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VOTERS AS FISCAL LIBERALS: INCENTIVES AND ACCOUNTABILITY IN FEDERAL SYSTEMS

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Most empirical evidence indicates voters penalize deficits and spending growth. Contrary to this dominant finding, a few recent studies conclude that voters reward public spending. We reconcile these conflicting findings, positing that the structure of fiscal federalism in countries like Argentina causes voters to reward fiscal expansion because they perceive that this extra spending at the margin is not financed by them, but rather by the nation at large. We provide evidence and microfoundations for the electoral connection implicit in this argument: voters reward public spending when they can pass the cost on to someone else (e.g., as in Argentina), and punish it otherwise (e.g., as in the United States).

1. ELECTORAL EFFECTS OF PUBLIC SPENDING THROUGHOUT THE WORLD

The aim of this article is twofold. First, it examines how efforts by Argentine provincial governors to obtain either their own re-election or the election of a copartisan are affected by provincial spending during their term in office. Second, it embeds the findings for the Argentine case within the broader empirical and theoretical debate regarding fiscal behavior and political accountability around the globe.

It is popularly believed that incumbent politicians use public spending to improve their re-election prospects. For this strategy to make sense, spending increases should lead to superior electoral outcomes. In spite of the fact that this perspective is strongly ingrained in popular conventional wisdom, the empirical evidence has tended to uncover the opposite result. The keystone reference for this literature is Peltzman (1992), who finds U.S. voters penalize federal and state spending growth. Peltzman's seminal "*Voters as Fiscal Conservatives*" laid the groundwork for the subsequent literature on this important topic. The finding of a negative (or insignificant positive) effect of the manipulation of fiscal aggregates on electoral performance has tended to reappear in most subsequent work in this area at both the national and subnational levels.

At the level of *national* elections, in the most recent comprehensive cross-national study (of 74 countries from 1960 to 2003), Brender and Drazen (2008) find no evidence that fiscal deficits benefit incumbent parties in any group of countries. Furthermore, they conclude deficits indeed reduce the probability of re-election in developed countries, as well as in established democracies.[1] Examining the *subnational* evidence within countries, studies of elections at the state and municipal level also have tended to find that voters punish, rather than reward, loose fiscal policies. For the U.S. states, recent studies have confirmed the original results of Peltzman (e.g., Matsusaka, 2004, 2008). For Israeli municipalities, Brender (2003) finds that expansive

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[1]Their finding confirms previous results, such as those of Alesina et al. (1998), who find fiscal austerity has positive rather than negative political effects at the national level.

fiscal behavior by mayors significantly reduces their probability of re-election. Similarly, for Colombia, Drazen and Eslava (2010) reveal that local voters penalize budget deficits.[2] Finally, in a broad survey of the political economy of fiscal policy, Eslava (2006) reports: "various country studies for both developed and developing countries show that the share of votes received by the incumbent's party decreases with the level of government spending and/or the fiscal deficit observed before the election" (2006, p. 10).

The dominant result of this literature, then, has been that voters penalize expansive fiscal policy. Nonetheless, a handful of recent articles have detailed the opposite result at the subnational level in three developing world federations: Russia (Akhmedov and Zhuravskaya, 2004), Brazil (Sakurai and Menezes-Filho, 2008), and Argentina (this article). These studies find that increased spending has a positive impact on incumbent party electoral fortunes at the regional, provincial, or municipal level.[3]

In addition to supplying the empirical evidence for the case of the Argentine provinces since the return to democracy in 1983, this article provides a first attempt at interpreting what might lie behind the distinct (seemingly conflicting) results encountered in the existing literature regarding the effect of fiscal variables on electoral outcomes. Our argument is that the structure of fiscal federalism in countries like Argentina makes voters reward fiscal expansion because they perceive that this extra spending at the margin is not financed by them, but rather out of a common pool of national resources. In this sense, the argument is the federal fiscal analog of pork barrel spending in the U.S. legislative context: individual legislators, here provincial governors, are rewarded for bringing home pork, paid for in large part by the $n - 1$ other districts.[4] The fact that some types of federal fiscal structures induce fiscal responsibility while others lead to profligacy is well developed in the fiscal federalism and decentralization literatures (Rodden, 2006; Weingast, 2009). What this article provides is evidence and microfoundations for the electoral connection implicit in such arguments: voters reward public spending when they can pass the cost on to someone else, and punish it otherwise.

The remainder of the article is organized as follows. Section 2 provides a brief conceptual discussion designed to disentangle the micro-foundations behind the different empirical results. Section 3 presents a very stylized model along the lines foreshadowed in section 2. Section 4 describes the Argentine fiscal and political context. Section 5 details the data and empirical specification, while section 6 supplies the empirical results, highlights the positive connection between spending and votes, and explores the possible mechanisms behind those results. Section 7 concludes.

2. DISCUSSION: POSSIBLE FACTORS UNDERLYING THE CONFLICTING FINDINGS

Research to date has tended to find that increases in public spending have a negative impact on incumbent party electoral performance at the national level across countries as well as at the subnational level for some countries (e.g., Colombia, Israel, United

[2]Drazen and Eslava (2010) have interesting results regarding the electoral effects of different *components* of spending, a topic to which we return in the empirical section.

[3]A more nuanced version of this finding is provided in a study of Portuguese municipalities by Veiga and Veiga (2007) who find that changes in the composition of spending favoring very visible budgetary projects/programs enhance electoral prospects.

[4]This argument has many variants and has been extensively studied in the public-choice literature. A simple and revealing early formalization was provided in Weingast et al. (1981).

States), but also a positive effect at the subnational level for the specific cases of Russia, Brazil and Argentina.[5] This section identifies some possible explanations for these divergent results encountered in the literature.

The title of Peltzman's seminal article, and of some of the subsequent literature, seems to imply a *preference*-based explanation[6]: voters in the U.S. states penalize increases in public spending because they are "fiscal conservatives". Following this logic, one would say that voters in the Argentine provinces reward increases in spending because they are "fiscal liberals". As we will briefly argue after presenting our model, we are inclined to reject this as a plausible explanation. Differences in voter preferences across countries are more likely to be associated with different *levels* of public spending (and associated taxes) than with different signs of spending-vote elasticities, which measure voter response at the margin. As recognized even in Peltzman's influential work, in a vanilla median voter model, the size of the public sector is chosen to maximize net benefits to the median voter, and deviations from this equilibrium would benefit as many voters as they would hurt. This would be an unlikely cause for either the negative effect encountered in the U.S. states, or the positive effect encountered in the Argentine provinces.

