







Pathway at (re) discusse intergovernmental fiscal agreements in the argentine republic

Ruta para (re) discutir acuerdos fiscales intergubernamentales en la república argentina

Rezzoagli, Luciano C.<sup>a</sup> & Bazza, Alcides<sup>b</sup>

<sup>a</sup>  Instituto de Humanidades y Ciencias Sociales del Litoral •  6731-2018 •  0000-0002-7400-4042

<sup>b</sup>  Instituto de Humanidades y Ciencias Sociales del Litoral •  7631-2024 •  0000-0002-7022-1023

CONAHCYT classification:

Area: Social Sciences  
Field: Economic Sciences  
Discipline: Fiscal policy and national public finance  
Subdiscipline: Other

 <https://doi.org/10.35429/JLDE.2024.8.14.1.13>

Article History:

Received: January 28, 2024  
Accepted: December 31, 2024

\* [[lrezzoagli@hotmail.com](mailto:lrezzoagli@hotmail.com)]



Abstract

This research, with an explanatory design and qualitative methodology, articulates an exhaustive analysis of federalism in Argentina, emphasizing the need for a balanced approach to fiscal federalism that recognizes historical inequalities, territorial asymmetries and promotes regional development. It advocates reforms aimed at improving local governance, institutionality and ensuring equitable distribution of resources, ultimately striving to improve socioeconomic conditions in all regions of the nation.

Objetives	Methodology	Contribution
The article focuses on the allocation of fiscal responsibilities and resources, the historical inequalities, and the concentration of wealth in certain provinces in Argentina.	The study employs an explanatory research design with a qualitative approach. It focuses on analyzing fiscal intergovernmental arrangements.	The article contributes to the understanding of vertical fiscal imbalances and their impact on local governance in Argentina.

Resumen

Esta investigación, con un diseño explicativo y metodología cualitativa, articula un análisis exhaustivo del federalismo en Argentina, enfatizando la necesidad de un enfoque equilibrado del federalismo fiscal que reconozca las desigualdades históricas, las asimetrías territoriales y promueva el desarrollo regional. Aboga por reformas destinadas a mejorar la gobernanza local, la institucionalidad y garantizar la distribución equitativa de los recursos, esforzándose en última instancia por mejorar las condiciones socioeconómicas en todas las regiones de la nación.

Objetivos	Metodología	Contribution
El artículo se centra en la asignación de responsabilidad es y recursos fiscales, las desigualdades históricas y la concentración de la riqueza en ciertas provincias de Argentina.	El estudio emplea un diseño de investigación explicativo con un enfoque cualitativo. Se centra en el análisis de los acuerdos fiscales intergubernamentales	El artículo contribuye a la comprensión de los desequilibrios fiscales verticales y su impacto en la gobernanza local en Argentina.


Federalism, Government agreements, regional asymmetries

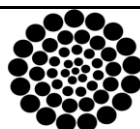
Federalismo, acuerdos gubernamentales, asimetrías regionales

Citation: Rezzoagli, Luciano C. & Bazza, Alcides. [2024]. Pathway at (re) discusse intergovernmental fiscal agreements in the argentine republic. Journal- Labor and Demographic economics. 8[14]-1-13: e10814113.



ISSN 2524-2067/© 2009 The Author[s]. Published by RINOE-Mexico, S.C. for its Holding Bolivia on behalf of Journal- Labor and Demographic economics. This is an open access article under the CC BY-NC-ND license [<http://creativecommons.org/licenses/by-nc-nd/4.0/>]

Peer Review under the responsibility of the Scientific Committee  - in contribution to the scientific, technological and innovation Peer Review Process by training Human Resources for the continuity in the Critical Analysis of International Research.



RENIECYT

Registro Nacional de Instituciones y Empresas Científicas y Tecnológicas

1702902 CONAHCYT

## Introduction

Federalism can be understood as a legal principle aimed at recognizing a territorial diversity or significant diversity within a social unit (such as a country) and the opportunity to express and harmonize this diversity in governmental representation (Baldi, 1999: 4). Therefore, the concept of federalism is not limited to a government structure or a scalar division of functions; it encompasses the social framework that constantly guides, debates, and challenges the institutional face in demand for self-expression, which some refer to as political arrangements (Melo, 2004: 93). Federalism also provides the capacity for self-governance to the different regions that are part of a national or supranational whole, making them feel more secure about their ability to operate independently and in coordination with others. It grants them a recognized territory over which they assume decision-making responsibility and, in some way, historical claims.

For Cabrera Beck (2004), the Federal State represented a significant development in constitutionalism, discovering a delimiting and divisive political formula for exercising state power not only related to the traditional separation of powers but, fundamentally, through the overlapping arrangement of two or more levels of government, one national and one or more subnational. Federalism can be seen as a conciliatory formula for natural antagonisms: centralization vs. autonomy; nationalism vs. regionalism.

For one doctrinal sector, federalism is a conscious and deliberate result of historical development, a rejection of the oppression of the center under an authoritarian regime, an attempt at institutional adjustment arising from cultural division, and a subnational reaction to the increasing economic distribution of the central state in a traditionally unitary framework (Hesse and Wright, 1993:3). The starting point for these authors is the reaction to the centralist and deficient handling of public funds, indicating its origin in the political-economic realm. Thus, the fiscal phenomenon is articulated and integrated into the broad concept of federalism with a political-institutional tint, resulting in a disaggregated branch from the central core that gives it its origin (Rezzoagli, 2011).

