Resisting Equality:

Subnational State Capture and the Unequal Distribution of Inequality

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Inequality is unequally distributed across the territory, and national averages obscure this variation. South Africa is today the most unequal country in the world. But its national Gini index (63), masks enormous variation among its provinces. Eastern Cape, KwaZulu-Natal, and Limpopo are more unequal than any country in the world (their Gini indices reach 75).[1] Free State and Gauteng, on the contrary, have Gini indices that are about 15 points lower.

Despite the fact that inequality in Latin America consistently declined during the first decade of the twenty-first century,[2] levels of inequality within states still vary greatly. For instance, Brazil is the most unequal country in Latin America and one of the most unequal in the world, but some of its states are less unequal (Santa Catarina has a Gini of 42) than others, which are comparable to South Africa (Bahía, Paraíba, and Pernambuco have Gini indices around 60).[3]

Variation in inequality within provinces in Argentina is also enormous. With a provincial Gini index (32 in 2011) similar to Canada and Australia, for example, Tierra del Fuego is very equal by Latin American standards,[4] while Salta and Corrientes are very unequal (45 and 46, respectively).[5] In addition, changes in inequality have been very different across time and among subnational units. Although the Gini index in Argentina fell ten points on average (from 50 to 40) between 2003 and 2011, there are sharp differences among provinces. Chaco reduced its income inequality by sixteen points (from 52 to 36). Corrientes and Jujuy, despite being as unequal as Chaco at the beginning of the series, reduced their Gini indices by about half of what Chaco achieved (from 56 to 46 and from 50 to 42, respectively). This is illustrated in Figures A.1–A.2 in the Appendix.[6]

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Territorial variations in inequality are not a phenomenon circumscribed to the Global South. It is also possible to observe this variation within several Western industrialized nations. Although some states in the U.S. are relatively equal (e.g., Wyoming and Utah), former plantation states in the South (e.g., Louisiana, Georgia, Mississippi, and Alabama) and even some industrialized economies (e.g., New York or Connecticut) are very unequal. The difference in the Gini coefficient between these two groups is close to ten points, equivalent to the distance between some unequal Latin American and African countries (such as Honduras or Rwanda with Gini indices in the 50s), as well as Israel (with values around 40).

What explains these enormous variations within cases? Few studies address this question, and when they do, they do so without considering the role of political factors at the subnational level. The main goal in this study is to identify these factors, which may increase inequality as well as condition, dilute, and even block national-level inequality-reduction policies. These features, we argue, transcend the subnational level in their effects, as they are local forms of resistance to national redistributive policies.

Several scholars agree on the role of powerful economic elites in increasing inequality,[7] but more work is needed to identify who these economic elites are and how they generate more inequality. Our main claim is that when local economic elites capture provincial states by occupying relevant positions in their governments, they are more likely to create policies that increase inequality and resist national redistributive efforts. This incidence of state capture over inequality is mediated by the provincial economic structure: in non-diversified structures, such as in plantation or extractive economies, economic elites are more likely to capture provincial states than in more diversified economies. However, the effect of non-diversification over inequality is quite different if the state is not captured. In cases in which economic elites are weak or inexistent, political elites are more likely to create more autonomous state apparatuses. We demonstrate that provinces where the state has been captured by traditional agricultural elites systematically underperform in reducing inequality in relation to provinces where states are more autonomous and capture has been avoided. This study contributes to the literature that seeks to explain why inequality is so resilient by connecting it with the literature on state capture by powerful business elites.[8] It does so by incorporating the role of subnational-level political and economic factors.

The Argentine provinces are particularly valuable to study variations in inequality. First, there is enormous variation in the outcome across cases and time. Second, by comparing provinces within a country, one can control for many variables because there is no variation among them; these include cultural factors (relevant in other federal countries such as India, South Africa, and Nigeria), federal institutions of government, and other unobservable, but possibly relevant, explanatory factors that may vary substantially across countries but are often unmeasured or poorly measured in cross-national research.[9] Controlling for these variables we can reduce the possibility of omitted variable bias.

We concentrate on a period in which the federal government implemented policies to reduce inequality, the first decade of the 2000s (2003–2011). We select this period

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not only because we have available data, but fundamentally because it allows us to explore when and how provincial elites resist national redistributive policies.[10]

Inequality at the Subnational Level

What makes interpersonal inequality change? How can we explain differences in interpersonal inequality? The contributions in this field are vast, both in theoretical and empirical terms. However, few recent works address these questions at the subnational level. The main theoretical contributions and empirical analyses on the topic thus far have been almost exclusively conducted at the national level.[11] Following Giraudy et al., we distinguish between national-level factors (we call them "external" factors) that may affect each subnational district differently and factors that operate only at the subnational level (we call them "internal" factors).[12] In this latter case, factors are classified not according to the "type" of variable, but according to the "level" of government in which we think they operate.[13]

As a result of these national level theoretical developments, studies that address political explanations of inequality at the subnational level seem to make a theoretical and methodological "extrapolation" from the national to the subnational level of analysis. Some works make an important contribution by examining the validity of "national" level theories on inequality at the subnational level.[14] However, none of these studies explores the possibility that specific political variables at the subnational level (which may not be present at the national level) could affect inequality. In fact, the statistical models presented in these studies explain a relatively low proportion of the variation in inequality or the redistributive effects of social spending. This could indicate the need to improve model specification with national level variables, but it may also be an indication that the extrapolation strategy runs the risk of omitting important explanatory variables that are present only at the subnational level, particularly in federal systems with a marked political-electoral and administrative autonomy.

In short, we claim that the differences in intraregional inequality cannot be explained solely by extrapolating factors that could be present at the national level. We think it is necessary to incorporate specific provincial factors that may affect inequality within each subnational unit. These variables could complement and eventually reformulate national level analytical frameworks. As far as we know, this strategy of inquiry on subnational inequalities has not been explored yet.

Subnational State Capture

We argue that the concentration of income is closely intertwined with the concentration of economic and political power. This concentration of income will be greater when certain privileged groups (the economic elites) condition political institutions and processes, compelling them to favor their interests in detriment to those of the majority

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of the population. Hellman and Kauffman define this situation as state capture.[15] The concept of state capture has such a plurality of meanings that it obliges us to specify how we use it here. First, it is necessary to distinguish it from an associated concept, that of "captured democracy." Acemoglu and Robinson use this term to refer to a de facto power that allows economic elites (the "richest sectors of society," in their own terms) to offset the redistribution, typical of democratic systems, from the de jure power of the least favored sectors in such a political system.[16] We believe that this concept, although important, is too wide-ranging in that it encompasses a large variety of mechanisms that economic elites may use to prevent redistribution of income and wealth. In one of these mechanisms, members of the economic elite or actors closely linked to it directly occupy relevant positions in the state. For us, this particular type of capture is so influential that it must be clearly distinguished from other mechanisms. Second, in our view, the concept of capture refers to the loss, or substantial deterioration, of political elites' autonomy in the control of government. Hence, we do not utilize the term capture as the use of the state to extract "private benefits" by and for incumbents themselves.[17] This use of the concept strongly associates capture with "administrative" or "bureaucratic corruption."[18] This type of conduct does not affect the autonomy of state agents (it may rather reinforce it). Hence, we prefer to use this latter concept rather than state capture itself. Finally, for Hellman, Jones, and Kaufmann, "in contrast with administrative corruption, state capture is defined as the capacity to affect the formation of the basic rules of the game (laws, rules, decrees, regulations) through private payments to public officials."[19] This is a relevant form of economic elites' influence on the state and it may certainly have an impact on inequality. However, this practice tends to be individual (usually involving a firm or company), oriented to obtain specific benefits, and may even have more uncertain results (as it usually involves legal risks). Consequently, its relevance should be minor compared to the access of economic elites to the direct control of state resources, through which they can achieve far-reaching and long-lasting institutional changes through more coordinated collective action. We use the concept state capture to refer to situations like this one.[20] We expect this type of influence on the state to have greater effects on inequality, and it may coexist with other forms, including corruption.[21]

The possibilities of economic elites capturing the state, as we defined it, are greater at the subnational level than at national one. Not only are subnational economic spaces usually less complex and diversified (which makes the "pluralistic factor" of state autonomy less important), but economic elites also tend to be more cohesive and concentrated at this level. Furthermore, state capacity at the subnational level, particularly in less developed countries, tends to be weaker than national states' capacity, which have larger bureaucracies and budgets. Hence, we expect that powerful economic elites will tend to have more capacity to establish very close relations with subnational political elites and to be part of the provincial state than they have at the national level. As Mann pointed out, economic elites in Latin America are more effective at the provincial level because they "can resist and undermine the state

