Breaking Separation of Powers. Presidential Discretion as a Result of Competition among Districts

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Abstract

This paper explores the conditions under which legislatures willingly cede, or presidents successfully usurp, the legislature’s institutional power. The theoretical argument builds on the premise that the protection of the legislature’s power requires legislators to cooperate in organizing collective action, and focuses on the distribution of power within the president’s party. The paper analyses the president’s influence on the selection of candidates under different electoral rules. The main insights are: (i) presidents with influence in the nomination of candidates to the legislature can obtain discretionary power by breaking cooperation among legislators; and (ii) presidential discretion is greater under proportional systems. I propose a novel empirical measure of presidential discretion: the degree of detail in budget laws. I analyze an original data set of budget laws for Argentina 1900-2005 and show that: (i) contrary to the conventional wisdom, the Argentine legislature has been an effective check to executive power for most of the century, and (ii) an increase in presidential discretion is associated with the change from plurality to proportional rules in the 1960s.

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1 Introduction

Latin American legislatures are typically perceived as an inadequate check and insufficient balance to presidential power. In the more stylized versions, legislatures are portrayed either as merely subservient bodies that “rubber stamp” the president’s will, or as purely obstructionist bodies that force presidents to by-pass them via the use of constitutional (and extra constitutional) prerogatives. The main implication of such views is that presidents in the region enjoy ample discretion vis-à-vis their legislatures. Even the less caricaturesque versions of executive legislative relations hold that the influence of legislatures in Latin America is limited, and merely “reactive” to the president’s initiatives (Morgenstern and Nacif (2002); Cox and Morgenstern (2002)).

Three issues cast doubt on this conventional wisdom. First, the level of presidential discretion vis-à-vis the legislature varies both across polities and across time to a larger extent than what these assertions suggest. Second, the observed dominance of the president may actually be hiding legislative influence from simple observation. Even if not apparent, the influence of the legislature may be present in shaping the president’s unilateral actions. This is the problem of observational equivalence (Weingast and Moran (1983)). Lastly, the notion of a group of politicians essentially motivated by their quest for power that willingly ceding their power is puzzling in itself.

There is a vast literature on the relations between the president and the legislature. This literature comprises a wealth of case studies as well as some cross country studies, and sheds lights on some of the fundamental aspects of this relation. However, it has yet to produce a comprehensive framework that can account for the wide empirical variation

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1 See Nino (1996); O’Donnell (1994); Payne, Zovatto, Carrillo Flores, and Allamand Zavala (2002)
2 Consider the contrast between the apparent power of the president vis-a-vis the legislature in Argentina and the United States, or the easiness with which PRI presidents of the golden ages, specially between the 1940s and 1970s, governed with the hardships faced by president Fox in Mexico since he took office in 2000.
3 Among others Carey and Shugart (1992); Cox and McCubbins (1993); Epstein and O’Halloran (1999); Haggard and McCubbins (2001); Huber and Shipan (2002).
in president legislature relations, and presidential discretion vis-à-vis the legislature in particular. Most of the attempts at general explanations have successfully pinned down the main features of these relations, but have been unable to establish the mechanisms through which such outcomes are generated.

This paper is a step towards a broadly comparative theory of presidential power vis-à-vis the legislature, studying the endogenous allocation of authority across branches of government in separation of powers systems. It develops a theoretical argument about the institutional conditions of presidential discretion, and tests its main empirical implications. In so doing, it suggests a novel measure of presidential discretion vis-à-vis the legislature: aggregation in budget legislation. This measure improves upon the “who does what implies who is powerful” measures previously employed in the literature, and allows for widely comparative studies.

Understanding the conditions under which legislatures are effective checks and balances on the president’s power is of fundamental importance. From a normative perspective, the idea that presidents can make unilateral decisions is completely at odds with the rule of law, the most essential aspects of participatory and representative democracy, as well as the idea of a system of government in which governors are accountable to the citizens. From a positive stance, the workings of political institutions define the span of the policies that are feasible in the polity and therefore the political and economic outcomes associated with them, such as economic development and political accountability. It also determines the “outer” characteristics of public policies, such as their stability, coherence and flexibility (Spiller and Tommasi (2003)). Indices of presidential power have been used extensively in cross national studies as an explanatory variable for different outcomes, such as corruption or economic development. It is therefore important not only to understand the causes of presidential power but also to measure it across polities.

This paper addresses two questions. Concentration of power in the president is the result of at least one of two processes: active delegation of powers to the president by the
legislature, and a more passive delegation of power which results from a legislature not reacting to usurpation of power by the president. The questions addressed are: Under what conditions do legislatures willingly cede their institutional power to the president? and under what conditions do they tolerate the usurpation of power by the president?

This paper is based on the premise that the protection of the power of the legislature requires legislators to engage in collective action (Diermeier and Myerson (1999)). Per constitutional design the legislature is the ultimate arbiter of the influence that the executive has over the decision making process. Indeed, a majority of legislators can coordinate to create the internal institutions required to constrain the president. For example, presidential vetoes can typically be overridden by a supermajority; executive decrees can be reverted (or even anticipated) by new legislation; and the legislature can define an institutional structure and procedures to further constrain the choice set of the executive, such as the Administrative Procedures Act in the US which defined clearly the procedures through which bureaucratic agencies should work (McCubbins, Noll, and Weingast (1999)). In discussing the delegation of powers from the legislature to the president, Cox (2006) argues that: “democratic legislatures retain an important core of legislative authority that is inalienable in the sense that the plenary retains (and cannot foreswear) the ability to rescind any delegations it may choose to make” (pg. 3). Provided a sufficient number of legislators agree to it, the legislature can significantly constrain the influence of the executive.

This paper approaches presidential discretion by analyzing the incentives that legislators have to organize collective action within the legislature, and how resilient these incentives are to the influence of the president. The main focus is in the distribution of power inside the president’s party. It analyses the influence of the president in the nomination of candidates to the legislature under two different electoral rules: plurality and proportionality. There are three main insights. First, presidents with influence in the nomination of candidates to the legislature can break down cooperation among legislators and obtain discretionary power. Second, presidential discretion vis-à-vis the legislature is greater under proportional
representation systems. Third, under plurality systems presidential discretion depends on
the relative power of the president and the local party bosses.

In his quest for expanding his institutional prerogatives, the president seeks to influence
the nomination of candidates to the legislature. Local party bosses also seek to nominate the
representatives of their district in the national legislature. The actual nomination process
reflects the intra party balance of power between the president and the party bosses at the
district level. This paper focuses on how the electoral rules affect the distribution of power
in the president’s party. In proportional systems local party bosses compete against each
other to protect their district from the president’s influence. This competition arises due
to the fact that under proportional rules party bosses can improve their relative position to
the president by protecting only a portion of their district’s seats, while granting the rest
to the president. This competition, which resembles the competition in the Tiebout model
of federalism, ultimately gives the president more leverage in the nomination of candidates
to the legislature. The majoritarian nature of plurality systems limits externalities among
party bosses, and the nomination of candidates is determined by the balance of power
between the president and the local boss in each district.

The paper tests the empirical implications of the theory on an original data set of budget
bills for Argentina 1900-2005. The data analysis shows that contrary to the conventional
wisdom, the Argentine legislature has been an effective check to executive power for most
of the century. Moreover, the data analysis confirms the predictions of the theory. First,
an increase in presidential discretion is associated with the electoral system changing from
plurality to proportionality in the 1960s. Second, partisan majorities in the legislature are
only associated to presidential discretion under proportional electoral systems.

The paper proceeds in four sections. Section 2 presents the main theoretical argument
and the testable hypotheses that it generates. Section 3 discusses the empirical measure
of presidential discretion: aggregation in budget bills. Section 4 presents the tests of
the empirical implications of the theory using data on budget bills for Argentina between
1900 and 2005. Section 5 concludes and discusses implications of this paper for broader comparative studies.

2 Theory

At the core of the separation of powers system lies the idea that division and sharing of power will produce a rivalry conducive to the public good (Montesquieu (1991); Madison (1987); Tocqueville (2001)). On the one hand, the authority to make, implement and enforce laws is split up between the three branches of government: the legislative, executive and judicial branch, respectively. On the other hand, each branch is endowed with some authority to keep the other two in check.

The principle is that ambition will check ambition so that no branch of government will gain dominance over the other. Concurrent authority between branches of government shelters the polity from the perils of power. Therefore, it is fundamental to this design that both the president and the legislature have the incentives to preserve, protect and expand their power. To this end, they are institutionally engineered as “rivals”, each serving a different constituency. Per this design, the notion of legislatures willingly ceding their power or tolerating usurpation of power by the president is puzzling.

The theoretical argument is based on the premise that the protection of the institutional power of the legislature requires that legislators organize collective action inside the legislature (Diermeier and Myerson (1999)). Furthermore, the president can influence the resolution of collective action problems in the legislature. A president who can nominate candidates to the legislature can obtain legislators’ allegiance, obstruct cooperation among legislators and obtain discretion. Presidential discretion is then the result of the president’s intra party leverage in the nomination process. I argue that the president’s influence in the nomination of candidates to compete in legislative elections is greater under proportional rules. There are two main insights. First, presidents with influence in the nomination of candidates to the legislature can break down cooperation among legislators and obtain
discretionary power. Second, presidential discretion vis-à-vis the legislature is greater under proportional representation electoral systems. In proportional systems, party bosses at the district level compete against each other to protect their district from the president’s influence. This competition gives the president more leverage in the nomination of candidates to the legislature. Instead, the majoritarian nature of plurality systems limits externalities among party bosses. Under plurality rules the nomination of candidates is determined exclusively by the balance of power between the president and the local boss in each district.

There argument has two parts. First, it relates collective action in the legislature to the legislators’ allegiances that result from the intra party balance of power between the president and the party bosses at the district level. The second part presents a model of candidate nomination which shows the effect of different electoral rules over the president’s influence on the nomination of candidates to the legislature.

2.1 Legislators and Collective Action

The key to the puzzle addressed in this paper lays in a fundamental feature of the constitutional design of separation of powers systems. While the executive is a single individual, legislatures are collective decision making bodies and, as such, are influenced by a variety of collective action dilemmas (Cox and McCubbins (1993); Carey and Shugart (1998); Kiewit and McCubbins (1991); Hardin (1982)). Cox (2006) describes the legislature’s collective dilemmas as “coordination games (navigating the plenary bottleneck), trust games (arranging log-rolls) and common-pool games (stemming from equal access to plenary time)” (5).

The collective nature of the legislature sheds doubts on the spontaneous emergence of cooperation between legislators to preserve, protect and expand the legislatures’ constitutional powers vis-à-vis the president. The legislature’s power is ultimately a public good.

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4 We can also think of this as a way in which the president can change the structure of the "game" inside the legislature.
An authoritative legislature requires that these troubles related to its provision be resolved. A vast literature indicates that the creation of organizations can generate the cooperation required to resolve such collective dilemmas (Cox and McCubbins (1993); Kiewit and McCubbins (1991)). Individually rational actions can be reconciled to the collective interest of a group by delegating authority upon a single or group of individuals whose incentives are properly aligned. In this spirit, a legislature can forge an internal organization in which legislators (the collective principal) can delegate their legislative prerogatives of ‘one legislator, one vote’ to a single or group of legislators (the agents).

The particular institutional form that the internal organization of the legislature can take varies extensively. Delegated prerogatives may convey on the agent agenda powers, proposal powers, veto powers or some combination thereof. The internal organization of the legislature is articulated in the formal rules and social norms that govern each chamber. For example, in the US Congress the central organization is the committee system (Cox and McCubbins (1993); Weingast and Marshall (1988); Gilligan and Krehbiel (1987); Weingast and Johnsen (1981)). In this system, committee members have monopoly of jurisdiction on the policy area of the committee to which they belong and delegate their prerogatives in all other policy areas to the relevant committee. Decision-making in each policy area is to a large extent confined to the committee, and the floor will confirm bargains struck in the committee. Division of labor and specialization is profitable for individual legislators, and results in the protection of the legislature’s power. There is a debate in the literature regarding the form these benefits take. Gilligan and Krehbiel (1987) argue that benefits come in the form of informational gains for the legislature. Weingast and Marshall (1988) argue that the benefits come about in the form of distributional gains. Cox and McCubbins (1993) argue that the benefits come in the form of control of the agenda power for the majority party. However, in each of the interpretations collective action inside the legislature renders a strong and autonomous branch of government.

