

## The president's strategies in fiscal negotiation: nesting of arenas and division of governors. The case of the Argentinian president Mauricio Macri (2015-2019)

Pablo Palumbo\*

\* Escuela de Política y Gobierno - Universidad Nacional de San Martín (EPyG/UNSAM)<sup>1</sup> (Argentina).  
Correspondence: ppalumbo@unsam.edu.ar

---

### Abstract

How do the presidents of Latin American federations succeed in increasing the discretionary resources of the central government, centralising fiscal resources and/or delegating administrative expenses to sub-national governments? Why do some presidents succeed and others fail? The legal framework that regulates how tax revenues are distributed and how much goes to each district is the result of negotiations between the president (central government) and the governors (intermediate or local sub-national governments).

In Argentina, president Mauricio Macri (2015-2019) managed to secure the governors' cooperation on various policy initiatives despite belonging to a different political party than most of the governors. This paper explores the reasons that allowed Macri to achieve this agreement: how did he manage to impose his conditions on the governors during the fiscal negotiations, what strategies did he use, how did he manage to neutralise the power of the Peronist governors? The hypothesis suggests that the chances of success in imposing the president's preferences over those of the governors increase when two strategies are combined: 1) nesting the negotiations with other arenas (judicial, legislative, electoral, partisan, etc.) and 2) dividing the governors.

**keywords:** Presidentialism, intergovernmental relations, fiscal negotiations, Argentina.

---

### 1. Introduction

How do the presidents of Latin American federations succeed in increasing the discretionary resources of the central government, centralizing fiscal resources and/or delegating administrative expenses to sub-national governments? Why do some presidents succeed and others fail? The legal framework that regulates how tax revenues are distributed and how much goes to each district is the result of negotiations between the president (central government) and the governors (intermediate or local sub-national governments). In Latin American federal democracies there are different legal systems: in Argentina there is the Federal Tax Sharing Agreement (*Coparticipación Federal de Impuestos*); in Brazil there is the Participation Funds of the States or Municipalities; in Mexico there is the

---

<sup>1</sup> The author would like to thank Carlos Varetto, Facundo Sánchez y Catalina Schere for their valuable comments.

Federal Participations; in Colombia there is the General Participation System<sup>2</sup> (González, 2014).

This research provides evidence from the Argentinean case on the causal weight of the presidential agency in the outcome of fiscal negotiations and the distribution of resources in a federal democracy. The selection of the Argentine case is due to three reasons.

First, federalism in Argentina is considered an "executive federalism" (Tommasi, 2002) because fiscal negotiations take place between the president and provincial governors, with little or no participation by the national congress. In this situation, the president's negotiating strategies can be more clearly distinguished.

Secondly, Argentina has recorded the highest number of changes in fiscal rules in the region in recent years. Since the recovery of democracy in 1983, Argentina has been governed by six presidents. All of them have gone through fiscal negotiations with provincial governors and have modified the fiscal rules with different results.

Finally, the last Argentinian president, Mauricio Macri (2015-2019), managed to secure the cooperation of governors despite he did not belong to the same party of the vast majority of them (Peronism). This fact rules out the hypothesis that the success of fiscal negotiations is due to a mere mechanical effect of party affiliation: Peronist presidents are more successful in negotiating with their Peronist peers and non-Peronist presidents have more difficulties to do so.

Macri's experience as a businessman, his pro-market ideas, and the composition of his cabinet with officials from the private sector led to expectations that the government would obtain good results in the economic sphere, but would have difficulties in the political sphere. However, the reality proved otherwise. Politically, Macri managed to appoint judges to the Supreme Court of Justice, pass laws in congress as the first minority, sign a fiscal pact with the Peronist governors, triumph in the 2017 legislative elections and complete his four-year term in office.

This paper explores the reasons that allowed Macri to achieve one of the political successes during his presidency: the signing of the Fiscal Pact in 2017 and its addendum in 2018. The questions that guide this research are: how did he manage to impose his conditions on the governors in the fiscal negotiation? what strategies did he use? how did he manage to neutralise the power of the Peronist governors?

The hypothesis suggests that the outcome of the struggle over the distribution of funds depends on presidential agency, specifically on the political strategies developed by presidents. In other words, the likelihood of success in imposing the president's preferences over those of the governors increases when two strategies

---

<sup>2</sup> Colombia is constitutionally a unitary state but with high levels of administrative, political and fiscal decentralisation that make its functioning similar to that of a federation.

are combined: 1) nesting negotiations with other arenas (judicial, legislative, electoral, partisan, etc.) and 2) dividing the governors.

To demonstrate this hypothesis, we trace the negotiations that culminated in the 2017 fiscal pact and the 2018 addendum. In these negotiations, it is shown that Macri managed to:

- 1) *tie the negotiations in the judicial arena*, by putting pressure on Buenos Aires' demand for the Conurbano Fund, and
- 2) *deepen the differences between "ultra- Kirchnerists" and moderates* (generating tensions between the new governors who needed funds from the Nation for the sustainability of the province - e.g. San Juan, Chaco, Entre Ríos and Tucumán - and their former political bosses linked to Kirchnerism).

The remainder of this article is organised into four sections. First, the theoretical and methodological discussion is presented. Then, it contextualises the president's term in office and the power resources at his disposal, and empirically describes the strategies that Macri executed in negotiations with the governors. Finally, some concluding reflections are brought together.

## **2. Theoretical-methodological discussion**

The academic literature has studied changes in the distribution of funds between the central government and sub-national units as cycles of fiscal decentralisation and recentralisation. In Latin America, different causes for these processes have been identified (Eaton, 2004; González, 2008). These can be (a) institutional (Gibson and Calvo, 2000; Gibson, Calvo and Faletti, 2004); (b) pressures from international organisations (Escobar-Lemmon, 2001); (c) fiscal crises (García Delgado, 1997); (d) the economic context (Benton, 2008) and (e) political (González, 2014; Faletti, 2010; Montero, 2001).