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infrastructural power in the provinces, no matter what happens in the country's capital."[22]

Finally, in federal states, such as Argentina, there are great incentives for economic elites to try to gain subnational political power in the most direct possible way. Subnational governments are quite autonomous spaces in political, administrative, fiscal, and policy terms, and have large areas of prerogatives quite separated, and sometimes insulated, from the national arena.[23] Provincial states have the capacity to set taxes on land, decide how to allocate their budgets, and regulate, together with the federal government, the application of labor rights in their territories.[24] They have a large redistributive potential, with a great capacity to influence subnational policy as well as the scope and depth of redistributive policies implemented from the central government.[25]

Subnational State Capture and Local Resistance to Equality

Having defined the main concept, we can now present our main claim. Our first hypothesis is that inequality should be systematically higher in provinces where economic elites capture the state, compared to provinces in which states are more autonomous. In other words, the state's redistributive capacity will be lower when economic elites capture provincial states than when the state is more autonomous. This is because of two main reasons. On the one hand, powerful economic elites have positive power to influence levels of taxation and government spending in public goods, preferring low levels in both.[26] On the other hand, they also have negative power, particularly (although not exclusively) in multi-level federal countries, to resist federal (national) labor regulations, repress labor rights in the province, and guarantee cheap labor.

Second, we also argue that the impact of state capture is not independent of the economic context in which it takes place. The options, interests, and resources of economic and political elites in captured or in more autonomous states are very different depending on the economic structure of the province. Thus, state capture and the type of provincial economy are closely linked, and they both have an impact on provincial inequality.[27]

Combining the main two dimensions, state capture and type of economy, at one extreme, there are captured states in undiversified economies. In these provinces, we expect that states will deploy a series of tax, spending, and public policies that will sustain or raise levels of inequality, in line with the interests of the elite that controls the state apparatus (Table 1: Cell C).

There are also autonomous states in undiversified economies. These are provinces in which the public sector is large and the economy is poorly diversified. There, the political interests of a more autonomous and professionalized political elite (i.e., to sustain its electoral power) will be more likely to constrain the interests of a weak,

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Table 1 Types of Explanatory Variables of Subnational Inequality

Provincial Economy/State	Captured States	Autonomous States
Diversified Economy	A) Relatively High Inequality	B) Relatively Low Inequality
Undiversified Economy	C) Highest Inequality	D) Lowest Inequality

sometimes rather inexistent, economic elite, thus generating the lowest levels of inequality (Table 1; Cell D).

In the case of highly diversified economies, the plurality of interests and pressures on the state will make it more difficult (for political and administrative reasons) to fully satisfy the interests of various socio-economic groups. When the state is autonomous and the economy diversified, political elites have relatively less extractive capacity over economic elites than when the economy is not diversified. Clashing with a large and relatively unified business coalition can have high political costs. The political elite may punish a well-defined sector, but this, by definition, reduces the extractive capacity with respect to an undiversified economy (Table 1; Cell B). When the state is captured in a diversified economy, "intrastate" disputes between different economic groups can reduce their ability to impose regressive policies (Table 1; Cell A).

Based on these theoretical expectations, our second hypothesis is that captured states in non-diversified economies will have the highest levels of inequality, autonomous states in non-diversified economies will have the lowest, and diversified economies (with captured or autonomous states) will have intermediate levels.

Historical Background

Having defined the concept and presented the main hypotheses, we now provide some historical background on how state capture has been historically configured depending on the original occupation of the provincial territories and their economic structure. This background is crucial to further develop our theoretical claims and to adjust them to the case we study.

At one extreme, there were traditional plantation economies in which economic elites, typically landlords, were powerful. Landlords controlled economic production in plantation economies (e.g., sugar cane, tobacco, yerba mate, rice) as well as local militias. Provincial states in these plantation economies were historically weak in relation to the powerful economic elites. Economic elites were crucial during the formation of the provincial state and captured it to secure their land, regulate taxes on their properties, and repress labor rights in the province, to guarantee cheap labor. Large landowners in plantation economies prefer weaker (national and provincial) governments because they are associated with lower taxation and lower government spending on public goods (e.g., social investment). Weaker taxation directly increases these landowners' economic returns,[28] and investment in public goods barely benefits

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them.[29] In fact, social investment may create labor shortages[30] because educated workers can more easily immigrate to urban centers.[31] Large landowners also prefer weaker governments to limit labor rights in their districts. In federal countries, in particular, they will resist national (federal) labor regulations to repress labor rights in the province and guarantee cheap labor.[32]

At the other extreme, there were the so-called "empty spaces," populated mostly by indigenous populations in unproductive land. There, (predominantly white) national political elites created new provinces to consolidate the occupation of the national territory, control indigenous populations, prevent foreign invasions, and secure political overrepresentation for their parties in the federal congress. In these provinces, economic elites were rather non-existent and political elites controlled the provincial state, creating a relatively more autonomous (and sometimes professionalized) state apparatus in relation to economic elites.

We expect that provinces classified as plantations or dependent on extractive industries, with high economic concentration in traditional agricultural sectors or large extractive industries, in which the state has been captured by economic elites, should systematically underperform in their levels of inequality in relation to the provinces where states are more autonomous and capture is avoided.[33]

A third type of territory and economic structure corresponds to spaces where the indigenous population is either annihilated or expelled from productive lands and where (usually white) foreign settlers develop capital-intensive agricultural production. This form of production is more likely to be associated not only with urbanization and industrial development,[34] but also with a more "pluralist" political structure.[35] In these diversified complex economies, a relatively large number of interest groups try to influence the state to make decisions according to their own interests. State capture, under these circumstances, is less likely to take place than in plantation economies, but even if the state is captured by one of the multiple economic elites, it will be difficult for this particular elite to impose its preferred distributive scheme on the rest. If the state is not captured, it will be more difficult for political elites to impose redistributive policies than in economies where a few sectors and companies can be more easily taxed. Hence, we expect that in this type of economic and political structure, inequality ex-post state intervention will be relatively similar to ex-ante inequality, lower than in plantation economies and greater than that of new provinces.

We are not claiming we can connect events that occurred at the moment of territorial occupation to explain current levels of inequality in the provinces. Rather, we attempt to place each province in a different cluster, out of which we can identify different configurations between economic structure and state capture. We argue that these ideal situations are associated with different probabilities of state capture and levels of inequality. Having presented the main theoretical expectations and provided their historical background, in the next sections we present our data and methodological strategy to analyze results in relation to our claims and alternative ones in the literature.

Data and Methods

We use the income Gini index at the provincial level as an indicator of provincial inequality between 2003 and 2011.[36] Calvo and Moscovich used data from national surveys (Permanent Household Survey, or EPH) from the National Institute of Statistics and Censuses (INDEC) for the thirty-two major metropolitan areas of the country.[37] Each survey includes between 45,000 and 65,000 interviewees, for a total of 1,838,828 individuals. A total of 968,833 received some income at the time of the survey. Although national income surveys have been applied since 1974, the authors concentrated only on a standardized subset that includes an identical set of questions and variables.

Most measures of state capture include either survey data from interviews of firm managers or owners,[38] or spending patterns that seek to identify resource misallocations to either low- or high-income groups.[39] Our definition of state capture does not require us to have interviews with firm managers (and these data are not available at the subnational level), and studying resource misallocations to low- or high-income groups is endogenous to most measures of income inequality. Instead, we coded, relying on research assistants and several provincial experts for each province, whether key provincial businesswomen/men from the most relevant provincial economic sectors participated in influential positions in the provincial cabinet (such as the chief of staff, ministry of government, economy, finance, production, or industry) during the period of our research. The relevant economic sectors included extensive plantations (e.g., sugar cane, tobacco, tea, and yerba mate), agro-business (e.g., producers of soybeans and other grains, cattle, and dairy), mega-mining, and large oil and gas companies. If we found some of these economic elites in key cabinet positions, we coded the province with a 1, a "captured" provincial state, 0 otherwise.

To classify the different types of provincial economies, we rely on different measures. First, we used a raw, simple, and transparent measure of the number of firms registered in the province, used in previous research.[40] Among these firms, we got the number of agricultural firms in each province, disaggregated according to their size (reported using the number of employees: up to 9, from 10 to 49, from 50 to 200, and more than 200; data from Ministry of Production, Undersecretary of Development and Productive Planning). The existence of few large agricultural firms in a province can be considered a reliable proxy for a plantation economy. More firms (of all sizes) in a district can also be a measure of a more diverse economy.