In the previous theoretical constructions, while there are converging elements, the initial analytical framework is different, making it essential to identify common valid elements and build our narrative on a scientific basis from there. Ultimately, we agree with Richard Musgrave (1975) when he states that "federalism means different things to different people" (p. 387). Within this reconciling phenomenon of antagonisms, intergovernmental relationships, political arrangements, and historical claims, the economic and fiscal issue deserves central treatment (Rezzoagli, 2011).

Within this reconciling phenomenon of antagonisms and intergovernmental relations, the economic and fiscal issue merits central attention. Porto (2004: 41) states that Fiscal Federalism is a theory that studies the allocation of functions and sources of financing among different levels of government, where the main debate revolves around the centralization or decentralization of fiscal decisions and competencies.

Stiglitz (2002) defines fiscal federalism as distributing economic responsibilities among central, regional, and local administrations. Oates (1999) mentions that the term primarily encompasses the full range of issues related to the vertical structure of the public sector, while Garello (2003) associates the term with the study of the distribution of fiscal power among different layers of government, given their jurisdictional autonomy.

Some authors emphasize the efficiency of public spending (Ávila, 2002), aiming to establish an effective and measured relationship between public needs and the resources that must be allocated accordingly to meet them. Intergovernmental relations and the ways of financing, distributing, or obtaining resources related to spending developments form the foundation of Fiscal Federalism (Rossingnolo, 2002; Asensio, 2000), making it a crucial tool for promoting effective governance and economic stability in a country (Altamirano Santiago, 2023).

The asymmetrical distribution of spending responsibilities and inter-jurisdictional tax powers in Argentina is the result of a long historical process. Discursive constructions that argue for the need to reverse this situation through a new allocation of tax powers, without considering this analytical factor, overlook the strong territorial concentration related to the creation of national wealth, and therefore, are partial and inconsistent (Rezzoagli, 2011).

The Constitution of the Argentine Nation, in its original text from 1853 to today, established a Federal State in Article 1 based on the historical struggle for power between central and regional authorities, accepting different jurisdictional orders: national and sub-national. It even acknowledges the preexistence of the provinces in the Nation, reserving for them all powers not expressly delegated to the federal government. Thus, Article 121 of the Constitution states that the provinces retain all powers not delegated to the federal government by this Constitution, as well as those expressly reserved through special agreements at the time of their incorporation.

### **Fiscal competencies and instrumentation of public expenditure**

In Argentina, fiscal resources account for approximately 90% of the total resources of the National State, unlike other countries in Latin America where non-tax resources have a greater impact, such as in Mexico, Chile, and Panama due to revenue from oil royalties, copper, and the canal, respectively.

The National Constitution, in its Article 75, subsection 2, delineates the tax powers of the Nation and the provinces, defining the concurrence of taxing powers for indirect taxes while reserving the authority over direct taxes for the provinces. However, it empowers the Nation to apply these direct taxes—under certain conditions and for a specified period—whenever national defense, common security, and the general welfare require it (emergency).

This constitutional article should be related, among others, to the provisions in subsections 12 and 13 of article 75, which refer to the enactment of substantive legislation and the authority to regulate international and interprovincial commerce, but fundamentally to subsections 18 (progress clause) and 19 (inclusion of the principle of solidarity), as well as subsection 125 (provincial powers with their own resources and municipal autonomy), along with Law 23548 on Federal Revenue Sharing, which has been in effect since 1988.

We highlight subsection 19 of the mentioned constitutional article, as it explicitly incorporates a new mandate in the 1994 reform that was previously implicit. It states that it is the responsibility of Congress to "...provide for the harmonious growth of the Nation and the settlement of its territory; promote differentiated policies aimed at balancing the unequal relative development of provinces and regions..." This provision expressly refers to the acknowledgment of regional asymmetries and the duty of the State to act to combat them, which is directly related to the stipulations in subsection 2 of the same constitutional article 75.

The third paragraph establishes that the distribution of resources forming the pool of the co-participation regime "...will be equitable, supportive, and will prioritize achieving an equivalent level of development, quality of life, and equality of opportunity throughout the national territory..."

Thus, the need for solidarity to play an important role in the distribution of fiscal resources, as recognized in the Constitution, is of great significance. This is because the two most evident problems regarding fiscal coordination or feasibility indicate that a fair system based solely on efficiency or fiscal correspondence is technically impossible in an asymmetric country with high levels of inter-regional inequality, especially within a federal framework. Furthermore, full fiscal correspondence neglects equal opportunities in an asymmetric scheme and undermines income redistribution policies, becoming a factor of regional inequality (Llach, 2013: 31).

However, striving for a system of efficiency between contributions and benefits, alongside regional development and institutional transparency, should be the principle guiding redistributive policies as an achievable goal on the path toward economic solidarity.

