative support to remain in power (Dixit and Londregan 1996). In fact, the most well-established finding in the literature is that presidents tend to favour politically allied districts more than opposition districts (Cox and McCubbins 1986). There are several theoretical reasons why presidents may target funds to their re-election constituency: to foster cooperation between the president and members of Congress (Cox and McCubbins 1986) and further their legislative agenda (McCarty 2000), to prioritize the needs of politically important constituents (Kriner and Reeves 2012), to support governors with the same policy preferences, or to respond to powerful interest groups in their districts (Larcinese et al. 2006, 2013).

These studies assume that more funds mean more political value for presidents (and, eventually, their parties and co-partisans). For Bonvecchi and Lodola (2011, 187), federal institutional rules determine the amount, timing, and targeting of funds, which they call “intergovernmental transfer discretionality.” They argue that varying levels of discretion, and not only the amount, determine presidential utility. More discretion means more political influence. Acknowledging this point, we also explore whether centralized programmatic welfare spending can represent a political utility to presidents, through undermining governors with presidential ambitions by depriving them of the utility they ought to accrue from such spending.

Most work in this area concentrates on the federal executive as the key actor in the politics of distribution. Some studies have established that the amount and type of transfers from central government (discretionary or programmatic) depend on political bargains struck between politicians at the different levels of government. Governors can press presidents to bail them out and wield discretion over the transfers they receive, or presidents can impose budget constraints to regulate the type of spending subnational units can make (Wibbels 2005; Rodden 2005; Díaz-Cayeros 2006; González 2016). Presidents may also use discretionary transfers to manage intergovernmental relations, as provincial governments have the power to disrupt national policymaking (Benton 2008). Or as Fenwick (2016) shows, presidents may design programmatic policies that depend on the buy-in of subnational governments that are no longer controlled politically by the national government (Eaton 2019).

Instead of focusing on the negotiations between levels of government or between presidents and Congress, something which has been studied extensively, we concentrate on the decisions presidents take according to three main factors: first, their preferences and those of the governors; second, the governors' strategic calculations, particularly whether to electorally challenge the national executive; and third, variations in contextual factors, such as population size, political alignment, and social unrest. We try to understand why presidents keep both types of transfers in their portfolio of funding, especially when we consider that most studies agree that presidents prefer more discretion, or at least the ability to derive some sort of political leverage over subnational governments from programmatic spending. In assessing how far this is the case, we try to discern when presidents choose one type of transfer over the other, and when they decide to use both at the same time.

The politics of spending on large nondiscretionary social programs, such as CCTs, that allocate small amounts of cash to vulnerable families in exchange for fulfilling reciprocal conditions, and labor-based workfare programs that were predominant in Latin America during the 1990s, are somewhat different. The expansion of this type of spending in Latin America has largely been attributed to regime-type (Lake and Baum 2001; Huber and Stephens 2012; Hicken, Kollman, and Simmons 2016), structural transformations (Haggard and Kaufman 2008), and institutional capacity (Malloy 1993).

There exists a substantial and growing literature claiming that there are political incentives behind the expansion of CCTs, such as the type of electoral rules and party system nationalization (Castañeda-Angarita 2013), the size of a president's coalition in Congress (Magaloni et al. 2007, 188, 201–202; Castañeda-Angarita 2013), electoral calculations (Arretche and Rodden 2004; De La O 2013), and popular mobilizations and protest (Lodola 2005; Weitz-Shapiro 2006; Giraudy 2007; Calvo and Moscovich 2017).

Much of this literature assumes that politicians expand welfare spending as a means either to *attract voters*, through developing programmatic linkages to ideologically committed voters (Stokes and Miller 1962) or, in the context of high levels of protest and economic constraint, to *appease voters*, through the delivery of social policy as clientelism and political patronage (Calvo and Murillo 2013). In the case of Argentina, Stokes et al. (2013) refute these hypotheses by claiming that the development of non-discretionary transfers occurs over time as a result of the centre hitting a tipping-point when discretionary welfare spending becomes an inefficient investment because of the role of rent-seeking brokers. They provide a compelling explanation for the demise of social spending as vote-buying, but no clear theory for why party leaders' strong motivations to sidestep their brokers would necessarily lead them to embrace programmatic politics rather than other nonprogrammatic forms of group-based spending (Hagopian 2015, 577).