As an alternative measure, we use the proportion of agricultural and industrial employment over total employment. Plantation economies are those in which agricultural employment in traditional sectors (sugar cane, tobacco, tea, and yerba mate) dominate the rest of the economy. Diversified economies are those in which the proportion of agricultural labor (and production) over the total is low (below the national average), and other sectors, such as the industrial and service sectors, concentrate a large proportion of employment (and production; i.e., above the national average). We also create a dummy variable to identify undiversified provincial

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economies (those with agricultural employment as a share of total employment above the national average) and diversified provincial economies (those below the average).

We include some political control variables, such as the ideology of the party in government,[41] partisan fragmentation,[42] and type of electoral rules.[43] We also incorporate a series of socioeconomic control variables, similar to the ones used in the extant literature on the topic: national economic growth, (the natural logarithm of) total provincial population according to the last census, and provincial unemployment (for a description of the main variables and data sources, see Table A.1 in the Appendix).

We try to account for variations in subnational inequality using a mixed method strategy. We first conduct a large-N regression analysis to identify subnational political factors systematically related to changes in the outcome, controlling for variables related to national level theories. Due to 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. As suggested by Wilson and Butler,[44] we also run two postestimation tests to determine whether there is autocorrelation and to use a random or fixed effect. The Wooldridge test reports some autocorrelation in the panel data. The Hausman test of random versus fixed effects reports a p-value in the limit of statistical significance for the model using random and fixed effects ($p<0.1$). Based on this result, we decided to run a PCSE model to compute the variance-covariance estimates and the standard errors assuming that the disturbances are heteroskedastic and correlated across panels.[45] We believe this strategy is more conservative than using a random effect model. We also have strong theoretical reasons to include regional dummies. They capture much of the geographical, demographic, and cultural characteristics we intend to control for in our model. Provinces in the Northeast, Northwest, Cuyo, Patagonia, and the Central Pampas (the reference category) share important regional similarities. We also capture fixed effects with relatively time invariant variables, such as provincial population. The inclusion of twenty-four provincial dummies duplicates several of them, creating a lot of noise in the model, dramatically reducing the degrees of freedom in a relatively small sample like ours; they are also collinear with our main independent variable. As another robustness check, we run a Prais-Winsten regression to control for a first-order autoregressive process. Results remain robust after we run this alternative estimation.

Variations in Inequality in the Argentine Provinces: Some Empirical Results

Regarding our first hypothesis, we analyze the effect of the dummy variable coding the province as a "captured" provincial state. We compared the means in Gini for the two groups (captured and non-captured) and the t-statistic reports the difference is quite

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robust: 4 points in Gini between the two groups, and statistically significant (p<0.0001).

We also included this variable in a regression model. Table 2 shows regression results between inequality and the key variables in our models. Controlling for third variables, the coefficient reports that captured provincial states are associated to a 2-point increase in Gini. This coefficient is statistically significant (p<0.0001) (Model 1).[46]

We also explore the second hypothesis related to the type of provincial economy. First, we run a model with the number of firms.[47] Controlling for the same variables as in the previous model, one thousand new firms decrease the provincial Gini by 0.014 points (the mean value for number of firms in each province is 24,719). This result may also be indicating that more diverse economies are related to more equality (Model 2).

Among firms, a large number of small agricultural firms (up to 9 employees) is associated to lower inequality: an increase in one hundred small agricultural firms (the mean is 2,567) reduces the Gini index by 0.08 points (Model 3). However, medium size agricultural firms are associated with more inequality: one hundred more medium size firms (10 to 49 employees) increase Gini by 0.14 points (Model 4). Larger agricultural firms (from 50 to 200 employees) are associated with even more inequality: one hundred more of these firms increase the Gini index by 2 points (Model 5). Finally, one hundred more of the largest size agricultural firms (more than 200 employees) are associated with an increase of 9.9 points in Gini (Model 6). All these coefficients are statistically different from zero. Very large agricultural firms in a province could indicate this is a plantation economy, and they are related to more inequality.

As further supportive evidence of our claims, we observe that there is a positive relationship between inequality and the proportion of agricultural employment over total employment. More precisely, and controlling for key variables, a 1 percent increase in the share of agricultural employment (as a share of total employment) increases the income Gini index in values between 0.18 and 0.30 points, depending on the model specification (see Models 1–7). It is important to stress that large plantation economies are more likely to have states captured by their powerful economic elites.

Large plantation economies also tend to employ a larger number of agricultural workers (most of them informally) than land-extensive, capital-intensive, agricultural economies in the Pampas. The agricultural sectors in the Pampas (mostly producers of soybeans and other grains, and less so cattle and dairy) have incorporated more capital and reduced demand for labor. Interestingly, there is no relationship between industrial employment and inequality. Future studies could investigate in greater detail the relations between different types of employment and inequality.

Until now, we have explored the independent effect of state capture and economic structure on inequality, but crucial for our second hypothesis is the effect of the interaction between the two on inequality. Thus, we included a model (Model 7) with an interaction term to check our theoretical expectation that inequality should be higher in captured states and in contexts of low economic diversification. We interacted the dummy variable to identify state capture and the share of agricultural employment. Model 7 and Figure 1 report the results and the interaction term, respectively, indicating

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Table 2 PCSE Results, Main Models

| Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
State Capture	2.0712*** (.4811)	–	–	–	–	–	.2907 (1.2682)
State Capture* Agricultural Employment	–	–	–	–	–	–	.1230* (.0834)
Number of Firms (in thousands)	–	-.0139*** (.0000)	–	–	–	–	–
Agricultural Firms (up to 9 employees; in hundreds)	–	–	-.0844*** (.0074)	–	–	–	–
Agricultural Firms (9 to 49 employees; in hundreds)	–	–	–	.1408* (.0805)	–	–	–
Agricultural Firms (50 to 200 employees; in hundreds)	–	–	–	–	2.0134*** (.5055)	–	–
Agricultural Firms (more than 200 emp.; in hundreds)	–	–	–	–	–	9.9048*** (1.7690)	–
Agricultural Employment (Share of Total Employment)	.2019*** (.0422)	.2613*** (.0595)	.2933*** (.0597)	.2798*** (.0597)	.2783*** (.0596)	.2950*** (.0572)	.1756*** (.0449)
Unemployment	.8446*** (.1392)	.3684*** (.1357)	.4494** (.1241)	.3816** (.1369)	.3707*** (.1376)	.4106*** (.1305)	.8428*** (.1392)
National Economic Growth	.2074 (.1662)	-.0454 (.1693)	-.0384 (.1674)	-.0443 (.1694)	-.0479 (.1709)	-.0391 (.1673)	.2058 (.1659)
Provincial Population (nat. log.)	.2684 (.3372)	1.6317*** (.2767)	3.2993*** (.3090)	.9562*** (.2039)	.7867*** (.1957)	.8964*** (.1996)	.2720 (.3508)
Patagonia	.2622 (.8435)	1.2896 (.8962)	-.7932 (.9092)	1.7079* (.9661)	1.4760 (.9597)	1.4057 (.9228)	.5190 (.8999)
Northeast	2.0053** (.9288)	.8140 (1.3414)	-2.2445 (1.3767)	1.7201 (1.4463)	1.5745 (1.4199)	1.6363 (1.3876)	2.1899** (.9084)

(Continued)

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Table 2 (continued)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Northwest	.7875	2.5457**	-1.1877	3.2203**	2.9661**	2.8798**	.8810
	(.9704)	(1.2505)	(1.3816)	(1.3242)	(1.3070)	(1.2426)	(.9857)
Cuyo	3.7064***	2.6932***	.3531	3.4168***	3.1524***	3.4696***	3.8794***
	(.8596)	(1.0073)	(1.0760)	(1.0350)	(1.0311)	(1.0154)	(.8665)
Constant	28.3798***	13.2057***	-6.2577	22.9002***	23.3413***	21.5173***	28.4760***
	(4.8177)	(3.6444)	(4.1839)	(3.0101)	(2.8784)	(2.8147)	(5.0293)
Observations	212	120	120	120	120	120	212
R2	0.66	0.49	0.58	0.48	0.49	0.51	0.67
Cross-sectional units	24	24	24	24	24	24	24

Unstandardized regression coefficients. Standard Errors reported in parenthesis. *p<0.100; **p<0.050; ***p<0.010.

