

THE INSTITUTIONAL FOUNDATIONS OF PUBLIC POLICY: A TRANSACTIONS APPROACH WITH APPLICATION TO ARGENTINA*

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ABSTRACT

Public policies are the outcomes of complex intertemporal exchanges among politicians. The basic institutional characteristics of a country constitute the framework within which those transactions are accomplished. We develop a transactions theory to understand the ways in which political institutions affect the transactions that political actors are able to undertake, and hence the policies that emerge.

We argue that Argentina is a case in which the functioning of political institutions has been such that it prevented the capacity to undertake efficient intertemporal political exchanges. We use positive political theory and transaction cost economics to explain the workings of Argentine political institutions, and to show how that maps into low-quality policies.

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1. INTRODUCTION

Political institutions are the rules of the political game and, thus, of the determination of public policies. Expectations about future policies are key determinants of economic behavior and outcomes. Economic agents form their expectations about future policies based on their understanding of the policy generation process, i.e., of the rules of the game. Thus, to understand a society's economic performance, it is necessary to develop an understanding of its policymaking process. In this paper we present a transactions approach to study the impact of political institutions on public policy determination. We use this approach to explain key features of policymaking and policies in Argentina.¹

The main thrust of the transaction approach to public policy is that public policy is the result of a series of intertemporal political transactions. As such, understanding public policy requires understanding the determinants of the underlying political transactions. We borrow from Transaction Cost Economics the dual emphasis on the importance of intertemporal considerations in (political) exchanges, and a micro-analytic approach to the study of transactions. In analyzing the workings of political institutions, we adopt a "general equilibrium" approach, looking at *the overall* set of incentives and constraints faced by key political actors.

Efficient intertemporal transactions require the appropriate alignment of the political actors' temporal incentives.² These incentives, in turn, are determined by the nature of the country's institutions. Since the way these transactions are implemented is affected by the need to safeguard the interests at stake, a country's institutional characteristics impact on the substance, nature and feasibility of political transactions. The realized transactions and their nature characterize, in turn, the emerging public policies.

Environments that do not provide for the adequate enforcement of political exchanges, will generate high transaction costs, as politicians will have to design complex mechanisms to protect their rent allocation. The associated high implementation costs imply that many political transactions will not be implemented, and those that may be implemented will tend to generate relatively high-cost (inefficient) public policies. These may turn out to be too rigid (i.e., not well able of adjust to changing economic circumstances) and also too unstable (i.e., too dependent on political outcomes). Societies with such environments will tend to generate poor-quality public policies, with the consequent impact on economic and societal performance.

¹ Given its well known economic, political and social underperformance, Argentina is an interesting case study for this type of exercise. It is also a case where it is almost universally agreed that it would be very hard to explain performance without reference to its political economy and to some particular features of its policymaking process. See for instance Dominguez (1998), Erro (1993), Waisman (1987), Lewis (1978), and Diaz Alejandro (1970).

² By efficient here, and elsewhere in this paper, we mean achieving the agents' objectives (which may not be "economic efficiency" as normally conceived) with minimal costs.

Our framework draws from insights in the literature on transaction cost economics, in particular the work of Oliver Williamson and followers, and on its applications to politics, suggested by North (1990) and Dixit (1996). While North and Dixit emphasize transactions among citizens (or pressure groups) and politicians, we emphasize transactions among politicians.³ In that sense, our work is closer to the pioneering papers by Weingast and Marshall (1988) and Moe (199b, and Moe and Caldwell 1994).⁴

Transaction cost economics, as developed by Williamson (1979, 1985 and 1991) and others, attempts to understand economic organization, taking *economic* transactions as the units of analysis. In most of that work, characteristics of the institutional environment are taken as given (such as the workings of the Judiciary), and a deep analysis of the features of different economic transactions is undertaken. This micro-analytical approach to transactions, endogeneizes (explains) the governance structures that support those transactions (distribution of ownership, contracts, etc.). In Levy and Spiller (1996), the institutional characteristics of countries vary, and the features of the (now *political*) transaction, the regulation of utilities, are held constant. In those cases, the governance structure of that particular political transaction is endogeneized to the features of each institutional environment.

In our transactions approach to public policy, the focus is on the institutional characteristics of a given country. This requires a micro-analytic approach to political institutions, and for that we draw from, and contribute to, the literature on positive political theory.⁵ The features of particular political transactions are very different from one to the other (it is not the same to grant a one-time cash transfer to victims of some natural disaster, than to privatize a complex network industry plagued by cross subsidies). In this framework, the governance structure for each *political* transaction, is endogeneized, and it depends on its characteristics and on the characteristics of the institutional environment. These endogenously derived features of political transactions are, indeed, the features or characteristics of public policies.⁶

Differing from most of the prior literature, we look at the *outer*, rather than the *inner* features of policies. Although normally the political economy literature concerns itself with the substance, i.e. the *inner features* of policies (i.e. will agriculture be subsidized or taxed, will exports be subsidized or taxed, which sectors will get protection from international competition, etc.),⁷ in this paper we focus on the *outer features* of policies,

³ Roughly, we are assuming that agency problems between citizens (or groups) and politicians are “orthogonal” to the analysis. Although clearly not the case, this issue is left for future work.

⁴ See also Epstein and O’Halloran (1999) for a recent application and generalization.

⁵ See for instance Cohwey and McCubbins (1995), Moe and Caldwell (1994), Palmer (1995), Shugart and Carey (1992), McCubbins, Noll and Weingast (1987), Weingast and Marshall (1988).

⁶ We suggest a way to characterize *features* of public policies, that although shares a resemblance with those emphasized by political scientists (for instance, Cox and McCubbins 1999), and by some economists (Rodrik 1989, 1995 and 1997), it is different from the standard focus on the *content* of economic policies in economics.

⁷ For an exception, see Rodrik (1995), who analyzes six countries that implemented “the same policy,” export subsidization, but with widely varying degrees of success. Rodrik relates success to features such as the consistency with which the policy was implemented, which office was in charge, how this was bundled or not with other policy objectives, and how predictable the future of the policy was.

like their quality, consistency, predictability and adaptability to changing circumstances. Policy features that, at least for analytical purposes, can be discussed independently of their substance.⁸

Recently, Cox and McCubbins (1999) have presented a related approach to public policy. Drastically simplifying their argument, Cox and McCubbins (1999) suggest that the determinants of public policy come to a trade-off between the ability to change policy (“decisiveness” -D) and the ability to commit to policy (“resoluteness” -R). Different institutions (such as the electoral rules, the number of chambers, and the federal dimension) would map, through division of powers and division of purpose, into effective numbers of veto players for each polity (à la Tsebelis 1995). Countries with more (less) veto players will be located closer (farther) from the resoluteness end along a decisiveness-resoluteness frontier. Such characterization misses some important intertemporal aspects of political transacting. For example, holding constant the number of effective veto players, there might still be institutional features mapping into substantially different capacities to strike intertemporal trades. Taking these features into account could lead one to locate different countries at different points along rays from the origin in the D-R space. While our analysis would roughly place Argentina as having both less D and less R than the US, in their final analysis, Cox and McCubbins end up classifying Argentina and the US in the same category (see their table 2.3).⁹

We close the introduction with a caveat. We do not attempt an empirical test of our theory here. In this study, we provide some evidence of general properties of policies in Argentina and a few more detailed examples of specific policies. Much more structured comparisons of properties of policies across issues and polities is, though, badly needed. Some work in this direction has been done by students of “State Capacity” (most notably Evans, 1995). We hope this paper will help in providing some additional theoretical focus for such studies.

⁸ This is a natural route to take, given our focus on country level analysis of a wide spectrum of policies, and in particular that we are interested in exploring the impact of political institutions. Notice also that we abstract from considering the nature of underlying interests, not because we believe them unimportant, but because we want to focus on the “independent” effect of institutions.

⁹ Consider the role of the judiciary. Cox and McCubbins (1999) tend to count an independent judiciary as another veto player. This would, as a consequence, move such a country towards more R but less D. At a given point in time, an extra player with the institutional capacity to block moves, and possibly different preferences, *increases* R. But, when seen from an intertemporal perspective, the appearance of such a player might *increase* rather than decrease D. The very fact that the other political actors know that that there is a long term player who will be likely to enforce current transactions, increases the capacity to enter into agreements (i.e., produce necessary policy changes) today, hence also increasing, rather than decreasing, D.

2. BUILDING BLOCKS OF A TRANSACTIONS APPROACH TO PUBLIC POLICY

<insert Figure 1: The Framework>

A. Generalities

Figure 1 presents our analytical framework in a schematic form. We take as exogenous, for the purposes of this analysis some basic institutional features of a constitutional nature (including the electoral regime), as well as their (past) temporal stability or instability.¹⁰ Taking those features as given, we use elements of positive political theory to describe and understand the actual functioning of political institutions (legislatures, executives, judiciaries, bureaucracies, intergovernmental relations). The transactions approach calls attention to the incentives that those basic institutional features generate for the key actors in each of these “institutions.”¹¹

The institutional performance and the organization resulting from those “exogenous” characteristics of the institutional environment, in turn provide the governance structure for political exchanges, that is the political set of rules that condition and enforce them, if at all. This, in turn, determines the derived governance of specific political transactions and, hence, the features of the resulting policies.

The functioning of political institutions also impacts, more directly, on the qualities of public policies, via the incentives it provides for key actors (e.g. legislators, bureaucrats) to invest in the development of individual or collective capacities in substantive policy areas.

B. A Sketch of a Theory:¹²

Policy determination as a transaction game

Imagine a group of political actors who have to make collective decisions. These decisions have distributive consequences (for them or for their constituencies).¹³ These decisions will have different characteristics, such as duration, degree of reversibility, temporality of payoffs, fungibility, and so on.

¹⁰ For instance, we take as exogenous the duration of democratic and dictatorial spells in any given country.

¹¹ For instance, we will argue that the particular incentives of the key political players in Argentina (the president, ministers, governors and specially legislators), are the combined result of its electoral rules, some features of its federal structure and federal arrangements, some “constitutional” capabilities of the presidency, as well as the history of military interruptions. The interrelation among these factors (often not considered in cross-national empirical work) is crucial to understand the performance of Argentina’s polity. Career incentives of legislators play a crucial role.

¹² Given the complexity of the object under analysis, we provide here only the heuristics of a possible model. We leave the formal mathematical modelling for a later stage in this research program.

¹³ We abstract from principal-agent problems between citizens and politicians for the time being. See Personn, Roland and Tabellini (1997) and Careaga and Weingast (2000) for some interesting interactions with that dimension.

These actors, on top of participating in the collective decision making process, also have the capacity to undertake some “individual” actions / investments -- as in the case of provincial governors who have policy jurisdiction at home, or of legislators who could invest in being well informed about complex technical aspects in some policy area. These actions will also have temporal properties as described in the previous paragraph.¹⁴

Over the implementation horizon, there are shocks (i.e., economic uncertainty) that may require policy adjustments. These shocks may come from international markets, policy decisions in other countries, technological changes, diseases, social and demographic changes, etc. There is also political uncertainty, captured by some sort of random “recognition rule” a la Baron and Ferejohn (1989).^{15,16}

In this section we attempt to characterize the major determinants of the “policies” that emerge as the outcome of the process described above.

Define first best policies as those that would be agreed upon in a complete contract before the world starts running.¹⁷ These optimal policies will not depend upon the realization of political uncertainty (i.e., the identity of this period’s agenda setter in the world of Baron-Ferejohn).

If these actors were infinitely lived and had discount rates low enough, they will be able to (self) enforce first-best policies as a Nash equilibrium.¹⁸ The highest discount rate that would sustain cooperation might depend, among other things, on the number of actors and their ability for unilateral action.¹⁹ More generally, a number of features of the game will affect the likelihood of observing cooperative outcomes.

¹⁴ These “local” actions determine, among other things, the value of their “outside” option, and the nature of the currency which they can use to influence the bargaining process.

¹⁵ See Dixit, Grossman and Gul (2000) for an interesting characterization of the dynamics of political compromise when power evolves according to a Markov process over the “strength” of two parties. We suggest here a model with more than two “parties,” and a collective decision process, but with a simpler dynamic stochastic structure. Considerations related to differential expected persistence in power would also be useful for richer applications.

¹⁶ We refer here to political uncertainty from the point of view of changes of fortune due to “purely stochastic” political events (such as the “looks” of candidates, or actual lotteries to define agenda setting power), not to political realizations that reflect shifts of preferences, which we would count as “economic” shocks.

¹⁷ With substantial risk aversion, discount factors smaller than one, and efficient policies with strong distributional effects, the ex-ante optimal policy rule might require choosing a policy which also takes insurance aspects into account.

¹⁸ Clearly, these type of games tend to present multiplicity of equilibria. For expositional simplicity we will make some tentative remarks on how equilibria depend on some features of the game, as if the best feasible equilibrium was indeed chosen. More precisely, this should be interpreted as statements about how the set of equilibria depends on those features.

there are other equilibria which could be supported, but assume for simplicity that a “first-best” is selected.

¹⁹ The number of actors is related to the usual concerns in positive political theory about the number of effective veto players. Here we embed those considerations in an intertemporal framework, in which there are things other than the number of effective veto players that matter for the nature and qualities of policy outcomes. On the number of effective veto players and its impact on policy, see Tsebelis (1995) and Cox and McCubbins (1999).

With short horizons (i.e. high discount rates), a cooperative equilibrium might not be sustainable, and actors will tend to choose “short-sighted” policies, attempting to capture as much rents as possible when they have the political power to dictate policy. But short horizons are not the only deterrent for self enforcement. Weak governance structures may also reduce the incentives for cooperation. Imagine, for example, that one or several of these actors (given their horizons) can take some unobservable ex-post actions that “undo” some of the distribution agreed upon in the centralized bargain. (For instance, the national executive having discretion over the details of the geographical allocation of funds for given programs).²⁰ The more feasible these actions are, the higher the probability of a break up in cooperation, and the higher the probability of “short-sighted” policies.

Governance structures (such as the internal organization of Congress, or the design of administrative agencies, decision making arenas) might evolve to minimize the transaction costs associated with political transactions, and hence to enforce the rights arising from them. But the evolution of those structures to minimize transaction costs, i.e., institutional induced enforcement, will in turn depend on the overall set of incentives and capacities of the same political actors.²¹

The capacity to knit the complex intertemporal exchanges necessary to decide and implement effective public policies will be affected by the “arena” or institutional umbrella for those exchanges. Legislatures are organizations specifically designed to carry out such transactions, but whether the legislature is the arena in which these transactions take place depends crucially on the legislators’ incentives. In cases like Argentina or Mexico, Presidential systems where individual legislators’ property rights have traditionally been weak, the legislature will not tend to be a crucial arena. Thus, important political exchanges either do not take place, or they take place in other less institutionalized (more uncertain, and harder to monitor, observe and enforce) settings, such as meetings of the President with some key players,²² or of cabinet ministers with interest-group representatives.

In a federal country it would be necessary also to identify the interplay between the game of national policymaking, and the game of nationally funding provincial spending. The exact nature of that interaction will depend on issues such as the degree of vertical fiscal imbalance, the provincial or national centered-ness of elections (at the national and provincial level), etc.

In a world in which both self and institutionally-induced enforcement are weak, political transactions will have very high transaction costs. Safeguarding these transaction will

²⁰ This is indeed the case in Argentina, as we will describe later (see also Radics et al 1999 and Strasser 1999).

²¹ In the Argentine case, since Congress is not the arena where the most crucial intertemporal political exchanges are made, and since individual legislators do not have powerful policy-related incentives, such institutions designed to protect political property rights a la Weingast-Marshall have not emerged. See more below.