Without a doubt, mass protests create an opportunity for a political response. Social mobilizations raise the salience of inequality among voters, sending a signal to political actors regarding the need for redistribution (Lodola 2005; Calvo and Moscovich 2017). Yet both discretionary and non-discretionary spending can be redistributive. The presence of protests alone does not determine the nature of the policy response—whether that demand will be fulfilled via CCTs, increasing the minimum wage, or other types of social subsidies, and/or increased public works projects that are more discretionary. In Argentina, powerful social mobilizations have traditionally been organized by partisan networks, which then redirected federal resources to their members in exchange for votes, in particular in the outskirts of Buenos Aires (Auyero 2000; O'Donnell 2005). We can observe, however, that targeted national welfare programs have increasingly been designed to be delivered without relying on partisan networks or subnational brokers, thus weakening local patronage machines. While Stokes et al. (2013) explain that presidents may have a motivation to sidestep local brokers once they become too powerful, does this occur in parallel to the weakening of other subnational patronage machines that continue to rely on federal public works and discretionary federal budget allocations?

The literature on the electoral effects of CCTs in Latin America suggests that non-discretionary spending through these programs generates political effects, such as incumbency advantages (Magaloni et al. 2007) and increased voter participation (Hunter and Power 2007; Zucco 2013). Some scholars argue that CCTs were designed to bypass governors (Fenwick 2016), to undermine subnational patron-client relations, and to reverse subnational political machines (Borges 2011; Souza 2015; Alves and Hunter 2017). We know, however, that increasing non-discretionary spending does not replace or eliminate the use of discretionary federal spending strategies.

Traditional “punish and reward” federal spending strategies that are more discretionary and subject to local control are politically risky for national incumbents, as they are dependent on local party brokers and provincial partisan networks for their delivery. On the one hand, when used as a mechanism for reward, they can increase the power of governors as political intermediaries, and their ability to influence how central revenues are spent. This type of national spending therefore increases subnational influence and governors’ opportunity for personal political gain. On the other hand, when used as a mechanism of punishment, withheld or withdrawn federal spending can alienate voters who feel abandoned by central government, particularly in poorer regions that are more dependent on federal resources to provide goods and services. Direct programmatic linkages, on the other hand, are built through national welfare spending where voters experience the redistributive consequences of programs regardless of whether they support the governing party. Such linkages are known to promote government solidarity with poor sectors of society (Banting and Kymlicka 2017).

The literature discussed above, then, provides essential insights into the politics of distribution for both discretionary and non-discretionary spending. Within-country variation in the types of redistributive spending strategies, however, remains understudied. In particular, we have a limited understanding of the interaction between discretionary and non-discretionary spending in federal systems. It is still unclear how the two types of spending, when combined, affect the nature of intergovernmental relations. The fiscal situation of a province depends on several factors: the share of revenue the province gets out of the revenue-sharing rules, the evolution of its own revenues, whether it receives revenue from export duties (agricultural or oil and mineral rents), whether the federal government has agreed a bailout or debt rollover, and so on. We do not intend to assess the overall financial situation of the provinces and how intergovernmental fiscal relations affect them. Rather, we investigate whether the president can weaken or improve their fiscal (and political) position through the distribution of discretionary and programmatic federal funds. Established theories shed crucial light on the political and economic conditions that incentivize discretionary spending versus programmatic spending. But we know less about why presidents choose to implement both, especially considering that frequently hypothesized party system characteristics and the political logic of electoral competition are assumed to favor one strategy over the other for electoral impact.

The Dual Federal Spending Strategy in Argentina

Our main theoretical intent is to show that presidents can combine their federal spending strategies to target specific provinces in order to subtly tilt the federal balance in their favor, limiting the power of potential subnational challengers.

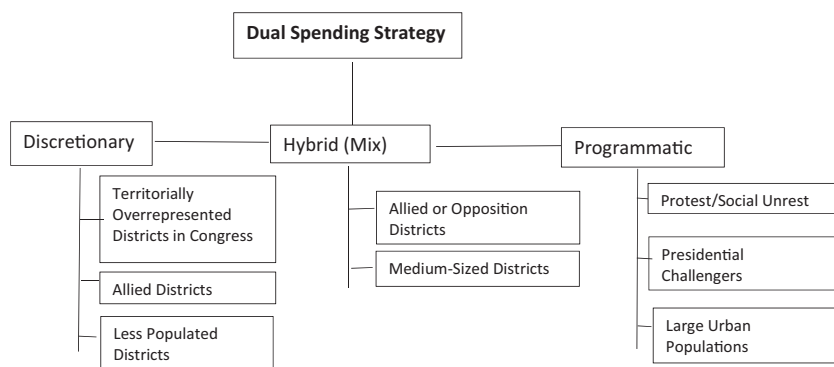


Figure 1 Dual spending strategy framework.

Contextual variations in voting population size, political alignment, and social unrest will condition when the president prioritizes one type of spending strategy over another, or deploys a hybrid of both (figure 1). We have derived our theoretical expectations from the literature cited in the previous section. As a caveat, the framework assumes that the president has access to fiscal resources. Given that the costs of both spending strategies are federal, a context of fiscal constraints would reduce the benefits to the president from both types of distribution.