Figure 1 Interaction Term between State Capture and Share of Agricultural Employment and Its Effect on Inequality
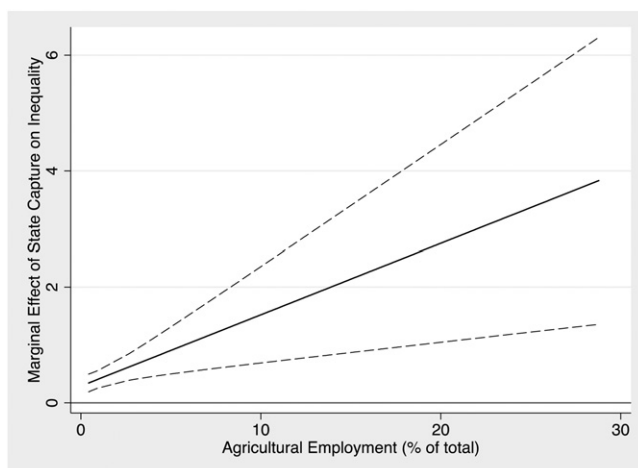
that the Gini index tends to increase more when the provincial state is captured and the share of agricultural employment augments (or when the provincial economy is less diversified) than when the state is not captured. The coefficient for state capture in Model 7 is positively signed, but it is less robust and loses statistical significance in relation to the one in Model 1, indicating that the interaction term absorbs the effect on inequality.

In relation to the political control variables, we do not find substantial differences in the average inequality measured by the Gini index in provinces governed by the two major traditional parties (PJ and UCR). However, we observe relatively lower levels of inequality in provinces governed by parties largely placed to the Left on the ideology continuum in relation to the others (e.g., Socialists, the FPV, and, to a lesser extent, the *Radicales K*; see footnote 2 in the Appendix for details of parties labels), as Huber and Stephens expect (see Figure A.3 in the Appendix).[48] We did not find any relationship between party fragmentation and inequality either, even though part of the literature claims that this variable tends have an effect on social indicators.[49] The correlation and regression coefficients are positive but statistically insignificant (the regression model is not reported to save space). Results also report that more majoritarian provincial constitutions tend to have higher values in the Gini index.[50] The correlation is negative, relatively robust (-0.27), and statistically significant (we did not include this variable in the regression models because the number of observations is very low).

Finally, we controlled for other structural variables usually correlated with inequality. As some of the literature would expect, inequality in the provinces tends to increase as unemployment rises (Models 1–7).[51] The models report inconsistent results

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between national economic growth and inequality, despite some of the literature finding a relationship between these variables. We did not find any clear empirical relationship between provincial population and inequality either (Models 1–7).

The Cuyo and the Northeast dummies in Model 1 indicate that these two regions, controlling for all the rest of the variables, have 3.7 and 2 points more on average, respectively, than the reference category, the central Pampas. Basic descriptive statistics report these two regions, as well as the Northwest, have more average inequality than the central region. These results should be taken with caution because they are inconsistent across different model specifications, probably indicating that different variables capture some regional specificities better than others.

Two Cases

After the econometric analysis, we briefly analyze two key cases, Chaco and Corrientes. We selected them because the main variables show large variation between them as well as across time. In relation to the outcome variable, Chaco and Corrientes were among the most unequal provinces in the country at the beginning of the series. Chaco reduced its Gini index by 16 points, Corrientes—by half of that value. Today, Corrientes is the second most unequal province and Chaco is among the three most egalitarian ones. Apart from these differences, there are other even more puzzling aspects: these two are neighboring provinces, historically, economically, and culturally connected, only separated by the Paraná river. By comparing these cases within a country, we can control for many variables (observed or unobserved) because there is no variation among them. In these cases, we attempt to provide more details on the functioning of economic elites' positive power (i.e., power over provincial taxes and spending) and negative power (i.e., power to resist national redistribution) on inequality across cases.

Corrientes: Provincial State Capture and High Inequality   Corrientes is what we labeled as a plantation province, together with Jujuy, Misiones, Salta, and Tucumán. It is one of the oldest provinces in Argentina. Its elites actively participated in the independence process, the civil wars after it, and the struggles that led to the formation of the Argentine confederation. Its capital, Corrientes, was founded in 1588, one of the earliest colonial settlements in the national territory. The territory acquired status of province in 1821. Its first governor was Juan José Fernández Blanco, a son of a rich Spanish merchant. During the colonization, Spanish Jesuits created *misiones*, which influenced the initial forms of production and its social structure.

Corrientes's economy is mostly agrarian, based on large plantations.[52] The main economic products are traditional crops such as rice, tea, yerba mate, and tobacco. It produces about 70 percent of the dark tobaccos in the country, almost 50 percent of the total rice, and about 15 percent of the total yerba mate.[53]

Agricultural employment represents an average of 20 percent of total employment (1996–2014), with the lowest value of 17 percent in 2014 (compared to 10 percent in

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Chaco in this same year). Labor informality was 38 percent in 2015, higher than the 33 percent nationwide.[54]

Large agricultural firms are very relevant compared to small ones. Corrientes has an average of 1,437 small agricultural firms registered each year (2007–2017), while Chaco almost doubles that figure (it has 2,139). In contrast, Corrientes has twenty-seven large (from 50 to 200 employees) agricultural firms registered each year. Chaco has five times fewer (five on average) (data from Ministry of Production).

Powerful landlords and political elites have been profoundly intertwined in Corrientes. In fact, "most of the provincial political families belong to a landed oligarchy and own agribusinesses."[55] For instance, the Romero Feris family, a dominant political family in the province, has been historically linked to a large livestock business.

With this economic structure, we would expect that economic elites have held important positions in the provincial cabinet. The Ministry of Production has traditionally been allocated to an agricultural businessperson (usually from the rice, tobacco, or the yerba mate sectors). The current minister, Jorge Vara, an engineer, represents the rice sector (he was president of the national rice chamber) and was selected among agricultural businesspersons and proposed to the current governor. The director of the provincial bank (Bank of Corrientes) usually represents either the service (transportation) or livestock sectors or large agricultural firms.[56]

These economic elites have exerted large influence over the functioning of the provincial state, particularly in regulating taxes, social spending, and labor rights. The business chambers are present in the economic policy design of the province. The minister of production has an advisory board (*Unidad Operativa de Producción*, UOP) composed of delegates of the business chambers where there is a representative of each productive area of the agricultural and livestock sectors.[57] The minister and the board also advise the deputy governor in economic policies for the sector. There is a very strong articulation between government and agricultural elites in the province.[58]

The minister and the chambers meet annually to set the tax policy for the agricultural sector and to decide whether to increase taxes. By provincial law 5,552, the total tax revenues collected from the provincial rural estate tax are allocated into a specific fund (the Rural Development Fund) that is re-invested in the agricultural and livestock sector; these funds, by law, cannot be invested in another area of government.

Unions have had no representatives in the cabinet and have had no substantial influence on provincial policies. Some unions have been allied with the provincial PJ and are part of the political opposition. Other unions, especially those in the transport sector, have been allied with the UCR-PRO government.

In relation to social spending, Corrientes invested about 700 USD per capita during 1993–2013. Chaco invested 32 percent more (925 USD). If we concentrate on the key period in which autonomous political elites dominated the cabinet in Chaco (after 2006), Chaco invested 49 percent more in social spending than Corrientes (the average for Chaco was 1,484 USD and 995 USD for Corrientes).

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Economic elites have not only influenced tax policies and social spending in the provinces. They have also resisted federal labor regulation in order to continue to repress labor rights and to guarantee cheap labor in the provinces. In 2011, President Cristina Fernandez de Kirchner sent to the National Congress a bill for implementing the so-called Agrarian Labor Regime (informally known as the "new statute of the rural laborer"). The bill defined federal regulations related to labor rights in the agricultural sector across the country; these included minimum wage, the eight-hours working day, paid vacations, prohibition of child labor, and safe working conditions.[59] The most controversial aspect of the new bill was who was in charge of auditing and control: until then, these functions were outsourced to a private company and controlled by large agricultural companies in the provinces, in collusion with the rural union (UATRE).[60] In the new bill, the federal government would be in charge of overseeing compliance with the federal laws. As we could expect, some governors and provincial senators from provinces with large plantations resisted the bill.[61] Despite these pressures, the federal legislation was passed into law 26,727 (Agrarian Labor Regime) in December 2011. After the session in Congress, the Federal Minister of Labor, Carlos Tomada, declared "those who opposed the bill the most were those who always had an attitude of disregard and exploitation of rural workers (...) reaching extreme situations of degradation and slavery (...). This is the economic sector with the largest share of informal labor in the country" and "the previous legislation did nothing to revert that."[62]

After losing the battle in Congress, governors of large plantation provinces have played a key role in resisting federal control of this legislation in their territories. These provincial governments were "committed to protect the productive sector" and were "worried about the impact on production," arguing also that "people (in the province) make a living out of this."[63] We interviewed one of the federal supervisors of the RENATRE (National Registry of Rural Workers and Employers) who examined work conditions in the agricultural sector and assessed compliance with federal labor laws in Chaco and Corrientes. He stressed that "the provincial government helped [implementing and complying with federal labor laws] in Chaco" (Franco Capitanich, cousin of the governor, was in the area of the provincial government coordinating with federal supervisors). When asked about the situation in Corrientes, he replied: "In Corrientes no [laughs]; it's complicated in Corrientes . . . The provincial political power could not be in favor of something that went against its interests."[64]

Despite provincial resistance, in a simple but perhaps revealing indicator, Corrientes had 1,399 sanctions due to failure to comply with federal labor regulations.[65] Chaco had 48 percent fewer sanctions than Corrientes (it had 945 sanctions). Provinces of equivalent population have values close to those of Chaco (Santiago del Estero had 913 and Misiones—746 sanctions). We conducted a similar search in April 2019 and the results are quite consistent: Corrientes had 1,392 sanctions and Chaco—938.[66]

Provincial economic elites resisted redistributive politics in Corrientes more than in Chaco, where these policies were expanded through more provincial social spending and compliance with federal labor laws. Corrientes was quite unequal at the beginning of the series and it is today the second most unequal province in the country.