González (2008) has tested all these explanations and statistically imputed a greater causal weight to the "political" explanations, particularly the processes of negotiation and political struggle. It has also been explored how public funds are distributed (Cox and McCubbins, 1986; McCarty, 2000; Larcinese et al., 2006)<sup>3</sup>, but no progress has been made on how this struggle is carried out and what

---

<sup>3</sup> For the Argentinean case, the results are mixed. Some papers find that higher transfers increase votes for the governor (Remmer and Gelineau, 2003) while others find no statistically significant relationship, although they argue that out of all transfers only discretionary transfers seem to have a positive impact (Bonvecchi and Lodola, 2013).

strategies the actors follow to impose themselves in the political dispute. Thus, the political struggle over the distribution of funds is presented to us as a "black box" that needs to be opened. As a by-product of this set of political explanations, this research incorporates a variable related to actors' agency, specifically the role of presidential leadership (operationalised through the strategies used by the president during negotiations).

Following the specialised literature, in the political negotiations and disputes around fiscal issues we assume that presidents prefer a) to increase their discretionary resources for political coalition building, b) to centralise revenue collection and c) to decentralise expenditures to governors or increase the fiscal dependence of the provinces. At the same time, governors have fixed preferences: decentralisation of secure and unframed discretionary resources (Bonvecchi and Lodola, 2011; González, 2008). We further assume, on the one hand, that presidents have the political initiative and governors react to their decisions and, on the other hand, that the president has an advantage in being a unitary actor while governors must face the challenges of collective action.

This interpretation implies that the negotiations are zero-sum. What the nation gains, the provinces lose, and viceversa. Therefore, negotiations can impose either (a) *the presidents' preferences* or (b) *the governors' preferences*.

However, by the nature of these negotiations there are transactions or exchanges that lead to less clear-cut outcomes: "ties" or outcomes that are partially favourable to one side or the other. We thus complete the variation in bargaining outcomes with two other categories: (c) *cooperation*, when the outcome is partially favourable to the president and the governors go along, and (d) *neutralisation*, when the governors manage to increase their share of resources, but the president continues to have discretionary resources at his disposal.

In Argentina, the legal system that regulates how tax revenues are distributed and how much each district is entitled to is the co-participation regime<sup>4</sup>. However, there are funds reserved for discretionary use by the president (Bonvecchi and Lodola 2013). These include the National Treasury Contribution (included in the legal framework, representing 1% of the co-participation), non-co-participable export duties (mainly soybean withholding taxes), funds for public works, revenues from privatisation of state companies, etc.

Most studies on intergovernmental relations characterise the Argentinean case as one of "executive federalism", i.e. the president and governors play a predominant role (Tommasi 2002; Cetrangolo and Jiménez 2004)<sup>5</sup>. They also point out that the

---

<sup>4</sup> In Brazil it is the participation funds of the states or municipalities; in Mexico it is the participations; in Colombia it is the *situado fiscal* (González, 2014).

<sup>5</sup> Parliament plays a secondary role in intergovernmental negotiations because of the control exercised by governors over elected legislators in their provinces (Jones et. al., 2002), making it more of a bargaining chip than a relevant actor (Tommasi, 2002).

federal game is governed by a short-term, zero-sum logic (Tommasi et. al., 2001; Tommasi, 2002). However, Olmeda (2013) opposes the latter characterisation and proposes adding to the vertical axis (between president and governors), a horizontal axis that contemplates the possibility of relations between governors, coordinating strategies to obtain collective benefits (a sort of league of governors like the one that emerged in 2000).

The president's bargaining strategies are understood, following the rational choice literature, as making decisions or choices among limited options (by the context, the available resources or the institutional constraints) taking into consideration (or anticipating) the actions or moves of other actors. To observe the ability of presidents to develop strategies, this research looks at (1) institutional/constitutional resources (partial/full veto, legislative initiative, decrees, cabinet appointments, federal intervention, discretion in intergovernmental transfers); (2) influence over State and party institutions (parliamentary, judicial, bureaucratic, partisan, etc. resources); (3) their allies (parliamentary, judicial, bureaucratic, partisan and other types of resources), etc. resources); and (4) and their allies in the political process.); (3) their allies in the governing coalition (trade unions, businessmen, media, etc.); and (4) the context in which they operate (economy, popularity and electoral results) (Ollier, 2008 and 2015; Mainwaring and Shugart, 2002).

The question is not only which and how many resources the president has, but also how he or she uses them. This is where presidential agency comes in. In the social sciences, agency is understood as the capacity to exercise some control over social relations and the ability to transform them. Agents are endowed by structures with the power to act with and against others (Sewell, 1992). Agency arises from the actor's control of resources, which means the ability to reintroduce or mobilise a set of resources in terms of other schemes than those that constituted that same set of resources (Sewell, 1992: 165).

From the resources listed above, the president exercises his agency by devising different types of strategies<sup>6</sup> to negotiate with governors. These strategies can be proactive or reactive. Some of the president's strategies are: 1) nesting the negotiations, 2) dividing the governors, 3) taking unilateral actions, and 4) blocking the governors. In this research, we will focus on the first two. These strategies are the causal mechanism.

---

<sup>6</sup> Since the debate about the dangers of presidentialism for democratic stability (Linz 1990), scholars have focused their attention on the president's strategies to avoid situations of horizontally divided government between the executive body and the legislature (Cox and Morgenstern, 2002; Mainwaring and Shugart, 2002). However, there are no studies that systematise the strategies carried out by the president to discipline governors from his party, co-opt or obtain the support of governors from other party backgrounds, neutralise the political game of governors who rival his leadership, and so on. Such actions by the president's leadership will be understood as part of his "federal strategies".