There is a related argument that, instead of focusing on voters' preferences in general, refers to the composition of the electorate, and to the preferences of median (or swing) voters. Applied to our comparison here, the argument could read something like this: the median voter in Argentina and Brazil is poorer than the median voter in the United States, and hence prefers more spending and taxes than her/his U.S. counterpart. This issue is quite important but, again, by itself more likely to affect levels of spending than the marginal response of voters to changes in spending, as we explain below.[7]

Our own explanation of why the response of voters to spending increases is distinct in some federations like Argentina, Brazil, and Russia lies in the answer to the question: "Who pays for the increases in spending?" At the level of the country as a whole, or of subnational units in countries like the United States, the answer to that question is "mainly the citizens of that polity." In countries like Argentina, the answer is "mainly the central government, and hence, the taxpayers of the whole country." The difference lies in the structure and political workings of fiscal federalism. In countries such as Argentina, Brazil, and Russia, a substantial portion of provincial spending is financed at the margin out of a common pool of resources administered by the central government, as in the pork-barrel arguments of Weingast et al. (1981) and others.

[5]This literature has analyzed the electoral effects of increases in spending and in fiscal deficits. It would be possible to engage in a finer discrimination of the available results in terms of the fiscal variable of interest, as different theories (and different conditions of applicability within each theory) could have distinct implications regarding these two variables. For the sake of brevity, in the rest of the article we focus on public spending growth as the fiscal variable of interest. This is driven by the fact that, for reasons articulated below, that is the relevant and feasible empirical variable to utilize in the case of the Argentine provinces, as well as by the fact that it is the same variable used in Peltzman's (1992) seminal study.

[6]For instance Eslava (2006, 10) states: "Findings regarding the fiscal preferences of voters are no less surprising."

[7]Additional explanations in the literature link democratic learning (e.g., Brender, 2003) and fiscal transparency (e.g., Alt and Lassen, 2006) to differential responses by voters to spending. We believe that the information and learning story is a relevant one in general, but we suspect (and the existing empirical evidence seems to point in that direction) that it is not the main reason why results in the Argentine provinces are different from those in other locales.

Argentina, Brazil, and Russia are often depicted as the archetypical cases of soft budget constraints for subnational governments. Weingast's well-known concept of "*market-preserving federalism*" has subnational governments facing hard budget constraints as one of its key conditions. In various articles, he lists Argentina, Brazil, and Russia as not fulfilling this condition, and the United States as one of the cases fulfilling it (see for instance Weingast, 2000; 9).[8] And clearly, when it comes to voter responses at the *national* level, there is no higher level of government to pick up the bill, such that (inter-temporal) budget constraints are necessarily harder than at the subnational level.[9]

The game through which "who pays what for whom" is determined in polities where subnational units face soft budget constraints is not purely mechanical, but one in which different actors can have differential abilities to play. As we will argue for the case of Argentina in section 4, the country's governors vary in their ability to access central funding. That variation will be the micro-foundation of the mechanism by which the chances of winning are bolstered by being able to increase spending. Increases in current spending are good predictors of the ability of a governor to obtain funds from the central government, and hence of future "tax-free" spending.

3. THE MODEL

We turn now to an extremely simplified model that captures the points made in section 2 in a very stylized manner. The model illustrates the mechanisms underlying the different possible correlations between spending and the probability of re-election (i.e., electoral success) observed in the data.

In order for voters to penalize higher spending at the margin (the Peltzman result), it has to be the case that the "average" level of spending in the polity is supra-optimal from a vote maximization point of view. From that average level of spending and, in the case of hard budget constraints, taxation, voters will penalize increases and reward reductions. There are various possible micro-foundations behind such a situation. For instance, it might be the case that governors face legislatures oriented toward overspending, and different governors have variable ability to restrain the legislature, an ability that is rewarded by the voters.[10] It might also be that governors themselves are attracted to spending on items that are not highly valued by (median) voters, and

[8]Of course all of these statements are relative, since the United States also has had experience with federal bailouts (Poterba, 1995), but all in all, in comparative perspective, subnational budget constraints are harder in the United States. For a historical account of the "hardening" of U.S. subnational budget constraints, see Wibbels (2003). Wibbels contrasts modern-day U.S. states with countries in which subnational soft budget constraints have been the source of numerous problems, listing Argentina, Brazil, and Russia among his five examples of problematic cases. On Argentina, see also Cooper et al. (2005), Nicolini et al. (2002), and Dillinger and Webb (1999). In Brazil, soft budget constraints and bailouts for the states used to be a tremendous problem, and represented the source of a number of macroeconomic crises. The situation has improved over the past decade following the adoption of the 2000 Fiscal Responsibility Law, although some of the former gaming still takes place (Rezende and Afonso, 2006; Rodden, 2003), especially at the municipal level (Ferreira and Bugarin, 2007). On Russia, see de Figueiredo and Weingast (2002); Gimpelson and Treisman (2002); as well as Treisman (2007) who in a theoretical discussion of soft budget constraints uses Argentina and Russia as motivating examples.

[9]A partial exception would be the handful of countries that receive a considerable share of their revenue from international donors and foreign governments.

[10]This is consistent with the voluminous literature on fiscal institutions which argues that legislatures are more subject to common pool problems, while executives tend to better internalize aggregate budget constraints. For an excellent summary of this literature, see von Hagen (2006).

that different governors have this tendency to varying degrees, with the big spenders being penalized by voters. The language we use in describing the model in section 3.1 refers to this scenario.

For voters to reward higher spending at the margin (our result), it has to be the case that increases in spending are welfare enhancing from their perspective. This could happen: (a) in a hard budget constraint scenario because the extant level of spending and taxation is too low (for the opposite reasons of those detailed above),[11] or (b) in a soft budget constraint scenario because increases in spending at the margin are largely financed from external sources as opposed to taxes on local citizens. The politically successful governor is the one who is able to expand the local budget constraint by obtaining more funds from the central government. This second case is the scenario we will model in section 3.2 below.

Sub-Section 3.1 presents the basic structure and a source of variation that induces the negative correlation observed by Peltzman for the U.S. states. Sub-Section 3.2 has the same simple model, but with an alternative federal fiscal structure, and is able to generate a positive correlation between spending and votes. Sub-Section 3.3 provides a brief comparative discussion that prepares the terrain for the ensuing empirical analysis.