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Chaco: Provincial Political Autonomy and Lower Inequality   Chaco is part of the group we label as new provinces, which have large public sectors and historically small agricultural production units, mostly cotton and quebracho. The province had seventy-three public employees for every 1,000 inhabitants in 2015 (Corrientes had 54; the average for the three largest provinces was 38). Agricultural employment represented only 10 percent of total employment in 2014. Almost 80 percent of the agricultural units are small. These units have an average of 349 hectares, compared to 450 hectares in Corrientes.[67] As indicated above, Chaco has almost double the number of small agricultural firms Corrientes has, and has five times fewer large agricultural firms.

Chaco achieved the status of a province only in 1952. Resistencia, the province's capital city, was founded in 1878 by Italian settlers. The territories of the province were obtained from Paraguay in 1865, after it lost the Triple Alliance war against Argentina, Brazil, and Uruguay. It was a National Territory (i.e., it did not have political, fiscal, or administrative autonomy and was under the rule of the national government) from 1872. The governors of the national territory during this period were members of the military, who tried to overpower indigenous populations, incorporate new lands into domestic production, and prevent foreign expansion.

After the transition to democracy (1983–2015), its governors and members of cabinet were mostly political rather than economic elites, particularly in the case of Peronist governors. Approximately 75 percent of the members of cabinet have held positions in the executive branch before, and another 19 percent had performed functions within the legislative branch.[68] *Acción Chaqueña* and the Radical Party, to a lesser extent, had some cabinet members from the private sector.[69]

The main criterion for selection of the members of cabinet is a previous political career in the public sector. On average, new ministers (or secretaries) occupied about three positions in public offices prior to attaining their positions in the cabinet. The highest average was in the first governorship of Jorge Capitanich, with 7.8 positions per person on average before joining the cabinet. Most cabinet members held various public positions throughout their career, mostly at the provincial level, in management or administrative positions in public offices.

Very few members of the economic elite took up positions in the provincial cabinet in Chaco. Although irrelevant in quantitative terms, the agricultural sector is the main origin among officials with a completely private profile. Of all the cabinet positions, the one that has presented the strongest relationship with a corporation is the Ministry of Production (former Ministry of Agriculture and Livestock), especially during the governorships of the Radical Party and Acción Chaqueña, between 1991 and 2003.[70]

These political elites have had more political autonomy in relation to policies that affect the private sector, such as the regulation of taxes, social policies, and labor rights in the province. As indicated in the analysis of Corrientes, Chaco invested 49 percent more in social spending than Corrientes during the key period in which political elites dominated the cabinet in Chaco (after 2006). It also had 48 percent fewer federal labor sanctions than Corrientes.

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The net effect of more political autonomy in a low diversified economy is lower inequality. Chaco had relatively high values of inequality in the country in the first year of the series (52 in 2003), the period in which it had more economic elites in the cabinet (1991–2003), but it reduced its inequality substantially during the 2000s, when it had political elites with long careers in the public sector and three union leaders in the cabinet. Today, Chaco is one of the most equal provinces in Argentina. It lowered its Gini index by 16 points, reaching 36 in 2011.

Conclusion

The great variation in inequality among provinces does not seem to depend solely on national-level structural or fiscal variables. We argue that provincial factors and subnational policies are also important to either reduce or increase inequality, as well as to deepen or resist the effects of national redistributive policies.

Our empirical results show that there is a positive and statistically significant relationship between indicators of state capture, larger shares of agricultural employment, larger agricultural firms, and greater inequality. This may well be a consequence of the functioning of markets in large plantation economies (or in any type of concentrated economy), since they usually are more dependent on cheap and informal rural workers. However, theoretically and supported by our results, we show that economic concentration mediates this relationship between the capture of the provincial state and inequality. In fact, the interaction term we report shows that in a non-diversified province, inequality increases substantially if the state is captured. This leads us to question the capacity of economic-structural arguments as the key to understanding inequality in the Argentine provinces. Being only partially supportive evidence, this finding nevertheless encourages further research on the role of provincial and local political and economic elites in large plantation and extractive economies in reproducing subnational inequality and resisting national redistributive policies.

The cases we analyzed show that provinces with more influential economic elites in the cabinet have lower taxes on land, spend less in social programs, have more repression of federal labor rights, and, as a consequence, have higher inequality. Capture seems to operate on "key" points of the state structure (certain ministries and administrative areas) linked to the interests of agrarian elites and through the creation of ad hoc structures that facilitate mediation between these elites and state decisions. In other words, capture seems to take on more subtle and sophisticated characteristics than a simple elite "assault" of the state. In contrast, more recently created provinces in which the state is not captured exhibit the lowest values in income inequality in the country. These provinces are mostly dependent on large public sectors and sizeable redistributive federal transfers, tend to invest more in social spending, and their authorities help enforce federal labor rights in their territories because they do not face strong plantation businesses. These provinces also have fewer sanctions in response to violations of federal labor laws. The case we analyze also shows that redistribution does

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not only require the presence in the state of actors with an interest in reducing inequality (unions or social movements, for example), but also professional politicians: the autonomy of the state seems to have significant redistributive effects. Largely populated urban provinces exhibit values of inequality similar to the average national.

Future studies may further review our results by expanding the data and more clearly specifying the role of subnational variables that appear to be relevant in this study, particularly state capture. They may also explore how much these variables can account for variation at the subnational level in other cases beyond the one we study. Future research may also examine the conditions under which provincial states are more and less likely to be captured. This comparative research agenda could help us identify some of the possible causes of the unequal distribution of inequality not only among the Argentine provinces but also among subnational units in other unequal countries.

NOTES

1. The analogy between values of provincial level inequality and country level inequality is only illustrative.

2. Merike Blofield, *The Great Gap: Inequality and the Politics of Redistribution in Latin America* (University Park: Penn State Press, 2011); Nora Lustig, Luis Lopez-Calva, Eduardo Ortiz-Juarez, "Declining Inequality in Latin America in the 2000s: The Cases of Argentina, Brazil, and Mexico," *World Development*, 44 (April 2013), 129–41.

3. Instituto Brasileiro de Geografia e Estatística (IBGE), *Pesquisa Nacional por Amostra de Domicílos* (Rio de Janeiro: IBGE, 2017).

4. OECD, Income Inequality (indicator) (2019), doi: 10.1787/459aa7f1-en, accessed September 24, 2019.

5. Socio-Economic Database for Latin America and the Caribbean (SEDLAC) (2018), accessed September 24, 2019; UNU-WIDER, World Income Inequality Database (WIID4) (2018), accessed September 24, 2019.

6. Due to space constraints, the Appendix is not in the print version of this article. It can be viewed in the online version, at https://www.ingentaconnect.com/content/cuny/cp.

7. Jacob Hacker and Paul Pierson, *Winner-Take-All Politics: How Washington Made the Rich Richer—And Turned Its Back on the Middle Class* (New York: Simon and Schuster, 2010); Blofield, 2011; Jeffrey Winters, *Oligarchy* (New York: Cambridge University Press, 2011); Benjamin Page, Larry Bartels, and Jason Seawright. "Democracy and the Policy Preferences of Wealthy Americans," *Perspectives on Politics*, 11 (March 2013),

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51–73.; Tasha Fairfield, *Private Wealth and Public Revenue* (New York: Cambridge University Press, 2015); *inter alia*.