We know that discretionary spending has no objective rules for its allocation; it is strongly expected to generate exclusive credit for a single political party or incumbent, and voters have no expectation of their territories receiving such funds without supporting the governing party or a specific politician. The electoral effects, however, also benefit the governor who acts as an intermediary, both in the province and within the national Congress. Discretionary spending therefore enables a governor to build partisan linkages with voters that benefit his/her own ability to generate power within the territory. The payoff is a positive-sum game for both the president and the governor, and the key political logic is national–subnational coalition building. Such spending promotes cooperative federalism. While the costs are exclusively national, the benefits are dispersed between the two levels of government.

While the scholarly debate on the political effects of CCTs remains open, we know that programmatic policies can be designed to avoid subnational political capture, as in the case of *Oportunidades-Progreso* in Mexico, *Bolsa Familia* in Brazil, and *Asignación Universal por Hijo* (AUH) in Argentina—all examples drawn from Latin American federations with long-standing traditions of using social spending as patronage to generate subnational support. Subtle design differences matter, however—even well-targeted CCTs like *Bolsa Familia* rely on subnational implementation and administration, generating a positive-sum federal game,

whereas AUH and the former Pro-Oportunidades program (terminated in 2019), represent a zero-sum federal–provincial game. The most centralized CCTs in the regions, these social programs allocated both costs and benefits exclusively to the national governments.

In Argentina, since re-democratization in 1983, the dominant political party, the *Justicialista* (Peronist) Party (PJ), has successfully employed a strategy of patronage spending and partisan-based redistributive spending to ensure its continuity as the national governing party from 1989 to today (with the exception of 1999–2001 partially, and of 2015–2019). The PJ has been particularly effective in generating electoral returns from redistributive discretionary spending and in building partisan linkages with its voters that have been claimed to be clientelist in nature (Calvo and Murillo 2004). In 2010, the PJ implemented AUH, the largest and most centralized non-discretionary family benefit in Argentine history—a national program designed to be entirely insulated from political discretion.

Argentina experienced a significant commodity boom covering most of the years of our analysis (2003–2015), so the center was not fiscally constrained. There was also a considerable increase in electoral competition and presidential challengers. Predictably, when the president's economic power increases, so does discretionary spending such as infrastructure spending. This is something on par with *politics as usual*, because governors play a significant role in Argentinian national politics and presidents traditionally rely on them to build up territorial-based political support (Kikuchi and Lodola 2014, 79). Discretionary federal investment is a tool to compensate provincial governors for their territorial support (González and Mamone 2015). This established federal–provincial game continues throughout the years of our analysis.

Ironically, however, discretionary spending on non-contributory social programs (CCTs) is contrary to the status quo. Between 2003 and 2015, programmatic spending became increasingly insulated from subnational political discretion, culminating in AUH. AUH is quite possibly the most bureaucratically delivered social assistance program in Argentinian history. It operates no geographical quotas and in its first year of implementation (2010) reached over three million recipients. Hence, while previous public works programs such as PJJHD were notorious for being delivered through political networks, and previous CCTs such as *Programa Familias* were quite simply undeliverable, as it relied on municipal cooperation that was not easily achieved without provincial intermediation (Fenwick 2016), AUH is delivered without the intermediation of local party members.

Quantitative Data, Methods, and Results

For the empirical analysis, we use a mixed-methods approach that includes media content analysis, interviews, and large *N* descriptive statistics and regression

analysis. We use original data on federal government infrastructure spending between 2000 and 2009 collected from the National Budget Office and data on national non-contributory social programs, such as workfare and CCTs, for the twenty-four provinces in Argentina for the period 2003–2015.¹ Although the time series of the two datasets do not match perfectly, we use them to classify the entire population of cases in Argentina, integrating both types of federal spending. Total infrastructure funds include transfers from the central government to the provinces from eighteen budget programs of the Ministry of Federal Planning, Public Works, and Services. These funds can be grouped in the areas of housing, community services, public infrastructure, and economic services. Funds for housing and community services comprise capital transfers for housing development, development of shanty towns, and sanitation. All values are reported in per capita USD, to control for inflation.

As a consequence of the panel structure of the data, some assumptions of the linear regression model (OLS) are problematic, especially the independence of observations and errors, as well as the equal variance for the errors for all observations. The Breusch–Pagan/Cook–Weisberg test and a scatterplot for the error term in the main models indicate that there is heteroskedasticity in it. The Wooldridge test reports autocorrelation in the panel data. The VIF indicates there is no serious collinearity among the key independent variables. Moreover, the Hausman test of random versus fixed effects reports a low p-value for the model using random and fixed effects, making a fixed-effects regression model advisable. A conventional way to deal with these problems would be to use ordinary least squares regression with panel corrected standard errors (PCSE) to compute the variance-covariance estimates and the standard errors, assuming that the disturbances are heteroskedastic and correlated across panels. We also include dummies to capture fixed effects: to identify central pampa provinces and to differentiate these provinces from the less-populated, interior provinces; and the urbanization rate according to the last census.