3.1. A Simple Micro-foundation for the Correlation between Spending and Re-election Probability

This model is a very simple version of the rational retrospective voting model of Barro (1973) and Ferejohn (1986), the workhorse of the first generation of political agency models (Besley, 2006). For expositional simplicity, we assume that there is one incumbent governor and one citizen (as well as a pool of ex ante identical candidates from which a "challenger" is randomly selected). Richer political micro-foundations (including voter heterogeneity and distributional politics) could be provided, but this reduced form is sufficient to deliver the points we want to make to motivate the empirical comparisons.

The incumbent governor chooses to provide a level of public good b, a level of rent r, and a level of taxation t, in accordance to the government's budget constraint

$$t = g \equiv b + r,$$

where g is public spending. The "rent" r is a reduced form for a number of mechanisms leading governors to choose to spend on goods that are not as valued by the (median) voters. This rent r could represent spending on items desired by special interests, or by particular groups favored by the governor, his/her own preferences for some spending, corruption, and the like.

The utility function of the citizen is given by

$$U = u(b) - t + a,$$

where a is a random term introduced in order to obtain probabilistic voting from the perspective of the incumbent, which simplifies the exposition of the results.[12] It is a

[11]Imagine, for instance, that governors on average are overly responsive to groups wanting low taxes.

[12]Probabilistic voting models smooth out the objective functions of politicians by introducing uncertainty (from the point of view of politicians) about the mapping from policy to aggregate voting behavior. The expected number of votes becomes a smooth function of policy choices, which guarantees the existence of Nash equilibria under regular conditions in the underlying utility and distribution functions. See, for instance, Persson and Tabellini (2000) and Mueller (2003).

term, not observed by the governor, which measures how much the citizen prefers the incumbent with respect to an expected challenger, based on issue positions and candidate characteristics (e.g., personal charisma) unrelated to the fiscal decisions we are analyzing. Again for expositional simplicity, we assume that a is distributed uniformly in [0, 1].

The objective function of the incumbent governor is

$$W = \gamma w(r) + pE;$$

where E are "ego rents" (reflecting the exogenous value attached to winning the elections and holding office)[13] and p is the probability of winning the election. We assume that γ is drawn from a commonly known distribution, but is unobserved by the voters.

Following the Ferejohn (1986) retrospective voting rule, citizens re-elect the incumbent if

$$u(b) - t + a \geq \overline{U},$$

where $\overline{U}$ is a reservation level of utility, treated as exogenous for simplicity. So that the probability of re-election is given by:

$$p = P(u(b) - t + a \geq \overline{U}). \tag{1}$$

The challenge for the government is then given by:

$$\max_{r,b,t} \gamma w(r) + pE,$$

subject to (1) and $t = b + r$.

For brevity of exposition we work from now on with the case of $u(b) = \ln(b)$ and $w(r) = \ln(r)$, which allows for simple closed form solutions – none of the results depends on the specific functional form. It is easy to verify that these solutions are: $b^* = 1$, $r^* = \frac{\gamma}{E}$, $g^* = t^* = 1 + \frac{\gamma}{E}$, and $p^* = -\overline{U} - \frac{\gamma}{E}$.[14]

Notice that a higher γ, that is a higher preference for rents r, implies a higher level of spending g and a smaller probability of re-election p. Therefore, in a cross-section of units with different γ will observe a negative correlation between spending and the probability of re-election, that is, the "voters as fiscal conservatives" result of Peltzman.

This is a good place to address, in the context of the model, the discussion of whether different pivotal voters' preferences could be the explanation behind the

[13]According to Besley (2006, p. 40), the political psychology literature attaches weight to the way in which winning an election can bolster self-esteem, which could create a reward to holding office neither dependent on policy nor on extracting private goods, salary, etc.

[14]In order to obtain values of the probability. p between 0 and 1, it is required that $\overline{U} \in \left[-1 - \frac{\gamma}{E}, -\frac{\gamma}{E}\right]$ (note that the log specification allows for negative utility). The constraint on the range of $\overline{U}$ is imposed for the practical purpose of obtaining an interior solution for p. This does not imply that the voter conditions her behavior on unobservable parameters like γ that enter into this boundary mathematical condition. We make simplifying assumptions such as retrospective voting and an exogenous level of reservation utility for the sake of brevity. Reservation utility can be made endogenous to an earlier optimization by the voter. Heterogeneity among policy-makers could be the reason why voters use past performance as a predictor of some underlying observable characteristic (such as γ) of incumbents. A more fully developed model would then make the reservation utility of the voters equivalent to their expected future utility under alternative candidates drawn at random from a population of politicians. In these more robust formulations $\overline{U}$ would be a function of the parameters *of the distribution* of γ from which candidates are drawn.

different empirical results in places like the U.S. states vis-à-vis places like the Argentine provinces. It is quite easy to modify our model to interpret two different countries as having different preferences regarding public spending. Let η be a parameter that represents the intensity of preferences regarding public over private goods, so that now the preferences of a voter are summarized by:

$$U = \eta u(b) - t + a.$$

Low η voters could be called "fiscal conservatives" and high η voters could be called "fiscal liberals". The former could represent the pivotal voters in the U.S. states and the latter pivotal voters in the Argentine provinces; the difference coming from a different socioeconomic structure (Argentine voters are poorer) or from different political institutions (voting is compulsory in Argentina).

The solution to the model in that case leads to $b^* = 1$, $r^* = \frac{\gamma}{E}$, $g^* = t^* = \eta + \frac{\gamma}{E}$, $p^* = -\overline{U} - \frac{\gamma}{E}$. In such a case, a high η country will have higher public spending and taxation in its subnational units, but the correlation between voting and spending, if driven by variations in γ, will be negative in both countries. That is, in Argentina we would still have a negative correlation between spending and votes at the margin, in spite of the voters being quite "liberal".

We move now to a simple variation of the model which captures the difference in incentives provided by distinct federal fiscal structures.

3.2. *Electoral Accountability with Soft Budget Constraints*

Here we present the same model as before, but with a different budget constraint for the local government. The literature on fiscal federalism has studied the nature of budget constraints linking multilevel governments in federal contexts. We use a formulation that subsumes in a simple way various formulation in the literature that emphasize the way in which intergovernmental financing schemes affect the incentives of subnational governments (see, for example, Boadway and Tremblay, 2006; Careaga and Weingast, 2003; Cooper et al., 2005; Sanguinetti and Tommasi, 2004; and Treisman, 2007). In particular, the budget constraint of the subnational government now becomes:

$$t = (1 - m)(b + r)$$

where m is the fraction of provincial spending that is financed ("bailed out") by the national common pool of taxes. As we discussed in the previous section, and will see in more detail below for the case of Argentina, there are various channels by which this "external" financing takes place. Also, different incumbent governors will be characterized by different m_s, that is, by differential abilities to play the game enabling them to extract more resources from the center.