The **nesting strategy** involves linking fiscal negotiations with simultaneous negotiations in different arenas. Following Tsebelis (1990), nested games occur when political actors make decisions by calculating (actual or potential) payoffs in two or more overlapping policy arenas. This way, one can explain seemingly suboptimal decisions that make sense when looking at the payoffs received in another one of the overlapping games. The main assumption is that the games are "variable payoffs", where payoffs in the main arena are influenced by situations in another arena (Tsebelis, 1990: 52-79). Thus, fiscal negotiations with governors can take place at different levels and do not occur in a vacuum. Other levels of negotiation include the judicial, legislative, electoral, and partisan levels.

Secondly, in order to avoid confronting coordinated governors, the president generates manoeuvres **to segment sub-national governors**. The particularisation of benefits is mainly economic, i.e. bilateral payments. These include contributions from the national treasury, advances in co-participation, authorisation to take on debt, allocation of public works, etc. Adapting Olmeda's (2013) model for governors, we argue that the president's order of preference is to hold negotiations a) *bilaterally*, i.e. with each governor separately; b) with all governors, but without common positions (*global*) and, finally, c) with all or some governors with common positions (*coordinated*). When governors take the initiative and coordinate on the type of negotiation, the president reacts with defensive strategies.

In our methodological proposal, it is argued that the outcome of fiscal bargaining (Y) depends on presidential strategies (X) could be represented as follows:

**Cause → [Event<sub>1</sub>→CM<sub>1</sub>→Event<sub>2</sub>→CM<sub>2</sub>→Event<sub>n</sub>→CM<sub>n</sub>] → Effect**

CAUSE [Presidential strategies in the political dispute] → nest the negotiations → divide the governors → EFFECT [Outcome Favourable to the president, Cooperation, Neutralisation, Favourable to the governors].

The following section will empirically describe the sequence of strategies developed by President Macri during the 2017 Fiscal Pact negotiations.

### **3. Macri's presidential agency: context, resources and strategies in fiscal negotiations**

In the 2015 elections, Mauricio Macri, head of government of the City of Buenos Aires, was elected president in the second round. The new president led a coalition (Cambiamos) between his party (PRO), the UCR<sup>7</sup> and the Civic Coalition (CC). The coalition had been coordinated in the primaries from an internal battle for the presidential candidacy between Macri, Ernesto Sanz (UCR) and Elisa Carrió (CC).

The other peculiarity of the 2015 presidential elections was the split of Peronism into two forces: (1) the ruling party (FPV), whose candidate was the Buenos Aires governor Daniel Scioli, and (2) the Frente Renovador (FR), split in 2013 and led by Cristina Kirchner's former Chief of Staff and mayor of Tigre, Sergio Massa.

In parliament, an inter bloc was formed between the three ruling forces, which had 89 deputies in the first two years of government and was the first minority. In the Senate, historically Peronist, the ruling party had only 14 senators. The traditional social supporters (trade unions and social organisations), also linked to Peronism, remained in the opposition.

Macri had in his favour the legitimacy of having obtained 51.34% of the votes in the run-off, more than 50% of positive image in public opinion during the first months of government, and the electoral victory in 2017 over Cristina Kirchner in the province of Buenos Aires. Additionally, Macri was the undisputed leader of PRO and the main leader of the CAMBIEMOS coalition.

The judiciary and the media maintained an "elective affinity" with the president's agenda. Macri enabled the judiciary (a sector that had resisted Kirchnerist policies) to investigate businessmen and former high-ranking officials from the previous government. He also benefited some media business groups with a DNU 267/15 which left without effect the regulatory body of the Audiovisual Media Law of 2009 and enabled them to carry out various businesses banned during Kirchnerism (football television, mergers with media companies, etc.)<sup>8</sup>.

At the federal level, Macri was supported by five governors (Autonomous City of Buenos Aires, Buenos Aires, Mendoza, Corrientes, and Jujuy) while the other 19 were divided between the PJ- FPV and provincial parties<sup>9</sup>. Despite this situation of

---

<sup>7</sup> At the party convention in Gualeguaychú on 14 March 2015, the UCR presented two coalition proposals: with Macri or with Massa. In the end, the former, supported by party leaders, triumphed. The party structure of radicalism allowed the PRO greater national deployment.

<sup>8</sup> La Nación. 04/01/2016. "Oficial: el DNU de Macri que modifica aspectos centrales de la ley de medios y elimina la Afsca".

<sup>9</sup> The PRO's government in Buenos Aires, Autonomous City of Buenos Aires and its excellent electoral results during the ballot in Córdoba, together with the UCR's control in Mendoza and its participation in the governing coalition in Santa Fé, characterised the electoral coalition as metropolitan or central provinces.



a vertically divided government, one of his first acts of government was to bring together and call for dialogue with all the governors in an act that was widely publicised by the national media<sup>10</sup>. After the electoral triumph in the 2017 legislative elections, he managed to sign a fiscal agreement with all the governors (except for San Luis and, later, La Pampa).

In the following, we will look at the presidential strategies that took place during the negotiations that led to the Pact. Fiscal negotiations do not take place in a vacuum, but rather in a given context and simultaneously with other negotiation arenas in which the president can make side payments. In this case, President Macri, forced by a Supreme Court ruling shortly before taking office, chose to tie fiscal negotiations with the governors to the judicial arena. But he also tried to divide the governors.