The relevance of studying the allocation of infrastructure funds and federal spending for CCTs is multiple and significant as they move in opposite directions. First, infrastructure funds are crucial for central governments to correct territorial inequality. Second, these territorially redistributive funds have increased substantially in the last decade—429 percent in real terms in Argentina, compared to 280 percent in Colombia, and 108 percent in Brazil—becoming one of the most important redistributive tools in the hands of the central government. On the other hand, the president has discretionary power over their allocation. In Argentina, the federal executive can reallocate budget items approved by Congress, making use of the so-called executive “extraordinary-powers.” In contrast to infrastructure funds, federal spending on CCTs is crucial to the central government’s ability to include the poor and to address social inequality territory wide.

For infrastructure funds and AUH spending, the indicator we use is per capita spending in US dollars, to control for inflation. We use the natural logarithm to normalize the data. This is the most widely used indicator in the literature to study the politics of distribution. For the CCTs, we also analyze coverage, or, more precisely, the number of children benefiting from AUH as a share of the number of poor children in each province to evaluate this CCT (Zarazaga 2014, 86–87).

We construct a simplified classification of provinces according to their structural characteristics. We divide the federation into two main regions, as other scholars suggest (Gibson and Calvo 2000). We label them central pampas and interior provinces. In Argentina, the more developed and populated pampa region includes the provinces of Buenos Aires, Córdoba, and Santa Fe. We also include, for analytical reasons, the Federal Capital. The other provinces are the less-populated interior, including the relatively developed Southern Patagonian provinces and the less-developed North-eastern and North-western provinces. We also classify provinces according to whether the governor is allied or opposed to the president. We included a dummy variable, coded as 1 if presidents and governors are in the same governing coalition in a given year, 0 otherwise. We coded it during fieldwork based on official electoral data, information from newspapers, and interviews with provincial experts.² In the next section, we analyze who benefited and who lost from each type of spending.

Discretionary Spending

To summarize the findings, as we would expect to hold true for the political alignment/dominant political economy hypothesis, incumbents in Argentina tend to allocate more infrastructure investment to districts controlled by close partisan allies. During the period of analysis, provinces received \$88 per capita on average in infrastructure funds. Those districts which were politically allied with the president received on average about \$132 per capita, while opposition districts got \$54 per capita. Presidential-supporting districts received, on average, 50 percent more funds than opposition districts.

Powerful presidents also penalized the more populous provinces, particularly those which were opposition-leaning. The four most populous districts in the central pampas (Buenos Aires, Capital Federal, Córdoba, and Santa Fe) received on average \$20 per capita compared to \$101 per capita for the rest of the provinces. Both PJ presidents, Néstor Kirchner (2003–2007) and Cristina Fernández de Kirchner (2007–2015), withheld discretionary funds from these four big districts, either because they were held by political opponents—Capital Federal (ruled by the party *Propuesta Republicana*, PRO, of Mauricio Macri, 2007–2015), Santa Fe (ruled by the Socialists since 2007), and Córdoba (governed by the PJ opposition)—or because their governors, while politically aligned, were major

challengers to presidential power—Buenos Aires, ruled by governor Daniel Scioli, 2007–2015). Behind these large districts were three medium-size provinces: Mendoza, Salta, and Entre Ríos. Their governors, too, had presidential aspirations.

Presidents favored politically allied governors. But among them, those from less densely populated provinces received more discretionary federal infrastructure funds than the rest. These provinces are largely overrepresented in Congress and presidents need them to maintain a governing coalition in the national legislature. Among the interior provinces, the least populated Patagonian provinces received \$177 per capita on average, while those in the North-east got \$71 per capita, and in the North-west \$74 per capita. The most benefited provinces were the least populated and close political allies in Patagonia: Santa Cruz, the Kirchners' home province, was top of the list (*La Nación* 2010a, 2010b). This province received \$510 per capita on average, reaching a peak of \$1,415 per capita in 2008. Tierra del Fuego, La Pampa, Río Negro, and Chubut followed Santa Cruz in the list of the major recipients of federal discretionary grants. All are sparsely populated and governed by close political allies of the president (although some relationships had become tense by the end of their office). Next came the North-east, where the most benefited districts were the sparsely populated and core allies Formosa (ruled by Governor Gildo Insfrán, in power since 1995) and Chaco (ruled by Governor Jorge Capitanich, 2007–2015).