Empirical evidence suggests that collective actions of the type faced by legislatures can
be resolved. However, empirical evidence also suggests that this is not always the case. The question is why can some legislatures, like the US, solve these problems while others can’t? The answer is in legislators’ incentives. If and how collective action will be organized depends on the individual incentives that legislators face. The separation of power in branches of government does not guarantee that legislators will actually have an incentive to organize collective action to preserve its constitutional power vis-à-vis the president. Legislators with allegiance to external actors have little incentive to cooperate with fellow legislators and therefore obstruct the organization of collective action to protect the power of the legislative branch of government. This seems to be the case of legislators that are responsive to their political parties or lobby groups. One key way in which such allegiance is generated is through control of politicians’ careers, in particular by facilitating their election to the legislature, either through nominating candidates or endorsing and supporting their electoral contest. It is well established in the literature that legislators’ incentives are closely tied to the politics and procedures of candidate selection. In particular, a president who can affect the composition of the legislature by nominating candidates that hold allegiance to him may obtain discretion. In this case, the president can break separation of powers, and forge collective action across branches of government (executive and legislature).

2.2 Legislators’ Incentives and Allegiances

The politics and procedures according to which politicians are selected to compete for, and ultimately obtain office; are a fundamental feature of any political system. Such politics and procedures determine the types of individuals who are likely to get to and remain in positions of power. Furthermore, the routes of access to, and permanence in office, are a fundamental determinant of politicians’ behavior. Legislators are no exception. Access to and permanence in power are the key determinants of the incentives of legislators to forge (or not) a strong and autonomous legislature.

See Mayhew (1974) and Mainwaring and Shugart (1997).
The body of research on candidate selection in Comparative Politics comprises some cross national studies, but it is mainly formed by a number of case studies about the candidate nomination procedures (Jones, Saiegh, Spiller, and Tommasi (2002)). This literature focuses on three main themes. First, is the degree of control on access and survival in the political arena that political parties (as opposed to candidates or individuals) have. Do candidates need to be endorsed by parties to compete in elections? The second discussion is about the geographical or territorial locus of nomination power in the parties. Are nominations decided at the national or local (district) level? The third line of research involves characterizing politicians’ careers paths given the incentives they are subject to. Are politicians’ reelected to their seats in the legislature or do they move to other offices? I discuss each in turn.

The first discussion is about the extent to which political parties control access and survival in the political arena. The alternative being that such control is in hands of individuals and/or voters. Hence, this is referred to as the “party or candidate centered” question. Mayhew (1974) has identified three crucial dimensions along which the influence of political parties over politicians’ careers vary: decisions about nominations to elective offices, appointment to office and campaign finance. The focus is mainly on the extent to which the party has control of the politicians’ careers; and the implication is that the more control the party has over the politician’s career the more responsive he is to the party’s mandate.

How “party centered” a polity is can be inferred from the main features of the electoral rules. Party influence is considered higher if competition for political office requires a candidate to be affiliated to a party, or the thresholds required to create a party are high (Seddon, Gaviria, Panizza, and Stein (2002)). For example, Colombia is typically classified as a case of “candidate centered” politics while Mexico would clearly fall in the “party

6See Kristijnsson (1998); Gallagher and Marsh (1988); Hazan (1997); Katz and Mair (1994); Schattschneider (1942); Siavelis (1998).
centered” category.

The second discussion in the candidate nomination literature is based on the premise that political power in the party may not necessarily reside in the national party leadership, but it may have a different locus. Typically this literature attempts to discern whether “nomination power” is at the national or local level organization of the party. In their work on federalism, Garman and Willis (2001), Willis and Haggard (1999), and Haggard and Webb (2001) look into the internal structure of the political parties in Latin America, and make inferences about outcomes in fiscal federalism based on the level of the party (central or local) organization to which legislators have allegiance. In this vein, Jones, Saiegh, Spiller, and Tommasi (2002) argue that for the case of Argentina the nomination of candidates to the national legislature is mainly in the hands of governors. Brazil, Colombia and the US are also among the countries where nominations to the national legislature are at the district level. Instead, in Mexico or Venezuela nomination of candidates seem to be decided at the national level (Willis and Haggard (1999)). In this view, legislators are either disciplined to the president or to the Governor (or leader of the party at the electoral district level). The main contribution of this literature is in exploring lines of authority and accountability within parties.

Finally, the literature analyzes the rules and incentives that determine the degree of party centeredness and locus of nomination power in a polity, to characterize the main features of politician’s career paths. There are three main paths across which political careers develop in different democracies: static (Mayhew’s single minded reelection seekers), discrete (those who enter the political arena and after a term in office move out) and progressive (politicians spend a term in the legislature as a stepping stone to higher political office in the national or provincial executive branch) (Cox and Morgenstern (2002)). Per most accounts, legislatures that successfully protect their institutional powers are those where legislators are professional. While it is clear why expertise on the job might help to foster a strong legislature, it is unclear why party loyalty per se is associated with the
opposite outcome.

Through these different approaches the literature intends to establish who legislators owe their allegiance to, either national or local leadership of the party or the voters. Only a small number of scholars have actually concentrated on the actual procedures for candidate selection and nomination (De Luca, Jones, and Tula (2002)), and one of the main ideas that comes up in this work is that there exists wide variation across parties and districts as well as polities.

The politics and procedures of candidate nomination are said to account for the allegiance of legislators. The conventional wisdom holds that nomination power is especially strong to generate allegiance (and discipline to the party) the more control political parties have over the political arena. One of the main postulates in this theory is that ‘closed lists’ generate more disciplined parties than open lists. The implication of this postulate being that presidential discretion is more likely in unified governments under “closed lists”. This paper presents a different explanation.

The literature sheds lights on some of the key issues in the types and behavior of legislators in a polity. However, it ignores a crucial feature of such outcomes: the intra party balance of power and how it affects the actual decision. The literature does not provide a clear mapping between nomination power and legislators’ types and behavior. Hence, particular electoral rules have been empirically associated with different outcomes. Partly this is due to the empirical difficulties in analyzing intra party conflicts.

There is considerable empirical variation in the way parties select their candidates within a polity both across parties as well as across time. This shows how a particular electoral system can be associated with different possible organizational outcomes. Consider the case of Brazil; where the internal structure of the Labor Party (Partido Trabalhador, PT) is radically different from the other parties. The stylized description of political parties in Brazil depicts them as very decentralized organizations where the state branch of the party prevails, has weak internal discipline and party switches are frequent. However, and
under the same set of electoral rules, the PT has crafted an organization featuring a more of a centralized authority, and clear party platform and weaker state level organizations. Such difference in organization structure most definitively affects the types of candidates from different parties in Brazil, as well as their behavior once in office (Power and Marilia (2004)). Consider the Mexican case where, as documented by Langston (2004) the PRI has been increasingly selecting politicians with local ties to the legislature. This general shift in type of legislators nominated is related to the increase in inter party competition at the district level in Mexico, and that this has given more say to the governors (and not the ‘sectors’ as had been the case previously) in the party’s decisions. Furthermore, there is also a question regarding how the incentives map into behavior in terms of how prone legislators will be to engage in the cooperation with fellow legislators to forge a strong and autonomous legislature.

The ‘particularistic incentives’\(^7\) of Latin American legislators are frequently cited as the source major collective action problems in the legislature (Seddon, Gaviria, Panizza, and Stein (2002)). However, the US Congress provides possibly the most notable counter example to that argument, since its legislators are held accountable by their constituencies at the district level and per all accounts they have managed to forge a particularly strong internal organization. A similar argument, in which particularistically driven legislators manage to forge cooperation is that postulated for the case of Brazil by Figueiredo and Limongi (2000) who explain how “legislative organization neutralizes representative’s initiatives to cultivate the personal vote”. While this view challenges the conventional wisdom about Brazilian legislature according to which fragmentation of power impairs collective action in the legislature, it also makes clear that electoral rules per se are unable to account for the particular types, and behavior of legislators.

The internal structure of political parties is indeed a crucial determinant of politicians’

\(^7\)Either in the form of allegiance to the local party bosses (as opposed to the national bosses) or as "candidate centered" politics.
lines of accountability, but we need to specify the particular way in which rules map into behavior. Getting at these lines of accountability requires an analysis of political parties that considers not only the internal institutions, but also focuses on the intra party balance of power.

The extant literature presents two main shortcomings. First, it draws from an intrinsically static view of political parties and power. It infers from formal rules and informal practices a particular locus of power (party or candidate, national leadership or local leadership) and draws behavioral conclusions based on such inferences. However, this view does not allow us to capture the more dynamic and crucial aspects of power. The hierarchical nature of parties as organizations does not imply that the leader can make unilateral decisions. Rather, the contestability of the leadership position in political parties constrains the possibilities of the leadership (Iaryczower (2006)).

The actual selection of candidates to the legislature reflects the balance of power among the different leaders and factions in the party. At this stage, the factions agree to support or acquiesce to the nomination of a particular set of individuals. The election of legislators, in turn, is a competition among parties or candidates. Given that the ultimate goal of the party as a whole is to obtain seats for the party, often electoral considerations influence the selection of candidates. That is, the candidates proposed by the different factions are to a certain extent assessed according to their electoral viability. The incidence of such considerations inside the party depends on both the extent to which there is competition in the district (safe or swing district), as well as the procedures to select a candidate (the more open, the more the selection resembles the actual election). In any case, the balance of power inside the party remains a crucial determinant of selection of candidates. Intra party conflict or competition may come about in various ways: national vs. local leaders, among national factions and among local factions. In particular, this paper focuses on the relative power of the president (national party leader) with the local party leaders at the time of selecting candidates.
2.3 The President and Legislators’ Allegiances

Different systems will place different levels of hurdles for the president to influence the nomination of candidates to the legislature. Clearly, the scenario that benefits the president the most in this respect is one in which he possesses the sum of the party’s power. That is, when the president is the single uncontested leader of the party and has the authority to name candidates to the legislature unilaterally. This scenario assumes that both the geographical and corporatist units of the party lack leverage. However, this is highly unlikely. Even in the case of Venezuela or Mexico during the golden years of the PRI, the party leader’s authority was shared to some extent. Nomination power (influence over selection of candidates to compete in elections) is rarely held by a single unitary actor. Instead, it is shared either de jure (per internal party rules) or de facto (because they hold resources) among factions and basic organizational units of the party.

A more accurate description of these two cases is provided by a characterization according to which the formal nomination powers of the president are ‘shared’ by rival factions, or when the president tries to influence these rival factions (possibly the party leadership). In this case, the president competes against this national leadership in each electoral district.

Alternatively, when nomination power is formally or informally held at the district level organization of the party by local party bosses, the president will have to compete with each of them in their districts. Basic organizational units can be based on territorial criteria. This is typically the case in federal systems. In other parties, the basic organizational units follow a more corporatist logic, for example as in Mexico where the PRI was organized in sectores, or in Argentina where Peronism was organized in tercios (replicated at the level of each electoral district). Hence, nomination of candidates generates some competition between party factions seeking to appoint individuals who share their policy preference and from whom they might obtain responsiveness. These party factions have each some leverage (drawn from different sources) over the final decision. This competition evolves
both between the national and local\textsuperscript{8} branches of the party organization and within the district branch of the party.\textsuperscript{9} The candidates are ultimately selected to win the election for the party, and therefore need to be electorally viable. In this vein, the party’s support for the party’s candidate is critical and, therefore, he who nominates must consider the political feasibility of his candidates. That is, candidates need to obtain either the support or acquiescence of relevant veto groups inside the party if they are to succeed. In this view the nomination of candidates to the legislature and therefore the allegiances of legislators within the party are a political bargain among the different levels of the party leadership.