This new problem has as solution (again in the log-utility case): $b^* = 1/(1 - m)$, $r^* = \frac{\gamma}{(1-m)E}$, $g^* = t^*/(1 - m) = \left(\frac{1+\frac{\gamma}{E}}{1-m}\right)$, $p^* = \ln(\frac{1}{1-m}) - \overline{U} - \frac{\gamma}{E}$.

In this case, a higher m implies both a higher g and a higher p.[15] And in a cross-section of units with different m_s, we will observe a positive correlation between spending

[15]Careaga and Weingast (2003) present a related model in which a lower percentage of locally charged taxes retained by the subnational government (which given overall budget constraints in the federation are analogous to lower average m_s) changes the composition of local spending from public goods to rents and corruption.

and the probability of re-election, a result that, analogous to Peltzman's famous title, we refer to as "voters as fiscal liberals."

3.3. *Discussing the Results*

If we now put both comparative static results together, we have forces (such as different γ_s) leading to a negative correlation between spending and votes, and forces (such as different m_s) leading to a positive correlation. Which of those forces is more relevant in each sample population, will determine whether we expect to find a negative (voters as fiscal conservatives) or a positive (voters as fiscal liberals) correlation. We argue that there are good reasons to expect the negative correlation induced by varying γ_s in the U.S. states case, and the positive correlation induced by varying m_s in the case of the Argentine provinces.

In comparative perspective, the United States is a case in which m is very low (roughly zero) for all of the states, so that the relevant source of variation underlying the correlations in the data will be γ. The point is even more evident if we think in terms of the cross national evidence. Countries do not have higher level governments who could occasionally pick up the bill, so that they all face $m = 0$, and the source of variation is something more akin to γ. Regarding the case of Argentina, in the next section we draw on existing studies of Argentine electoral and fiscal politics to underscore the following realities of the Argentine political system: (a) the Argentine provinces all tend to be governed by politicians with very high γ, and (b) m varies considerably across the observations, with electoral success in part explained by a governor's ability to obtain resources out of the common pool administered by the central government. For that reason, the dominant source of variation across observations is different m_s, and we expect a positive connection between spending and votes.

4. THE FISCAL AND POLITICAL CONTEXT UNDERGIRDING ARGENTINE FEDERALISM[16]

Argentina is a federal republic. It has 23 provinces plus the Autonomous City of Buenos Aires, the national capital, which for practical purposes is treated here as a 24th province. Provincial governments undertake a large share of total spending in Argentina, yet they collect only a small fraction of taxes. Provincial spending accounts for 50% of total consolidated public sector spending. This figure rises to close to 70% if we exclude payments made by the national pension system. Furthermore, the type of spending in the hands of provincial governments tends to be politically attractive (such as public sector employment and social programs) because it is dear to the interests of territorially based constituencies. On average, provinces finance only 35% of provincial spending with their own revenues (see Table 1). The rest of their spending is supported by a common pool of resources, under the country's Federal Tax-Sharing Agreement (FTSA). In a large number of less populous provinces, the transfers received under the FTSA and related regimes constitute over 80% of provincial revenue. Provincial politicians, then, enjoy a large share of the political benefit of spending, yet pay only a small fraction of the political cost of taxation.

[16]The description provided in this section draws from Jones et al. (2000), Tommasi (2006), Spiller and Tommasi (2007), Benton (2008), and Ardanaz et al. (2010).

TABLE 1 VERTICAL FISCAL IMBALANCE. (REVENUE OTHER THAN OWN AS A PERCENTAGE OF TOTAL REVENUE – AVERAGE 1984–2007)

Province	Percentage of non-own revenue
Formosa	92.8
La Rioja	91.8
Catamarca	88.1
Santiago del Estero	86.8
Corrientes	86.5
Chaco	86.1
San Juan	83.8
Jujuy	82.3
Misiones	81.6
Santa Cruz	81.4
Chubut	80.4
San Luis	77.8
Salta	77.0
Neuquén	76.4
Tierra del Fuego	76.1
Tucumán	75.6
Río Negro	74.1
La Pampa	70.5
Entre Ríos	70.3
Mendoza	63.0
Córdoba	60.3
Santa Fe	59.2
Buenos Aires	45.9
City of Buenos Aires	9.9

Even though the Argentine tax sharing agreement appears on paper to be fairly automatic, in practice over the years a number of levers have emerged to endow the national government with broad discretion at the margin in the allocation of funds to the provinces. The methods by which these levers have been utilized are multiple, and their relative use and importance has varied over time, depending on various economic and political circumstances, but the underlying political logic has always been the same.[17]

The recent literature on Argentine federalism has convincingly established that the provinces are very important arenas for the construction of political power at the national level in Argentina, and that, within the province, governors (i.e., the provincial executives) are dominant figures.[18] The influence of the provinces in the national political and policy-making arena operates through various channels: electoral, legislative, and partisan. Provinces are the electoral district for all positions in the bicameral national congress, and this endows local party leaders (generally, for

[17]In an excellent overview on the sources of subnational soft budget constraints across countries, Wibbels (2004, 9) states: "Soft budget constraints have historically taken on a number of forms in various national contexts, including rediscounts of local debt by central banks, intergovernmental transfers that reward local budgetary disequilibria, the assumption of local debt by national governments, lack of controls on subnational borrowing autonomy, and even the issuance of script by some provincial governments." After this general statement, Wibbels goes on to describe one archetypical case in which all of these mechanisms have been utilized at some point: Argentina (Wibbels, 2004).