Thus, even though the partisan-alignment hypothesis appears to hold true for discretionary (infrastructure) spending, we also observe another pattern: large urban provinces were excluded from the dominant national-provincial game, especially those ruled by governors who had presidential aspirations, notwithstanding their political alignment.

Non-Discretionary Spending

Before we explore how these two spending strategies interact, we contrast our empirical findings above with the distribution of AUH, a means-tested income program, measured in USD per capita, number of beneficiaries, and coverage.

The four largest provinces in the central region, which have the biggest populations of poor inhabitants and the most protest activity, were the most favored. They received \$56 per capita on average, followed by the North-east (\$55), North-west (\$50), Eastern (\$39), and Patagonian provinces (\$27). The main factor determining the territorial distribution of AUH to the provinces is the total provincial population, particularly the population below 18 years of age. Hence, the provinces with the largest number of inhabitants aged 0–17 (Buenos Aires, Córdoba, Santa Fe, and Tucumán) account for over half of the total beneficiaries (53 percent in 2017) and total funds for the program (54.8 percent in 2012; 52 percent in 2017). The province of Buenos Aires has the largest number of

beneficiaries (790,751 in 2017), in line with its greater population density and the total number of children under 18 years of age. The provinces of Córdoba and Santa Fe follow, with 165,754 and 152,836 beneficiaries, respectively. More starkly, approximately 40 percent of AUH beneficiaries are concentrated in the wider urban area of the City of Buenos Aires (UNICEF-ANSES 2017, 84).

The next most important distribution criterion is the level of unemployment, directing funds to those provinces with greater unemployment (such as Tucumán, Chaco, Misiones, and Corrientes). Unemployment, though, has a lower incidence in the distribution than coverage of poor population (Cogliandro 2012, 32).

Zarazaga (2014) also analyzes the ratio between the number of children benefiting from AUH and the number of poor children in each province. He claims the results show serious inconsistencies (for instance, they indicate that three out of every four children who benefit from AUH would not be poor), because poverty data during these years were underestimated by the official census bureau, the INDEC. However, and very importantly, Zarazaga argues that the manipulation of the program at the provincial level appears to be insignificant. He finds no qualitative evidence of political manipulation in interviews with more than 120 party brokers. Furthermore, he asserts that there were no protests or “piquetes” demanding more equitable disbursement and less clientelism in the distribution of AUH (Zarazaga 2014, 86–87).

We therefore acknowledge that certain territories with high rates of unemployment and urban poverty received considerable amounts of national funding via this bureaucratically distributed program. Although the geographical distribution is not politically motivated in terms of who gets what, when, and where, the allocation of costs and benefits of non-contributory social protection programs are not politically neutral. The program represents a zero-sum federal–provincial game, in that provincial actors within the design and implementation of the program are absent.

Combining the Results

In order to take the quantitative analysis further, we also conducted a regression analysis to explore the role of key determinants of the distribution of discretionary versus non-discretionary funds across districts, controlling for some standard variables in the literature on distributive politics (see variable description and data sources in [Supplementary Appendix Table A1](#)).

Regression results are reported in [table 1](#). In relation to discretionary transfers, the main expectation is that presidents will be more likely to distribute more of these funds to their core allies, except for larger provinces and especially those in which governors are presidential challengers, which should receive fewer transfers. In relation to programmatic transfers, we expect provinces with larger shares of

Table 1 PCSE results, main models

Variables	Model 1 Discretionary (Infrastructure)	Model 2 Programmatic (AUH)
Core allied	0.6079*** (0.2279)	-0.5235 (0.5051)
Governor is presidential candidate	-0.1930*** (0.0712)	-0.0253 (0.0837)
Central Pampas	-0.9263*** (0.0750)	0.2913*** (0.0740)
Poverty (ln)	-0.7842*** (0.1002)	0.8339*** (0.0947)
Per capita GDP (ln)	0.1675 (0.1969)	0.0905 (0.0605)
Urbanization rate	0.0279*** (0.0104)	-0.0067 (0.0048)
Constant	0.0934 (1.0100)	5.2402*** (1.0235)
Observations	336	217
R^2	0.31	0.14
Cross-sectional units	24	24

Dependent variable in Model 1: Infrastructure spending in per capita USD (natural logarithm).
 Dependent variable in Model 2: AUH spending in per capita USD (natural logarithm).
 Unstandardized regression coefficients. Standard Errors reported in parenthesis.

* $p < 0.100$; ** $p < 0.050$; *** $p < 0.010$.

poor households to receive more of these grants. Whether the governor is an ally or a presidential candidate should not affect the outcome.