The president will have to compete in each district with a ‘boss’ (either geographically or corporatist based) for the nomination of candidates to the legislature.\textsuperscript{10} Indeed, the outcome of this competition will be largely determined by the relative amount of resources that the president has with respect to the local party boss. Furthermore, the local boss himself may find competition from other local factions, and intra-party challengers or the opposition party itself. For the sake of simplicity in the analysis we can consider that this type of competition weakens the power of the local boss.

The nomination of candidates to the legislature in each district will be the outcome of a ‘competition’ or balance of power between the president and the local boss.\textsuperscript{11} Let’s first consider the resources that each may have.

The influence of the president on the actual composition of the legislature inside his

\textsuperscript{8}By local I refer to the "basic organizational unit" of the party. Local comprises both the geographic sense (as in electoral districts) as well as a more broader sense that captures the corporatist organization of power.

\textsuperscript{9}One source of influence that the President has is when there is open conflict at the level of the district party branch, where he can ally with a local leader that challenges the incumbent, in this way he gets the assymetry of information solved relatively easily.

\textsuperscript{10}If the competition is between the president and another national level faction of the party, then the idea of a local boss reflects that this competition is conducted in each district, due to the nature of representation in the legislature. In the case of single district, then we can consider the national district as the district.

\textsuperscript{11}Being members of the same party we can safely assume that both the president and the local boss have an interest in the party obtaining victory over the opposition. In this sense we can consider that the competition will not hurt electoral chances of the party but basically concerns the distribution of the party’s seats among them.
party has two sources. First, party rules and norms may endow the president with formal nomination powers, specially when he is the leader of a centralized party. Such rules convey on the president the authority to decide on candidacies. Still this rarely grants the president exclusive authority de facto. Second, his position as Chief Executive renders the president power per se (Cox and McCubbins (1993)). The prominence of his office puts the president at the center of the political arena, with access to “free media”. Inside his party, this position portrays him virtually as a party leader. Popular presidents may endorse candidates or provide rides on coattails to obtain allegiance of legislative candidates. Additionally, he is endowed with constitutionally conferred patronage powers (Ministries, cabinet secretaries, and other executive offices to fill up). These resources empower the president to affect power struggles between party leaders at the district level. Indeed, even supposing that the president holds no formal nomination powers, and that these reside only in the party leadership at the district level, the president can still gather support around his prefered candidate in the district and place a bid in the nomination process. The influence of the president in power struggles in his, or the opposition party or parties, is stronger the more popular he is among the citizenry.

Next, consider the resources of the local boss. The analysis of the local bosses at the district level comprises two aspects. First, the leadership at the district level versus the national leadership or the president (i.e. degree of centralization of the nomination powers inside the party). Second, how much of a stronghold the local leader has on the district branch of the party (i.e. to what extent he has to cut deals with other factions of the party at the local level). The influence of the district bosses at the district level has three sources. Most modern democracies grant some influence in the choice of candidates to the

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12 In some cases, like the US, some of these appointments will require consent from the Senate. Also the portion of his authority that is not endogenous to the President-legislative bargain.

13 The President may ally with the local “challenger” to the power of the local party boss, play factions at the district level against each other or obtain favors from the party leader at the district level in exchange for not entering the competition in his district. However, weakening too much the local leadership may result in an electoral loss for the party which is a worse outcome for all.
district level politicians. First, are the formal nomination powers with which the party at the district level may be endowed with per the party rules. Some parties are structured as decentralized organizations, in which the district level branches (as opposed to national or central level) of the party retain most of the authority. In these parties, formal nomination powers remain at the district level of the party. This is often the case in federal countries like Argentina and the United States. Secondly, the party bosses at the district level have an informational advantage vis-à-vis the party leadership at the central level: it has “inside information” about the electoral district (district voters’ preferences, potential candidates, and the like) in which the election will be contested. For example, in Mexico since the local elections have become more competitive for the PRI, we see nominations to more ‘local’ politicians (Langston (2004)). Thirdly, the party bosses at the district level have access to patronage resources in the form of offices in the district level of the party. In particular, if the party is in power at the district level then it has access to more resources (coattail effects, patronage, and “free” media, among others). Note that this is even the case in unitary systems, though arguably in federal systems, the district party boss’ access to the state apparatus makes him more independent from the center, and hence from the president. This independence translates into a more favorable bargaining position for the local leader.

2.4 Presidential Discretion and Competition among Local Bosses

Legislators’ allegiance to the president depends on the extent to which the president can overpower the party bosses at the district level, to influence the selection and election of legislators. The nomination of candidates to the legislature can be analyzed as a contest between the president and the local bosses. This contest requires that the president and local bosses decide on the allocation of their resources in each district to maximize their contingent in the national legislature. The president will seek to nominate national legislators across districts. Local bosses seek to nominate as many of the district legislators
as possible. Note that while the president can use his resources across districts, each local boss is limited to his own district.\textsuperscript{14}

The competition among the president and local party bosses revolves around obtaining the required support to have their candidates nominated and elected to the national legislature. Electoral rules influence the outcome of the contest between the president and local bosses because they place the actual support thresholds required to obtain seats in the legislature. Consider two different electoral rules: plurality (PL) and proportional (PR). In the case of a PL system the requirement is to obtain the support of \((n + 1)/2\) voters in the district. In the case of a PR system, the support of a fraction of voters already renders a seat in the national legislature. Electoral rules define the strategies of the president and the bosses, while under plurality the president faces an “all out war” with the local party boss, under plurality president can nominate only some of the candidates.

Since this contest is at the candidate nomination level, and the candidate nomination procedures can actually take different forms, the key players which president and bosses will try to influence will vary according to procedure. For example, if the nomination is conducted via open primaries then it is very likely that the voters are the key players. Primaries also take different forms if they are in a machine politics setting (like Argentina) or in the US. Instead, if candidate selection is conducted via elite arrangement then possibly the key players are the different organizations of the party, such as the intendentes (city majors) or relevant veto groups in the party (for example the unions in a labor party). Lastly, when the nomination of candidates is decided in party conventions then the actual representatives become the key players whose favor the president and party bosses will seek to win. The use of the word “voters” is in a generic sense and refers to key actors.

Presidential discretion is the result of the president’s being able to obtain allegiance of legislators. This allegiance changes the “game” inside the legislature by providing disincentives for the legislators to cooperate with fellow legislators. When legislators have allegiance\footnote{This set up is essentially a Colonel Blotto game.}
to the president, rather incentives are for the legislature to cooperate with the president. The model below shows the mechanism by which the president has more influence in the nomination of candidates under a proportional electoral system than a plurality system.

2.5 A Model of Candidate Nomination

I propose a model of the internal competition for votes within a party between national and local elites. I focus, in particular, on the distribution of power within the president’s party, which for simplicity I refer to as simply “the party”.\textsuperscript{15} I characterize the outcomes of this competition under two ideal types of electoral rules. In \textit{plurality} or \textit{first past the post} (FPTP) systems, the winner of a majority of votes in district \(j\) obtains one seat in the national legislature. In \textit{proportional representation} (PR), a candidate winning one vote in any district \(j\) attains a share \(\frac{1}{n}\) of the seats in the national legislature, \(n \equiv \sum_j n_j\).

There are \(J \geq 2\) districts, indexed \(j = 1, \ldots, J\). District \(j\) is populated by \(n_j\) voters, are indexed \(i = 1, 2, \ldots, n_j\). Voters elect representatives to a national legislature.\textsuperscript{16} Voters in each district are associated with a party, either the president’s party or the opposition, and are assumed to vote for that party on election day. Voters are indifferent among candidates of the same party, and are willing to support the candidate from their party who offers the highest bribe.\textsuperscript{17} In each district there is a local party leader (or boss) \(L_j\), endowed with resources \(B_j > 0\) which she can only allocate to voters in her district. The local bosses compete locally for influence within the party against the national party leader (the president), \(P\), who is endowed with resources \(B_p > 0\), which she can allocate to voters in \textit{any} district.

Prior to the general election, potential candidates of the same party compete in pri-

\textsuperscript{15}The argument below applies equally well to opposition parties.
\textsuperscript{16}Voters are not modeled as players of the game.
\textsuperscript{17}One way of thinking about this is to assume that each party represents a fixed position in the policy space and that voters vote care enough about policy so that for all feasible offers the only non-weakly dominated strategy is for them to vote sincerely for a candidate expressing their most preferred policy position, and among those, for the candidate offering the highest bribe.
maries. Primaries have the same structure as the electoral system. Under plurality rules, the potential candidate with more votes in the primary becomes the unique party candidate in the general election in district \( j \). Under proportional representation, the share of party votes obtained by each candidate in the general election equals the proportion of party votes gathered by the candidates in the primaries. Candidates can be fielded by the local party leader or by the president. Voters vote in the primary election for the party candidate offering the highest bribe, and I assume that both the president and the local bosses want to maximize their share of seats in the national legislature at the minimum feasible cost. To make the model tractable, I assume that offers have a fixed sequence: first local bosses simultaneously make offers \( x_j \equiv \{x_{ij}\} \) to voters in their districts, then the president makes offers \( y \equiv \{(y_{i1}, y_{i2}, \ldots, y_{ij})\} \). A strategy for local boss \( L_j \) is therefore an allocation of (conditional) offers to voters \( x_j \), which to be feasible must satisfy \( x_{ij} \geq 0 \) and \( \sum_i x_{ij} \leq B_j \). A strategy for the president is a contingent allocation of (conditional) offers \( y(x) \equiv \{(y_{i1}(x), y_{i2}(x), \ldots, y_{ij}(x))\} \), which must also satisfy \( y_{ij}(x) \geq 0 \) and \( \sum_j \sum_i y_{ij}(x) \leq B_p \). An equilibrium of the game is a strategy for each local boss, \( x_j \), and by the president, \( y(x) \) such that \( \{x_j\}_{j=1}^J, y(x) \) is a subgame perfect Nash equilibrium, and no player uses a weakly dominated strategy.

For convenience, I will introduce a minimal unit of payment \( \varepsilon \) (a "cent"), and for any

---

18I say primaries but really mean to apply this to any candidate selection procedure which a party might have. These comprise primaries (open or closed), elite arrangements/backroom deals, or party conventions. The difference among these systems is mainly where the power lies and visibility, etc but the logic is ultimately the same. It is reasonable to think that to obtain the nomination of a candidate the acquiescence and/or support of key players is required. Primaries are a specific case of this where the key groups of support required are the voters. Elite arrangements and party convention follow, in this respect, a similar logic. In elite arrangements the suport of key party groups is fundamental and in party conventions, the party "legislators". For easiness of exposition I refer to primaries and voters but it can be applied to other procedures by simply changing the terms.

19This assumption is based on the fact that the different electoral rules provide different outside options to factions inside the party. That is a faction with sufficient power to obtain a seat under PR system but not under PL will be ignored in the former while conceded in the latter.

20We can also think of the exercise in which we ask for the cost of the president obtaining a determined share of seats.

21Otherwise there is no equilibrium in pure strategy.
\( x > 0 \) I’ll denote by \( K(x) \) the smallest integer such that \( K(x) \varepsilon \geq x \) (\( K(x) \) is thus the value of a feasible offer of \( x \) in “cents”). Let \( s_j \) be the share of the president’s party’s voters in district \( j \). Call a district “feasible” for the president (and denote this by \( f_j = 1 \)) if \( s_j \) is a plurality in \( j \) (otherwise let \( f_j = 0 \)). Label districts so that (i) if \( r \) and \( s \) are feasible districts and \( r < s \), then \( B_r \leq B_s \), and (ii) if \( r \) is a feasible district and \( s \) is not a feasible district, then \( r < s \). Let \( b_j \equiv \frac{B_j}{N_j} \), that is the per capita amount of the party bosses resources. Let \( \bar{m} \) be the largest integer \( m \) such that \( \sum_{j=1}^{m} b_j \frac{N_j + 1}{2} = \sum_{j=1}^{m} \frac{B_j N_j + 1}{2 N_j} \leq B_p \), \( \bar{m} \) indicates the larger district that the president can afford to buy.