²² In the case of Argentina, these would be governors.

naturally bring about policy features which raise implementation costs (i.e., makes them less efficient than “first best”, and even awkward). The presence of an external (reasonably independent) arbiter could ameliorate their inefficiency. Such an actor could occasionally say: “that move is not permitted by a previous agreement (Constitutionality of a law, legality of an Executive action, etc), step back.”²³

If the institutional environment (the features of the game) is such that conditions are not given for the agreement and enforcement of efficient intertemporal political exchanges, then inefficient, awkward and opportunistic policies would be prevalent. To prevent opportunistic behavior, then, it is likely that a large portion of the rents would be distributed ahead of time, making them insensitive to shocks (i.e., these will be inefficient, rigid policies). The part that is left to be sensitive to shocks will tend to be manipulated by the player with the ability to move “ex-post” (opportunistic policies). Thus, policies will be characterized by:

1. Pursuance of short term benefits for the enacting coalitions. (“Short termism”)
2. Inflexible rules, procedures and structures for “long term” policies. (Straight-jackets to prevent opportunism)
3. Some desirable policy reforms never take place. (Some trades are not made at all; leading to “indecisiveness” in the language of Cox and McCubbins, 1999)
4. Underinvestment in capacities, leading to lower quality policies.²⁴

Point 2 refers to excessive *defensive investment*, while points 3 and 4 refer to insufficient *productive investment*.

C. Applying the “Theory”

Observable Political and Institutional Characteristics

The model we sketched above, can be implemented by introducing political variables, which will be the explanatory variables for features of public policies. The variables that arise from the model are:

- Institutional veto points
- Variables determining who holds those institutional veto points at each point in time (related to the parameters of the stochastic political shock)²⁵
- Length of horizons and its determinants

²³ The presence of such an arbiter could be partly exogenous due to historical features in the evolution of Supreme Court doctrine (military shocks, norms), but it is also partly endogenous. For its decisions to be enforceable, players must be willing to impose unilateral sanctions on those transgressing the arbiter’s decision. If the players’ horizons are short, these incentives will not be present, and hence the arbiter’s decisions would probably not be followed.

²⁴ Legislators and their staffers with little or no policy expertise would be one example.

²⁵ See de Figueiredo (1997) for a model with interesting insights in this dimension.

- Institutional features (constitution, budget procedures, informal practices, etc) that permit unchecked moves by some actors
- Independence and “strength” of Supreme Court or equivalent
- Administrative capabilities²⁶
- Political instability

Our approach also suggests looking at the interactions, extent of substitution and complementarities, across all these determinants, as we will try to argue in the application to Argentina.

The Governance of political transactions

The institutional environment could provide better or worst protection of political property rights. In countries where institutions are organized in such a way that political actors’ property rights are well protected (as in Weingast and Marshall, 1988) many policies / political transactions can be implemented fairly efficiently, that is without need to resort to awkward safeguards.²⁷ In countries with lesser protection of political actors’ property rights, even the possibility of implementation will depend on the features of the political transactions necessary to implement any given policy.

Public policy, as a transaction, involves multiple parties, both at the design and implementation stages. Policies normally imply a stream of benefits and costs. The potential for opportunistic behavior during the transaction induces politicians to develop “institutions” to safeguard their side to those transactions.

Relevant features of the transactions that are important in determining its implementation difficulties are:

- number (and cohesiveness) of relevant political actors involved
- degree of irreversibility: can the assets associated with the transaction be withdrawn before they have any value? (for instance, it is more difficult to “control” dam building than road maintenance)
- temporality: long lasting versus repeated versus one-shot (dam building versus road maintenance versus disaster relief; those benefiting from dam building can be expected to renege on deals)
- measurement: how can parties observe what’s going on (public education vs. road maintenance)
- universality: wide vs. narrow interests (pensions/public education vs. subsidies to cotton growers)

The characteristics of the required political transactions will lead the actors to build alternative governance structures to enforce those transactions.

²⁶ Which are also partly endogenous.

²⁷ This is, of course, a comparative statement (in the spirit of Williamson 1991). We are aware that political bargains in the US political system are safeguarded by a variety of “bureaucratic monstrosities” (Moe 1990 and 1997). But, we will argue, these policies may have to be implemented with even bigger monstrosities in other institutional environments, like the Argentine one.

Transactions with low implementation costs will generate policies with few safeguards. Transactions with higher implementation costs will be implemented with costly safeguards. For instance, privatizing a malfunctioning sector with substantial cross subsidies. In this case, safeguards will have to be developed to protect the widespread rents arising from cross-subsidies.²⁸ Other instances of transactions requiring safeguards are related to federal fiscal arrangements, where to prevent ex-post opportunistic policies, programs are moved out of the annual budget discussions via earmarked taxation.

Finally, we have cases in which the implementation costs are so high, that potentially welfare-improving policies or institutional changes do not take place. The failure to implement badly needed provincial tax reforms is explained in Saiegh and Tommasi (2000) as a consequence of the incapacity of the federal government not to bail out those provinces that failed to implement those reforms. The required reforms had the nature of a long term investment, with costs up front and benefits which would only accrue gradually, creating ample room for opportunistic behavior by provincial and national authorities.

3. CHARACTERISTICS OF PUBLIC POLICIES IN ARGENTINA

In the rest of the paper we argue that Argentina is a case in which a generalized incapacity to strike efficient intertemporal political exchanges has induced very defective public policies, and we explain the reasons behind that incapacity to instrument intertemporal agreements. In this section we describe the dependent variable, the characteristics of public policies.

The *outer nature* of public policies might be characterized by three main features: quality, stability and coherence. Quality is related to the social costs associated with implementing the objectives of the enacting political coalition. Stability refers to its temporal duration. Coherence relates to the degree of consistency with other related policies, that is, the degree that different policies operating over the same realities have a logic and operational consistency.²⁹

There is enough circumstantial evidence to characterize Argentina's public policies as being of low and heterogeneous quality, temporally unstable, and incoherent. The sudden policy changes and erratic application of statutes, has generated a widespread feeling of judicial insecurity (the opposite of the rule of law, Weingast 1993), with important disincentives for investment, and thus damaging the economic performance of the country.

²⁸ This type of safeguards is behind the difficult regulatory problems in both the telecommunications and water sectors in Argentina. See Abdala and Spiller (2000) and Alcazar, Abdala and Shirley (2000).

²⁹ This dimension is related to the notion of "Balkanization" in Cox and McCubbins (1999).

This properties of policies are difficult to measure, and even more difficult to compare across countries. In this section we attempt to provide some suggestive evidence. Figure 3 presents a very rough measure of policy volatility from Freedom House, where Argentina is the 7th most volatile case in a sample of 106 countries.

<insert Figure 2: Volatility of Policies>

More generally, few observers will disagree that Argentina produces public policies of lower quality than many other countries. Consider monetary policy. During the high-inflation times it was obviously of lower quality than that of the Bundesbank or the US Federal Reserve. Current monetary policy in Argentina (the convertibility policy, a straitjacket that prevents the undertaking of monetary or exchange-rate action) is also a low quality policy, although probably the best feasible policy given history and other characteristics of the institutional environment. Argentina's policy instability is, in some areas like the macro-economy, a well known fact. Acuña (1991) has documented the unwillingness of industrialists to invest in building export capacity, at times in which they were offered rather generous export promotion policies. There seems to have been too much uncertainty over the stability of those policies.

Public policy is also incoherent. Below we provide boxes describing anti-poverty and regulatory policies. Both show substantial "balkanization." Regulatory policy is made in an ad-hoc, and decentralized, fashion. The regulatory process is conducted by a bureaucracy with substantial executive interference, and only partial congressional intervention.³⁰ Contrasting to the commonalties across sectors in regulatory policies in the UK or Chile, in Argentina each sector has had its own way of being regulated, reflecting the discretion of the sectoral secretaries.³¹

In the boxes below we illustrate the instability cum excess rigidity of policies, their incoherence, as well as variable and low quality for some aspects of social, regulatory and fiscal policies.

Box 1
Anti-Poverty Policies in Argentina

In Argentina, poverty became a 'public issue' in the late 1980's, especially in the light of the visibility and magnitude it acquired. Under these circumstances the State has initiated, in the last decade, a process of defining and implementing public policies targeted to the poor.

The attempts to orient and target social policy to the poor have rendered a rather 'hybrid' social policy system (Cortés and Marshall, 1998), comprised of the 'traditional' universal system of social services –in serious decay after the numerous economic crises- and an exponential growth of social programs targeted to the poor. In sum, the process has rendered a rather incoherent and

³⁰ That is not to say that Congress was not relevant for the privatization process; contrary to some simplistic accounts of the Argentine process of market oriented reforms, Congress was substantially involved (Llanos, 1998; Bambaci et al, 1999; Abdala and Spiller, 2000). Although Congress may try, and even succeed, in blocking privatizations, it cannot control them once they are under way.

³¹ For example, although the transport and energy sectors were within the responsibility of the Ministry of Economics and Public Works, each fell under a different secretary. Telecommunications (as did the post office) fell under the Secretary of Communications and water under the Secretary of the Environment, both responding directly to the office of the President.

uncoordinated social policy system. Proof of this is the persistence and decay of the social situation.

Social policy is currently managed by ten national agencies (Ministries of Education, Health, Economy, Interior, Foreign Relations, and Labor, the National Social Development Secretariat, the Chief of Cabinet Office, the National Institute of Social Services for the Retired, and the National Fiscal Lands Commission) and consists of actions organized in 60 national programs. An analysis of the objectives and conceptions underlying these programs reveals both the existence of different programs with similar objectives, and the prevalence of different visions and strategies underlying these actions. Accordingly, among these 60 programs there are: 19 programs related to employment, 11 programs for the development of social capital, 8 programs for housing and infrastructure, 6 programs for nutrition, 6 programs related to health services provision for the poor, 3 programs for education, and 3 programs offering subsidies.

This vague definition of responsibilities in the social policy area places high stakes both on horizontal and vertical coordination. More so since around 70% of the implementation of these programs has been decentralized to provincial authorities, which in turn contribute to this fragmentation through the supply of provincial social programs. Similar results can be observed in what relates to international aid in this policy area, which –in the end- reproduces (and contributes to) the same logic of fragmentation and lack of coordination.

A vast majority of the national programs have been created by Executive Orders, rather than by law. The programs defined unilaterally by the Executive do not include clear and enforceable criteria regarding the allocation of resources in the different jurisdictions; this renders a high level of discretion in the hands of the political appointee in charge.³² Short-term political criteria and lack of transparency therefore taint most of the actions and decisions.

This situation affects the efficiency of resource allocations, as well as a duplication of administrative structures, and loss of possible economies of scale and learning curves. Furthermore, it goes against the view (of most experts) that poverty is a multidimensional problem and therefore requires an integrated, rather than sectorial, approach.

There have been various attempts to improve this situation, none of which have achieved their objectives. In particular, the creation in 1994 of the National Secretariat for Social Development (under the Presidency) had as an objective the definition and coordination of the social policies directed to the poor. After 6 years of its creation,³³ coordination among different agencies has proven extremely hard, and, furthermore, the Secretariat has been unable to define a strategy and generate coordinated actions in the 23 programs managed in its own jurisdiction. Moreover, other initiatives, such as the creation of a *Gabinete Social* (composed by all the cabinet members with responsibilities in social policy) and the *Consejo Federal de Desarrollo Social* (composed by the social ministers of the 24 jurisdictions) have not achieved favorable results.

(Abstracted from Rodriguez Larreta and Robredo, 1999)

Box 2 **Regulation of Utilities**

The privatization process in Argentina presents remarkable characteristics. The magnitude and speed of the process, coupled with the variety in the resulting regulatory policy makes Argentina a singular case. In particular, the basic characteristics of the Argentine political system have induced a rather volatile regulatory policy. There are huge variations in the quality of regulation across sectors. This has pervasive effects on the predictability and credibility of the regulatory system as a whole.

³² It is not uncommon to observe that the political appointees (Minister or Secretary) make use of this discretion orienting the resources to their provinces of origin. This is especially pervasive (in terms of stability) when the rotation of the political appointees is high, as it can be seen in the National Secretariat for Social Development, where in the last 6 years four different Secretaries have been appointed.

³³ The De la Rúa administration inaugurated in December 1999, has given this agency the rank of Ministry.

The discretion enjoyed by the Executive during the privatization process resulted in more attention being given to short-term considerations (such as making the privatization attractive for fiscal objectives), than to longer-term considerations in the design of regulatory institutions. Moreover, in what relates to regulation, more attention was paid to regulatory incentives than to regulatory governance (Levy and Spiller, 1996). Hill and Abdala (1993) argue that in the case of telecommunications, there was a deliberate decision on behalf of the Argentine government to prioritize the successful completion of the privatization of ENTel over the creation of the regulatory agency and the establishment of the regulation for the sector. Similarly, in the case of electricity, the regulatory agency started working several months after the privatization of the generation and distribution business. In the case of airports, the winning consortium had to wait for the regulatory agency to be formed. In the case of railways, there were different agencies with specific jurisdictions which were later changed and merged; and in water-way transportation the control agency created by the law was never put effectively into function.

Furthermore, privatizations have been brought about in a rather flexible and decentralized manner in the orbit of the Executive power (General Accounting Office, 1996). The State Reform Law (No. 23.696), endowed different Ministries and Secretariats with the responsibility of the process for each sector. The natural outcome of such a decentralized process is a wide variety both in the definition of the privatization, as well as in the design and strength of the regulatory agencies for each sector³⁴. Regulatory agencies for the different infrastructure sectors are located in different bodies in the Administration, have different procedures for the selection of its directors (which mirror different balance of powers) and do not have precisely defined decision-making procedures.

The variety in the administrative capacities³⁵ of the regulatory agencies are related to the lack of continuity of their policies and Directors, and the constant interference of the political (Executive) power. For instance, except for the cases of electricity and gas, where the directors of the regulatory agencies are named –after a merit-based competition - by the Executive with agreement of the Senate, directory members are usually appointed by the Executive.³⁶ This gives the Executive a high degree of interference on regulatory issues. Moreover, the fact that most of these agencies have been created by means of an Executive order (except for the cases of electricity and gas) places an important limit on the independence of these agencies from political power. Also, even in the cases in which the regulatory agencies have been created by a Law from Congress, the Executive has been able to keep high levels of discretion in key aspects such as tariffs and decisions regarding entry of new firms.

Further evidence on the margins of incidence of political power on regulatory policy is given by the fact that in many cases (except for gas, electricity and telecommunications), the Ministry or the Secretariat of the sector has a ‘last say’ in what refers to conflict resolution. This adds to the fact that in several sectors there are unclear and changing definitions of jurisdiction and authority between the regulatory agencies and the Ministry or Secretariat.

The fragility of regulatory institutions in Argentina may generate important gaps for the opportunism of political actors, which will tend to favor short term interests over the interests of society.

(Abstracted from Abdala and Spiller, 2000)

Box 3: Fiscal Federalism in Argentina

A recent investor report on Argentina, by Credit Suisse / First Boston (May 19, 2000, page 4), states that “key measures that could rebuild confidence and lead to a sustainable recovery are: a) Improving tax compliance ...; b) a permanent reform of the system of transfers to provinces

³⁴ By contrast, in countries such as Chile and the United Kingdom, countries that also undertook drastic privatizations, regulatory policies have a relatively similar methodology and procedures for the different sectors.

³⁵ Which according to Vispo (1999) it is not related to the levels of salaries of the personnel or the global budget of the agency.

³⁶ In the water regulatory agency, the Directors are named by the Executive powers of the different jurisdictions. In the case of telecommunications, all but one of the Directors (named by a Federal Council of governors) are named by the Executive.