In establishing the constitutional reform that the distribution of primary and secondary resources must be carried out without disregarding solidarity criteria, it demands that both the federal government and the more developed provinces commit to the welfare of the underprivileged in order to ensure their sufficiency. Consequently, they bear the constitutional responsibility to assist those political units that cannot achieve such financial coverage (Corti, 2007). Clearly, this solidarity and assistance exclude patterns of political favoritism, the indefinite consolidation of subnational or regional feudal castes maintained through fiscal illusion. Therefore, the goal must be institutional strengthening, economic growth, and overcoming obstacles with specific and time-limited guidelines.

It is important to highlight that intergovernmental relations have gained significant relevance and importance in the formulation, execution, and evaluation of public policies that directly impact budgets, as an increasing number of state activities revolve around interactions among different types and levels of government. The diverse and complex problems and challenges faced by public administrations can no longer be adequately or efficiently addressed through traditional political, economic, and institutional relationship models that rely on strict divisions between national, provincial, and local levels. The need to adapt structures and budgets to foster coordination among various governmental actors compels us to rethink management as interdependent actions among administrations at the same or different levels of government.

Evidently, actions such as minting currency or combating inflation, and organizing a security plan, exceed the purely regional scope and necessitate national development.

However, there are many other programs related to the distribution of spending that emerge and evolve from the national level (support for entrepreneurs, various subsidies for operational or capital expenses, with or without specific targets, and accountability measures) that reach provinces and municipalities through programmed or unprogrammed transfers.

This occurs when the national government does not directly receive requests and needs from the citizens residing in different regions of the country, which can indeed be divergent. This lack of representation or direct communication affects both the success of the programs and the accountability of public policies implemented to society.

A significant challenge in reversing this situation lies in the current and evident (dis)autonomy of municipal economic powers, which ultimately represents the level of government that has the greatest popular contact and is most attuned to the needs of each population group. The Ministry of Economy of Argentina (MECON, 2022) identifies that total municipal revenues account for 2.1%, while total consolidated expenditures reach 3.5%, both in relation to the national GDP. These figures reflect the substantial gap between spending needs and the ability to meet them, assessed in general averages, a situation that can vary widely in each specific case across the national geography.

It is very important to visualize and understand that within this total parameter of mentioned resources, on average, the municipal resources obtained through regulations and local revenue (measured between June 2022 and November 2023)<sup>1</sup> represent approximately 34% to 58% of the public expenditures executed in the budget, depending on the case. The rest comes from scheduled and unscheduled transfers. The level of dependence on resources from other jurisdictions is significantly important, and regardless of the justification that may be given to this scheme, it clearly highlights the growing issue of vertical inequity.

As established by the sixth transitory clause of the Constitution of the Argentine Nation in its 1994 reform, which has not been realized within the stipulated 2-year timeframe, a new collaborative revenue-sharing law must be enacted. This legal framework mandated by the constitutional reform is classified as a Collaborative Law, requiring that its approval and any subsequent amendments must result from unanimous agreements among provincial governments (24 jurisdictions, including 23 provinces and the Autonomous City of Buenos Aires, along with the national government).

<sup>1</sup> Measurement obtained from data collection through a field study in 68 municipalities and communes in Argentina, which allowed for the generalization of the results.

Frankly, aligning with [Cao \(2021\)](#), we cannot envision any governor, in an equal partnership framework, crafting a new revenue-sharing agreement and returning to their territory after conceding percentages of resources or assuming greater responsibilities and expenditures than those already agreed upon in the current law N° 23548 of 1988 (with its amendments). This is particularly unlikely given principles of solidarity, efficiency, or national development. Therefore, we believe it is more feasible to transition from dual or consultative federalism to a coordinated federalism, in which the nation, within this proposed context, would take responsibility for financial participation, strategic leadership, and connections between the parties, while provinces and their municipalities would focus on the essential task of building public policy on a territorial level, managing operational tasks in general, and ensuring accountability.

In 1988, prior to the constitutional reform of 1994, Congress enacted the current Law 23,548 on federal tax sharing, which stipulated that the primary distribution would be made according to the following percentages: Nation, 42.34%; Provinces, 54.66%; national treasury contributions to provinces, 1%; recovery of relative levels for certain provinces, 2%. Additionally, for the purpose of secondary distribution, the corresponding percentages for each province were established (Article 4), and it was provided that the Fund created from national treasury contributions to the provinces would be “used to address emergency situations and financial imbalances of provincial governments, and will be budgeted under the jurisdiction of the Ministry of the Interior, which will be responsible for its allocation” (Article 5).

Furthermore, Article 7 guaranteed a minimum percentage of the total national tax resources collected, regardless of their characteristics, by stating that the amount to be distributed among the provinces cannot be less than 34% of the collection of national tax resources from the Central Administration, whether or not they are considered distributable under the law.

While the regime established by Law 23,548 still faces demands from the provinces today to increase their share of the total distributable revenue—with various but all justified rationales—to finance the functions and services they have increasingly taken on, particularly regarding the decentralization of health and education (initial, primary, and secondary) during the 1990s, the law has undergone a succession of amendments since 1988. These changes have been enacted through both legislation and urgent decrees of dubious constitutional validity, which have altered the situation to the evident detriment of the provinces that contribute the most to the general fund.