In plurality rule there exists an equilibrium in which the party bosses offer their budgets symmetrically across the voters of the districts where the president’s parties have a majority of voters. Note that each party boss will try to maximize the cost of his district for the president and the way of doing this is by allocating their resources symmetrically. Following the logic in Groseclose and Snyder (1996) local party bosses will try to leave no ‘soft spots’ in their coalitions which make their district cheaper for the president than other districts. This is also the most the local party bosses can do to protect themselves from the influence of the president in their districts. There are no externalities among party bosses for trying to protect their districts from the influence of the president. The president can win a seat or district by making an offer slightly higher than the boss’, he will of course start by buying the cheaper districts. Ultimately, under plurality rules the control of nominations depends directly on the relative resources of the president and local boss. Under plurality, the marginal cost of an extra seat for the president is equal to the lowest average cost of a seat among the remaining districts. Hence, party bosses can do nothing to improve their stance vis-à-vis the president. The cost of a district for the president is determined by the ratio of the Party Boss’ resources \( (B_j) \) and the number of voters in the district \( (N_j) \). We can now state this first result formally:

**Proposition 1** There exists an equilibrium \( (x^*, y^*(\cdot)) \) such that: (i.a) \( x^*_{ij} = b_j \forall (i, j) : i = 1, \ldots, N_j \) and \( j \leq \bar{m} \), (i.b) \( x^*_{ij} = \frac{1}{2 \mu_j} b_{\bar{m}} (N_{\bar{m}} + 1) + \varepsilon \approx \frac{B_{\bar{m}}}{2 \mu_j} + \varepsilon \forall (i, j) : i = 1, \ldots, N_j \).
and $j \geq \overline{m} + 1$, (ii.a) on the equilibrium path, $P$ offers $y^*_{ij}(x^*) = x^*_{ij}$ for $(i, j) : i = 1, \ldots, N_j$ and $j \leq \overline{m}$, and zero to others, and (ii.b) obtains a share $s_{FPTP} = \overline{m} / J$ of seats (ii.c) at a cost $W_{FPTP} \approx \sum_{j=1}^{\overline{m}} B_j / 2$

**Proof of Proposition 1.** Consider first the problem of the president given an allocation $x$ by the local bosses. For any such $x$ by the local bosses, relabel if necessary voters in each district so that $x_{1j} \leq x_{2j} \leq \ldots \leq x_{N_j}$. Let $C_j(x)$ denote the (minimal) cost for the president of buying a majority of votes in district $j$ given allocation $x$; i.e., letting $\mu_j \equiv \frac{(N_j + 1)}{2}$, for a feasible district $D_j$, $C_j(x) = \sum_{i=1}^{n_j} x_{ij}$. When $D_j$ is not feasible we write for convenience $C_j(x) = z > B_p$. Relabel districts if necessary so that if $r < s$ then $C_r(x) \leq C_s(x)$. Now let $m^*(x, B_p)$ be the largest integer $m$ such that $\sum_{j=1}^{m} C_j(x) \leq B_p$. Note that clearly $m^*(x, B_p)$ must be feasible. Sequential rationality for the president then implies that $y^*_{ij}(x) = x_{ij}$ for all individuals $(i, j)$ such that $i \leq \mu_j$ and $j \leq m^*(x, B_p)$, and $y^*_{ij}(x) = 0$ to others. Consider next the problem of the local bosses. Similarly as to how we defined $m^*(x, B_p)$ before, let $m^*_{-j}(x_{-j}, B_p)$ be the largest integer $m$ such that $\sum_{k=1, k \neq j}^{m} C_k(x_k) \leq B_p$. We can now write the following problem for local boss $L_j$:

**Problem 1** Choose $\{x_{ij}\}_{i=1}^{N_j}$ to minimize $\sum_{i=1}^{N_j} x_{ij}$ with the constraints that $\sum_{i \in A} x_{ij} \geq C_{m^*_{-j}(x_{-j}, B_p)} + \varepsilon$ for all set $A$ of individuals in $j$ such that $|A| \geq \mu_j$.\(^{22}\)

When a solution to 1 does not exist, $L_j$ can not interfere (given $x_{-j}$) with the president winning his district, and therefore is indifferent to offer any nonzero payment schedule.\(^{23}\) Whenever a solution to problem 1 does exist, however, this will characterize $L_j$’s best response. So suppose this problem has a solution. Note that this is a symmetric LP

\(^{22}\)We are assuming here that $C_{m^*_j(x_{-j}, B_p)} \geq B_p - \sum_{k=1}^{m^*_j(x_{-j}, B_p)} C_k$ only for simplicity of exposition.

\(^{23}\)Note that offering zero is a weakly dominated strategy. The boss is indifferent between offering zero and offering a positive schedule of payments for all strategy profiles in which he loses his district, and can never win offering zero but lose offering positive payments. However, there exist profiles of strategies for the remaining bosses and the president such that the boss would win by offering positive payments to a majority of voters in his district, but lose by offering zero.
problem, and that therefore admits a symmetric solution \( x^*_i(x_{-j}) = x^*_j(x_{-j}) \) for all \( i \in D_j \).

It then follows that \( x^*_j(x_{-j}) \) will be given by
\[
x^*_j(x_{-j}) = \frac{C_{m^*_j(x_{-j},B_p)} + \varepsilon}{\mu_j}
\]
(1)

Therefore if problem 1 is feasible for \( L_j \), \( C_j(x^*_j(x_{-j})) = C_{m^*_j(x_{-j},B_p)} + \varepsilon \). Problem 1 is feasible for \( L_j \), in turn, iff \( \sum_{i=1}^{N_j} x^*_{ij} = \frac{N_j(C_{m^*_j(x_{-j},B_p)+\varepsilon})}{\mu_j} \leq B_j \), or approximating \( \frac{N_j}{N_j+1} \approx 1 \), iff
\[
C_{m^*_j(x_{-j},B_p)} + \varepsilon \leq B_j/2
\]
(2)

Now consider the proposed equilibrium. Consider first \( j \leq m \). By definition of \( m^*_j \) and \( m, m^*_j(x_{-j},B_p) \geq m \). But in equilibrium then \( C_{m^*_j(x_{-j},B_p)} \geq B_m/2 \), and therefore (2) is violated. As a result, problem 1 is not feasible for \( j \leq m \) in the proposed equilibrium, and there are no profitable deviations from the proposed strategies for these players. Next consider \( j > m \). For any such \( j \), \( m^*_j(x_{-j},B_p) = m \), and therefore \( C_{m^*_j(x_{-j},B_p)} \approx B_m/2 \). But then (2) indicates that problem 1 is indeed feasible for \( j > m \), and then (1) gives
\[
x^*_j(x_{-j}) \approx \frac{1}{\mu_j}(B_m/2 + \varepsilon),
\]
as in the statement of the proposition. Part (ii) now follows easily. \[\blacksquare\]

The equilibrium in proposition 1 is not unique. In particular, there exist equilibria in which all bosses make residual offers (no positive offers, however, is not an equilibrium, since these strategies are weakly dominated). If the relative value of seats to “monetary” resources for local bosses is sufficiently large, however, these equilibria are generically non-robust to allowing uncertainty on the amount of resources with which the president is endowed. The logic is simply that if the relative value of seats is sufficiently large, then local bosses are always better off “gambling” their entire budgets than retaining these resources for sure. The equilibrium in proposition 1, moreover, is the unique equilibrium in which local bosses spend all their budgets.

24 To be precise, either \( m^*_j(x_{-j},B_p) = m \) or \( m^*_j(x_{-j},B_p) = m + 1 \)
Remark 1 The equilibrium in proposition 1 is the unique equilibrium under FPTP in which bosses use their budgets entirely.

We will limit the analysis to the equilibrium where bosses offer all of their budgets. Recall that the cost for the president of obtaining a share $s_{FPTP} = \frac{m}{J}$ of seats under plurality system is $W_{FPTP} \approx \sum_{j=1}^{\pi} B_j/2$. An analysis of the contest between president and local bosses under proportional rules shows that the president can obtain seats under proportionality at a lower cost than under plurality.

Proportional electoral rules generate completely different incentives for local party bosses. Under the plurality system the only way in which local party bosses can protect their districts from the president’s influence is by maximizing the price of the average vote in the district. The way to do this is to offer a profile of symmetric offers to all voters in the district. Under proportional representation systems, local party bosses can protect some of their district’s seats by making them more expensive than the marginal vote, which is the last seat for which the president has resources. The way to do this is by proposing a non-symmetric profile of (conditional) offers to voters in their district. In particular, by offering zero dollars to some voters, party bosses can have more resources to protect other seats. Then, the president will be able to obtain those voters/seats that the bosses ‘liberate’ at zero dollars. The crux is that local bosses’ actions will generate externalities, which in turn benefit the president. The features of the proportional electoral system generate the incentives for local party bosses to liberate votes for the president to take at zero cost. Hence, allowing the president to nominate candidates at zero cost. The intuition is similar to the Tiebout model of federalism where citizens “voting with their feet” generate competition among districts, driving taxes to zero dollars (Tiebout (1956)). Note that while under plurality rules, local party bosses will only be indifferent between spending the entire budget in making offers or a small portion of it when they have certainty that the president will in any case be able to buy the whole district. Instead, under proportional representation, it is the electoral system which induces bosses to free up seats, in doing so the president can
nominate legislators at zero cost. These incentives of the proportional system are robust to uncertainty about the president’s resources. The key is that competition between districts is limited under plurality and not under proportional representation. In fact, there exists and equilibrium in which the competition among districts allows the president to have a majority of the legislature at zero cost. The force behind this result is straightforward. Let $\beta_j \equiv N_j/B_j$, and relabel districts so that $\beta_1 > \beta_2 > \ldots > \beta_J$. Consider the symmetric allocation of local budgets that we obtained as an equilibrium under plurality. In this case, the cost for the president of obtaining a vote (a share $1/N$ in the legislature) in district $j$ is equal to $1/\beta_j$, and this marginal cost is constant until $j$’s votes are exhausted. It is easy to see that this cannot be an equilibrium under PR. Boss 1 knows that under this profile, she will lose all votes to the president. She can do better, however, by concentrating her budget in a fraction of voters, making their votes more expensive for the president. The analysis of plurality demonstrated that this allocation would make any strict subset of voters in her district cheaper to buy for the president. However, it would also increase the marginal cost of the protected votes in the district. Dropping enough votes, $L_j$ can make the marginal cost of the remaining votes in the district higher than the marginal cost of votes in other districts (for a given allocation of bribes of the remaining bosses), assuring that these would not be bought by the president. As long as the freed votes do not make a majority of the national population, the resulting state cannot be an equilibrium either, for the boss of the next cheapest district has an incentive to proceed similarly. This process of liberating votes to increase the marginal cost of a vote in the district continues until the president has attained her goal. As a result, the president can obtain a majority of seats at zero cost. This result is stated formally in the next proposition.

**Proposition 2** The cost for the president of obtaining a majority of seats in the legislature under PR representation in each district is zero. In equilibrium, districts $j = 1, \ldots, M$ free up $B_j(\beta_j - \beta_{M+1})$ votes to the president.
Proof. Suppose $s = 0.5$. We characterize an equilibrium of the model, and then show that this equilibrium is unique. The equilibrium is characterized by the following conditions. Find $\{q_1, q_2, \ldots, q_M\}$ such that:

$$
\frac{B_1}{q_1} = \frac{B_2}{q_2} = \ldots = \frac{B_M}{q_M} < \frac{B_{M+1}}{N_{M+1}} < \frac{B_{M+2}}{N_{M+2}} < \ldots < \frac{B_J}{N_J}
$$

(3)

and $M$ is the smallest integer such that

$$
\sum_{j=1}^{M} (N_j - q_j) > \frac{N + 1}{2}
$$

(4)

It is clear that such a strategy profile constitutes indeed an equilibrium. Bosses of districts $M + 1$ to $J$ obtain their highest feasible payoff and thus have no incentive to deviate (if they care about the money, then assuming that there is a smallest feasible increment of the offers $\varepsilon$ we can just adjust their offers lower until the marginal costs are equal and slightly higher than the districts 1 to $M$). Now consider $L_j$ for $j \leq M$. If $L_j$ attempts to protect a higher share of the vote, then the marginal cost of all votes in district $j$ would be lower than any other non-free vote in any district, and as a result all of these votes would be bought by the president. If, instead, $j$ frees more votes, she is strictly worst off.