(coparticipacion) focused on changing the system's incentive structure...; c) a permanent reduction in public sector payrolls, at both the federal and provincial levels... However, we do not believe that the government is at all ready to take these steps yet.”

The three problems and the unlikeliness of their solution, reflect an extraordinarily distorted federal fiscal system, and the incapacity to undertake the necessary political transactions to reform it. Most taxes in Argentina are collected nationally and then allocated between the federal government and across the provinces. The transfer scheme is generically referred to as *Coparticipacion Federal de Impuestos* (Federal Tax-Sharing Agreement). The first formal regime dates from 1934, and throughout the years it has been repeatedly altered. As a result of these successive modifications, it has evolved into an intricate scheme. According to all observers, its current configuration does not correspond with any economic criteria, and provides all sorts of perverse incentives.³⁷

The main criticisms to the system made by local and foreign analysts are:

1. Lack of fiscal correspondence (common pool problem, inducing excessive spending)³⁸
2. Frequent bailouts by the national government after irresponsible provincial behavior
3. Procyclical fiscal policy
4. Induced inefficiencies in the fiscal mix (national government has a bias to increase non-shared taxes)
5. Irregular provision of public goods (since some services are tied to the revenue of some particular taxes)
6. Provincial taxes are very distortive
7. Poor tax compliance: the most important tax in overall revenues is the VAT, collected by the national government in the provinces. Local authorities have no incentive to facilitate this since their share is independent of the amount collected in the province
8. Inefficient input mix, with excessive public employment in the provinces
9. Difficulties in adjusting the allocation of spending responsibilities across jurisdictions.

<insert Figure 3: VFI across provinces today>

The last Coparticipation Law dates from 1988 and it established the set of taxes to be shared, and fixed sharing percentages for each jurisdiction. In practice there have been numerous changes, adjustments and loopholes. One of the main modifications has been the establishment of “pre-coparticipaciones,” which consist in re-directing part of the tax revenues that originally were supposed to go into the pool, towards some other specific purposes. (For instance in 1992 and 1993 the national government was able to negotiate a reduction of 15% to finance the growing social security deficits). Another modification was giving minimum transfer guarantees to the provinces. Another factor was the decentralization of educational and health services to the provinces, which supposedly would be compensated by a transfer equivalent to the costs of services transferred, but never quite materialized.³⁹

Two successive “fiscal pacts” were also negotiated between the national and sub-national levels of government in 1992 and 1993. In 1993, in an attempt to reform provincial tax systems, the second fiscal pact was signed. Provinces adhering to the pact committed themselves to eliminate local taxes on gross income, stamps, electric utilities, gas and fuel consumption. They also pledged to reduce property taxes, to privatize their companies and to eliminate municipal rates that duplicated provincial taxes. In exchange, the federal government committed to forgive the \$900 million debt the provinces had with the Nation and to reduce labor taxes. After a series of negotiations, the federal government also agreed to elevate the guaranteed minimum transfers from \$725 million to \$740 million. (Several of these promises by national and provincial authorities have not been fulfilled.)

³⁷ Aizenman (1998), Bird (1993), FIEL (1992), Porto (1990), IADB (1998), World Bank (1992 and 1996).

³⁸ Currently, transfers from this common pool represent over two thirds of total provincial revenue, with a large variation around that average (see Figure 4).

³⁹ These “shifts in favor of the national government” were in part compensating for the fact that, after macroeconomic stabilization in 1991, the federal government lost one of its main non-shared sources of revenue: the inflation tax.

Finally, in 1994 there was a constitutional reform that included important aspects related to the co-participation scheme. The revised constitution established that a new co-participation law, based on agreements between the central government and the provinces, had to be drafted before 1996. It also established temporary clauses. First, the distribution of services and functions that at the time of the constitutional reform were performed by the provinces could not be modified without their approval. Second, the effective distribution of resources adopted in the future law could not be less for each province than the amount received at the time the constitutional reform took place.

(Abstracted from Saiegh and Tommasi 1999 and Iaryczower, Saiegh and Tommasi 1999).

4. A BRIEF INTRODUCTION TO ARGENTINA'S POLITICAL INSTITUTIONS

We will argue that some institutional characteristics of Argentina, as well as its history of political instability, have been important determinants of the actual workings of government, and hence of the nature of public policies. In this section we provide a very brief introduction to Argentina's constitutional structure, electoral system and political history.⁴⁰

A. Political institutions⁴¹

As the US, Argentina's political system tends to generate a relatively fragmented polity.⁴² It is a federal republic,⁴³ with a presidential form of government and a bicameral legislature. A main difference with the US, and indeed a crucial one, is the way legislators are elected. Differing from the US, the members of the Chamber of Deputies (currently 257) are elected from multi-member districts (the 23 provinces and the federal capital) for four year terms. The deputies are elected from closed party lists using the d'Hondt divisor form of proportional representation. One-half of the Chamber is renewed every two years, with every district renewing one-half of its legislators (or the closest equivalent).

As in the US, the 24 provinces receive a number of deputies in proportion to their respective populations. The Argentine system, however, tends to over-represent the smaller provinces much more than in the US. There are two restrictions to proportional representation: (1) no district (province) can receive fewer than five deputies, and (2) no district can receive fewer deputies than it possessed during the 1973-76 democratic period. As a result of these rules the least populous provinces are highly over-represented in the Chamber.

⁴⁰ This "Argentine Politics 101" section could be skipped by readers familiar with the country.

⁴¹ This subsection draws extensively from Jones (2000).

⁴² Argentina's original constitution dates from 1853 and it became fully "operational" (being ratified by all the provinces of the time) in 1862.

⁴³ Today, Argentina consists of 23 provinces and a semi-autonomous federal capital. The national territory of Tierra del Fuego achieved provincial status in 1990, becoming the 23rd province. The capital city of Buenos Aires became an autonomous district in the constitutional reform of 1994.

Senators have also been elected in a very different way than in the US. As in the US, prior to the 1994 constitutional reform, all of the country's 22 provinces (23 after 1990), and its federal capital, were represented by two senators.⁴⁴ Differing from the US, however, senators were elected indirectly for nine year terms by the provincial legislatures using the plurality formula, except in the Federal Capital where they were selected via an electoral college.

Another major difference from the US, is that (intra-party and general) electoral rules have made provincial governors (as party leaders) individually and collectively, very powerful actors.⁴⁵ They control large budgets, and exercise influence on important public policy areas, like education, health and public safety. (Jones, 2000, pp. 3-4). Furthermore, as we explain below, federal fiscal finances are characterized by large fiscal imbalances: provinces have large spending responsibilities, but most of their funding comes from a common pool of resources collected by the National government on behalf of itself and the provinces. These two features together – (1) governors are important actors in national policy, and (2) the national government is an important actor in provincial public finances -- are the backbone of a very particular policymaking game, which we describe later.

For many years (except during military dictatorships and proscriptions) the two dominant political parties in Argentina have been the Partido Justicialista (PJ, also known as the Peronist Party) and the Union Civica Radical (UCR). In addition to the PJ and UCR, other important actors in the Chamber are small center-right provincial parties that tend to compete in only one province (where they are often the dominant, or main opposition, party).⁴⁶

B. Political instability

Argentina's first constitutional president took office in 1862. Although, at the time, the electoral system restricted political participation and several elections were less than fully transparent, the formal machinery of democracy, elections and checks and balances operated in Argentina until 1930, the first time that a military coup succeeded in removing a constitutionally elected president.⁴⁷ Between 1930 and 1982 twelve

⁴⁴ Since the constitutional reform of 1994, the Senate is composed of 72 members, with every province (and the federal capital) represented by three senators. Until 2001 these senators will continue to be elected indirectly by the provincial legislatures (one-third of the Senate was renewed in 1998), with the stipulation that no one party can occupy more than two of a province's seats in the Senate.

⁴⁵ We discuss below the source of governors' power.

⁴⁶ Frepaso, a recently formed alliance of center-left parties, has showed some recent electoral successes. For the 1997 Chamber election, Frepaso and the UCR presented a joint list (*Alianza*) in 14 provinces. In 1999 they presented a joint presidential candidate, Fernando de la Rúa of the UCR (who is now the President), as well as joint legislative lists in 23 provinces. Frepaso holds now the vice-presidency (Carlos Alvarez).

⁴⁷ The features of restricted participation and some rigged elections seem to have been shared with the US and many other countries at the time. (Gibson 1995).

presidents (both *de jure* and *de facto*) were taken out of office by force. Figure 2 shows the timing and increasing frequency of military governments, until 1983.

<insert Figure 4: Democratic and Military Governments since 1962 >

The sources of Argentina's institutional instability have been explored by numerous scholars with different interpretations.⁴⁸ We treat that institutional instability as exogenous for the purposes of this paper, in which we attempt to explain the current (i.e., since the return to democracy in 1983) features of public policies.

5. THE WORKINGS OF POLITICAL INSTITUTIONS AND THE POLICY PROCESS IN ARGENTINA

A. General Picture

The purpose of this section is to provide a concise presentation of our theory of Argentina's polity. The main thrust of the transactions approach is that public policies are the outcomes of complex intertemporal exchanges among politicians. The framework presented in section 2 suggests that efficient intertemporal political transactions require either self enforcement or institutional arrangements that facilitate enforcement. In the absence of either type of enforcement, intertemporal political exchanges will be characterized by short-termism, inflexible rules, indecisiveness, and underinvestment in capacities, leading to low quality policies. We claim that Argentina is such a case, and that its historical political instability, basic constitutional features, electoral rules and federal fiscal features, are key determinants of such inability to develop efficient long-term public policies.

Electoral rules that transfer political power away from legislators and national parties towards provincial party organizations, generate short horizons for legislators. Weak (constitutional, judicial, and budgetary) restraints to unilateral actions by the executive tend also to undermine political players' ability to enter into efficient intertemporal political exchanges. Weak restraints on moves by the National government on issues that affect the provinces had the same effect in intergovernmental relations; the importance of this was magnified by the fact that provinces have a heavy financial dependence from the center.

The historically extreme political instability of the nation contributed to the lack of judicial, and thus constitutional, restraints to executive action. A professional bureaucracy, well supervised by Congress, could be an alternative channel for the intertemporal enforcement of political agreements, but Argentina does not have such a bureaucracy either.

⁴⁸See, Waisman (1987) and (1999) for good summaries of the attempts to explain Argentina's political instability.

The combination of lack of legislative incentives, the ability for unilateral moves by the executive, and the power of provincial leaders, all have moved crucial political bargains away from the national legislature and into other arenas.⁴⁹ Often these bargains take place in Executive quarters, in meetings of the President with governors, or occasionally in meetings of national political party leaders. Since those arenas do not have particular institutional stickiness, they do not allow key political actors to enforce bargains intertemporally.

In the following subsections we bring the focus to some of the “components” of the general picture briefly sketched above.

B. Congress: Professional Politicians, Amateur Legislators

A crucial component for self enforcement is missing in Argentina. Legislators, key administration officials, bureaucrats, and justices all have short term horizons. The short horizons of legislators can be seen by the very high rate of turnover in the legislature. Figures 5 and 6 show that tenure in Congress for both the average legislator as well as for the legislative leaders is very short.⁵⁰ The figures show that legislative tenure was increasing until the first of Perón’s administrations. Since then tenure has been very short. Table 1 shows that the probability of reelection for the average deputy is less than 20%.⁵¹ Table 1, shows, also, the workings of electoral mechanisms. The Table shows that legislators’ turnover is not the result of voters’ rejection, but rather of the fact that most legislators simply do not show up in the provincial party list.⁵² Indeed, those who show up have a reasonable chance of being reelected. It is the fact that so few of them seek reelection that brings about such a low probability of reelection.

<insert Figure 5: Tenure of legislators>

<insert Figure 6: Tenure of legislative leaders>

<insert Table 1: Reelection probability in Argentina and elsewhere>

Thus Table 1 shows that legislators’ career objectives cannot be based on maintaining and improving their position in the Congress. Instead Table 2 shows that legislators find Congress only a stepping stone in their political careers, where they spend at most one or two terms, moving then to more politically lucrative activities in the provinces, party or at

⁴⁹ This problem relates to the intermixing of national and provincial policies. Paradoxically, the President depends “too much” on provincial political leaders, at the same time that the provinces are heavily dependent financially from the central government. There are some general-equilibrium interactions at play here, since some awkward features of the federal fiscal regime are maintained due to the inability to carry out reforms, which in turn is due to the political transaction costs we are emphasizing.

⁵⁰ We define legislative leaders as the 15 legislators in the Chamber of Deputies with the longest tenure at each point in time.

⁵¹ A similar figure can be obtained for senators. See Jones, Saiegh, Spiller and Tommasi (2000).

⁵² Since provincial parties do not normally hold primaries to decide on their roster for the national congressional elections, it is not voters who reject the legislators.

the federal government.⁵³ While they may be professional politicians, as legislators they are *amateurs*. As professional politicians in an environment in which their future is disconnected from direct electoral success, Argentine legislators' incentives are aligned with the interests of their provincial party, unless they have gained substantial provincial visibility at which time they actually can challenge the provincial party boss as well. Thus, the incentives of provincial party bosses are to manage the careers of their backbenchers so as to promote them while maintaining their own control over the provincial party. Thus, their incentives to move them from political job to political job.

<Table 2: Career path of legislators>

The mobility generated by the electoral rules limits legislators' incentives to invest in policy making expertise and, in general, to undertake actions with long term implications. Legislators in general have little incentive to undertake any type of legislative action, unless the legislative action is motivated by direct provincial interests. The lack of direct voters' scrutiny implies that legislators have very little incentive to specialize. Table 3 shows that legislators tend to belong to a large number of committees, thus specialization is not taking place. Figure 7 shows that legislators tend to last less than a whole legislative period in each committee, even in as important committees as labor, economics and regional development, and budget and finance.

<Figure 7: Length of service by committee>

<Table 3: Number of committees by deputy>

C. Federalism: A Fiscal Pact With The Devil

The history of Argentina, as that of the US, is inextricably intertwined with the issue of Federalism.⁵⁴ In spite of the fact that modern Argentina is a large fraction of a Spanish viceroyalty, at the time of independence in 1810, military and fiscal technologies were such that fairly strong independent provinces were what was left after the Spaniards were gone. After several decades of violent struggle and powerful ideological debates, the "United Provinces of the South" became one federal nation and adopted a Constitution similar to the American one.

Unlike the US, though, over time the federal fiscal regime adopted some characteristics that we could describe (plagiarizing Careaga and Weingast 2000) as a "Fiscal Pact with the Devil."⁵⁵ Argentine fiscal federalism over the last several decades has been

⁵³ The Table shows that Peronist deputies tend to return to provincial administrations more than Radical deputies, who tend to return to the National Party. The reason is that during the time, the Radicals held very few governorships, limiting the potential for career development at the provincial administrations. Also, the Radical party has a term limit for its legislators, which the peronists do not.

⁵⁴ This section draws extensively from Iaryczower, Saiegh and Tommasi (1999).

⁵⁵ Iaryczower, Saiegh and Tommasi (1999) attempt to endogeneize that evolution. The 1853 Constitution established that the federal government would use taxes on foreign trade to finance its expenditure, while provinces will have property, income and sales taxes. Over time, for both economic and political reasons, the national government increased its role in the tax collection process, and currently collects taxes on

characterized by a very high degree of fiscal imbalance, a repeated tendency of the federal government to bailout provinces that run into financial problems, and a tax-sharing agreement full of rigidities and loopholes which is the source of poor incentives for provincial and national governments.⁵⁶

In the last decade, the Federal Tax Sharing Agreement (FTSA) and other transfer mechanisms financed more than 75% of total spending for the average province.⁵⁷ There are large variations around that average, with 11 out of 23 provinces financing less than 20% of their spending with their own taxes, while three provinces financed more than 45% of their spending with own revenues (see Figure 4). These shares have evolved over time in a distributive fashion, from the earlier times of hard budget constraints and richer provinces spending more, to a current situation where public spending in the poorer and small provinces being twice as large as in the most advanced ones. This, in turn, has been the result of the “centralization” of federal fiscal decision making, and of the overrepresentation of small provinces in the national Congress.