In general, results support most of our expectations. In Model 1 (for discretionary spending), politically allied provinces appear to receive more discretionary spending. Controlling for third variables, allied provinces receive about 84 percent more per capita funds than opposition provinces ($\exp(0.6079) - 1) * 100 = 83.7$). Second, governors who were presidential candidates appear to receive 21 percent fewer discretionary funds per capita. These two coefficients are statistically significant. Third, the coefficient for central pampas is negative and statistically significant. This indicates that presidents tend to punish these provinces in the allocation of discretionary grants. These provinces, as we saw, tend to harbor the main political challengers for presidential power. Concretely, and controlling for the same variables in the model, central pampas receive 153 percent fewer per capita funds than the rest of the country. Fourth, programmatic determinants do not appear to be relevant in the distribution of discretionary

funds: on the one hand, the coefficient for poverty moves in the opposite direction than theoretically expected, that is, poorer provinces tend to receive fewer infrastructure funds; and on the other, per capita GDP does not appear to influence the allocation of these funds, as its coefficients is not statistically significant. These results provide some support to our claim that discretionary funds are territorially allocated following a political logic and not a programmatic one, and also support previous studies (González and Mamone 2015).

In Model 2 (for non-discretionary spending; the variable reports the total amount of AUH funds in per capita USD), politically allied provinces and provinces in which governors were presidential candidates do not appear to have more AUH funds per capita than opposition-ruled provinces. This indicates that presidents did not (or could not) punish these provinces in the allocation of non-discretionary welfare spending.

In sharp contrast to the previous model, central provinces were allocated 34 percent more AUH funds per capita than the rest of the country, controlling for third variables. This coefficient reaches the standards of statistical significance.

Finally, and also differing from the previous model, programmatic determinants appear to influence the distribution of these funds. First, poverty, as expected, is confirmed to be a significant determinant in the allocation of programmatic funds. Concretely, and also controlling for the same variables, a one percent increase in poverty in a given province produces a 0.8 percent increase in AUH funds per capita, on average, to this province. In spite of that, richer provinces (higher GDP per capita) do not appear to receive more programmatic funds. This coefficient is not statistically significant. Finally, more urbanized provinces appear to receive lower infrastructure grants, but not more AUH funds per capita.

These results provide some evidence for our contention that non-discretionary funds are well targeted. The R-squares range between 31 percent for Model 1 and 14 percent for Model 2, indicating that a relatively large variation in the dependent variables is still left unexplained and that we need better models, and perhaps in-depth studies to improve them.

Investigating the Mechanisms

In this section we offer an argument as to why some specific provinces may have been targeted and examine the effects of both types of funding. Based on our findings, there is evidence that during the years of our analysis, governors from the most populated provinces, who were the key political contenders for presidential power, received low levels of discretionary funding, but high levels of programmatic welfare spending, which cannot be politically manipulated. In terms of intergovernmental relations, this puts these governors in a zero-sum game within the national–provincial game, as they have lost out on discretionary funds,

which they need to generate their independent power in provinces with high levels of poverty. At the same time, they have been targeted with high levels of programmatic spending that largely exclude their participation, and thus they cannot claim any of the political benefits of this type of federal spending.

The significance of the governors of the four most populated provinces being targeted by both types of funding is that these governors control territories with large numbers of voters and urban areas with high levels of unemployment, poverty, and economic insecurity, relative to other provinces. The dual federal spending strategy, therefore, should be considered as an executive mechanism to keep these provinces weak, in that they remain dependent on the president and the federal government to solve their territorial problems. Although programmatic spending is designed to treat all constituent units equally, following more or less objective criteria, the provinces in Argentina are highly asymmetrical, with about half of the country's inhabitants living in the city of Buenos Aires (CABA) and the province of Buenos Aires. So programmatic welfare programs like AUH have a far greater centralizing effect on the governance of large urban provinces on the overrepresented smaller interior provinces. These districts are heavily rewarded by infrastructure spending, which produces a decentralizing effect because it provides resources to governors to generate their own independent territorial bases of power.

For example, the province that benefited the most from public welfare spending, Buenos Aires, was governed by Daniel Scioli (2007–2015), who is from the same political party and ideologically close to the president under whom he served, Cristina Kirchner. However, the president exerted political control over Scioli in several ways, in particular by controlling a cabal of close partisan allies in the provincial legislature and by building up political alliances with the mayors, bypassing the governor (Clarín 2012a). In December 2012, the president signed Decree 2609/2012, through which the federal government could transfer federal funds directly to the mayors, circumventing the provincial administrations. A member of the federal cabinet publicly admitted that “the main goal (of the federal government) is to strengthen federal public works by arranging them directly with the mayors” and get their political support (La Nación 2012a). This mechanism enabled municipalities for the first time in Argentine history to directly solicit financial support from the national government, without provincial intermediation. As a result, Governor Scioli created an internal political faction to counteract the effect of the Kirchneristas in the provincial government and the local legislative (Clarín 2012b). Tensions among these factions of the PJ were notorious by late 2011 and erupted by mid-2012 (La Nación 2012b).