8. Hacker and Pierson; Winters; Page, Bartels, and Seawright.

9. Richard Snyder, "Scaling Down: The Subnational Comparative Method," *Studies in Comparative International Development*, 36 (January 2001), 93–110; Rebecca Weitz-Shapiro, "What Wins Votes: Why Some Politicians Opt Out of Clientelism," *American Journal of Political Science*, 56 (July 2012), 572.

10. Future works may explore similar questions to ours in contexts of increasing inequality.

11. Taking as a reference this literature on inequality at the national level, some of the key factors that may help explaining intraregional inequalities can be grouped into socio-economic, demographic, fiscal, and politico-institutional variables (Vicky Birchfield and Marcus Crepaz, "The Impact of Constitutional Structures and Collective and Competitive Veto Points on Income Inequality in Industrialized Democracies," *European Journal of Political Research*, 34 (October 1998), 175–200; Torben Iversen and David Soskice, "Electoral Institutions and the Politics of Coalitions: Why some Democracies Redistribute More than Others," *American Political Science Review*, 100 (May 2006), 165–81; David Austen-Smith, "Redistributing Income under Proportional Representation," *Journal of Political Economy*, 108 (December 2000), 1235–69; Torsten Persson and Guido Enrico Tabellini, *Political Economics. Explaining Economic Policy* (Cambridge: MIT Press, 2002); David Bradley, Evelyne Huber, Stephanie Moller, François Nielsen, and John D. Stephens, "Distribution and Redistribution in Postindustrial Democracies," *World Politics*, 55 (January 2003), 193–228; Ben Ross Schneider and David Soskice, "Inequality in Developed Countries and Latin America: Coordinated, Liberal, and Hierarchical Systems," *Economy and Society*, 38 (January 2009), 17–52; *inter alia*. In addition to the literature on inequality at the national level, another group of works also explores the causes of interregional inequalities both in developed and developing federal countries (see, among others, Alberto Alesina and Enrico Spolaore, *The Size of Nations* (Cambridge: MIT Press, 2005); Erik Wibbels, "Decentralized Governance, Constitution Formation, and Redistribution," *Constitutional Political Economy*, 16 (June 2005), 161–88; Pablo Beramendi, *The Political Geography of Inequality: Regions and Redistribution* (Cambridge: Cambridge University Press, 2012); Jonathan Rodden, "Federalism and Inter-Regional Redistribution," in Nuria Bosch, Marta Espasa, and Albert Sollé Ollé, eds., *The Political Economy of Inter-Regional Fiscal Flows: Measurement, Determinants, and Effects on Country Stability* (Cheltenham: Elgar, 2010), 191–219; Lucas González, "When are Federations More Unequal? The Political Economy of Interregional Redistribution in Developing Federations," *Studies in Comparative International Development*, 51 (January 2016), 209–34).

12. Agustina Giraudy, Eduardo Moncada, and Richard Snyder, *Inside Countries: Subnational Research in Comparative Politics* (New York: Cambridge University Press, 2019).

13. Provinces or states are only one of the sub-national levels to study inequalities and the factors that affect them. These units may be of a lower level than the provincial one and with a focus on rural rather than urban areas (Linda Lobao, "Continuity and Change in Place Stratification: Spatial Inequality and Middle-Range Territorial Units," *Rural Sociology*, 69 (October 2004), 1–30), with cities as the unit of analysis (Todd Swanstrom, Peter Dreier, and John Mollenkopf, "Economic Inequality and Public Policy: The Power of Place," *City & Community*, 1 (December 2002), 349–72), or at a higher level than provinces or states, with a focus on regions comprising more than one province or state (Cristiano Perugini and Gaetano Martino, "Income Inequality within European Region: Determinants and Effects on Growth," *Review of Income and Wealth*, 54 (September 2008), 373–406). There is also a great variety of explanatory variables considered in these studies, which largely responds not only to theoretical perspectives, but also to the specificities of the sub-national areas under study (for example, with few exceptions, regions are not political-administrative relevant units of analysis, so that political-institutional factors at this level have little or no relevance). As Swanstrom et al. show, socio-spatial segregation according to class cleavages is crucial to understand the patterns of inequality at the urban level. In rural areas, Lobao stresses the relevance of socio-productive variables (he calls them "territorial consumption complexes"). The complex set of levels and variables these and other works highlight shows that the study of inequalities and their dynamics requires considering the specificities of each level and the interactions between them.

14. Ernesto Calvo and Lorena Moscovich, "Inequality, Protests, and the Progressive Allocation of Cash Transfers in the Argentine Provinces," *Latin American Politics and Society*, 59 (January 2018), 3–26; Nathan Kelly and Christopher Witko, "Federalism and American Inequality," *The Journal of Politics*, 74 (March 2012), 414–26.; Natália Sátyro, "Política Estadual e Desigualdade: Por Que alguns Estados Redistribuem Mais do que Outros?," *Dados*, 56 (August 2013), 497–530. These are not mechanical extrapolations of national theories, since in all three studies there are analytical and empirical contributions that incorporate, at least partially, specific characteristics of the subnational scale and in its relationships with the national scale.

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15. Joel Hellman and Daniel Kaufmann, "Confronting the Challenge of State Capture in Transition Economies," *Finance & Development*, 38 (September 2001), 31–31.

16. Daron Acemoglu and James Robinson, "Persistence of Power, Elites, and Institutions," *American Economic Review*, 98 (March 2008), 267–93.

17. Anna Grzymala-Busse, "Beyond Clientelism: Incumbent State Capture and State Formation," *Comparative Political Studies*, 41 (April 2008), 638–73.

18. Joel Hellman, Geraint Jones, and Daniel Kaufmann, *Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition* (Washington, DC: The World Bank, 2000).

19. Hellman, Jones, and Kaufmann, 2.

20. Our perspective is clearly framed within the classic debate between the instrumentalist, structuralist, and autonomist perspectives that took place in Marxist and Weberian-Marxist theories during the last decades of the 20th century. For the instrumental point of view, the ruling classes occupy (through different selection mechanisms) the most relevant positions of the state to guide its actions according to their interests (see, for instance, Ralph Miliband, *The State in Capitalist Society* (London: Weidenfeld and Nicolson, 1969)). The structuralist objections pointed out that the interests of the capitalist classes were not protected by the presence of capitalists in the state, but rather by the configuration of the state structure that favored those interests (the "relative autonomy" of the State, see Nicos Poulantzas, *Political Power and Social Classes* (London: Verso Books, 1975), or by the "structural dependence of the state on capital" that forces governments to satisfy the needs of capitalists if they want to maintain economic activity and macroeconomic stability (Adam Przeworski and Michael Wallerstein, "Structural Dependence of the State on the Capital," *American Political Science Review*, 82 (March 1988), 11–29; Adam Przeworski, *The State and the Economy Under Capitalism* (New York: Harwood Academic Publishers, 1990)). The autonomist position challenged both previous positions, pointing out that governments and state officials have their own political interests and objectives that do not necessarily correspond to those of any social group and may even go against the interests of the ruling sectors or classes (Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (New York: Cambridge University Press, 1985)). Although our notion of capture is inspired by the instrumentalist perspective, we are not advocating its theoretical or empirical supremacy with respect to the other views.

21. The direct access of economic elites to state control, as well as other forms of capture, are among many other ways in which economic elites can influence the state and, through it, affect inequality. Fairfield offers a broad overview of these different forms based on the distinction between "infrastructural power" or (de) investment and "instrumental power." Elites' access to state positions is one form of instrumental power, among many others. What we want to emphasize is that state capture, as we define it, implies a qualitative difference with respect to other forms of incidence. This type of influence blocks the mere possibility of state autonomy, understood as the "ability to achieve official objectives, especially over the real or potential opposition of powerful social groups" (Skocpol, 9). These "official objectives" may be of different types, but in general they will be much more compatible with redistributive policies than the direct control of the state by powerful economic elites. This does not mean that the autonomy of the state will necessarily lead to a change in socio-economic structures. What is relevant for us is that an autonomous state opens a range of possibilities for the implementation of redistributive policies that a captured state can only resist or block.

22. Michael Mann, "La Crisis del Estado-Nación en América Latina," *Desarrollo Económico*, 44 (Jul.-Sep. 2004), 186.

23. Tulia Falleti, *Decentralization and Subnational Politics in Latin America* (Cambridge: Cambridge University Press, 2010).

24. At the local level, state capture may be more attractive for those areas in which municipalities have authority, such as the use of land and the provision of local services.