Argentina is a rare country in which the President has to get together with provincial governors to negotiate national policies, but at the same time, most provinces are heavily dependent upon decisions made in the Capital city, in what constitutes a very perverse fiscal-political game.

The discretionary budget powers of the President and, even, of lower level national officials, have motivated irresponsible fiscal behavior at the provincial level, which is even today considered to be one of the main threats to the macroeconomic stability painfully gained over the last few years.⁵⁸ Those problems were heavily compound during the times of high inflation, when it was virtually impossible to track down the real value of any nominal flow.⁵⁹

Even though individual provinces have at times been beneficiaries of the discretion of the national government, it is clear to everyone that the net game is highly inefficient.⁶⁰ In an attempt to curtail that discretion, they have tended to increase the rigidity of the FTSA, and hence its incapacity to adjust to changed economic circumstances.

These features, as well as the practice of earmarking some taxes for specific programs with clear regional distributional effects (subsidies to special activities), has lead to a very

foreign trade, personal and corporate income, sales, property, etc. The process by which these taxes are subsequently “devolved” to the provinces has been regulated by the FTSA.

⁵⁶ Saiegh and Tommasi (2000), Nicolini et al (1999), Jones et al (2000), World Bank (1996), Schwartz and Liuksila (1997).

⁵⁷ Total subnational spending oscillates around 2/3 of consolidated government spending (excluding pensions), i.e., it is twice as large as spending by the national government.

⁵⁸ Jones, Sanguinetti and Tommasi (2000), World Bank (1996), First Boston Report (May 2000).

⁵⁹ The provinces insisted and eventually succeeded in claiming to receive daily transfers from the nationally collected taxes.

⁶⁰ Saiegh and Tommasi (1998) report evidence collected by Palanza and Sin Silva (1998) of provincial governors explicitly recognizing this situation in discussions about possible reforms to the FTSA.

rigid, yet very convoluted system of federal tax collection and distribution, which has been christened the “Argentine fiscal labyrinth,” illustrated in figure 7.

<Insert Figure 7: Fiscal Labyrinth >

It is important to emphasize again the reinforcing (or *general equilibrium*) interactions between the features of Argentina’s fiscal federalism, and the overall incapacity to implement efficient intertemporal political exchanges. On the one hand, as emphasized in this section, the peculiar features of the federal fiscal system (such as the high degree of vertical fiscal imbalance) are a factor that impinges upon the capacities to instrument effective policies in the national arena. At the same time, the high transaction-costs that have characterized the Argentine political economy, have contributed to the evolution and maintenance of this peculiar system of fiscal federalism.⁶¹

D. A Bureaucracy without Long-Term Principal

One possible mechanism for the intertemporal enforcement of political agreements is through delegation to a relatively independent, yet accountable, bureaucracy. Unfortunately, Argentina has not developed such a bureaucracy. The main reason for that is that the Argentine bureaucracy did not have any long-term principal. By definition, Executives are transient in (almost) all countries; and as already explained, Congress is not a long-term principal in Argentina since legislators are not that interested in controlling the Administration.⁶²

The bureaucracy, as a consequence, faces no long term incentives, facilitating shirking and requiring intrusive administrative controls to avoid corruption, further reducing its ability to generate timely and effective policies. Each new Executive, unable to motivate the permanent bureaucracy, has nominated large numbers of political appointees, often under much more flexible labor agreements. This has increased bureaucratic rotation, multiplying the effect of the historically high rotation of Presidents, and impeding the development of norms of cooperation among different branches of the bureaucracy. This has decreased the quality and coherence of the bureaucracy and of the resulting policies.

<Insert Figure 8: Bureaucratic quality>

The incapacity to motivate the permanent bureaucracy has been reinforced by the presence of a constitutional clause (art. 14 bis) that establishes “stability of public employment”, which imposes large difficulties to fire public employees. This has been

⁶¹ This point is illustrated in Saiegh and Tommasi (2000), where transaction-cost reasoning is used to explain the failure of the attempts to substitute highly distorting taxes, and of the attempts to “decentralize” taxation power to the provinces.

⁶² As Khrebiel (1986) argues, legislators tend to undersupply that kind of public good, an effect that is magnified in Argentina since legislators only tend to provincial party leaders who, in turn, are not interested in this.

circumvented by the development of a “parallel bureaucracy.” The parallel bureaucracy undertakes the same actions as the normal bureaucracy is designed to, but unable to, undertake. The rotation at the ministerial and secretarial levels implies rotation at the “parallel bureaucracy” as well, limiting the extent of institutional knowledge, and the development of cooperation across ministries and secretariats, deepening the heterogeneity in policy quality, and the lack of policy coherence.⁶³

E. A Friendly Supreme Court

The workings of judicial institutions have direct implications for the feasibility of private contracting. Judicial institutions impact as well on the nature and feasibility of arrangements among private parties and governments, and for the issue that interests us here, for arrangements among political agents.

The ability of the judiciary to restrain political agents from undertaking opportunistic actions vis-à-vis each other depends on the relative political power of the various players. In particular, a judiciary whose reviews of the constitutionality of a legislative or administrative act can be easily dismantled, whether by legislative action, or by fiat, would seldom develop a doctrine of judicial review of such actions. Judicial review of such actions would only result in legislative or administrative reversals of their decisions and may even trigger political retaliation. In such restraining scenarios, Justices, then, will learn to follow their political masters.

On the other hand, a judiciary facing a fragmented polity, one that will face difficulties in overturning judicial decisions, will over time develop doctrines favoring judicial review of administrative and legislative acts.⁶⁴ This theory would suggest that courts will not tend to reverse government acts in the presence of unified governments, like strong parliamentary systems, while they will tend to be more aggressive in the presence of divided government, like presidential systems.⁶⁵

Judicial activism, however, measured by the extent of reversal of government acts, depends not only on the opportunities faced by the court (i.e., how fragmented are its policy competitors), and hence on its doctrines, but also on its current political alignment. Political alignment, in turn, depends on the nomination process and on its turnover. Courts whose tenure are very short will naturally tend to be politically aligned, while Courts whose tenure is indefinite or very long, may alternate between political alignment and political opposition to the sitting government.

⁶³ The parallel bureaucracy is widespread, but difficult to measure. In the one agency we have been able to gather this information, the *contratados* represent well above 50% of total employment, and a larger fraction of the wage bill, as these tend to be better paid (but shorter lived) employees. See Bambaci, Spiller and Tommasi (2000).

⁶⁴ For a “Pavlovian” theory of judicial independence, see, Spiller (1996).

⁶⁵ For evidence on judicial restraint and promotion in strong parliamentary systems see Ramseyer and Rasmusen (1997) who provide evidence that in Japan, justices promotion depends on their support of the government, and Salzberg (forthcoming), who provides similar evidence for the United Kingdom.

Differing from most other countries, the Argentine judiciary, at least since the mid 1940s, has exhibited a very high level of rotation. During that same period, and because of electoral results and *de-facto* administrations, governments have had an unusual level of control over the Federal legislature. As a consequence, it is possible to say that over the last half of the last century, the Argentine court was not independent. This lack of independence facilitated the ability of the executive to exceed its constitutional powers, and hence to limit the credibility needed for long term contracts, whether among private or public agents.⁶⁶ As a result, this lack of independence limited both private investments, and efficient long term policies.

Table 4 shows that the Argentine Supreme Court in the second half of the last Century was one of the courts with the shortest average tenure in the world. Indeed, since 1960 until the mid 1990s, the average Argentine justice lasted less than four years in its post. The average tenure of Argentine justices is similar to that of Pakistan, Peru, Sri Lanka, the Dominican Republic, and Zambia, countries not associated with long term stability and the predominance of the rule of law.

<insert Table 4: Tenure of the Court, comparative >

Figure 9, shows, however, that this is a feature of the last 50 years. The Figure shows that after WWI, the Argentine Court was on its way to become not too distinct from its US counterpart. Indeed, since its creation in 1863 and until the mid 1920s, the average tenure of the Argentine Court systematically increased, when the average tenure of its members reached the same level as that in the US. The later political instability drastically reduced the tenure of justices on the bench. Only recently has tenure started to climb back to prior levels.

<Insert Figure 9: Judicial tenure Argentina/US >

Figure 10 also shows that the impeachments brought about against the sitting Court members during the Perón administration had a lasting impact. Since then, the norm of not manipulating the membership in Court was lost. New military presidents had no qualms in removing civilian appointed justices, and similarly, civilian presidents had no qualms in removing justices appointed by prior military regimes. At the return to democracy, newly elected presidents picked their own Justices. The first time since 1946 in which a President might have faced an opposition Court, President Menem expanded the court from five to nine members allowing himself a “working” judicial majority. Figure 10 shows that a substantial number of Presidents since 1946 were able to name at least two thirds of the Court justices. Indeed, the control over the court was such that since Perón, no President faced a Court with a majority appointed by a political adversary.

<Insert Figure 10: % of Justices named by friendly administration >

⁶⁶ In the language of O’Donnell 1993: 1367, it did not provide “horizontal accountability.”

Thus, the lack of independence of the Court during the last half of the last century is related to its unusually close political alignment with the executive, which reflects the political instability of Argentina during the period. Indeed, as democracy sets in, justices are going to last longer, and judicial independence will reassert itself, with the potential for further limiting of executive discretion.⁶⁷

F. Interactions

The lack of legislative specialization we described in section 5.B implies that Congress cannot delegate an action to the Executive and expect to supervise or monitor it closely. Thus, actions that are delegated to the executive are those that do not have drastic regional impacts, or whose delegation are unavoidable, including budget preparation and execution. The inability to monitor and control budgetary execution, implies that the administration has substantial discretion in the execution of the budget. Thus, little attention is placed in the legislature to budgetary details, and most budgets, once presented, are approved with relatively minimal amendments.⁶⁸

Figure 11 shows that during long chunks of Argentine history, Congress has not approved in time the Budget sent by the Executive.⁶⁹ This means that in practice the Executive has operated with large amounts of budgetary discretion. Even in the post-stabilization 1990's, where *ex ante* budgets started being approved in time, *ex post* control has not been exercised. Table 5 shows that the so-called *Cuenta de Inversión*, the *ex post* budget verification has not been dealt with in time to be an operational instrument for Congress to verify the fulfillment of the budget contract by the Executive.

<Insert Figure 11: Budgets approved in time (ex ante control): 1863-1999>

<Insert Table 5: Budgets executions approved in time (ex post control) 1984-1999>

We have referred already to several sources behind the Executive's ability to make unchecked unilateral moves (which can undo previous agreements): the fact that the Supreme Court has tended to be politically aligned to the president, the lack of a strong and independent bureaucracy, and budget practices. Additionally, this power has been based on some "constitutional" capacities and practices.

We are referring to practices amounting to legislative powers of the president. These practices have evolved partly out of the history of political instability, which has tended to focalize in the Executive processes that, in a more stable environment, would

⁶⁷ For a more detailed analysis of judicial decision making in Argentina, see Iaryczower, Spiller and Tommasi (2000.)

⁶⁸ The budget preparation process is conducted mostly in the Cabinet, which is the entry point for most pressure group activity. It is not uncommon for provincial governors to visit the Minister of the Economy, his secretaries, or other ministers, trying to get favorable treatment for their provinces in National allocations and decisions. (Jones 2000b).

⁶⁹ Furthermore, there were times in which the President did not even bother to send the Budget Proposal to Congress (Molinelli et al, 1999). This was common during the high inflation periods.

have naturally drifted towards the legislature.⁷⁰ They are also due, in part, to some explicit constitutional capacities and to some constitutional lacunae and their interpretation.⁷¹ We include in this category the fact that the Constitution names the President as the Chief of the Public Administration, the fact that the President is endowed with the capacity to “regulate” the laws from Congress,⁷² and more recently, the practice of issuing *Decretos de Necesidad y Urgencia* (Need and Urgency Decrees).⁷³

<Insert Table 6: DNU>

As a matter of fact, one of the reasons why the Executive has tended to exercise so much the *Decretos de Necesidad y Urgencia*, is, curiously, the fact that the President does not control Congress either. Even though Congress does not have strong capacities for fine tuning policy formulation or controlling its implementation, it is still in charge of passing laws, and as such, it can act as a blunt veto player.⁷⁴ The inability of the Argentine Congress to fine tune the control of the administration, is paralleled by the inability of the administration to manage the Congress. Except during exceptional times,⁷⁵ electoral rules make it difficult for the administration to control the legislature, even when the government party controls one or both chambers. Since electoral rules generate a naturally fragmented legislature (see Table 7) presidents need develop workable coalitions by adding to their own party members, legislators from independent regional parties. As Table 8 shows, since the return to democracy, all administrations had an own-party contingent of around 50%. But this support was only nominal.

<Insert Table 7: Parties in the legislature over time>

<Insert Table 8: Nominal vs. “real” (cheap) legislative support>

Since governors control, in the chamber, normally more than one legislator,⁷⁶ popular governors from the government party are pivotal players, and garnering their support for presidential initiatives becomes not only crucial, but more important, expensive.⁷⁷ On the other hand, gathering support from legislators whose provincial party does not control the

⁷⁰ Acuña (19xx), De Riz (19xx).

⁷¹ This lacunae in constitutional interpretation are, of course, not independent of the relative weakness of the Supreme Court we have referred to.

⁷² The expression in Spanish is “*reglamentar las leyes*,” what we would call completing the legislative contract. See Carey and Shugart (1998), Ferreira Rubio and Goretti (1998) and Molinelli et al (1999).

⁷³ The first two attributions were assigned by former article 86 of the Constitution, while the latter was a practice of Executive legislation, whose constitutionality has been vividly debated in Argentina. The 1994 Constitution includes the first two and attempts to regulate (yet, giving to it constitutional status) the DNU’s in article 94. As table 6 shows, DNU’s were rare in the past, President Alfonsín (1983-1989) increased their use, while President Menem tended to abuse them, leading to the attempt at regulating them in the constitutional reform. See Ferreira Rubio and Goretti (1998), Molinelli et al (1999), Bidart Campos (1995).

⁷⁴ See Jones, Saiegh, Spiller and Tommasi (2000).

⁷⁵ In particular during the first administration of President Juan Perón.

⁷⁶ As mentioned, the minimal number of chamber members per province is five.

⁷⁷ Since legislators respond to their provincial party bosses, attempting to get support from individual party legislators against his or her governor would be very hard to achieve.

provincial government is easier, as the provincial party boss cannot offer as much advancement to his or her own legislators as can the President via the federal government.⁷⁸ Following that logic, we construct an index of the number of seats occupied by legislators of the President's party, but that belong to provinces governed by other parties. These "free agents" ("orphans") will be the cheap individual votes to for the President to buy.⁷⁹

Thus, even if the government party has a majority or plurality in the chamber, it is seldom able to "control" it. Table 8, shows then, that real (cheap) legislative support for the various administrations has been small. Indeed, Figure 12 shows the extent of veto activity is higher in periods when the effective support of the President in the chamber was low. During the same periods, the Presidents' lack of legislative support prompted them to issue more Urgency and Necessity Decrees.⁸⁰ See also Table 6.