Currently, the transfers received by the provinces fall into two categories: automatic and discretionary. The former are governed by the federal tax sharing law and its amendments, while the latter are allocated by the federal government to the provinces without a set criterion. It cannot be ruled out that these remittances often reflect political sympathies, typically involving large amounts, and sometimes address emergencies, albeit with smaller amounts ([Cardozo, 2024:14](#)). This practice raises questions about its constitutional validity, at the very least.

Discretionary transfers can be categorized into current transfers, intended for operating expenses, and capital transfers, aimed at supporting provincial investments. Ultimately, the revenue-sharing system and its implementation in Argentina can create incentives and disincentives that are not aligned with the inherent nature of democratic institutions, making them susceptible to electoral political interests ([Cardozo, 2024](#)).

Fiscal correspondence and the principle of return between what is contributed and what is received across different levels of government are valid, fair, and appropriate when the competencies are similar among subnational entities. However, in a clear situation of regional asymmetries (multiple Argentina sharing the same national territory) within a country that belongs to the most unequal continent in the world, according to data from international organizations like ECLAC in 2023, this perspective undermines equality of opportunity and the principle of non-discrimination, particularly affecting the ability of citizens living in peripheral areas to exercise their constitutional rights and facilitate their development while remaining in those areas.

In light of the above, we must highlight three fundamental problematic axes that constitute the main guidelines for diagnosing the demographic concentration and national wealth during the late 19th century and the first half of the 20th century (Botana, 2021): the communication routes that, like a funnel, lead from any part of the country to Buenos Aires; the port monopoly of Buenos Aires, with only one alternative port, Rosario, unable to offset the monopoly imposed by geography; and finally, the demographic flows that initially came from abroad and later from within the country (which continue to this day), rapidly increasing (by millions) the urban volume of the Federal Capital (Autonomous City of Buenos Aires) and its surroundings. With the territorial law from the second half of the 20th century, a movement of provincialization was outlined that began in the 1950s and continued into the 1980s, resulting in greater distance between the center and the periphery: a series of demographically small districts with limited fiscal sustainability (see Botana, 2021).

At the provincial level, since the provincial revenue-sharing system allocated to its municipalities and communes is governed by provincial laws, the criteria for both primary and secondary allocations vary across different jurisdictions. They use one or several parameters to decide on the distribution of their own funds within their jurisdictions (revenue-sharing, compensatory, solidarity, efficiency, or fixed criteria).

The situations are diverse; for example, the province of Buenos Aires builds its Unique Distribution Coefficient for secondary distribution by weighing three composite indicators that combine solidarity and compensatory criteria, whereas others follow only one criterion, like the province of Córdoba, which uses only the compensatory criterion for secondary distribution, or the province of Misiones, which opted for a fixed criterion. In other provinces, different criteria coexist for different sources, such as in Chubut, where a compensatory criterion is used to distribute resources received from federal revenue-sharing, while a revenue-sharing criterion is employed for distributing hydroelectric and oil royalties. The province of Santa Fe adopts a system referred to as "discrimination," where each shareable tax is distributed to local entities according to a specific percentage or fixed criterion (VVAA, 2023).

The relationship of these local entities with respect to provincial taxes (applicability of these taxes in their territories) is defined based on two criteria: decentralization (delegation of normative, regulatory, and administrative powers, along with the possibility of retaining collected revenues in the local entities' own accounts) and deconcentration (delegation of collection, enforcement of fines and interest, and actions of administrative and jurisdictional demands on behalf of the province). In the overall context of provincial taxes, concerning taxable events and subjects located within local jurisdictions, the predominant situation is provincial concentration (taxes regulated and collected by provincial agencies or entities without direct municipal intervention). However, there are specific instances of municipal deconcentration and decentralization in provincial taxes with non-mobile bases, such as urban property tax, rural property tax, and vehicle tax, although they have diverse nature and limited or moderate weight in the provincial revenue pool. Ultimately, in Argentine provinces, the responsibilities delegated to municipalities regarding provincial taxes reflect a heterogeneous scheme with varied operating methods which, while part of the logic of autonomy and federalism, suggests that this diagnosis indicates anarchy and inefficiency due to disparities between jurisdictions, alongside all the effects that this entails.

### General guidelines for (re) designing Argentine fiscal federalism

The design of Fiscal Federalism, in general, and a co-participation regime, in particular, is not solely a technical task. This is because the criteria selected for distribution, the political, economic, and social nuances that may influence them, and the objectives intended to be achieved can significantly alter the content of the same regime in different countries (Rezzoagli, 2011). Following this idea, it is important to examine how the distribution parameters are determined for provinces and municipalities. We see that, according to Rubinzal (2010), the selection of certain funding distribution parameters reflects the underlying ideological worldview.

If we pay attention to the statements of various regional political leaders, particularly from economically thriving provinces that contribute the most to the shared revenue pool, we will notice that these leaders demand that resources be allocated according to the contribution of each jurisdiction. While this return-oriented perspective is entirely understandable, respectable, and debatable from another analytical standpoint (the territorial responsibility towards their citizens), it merely dismisses (or at least limits) the possibility for inter-jurisdictional distribution of tax resources to play a redistributive role in an unequal framework.