### **3.1 Nesting of negotiations**

#### ***Judicial Arena***

The president's first round of negotiations with the governors was around the return of 15% to the provinces of the co-participation tax mass that since 2006 had been destined for the National Social Security Administration (ANSES). In November 2015, days after Macri was elected president, the Supreme Court of Justice declared unconstitutional articles 1(a) and 4 of Decree 1399/01, signed by De La Rúa. These articles enabled the Nation to withhold 15% of the co-participable resources to be destined to the ANSES and removed from the co-participable resources an amount close to 1.9% destined to the AFIP. The ruling was the result of a claim by Córdoba, Santa Fé and San Luis, which was to stop suffering the withholding immediately and agree with the Nation on the retroactive payment of the corresponding amount since 2006, the date on which the lawsuits were initiated. On December 1st, Cristina Kirchner complied with the ruling and decided to extend the return of the money to the remaining 21 provinces in order to condition the government that would take office in 9 days (DNU N°2635/2015).

In this context, Macri decided to link fiscal negotiations with judicial negotiations. In this way, he steered the discussions into a more favourable terrain for the president. As he recounts in his memoirs, Macri interpreted the Court's ruling as

---

<sup>10</sup> In particular, the presence of the governor of Santa Cruz, Alicia Kirchner, sister of former president Kirchner and sister-in-law of former president Cristina Fernández.



breaking a political balance between the nation and the provinces where the fiscal deficit was large but shared, and that as in subsequent agreements, the nation put in a lot and the provinces rather a little (Macri, 2021).

Macri's first move, four days after taking office, was to include by Decree of Necessity and Urgency (DNU) 83/2015 (in committee, pending Senate approval) two Supreme Court judges for the vacant posts. He did not achieve this by decree, something that was unconstitutional and provoked criticism from the opposition, but the nomination papers were approved in the Senate a few months later.

Macri's second move was to repeal (through DNU N°73/2016) Cristina Kirchner's decree extending the 15% refund to all provinces and to issue DNU N°194/2016, which increased the share of the Autonomous City of Buenos Aires in the co-participation from 1.4% to 3.75%<sup>11</sup>. The two movements invited the governors to sit down at the negotiating table.

The third move, in February 2016, was the signing of a Decree of Necessity and Urgency (406/2016), with the backing of former presidential candidate Sergio Massa. The DNU created the Agreement for New Federalism Programme, under the Ministry of Interior, Public Works and Housing. The objective was to reach a staggered and progressive proposal for the return of 15% of the co-participable tax mass to the provinces between 2016 and 2021<sup>12</sup>. This opening placed Rogerio Frigerio, from the cabinet's political staff and with Peronist roots, as the main interlocutor between the provinces and the nation.

The fourth move was to authorise the provinces that requested it (throughout 2016 and part of 2017) to place debt abroad after several years in which their access was forbidden due to the default and the restrictions during Kirchnerism. External financing allowed the provinces to reduce their financial dependence on the nation<sup>13</sup>.

Finally, the president encouraged María Eugenia Vidal, governor of the province of Buenos Aires and PRO leader, to file a claim before the Federal Court for the out-of-date nature of the Conurbano Fund. Law 24.621 on the Historical Reparation of the Conurbano Bonaerense imposed a ceiling of 650 billion pesos (at the time of its enactment equivalent to dollars under the Convertibility Law) and the rest of the revenue would be distributed among the other provinces. As a result, Buenos Aires currently receives less than 2% of the amount collected (see Graph N°2). On August 1st 2016, the Buenos Aires government initiated a formal claim

---

<sup>11</sup> Article 8 of the co-participation law establishes that the national state must deliver, of its share, to the Autonomous City of Buenos Aires and Tierra del Fuego (federal territories that became autonomous in 1995 and 1991 respectively) a share that is not less than the amount transferred in 1987. Decree N°705/2003 set the Autonomous City of Buenos Aires's share at 1.40% of the total amount collected.

<sup>12</sup> La Nación. 25/02/2016. "Macri made official the restitution of 15% to the provinces in five years and got Massa's endorsement for a key DNU".

<sup>13</sup> La Nación. 12/03/2017. "The plan of the provinces to finance themselves".

for the Court to declare the 650 million pesos cap unconstitutional and for retroactive compensation dating back from 2011. A favourable ruling by the Supreme Court would make the other provinces cede resources. The national government negotiated with the rest of the provinces as its own political capital the withdrawal of Buenos Aires' demand for the Conurbano Fund.

The governors responded with a meeting in the Casa de San Juan where 18 governors and three deputy ministers asked the Court "not to adopt any resolutions until all jurisdictions have been heard and the corresponding debate between the Nation, the provinces and Congress has taken place" (Document signed on 6/09/2017). On the other hand, they sought to remove the discussion from the judicial arena to move it to a political arena more favourable to their objectives, the legislative arena: "being an issue that involves the Nation-Provinces relationship, its treatment must unfailingly take place through the debate between the Nation, the provinces, and the Congress of the Nation" (Document signed on 6/09/2017).

Finally, the national government agreed that Buenos Aires would withdraw the claim, which took resources away from the rest of the provinces, and would be compensated with 20 billion pesos. At the press conference where they announced the Fiscal Pact, Rogelio Frigerio (Minister of the Interior), confirmed that "the province of Buenos Aires is committed to drop the claim of the Buenos Aires Conurbation Fund and, in return, to reach a gradual path until reaching what the law says, that the province receives 10 percent of the income tax" (La Nación, 16/11/2017)<sup>14</sup>.

In the 2017 Fiscal Pact, the national government committed:

- (a) to repeal article 104 of the Income Tax (which indicated that 36% of the tax would be allocated to the Nation), which would increase the co-participation base to 230 billion. However, by co-participating the total amount collected by this tax ANSES funds would also be lost, which would be compensated by allocating 100% of the Cheque Tax to it - until now it has received 70%;
- (b) to compensate the provinces that received less income with the modification of these taxes (Earnings and Cheque) and to finance the deficits of the pension funds not transferred to the Nation;
- (c) to co-participate the total amount collected by the tax revaluation.