<Figure 12: veto against real support>

E. Implications

The lack of long-term horizons and of institutionally-induced enforcement (via Courts or bureaucratic implementation), implies that many political transactions are not going to be implemented, and that those that are will have higher transaction costs than in environments where politicians have longer horizons and where institutionally-induced enforcement is feasible.

Congressional protection of regional interests requires very rigid, and even awkward looking policies, like earmarking some taxes for specific programs (i.e., subsidies to special activities) or activities with clear regional distributional effects.

Public policies in Argentina are characterized by two seemingly contradictory features: they are either extremely volatile and short term, being modified with changes in the composition of the administration,⁸¹ or they are extremely inflexible, limiting their

⁷⁸ Provincial party bosses who are not in government have poor currency with which to compensate their legislators. They cannot offer jobs in the provincial administration or judicial systems, and hence must rely on the national party for party or patronage appointments at the national level. The administration, however, can offer promises of such jobs at the federal level, countering the power of the provincial party boss.

⁷⁹ The combination of block-buying votes with the fact that legislative contingents have been of around 50% since the return to democracy, helps to understand the very salient role of governors in national politics (Jones, Saiegh, Spiller and Tommasi, 2000.)

⁸⁰ See explanation above on *Decretos de Necesidad y Urgencia*. Such lack of congressional control is behind the large number of vetoes and Necessity and Urgency Decrees introduced during the administration of President Menem, and the current administration of President de la Rúa.

⁸¹ This does not require a change in the President. Enough that there is a change of Minister of Secretary. Such changes may bring drastic expenditure changes, redistributing their available funds to their provinces or other "constituencies." (See box on Social Policies).

adjustment to changing economic circumstances.⁸² The first type of policies limits incentives of the private sector to undertake long term investments, while the second type assures that ineffective policies will tend to have longer than necessary shelf lives.⁸³

Similar reasons bring about bureaucratic decision making which is incoherent, lacking cohesiveness and not built on consensus-building. Hence, both the design and implementation of policy generate an environment which is not propitious for long term growth and stability.

6. CONCLUDING COMMENTS

Rather than re-capping the main themes of the paper, we conclude with observations on two issues: implications for comparative analysis and considerations about Argentina's present and future.

As Oliver Williamson emphasized for economic transactions, political institutions and the associated political transactions, have a complex texture, and that requires a micro-analytic emphasis to uncover the real determinants of a polity's performance. Argentina has, in practice, some behavioral features that are closer to what is generally perceived as arising in the block-category "parliamentary systems". Weak legislators' incentives to oversee the bureaucracy, and in general to perform legislative duties, the dependence of legislators on party faction bosses, and the dominance of the cabinet in the budgetary process, among others. Laver and Shepsle (1994) emphasized developing "a richer and more systematic theoretical treatment of cabinet government *in parliamentary democracies*;" as if "cabinet government" is antithetic with presidential democracies. Our study of the Argentine case suggests otherwise. Also, Persson, Roland and Tabellini (1998) in their work on size and composition of government as a function of political regimes, tend to assign Argentina and other Latin American countries to the block category of "presidential systems", while according to the budget procedure they model, Argentina should fall in the other group.

Also, it is important to understand the interactions across different inherited political characteristics, what we might call general equilibrium effects. For example, it is clear that all presidential systems (or all parliamentary systems for that matter) do not generate the same type of incentives in legislators. Electoral rules are key factors, but may not easily be generalized into two or three categories (i.e., simultaneity of elections may be important in one situation, and a second order effect in another). Presidents have vast differing powers (see Shugart and Carey, 1992), but their power depends also on legislators' incentives and those of other political players, and even on issues such as the

⁸² As examples, consider the rigidities associated with the Tax-Sharing Agreement, or with the Trade Unions "owning" the Health System.

⁸³ As an example, consider the lack of reform of the provincial tax systems described in section 5.C on Federalism.

nature of financial arrangements in multi-layered government. As another example, a formal reading of Argentine constitution would suggest that the Argentine Courts should be quite independent, but that turns out not to have been the case. Just reading of veto points does not suffice to provide insights on institutional performance.

What does our analysis suggest about the prospects for Argentina? We have argued that political and macroeconomic instability were key factors in shaping the workings of political institutions and the characteristics of public policies. We believe (with other Latin American specialists, for instance Dominguez 1998, Jones 2000b and Levitsky 2000) that the current democratic spell is sustainable. According to our theory, that is likely to improve the workings of political institutions and the qualities of public policies.⁸⁴

Finally, a few words on possible institutional reforms that would improve the environment for policymaking in Argentina. With the goal of improving the arenas for intertemporal political exchanges, and being quite conscious about general equilibrium interactions, we would focus on two areas. First, we have noted that Congress is the weak link in the policy determination process. Even though part of the weakness is correcting itself with the uninterrupted democratic spell, there are other important factors. We would suggest (1) reforms to electoral rules, specially (intra-party selection process) to reduce the role of regional party bosses; and (2) a regulation of the legislative instruments of Executive, construing them as narrowly as the Constitution permits. We believe that the combined effects of these two sets of institutional changes, together with the disappearance of the threat of military coups, could produce legislators with longer horizons and with stronger incentives to actively participate in National policy making.⁸⁵

At the same time, it is important to restore the fiscal and political balance with regards to the provinces. A new federal governance structure has to be introduced to curtail the excess discretion of the National Government on issues with strong geographical effects, in order to reconstruct the possibility of cooperation across provinces (hence supporting the necessary reforms of provincial tax systems.)⁸⁶ We are skeptical of current proposals to improve the workings of the Argentina public administration (and Judiciary), which do not take these deeper political determinants into consideration.

⁸⁴ For reasons of space we did not devote much time to the analysis of the 1994 Constitution and to the possible long term impact of the changes there. From our view point the changes which might have important effects on the policymaking process are: the new rules for electing senators, the introduction of the *Jefe de Gabinete*, the mandate for a new Tax-Sharing agreement, and the constitutinalization of *Decretos de Necesidad y Urgencia*.

⁸⁵ It is worth pointing out that this virtuous circle has been greatly supported by the fact that with the disappearance of inflation, budgets have started to have some meaning as an instrument of intertemporal compromise.

⁸⁶ The details on how such an arena might be constructed in the context of the 1994 Constitution, are provided in Iaryczower, Saiegh and Tommasi (1998) and Iaryczower and Tommasi (1999).

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Figure 1: The Framework

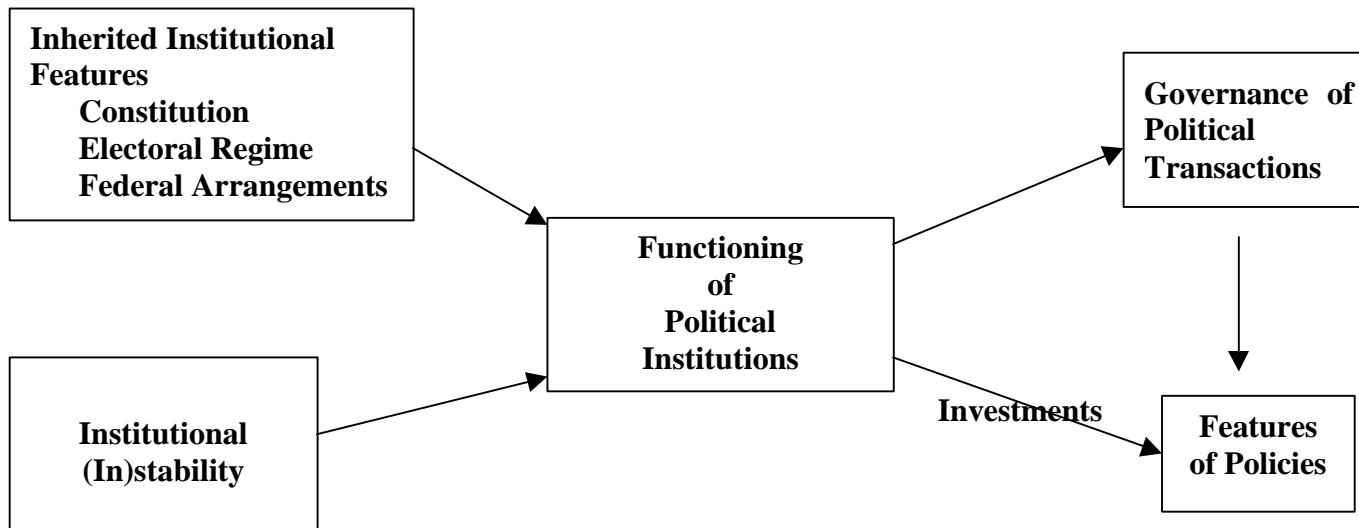


Figure 2: Volatility of Economic Policies
 Variation in the 'economic freedom index' in 105 selected countries, 1970-1997

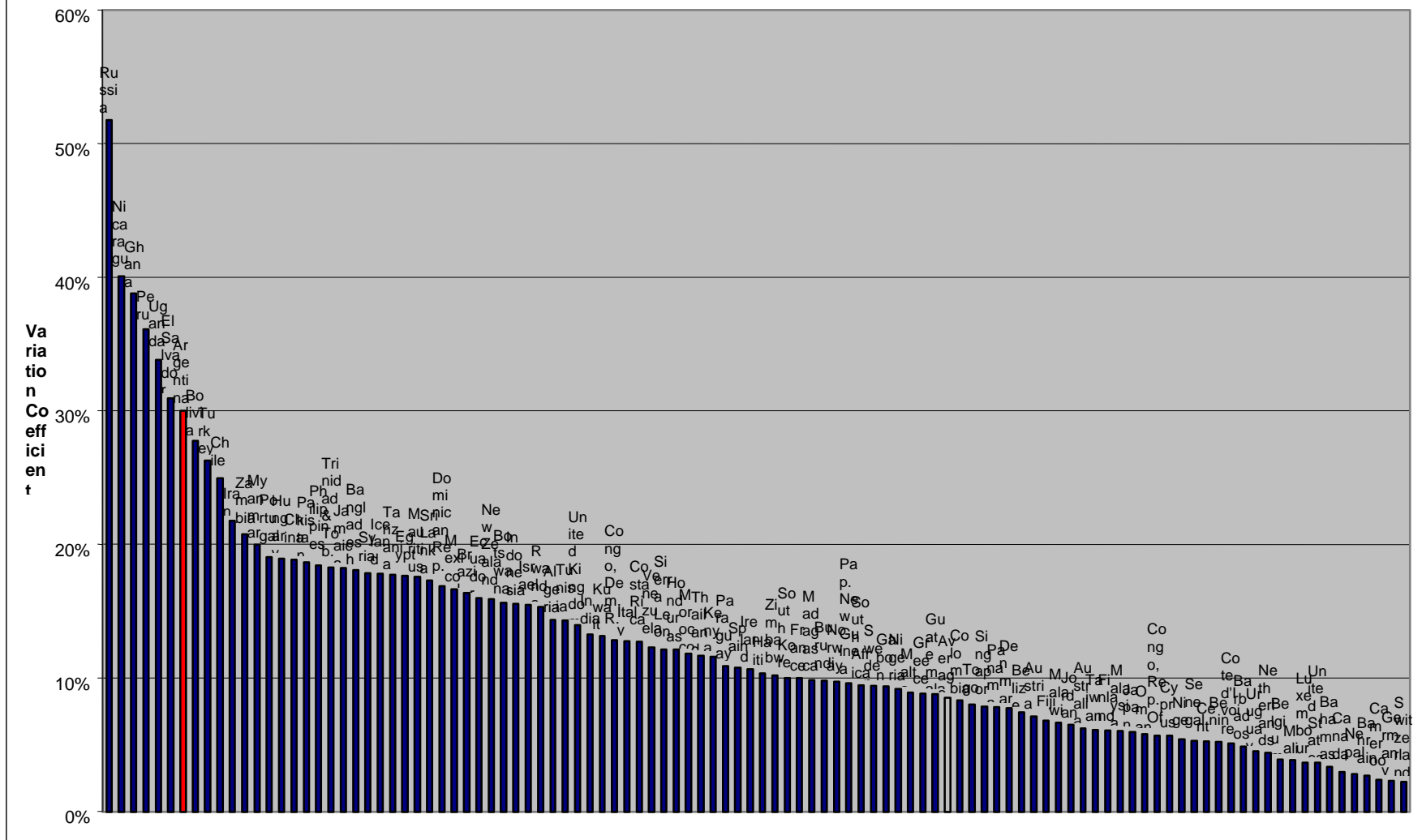
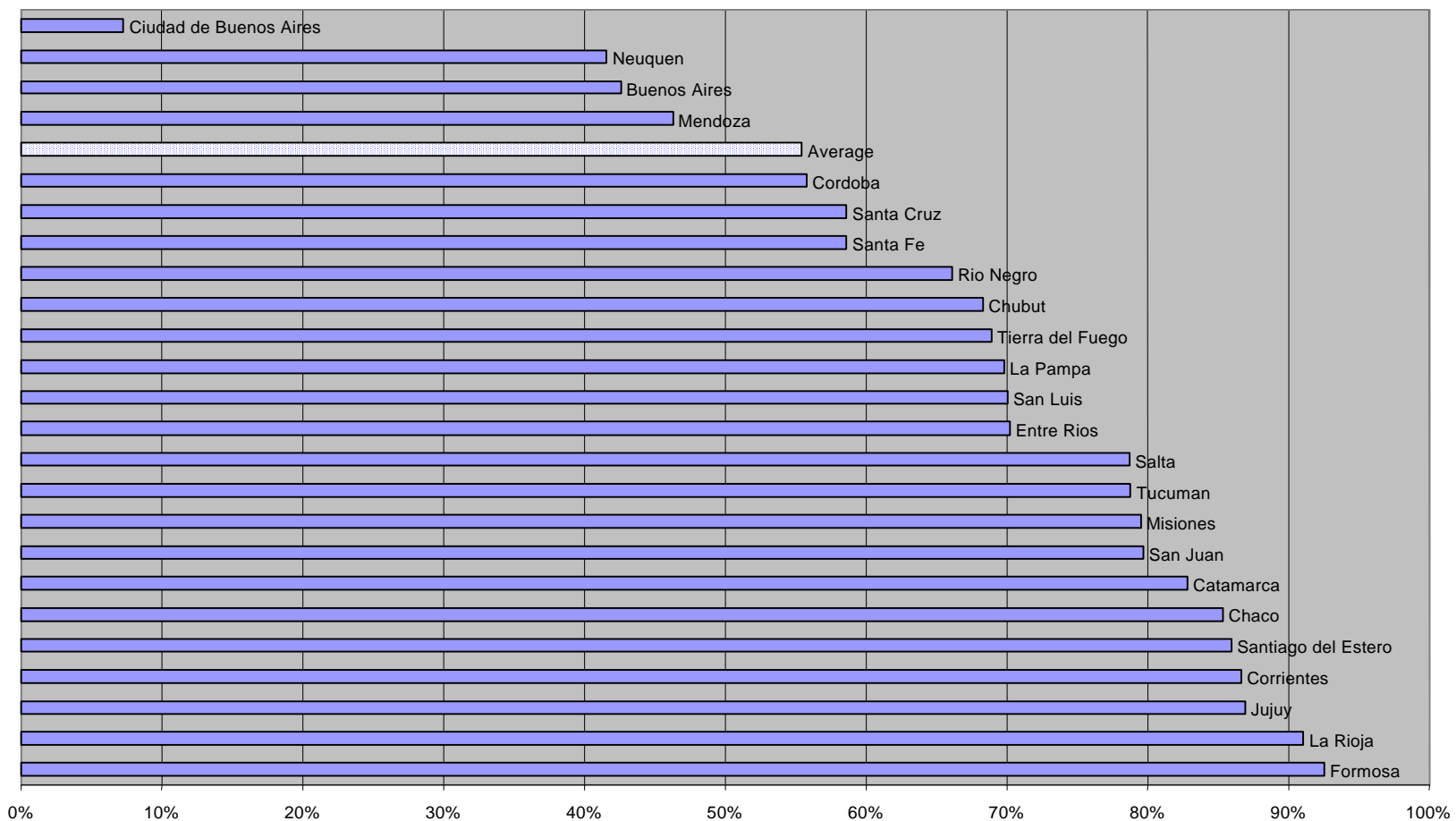