It is easy to solve this system using an iterative procedure. Start by assuming that all party bosses attempt to protect all votes, in which case they allocate their resources symmetrically across voters in the district.

Step 1. How many votes can she focus on to make them at least as expensive as district 2? This is choose $q_1^1$ such that $\frac{B_1}{q_1^1} = \frac{B_2}{N_2}$, so that $q_1^1 = N_2 \frac{B_1}{B_2}$, and thus the total number of votes freed to the president in step 1 is:

$$
F_1 = N_1 - q_1^1 = B_1 \left( \frac{N_1}{B_1} - \frac{N_2}{B_2} \right)
$$

Step 2. How many extra votes have bosses 1 and 2 to drop to make the remaining votes as expensive as votes on district 3, assuming that 3 protects all votes? This is choose $q_1^2$
and $q_2^2$ such that $\frac{B_1}{q_1^1} = \frac{B_2}{q_2^1} = \frac{B_3}{N_3}$, so that for $j = 1, 2$, $q_j^2 = N_3\frac{B_j}{B_3}$, and thus the total number of votes freed to the president in step 2 is:

$$(q_1^1 - q_1^2) + (N_2 - q_2^2) = \sum_{j=1}^{2} B_j\left(\frac{N_j}{B_j} - \frac{N_3}{B_3}\right)$$

Thus up to step 2, president has, for free, the following number of votes:

$$F_2 = B_1\left(\frac{N_1}{B_1} - \frac{N_3}{B_3}\right) + B_2\left(\frac{N_2}{B_2} - \frac{N_3}{B_3}\right)$$

If $F_2 > \frac{N_3+1}{2}$, then this is the solution to our problem. Otherwise go to the next step. In general, in step $T$, $F_T$ will be given by:

$$F_T = \sum_{j=1}^{T} B_j\left(\frac{N_j}{B_j} - \frac{N_{T+1}}{B_{T+1}}\right)$$

, and the solution is given by the smallest integer $M$ such that $F_M > \frac{N_3+1}{2}$

In this equilibrium each district is giving up votes based on their budget and the difference capitas per dollar between this district and the marginal district that doesn’t have to concede any votes to the president. There is, however, another equilibrium under proportional representation in which the nomination of candidates is more expensive for the president. In this case, the same logic applies but instead of the districts with less budget liberating seats to concentrate their budgets in protecting some seats, it is the larger budget districts which liberate seats to make the marginal seat so expensive for the president that he will have to buy whole districts. Note that the logic of competition among districts remains the same, however, in this case works the other way around. Note as well that this equilibrium is possible only under a very strong assumption of asymmetry among districts where one group of districts has very large budgets and another groups has very small ones. We can now introduce the more general result which considers the set of all possible equilibria under proportional representation and states that for a given $B_p$, the president can obtain a higher share of votes under proportional that under plurality rules.
Proposition 3 Assume that for all districts $j, k$, $(1 - s^{FPTP})B_k > B_j/n_j$. Then in any equilibrium under PR, the president gets share $s^{PR} > s^{FPTP}$ of seats.

Proof of Proposition 3. Notation. Let $\Gamma^B(x, y) = \{x_{ij} : 0 \leq y_{ij} < x_{ij}\}$ denote the set of winning offers by the bosses. If $x_{ij}^* \leq y_{ij}^*$ for all $(i, j)$, then $s^{PR} = 1$ and we are done. So suppose from now on that there exists an $(i, j)$ such that $x_{ij}^* > y_{ij}^*$, and thus $\Gamma^B(x^*, y^*) \neq \emptyset$. Let $\bar{\pi} = \max \Gamma^B(x, y)$, and $\underline{\pi} = \min \Gamma^B(x, y)$. Let $\Gamma^P(x, y) = \{x_{ij} : 0 \leq x_{ij} \leq y_{ij}\}$ denote the set of losing offers by the bosses. This set is nonempty, and therefore $\bar{\ell} = \min \Gamma^P(x, y)$, and $\bar{\ell} = \max \Gamma^P(x, y)$ are well defined. Let $W^{PR}$ denote the total cost of the president’s accepted offers in equilibrium under PR. First note that in equilibrium (i) $\underline{\pi} \geq \bar{\ell}$, and that (ii) $B^P - W^{PR} < \underline{\pi} \iff W^{PR} > B^P - \underline{\pi} > 0$. (these are true obviously for all $x_{ij} \in \Gamma^P(x^*, y^*)$). Note that by elimination of weakly dominated strategies we can restrict $L_j$ to offers of the type $x_{ij} = 0$ for $i = 1, \ldots, k_j$, $x_{ij} = E_j/(n_j - k_j)$ for $i = k_j + 1, \ldots, n_j$, $E_j \leq B_j$ (denote this a $O(k_j, E_j)$ offer). These offers maximize the minimum payment to individuals receiving positive offers given total expenditure of $E_j$, and therefore $L_j$ cannot do better with any other offer with total expenditure $E_j$, and can do worse.

Note that the balanced allocation of the FPTP equilibrium is not an equilibrium under PR. To see this, relabel the districts if necessary so that if $j < k$ then $b_j \leq b_k$. Let $m_0$ denote the largest $m$ such that $\sum_{j=1}^{m} B_j \leq B_p$. Then sequential rationality dictates that P must offer $y_{ij} = x_{ij}$ to all $ij$ such that $j \leq m_0$ and all $i$, and to individuals $1, \ldots, t$ in $m_0 + 1$ so that $\sum_{j=1}^{m} B_j + tB_{m_0 + 1}/n_{m_0 + 1} = B_p$. Since P is obtaining all the votes in district 1, a deviation by $L_1$ granting her one vote would constitute a profitable deviation. And since $B_1 > B_j/n_j$ for all $j$, this deviation is always feasible. The same reasoning shows that a symmetric allocation within districts cannot occur in equilibrium for any $\{E_j\}$. Then it must be that some $j$ is freeing up votes; i.e., that in equilibrium some $j$ is offering $O(k_j, E_j)$ with $k_j > 1$. Suppose $L_j j = 1, \ldots J$ is making a $O(k_j, E_j)$ offer. Relabel the districts if necessary so that if $j < k$ then $E_j/(n_j - k_j) \leq E_k/(n_j - k_j)$. Let $m_1$ denote the largest
such that \( \sum_{j=1}^{m} E_j \leq B_p \). Then by sequential rationality, on the equilibrium path P must offer \( y_{ij} = x_{ij} \) to all \( ij \) such that \( j \leq \overline{m} \) and \( i \geq k_j + 1 \), and if \( \overline{m} \leq J - 1 \), to individuals \( k_{\overline{m}+1}, \ldots, k_{\overline{m}+1} + t \) in \( \overline{m} + 1 \) so that \( \sum_{j=1}^{\overline{m}} B_j + t B_{\overline{m}+1}/(n_{\overline{m}+1} - k_{\overline{m}+1}) = B_p \).

Now suppose \( \overline{m} \geq 2 \) (which will always be the case if \( B_p \) is large enough compared to individual districts budgets). Then P is getting all the votes in district 1. Hence if there is a deviation by \( L_1 \) that gets her at least one vote, this could not be an equilibrium. Now suppose \( L_1 \) makes an offer \( O(n_1 - 1, B_1) \). For equilibrium, it must be that \( B_1 \leq \frac{E_j}{n_j - k_j} \) for all \( j \geq \overline{m} \) (since this is the most attractive offer \( L_1 \) can make, this assures that for any feasible \( x_{i1}, x_{1i} < u \)). But then \( k_j \geq n_j - \frac{B_j}{\overline{m}} \) for all \( j \geq \overline{m} \), and therefore

\[
\frac{k_j}{n_j} \geq 1 - \frac{E_j}{n_j B_1} \geq 1 - \frac{B_j}{n_j B_1} > s
\]

where the last inequality follows from the assumption that for all districts \( j, k, (1 - s)B_k > B_j/n_j \). Since the president is getting all votes from districts \( j < \overline{m} \), and is getting a fraction of at least \( s \) in all other districts, she is clearly getting a fraction larger than \( s \) in equilibrium. 

**Corollary 1** Suppose that in equilibrium under FPTP and PR the offers by the bosses exhaust their budgets. Then \( s^{PR} > s^{FPTP} \)

**Remark 2** Note that the offers that local party bosses and the president make are conditional on obtaining the seat. That is, they do not offer money on the spot. Since a candidate gains nothing by not offering a promise if he will lose, it is optimal to offer positive amount even if in equilibrium they lose. This is indeed an equilibrium.

The main idea that this model portrays is that under proportional electoral rules, the intra party balance of power favors the president and hence, he will be able to nominate a larger share of candidates than what he would, with the same budget under plurality. The main implication of this for this paper is that because it is earlier for the president to obtain the allegiance of legislators under proportional representation rules, we expect
presidential discretion to be greater under such rules. What drives this result is the fact that the proportional rules create an incentive for local party bosses to compete against each other.

Local party bosses can shield their districts from the president’s influence by making them more expensive than other districts (that is, offering higher (conditional) bribes to their voters. Under plurality systems the local boss’ fate is pretty much decided by his budget per capita $B_j/N_j$, and there is really no space for strategic action. Instead, in the case of proportional representation, the local party boss can (and in fact has a strong incentive to do so) increase the price of at least some of his seats by concentrating his budget on protecting only a portion of seats. The ability of a party boss to protect seats that would otherwise be bought by the president leaves other party bosses vulnerable vis-à-vis the president and therefore gives them an incentive to concentrate their resources as well. This is the way in which competition benefits the president and increases his leverage in the nomination of candidates to the legislature.

This theory generates three main testable hypotheses:

**Hypothesis 1:** Presidential discretion is greater in proportional representation systems

**Hypothesis 2:** Partisan composition of government is not associated with presidential discretion

**Hypothesis 3:** Presidential discretion is greater in plurality representation systems the more resources the president has relative to local bosses in his party

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26 Many other comparative statics that I do not go into right now.
3 Measuring Presidential Discretion

The phenomenon to be explained in this paper is presidential discretion vis-à-vis the legislature. Some scholars have focused on quantifying the formal powers of the president (Lijphart (1984); Carey and Shugart (1992)) by creating ‘power indices’ based on the inspection of the constitutional attributes that the executives have in each polity. Some examples of this are the kind of decree or veto powers with which the Constitution endows the president, or the requirements for the legislature to overturn a veto. The idea is that the more agenda and veto powers that the Constitution endows the president with, the more likely he will be able to act unilaterally. Another type of measure takes a “who does what implies who is powerful” perspective, and quantifies the absolute or relative ‘production’ or ‘success’ of the initiatives of each branch of government. Some indicators used to measure presidential discretion are: total number of decrees, legislative success of the president in Congress, number of amendments on presidential legislative initiatives, presidential vetoes, among others. Of course, a high number of executive orders or high legislative success rate of executive’s initiatives is interpreted as indicative of executive dominance in the legislative process. Others have taken this logic to a more relative notion of power and choose indicators like proportion of bills over decrees.