25. We differentiate state capture by economic elites (or firms) from state capture by political elites (or parties) (see Haroon Bhorat, Mbongiseni Buthelezi, Ivor Chipkin, Sikhulekile Duma, Lumkile Mondi, Peter Camaren, Mzukisi Qobo, Mark Swilling, and Hanna Friedenstein, *Betrayal of the Promise: How South Africa Is Being Stolen* (Johannesburg: PARI, 2007); *inter alia*). This latter form of capture occurs when certain politicians become powerful businesspersons out of their position in the state. The mechanism of capture is similar to the one by economic elites (private interests are "within" the State and subordinate its policies), but they differ in how these political elites are constituted: in one case they come from outside the state and take it over; in the other, they constitute themselves as economic elites from within the state. Methodologically, there would be no differences in the measurement of both forms capture (businessmen in positions of the executive branch), but the trajectories and mechanisms through which they can influence inequality (and their

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implications in relation to the functioning of a democratic regime) could be very different. Future studies could explore the incidence of these different trajectories on inequality.

26. Fairfield; Pablo Beramendi, Mark Dincecco, and Melissa Rogers, "Intra-Elite Competition and Long-Run Fiscal Development," *Journal of Politics*, 81 (January 2019), 49-65; Oded Galor, Omer Moav, and Dietrich Vollrath, "Inequality in Land Ownership, the Emergence of Human Capital Promoting Institutions, and the Great Divergence," *Review of Economic Studies*, 76 (January 2009), 165-71; Giuliana Pardelli, "Agrarian Elites, Economic Diversification and Local Fiscal Capacity," Working paper, Politics Department, Princeton University, 2018.

27. Another important factor is the degree of redistribution from the national government. For empirical reasons (we have data available between 2003 and 2011), we focus our research on a period of national redistribution in Argentina. Future research could explore other periods in this case.

28. Fairfield.

29. Beramendi et al.

30. Galor et al.

31. Pardelli, 9.

32. In a complementary argument, Niedzwiecki shows how political cooperation between presidents and governors influences the implementation of social policies in federal countries. We focus on the influence of economic elites on the provincial government to block federal regulations, rather than on partisan links between the two levels of government. Sara Niedzwiecki, *Uneven Social Policies: The Politics of Subnational Variation in Latin America* (New York: Cambridge University Press, 2018).

33. Economically undiversified provinces can either be large plantations or extractive (e.g., oil, gas, and mineral) economies. In this work, we focus on plantation economies because of their historical relevance in developing countries. Further research could explore similarities and differences among different types of economically undiversified provinces.

34. Barrington Moore, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966).

35. Robert Dahl, *Who Governs? Democracy and Power in an American City* (New Haven: Yale University Press, 1961).

36. See Appendix for details.

37. Calvo and Moscovich, 11.

38. E.g., Hellman et al.; Hellman and Kauffman.

39. E.g., Pranab Bardhan and Dilip Mookherjee, "Decentralisation and Accountability in Infrastructure Delivery in Developing Countries," *The Economic Journal*, 116 (January 2006), 101–27.

40. Jean Paul Faguet, "Governance from Below in Bolivia: A Theory of Local Government with Two Empirical Tests," *Latin American Politics and Society*, 51 (November 2009), 49.

41. See Kelly and Witko; Sátyro.

42. Pradeep Chhibber and Irfan Nooruddin, "Do Party Systems Count? The Number of Parties and Government Performance in the Indian States," *Comparative Political Studies*, 37 (March 2004), 153–54; Persson and Tabellini. Part of the literature claims that two-party systems tend to generate more spending on public goods than multiparty systems. This is because, in a two-party system, governments face less pressure to concentrate their expenditures and to deliver private goods to specific groups of voters to obtain their support. We measured this variable using the effective number of parties (in terms of votes or seats; data from Carlos Varetto, "¿Sistema o Sistemas de Partidos? El Enfoque de Pluralidad de Sistemas Partidarios aplicado al Caso Argentino (1983–2011)," *Revista Mexicana de Análisis Político y Administración Pública*, 3 (July 2014), 37–70).

43. Several authors emphasize the role of electoral rules to explain variations in inequality. In particular, they argue that majority rules tend to increase inequality (Austen-Smith; Persson and Tabellini; Bradley et al.; Iversen and Soskice; Schneider and Soskice).

44. Sven Wilson and Daniel Butler, "A Lot More to Do: The Sensitivity of Time-Series Cross-Section Analyses to Simple Alternative Specifications," *Political Analysis*, 15 (Spring 2007), 101–23.

45. Nathaniel Beck and Jonathan Katz, "What to Do (and not to do) with Time-Series Cross-Section Data," *American Political Science Review*, 89 (September 1995), 634–47.

46. We further specified this model including other control variables: federal transfers, number of provincial public employees per 1,000 inhabitants, and provincial spending (total spending and social spending) (in USD per capita), and results remain very similar: the coefficient for state capture remains positive, robust (1.2208), and statistically significant ($p < 0.003$), while the coefficients for these independent variables are negative and significant (the model is not reported to save space).

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47. As Faguet did.

48. Evelyn Huber and John D. Stephens, *Democracy and the Left: Social Policy and Inequality in Latin America* (Chicago: University of Chicago Press, 2012).

49. E.g., Chhibber and Nooruddin, 153–54; Persson and Tabellini.

50. As codified by Alejandro Corbacho, "Reformas Constitucionales y Modelos de Decisión en la Democracia Argentina, 1984–1994," *Desarrollo Económico*, 37 (January 1998), 591–616.

51. The urbanization level of the province (-0.28), its illiteracy (0.35), and infant mortality rates (0.37) are also related to inequality.

52. Corrientes has been a plantation economy for much of its contemporary history, but it had an incipient industry during a part of the nineteenth century, with a strong shipbuilding sector. Some of its local businessmen and politicians, such as Pedro Ferré, wanted protectionism and defended the local industry against federal elites who endorsed the opening of the national economy to global trade. When national elites opened the economy, they forced Corrientes, and many other provinces, into a primarization path (i.e., the agricultural sector expanded and the industrial almost disappeared). We appreciate an anonymous CP reviewer for this comment. Without getting into the intricate historical details of how this, as well as other provinces, ended up having large plantations, we explore how this economic structure interacted with the autonomy of the state to increase or decrease inequality.

53. MECON (Ministerio de Economía y Finanzas Públicas), Dirección Nacional de Asuntos Provinciales. (2018). Corrientes. Informe Sintético de Caracterización Socio-Productiva. Buenos Aires.

54. Subsecretaría de Planificación Económica (SSPE), *Informes Productivos Provinciales. Corrientes* (Corrientes: SSPE, 2016), 3.

55. Jaqueline Behrend, "The Unevenness of Democracy at the Subnational Level: Provincial Closed Games in Argentina," *Latin American Research Review*, 46 (January 2011), 163.

56. Online CVs of the Authorities of the Bank, at: https://www.bancodecorrientes.com.ar/sitio/seccion.php?id=27, accessed April 4, 2019. Interview with GR, provincial official in Corrientes, November 16, 2018, March 27 and March 30, 2019.

57. "Inició su labor la Unidad Operativa de Producción," *El Litoral*, Apr. 10, 2010.

58. Interview with GR, November 16, 2018.

59. These rights had been established in 1944 but were later abolished by a law during the military dictatorship in 1980.

60. Sebastián Premici, *De Patrones y Peones* (Buenos Aires: Acercándonos Ediciones, 2016); Sebastián Premici, "Con todos los derechos de los otros trabajadores," *Página 12*, Dec. 22, 2011. Interview with high-ranking official in the area of Labor Policy Planning, Federal Ministry of Labor, Buenos Aires, November 22, 2018; Interview with FT, Resistencia, Chaco, April 5, 2019; Interview with high-ranking official in the area of Labor Relations, Federal Ministry of Labor, and the National Commission of Agricultural Work, Buenos Aires, July 24, 2019. In an interview with a high-ranking official of the Federal Ministry of Labor (July 24, 2019), he claimed that "you wouldn't notice the difference between the businessman and the union leader."

61. *Página 12*, 2011. Interview with the two high-ranking officials of the Federal Ministry of Labor, November 22, 2018; July 24, 2019; Interview with former governor of Chaco, April 5, 2019.

62. "Satisfacción de Tomada," *Página 12*, Dec. 22, 2011b.

63. Interview with high-ranking official in the area of Labor Relations, Federal Ministry of Labor, and the National Commission of Agricultural Work, Buenos Aires, July 24, 2019.

64. Interview with FT, Resistencia, Chaco, April 5, 2019.

65. Data collected from the Public Registry of Employers with Labor Sanctions (REPSAL), during October and November 2018; accessed November 27, 2018.

66. REPSAL site accessed on April 4, 2019.

67. Dirección de Desarrollo Agropecuario (DDA) (2007), Proyecto de Desarrollo de Pequeños Productores Agropecuarios (Proinder), Los Pequeños Productores en la República Argentina, 50.