Figure 3: Vertical Fiscal Imbalances, 1999



Source:

Figure 4: Democratic and Military Governments, since 1862

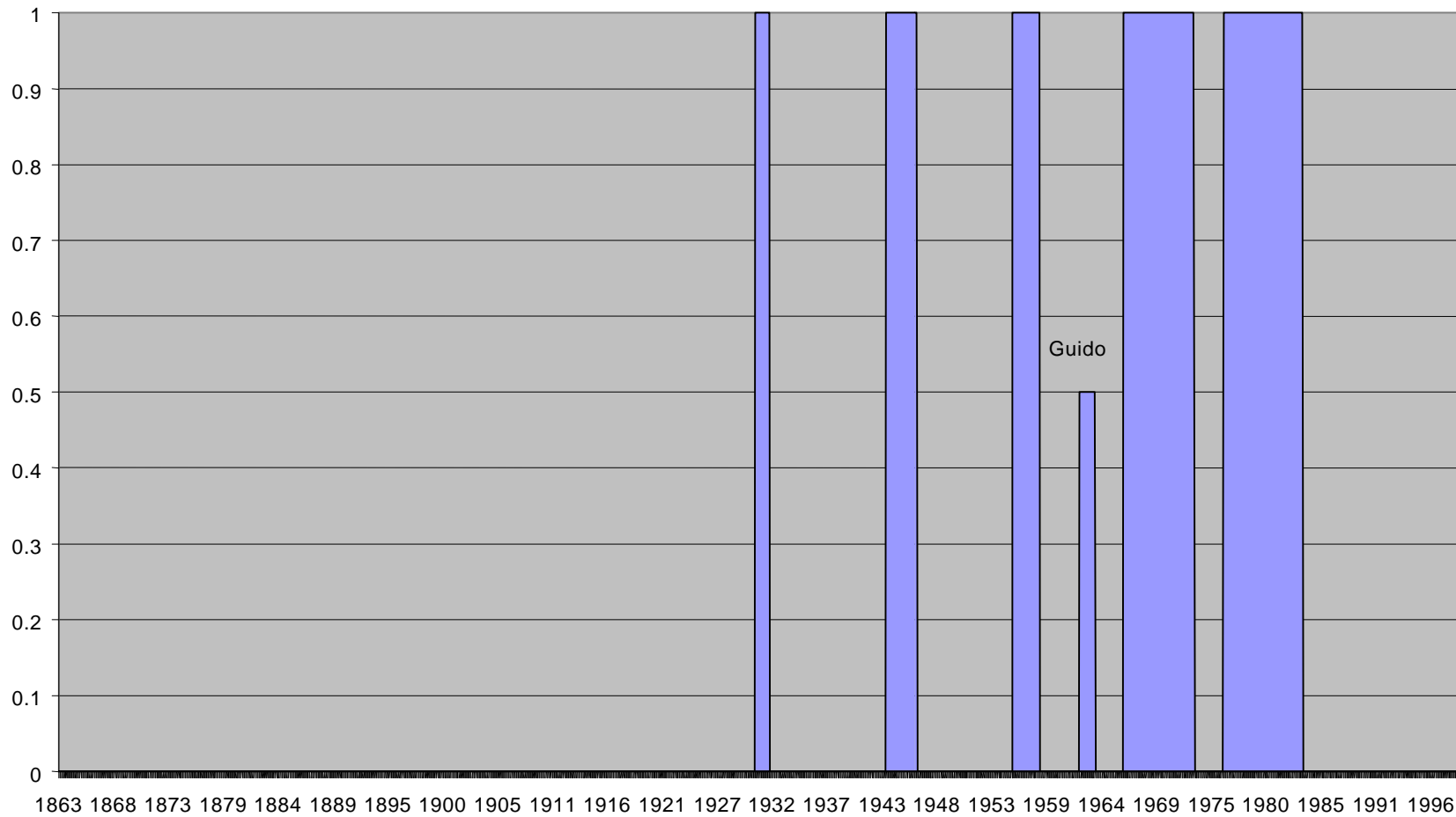
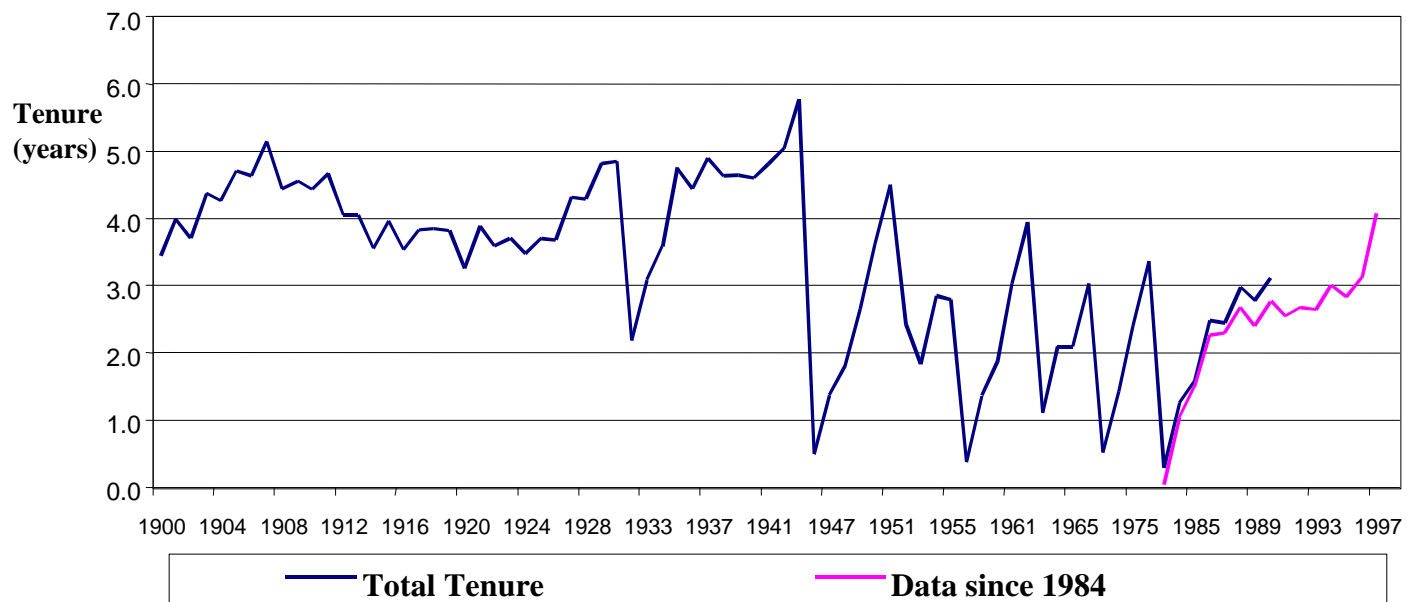
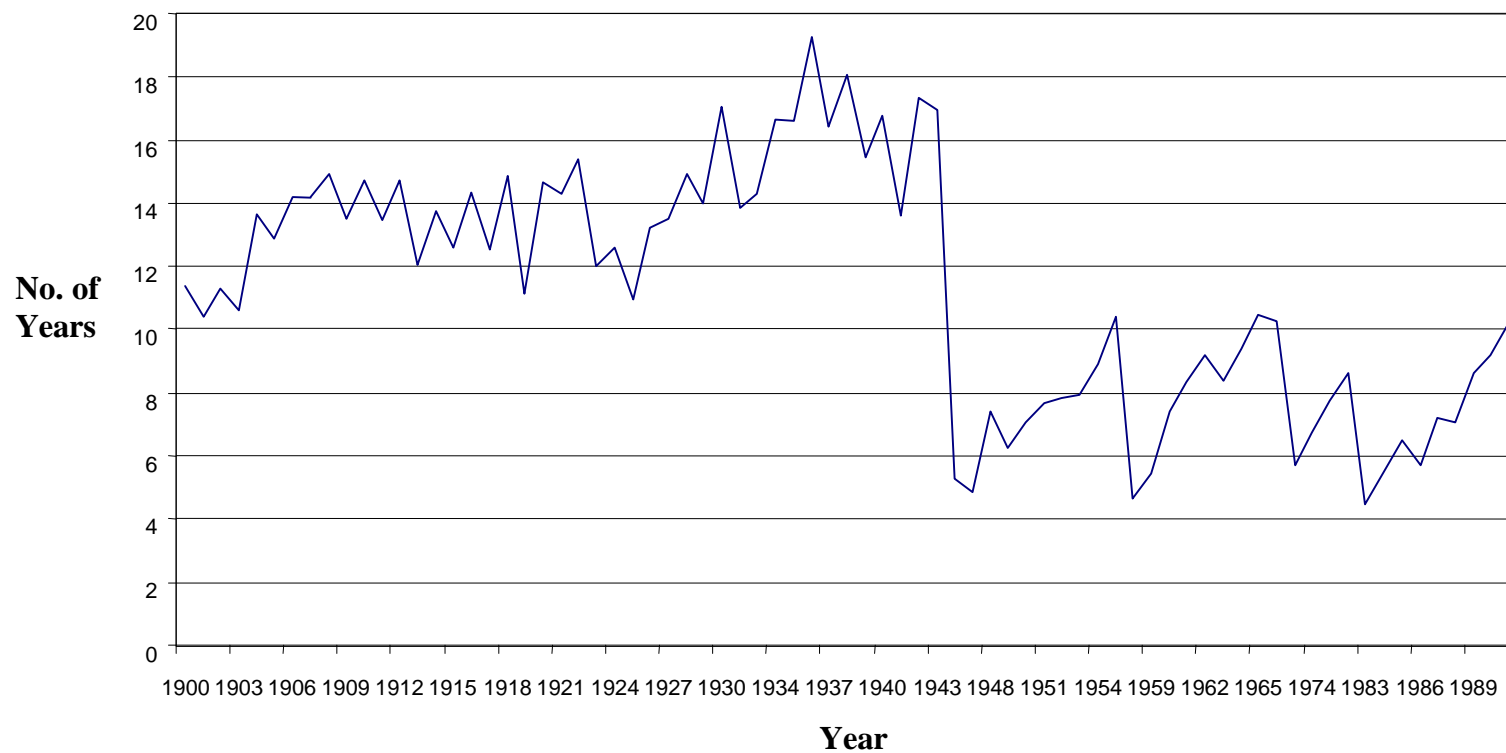


Figure 5:
Average Tenure in the Deputies' Chamber during Democratic



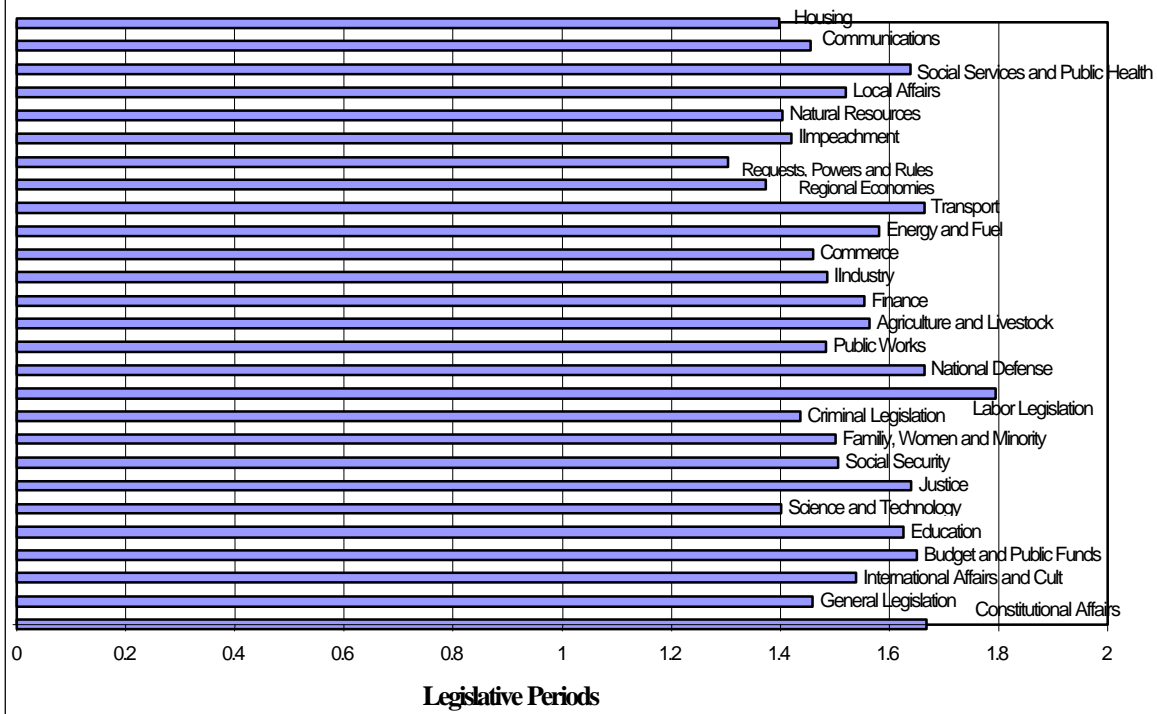
Source: Created by the authors using data from the *Secretaría Parlamentaria, HCD (1991)* and *Molinelli, Palanza and Sin (1999) tables 2.83*

Figure 6: Average Tenure of Legislative Leaders in the Deputies' Chamber (15 legislators longer tenure)



Source: Elaborated by the authors based on data from the N6mina de la Secretar1a Parlamentaria, HCDN

Figure 6: Length of Service by Committee, 1983-1997



Source: Elaborated by the authors based on data from the Deputies' Chamber, CEDI.