We can see, therefore, that Scioli in his early days as governor was not able to drive intergovernmental relations between the province and the national executive forwards, as the president was rubber-stamping policies that weakened his position

vis-à-vis the federal government. Eventually, Scioli came to be identified as the leader of an internal faction and asserted himself as a provincial challenger with presidential aspirations. In response, the president used fiscal pressures to discipline the governor, delaying the allocation of mandatory legal federal transfers (*coparticipación*) to the province. Despite having the highest GDP in the nation, Buenos Aires was reduced to a precarious fiscal situation (the fiscal deficit was over 10 billion pesos in 2012, or about 9 percent of the total budget) and needed federal transfers to enable its basic functioning, particularly the payment of public employees' salaries. In a context of increasing fiscal imbalances, inflationary pressures, and negotiations with unions, the governor requested the federal government to authorize its request to issue debt. The president delayed or simply refused. Only after Scioli threatened to declare a state of economic emergency ([La Nación 2012c](#)) did the federal administration issue loans and authorize the provincial administration to raise debt and pay salaries ([Página 12 2012](#)).

Simultaneously, Cristina Kirchner was able to maintain the national appeal of the Peronist Victory Front (FPV) she led nationally by addressing Buenos Aires' social problems through national welfare benefits, which purposely negated any ability of the province to claim credit. Almost 40 percent of AUH beneficiaries reside in the urban areas of the province of Buenos Aires. Although it is outside of the purview of this article, it should be recalled that the previous generation of social welfare programs, under President Menem (1989–1999), were delivered via political networks controlled by the then governor of Buenos Aires, Eduardo Duhalde. These programs were extremely beneficial to the province and helped quell high levels of social unrest. They also benefited the governor, who in fact went on to challenge the president in subsequent elections. Duhalde used his immense political capital from the province to propel the previous governor of Santa Cruz, Néstor Kirchner, to presidential victory in 2003. The AUH allocation, combined with presidential impositions using economic sanctions as noted above, and depriving the province of discretionary budget allocations, became an effective distributive strategy to maintain control of the province for Cristina Kirchner.

In a parallel story to that of Buenos Aires, the national executive also severely punished the province of Córdoba in the distribution of federal infrastructure funds. In this province, the governor is of the same party, but within a staunchly declared opposition faction. Córdoba received an average of \$20 per capita compared to \$24 per capita for the province of Buenos Aires—and \$101 per capita for the rest of the provinces. In fact, it was one of the most penalized provinces, second only to the Federal Capital, which has the highest per capita GDP in the nation (and received \$12 on average during the period), and below relatively similar provinces such as Santa Fe (\$25).

The Federal Capital is traditionally opposition territory for the PJ, governed by politicians with serious presidential aspirations. Under the Kirchners, it was

governed by Mauricio Macri. Macri went on to become the nation's president in 2015. The Federal Capital is the most fiscally unequal subnational territory in Argentina. It was severely punished by discretionary funds, and actively blocks AUH as it is incompatible with its own bureaucratically administered CCT program (for which it alone can claim credit). In essence, because of its high GDP and economic prowess, this district has the power to block the dual federal spending strategy. Córdoba, however, did not have this luxury. Despite being punished in the distribution of more discretionary federal transfers, Córdoba significantly benefited from federal welfare spending under President Cristina Kirchner. Córdoba had the second-largest number of AUH beneficiaries (165,754), equivalent to 8 percent of the total (higher than Santa Fe's 7 percent). The three largest provinces concentrated 53 percent of the total beneficiaries of the program in 2017. This number of beneficiaries represented a financial inflow of 306 million pesos to the province of Córdoba in 2017 alone. The governor, as in the case of Buenos Aires, has no administrative or political input into the distribution of funding from this program.

In sum, presidents allocated discretionary transfers that tended to favor allied districts. This helped them build up their governing coalitions. Governors from those allied districts benefited because they could use those funds with discretion, claim the credit, and address social needs. This was a positive-sum game. Governors from opposition and more heavily populated districts, and those who were presidential challengers, got fewer funds. On the other hand, presidents distributed funding through AUH to provinces with a larger share of poor and unemployed households. This favored more populous districts and even some of those ruled by presidential challengers. However, presidents alone can claim the credit for the distribution of those funds, because governors play no role at all in AUH's largesse.