[18]See, for instance, De Luca et al. (2002), Jones et al. (2002), Spiller and Tommasi (2003, 2007), Eaton (2005), Jones and Hwang (2005), Levitsky and Murillo (2005), Remmer (2007), Benton (2008), and Ardanaz et al. (2010).

the party in power, the governor) with an important role to play in national politics. For those reasons, provincial governors in Argentina tend to be the leaders to whom national legislators respond. As a consequence, when the national executive wants to pass legislation in congress, he/she needs the assistance of provincial leaders, who in turn instruct their deputies and senators to support the legislation. This leads to exchanges of congressional votes for fiscal favors from the national executive.[19]

The fact that governors are dominant figures in the province is due to a combination of institutional factors that assign them substantial power. Governors are the middlemen between the province and the fiscal resources distributed at the center. With the money they obtain from that game, they finance their clientelistic political machines in the province.[20] Furthermore, since the return of democracy in 1983, the more powerful governors (with rubber stamp legislatures, subservient judiciaries, and captive electorates) have managed to reform the provincial constitutions to further reinforce their institutional power. These reforms have included introducing immediate gubernatorial re-election, expanding the governor's legislative powers, altering the composition of the provincial supreme court, and changing the electoral rules to augment majoritarian biases in favor of the governing party (Ardanaz et al., 2010; Calvo and Micozzi, 2005). There are various reinforcing effects between the nature of politics at the provincial level and the way national politics interacts with provincial politics, including the peculiar management of fiscal federalism. Gervasoni (2010) uses rentier theories of the state to explain the weaknesses of democracy in the Argentine provinces as a consequence of the fact that governors finance most public spending from resources not obtained from direct taxes on the province's citizenry.[21]

In sum, as argued by Ardanaz et al. (2010), the importance of the provinces in national politics and the dominance of governors in national politics, are factors that reinforce each other. In order to be successful in this two-level game, it is important for governors to be good at the game of extracting resources from the center. That is the motivation of why $\boldsymbol{m}$ is a crucial factor in understanding the electoral rewards to increasing provincial spending.[22]

[19]In addition to these congressional support related exchanges (which would also include acceding to the president's wishes regarding who occupies the posts of speaker, majority leader, etc.), there exist a myriad of other forms of exchanges between the national executive and governors which characterize the Argentine federal political game. These include public support by the governors for major presidential policy or political initiatives, backing the president's candidates in party leadership nomination processes, mobilizing voters to support the president or his/her candidates in national elections, and discretionary transfers (which is the principal focus of this article).

[20]On clientelism in Argentina, see Calvo and Murillo (2004), Brusco et al. (2004), Stokes (2005), and Remmer (2007).

[21]This is consistent with the thesis presented by Ferreira and Bugarin (2007) for the case of Brazil, and by Careaga and Weingast (2003) for the case of Mexico, as well as with the model and argument presented in this article.

[22]It is worth noticing at this point that $\boldsymbol{m}$ is treated in the econometric analysis as an exogenous variable which is unobservable in the statistical models; we also believe that it is at least partly unobservable for Argentine voters. Some of the many components which would go into a comprehensive measure of $\boldsymbol{m}$ (which vary in terms of difficulty of measurement from modest to extreme) would include an interaction between the size of the province's delegation in congress and the degree to which those legislators were controlled by the governor, the governor's level of dominance over the political system within their province, the ability of the governor to run for re-election or to modify the provincial constitution to allow them to run for re-election, the governor's degree of career ambition, whether or not the president considers the governor to be a potential political rival, as well as other (often obscure) factors that characterize the personal relationship between the governor and the president.

A final aspect of the Argentine political system that needs to be discussed to facilitate the interpretation of the empirics below is the role of partisanship, which in Argentina works differently than in more institutionalized party systems. A literature related to the main concerns of this article has highlighted the importance of partisanship both for the fiscal behavior of incumbents (Besley and Case, 2003) as well as for the response of voters to fiscal variables (Lowry et al., 1998). As argued in the specialized Argentine literature, the programmatic attachment of voters to parties and the institutionalization of political parties are weak in comparative perspective (Jones, 2010; Levitsky, 2001; Lupu and Stokes, 2010).[23] Coalitional politics undertaken by the national executive often cross partisan lines, so that "partisanship" does not work in the same way as in the United States, neither to explain fiscal choices of incumbents (Jones et al., 2000) nor in terms of voter response to such choices (see below).

5. DATA DESCRIPTION AND EMPIRICAL SPECIFICATION

Since its return to democracy in 1983, Argentina has held gubernatorial elections every 4 years in most of its 24 provinces: 1987, 1991, 1995, 1999, 2003, and 2007. The three exceptions, which result in gaps in our panel, are Corrientes, Tierra del Fuego, and the City of Buenos Aires. In the former case, the province was under federal intervention on two separate occasions, resulting in the exclusion of three elections, while Tierra del Fuego and the City of Buenos Aires did not receive autonomy from the national government until midway through the period under study, holding their first gubernatorial elections in 1991 and 1996 respectively. Our dataset therefore includes six gubernatorial elections from 21 provinces along with three elections from the City of Buenos Aires and Corrientes and four from Tierra del Fuego, for a total of 136 cases.

The basic equation we estimate is:

$$\mathrm{V}_{ti} = \alpha_0 + \alpha_1 \mathrm{Log}\mathrm{V}_{t-1,i} + \alpha_2 \mathrm{Log}\ \mathrm{POLITICAL}_{ti} + \alpha_3 \mathrm{Log}\ \mathrm{SOCIOECONOMIC}_{ti} + \alpha_4 \mathrm{Log}\ \mathrm{EXPENDITURE}_{ti} + \varepsilon_{it}.$$

The estimation method employed is ordinary least squares (OLS) regression with fixed effects (the 24 provinces).[24] Our dependent variable is the percentage of votes obtained by the political party of the incumbent governor (V) in the gubernatorial election t in province i. As a control we also include on the right hand side of the equation a variable which is the percentage of votes obtained by the incumbent party in gubernatorial election $t-1$ (Vlagged).[25]

In order to evaluate the effect of fiscal behavior on electoral outcomes we employ a measure of the real public expenditure per capita (Expenditure). We posit that total expenditure, and not the fiscal deficit, is the optimal fiscal measure for capturing the strategic behavior of incumbent political parties in the Argentine provinces. During most of the period under study a lion's share of discretionary transfers made by the federal government to the provinces was the result of agreements between the

[23]One important aspect of the political dynamics since re-democratization has been the progressive de-nationalization of the party system, with the country's major parties increasingly resembling a weak confederation of strong local parties more than a single unified national political party (Leiras, 2006).

[24]In order to best interpret the impact of the non-binary independent variables, all were converted to their natural log value.

[25]Alternative specifications to control for the prior electoral performance of the governing party lead to similar substantive results for our focal independent variables.

governors and the president (e.g., in exchange for the governor's support, via their legislators, for a national government bill in congress, or in exchange for other political favors from the governor to the president), and hence deficits in the provinces reflect accounting decisions rather than a well-crafted policy. Furthermore, Argentina's somewhat chaotic fiscal situation over the past thirty years combined with varying official definitions of the concept of "fiscal deficit" during the period under study render any measure of fiscal deficit unsuitable for inter-temporal analysis in Argentina.

In addition to evaluating the impact of real public expenditures per capita, we include a series of political and socioeconomic control variables which have been found in the extant literature to be relevant for incumbent party electoral success. A more detailed presentation and description of these variables along with the sources from which these data are drawn is provided in the Appendix.