Figure 7: The Fiscal Labyrinth

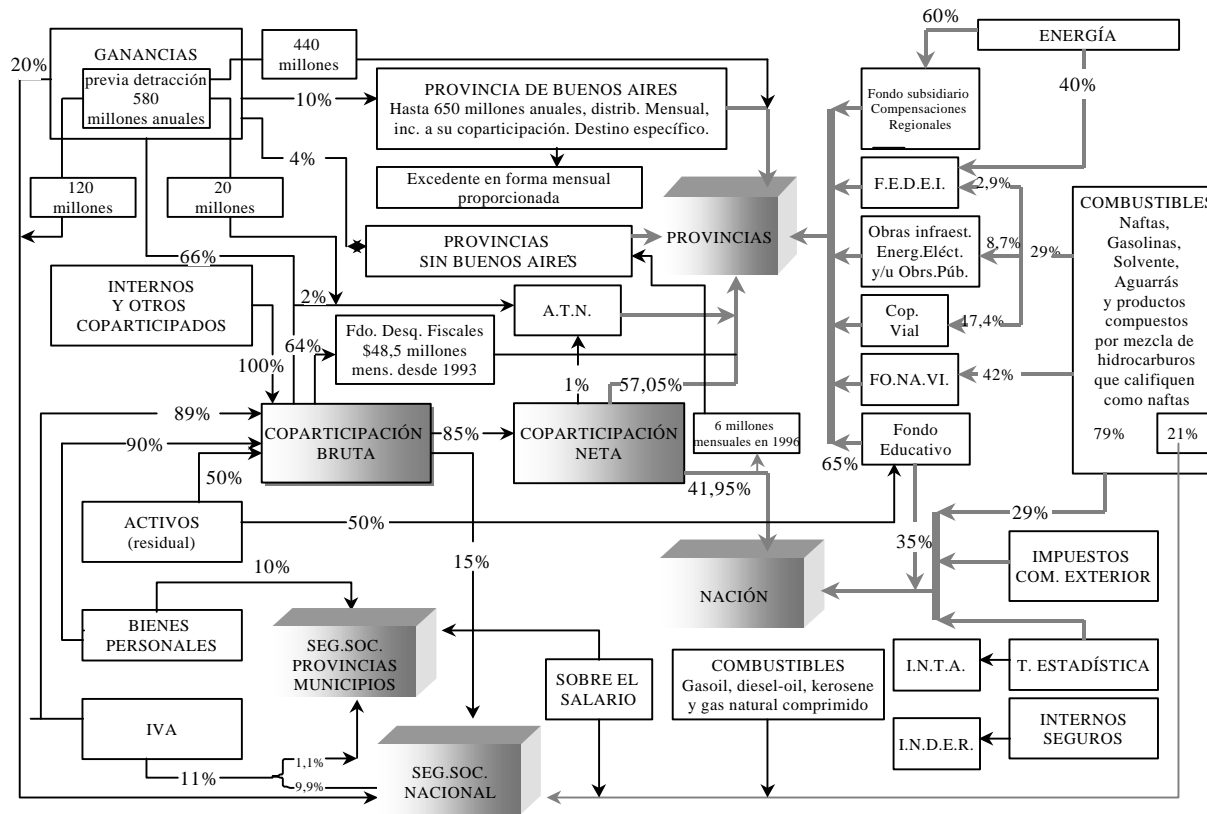
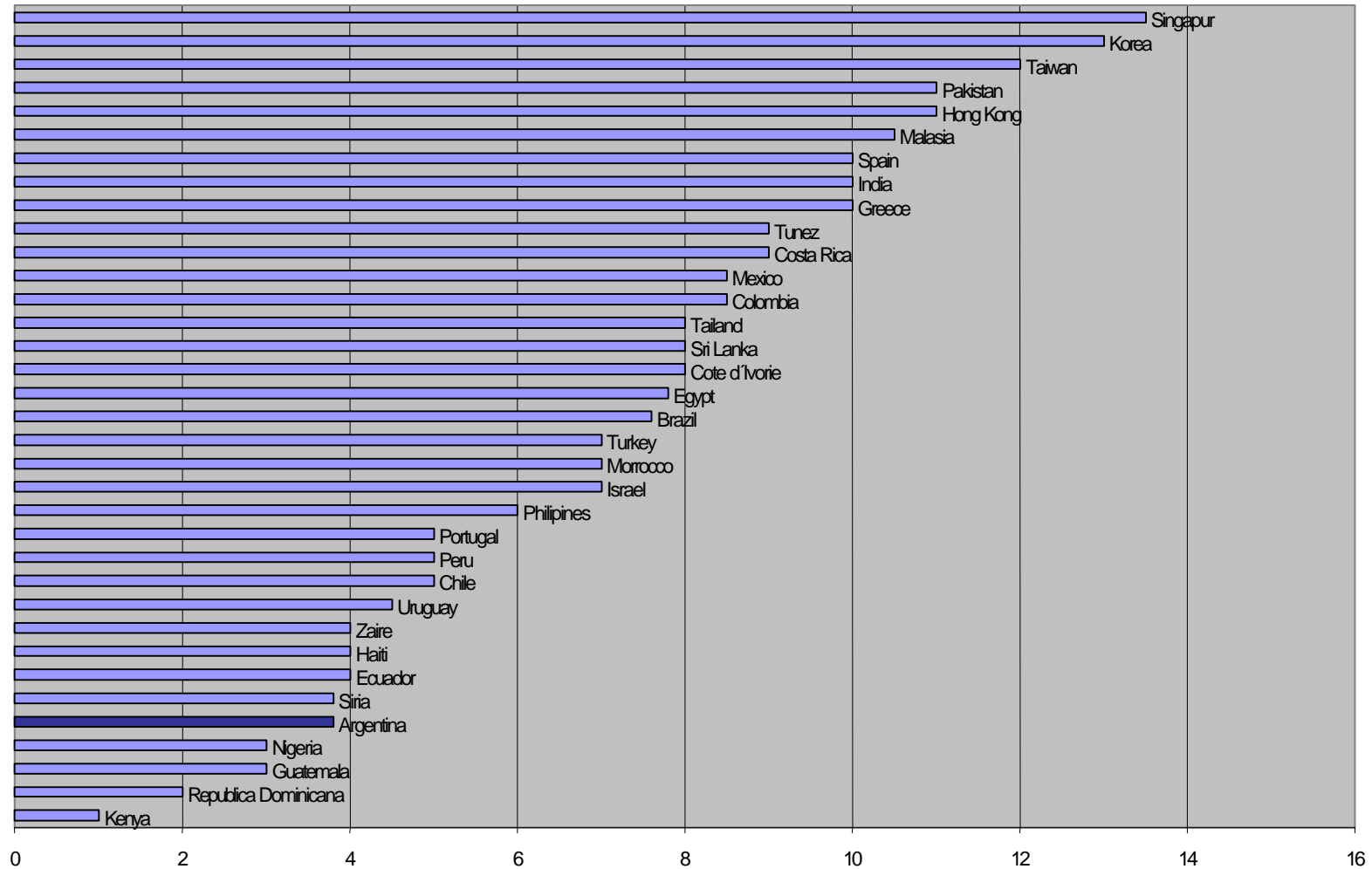


Figure 8: "Weberianess Scale" (Bureaucratic Coherence and Competence) in 35 Developing Countries



"Weberianess Scale" (bureaucratic coherence and competence)

Source: Rauch and Evans (1997). For a detailed description on the methodology used to create this index we suggest to refer to this paper. A larger value of the index represents higher bureaucratic coherence and competence.

Figure 9: Average Tenure of Supreme Court Justices in Argentina and the US.

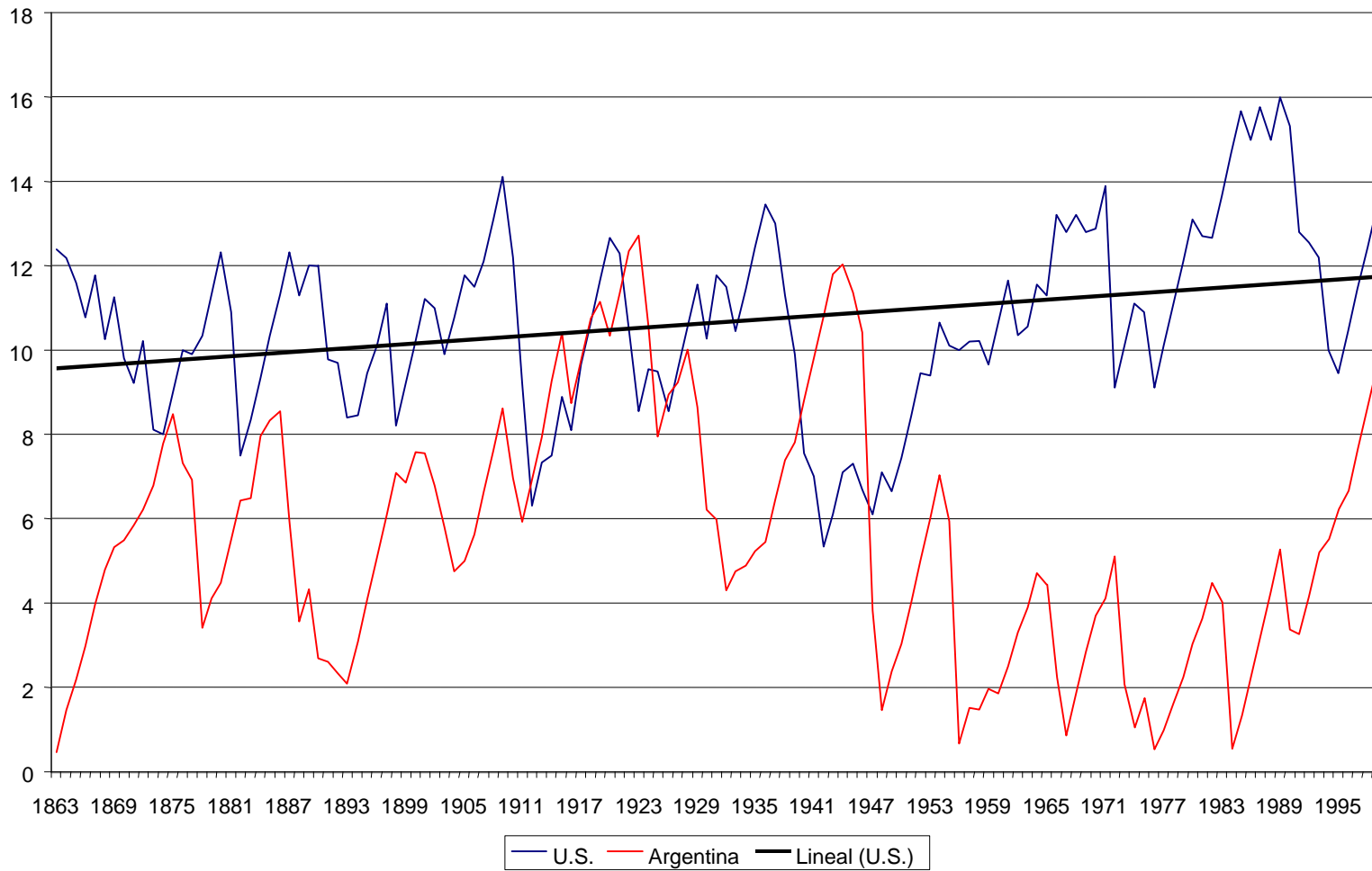


Figure 10: Maximum Percentage of Supreme Court Justices Appointments by Incumbent President, 1862-1999