The criterion for devolutive distribution, viewed in absolute terms, in Latin American countries proves functional to the perpetuation of the existing acute territorial asymmetry, particularly in Argentina, where the population and productive distribution is deeply unequal (*vid. Rezzoagli and Gamberg, 2015*). Therefore, the focus should shift towards horizontal leveling, which means either maintaining or fostering subnational accommodation. The Canadian experience, where regions with disadvantaged status (such as Nova Scotia or New Brunswick, among others) receive more funding than wealthier provinces (like Alberta or Ontario, for example), offers an example of equalization that we should consider.

Economically, the nation currently assumes approximately 50% of the total expenditures of the country while managing 75% of the total resources; the provinces, for their part, assume 40% of the expenditures and manage 20% of the resources; and finally, municipalities assume 10% of the total expenditures while receiving 5% of the total resources (*Cao, 2021*).

This palpable economic imbalance indicates that the country's major challenge is to rebalance the economic disparities between spending responsibilities and income powers, which account for 50% of the budget of provinces and municipalities and 25% of total expenditures. This is the primary objective to pursue, and it requires a general and immediate political consensus in Argentina to comply with constitutional mandates.

The country's situation, characterized by a strong territorial asymmetry, complicates the consensus on the distribution or redistribution of resources and the assumption of spending competencies, which ideally should be based on fiscal correspondence with solidarity principles for redistribution and subnational advancement (Article 75, Section 19 of the Constitution) towards the most vulnerable regions. This entails a gradual yet firm compliance with fiscal responsibilities and goals that promote regional growth and administrative transparency while reducing fiscal illusions, supported by public policies that encourage the legitimate accumulation of capital and development in these areas. Therefore, we consider a shift toward a National Coordination Federalism more feasible than a Dual or Equal Concertation Federalism, as the 40 years of constitutional non-compliance support our view.

Regarding optimal resource allocation, there is indeed no consensus or a single foundation, making these governmental political decisions. It can be said that the two extreme positions are, on one hand, the traditional normative theory of federalism (see *Musgrave, 1959; Oates, 2005*), and on the other hand, the approach associated with "public choice" theory (see *Brennan – Buchanan, 1985*).

It should be noted that intergovernmental relations, as more state activities revolve around interactions among government units of all types and territorial levels, have gained significant relevance and importance in the formulation, execution, and assessment of public policies that directly influence budgets. The various and complex problems and challenges that public administrations address can no longer be adequately and efficiently tackled using traditional frameworks of political, economic, and institutional relationships based on rigid divisions between national, provincial, and local levels.

The need to adapt structures and budgets to enhance coordination among various government actors challenges us to rethink management efforts as interdependent actions with other administrations at the same or different levels of government. In practice, most taxes are collected by the federal government and distributed among provinces, which primarily levy four main taxes (property tax, vehicle tax, stamp duty, and gross income tax) that, on average, finance about one-third of their expenditures, although there are significant disparities between jurisdictions.

The remainder is covered through the distribution of taxes, other transfers from the central government, borrowing, and in some provinces, through royalties linked to the existence of significant natural resources.

From a historical perspective, the organization of fiscal relations between the nation and the provinces can be divided, following Fernández (1999: 33), into two major stages:

The first stage extends from the formation of the National State around 1860 until 1935. The main characteristic of this stage is the absence of any form of fiscal co-participation, meaning that both the central authority and subnational entities were self-sufficient with their own resources in accordance with the prevailing constitutional regulations.

The second stage spans from 1935 to the present day. Its primary characteristic is the agreements on fiscal co-participation, which first occurred in 1935 with the establishment of such agreements for specific taxes (in 1952, the free transfer of goods was included as well).

In 1973, the existing systems were unified and, for the first time in national history, a percentage distribution was established: one for the nation and another for the provinces. In 1988, Law 23548 was enacted, ending an intermediate period of co-participatory anarchy that had begun in 1983 with the abandonment of the previous system. Article three of this law stipulates that the total amount collected from the taxes referred to therein shall be distributed as follows: 42.34% to the Nation, 54.66% to the collection of adhering provinces, 2% for the recovery of the relative level of certain provinces mentioned, and 1% for an ATN fund (Contributions to the National Treasury).

The importance of effective coordinating development by the central government is undeniable. The criterion for distributing resources should ensure equal access to strategic public services such as health, education, and security, among others, for all inhabitants of the country. Undoubtedly, the disparities present in Argentina regarding this issue are one of the main causes of population mobility and the formation of regional and demographic disparities (Rezzoagli and Gamberg, 2015).

Regarding the allocation of spending responsibilities, Argentina recognizes two distinct stages. The first began with the establishment of the national organization in the last quarter of the 19th century and is characterized by a growing national public expenditure, often at the expense of functions that, according to the National Constitution, were the exclusive responsibility of the provinces. As a result of these processes, a spending pattern was established that allocated approximately 75% of the total expenditure to the Nation and 25% to the Provinces.

These proportions were maintained for almost a century, despite the profound changes that occurred in the public sector during that period. By the early 1960s, this trend began to reverse as a result of various decentralization plans. Provinces started assuming new functions, some in a delegated manner, such as education and health, while others encroached upon the private sector.