On the other hand, the pact committed the governors:

- (a) to reduce spending in their administrations, that is, not to increase real current spending for the next few years (urging them not to increase public employment);

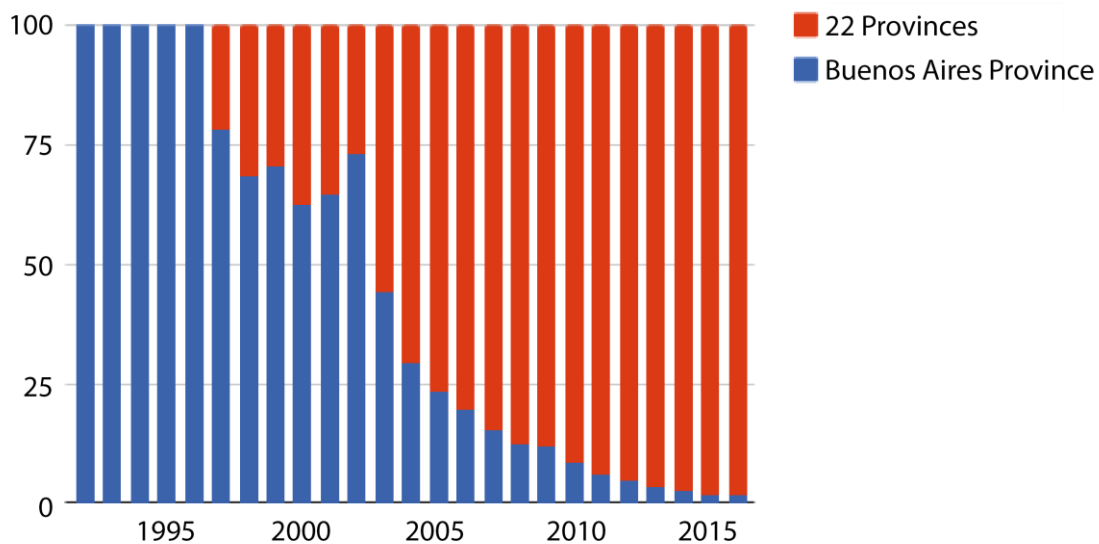
---

<sup>14</sup> La Nación. 16/11/2017. "Mauricio Macri agreed a fiscal pact with all provinces except San Luis".

- (b) to discuss a new fiscal responsibility law;
- (c) to lower provincial taxes, mainly gross income, stamps and some taxes associated with service tariffs;
- (d) to cancel the lawsuits filed against the nation to claim funds (56 lawsuits for a total amount of approximately 340 billion pesos).

However, as will be seen below, the president tied the fulfilment of the negotiated conditions that favoured the governors (above all, the withdrawal of the demand for the Fund for the Buenos Aires conurbation) to the legislators of their respective provinces supporting the adjustment in the pension system and the approval of the budget (reviewing privileged pensions and adjusting the formula for updating the pension amounts).

**Fig. 1 Percentage of distribution of the Conurbano Fund.**



Source: CIPPEC and Ministry of Finance

### ***Legislative arena***

After the ruling party's good performance in the 2017 legislative elections, the president took the political initiative to accelerate his reform programme. After these elections, the CAMBIEMOS interbloc consolidated its position as the first minority in the Chamber of Deputies with 108 members (out of 257) and as the second force in the Senate with 25 seats (out of 72). In the Senate, Peronism continued to be the leading force, but without its own quorum (see Table 1 and 2).

Among the laws of interest to the government were the fiscal responsibility bills, tax reform, the cheque tax modification, the revaluation of corporate income tax, pension reform and labour reform.

In December 2017, the modification of the formula for updating pensions began to be discussed as part of the pension reform. The measure was rejected by the opposition and public opinion because it implied a reduction in the income of retirees<sup>15</sup>. Faced with this scenario, some governors hesitated to comply with the support they had pledged<sup>16</sup>. Others, those who did not transfer their pension funds and depended on national government funding, were together with their legislators on the day of the vote<sup>17</sup>.

The president maintained that without a pension reform there would be no fiscal pact and his collaborators pressured the governors with:

- 1) a Court ruling or precautionary measure in favour of Buenos Aires over the Conurbano Fund;
- 2) no assistance to the provinces that did not transfer their pension funds and depended on the Nation to finance their deficits;
- 3) negotiated public works and assistance for eventualities<sup>18</sup>.

As will be seen in the next section, based on the compromise shown in this vote, where they shared the political cost of an anti-popular measure, the president reconfigured his list of allied, negotiating and non-collaborationist governors.

---

<sup>15</sup> The equation that was modified involved an automatic half-yearly update that combined collection with the increase in the cost of living. The new formula was based on inflation and wage variations, which resulted in a lower increase than under the previous system.

<sup>16</sup> Clarín. 20/12/2017. "Mauricio Macri's anger with governors and the four he is targeting". Sergio Uñac (San Juan), Gerardo Zamora (Santiago del Estero), Sergio Casas (La Rioja) and Miguel Lifschitz (Santa Fe).

<sup>17</sup> Clarín. 18/12/2017. "Pension reform: 12 governors came together to support the bill". Larreta (Autonomous City of Buenos Aires), Vidal (Bs As), Morales (Jujuy), Eduardo Valdés (Corrientes), Juan Manuel Urtubey (Salta), Gustavo Bordet (Entre Ríos), Hugo Passalacqua (Misiones), Sergio Casas (La Rioja), Juan Manzur (Tucumán), Domingo Peppo (Chaco), Rosana Bertone (Tierra del Fuego), Omar Gutiérrez (Neuquén), Alfredo Cornejo (Mendoza), Alberto Weretilneck (Río Negro) and Mariano Arcioni (Chubut).