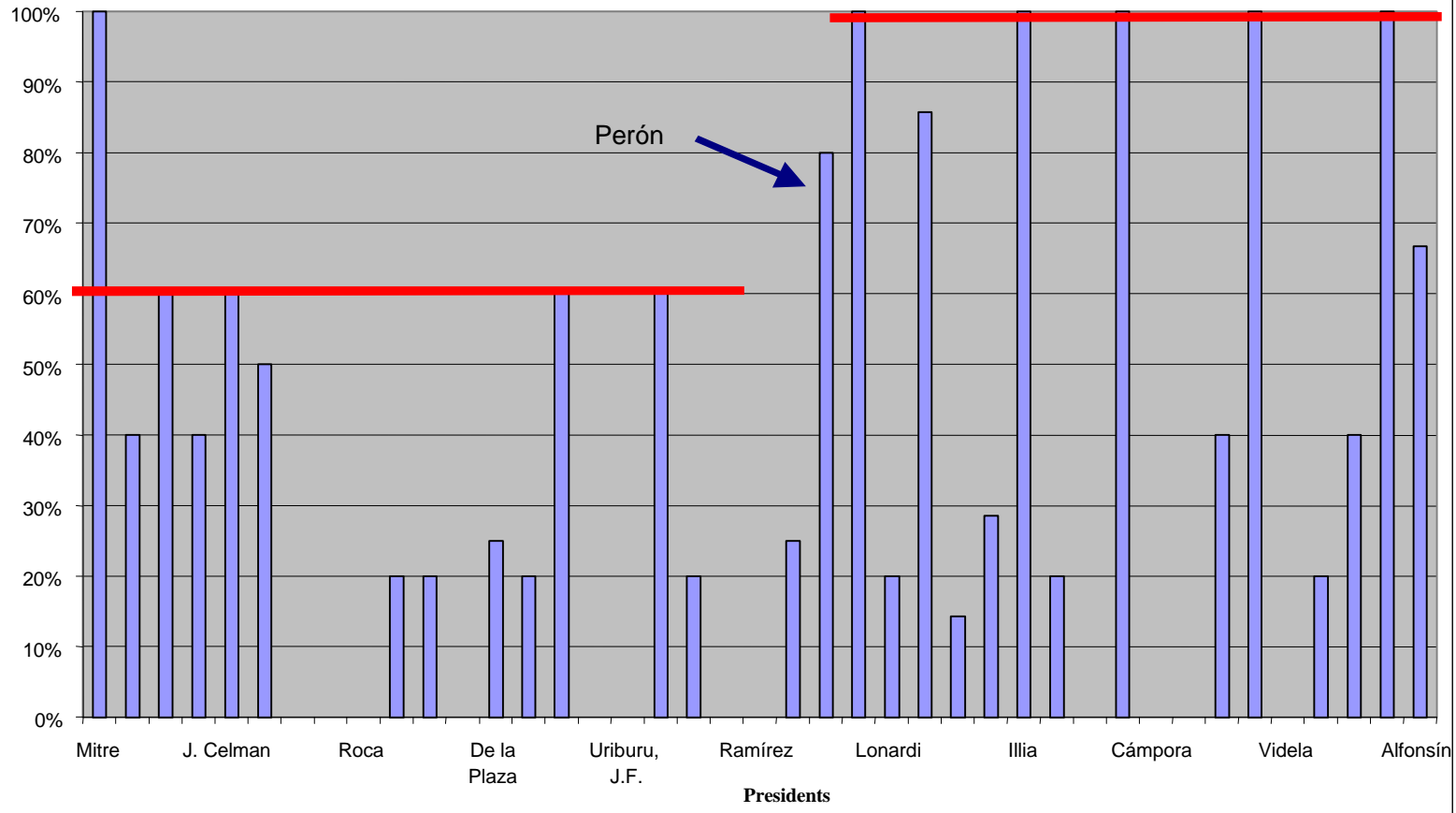


Figure 11: Budgets approved in time

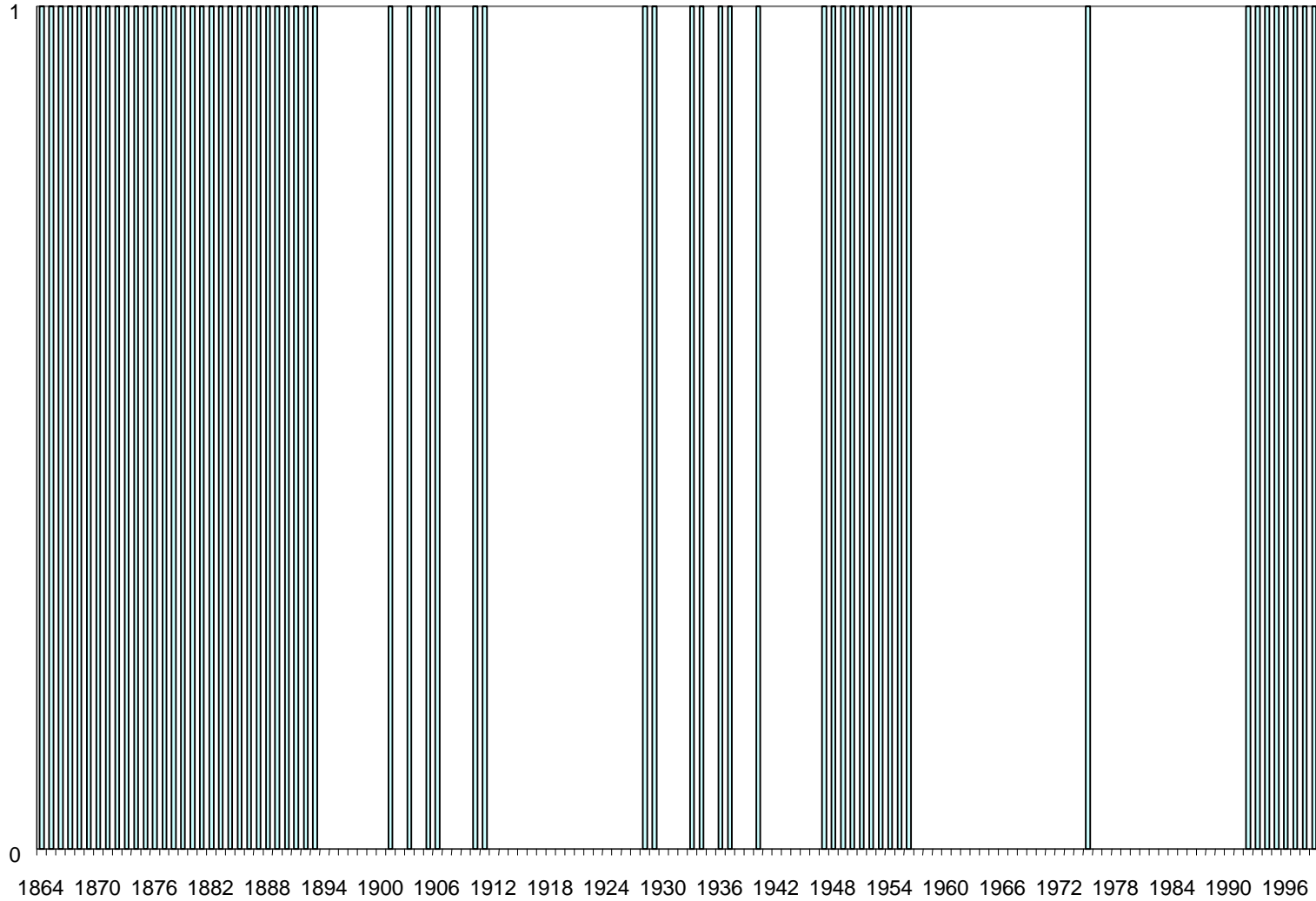


Figure 12: Vetoes against Real Support, 1983-1999

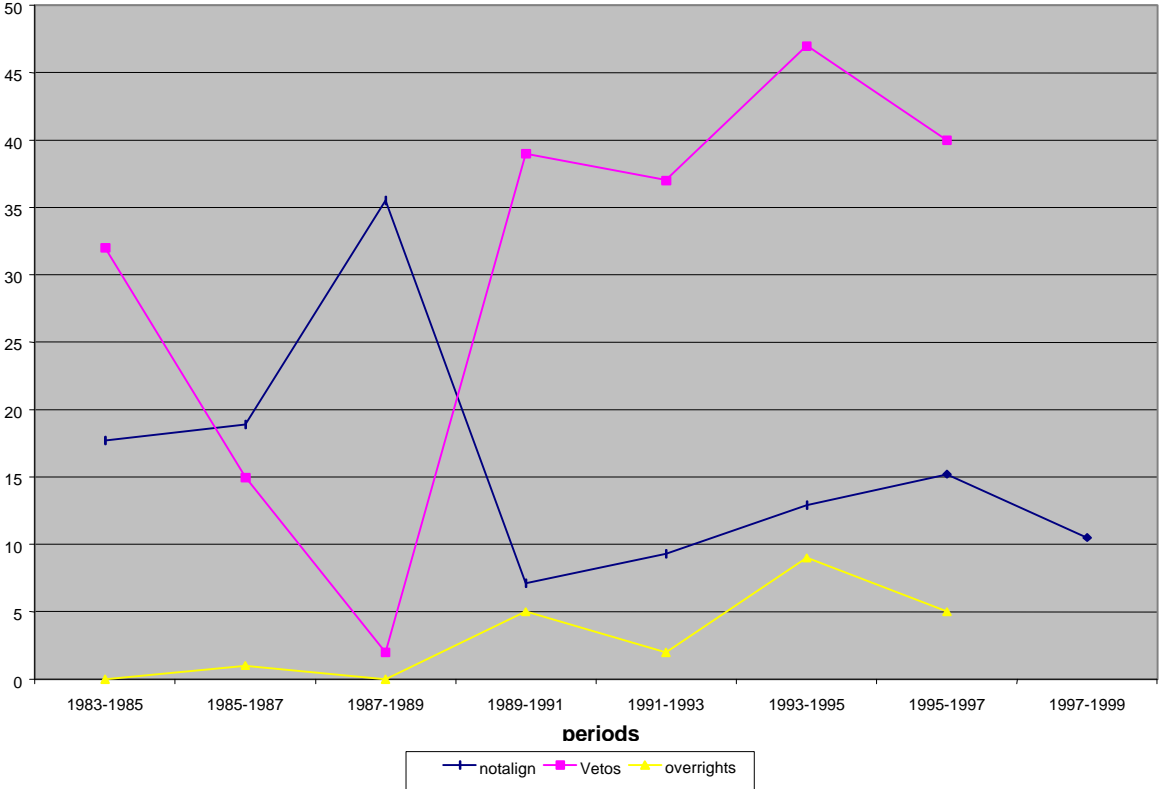


Table 1			
Reelection of Legislators in Selected Countries in America and Europe			
Country	% seeking reelection	% elected (from candidates)	% reelected
Argentina (1997)	26	67	17
Brazil (1995)	70	62	43
Chile (1993)	76	78	59
Mexico (1997)	0		0
U.S. (1996)	88	94	83
Italy (1953-72)	s/d	s/d	82
Great Britain (1950-74)	s/d	s/d	81
West Germany (1957-76)	s/d	s/d	70-75
Panama (1999)	s/d	s/d	49
Colombia (1990)	s/d	s/d	48

Source: Morgenstern (1998); Archer and Shugart (1997); Molinelli, Palanza and Sin (1999)

Table 2			
Carreer Path of Deputies (1991-1995), in mid-1998			
Position	Total	PJ	UCR
Party Activity	22	6	16
National Deputy	17	11	6
Private Sector	13	8	5
Provincial Legislator	10	6	4
National Senator	9	4	5
Provincial Executive	9	6	3
National Executive	8	8	0
Labor Leader	5	5	0
Desertor	3	2	1
Died	2	2	0
In Prision/Fugitive	2	2	0
President of Commercial Asoc.	1	1	0
Carreer Diplomat	1	1	0
Governor	1	0	1
Major	1	1	0
Local Council	1	0	1
Party President	1	1	0
Vice-Governor	1	0	1
Vice President	1	1	0
Total	108	68	44
<i>Source: Jones (1998)</i>			

Table 3**Number of Committees by Deputy, 1983-97**
Minimum, Maximum and Actual Committee Slots per capita

Years	Minimum No. of Slots to be filled per capita	Difference between minimum and actual per capita slots	Actual No. of Slots filled per capita	Difference between maximum and actual per capita slots	Maximum No. of Slots to be filled per capita
1983-1985	1.65	0.90	2.55	0.44	3
1985-1987	1.65	1.03	2.68	0.31	3
1987-1989	1.83	0.94	2.77	0.51	3.29
1989-1991	1.83	1.02	2.85	0.43	3.29
1991-1993	1.92	1.19	3.12	0.32	3.45
1993-1995	2.15	1.49	3.64	0.19	3.84
1995-1997	2.21	1.20	3.42	0.51	3.93

Source: Data on the Deputies' Chamber, CEDI

Table 4				
Tenure of Supreme Court Justices in Several Countries *				
Country	Years		Country	Years
U.S.	12.51		Italy	4.78
Australia	9.58		Colombia	4.43
Chile	9.19		Nigeria	4.35
Norway	9.15		Malawi	4.21
Holland	8.41		Ghana	3.87
Israel	8.35		Kenya	3.85
Canada	8.24		Zimbabwe	3.84
Belgium	7.95		Peru	3.81
Ireland	7.82		Pakistan	3.73
Germany	7.52		Argentina	3.71
Guyana	7.16		Sri Lanka	3.65
Singapur	7.10		República Dominicana	3.62
New Zeland	7.08		Camerún	3.61
Malasia	6.70		Zambia	3.51
Trinidad & Tobago	6.50		Sudan	3.14
France	6.48		India	3.04
South Africa	6.29		Lesotho	2.84
Average Sample	6.15		Botswana	2.20
Great Britain	6.08		Rwanda	2.13
Jamaica	5.95		Guatemala	2.08
Brazil	5.65		México	2.02
Bangladesh	5.15		Honduras	2.01
Philipines	5.09		Paraguay	1.45
Mauricio	5.01		Ecuador	1.39
Nicaragua	4.98			
(*) Average tenure of Supreme Court Justices in each year				
<i>Source: Elaborated by the authors based on data from the Henisz (1998) data set.</i>				

Table 5: *Ex post* control of the Budget by Congress
Number of years elapsed before approval of *Cuenta de Inversión*

Año Presupuesto	Fecha de ingreso a comisión (demora, en años)	Fecha de aprobación (demora, en años)	Total de demora (en años)
1984	Marzo 88 (4)	Sept. 90 (2)	6
1985	Junio 88 (3)	Sept. 90 (2)	5
1986	Agosto 88 (2)	Mayo 92 (3)	5
1987	Junio 89 (2)	Junio 93 (3)	5
1988	Nov. 91 (3)	Julio 93 (1)	4
1989	Dic. 91 (2)	Junio 94 (2)	4
1990	Febrero 93 (3)	Agosto 94 (1)	4
1991	Nov. 93 (2)	Febrero 95 (1)	3
1992	Mayo 94 (2)	Junio 96 (2)	4
1993	Sept. 94 (1)	Mayo 98 (3)	4
1994	Julio 95 (1)	Pendiente	-
1995	Agosto 96 (1)	Pendiente	-
1996	Sept. 97 (1)	Pendiente	-
1997	Sept. 98 (1)	Pendiente	-

Table 6: Necessity and Urgency Decrees

Period	N° Decrees of Necessity and Urgency
<i>1853-76</i>	<i>15</i>
<i>1983-89</i>	<i>8</i>
1989	18
1990	32
1991	59
1992	36
1993	15
1994	7
1995	7
1996	11
1997	26
1998	13

Source: Molinelli, Palanza and Sin (1999)

Table 7.a: Number of Parties in the Senate, 1916 - 98

Year	Number of Parties	Effective Number of Parties (1)	% of seats from the larger party	% seats of the President's party
1916	4	1.3	85.7	7.1
1917	4	1.5	80.0	13.3
1918	4	1.5	82.1	10.7
1919	4	2.2	60.9	26.1
1920-21	4	2.4	56.0	32.0
1922 (2)	4	2.3	55.6	55.6
1922 (2)	4	2.3	56.5	56.5
1923	6	2.7	50.0	50.0
1924	7	4.3	29.6 (4)	29.6
1925	7	4.2	34.6	23.1
1926 (2)	7	4.2	32.1	25.0
1926 (2)	7	4.0	30.7	26.9
1927	6	3.9	33.3	25.9
1928	5	3.3	38.5	38.5
1929-30	5	3.3	38.5	38.5
1932-34 (2)	7	2.9	53.3	73.3 (5)
1932-34 (2)	7	3.1	50.0	73.3 (5)
1935-37 (2)	8	3.6	43.3	73.3 (5)
1935-37 (2)	8	3.4	43.3	76.7 (5)
1938-40 (2)	8	3.9	41.4	62.1 (5)
1938-40 (2)	8	3.9	40.7	63.0 (5)
1941-43	6	3.9	34.6	57.7 (5)
1946	1	1.0	100.0	100.0
1952	1	1.0	100.0	100.0
1953-54	1	1.0	100.0	100.0
1955	1	1.0	100.0	100.0
1958-60	1	1.0	100.0	100.0
1961-62	4	1.1	93.5	93.5
1963-65	14	3.1	54.3	54.3
1973	7	2.2	63.8	63.8
1974 y 75	10	2.3	63.8	63.8
1983-86 (3)	7	2.7	45.7	39.1
1986-89 (3)	7	2.7	45.7	39.1
1989-92 (3)	6	2.5	56.3	56.3 (6)
1992-95 (3)	9	2.3	62.5	62.5
1995-98 (3)	13	2.7	55.1	55.1

(1) Based on the Laakso – Taagepera (1979) index, using proportions based on total rather than ideal proportions.

(2) The year is repeated to indicate changes during the year.

(3) Data to May 1 of the year following the senatorial period (until 1993), and since 1996 to March 1 in the last period of the table.

(4) In 1924 there were 2 parties/bloques with equal number of senators, being this number the greatest (Conservadores and UCR).

(5) The data refer to the percentages of the "Concordancia", formal alliance of the following parties: Demócrata Nacional, UCR Antipersonalista y Socialista Independiente (the latter only for the period 1935-37).

(6) This refers to the Menem administration.

Source: Molinelli, Palanza and Sin (1999) Table 2.120

Table 7.b				
Number of Parties in the Deputies' Chamber, 1916 - 99				
Year	Number of Parties	Effective Number of Parties (1)	% of seats from the larger party	% seats of the President's party
1916	16	4.6	37.9	37.9 (2)
1918	10	3.5	48.7	48.7
1920	15	3.0	55.3	55.3
1922	14	2.5	60.7	60.7
1924	15	3.9	47.1	47.1
1926	14	4.9	39.7	39.7
1928	14	2.7	59.0	59.0
1930	14	2.4	63.6	63.6
1932	10	4.4	35.7	53.5 (3)
1934	14	4.0	38.7	52.9 (3)
1936	14	4.5	35.3	43.6 (3)
1938	10	3.2	40.8	40.7 (3)
1940	9	3.0	48.1	35.4 (3)
1942	10	3.5	40.6	43.2 (3)
1943	10	3.5	40.6	43.2 (3)
1946-47	12	3.7	39.2	69.0
1948-49	4	1.7	70.7	70.7
1950-51	4	1.4	84.8	84.8
1952-53	2	1.2	90.6	90.6
1955	2	1.2	92.0	92.0
1958	3	1.7	71.1	71.1
1960	5	2.1	57.7	57.7
1961	7	2.3	53.0	53.0
1963	23	4.9	37.5	37.5
1964	13	5.4	37.6	37.6
1965	14	4.7	35.6	35.6
1973-76	21	2.5	59.7	59.7
1983-85 (4)	11	2.2	50.8	50.8
1985-87 (4)	19	3.0	51.6	51.6
1987-89 (4)	23	2.8	45.4	45.4
1989-91 (4)	24	2.9	47.2	47.2 (5)
1991-93 (4)	26	3.2	45.1	45.1
1993-95 (4)	22	2.8	49.4	49.4
1995-97 (4)	26	3.0	51.0	51.0
1997-99 (4)	23	3.3	46.3	46.3

(1) Based on the Laakso – Taagepera (1979) index, using proportions based on total rather than ideal proportions.

(2) The year is repeated to indicate changes during the year.

(3) The number refers to the UCR, the party of President Yrigoyen, who took office in October 1916.

(4) The data refer to the percentages of the "Concordancia", formal alliance of the following parties: Demócrata Nacional, UCR Antipersonalista y Socialista Independiente (the latter only for the period 1935-37).

(5) This refers to the Menem administration.

Source: Molinelli, Palanza and Sin (1999) Table 2.121

Table 8		
Nominal Support vs. Cheap Support (Orphans in the Legislature)		
Year	Nominal (%)	Orphans (%)
1984	50.8	17.7
1986	50.8	18.9
1988	44.9	35.1
1990	47.2	5.9
1992	45.1	12.8
1994	49.4	13.6
1996	51.0	15.2
1998	46.3	10.5

a) Nominal % refers to the total legislators belonging to the party of the President.
b) Orphans % refers to the legislators of the President's Party who come from provinces governed by an opposition Party.

Source: Data on the Cámara de Diputados, CEDI