For over 60 years, there has been a gradual increase in spending at the provincial level without a corresponding rise in their shareable revenues. This confirms that the decentralization of spending is an important characteristic of Argentine Fiscal Federalism, and this trend is likely to continue in the future.

From a conceptual standpoint, it can be accepted that Argentina has moved, in terms of resources, closer to the normative prescription that suggests retaining broad-base taxes at the national level.

However, by decentralizing spending towards intermediate subnational levels—often criticized for its level of discretion—without extending it significantly to the municipal level, an important vertical fiscal imbalance has been established. This imbalance reduces what is termed fiscal co-responsibility and accentuates a separation between revenue collection and spending decisions.

Furthermore, it leads to phenomena of fiscal illusion, making it difficult for taxpayers in various regions to recognize potential trends in increased spending. As a result, there exists a vertical structure that makes provinces dependent on the Nation, reflected in the portion that national resources play in sustaining total tax revenues.

On the other hand, Argentina exhibits the highest degree of decentralization of public spending in Latin America. Half of the consolidated public expenditure is the responsibility of provinces and municipalities. However, instead of complementing this expenditure decentralization with an equally ambitious approach to tax and resource autonomy, the decision was made to finance the transfer of spending responsibilities through a scheme that involves provinces participating in intergovernmental transfers. As we stated earlier, while they manage 50% of total expenditures, they account for only 25% of total revenues (Cao, 2021).

### **Final reflections: regional disparities and fiscal federalism**

According to official data from the National Census 2022, the Autonomous City of Buenos Aires (C.A.B.A.) accounts for approximately 8% of the total population, with a density of around 15,000 inhabitants per square kilometer.

This level of population concentration is absurdly higher than the national average density of 16 inhabitants per square kilometer. It is also worth noting that the four most significant Argentine jurisdictions (C.A.B.A., the province of Buenos Aires, the province of Santa Fe, and the province of Córdoba) contain 65% of Argentina's population, even though their total area represents only 21% of the country. One of the most widely accepted classifications among specialists divides the provinces into different zones:

**Central Area Provinces:** Located in the southeast of the country (Pampean Provinces), these provinces are characterized by their overwhelming relative weight in terms of product and population, as well as being the region where modern social relationships experience their highest level of expansion.

**Peripheral Area Provinces:** Comprised of the northern provinces and the central-western regions of the country (provinces of Northwest Argentina, Northeast Argentina, and Cuyo), they are marked by the lowest levels of per-capita income and the highest rates of social deterioration. Since the establishment of the national organization, these provinces developed regulatory and subsidy regimes that allowed for the rise of what are known as Regional Economies.

**Depopulated Area Provinces:** Located in the southern part of the country (Patagonia Provinces), their effective incorporation into the national territory only occurred towards the end of the 19th century. They are characterized by low population density and a very high pattern of public investment and spending, inheriting policies of occupation and settlement that were in place until just a few decades ago.

The main challenge, then, given the analyzed unequal demographic distribution, is fundamentally related to restructuring production variables, the development of regional economies, and ensuring essential services for a dignified life in peripheral provinces, while preventing the proliferation of internal migration. The question that arises in this context is: What role should fiscal federalism play in this process?

We cannot ignore that the governmental structure is fundamentally defined by social criteria, as it arises from the explicit recognition of interregional differences. Disparities between the central area's constituencies and others are accepted, as well as the inequality that exists between urban and rural areas of the country. Furthermore, this recognition is implicitly associated with the existence of adverse effects on an individual level, as a person's geographic location issues would somewhat determine their socio-economic situation. These issues of regional and personal equity must be addressed, particularly in the financial realm, through a system of intergovernmental transfers, and should serve as the foundation for its improvement.

There are hundreds of studies related to the theoretical construction of Fiscal Federalism in our country; however, many aim to achieve fiscal balance through structural adjustments across all corners and jurisdictions of the country. There are few writings that analyze the role that fiscal federalism should play, starting from a context of acute regional asymmetry viewed through a revisionist lens.

According to data from INDEC (2024), between the first quarter of 2023 and that of 2024, Argentina experienced a marked increase in its Gini coefficient, rising from 0.446 to 0.467 points. This index, globally used to measure income distribution inequality, suggests that the gap between the rich and the poor is widening.

Moreover, this gap is more pronounced in the peripheral regions of the country, leading to significant migration of people toward central regions. This migration contributes to the notable disparity in population density across regions.

Considering the examples mentioned, we can assert that the country lacks a real application of the principles of Solidarity and Efficiency. Resources are neither captured nor adequately distributed among different regions, nor is there a plan to ensure that these resources, which fall short of the expected returns, can create temporary consecutive guidelines for regional growth and development. This situation allows them to perpetuate as unreciprocated favors, accompanied by chronic fiscal illusion.

Efforts are made to address inequalities through the misguided implementation of a system that is far from redistributive and requires reformulation. The transfer programs adopted at the central level do not address regional deficiencies and are designed to maintain asymmetries by failing to take into account the structural shortcomings of each region and the lack of endogenous resources, which create ever-widening gaps with regions that do possess such resources.