Three separate variables are employed to control for political factors. The first is the "normal" share of votes for the incumbent party in a given province (Party Support), reflecting the incumbent party's baseline level of electoral support (the result of party identification, ideological affinity, and clientelistic networks). This party vote is operationalized as the share of the valid vote won by the party in the biennial Chamber of Deputies election held 2 years prior to the year of the respective gubernatorial election.[26] We assume that the greater the baseline level of popular support for the party in the province, the better the electoral prospects of the party's gubernatorial candidate.

The second political control is a dummy variable which measures the extra electoral benefit a party receives when the incumbent governor runs for re-election (Re-election), as opposed to when the incumbent party's candidate is another individual. We posit that incumbent governors running for re-election (coded one) devote more effort and resources to the drive by the incumbent party to remain in office than do those governors who either are constitutionally prohibited from running or have voluntary decided not to stand for a new term (coded zero).[27]

Following other authors in this literature (Peltzman, 1992; Sakurai and Menezes-Filho, 2008), we include another binary variable capturing the potential advantages of alignment between the party which controls the governorship at the provincial level and the party of the sitting president at the time of the election (Same Party).[28] In principle, one would expect the president-governor alignment to be positively correlated with our dependent variable.

In addition to the political control variables discussed above, we also include two variables to control for key socioeconomic factors: the provincial unemployment rate (Unemployment) and the provincial GDP per capita (GDP per Capita). Studies

[26]Members of the Chamber of Deputies are elected on closed party lists from multi-member electoral districts (the provinces) using proportional representation, with the entire Chamber renewing by halves (one-half of the province's legislative delegation) every 2 years.

[27]At the time of the return to democracy in 1983, all provincial constitutions prohibited incumbent governors from running for immediate re-election. Since then, all but two of the provinces have reformed their constitution to allow governors to run for immediate re-election. The modal reform limited the governor to one immediate re-election, although grandfather clauses often have allowed the sitting governor to run for a third immediate term. During this period, a handful of provinces have allowed unlimited gubernatorial re-election, with one current governor (Gildo Insfran of Formosa) in office since 1995 (re-elected in 1999, 2003, 2007, and 2011).

[28]We recognize that this is a rather blunt measure of presidential-gubernatorial alignment, but consider it to be substantially more reliable than (and similar in validity to) the existing alternatives.

from various countries find an inverse relationship between unemployment (a measure of performance) and vote for the incumbent party (Dorussen and Taylor, 2002). The inclusion of GDP per capita, on the other hand, is meant to capture some peculiarities of Argentine politics, where poor provinces are generally associated with weaker political competition (see Ardanaz et al., 2010 and the references cited therein).

6. EMPIRICAL RESULTS

6.1. Base Models and Results

Results for our basic specification are presented in Table 2. Model 1 includes all explanatory variables. As Vlagged failed to be significantly related to the percentage of votes won by the incumbent party in election t + 1 in Model 1, it is excluded from the subsequent models.[29] As Models 1 and 2 failed to detect any noteworthy relationship (significant at the .10 level or above for a two-tailed test) between the party of the incumbent governor and that of the president or the provincial unemployment rate, Same Party and Unemployment are excluded from Model 3, upon which we primarily focus in the discussion below.[30]

In the three models (1, 2, and 3) presented in Table 2, the estimated coefficient for our focal variable, real per capita public expenditure (Expenditure), is always in the hypothesized direction and significant. This provides clear support for the premise that Argentine provincial governors are rewarded by voters at the polls for increases in public spending.

In order to better illustrate the substantive electoral effect of real per capita public expenditure, we provide two concrete examples drawn from our analysis population. In the first we highlight the impact of a hypothetical 10% increase in per capita spending on the fortunes of the incumbent party while in the latter we detail the effect of a 10% decrease in per capita spending on the percentage of the vote won by the incumbent party.[31]

The 1999 gubernatorial election in the province of Tucumán is the first case. Heading into this election, the party of the incumbent governor (Antonio Bussi, 1995-99) was the Fuerza Republicana (FR), whose candidate in the 1999 election was Bussi's son (Ricardo Bussi).[32] In the election Ricardo Bussi was defeated by the Partido Justicialista's (PJ) Julio Miranda, 36.5% to 35.8% (Rodolfo Campero of the Unión Cívica Radical [UCR] finished third with 22.4%). Holding other factors constant, Model 3 indicates that a 10% increase in real per capita expenditures would have boosted Ricardo Bussi's share of the vote 1.9%, representing the difference

[29]The exclusion of Vlagged resolves the potential incidental parameters problem occasioned by the simultaneous presence of a lagged dependent variable and fixed effects in the econometric model.

[30]In alternative models, Same Party was interacted with Expenditure, with this interaction term failing to reach standard levels of significance. This (as well as the absence of a positive direct effect for Same Party) is likely due to the peculiar nature of national-level partisanship and coalitional politics in Argentina discussed in Section 4.

[31]Here, we only examine the direct effect of the shift on the governing party's candidate, not any indirect effect on support for opposition candidates. However, given the small number of viable opposition candidates in most provinces (the median number of viable opposition candidates for our population is one), we would expect a large share of any votes lost/won by the governing party to transfer to/from the leading opposition party candidate.

[32]Bussi was constitutionally prohibited from running for re-election.

TABLE 2 PUBLIC EXPENDITURES AND INCUMBENT PARTY PERFORMANCE AT THE POLLS. DEPENDENT VARIABLE: V (PERCENTAGE OF VOTES OBTAINED BY THE INCUMBENT PARTY)

Variable	1	2	3
Vlagged	−.09235487		
	.1010752		
Re-election	.05794891***	.05901095***	.05308245**
	.02015776	.02098243	.02182324
Same party	.02659394	.02610495	
	.02421899	.02426038	
Party support	.15180284***	.14827192***	.17034638**
	.04533423	.04626909	.04427079
Unemployment	−.0328472	−.03215782	
	.02242194	.02255437	
GDP per capita	−.1649414*	−.15889994*	−.13592518*
	.0817927	.08567193	.07746646
Expenditure	.23994354**	.22853028**	.18678991**
	.09900224	.10368611	.08207237
Constant	−.8821534	−.86321707	−.80826148
	.55482897	.54284126	.51642034
R-sq within	0.2633	0.2573	0.2406
R-sq between	0.2405	0.2831	0.2992
R-sq overall	0.1987	0.2199	0.2288

Notes: Standard errors below coefficient.
***Significant at .01. **Significant at .05. *Significant at .10.
Observations: 136. Districts = 24. Observations per group: MIN = 3; MAX = 6; AVG = 5.7.
Method: ordinary least squares with fixed effects.

between four more years of Fuerza Republicana government and the transfer of power in Tucumán to the Partido Justicialista.[33]

The 2007 election in the province of Córdoba represents the second case. Between 2003 and 2007 Córdoba was governed by Juan Schiaretti (PJ) who ran for re-election in 2007, opposed by the Frente Cívico's (FC) Luis Juez and the UCR's Mario Negri. Schiaretti was victorious in the election, garnering 37.2% to Juez's 36.0%, and Negri's 22.2%. Holding other factors constant, Model 3 indicates that a 10% decrease in real per capita expenditures would have resulted in a 1.9% drop in the share of the vote won by Schiaretti (37.2% to 35.3%), and therefore his defeat and the handing over of power by the Partido Justicialista to the Frente Cívico in Córdoba.