Such indicators have three major shortcomings. First, they ignore the ‘law of anticipated reactions’ which is pervasive in any type of strategic interaction such as the one between the president and the legislature. The president may be making a decision that is formally unilateral, such as signing a decree, but the actual content of the decision may still consider, and accommodate to potential reactions of the legislature. Second, aggregate measures of legislative production say nothing about how and where the crucial issues are decided. A president or a legislature may seemingly produce a large share of the policy (either in relative or absolute terms) and yet, this productivity may be simply formalizing decisions made elsewhere in the political system or even deals cut with other branches of government.
Production *per se* is uninformative in terms of where the locus of power is in a political system. Finally, these types of measures are idiosyncratic to each polity and therefore impair comparisons across countries, and even periods of time. Hence, extant indicators and measures are not satisfactory in that they capture the apparent (rather than the real) power of the president. Some notable exceptions are the work of Huber and Shipan (2002) and Epstein and O’Halloran (1999).27

The Constitution grants the legislature with the power to make decisions about policy and the executive power with the authority to implement these decisions. Of course, the implementation of a policy requires some extent of decision making and therefore confers influence on the policy to the executive branch as well. The line between politics (decision making) and implementation is not clear. Consider the gap between decision and implementation in a policy A that prescribes the distribution of food to poor people, with a policy B that prescribes the distribution of cartons fortified milk to families with children between the ages of 0-18 years. A fundamental issue in this discussion it that it is the legislature who ultimately decides where to draw the line between decision making and implementation at the time of making policy.

Indeed, when deciding how specific statutes will be, legislators are also deciding on a more general feature of a polity which is the space for unilateral action they will endow

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27 In this spirit, Epstein and O’Halloran (1999) analyze the content of important legislation in the US between 1947-90 and create a measure of executive discretion which is in fact a ratio between the delegation and the relative constraints (structure and procedures) that the legislature includes in the laws. This is an interesting measure in that it proposes the notion of discretion as an equilibrium, and uses laws as units of analysis. One shortcoming of this measure is that while it captures explicit delegation of discretion, it ignores instances in which the delegation of discretion occurs implicitly (simply because the legislature does not act). In a similar vein, Huber and Shipan (2002) propose a measure of discretion that is more apt for comparative studies. They measure executive discretion as the degree of specificity in statutes. The vaguer the statute that the legislature approves, the more the President can use discretionary power. The problem with this measure is that it is subject to the idiosyncrasies of the policy area for which legislation is studied. The authors resolve this by finding some “natural experiments” such as Medicaid reforms conducted in all US states in 1995-6 and collecting all relevant labor legislation for a sample of Parliamentary systems, and resorting to the “verbosity index” to correct for features of the variation in the languages. The approach adopted in this paper is in line with the work of Epstein and O’Halloran (1999) and Huber and Shipan (2002), trying to avoid a measure that is tainted by the specificities of a particular policy area or unable to capture implicit instances of arrogation of power by the President.
the president with. The legislature not only decides on the actual policies, but also allocates authority within the separation of powers system that goes beyond the constitutional endowments. Presidential discretion hence is endogenous to the legislature’s actions. The degree of specificity or detail of a law becomes an indicator of how much discretion the legislature is ceding to the president at a particular point in time (Tsebelis (2002); Huber and Shipan (2002)). The measure for discretion proposed in this paper measures presidential discretion as the extent to which budget legislation constrains the executive’s capacity to allocate funds without legislative control. This measure captures the degree of detail that the legislature chooses to use in the allocation of public moneys. The focus is on budget legislation (the so-called “power of the purse”) for two reasons. First, budgets are one of the fundamental mechanisms through which legislatures can check and balance presidential power.

“When presidents unilaterally set policies that do not require any positive congressional action, they enjoy tremendous discretion; non-action on the part of Congress and the courts is functionally equivalent to support. But frequently the president creates programs and agencies that require appropriations, and here congress enjoys unique opportunities of influence. If members object to the president’s project, they can simply refuse to allocate funding, leaving it with a mandate but no staff or facilities to speak of. And even if members decide to fund that project, they can attach any number of stipulations of how the president can spend the money.” (Howell (2000))

Secondly, budgets are a crucial aspect of the policy making process: they are the most important source of political rents and make policy decisions viable and feasible or not. Hence, the capacity to allocate public moneys is a formidable source of influence in policy making.

In most countries, the agenda setter in budget legislation is the executive, but legisla-
tures have some right to amend this proposal. In some countries this is a constitutional
prerogative, in others congressional law. At this point, the legislature can influence the
process by tying funds to special policies of interest and defining the details of the allo-
cation of funds. The executive will define unilaterally whatever the legislature does not
specify in the law. Analyzing budget legislation enables us to capture the bargaining equi-
librium between the executive and legislature. Furthermore, it has a series of advantages
for comparative studies: (i) it is comparable, most countries (political systems) have some
type of budget legislation, typically one a year; (ii) it is quantifiable, it is expressed in
monetary units and therefore makes it easy to quantify its contents; and (iii) it is compre-
hensive, budget bills contain all policy areas and allow us to test the theory across policy
areas.

The general structure of a country’s budget is illustrated in Table 1 below. Each jurisdi-
cion (Ministry or Department) is assigned a number of “programs” which can be classified
in policy areas and disaggregated in as many levels as necessary until the smallest unit
is reached (Program, Subprogram, Category and Item in Table 1). The more categories
that the legislature includes in the budget, the more say it will have on the allocation of
resources. Hence, the more it will constrain the executive’s discretionary power over the
allocation of resources. The degree of specificity in the budget law will determine the lati-
tude that the president has to make discretionary decisions. The logic is that the lumpier
the allocation of the public monies in budget laws, the more discretion the legislature is
ceding to the executive.

<TABLE 1: Budget Bill >

To capture the degree of budget specificity this paper calculates the share of the total
budget in the average line item for a fiscal year in a particular policy area. Larger shares
imply more lumpiness in the aggregation of public moneys and, therefore, more discretion
for the president. Conversely, small average shares per line item imply that the president
has smaller amounts of money to allocate unilaterally.

4 Argentina 1900-2005

The paper tests the empirical implications of the theory using data on budget bills for Argentina between 1900 and 2005. The Argentine case is compelling in many ways. The apparent discretion of the Argentine president vis-à-vis the legislature has varied dramatically over time. Argentina has hosted some of the icons of Latin American “hyperpresidentialism”, like Juan Domingo Peron (1946-55, 1974) and Carlos Saul Menem (1989-99). Conversely, some presidents have been unable to implement their political agendas, like Arturo Illia (1963-66), Raul Alfonsin and Fernando de la Rua (1999-2001).

The Argentine case is also interesting from a methodological perspective. Reforms in the rules to elect the national legislature during the period provide an interesting setting in which to test the empirical implications of the theory presented above. In 1962, the military pushed for a reform in the electoral laws which replaced the plurality system with a D’Hont proportional system to elect Deputies to the national legislature. District number and magnitude have also increased throughout the period, boosting the proportional nature of the system. Per the theory, these changes should result in an increase in presidential discretion.

4.1 Background on Argentina

Argentina is a presidential republic. Its Constitution draws heavily from the US Constitution which consecrates the Madisonian principle of separation of powers and checks and balances. Division of power occurs at different levels of the political system. The presidential form of government establishes three independent branches with capacity of mutual control: the Executive, Legislative and Judicial powers. This is furthered through a division of power between two chambers in the legislature. The Senate and the House embody the division between levels of government: the federal and provincial governments. The
federal republic is currently composed by 23 provinces and the Autonomous City of Buenos Aires, which also serve as electoral districts for both the House and the Senate.

The executive branch of government created by Alberdi’s 1853-60 Constitution was mainly inspired in the Chilean Constitution, which bestows upon the president strong formal powers both in the legislative and non-legislative realms. The Argentine president was conceived as a dominant figure in the political system, more so than its US counterpart. Accordingly, it possesses a number of important prerogatives, like declaring state of siege, federal intervention of provincial governments and legislative initiative. Of course, these faculties are shared with Congress whose approval is required (at least when it is in session).

Following Carey and Shugart (1992) coding of formal legislative powers of the president, the Argentine president of the 1835 Constitution does not score too high with respect to his Latin American counterparts. However, de facto the president frequently used decrees and line item vetoes (Ferreira Rubio and Goretti (2000); Molinelli, Palanza, and Sin (1999)). The 1994 Constitutional only formalized this practice, and provides for the possibility of presidential reelection after a four year term (previously reelection was prohibited and the presidential term was for 6 years).

Democratic institutions have evolved in a highly unstable environment. Since the beginning of the century, Argentina has suffered six military coups rendering the average tenure of Argentine presidents little more than two years in office, much less than a full constitutional term. Since the first military coup in 1930, there had not been a single orderly transfer of power from one elected president to another one of a different party until the inauguration of the De La Rua administration in 1999.28

The Argentine Congress has typically been disregarded as an effective check on executive power or as an important actor in the political arena. Some exceptions to this view are found in Molinelli (1987) who argues about the strength of Congress at the turn of the

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28 This excludes presidential reelection (Peron in 1952 after conducting a Constitutional reform to allow for his reelection), and also excludes the transfer from president Alfonsin to president Menem in 1989, which was advanced by six months because of the economic collapse at the end of the Alfonsin administration.
century and a burgeoning literature which has strived to make a point that regardless of its deficiencies the Argentine Congress does “matter” (Jones, Saiegh, Spiller, and Tommasi (2002); Eaton (2002)). The latter accounts focus mainly on the post-1983 period and, though they concede a role for the Argentine Congress, they conclude that it is at most as a “reactive” institution or a “blunt” veto player.

The electoral system has changed in several ways throughout the years. The most notable change in the electoral system to elect legislators to the national legislature is the one that introduced the D’Hont proportional representation system in 1962. In 1962, the military forced president Frondizi to resign. Jose Maria Guido, then President of the Senate, became president of a “caretaker” government. During this year, the military pushed for an electoral reform which, to their understanding, would undermine the dominance of peronism in the electoral arena. This change in electoral rules affords an interesting setting in which to test the predictions of the theory. The electoral law of 1857 was a literal interpretation of the Constitution. It prescribed a plurality system in multi-member districts to elect national Deputies, and indirect election by provincial legislatures for the Senate. This implied no representation for the minority party. After a one year switch to a single member district for the 1905 election, came a major electoral reform. In 1912 the Ley Saenz Pena brought universal and secret male suffrage, and established a national electoral registry. This undermined the use of electoral fraud which had characterized elections under the auspices of the alliance of Conservative provincial parties, the Partido Autonomista.

\[29\] The Ley Saenz Pena came about as a result of mounting pressure organized by the Radicals to protest against the restrictive nature of the regime. The radicals beat the conservatives in 1916 and in the two elections that followed. While the radicals held the Presidency for three consecutive periods, Congress remained dominated by conservatives; during this period the Presidents resorted to federal intervention in the provinces in an attempt to control the selection of Senators by provincial legislators. In 1931, the military called for democratic elections. An alliance with a faction of the radicals (the Antipersonalistas) allowed the conservatives to return to power. Electoral fraud was again reinstated in the system, in an attempt to recreate the “oligarchic republic.” Most historians refer to the period between 1931 and 1943 as the “Decada Infame” (Ill-famed decade). 1943 brought yet another military coup which gave way to the 1946 election of Peron (1946-52, 1952-55). The 1949 Constitutional Reform brought about single member simple majority. However, after the 1955 coup, the military returned to the 1912 Saenz Pena Law.
Nacional, which dominated Argentine politics between 1880 and 1916. This reform also modified the electoral formula, introducing minority representation via incomplete lists, hence the majority party would obtain 2/3 of the seats and the first minority the remaining 1/3.

The major reform in electoral rules came about in 1962 when the plurality formula to elect national legislators was replaced by the D’Hont formula. This change in electoral system was imposed by the military. It can be considered as an exogenous change because the PR system was chosen completely independently of any effect it would have on presidential discretion. Rather the military at the time were concerned by the emergence of neo-peronist organizations at the local level and the change in electoral system was meant to open the electoral arena to smaller right wing parties who could compete against them. After the military forced the resignation of President Frondizi (1958-1961), President Guido (previously the President of the Senate) took office in what constituted a “caretaker” government, basically run by the military. Proportionality was the electoral system chosen by the military after the 1966-1973 and 1976-1983 coups as well.