68. Ana Castellani, *Estudio Socio-Histórico de los Gabinetes Provinciales, Artículo de Investigación* (Resistencia: Escuela de Gobierno de Chaco, 2018), 7.

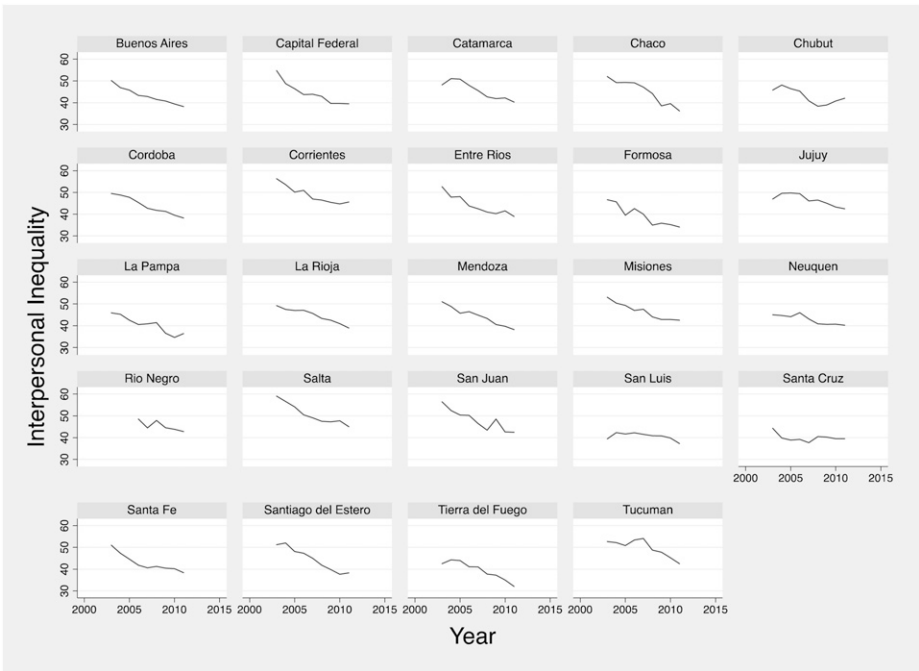69. Castellani, 37–38.

70. Castellani, 17, 24.

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APPENDIX

Figure A.1: Interpersonal Inequality in the Argentine Provinces (2003-2011)
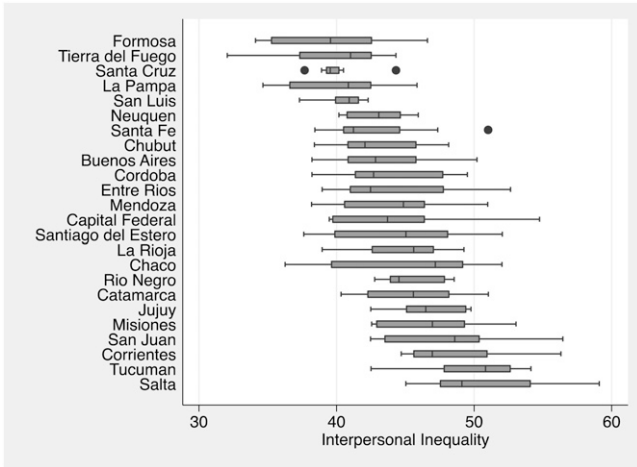
Source: based on EPH data from Calvo and Moscovich (2017).

Figure A.2: Changes in Inequality in the Argentine Provinces (2003-2011)

Source: based on EPH data from Calvo and Moscovich (2017).

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Figure A.3: Inequality, according to the type of party in the provinces (2003-2011)
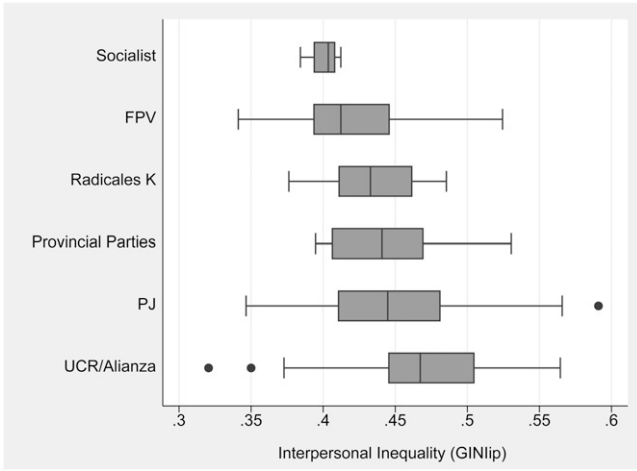
4

Table A.1: Variables and Data Sources

Variable	Description	Source	Years
Interpersonal Inequality (GINIip)	Gini Index[1] to measure interpersonal inequality (GINIip), calculated from the survey data on per capita income for each province.	Data from the Permanent Household's Survey (EPH), National Institute of Statistics and Census (INDEC), Calvo and Moscovich (2017).	2003-2011
Provincial State Capture	Dummy variable indicating whether key provincial businesswomen/men from the most relevant provincial economic sectors (extensive plantations – such as sugar cane, tobacco, tea, and yerba mate –, agro-business – producers of soybeans and other grains, cattle, and dairy –, mega-mining, and large oil and gas companies), participated in influential positions in the provincial cabinet (such as the chief of staff, ministry of government, economy, finance, production, or industry). If we found some of these economic elites in key cabinet positions, we coded the province 1, a "captured" provincial state; 0 otherwise.	Expert coding.	2003-2011
Number of Firms and Agricultural Firms	Number of total firms and agricultural firms in each province, disaggregated according to their size in number of employees (up to 9, from 10 to 49, from 50 to 200, and more than 200).	INDEC and Ministry of Production.	2007-2017

(Continued)

Table A.1: (continued)

Variable	Description	Source	Years
Agricultural Employment	Provincial agricultural employment as a share of the total provincial employment.	Ministry of Labor, Employment, and Social Security.	1996-2014
Ideology of the Party in Government	Six categories: PJ, FPV, UCR, Socialists, Radicales K, Provincial.[2]	Authors' classification based on data from National Electoral Office (DINE).	1983-2011
Partisan Fragmentation	Effective number of parties (ENP) in terms of votes and seats in each province.	Varetto (2014).	1983-2011
Type of Provincial Electoral Rules	Majoritarian or Consensual Provincial Constitution. Codified according to the degree of "majoritarianism" of provincial constitutions in 1994 (extrapolated).	Corbacho (1998).	1983-2015
Unemployment	Provincial unemployment rate.	INDEC.	2003-2015
Economic Growth	Annual rate of economic growth.	World Bank.	1983 –2013
Provincial Population	Provincial population. Census data (extrapolated for the series).	INDEC (Ministry of Health, Secretariat of Health Policy and Regulation. Undersecretary of Planning, Control, Regulation and Supervision. Department of Health Statistics and Information).	1983-2010

(*Continued*)

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Table A.1: (continued)

Variable	Description	Source	Years
Regional Dummies: Central Pampas	Dummy variable for Buenos Aires, Capital Federal, Córdoba, and Santa Fe.	Authors' classification.	1983 -2013
Northeast	Dummy variable for Chaco, Corrientes, Formosa, Misiones, and Entre Ríos.		
Northwest	Dummy variable for Jujuy, Salta, Tucumán, Santiago del Estero, Catamarca, and La Rioja		
Patagonia	Dummy variable for Neuquén, La Pampa, Río Negro, Chubut, Santa Cruz, and Tierra del Fuego.		
Cuyo	Dummy variable for Mendoza, San Juan, and San Luis.		

[1]The Gini Index is a measure of a variable's statistical dispersion (income, in our case), ranging from 0, or total equality, where each of the units (individuals, in our case) gets the same value in the measured variable, and 1, or perfect inequality, where a single unit of analysis concentrate all the value of the variable.
[2]We recognize the complexity of identifying party ideology in some Argentine provinces, mainly in the case of the Justicialist Party (PJ) (Diego Reynoso, "Congruencia Ideológica Interprovincial de las Coaliciones Políticas Nacionales," *Revista de la SAAP* 12 (May 2018), 99-130). Being aware of this challenge, we classify parties in the provincial government into six categories: Justicialist Party (PJ), Front for Victory (Frente para la Victoria, FPV), Radical Civic Union (UCR), Radicales K (a splinter of the UCR allied to the FPV), Socialist Party, or provincial parties (MPN, PACh, PAL, among others). We include the PRO as a provincial party because we only have data up to 2011. In that year, the PRO governed only the Federal Capital.