Concluding Remarks

In order to weaken the ability of key governors to become presidential challengers in future elections, this article argues that presidents in Argentina allocate resources through combining federal spending strategies from their portfolio. This is the logic of the dual-punishment spending strategy. Although programmatic welfare spending is increasingly nationally oriented and bureaucratically delivered throughout Latin American federations, we have shown that in Argentina, non-discretionary social spending combined with traditional punishment/reward transfers can simultaneously politically and socially control key provinces, especially those ruled by governors who have presidential aspirations. While it was noted at the outset that congruence between the party in power and in each province is a significant, but not necessarily determining factor, our research has

uncovered an additional driver that we believe contributes to understanding policymaking and its implementation not only in Argentina, but also in other robust federal systems such as Brazil, Canada, and the United States.

Normatively, there is no dispute that voters benefit from the redistributive consequences of social programs regardless of whether or not they support the governing party. This *ought* to be the case even when constituent units participate in the administration and implementation of federal welfare initiatives. Our contention, however, is that the design of AUH, which cuts out all subnational participation (even bureaucratic) and requires no subnational buy-in (formally there exists no opt-out/opt-in clause), is a centralizing policy mechanism that is not politically neutral. It offers great political utility to the president to build direct linkages with socially vulnerable citizens residing in key territories. It is also easier to eliminate a centralized executive initiative when it no longer offers presidential utility, as the recent termination of Mexico's similarly designed *Progresa-Opp-Prospera* shows. These programs are not "locked-in" via multiple stakeholders located across different territorial scales.

Our observation that the allocation of costs and benefits in the development of welfare policies in federal democracies is not politically neutral is hardly novel (Castles and McKinlay 1997; Obinger, Leibfried, and Castles 2005). The growth of non-discretionary spending in Argentina further sustains a presidential–provincial zero-sum federal game as only one level can claim the credit. Other CCTs in the region, such as Brazil's Bolsa Familia, that are also internationally considered well targeted and bureaucratically delivered, alternatively project a positive-sum presidential–subnational game because of its decentralized program design features that require cooperative intergovernmental features.

Several implications emerge from our research. First, we suggest that the motivating factor in creating and designing the AUH was to create a centralized bureaucratic program that wholly replaced previous Argentinian targeted welfare programs and required no provincial or municipal buy-ins. Beyond the imperative to quell protest and promote social order, or the need to recapture the lost votes and the support from the mayors of the *Conurbano* after the lost 2009 election (Zarazaga 2014, 78), AUH is a counterbalancing mechanism to the negative outcomes imposed on the large urban provinces which had been deprived of infrastructure spending for political reasons. The president cannot afford to lose the support of these resource-poor, voter-rich constituencies, but also cannot afford to transfer discretionary funds that can be used by a governor to build their own support base—the consequences of this dual federal spending strategy however, are not felt evenly across the provinces. Why? The power of the Kirchners to deprive a governor of discretionary spending, while simultaneously delivering a centralized social program to socially vulnerable households, weakens the capacity

of key governors to build their own linkages—programmatic and clientelistic—that they need to win a national election.

Second, the dual-punishment strategy can also serve to alter the balance of intergovernmental relations, propelling the dominance of the center. This is because governors, allied or not, in large populous provinces that were resource-poor, voter-rich, motivated presidents to under-target them with federal infrastructure funds, while rewarding other provinces that were not experiencing high levels of poverty (such as some in Patagonia). These “punished” provinces with high levels of both social unrest and vulnerability motivated presidents to both reform and expand CCTs in a way that limited the ability of governors to claim credit for their successful distribution, thus doubly punishing them.

By combining analysis and distinguishing contrasting logics between the two types of spending, discretionary and non-discretionary, we imply that future research needs to consider how presidents from territorially diverse federations with strong governors respond to these two requirements (to address poverty to maintain peace and social order, and to guarantee continuity in office). In our case study, when the two types of spending interact in a single province, non-discretionary and discretionary, they effectively weaken otherwise strong governors who control a large share of votes in more populous provinces and foster presidential aspirations. As we have only demonstrated the hypothesized effects in a single case, Argentina, we invite further testing of our argument in other federations. Analyzing when the president chooses to expand, reform, and politically insulate CCT programs, and understanding which territories benefit the most from these non-discretionary programs—enables us to uncover discrete strategic calculations that drive federal policymaking decisions.

Supplementary Data

[Supplementary data](#) are available at *Publius: Journal of Federalism* online.

Notes

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1. *Oficina Nacional de Presupuesto*, or ONP, Ministry of Economy. We collected these data by reviewing ONP’s official documents (*Cuenta de Inversión*), for eighteen budget programs, for each of the provinces in each year of the series for which we have

available data. We received social spending data from the National Budget Office through a public information request. We also thank Sara Niedzwiecki for sharing further social program data.

2. We compared our coding with others provided by Nicolás Cherny, Carlos Freytes, Sara Niedzwiecki, and Emilia Simison. All these codings are very similar: most of the governor/year are coded similarly across these databases. The data and the database are available upon request.

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