In regard to the control variables, as anticipated, a governor running as his/her party's gubernatorial candidate (Re-election) has a significant positive impact on the incumbent party's vote share compared to when the governing party's candidate is someone other than the governor. Also, unsurprisingly, the higher the incumbent party's normal share of the vote in the province (Party Support), the higher its vote share in the gubernatorial election.

Lastly, an inverse, albeit not especially robust (significant at only the .10 level), relationship exists between a province's GDP per capita and incumbent party electoral

[33]Under the Fuerza Republicana (1995-99), credit constraints, declining tax revenue resulting from weak economic growth, and Governor Bussi's inability to obtain more resources from the federal government resulted in below average public expenditure growth in Tucumán during this period (6% compared to the 18% average for the study population).

TABLE 3 DISCRETIONARY TRANSFERS AND INCUMBENT PARTY PERFORMANCE AT THE POLLS. DEPENDENT VARIABLE: V (PERCENTAGE OF VOTES OBTAINED BY THE INCUMBENT PARTY)

Variable	1	2	3
Vlagged	−.12538426		
	.11507509		
Re-election	.05666436***	.0582237**	.05319099**
	.02024678	.02117428	.02208789
Same Party	.02983855	.02818344	
	.0233622	.02355716	
Party Support	.15453969***	.14903836***	.17138352***
	.04597994	.04737406	.0455913
Unemployment	−.02561845	−.02633242	
	.02500667	.02453533	
GDP Per Capita	−.17064276**	−.15953563*	−.13925162*
	.07802484	.0838975	.07736477
Expenditure	.33521288***	.30615157***	.27460972***
	.09457557	.10502156	.08777016
Transfers	−.25737434***	−.21912207**	−.22798788***
	.08890635	.08023161	.07936525
Transfers*Expenditure	.03460083***	.02922938**	.03028662***
	.0120576	.01079545	.01056227
Constant	−1.572997***	−1.4607478**	−1.458295**
	.5599456	.56980027	.55793166
R-sq within	0.2808	0.2704	0.2552
R-sq between	0.2273	0.2843	0.2994
R-sq overall	0.1967	0.2262	0.2343

Notes: Standard errors below coefficient.
***Significant at .01. **Significant at .05. *Significant at .10.
Observations: 136. Districts = 24. Observations per group: MIN = 3; MAX = 6; AVG = 5.7.
Method: ordinary least squares with fixed effects.

support. This finding is most likely due to the fact that the variation in GDP per capita is much more profound across the Argentine provinces than within provinces over time, and that the level of provincial development plays a crucial role in shaping the political, economic, and social context in which politics takes place within a province (Gervasoni, 2010). The negative relationship between GDP Per Capita and the share of the vote won by the incumbent party suggests that at least within the Argentine provinces, higher levels of development result in a more level political playing field (e.g., lower levels of clientelism, greater media independence, a more robust private business sector), which in turn has, ceteris paribus, an adverse impact on incumbent party support at the polls.

6.2. *The Role of Discretionary Transfers*

To better evaluate the model presented in section 3, here we examine the impact of federal discretionary transfers (Transfers) on gubernatorial electoral outcomes. We operationalize transfers as the ratio of discretionary transfers received by each province to total provincial revenue. Even though due to the peculiarities of Argentine federalism this variable is only a rough proxy for the ability of any given governor or local party to obtain central funding, we still expect that if the "voters as fiscal liberals" hypothesis is correct, the coefficient of this variable interacted with Expenditure

TABLE 4 EXPENDITURE COMPOSITION AND INCUMBENT PARTY PERFORMANCE AT THE POLLS. DEPENDENT VARIABLE: V (PERCENTAGE OF VOTES OBTAINED BY THE INCUMBENT PARTY)

Variable	1	2	3	4
Vlagged	−.0878071		−.04351149	
	.10203961		.11069892	
Re-election	.06097062**	.05916943**	.0552732**	.05484396*
	.02323975	.02484693	.02704199	.02812897
Same Party	.02891601		.02319005	
	.02474391		.02703985	
Party Support	.1505807***	.16914173***	.15297565***	.16597211***
	.04563724	.04452055	.04928707	.04601579
Unemployment	−.02147554		.01079972	
	.03313088		.02852246	
GDP Per Capita	.17486374**	−.15864209*	−.06250309	−.05846285
	.08085377	.07832728	.05542378	.05567233
Expenditure	.24174139**	.20734806**		
	.09999643	.0879588		
Current/Capital Ratio	−.01715931	−.021592	−.0147281	−.00633856
	.03150519	.02177726	.0327213	.02131644
Constant	−.83612389	−.79849307	.27046906	.20177335
	.56052089	.51997338	.28416881	.29683271
R-sq within	0.2665	0.2480	0.2049	0.1954
R-sq between	0.2502	0.3024	0.2844	0.3492
R-sq overall	0.2012	0.2235	0.2054	0.2296

Notes: Standard errors below coefficient.
***Significant at .01. **Significant at .05. *Significant at .10.
Observations: 136. Districts = 24. Observations per group: MIN = 3; MAX = 6; AVG = 5.7.
Method: ordinary least squares with fixed effects.

should be positive and statistically significant. Under this logic, provincial constituencies reward those governors who provide higher spending via their skill in extracting resources (in the form of discretionary transfers) from the federal government.

Table 3 employs a set of models identical to Model 3 in Table 2, to which we have added the Tranfers and Transfers*Expenditure variables. Across all three models (we progressively exclude variables which fail to reach standard levels of significance in Models 1 and 2) the interaction between expenditure and transfers is positive and significant, providing strong support for the "voters as fiscal liberals" hypothesis.