The discussion on decentralization and federalism must fundamentally focus on understanding from where (considering the realm of government) and under what circumstances (in a coordinated or unilateral manner) fiscal decisions are made, primarily those related to spending, establishing redistributive guidelines for allocation. In this way, the gap between constitutional norms and fiscal reality becomes insurmountable until there is a clarifying stance regarding the ambiguity of the dominant discourses on fiscal decentralization, which tend to consolidate the weakness of the state institutions in the country and increase regional asymmetries, along with the corresponding population migratory flow towards cities with greater resources and/or their peripheries.

Strengthening local entities should be a priority. We believe that a path to recognizing and enhancing municipal autonomy lies in homogeneous decentralization with uniform operational guidelines for provincial taxes with non-mobile bases allocated to municipalities (which, in Argentina, cannot impose their own taxes) and a distribution of shared revenue incorporating consistent parameters of fiscal responsibility and evaluation of public financial policies. Undoubtedly, this would lead to a democratic strengthening of popular representation in local governments, enabling political accountability with a tangible assessment of legislative and executive actions in local politics, which to date has notably gone unnoticed.

### Declarations

Nothing to declare.

### Conflict of interest

The authors declare no interest conflict. They have no known competing financial interests or personal relationships that could have appeared to influence the article reported in this article.

### Author contribution

*Rezzoagli, Luciano:* Contributed to the project idea, design the study, analyze the data, Prepare the draft, collect the data, analyze and interpret data, write the document, review the writing of the manuscript, approve the final version of the article.

*Bazza, Alcides:* contributed to the project idea, research method and technique, collect the data, analyze data, write the document.

### Availability of data and materials

The data obtained was entirely first-hand and is available in virtual and digital format.

### Funding

This research did not receive specific funding. However, the research activity that resulted in this publication is part of the activities of the career of scientific researcher, in a labor relationship, of Conicet in the Argentine Republic.

### Acknowledgements

Conicet - National University of Litoral.

## Abbreviations

C.A.B.A.: Ciudad Autónoma de Buenos Aires (Autonomous City of Buenos Aires).

ECLAC: Economic Commission for Latin America and the Caribbean

INDEC: Instituto Nacional de Estadística y Censos de la República Argentina (National Institute of Statistics and Censuses of the Argentine Republic).

MECON: Ministerio de Economía de Argentina (Ministry of Economy of the Argentine Republic).

VVAA: Various authors.

## References

### Antecedents

ALTAMIRANO SANTIAGO, M. (2023). [Origin, Conceptualization, Typology, and Theoretical Proposal of Fiscal Federalism](#), in Dilemas Contemporáneos Journal No. 123, pp. 1 -28.

ASENSIO, M. A. (2000) Fiscal Federalism: Foundations, Comparative Analysis, and the Argentine Case, Ciudad Argentina Publishing House.

BALDI, B. (1999), [Beyond the Federal-Unitary Dichotomy](#), University of California, Institute of Governmental Studies, Working Paper 99-7, pp. 1-26.

CABRERA BECK, C. (2004) NEW INTERNATIONAL FEDERALISM, ed. Porrúa, México.

CARDOZO, J.I. (2024): [Fiscal Federalism and Electoral Outcomes: Argentina 1985-2019](#), Master's thesis, San Andrés University.

HESSE, J. and WRIGHT, V. (Eds.), (1996) Federalizing Europe: The Costs, Benefits, and Preconditions of a Federal Political System, Oxford University Press.

MELO, J. A. (2004). [Federalismo: problemas teóricos e investigación comparada](#). Propuestas 7(11), 83-98. Repositorio Digital UNLaM.

MUSGRAVE, R. (1975). "Theories of fiscal federalism", Review of Public Economics (35), pp. 387-393.

OATES, W. (2005): Toward A Second-Generation Theory of Fiscal Federalism," International Tax and Public Finance, Springer; International Institute of Public Finance, vol. 12 (4), pp. 349-373.

ROJAS-DELGADO, J. (2021). [Apuestas, tensiones y posibilidades del concepto de gobernanza \(sin adjetivos\) en el ámbito colombiano](#). FORUM. Revista Departamento Ciencia Política, 19, 120-139.

STIGLITZ, J. (2002) Discontent in Globalization, Bogotá, Taurus.

### Basics

BRENNAN, G. and BUCHANAN, J.M. (1985) The Reason of Rules: Constitutional Political Economy, ed. Liberty Fund, Washington DC.

BERTELLO, N. (2009) The Fiscal Relationship between Nation and Provinces: The Postponed Debate, Buenos Aires, Siena Foundation.

BOTANA, N. (2021) [Federalism: An Argentine Problem](#), in Research and Essays of the National Academy of History of the Argentine Republic, vol. 72.

CADENA, X. (2002): [Does Decentralization Impoverish? Effect of Transfers on Municipal Tax Revenues in Colombia](#), Development and Society Journal, No. 50, pp. 67 -108.

CANTERO PRIETO, D. (2003) Comparative Fiscal Federalism: The Impact of Applying the Canadian Model in Spain, Almería, European Scientific Association of Applied Economics (conference proceedings).

COGLIANDRO, G. (2010) The Universal Child Allowance Program and Changes in Conditional Transfer Programs, Buenos Aires, Siena Foundation.