<sup>18</sup> Clarín, 17/12/2017. "In exchange for support for the pension reform, the government negotiated more funds and works for the provinces".

**Tab. 1 Deputies of Cambiemos and other forces**

	CAMBIEMOS	PJ K	PJ NO K	UNA (Massa)	Other	Total
2015-17	89	81	17 <sup>19</sup>	36	34	257
2017-19	108	65	31	20	33	257

Source: own elaboration based on data from <https://www.hcdn.gob.ar>

**Tab. 2 Senators of Cambiemos and other forces**

	CAMBIEMOS	PJ K	PJ NO K	Other	Total
2015-17	17	36	14	5	72
2017-19	25	8	28 <sup>20</sup>	11	72

Source: own elaboration based on data from <https://www.hcdn.gob.ar>

### 3.2 Division of governors

After the electoral defeat of 2015, Peronism lost its national leadership built from the top of the State<sup>21</sup>. From December 2015 onwards, the dispute for the succession of party leadership began in its provincial power spaces (governors, mayors and legislators). President Macri and his collaborators skillfully intervened in the Peronist party dynamic to maintain its divisions: they generated splits in the legislative bloc, took advantage of the fact that different lists were presented in the 2017 legislative elections, and isolated the hardest sector of Kirchnerism.

The first division that favoured the president was in the parliament. During the first years of government (2015-2017), the bloc of Massista deputies allowed the government to achieve a quorum and pass several of its policies. Moreover, as a result of negotiations between the president's legislative operator, Emilio Monzó,

<sup>19</sup> A sector of the PJ distances itself from Kirchnerism in March 2016.

<sup>20</sup> A sector of the PJ distances itself from Kirchnerism in December 2017.

<sup>21</sup> On leadership and Peronism, see Ollier (2015).

and the Interior minister with the new PJ governors, a group of 16 Kirchnerist deputies formed the Justicialist bloc at the beginning of 2016. The dissident deputies of Kirchnerism aligned themselves with the PJ governors and justified their decision to leave the FPV because they had to "accompany all the Justicialist governors and guarantee the governability of each of the provinces governed by the PJ"<sup>22</sup>.

In the formation of the chamber after 2017, new deputies were added through the agreement of several governors. The "Argentina Federal" interbloc was formed, which contained the Justicialist bloc and added legislators from Córdoba, Misiones and Tucumán. The head of the inter-bloc was Pablo Kosiner, a close collaborator of Salta governor Urtubey. In this way, the interbloc reached 33 seats and displaced Massismo (20 deputies) as the main negotiator with the government<sup>23</sup>. In his memoirs, Macri lamented the creation of this bloc by his legislative operator Emilio Monzó, as its support was short-lived (Macri 2021).

In the Senate, the division was later and corresponded to the fracture at the electoral level. In the 2017 legislative elections, the former president formed her own party (Unidad Ciudadana) to avoid internal elections in the Buenos Aires PJ. Buenos Aires Peronism presented three candidates on different lists for the senate (Cristina Kirchner, Massa and Randazzo), with the sum of their votes totalling 53.91% (37.31%, 11.31% and 5.29%, respectively), while the ruling party obtained 41.35%. At the time of assuming her minority seat, Cristina Kirchner formed her own bloc in the Senate. The Unidad Ciudadana bloc had 8 seats while the PJ bloc "Argentina Federal", headed by Pichetto, had around 28 senators.

As noted above, the party distribution of governors did not benefit the ruling coalition. Broadly speaking, Cambiemos controlled 5 districts; the FPV/PJ with all its variations governed 15 provinces; provincial parties managed 3 provinces; and the remaining district (Santa Fe) was governed by the Frente Progresista Cívico y Social, an alliance between the PS and the UCR (see Table 3).

Faced with this distribution, the president:

- 1) supported the governors of his coalition,
- 2) negotiated and appeared publicly with the "moderate" PJ governors (e.g. Urtubey, Schiaretti, Bordet, Bertone),
- 3) isolated the most critical governors (including not only Kirchnerists, such as Alicia K, but also some more parochial ones with their own political game, such as Saá, Verna and Insfrán)<sup>24</sup>.

---

<sup>22</sup> Author interview with a member of the dissident bloc (June 2018).

<sup>23</sup> Clarín, 03/12/2017. "Diputados: el PJ no kirchnerista y los gobernadores definen a su nuevo bloque sin el massismo".

<sup>24</sup> La Nación. 14/03/2018. "Macri excluded Insfrán from his "black list" and they crossed gestures of harmony".

Another measure to support the governors of his coalition and the negotiating sector of the PJ was the mechanism of the co-participation advances. The advances are discretionary and the national government can collect them whenever it chooses, interrupting the daily flow of co-participation<sup>25</sup>.

Among the cases of isolation, that of Santa Cruz stands out. The province, dependent on national resources and governed by pure Kirchnerism, stopped receiving financial aid from the nation in May 2017. This unleashed an economic and social crisis in the province due to the non-payment of salaries. The national government obtained its political advantage by:

- 1) presenting the situation in national media as the failure of the K model or the chaos to which Kirchnerist policies were leading, in the context of an electoral campaign in which it sought to polarise with Cristina Fernández;
- 2) disciplining a fractious government by making it feel dependent on the nation: the governor herself travelled to Buenos Aires to meet with Minister Frigerio;
- 3) sending a message to the rest of the critical provinces that depended heavily on national transfers<sup>26</sup>.