Figures 1, 2 and 3 show the changes in the electoral system throughout the period. Figure 1 shows the changes in electoral formula: plurality (1857-1912 and 1951-55), 2/3 plurality (1912-1950 and 1958-61), and proportionality (1962-to date). Figures 2 and 3 show the two other major changes: increases in the number and magnitude of the electoral districts. District magnitude for the Senate was increased from 2 to 3 in the 1994 Constitutional reform. District magnitude in the House is related to population; hence it is updated every 10 years according to the census. Since the return to democracy, the minimum number of Deputies per district was set at 5. Two presidents were able to create more electoral districts by “provincializing” national territories. Peron created eight provinces between 1950 and 1955, and Menem created one province in 1991 and the Ciudad Autonoma de Buenos Aires per the 1994 Constitutional reform. The provincial status gave these regions a right to representation in Congress. These further the PR nature of the system.
4.2 Data, Measurement and Econometric Method

This section discusses the operationalization, coding criteria and summary statistics for the dependent, independent and control variables, as well as the econometric method used for the data analysis.

4.2.1 The Dependent Variable

The dependent variable $SHARE$ measures the size of the average line item of the budget bill in a specific policy area, as a proportion of the total budget. Its values range between zero and one. The unit of analysis is fiscal year/policy area. Fiscal year is the temporal unit for which budgets are approved. I code each policy area in the fiscal year to capture the effects of the specific characteristics of the policy area on the size of the shares. I have focused this study on the current expenses (as opposed to capital expenses) of the national central administration. Because of the magnitude of some of the budget bills, I randomly selected a number of line items. A random number generator selected a policy area and a page number in this policy area, then the average size of the line item for that fiscal year/policy area was calculated by taking the average over the the line items in the selected page and the following five pages (total of six pages per policy area), and calculating the proportion of the total budget that this average line item represents. As a first cut of the data, I randomly selected the fiscal years to sample from. The current sample consists of one year per president with more than a single fiscal year in office, then three policy areas were coded per selected year. Table 2 shows the years and policy areas

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$^{30}$Does not include State Owned Enterprises or Organismos Descentralizados because they fall under a completely different legal regime. I have limited the exercise to the area of the budget that is more directly under the control of the president.
Figures 4, 5 and 6 show the actual data points. Each of the years selected in the sample has three data points. Each point represents the share of the average line item in a randomly selected policy area for that fiscal year. Figure 4 shows the complete series between 1900 and 2005. Figures 5 and 6 show the data between 1900 and 1970, and between 1970 and 2005 respectively. Upon simple observation the data show a large increase in discretion right after the actual change in electoral rules takes effect. Consider that the average presidential discretion across the three policy areas in the sample for the year 1964 is 0.00004%, and in 1975 it goes up to 0.05%. This means that if in the year 1964 the average line item was $100,000, in 1975 the average line item takes the magnitude of $12,500,000.

The data reflect a wide range of variation in the levels of presidential discretion during the period. The conventional wisdom in Argentine politics holds that presidents are typically strong personalist leaders and able to govern as they saw fit, pretty much in the spirit of the caudillos of the 19th century. In particular, President Peron (1946-55, 1974) is considered the icon regarding concentration of power. Many scholars have related the perils of the Argentine separation of powers systems and democratic institutions to this concentration of power on a single leader. Moreover, many scholars consider that Peron’s access to power in 1946 constitutes a breaking point in Argentine history. These data suggest otherwise. First, it shows that from a comparative perspective Peron did not enjoy

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31 I have the raw data for the budget bills in the whole period. The second cut of the data will include a second year per democratic Presidency with more that two fiscal years in office.

32 Chapter 6 of my dissertation presents an analytic narrative that analyses the period 1958-1966 in more detail.
such wide unilateral powers vis-à-vis the legislature. Peron’s discretion is equivalent to the other presidents of the first half of the century, and furthermore, each and every one of the post 1983 era have more discretion than him. The Peron era may have been a breaking point in Argentine history; however this is not related to his unilateral powers.\footnote{Chapter 6 of my dissertation presents a narrative which discusses the external validity of this finding, providing evidence of the constraints that the legislature imposed on Peron.}

Another salient feature in this data is the increase of discretion in the 1990s. This surge in presidential discretion during the 1990s is consistent with the literature on the political economy of reforms in Latin America, which underscores the way in which President Menem (1989-1999) was able to bypass the legislature and enact market oriented reforms (Bambaci, Saront, and Tommasi (2001); Treisman (2004)). This is also consistent with the predictions of the theory regarding discretion at times of unified government under proportional systems. Notably, the years in the sample, in which the president enjoys a partisan majority in the legislature (1993, 1996 and 2004) are precisely those years in the whole series in which we observe larger size of the average share in the budget.

4.2.2 Independent Variables

**Electoral System** The key features of the electoral system are determined by the electoral formula used to translate votes into seats. This variable captures a fundamental difference in electoral formulas: if seats are allocated to a fraction of the votes other than a majority, or not. In plurality systems, the seat or seats are all assigned to party or candidate that obtains the largest share of the votes. Proportional representation formulas are more sensitive to the total number of votes that a party or candidate has received; in general they require a specific number of votes (typically much less than a majority) per seat. The variable \(\text{PROPORTIONAL}\) captures the different types of system. \(\text{PROPORTIONAL} = 1\) if the electoral system is proportional, and \(\text{PROPORTIONAL} = 0\) when the electoral system is plurality.
**Partisan Composition of Government**  This variable indicates if the president’s party has a majority, plurality or minority in each of the legislative chambers. I specify this variable in three ways. First, the variable UNIFIED captures if the president has a plurality of partisan members in both chambers. UNIFIED is a dummy variable that receives a value of 1 if the president’s party has a plurality of the members in both chambers, and 0 otherwise. UNIFIED2 is also a dummy variable, but defines unified government with different criteria. UNIFIED2 takes the value of 1 if the president’s party has absolute majority in both chambers.\(^{34}\)

**Formal Powers of the president**  The variable FORMAL captures the formal constitutional powers of the president, as defined by (Carey and Shugart (1992)). FORMAL is a dummy variable coded 1 when the president’s powers are those granted by the 1853-60 constitution and coded 0 when the power of the president is increased, as occurred during the 1949-55 constitution and since the 1994 constitutional reform.

**Policy Areas**  These variables capture the particular features of the policy areas for which the indicator of discretion is taken. The coding of policy areas along such a long period of time is cumbersome because it varies across budgets. I have used jurisdictions (Ministry level) as the main criteria to code policy areas. Because the names and jurisdictions of the Ministries have varied slightly I have grouped them according to the largest category in the period. For example, public works was a Ministry for some time but later it was merged with the Ministry of Economy to form the Ministry of Economy and Public Works. Under this rule, both the Ministry of Public Works and the Ministry of Economy are coded under Economics. There are nine policy areas [variable names in brackets]: defense [DEFENSE], economy [ECONOMY], education [EDUCATION], domestic affairs

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\(^{34}\)Note that the distiction between the partisan composition of the House and the Senate is particularly relevant in the light of the fact that the electoral system change in 1962 was implemented only in the House. Senators were elected indirectly by the provincial legislatures until 2001 when per 1994 Constitution they are elected directly by the voters. Per the theory we do expect changes to and not necessarily the Senate.
[INTERIOR], justice [JUSTICE], foreign affairs [FOREIGNAFF], health [HEALTH], labor [LABOR] and presidency [PRESIDENCY]. An alternative coding of the policy area creates the dummy variables TECHNICAL and PORK to indicate when policies have higher technical or expertise requirements and when they deal with more distributive issues.

<TABLE 3: Descriptive Statistics>

4.2.3 Econometric Method

The dependent variable in this analysis, share of the budget of the average line item, can be interpreted as a simple sampling problem from a Bernoulli distribution. In particular, if we assume symmetry across the line items, we can interpret our data as the probability that a randomly selected dollar belongs to a specific line item. For example, if SHARE = 0.3 we expect that a randomly selected dollar will have a 0.3 probability of belonging to a particular line item. Since the dependent variable in this paper is a proportional value with values between zero and one, OLS regression is not appropriate because its prediction equation will not be constrained between such values. To solve this I perform a logit transformation of the dependent variable, such that: $LNSHARE = \ln\left(\frac{SHARE}{1-SHARE}\right)$, and then run an OLS regression using that data. This is the method used to estimate Models 1-4 in Table 4.

4.2.4 Empirical Tests and Results

The main empirical implication of the model\textsuperscript{35} indicates that electoral rules will influence the level of presidential discretion. In particular, that presidential discretion will be greater under proportional representation when the president’s party holds a majority in the legislature (unified government). Note that per the same logic the partisan composition of government should not have an effect on presidential discretion under plurality systems, un-

\textsuperscript{35}Comparative statics render a wealth of other results and implications which are more suitably tested on a cross national data. I do this in another paper.
less the president has an extraordinary amount of resources relative to party bosses. Table 4 shows the regression results for tests of this hypothesis and some alternative hypotheses.36

TABLE 4: Results

Given the change in electoral rules (from plurality to proportional systems) in Argentina in 1962, we should expect a “structural” change in the level of presidential discretion between the pre and post 1962 period. Model 1 estimates the effect of electoral system and partisan composition of government on the level of presidential discretion:

\[
\text{LNSHARE} = \alpha + \beta_1 \text{PROPORTIONAL} + \beta_2 (\text{PROPORTIONAL} \times \text{UNIFIED}) + \epsilon
\]

where, \(\text{LNSHARE}\) natural log of the odds ratio of share the budget of the average line item, \(\text{PROPORTIONAL}\) dummy variable for proportional rules, and \(\text{UNIFIED}\) dummy variable for unified government.

Model 1 shows that the coefficients for \(\text{PROPORTIONAL}\) and \(\text{PROPORTIONAL} \times \text{UNIFIED}\) have an effect in the expected direction, the coefficients are positive. The effect is statistically significant to the 0.001 level for both coefficients. Regarding the substantive effect of electoral system on presidential discretion, while the average share of a line item in the budget under plurality is of 0.006%, it raises to 0.29% in proportional systems and up to 3.2% in proportional systems under unified governments. The model accounts for 80% of the variation in the data. The results are robust to other specifications of unified government and excluding outliers.

Model 2 controls for the different policy areas. The results show that none of the policy areas has a significant effect on the level of discretion that the president has.

There are several other observable implications of the theory, which I intend to test when I code more data. For example, the strength of the president would be stronger

36 The results presented in this section are preliminary in that they draw from a subset of the data (66 observations).
under simultaneous elections which allow for the possibility of coattails than under non
simultaneous ones; the presence of several features that make the president stronger should
affect her possibilities of obtaining leverage inside her party, among others, there is the
possibility of reelection for the president, the overall levels of presidential popularity and
how close the president is from leaving office.

Two obvious control variables that have not been included in the statistical analysis
are the size of government and the level of inflation. The reason why they have not been
included in the tests is that obtaining reliable data for either of these is virtually impossible,
specially due to the various changes in currency that Argentina went through along this
period. Regarding the growth of government, we could argue that an increase in the size
of government would generate an increase in the number of line items. We clearly observe
the opposite tendency. However, the opposite argument is also plausible, and suggests that
the growth of government leads to some degree of profesionalization of the bureaucracy
which encourages delegation from the legislature. A possibility to control for this effect
would be comparing with the trend in share of the average line item in the budget for other
more developed countries. Regarding the effect of inflation, it should be noted that some
of the most aggregated budgets have been produced since the 1990s, after the successful
implementation of stabilization policies.

Alternative Hypotheses The literature has produced a wealth of hypotheses about
presidential discretion which compete with the explanation proposed in this paper. Fur-
thermore, since the data on Argentina has the particular feature that the variable used to
capture the change in electoral system can be thought of as a dummy variable for the year
1962, it is imperative to rule out other phenomena that this variable may be capturing or
that may be driving this variable.\textsuperscript{37} Around mid century there have been many changes in
Argentina, which could be really driving the results. To tease out alternative hypotheses,

\textsuperscript{37}To support this I write a narrative of the 1954 to 1968 period where we can hold most variables constant
except for the electoral system.
models 3, 4 and 5 test alternative theories from the literature. I also discuss other possible explanations for the pattern observed in the data for Argentina.