6.3. *Extensions: The Composition and Timing of Spending*

We close our empirical analysis of the Argentine case by briefly exploring two issues identified as important in the previous literature: the electoral implication of the composition of spending and the timing of spending.[34] Some authors (e.g., Drazen and Eslava, 2010; Peltzman, 1992) have raised the important question of whether spending on some items is particularly well-rewarded at the ballot box. In Table 4 we augment our reduced form Model 3 from Table 2 via the inclusion of a variable measuring the ratio of

[34]In a prior version of this paper we attempted to examine the relationship between the impact of enhanced transparency along with democratic maturity on the relationship between spending and incumbent electoral success in Argentina. Unfortunately an insufficient level of variance undermined these efforts, with the analysis therefore excluded from subsequent versions of the paper.

TABLE 5 ELECTION YEAR SPENDING AND INCUMBENT PARTY PERFORMANCE AT THE POLLS. DEPENDENT VARIABLE: V (PERCENTAGE OF VOTES OBTAINED BY THE INCUMBENT PARTY)

Variable	1	2	3
Re-election	.05345284**	.05342932**	.0565605**
	.02441445	.02444965	.02287365
Same party	.02073218	.02245663	.02587157
	.02591568	.02574049	.02548378
Party support	.15266382***	.14586656**	.14969638***
	.05007863	.05102071	.04734198
Unemployment	.00548484	−.00286507	.00541342
	.02021287	.01690881	.0146138
GDP per capita	−.08841887	−.0548011	−.17085974**
	.07793988	.05884992	.07706555
Election Year Avg. Expenditure	.00023419		
	.00044658		
Election year expenditure growth		−.00054098	
		.00089596	
Election year expenditure			.09519928*
			.04982832
Constant	.3862948	.24153355	.13691336
	.3986585	.29153147	.30181442
R-sq within	0.2056	0.2040	0.2260
R-sq between	0.1966	0.3217	0.1890
R-sq overall	0.1515	0.2251	0.1416

Notes: Standard errors below coefficient.
***Significant at .01. **Significant at .05. *Significant at .10.
Observations: 136. Districts = 24. Observations per group: MIN = 3; MAX = 6; AVG = 5.7.
Method: ordinary least squares with fixed effects.

current to capital expenditures (Current/Capital Ratio) in order to evaluate if voters reward current expenditures to a greater degree than capital expenditures. The findings in Models 1 and 2 in Table 4 indicate that, at least in the Argentine case, they do not.

Finally, a sizable literature on political budget cycles emphasizes the tendency of incumbents to manipulate fiscal variables in election years (Shi and Svensson, 2006). In Table 5 we endeavor to verify whether spending in election years is especially beneficial in contrast to spending throughout the governor's term in office. Following Sakurai and Menezes-Filho (2008), we compute the rate of growth of real per capita total expenditure between the election year (t) and the average expenditure in $t-1$, $t-2$ and $t-3$ (Election Year Avg. Expenditure). We also examine the rate of growth of real per capita total expenditure in the election year (that is, between t and $t-1$), labeling this variable Election Year Expenditure Growth, as well as the level of election year spending (Election Year Expenditure). The results of our analysis (see Models 1, 2, and 3 in Table 5) indicate that there exists no unique impact of election year spending alone on the share of incumbent party votes. Rather, voters would appear to evaluate the entire gubernatorial period rather than solely the run-up to the election. Table 5 suggests that governing parties do not receive any additional benefits from enhanced spending during the election year. This finding corresponds to our qualitative understanding of Argentine politics and public finance, confirming our belief that Argentine provincial governors spend as much as they can whenever there is an opportunity.

7. CONCLUSION

In this article we explored the effects of public spending on gubernatorial elections in the Argentine provinces. Our principal conclusion is that Argentine provincial voters reward spending by their provincial government. We argue that this result, contrary to that found for the U.S. states, is due to the structure and political workings of Argentine fiscal federalism. The rules and procedures governing the fiscal relations between the country's national government and provinces make it entirely rational for voters to reward spending by the incumbent political party in provincial gubernatorial elections.

This article constitutes one step in a broader scholarly agenda to develop more comprehensive cross-country comparisons of subnational accountability across federations. However, even within the confines of the Argentine case, there exist some potential exercises which could improve our understanding of the relationship between spending and elections in the country. One especially fruitful potential line of inquiry would involve the development of superior measures of a governor's ability to obtain funding from the common pool of revenue generated by national-level taxation. This exercise would allow for a more precise characterization of a crucial component of the Argentine political-economic puzzle.

APPENDIX

DATA SOURCES

Real expenditures as well as real revenues at constant 2003 prices were drawn from the Secretaría de Hacienda, Ministerio de Economía. Population data and provincial GDP at constant prices were obtained from the Universidad Nacional de La Plata as

TABLE A1 OPERATIONALIZATION OF VARIABLES EMPLOYED IN THE STATISTICAL ANALYSIS

Abbreviation	Description
V	Percentage of votes obtained by the incumbent party in gubernatorial election t in the province i
Vlagged	Percentage of votes obtained by the incumbent party in gubernatorial election $t-1$ in the province i
Re-election	Dummy variable that takes the value 1 if the incumbent governor runs for re-election in the province i at the gubernatorial election t, and 0 otherwise
Party support	Percentage of votes obtained by the incumbent party in the Chamber of Deputies election held 2 years before the gubernatorial election t in province i
Same party	Dummy variable that takes the value 1 when the incumbent governor belongs to the same party as the President and 0 otherwise
Expenditure	Real total expenditures per capita for province i (average for the gubernatorial term t)
Current/capital ratio	Ratio of current to capital expenditures for province i (average for the gubernatorial term t)
Election year avg. expenditure	Rate of Growth of the real total expenditures per capita for province i between the election year and the average expenditure in the gubernatorial period
Election year expenditure growth	Rate of Growth of the real total expenditures per capita for province i between the election year and the previous year

(continued)

TABLE A1 *(continued)*

Abbreviation	Description
Election year expenditure	Level of real total expenditures per capita for province *i* during the election year
GDP per capita	Real provincial GDP per capita for province *i* (average for the gubernatorial term t)
Unemployment	Rate of unemployment (level) in province i (average for the gubernatorial term *t*)
Transfers	Discretionary transfers as percentage of total provincial revenues in district *i* (average for the gubernatorial term *t*)

well as the Instituto Nacional de Estadística y Censos (INDEC). Unemployment data were taken from the INDEC. Political and electoral data come from the Dirección Nacional Electoral. Additional details on the data and the operationalization of the variables are provided in Table A1.

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