Finally, after the signing of the Pact, the president repealed by means of a DNU (756/18) the Federal Solidarity Fund (Fondo Sojero). The Fund, created by a DNU (206/09) in March 2009, was made up of 30% of the amounts collected in export duties on soybeans. The fund was distributed by the nation among all provinces and municipalities (even if they were not producers) and was intended to finance infrastructure works<sup>27</sup>. The government justified the removal of this fund with the increase in provincial resources due to the return of 15 per cent of the co-participation mass. After this decision, the president blocked joint actions by the governors (and in this case, several mayors) by signing a compensatory decree for the provinces and municipalities of the non-K Peronist party that were affected by the abrupt elimination of the Sojero Fund. The decree created the Financial Assistance Programme for Provinces and Municipalities and transferred nearly 4 billion pesos until the end of 2018 (if the Sojero Fund were to continue, this figure would rise to 6.5 billion). On the one hand, the measure avoided a new legislative scenario with all of Peronism united: an extraordinary session had been called in which Federal Peronism, Massism and Kirchnerism would vote to annul the previous decree. On the other hand, its management was left under the orbit of the Ministry of the Interior (Frigerio), which benefited the sectors of federal Peronism

---

<sup>25</sup> La Nación. 13/05/2017. "Disponen adelantos financieros por casi US\$ 12.000 millones".

<sup>26</sup> Clarín, 05/07/2017. "Tras recibir fondos, Alicia Kirchner se alinea con un pedido de Mauricio Macri". Clarín, 09/07/2017. "With the province in crisis and a ministry taken over, Alicia Kirchner says: "I am not the bad guy in the film".

<sup>27</sup> La Nación. 15/08/2018. "Discomfort and surprise among governors over the elimination of the Sojero Fund".



and made it explicit that no money would be transferred to the provinces that did not accept the Fiscal Pact in 2017 (San Luis and La Pampa)<sup>28</sup>.

**Tab. 3 Political party of the governors**

Province	Governor	Party
Autonomous City of Buenos Aires	Horacio Rodríguez Larreta	CAMBIEMOS (Pro)
Buenos Aires	María Eugenia Vidal	CAMBIEMOS (Pro)
Catamaran	Lucia Corpacci	PJ (FPV)
Chaco	Domingo Peppo	PJ (Fr. Chaco Deserves More)
Chubut	Mariano Arcioni	PJ (Chubut Somos Todos)
Cordoba	Juan Schiaretti	PJ (Union for Cordoba)
Currents	Gustavo Valdés	CAMBIEMOS (UCR)
Entre Rios	Gustavo Bordet	PJ (Frente Somos ER)
Formosa	Gildo Insfrán	PJ (FPV)
Jujuy	Gerardo Morales	CAMBIEMOS (UCR)
La Pampa	Carlos Verna	PJ
La Rioja	Sergio Casas	PJ (FPV)
Mendoza	Alfredo Cornejo	CAMBIEMOS (UCR)
Missions	Hugo Passalacqua	FR de la Concordia (prov.)
Neuquén	Omar Gutiérrez	MPN (prov.)
Rio Negro	Alberto Weretilneck	Juntos Somos Río Negro (prov.)
Salta	Juan Manuel Urtubey	PJ
San Juan	Sergio Uñac	PJ (FPV)
San Luis	Alberto Rodríguez Saá	PJ (Federal Commitment)
Santa Cruz	Alicia Kirchner	PJ (FPV)
Santa Fe	Miguel Lifschitz	FPCyS (PS)
Santiago del Estero	Gerardo Zamora	PJ (FCpS)
Tierra del Fuego	Rosana Bertone	PJ
Tucumán	Juan Luis Manzur	PJ (FPV)

Source: Own elaboration.

<sup>28</sup> La Nación. 18/09/2018. "The Government gave in to the provinces over the Sojero Fund and Peronism adjourned the special session".

**Tab. 4 Sequence of strategies**

	Sequence	Result
M. Macri	1) nesting with the judicial arena → 2) nesting with the legislative arena → 3) division of governors between pro-government and opposition → 4) division of opposition governors between pro-dialogue and hardliners	Neutralisation of governors

Source: Own elaboration.

#### 4. Conclusion

Macri, forced by a Supreme Court ruling shortly before taking office, chose to tie fiscal negotiations with the governors in the judicial arena. At the same time, he tied the negotiated conditions that favoured the governors (above all, the withdrawal of the demand for the Buenos Aires Urban Fund) to the legislators of their respective provinces supporting some of the national government's policies, such as the agreement with the holdouts, the annual budgets, and the pension reform.

On the one hand, president Macri skilfully intervened in the partisan arena to obtain benefits in fiscal negotiations and improve his political positioning. As might be expected, he supported the Cambiemos governors politically and economically. The cooperative relationship with Vidal allowed the president to use the demand for the Buenos Aires conurbation fund as his own card to play with the national government. On the other hand, he indirectly intervened in the internal affairs of a PJ without national leadership by isolating the most hardline Kirchnerists and negotiating with 'moderate Peronism'. This led to two positive political results: 1) fractures in the parliamentary bloc that benefited the ruling party, and 2) tensions between the new governors who needed national funds for the sustainability of their provinces (e.g. San Juan, Chaco, Entre Ríos and Tucumán) and their former political bosses linked to Kirchnerism (Ollier, 2018).

After successfully knotting negotiations and keeping the governors divided, the president neutralised the power of the majority of Peronist governors. The contribution of the research was to describe the intervening mechanism in the political struggle that leads to a specific outcome in the distribution of fiscal resources based on the case of Macri. Second, it approaches the problem from a

qualitative perspective, which is more sensitive to the causal weight of agency (the actions of the president and governors), time (timing in which strategies are applied), and context<sup>29</sup>. Finally, it suggests that the outcome of fiscal bargaining depends on presidential agency and thus brings together the research agenda on fiscal federalism and intergovernmental relations with that of presidentialism.