**Partisan Composition of Government** One of the main predictions of the extant literature regarding presidential discretion is that in polities where the party controls the nomination of candidates to the legislature, legislators will be disciplined and delegate substantial powers to the president. Indeed, Argentina qualifies as one of such cases since, the closed list grants the party with control over legislators’ careers and per all accounts party discipline is high (Jones (1997)). Hence, per this theory we should expect high presidential discretion in Argentina under unified government. The empirical implications of the theory presented in this paper are different. Presidential discretion is associated with unified government only under proportional representation systems. This is based on the fact that our theory distinguishes between legislator’s allegiance to the party and to the president, and relates discretion only to allegiance to the president. Additionally, it views nominations and allegiance as a result of an intra party contest. For the particular case of Argentina in the 1900-2005 period, electoral lists are always closed so it is hard to conduct a conclusive test, however, the data on Argentina is suggestive in that it shows a wide range of variation in presidential discretion without changes in the lists. Furthermore, model 3 controls for unified government by introducing the variable UNIFIED in the equation. Contrary to what the conventional wisdom holds, a partisan majority in the legislature does not grant the president more discretion. Even though the coefficient on the variable UNIFIED has the effect of increasing the level of discretion, this coefficient is hardly significant. Indeed, we cannot reject the null that having a partisan majority in the legislature has no effect on discretion.

**The Formal Powers of the President** Model 4 tests the hypothesis according to which presidential discretion is associated to strong formal constitutional powers, like the
authority to issue decrees, initiate legislation or special veto provisions. This hypothesis is based mainly on Carey and Shugart (1992) conceptualization of powers of the presidency.

There have been two constitutional reforms since 1900 in Argentina: the 1949 constitution and the 1994 constitution. On the two occasions the formal powers of the presidency have been increased, as per Shugart and Carey’s index. Model 4 introduces the dummy variable $\text{FORMAL}$ to test for the effect of an increase in the formal powers of the president. Model 4 shows that the formal powers of the president do not explain per se the level of discretion, the coefficient is not statistically significant.

**The Informational Advantage in the Executive** Model 5 addresses the hypothesis according to which delegation from the legislature to the executive is the result of the legislature recognizing that the executive has a technical advantage. The idea is that since the executive has access to more and better information then there is a benefit for the legislature to delegate authority to him, in spite of potential conflict of interest between the branches of government (Epstein and O’Halloran (1999); Huber and Shipan (2002)). One implication of this hypothesis is that the more technically challenging a piece of legislation is, the more delegation we should observe. Conversely, the more a policy is associated to pure redistribution of resources, the more legislators will be interested in deciding on its allocation, and expertise considerations will have less weight, therefore under these conditions we should observe less discretion. If the expertise argument is correct we should find that there is more delegation in “technical” policies than in those policies mainly concerned with the distribution of “pork”. To test this argument I have coded the policy areas according to how technically demanding they are. The model introduces the dummy variable $\text{TECHNICAL}$. The coefficients are not statistically significant, indicating that the level of discretion does not vary systematically with the informational requirements of each policy area.

There is a related hypothesis that draws from a possible asymmetry of information.
between the president and the legislature. This hypothesis suggests that there has been a professionalization of the bureaucracy over time that makes it more profitable for the legislature to delegate discretion in the allocation of public monies. To test this hypothesis we would need data on the levels of discretion in developed countries and compare how they evolved over time. The prediction of the professionalization should be that discretion has increased throughout such countries. Although we do not have that data available in a systematic form, simple observation reveals that the budget in Argentina still has a higher level of aggregation that other countries where the professionalization of the bureaucracy has been notably greater. For example, the appropriation bills in the US are decided in 13 bills which amount to more than 700 pages, while in Argentina the budgets are around 40 pages long, and the level of professionalization of the bureaucracy is significantly lower.38

**Majority and Coalition Governments**  An argument that draws from the literature on parliamentary systems suggests another plausible explanation according to which majority governments delegate discretion on budgetary issues to finance ministers, because he has the right incentives to overcome common pool problems leading to deficits, and so monitor and provide selective incentives to other party members. Instead, under coalition governments the levels of delegation in are much lower due to commitment and monitoring problems (Hallerberg and Von Hagen (1998)). Indeed, an empirical implication of this argument is that delegation will be greater under plurality (as opposed to proportional) systems since first past the post systems tend to be associated with majority governments. Note that this is exactly the opposite implication is exactly opposite to what the theory suggests.

Moreover, it is important to note that the introduction of proportional electoral rules in Argentina has not increased the number of political parties. This rules out the hypothesis according to which proportional rules increase the number of parties and therefore there is

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38 For a cross country comparison of the level of profesionalization of the bureaucracy which includes the case of Argentina see Rauch and Evans (2000).
an increase of collective action problems in the legislature. Instead, an analysis of politics, parties and coalitions by Smith suggests exactly the opposite, that socioeconomic transformations in the 1950s have cemented the coalitions of interests in Argentina to produce an essentially majoritarian system (Smith (1974)). This explanation would predict a substantial change in presidential discretion in the 1950s, which as our data show did not occur until late 1960s, once the change in electoral rules was effective.

5 Conclusion

The conventional wisdom holds that separation of powers systems work radically differently in the US and Latin America. Latin American legislatures are typically perceived as ineffective checks and unable to balance the power of presidents. Instead, per most accounts the US Congress does effectively fulfill its constitutional mandate. Some scholars account for such stark differences by underscoring the fundamental differences in the history and cultural legacy of the US and Latin America. Others reconcile the different outcomes of the separation of powers systems by pointing at what is possibly the most salient institutional difference among these systems: the role of political parties. While legislators in the US are mainly driven by an “electoral connection” (Mayhew (1974)), in Latin America, it has been argued that legislators cater mainly to either the national or local branches of their political parties. This “partisan connection” apparently numbs the ‘reelection seeking incentives’ which drive legislators to protect the power of the legislature. Instead, legislators seek to cater to their party leadership and this sometimes involves relegating the interests of the legislature as a body. Furthermore, in cases where the party loyalty is directed to the local (as opposed to the national) branch of the party, the legislators do not even have a stake on the course of national politics. While this is a key difference in the workings of separation of powers systems and checks and balances it does not account for the empirical variation among countries where political parties matter. This paper focuses on the distribution of power inside the president’s party to account for such variation.
This paper adds to the “electoral connection vs. party centered” discussion by introducing a more detailed analysis of the workings of intra party politics and how this affects executive legislative relations. Party loyalties on behalf of legislators may affect their behavior in office, however they do not necessarily imply that the legislature will have less interest in, or are doomed to fail to protect its institutional powers. The legislature may well constitute an intra party bargaining forum (Cox and McCubbins (1993)) and there is no immediate reason to believe that the factions controlling the party’s seats in the legislature will willingly cede this power. This paper presents a more nuanced view of presidential discretion. Presidents with sufficient leverage inside their parties can nominate candidates to the legislature, and therefore generate inter-branch allegiances in the legislature. It is these allegiances in the legislature which will ultimately constitute an obstacle to the protection of legislature’s power, and render presidential discretion.

This view of parties as collective entities where leadership is not necessarily concentrated in a single national party leader is consistent with the last wave of legislative studies in Latin America, which has rendered a very clear idea that local branches of the party are major players in national politics in many cases. This paper takes this view a step further in that it views the intra party balance of power as a variable. The locus of partisan power may be at times in the national leadership and at other times in local branch of the party depending on the relative resources of the president, the local boss of the district as well as other institutional variables, particularly the electoral rules. Intra party leverage is at each point in time the outcome of a ‘contest’ between the president and the party leaders at the local level. The president’s influence in the nomination of candidates renders him the allegiance of legislators. This legislator-president allegiance cuts across the separation of powers.

The premise of this paper is that the protection of powers of the legislative branch requires collective action inside the legislature. Separation of powers and checks and balances 
*de jure* are completely uninformative as to how such systems work, because the organiza-
tional choices for the legislators are not limited to institutional arrangements inside the legislature. Instead, legislators and the president can forge an alliance that gives rise to presidential discretion. Note that presidential discretion in this view is mostly a result of encroachment or collusion between the president and a group of legislators, and not of delegation or party discipline.

The main theoretical argument of the paper is that presidential discretion vis-à-vis the legislature is greater under proportional electoral rules than under plurality rules, because proportionality gives the president greater leverage inside his party to nominate candidates to the legislature. The logic of this result is similar to the Tiebout model of federalism. Under proportional rules local party bosses compete against each other to protect their district from the president’s influence and in so doing grant him more overall leverage in the nomination of candidates. Under plurality rules, the influence of the president on each district is given by the relative power of the president and local boss in the district. This argument proposes a previously unexplored link between electoral system and presidential discretion.39

A fundamental insight that this paper renders is that even when the president has discretion vis-à-vis the legislature, his power is not unchecked. In these cases, the “checks and balances” to the power of the president will come from inside the party rather than across branches of government, as proposed by the “separation of powers” principle. This has serious implications for the transparency and accountability of political bargains in this type of system. When legislators can cooperate to preserve the institutional power of the legislature, the legislature becomes the key bargaining arena and, therefore, bargaining will

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39 The extant literature has no prediction regarding the relation between plurality or proportional rules to presidential discretion. The discussion in the literature has been limited to the proportional electoral rules and concentrated on the different effect of open and closed lists. The argument being that under closed lists other party leadership has more control over politicians careers and therefore can obtain more disciplined legislators who will willingly delegate authority to the president. Instead, the argument presented in this paper generates an alternative prediction. By focusing on intra party competition this paper highlights the fact that under open list proportional representation the president may have more leverage vis-a-vis the local party leader (more resources, weaker boss, less monopoly powers).
be public. When cooperation between legislators is broken, bargaining is conducted inside the party in “closed rooms” guarded from any form of public scrutiny. In any case, the paper makes a strong case against the conventional view of “all powerful” presidents and weak legislatures.

The empirical implications of this argument are tested using data for Argentina between 1900 and 2005. The data shows that, contrary to the conventional wisdom, the Argentine Congress has been a constraint on presidential power up until the late 1960s. The data analysis confirms the predictions of the theory for the case. The increase in presidential discretion in Argentina follows a change in electoral rules, from plurality to proportionality, imposed by the military in 1962. This increase in discretion is greater in proportional systems under unified government, which is expected due to the fact that the president can nominate more legislators under proportional rules. Moreover, there is no effect of having a partisan majority in the legislature under plurality rule.

The work presented here can be expanded both theoretically and empirically. Theoretically, the model produces a series of comparative statics regarding district magnitude, size of the population in the districts and distribution of resources between the president and local bosses, as well as among local bosses which have empirical implications over presidential discretion across countries. Empirically, this paper proposes an empirical indicator for presidential discretion that goes beyond the “who does what implies who is powerful” perspective. The measure proposed is specificity in the budget bills. The logic is that the more detailed the line items in the budget bill the less space for presidential discretion. The measure used is: “share of the average line item in the budget bill”, it allows us to easily extend the tests to other polities, and pursue further comparative work in the area.

References


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Table 2: Sample Years and Policy Areas

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Table 4: Regression Results

[Dependent Variable: Logit transformation of SHARE]

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Note: Standard errors are in brackets. * p<0.1; ** p<0.05; *** p<0.01
Figure 1: Electoral Formula

Proportionality of Electoral Formula
Argentina 1900-2005

Military Government
Plurality
"2/3 List"
D'Hont
Figure 2: Number of Districts, Argentina 1900-2005
Figure 3: District Magnitude, Argentina 1900-2005

District Magnitude (DM)
Argentina, 1900-2005
Figure 4: Share of Budget of Average Line Item, Argentina 1900-2005
Figure 5: Share of Budget of Average Line Item, Argentina 1900-1970
Figure 6: Share of Budget of Average Line Item, Argentina 1970-2005