COLOM GONZÁLEZ, F. (1997) Federalism and the Integration of Difference. Social Studies, pp. 43 – 58.

ECLAC (2023). [Inequalities Portal in Latin America](#).

LLACH, J.J. (2013). Federalists and Unitarians in the 21st Century. Editorial Temas: Buenos Aires.

LÓPEZ ACCOTTO, A and MACCHIOLI, M. (eds.). (2015): [The structure of municipal revenue in Argentina: scope, limitations, and challenges](#). Editorial UNGS.

MECON (2022): [Municipal Public Sector](#), Economic Portal.

MERINO, G. (2002): [Fiscal federalism: diagnosis and proposals](#), Mexico, ITAM.

MUSGRAVE, R. (1959): [The Theory of Public Finance](#). Spanish version edited by Aguilar in 1968, Madrid.

NOVICK, S. (2010) [Immigration Policies in Argentina: Past Experiences, Current Reforms, and Future Expectations](#), in [Current Status and Perspectives of Immigration Policies in MERCOSUR](#), Montevideo, Flacso – UNESCO, pp. 25 – 52.

PORTO, A. (2004) [Regional Disparities and Fiscal Federalism](#), National University of La Plata.

RAMÍREZ CEDILLO, E. (2009): [Public Finances and Fiscal Federalism](#), XV International Congress of Accounting, Administration, and Informatics, Mexico.

REZZOAGLI, L. (2011) [Regional Asymmetries and Fiscal Federalism: A Legal-Financial Institutional Approach to the Argentine Case](#), DAAPGE (17), pp. 113 – 131.

REZZOAGLI, L. and GAMBERG, G. (2015): [Inequality, joint participation, and distributive challenges in the Argentine Republic](#), ECORFAN Journal-Mexico, 6-15: 2380-2399.

#### *Supports*

CAO, H. (2021): [The Federal Dimension of State Management in Argentina](#), conference at INAP.

CAO, H. and VACA, A. (2019): [Governance and Fiscal Issues](#), in [More and Better State](#).

FERNÁNDEZ, V. R. (1999): [State Decentralization and Fiscal Decisionism](#), Santa Fe, UNL Editions.

FLORES, H.; GIL, M.; IPARRAGUIRRE, E.; ALTAVILLA, C. (2017): [A Territorial Agenda for the Sustainable Development Goals](#), presentation at the XII Ibero-American Congress of Municipalists, Manizales, Caldas, Colombia.

GARELLO, P. (2003) “The Dynamics of Fiscal Federalism.” [Journal of Economists and Human Studies](#) by the Berkeley Electronic Press, vol. 13, no. 4, pp. 1 – 20.

GÓMEZ SABAINI, J. C., Jiménez, J. P., Podestá, A. (compilers), (2010): [Evasion and Equity in Latin America](#), Santiago de Chile, ECLAC.

JIMÉNEZ, J.P. and RUELAS, I. (2021): [Allocation of spending responsibilities and resource mobilization in local governments and major Latin American cities](#). Class material for the Municipal Fiscal Health Course at Lincoln Institute.

ROSSIGNOLO, D. (2003) [Fiscal federalism and the personal income distribution in the provinces](#), Argentine Association of Political Economy.

RUBINZAL, D. A. (2010). [Federal co-participation as a redistributive tool for balanced regional development](#), IEFPA.

SERIO, M. (2011) [Equality of Opportunity in Income: The Case of Argentina](#), La Plata, CEDLAS, No. 126, pp. 1 – 32.

SKERTCHLY A. and HERRERA A. (1996) [A Review of Federalism in Canada: Past and Present](#), Mexico, INAP.

TREBER, S. (2004) [Nature and Effects of Distortive Taxes](#). Paper presented at the 37th International Conference on Public Finance, Córdoba, Faculty of Economic Sciences of the National University of Córdoba.

VACA J. Y CAO H. (2004) [Continuidades y rupturas en las desigualdades territoriales de la República Argentina](#), [Revista de Estudios Regionales](#), N° 72, pp. 139 – 164.

VVAA (2023): [Studies on Provincial Economic Development](#), Bonaerenses Editions, La Plata.

SLACK, E. (2018): [Municipal Fiscal Health and Sustainability in Latin America and the Caribbean](#), University of Toronto.

WIESNER, E. (2002): [The evaluation of results in the modernization of the state in latin america](#), revista de economía Institucional, Vol. 4, No. 6, pp. 132 – 152.

#### *Discussions*

CAO, H. (2021): [The Federal Dimension of State Management in Argentina](#), conference at INAP.

ECLAC (2023): [Inequalities Portal in Latin America](#).

FLORES, H.; GIL, M.; IPARRAGUIRRE, E.; ALTAVILLA, C. (2017): [A Territorial Agenda for the Sustainable Development Goals](#), presentation at the XII Ibero-American Congress of Municipalists, Manizales, Caldas, Colombia.

VVAA (2023): [Studies on Provincial Economic Development](#), Bonaerenses Editions, La Plata.

WIESNER, E. (2002): [The evaluation of results in the modernization of the state in latin america](#), revista de economía Institucional, Vol. 4, No. 6, pp. 132 – 152.