### **References**

- Benton, A. (2008). "What Makes Strong Federalism Seem Weak? Fiscal Resources and Presidential-Provincial Relations in Argentina". *Publius*, Vol. 39, No. 4, November.
- Bonvecchi, A. and Lodola, Germán (2011). "La lógica dual de las transferencias intergubernamentales y la construcción de poder territorial en Argentina". In *Federalismo y Política Subnacional: Argentina en Perspectiva Comparada*, eds. Tulia Falletti, Lucas González and Martín Lardone. Buenos Aires: EDUCA.
- Calvo, E., Szwarcberg, M., Micozzi, J. P., & Labanca, J. F. (2001). "The institutional sources of divided government in Argentina: majoritarian bias, partisan bias and electoral competition in Argentine provincial legislatures". In *El federalismo electoral argentino: sobrerrepresentación, reforma política y gobierno dividido en la Argentina*, 53-99.
- Calvo, E. and Escolar, M. (2005). *La nueva política de partidos*. Buenos Aires: Prometeo.
- Cetrángolo, O. and J. P. Jiménez (2004). "Las relaciones entre niveles de gobierno en Argentina". *CEPAL Review*, No. 84: 117-134.
- Cox, G. and Morgenstern, S. (2002). "Reactive Legislatures and Proactive Presidents in Latin America". *Economic Development*, vol. 41, ng 163, pp. 373- 393.
- Eaton, K. (2004). *Politics Beyond the Capital: The Design of Subnational Institutions in South America*. Stanford: Stanford University Press.

---

<sup>29</sup> The literature on the subject is mostly quantitative.

- Escobar-Lemmon, M. (2001). "Fiscal Decentralization and Federalism in Latin America. *Publius*, Vol. 31, No. 4.
- Falleti, T. (2010). *Decentralization and subnational politics in Latin America*. Cambridge University Press.
- García Delgado, D. (1997). *Hacia un Nuevo Modelo de Gestión Local*. Buenos Aires: UBA- FLACSO.
- Gibson, E. and E. Calvo (2000). "Federalism and Low-Maintenance Constituencies: Territorial Dimensions of Economic Reform in Argentina." *Studies in Comparative International Development* 35 (3): 32-55.
- Gibson, E.; E. Calvo and T. G. Falleti (2004). "Reallocative Federalism: Legislative Overrepresentation and Public Spending in the Western Hemisphere". In *Federalism and Democracy in Latin America*, ed. by Edward Gibson. Baltimore: The Johns Hopkins University Press.
- Giraudi, A. (2015). *Democrats and Autocrats: Pathways of Subnational Undemocratic Regime Continuity within Democratic Countries*. New York. Oxford University Press.
- González, L. (2008). "Political power, fiscal crises, and decentralization in Latin America: Federal countries in comparative perspective (and some contrasts with unitary cases)". *Publius: The Journal of Federalism*, 38(2), 211-247.
- González, L. (2014). "The power of governors: conceptualisation and comparative analysis of Argentina and Brazil." *SAAP Journal*. Vol.8, n.2.
- Leiras, M. (2007). *Todos los caballos del rey: los partidos políticos y el gobierno democrático de la Argentina, 1995-2003*. Buenos Aires: Prometeo.
- Linz, J. (1990). "The Perils of Presidentialism". *Journal of Democracy* 1(1): 51-69.
- Macri, M. (2021). "Primer Tiempo". Buenos Aires: Planeta.
- Mainwaring, S. and M. Shugart (2002). *Presidencialismo y democracia en América Latina*. Buenos Aires: Paidós.
- Mainwaring, S. and Mariano Torcal (2005). "The institutionalisation of party systems and party system theory after the third wave of democratisation". *Latin America Today* 41: 141-173.

- Mayer, K. R. (2009). Going alone: The presidential power of unilateral action. *The Oxford handbook of the American presidency*, 427-454.
- Montero, A. (2001). "After Decentralization: Patterns of Intergovernmental Conflict in Argentina, Brazil, Spain, and Mexico". *Publius: The Journal of Federalism* 31 (4), 43-64.
- Ollier, M. M. (2008). "Presidential Instability: Institutions, Leadership and Civil Society in Argentina." *América Latina Hoy* N° 49, Universidad de Salamanca.
- Ollier, M. M. (2015). "Dominant presidency and fragmented opposition: a political construction. Néstor and Cristina Kirchner (2003-2011)". In *¿Década ganada? Evaluando el legado del Kirchnerismo*, eds. Carlos Gervasoni and Enrique Peruzzotti. Buenos Aires: Debate.
- Ollier, M. M. and Palumbo, P. (2016). "Case witness or single case? Patterns of cabinet formation in Argentine presidentialism (1983-2015)". *Colombia Internacional*, (87), 53- 80.
- Ollier, M. M. (2018). "Argentina's head of state, between instability and dominance (Macri, 2015-2017)". Paper presented at *XXXVI International Congress LASA*. Barcelona.
- Olmeda, J. C. (2013). "De Menem a Kirchner: relaciones intergubernamentales y patrones de negociación en el federalismo fiscal argentino". In *Federalismo y Política Subnacional: Argentina en Perspectiva Comparada*, eds. Tulia Falleti, Lucas González and Martín Lardone. Buenos Aires: EDUCA.
- Sewell, W. (1992). A Theory of Structure: Duality, Agency, and Transformation. *American Journal of Sociology*, 98(1), 1-29.
- Tommasi, M. (2006). "Federalism in Argentina and the Reforms of the 1990s. In *Federalism and Economic Reform. International Perspectives*, eds. Jessica Wallack and T. N. Srinivasan. Cambridge University Press.
- Tommasi M., Saiegh, S., Sanguinetti, P., Stein, E., & Cárdenas, M. (2001). Fiscal Federalism in Argentina: Policies, Politics, and Institutional Reform. *Economía*, 1(2): 157-211.
- Tsebellis, G. (1990). *Nested Games: Rational Choice in Comparative Politics*. California: University of California Press.