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## *Legislative Knowledge Networks, Status Quo Complexity, and the Approval of Law Initiatives*

In this article, we explore the role of *legislative knowledge networks* (LKN) in the enactment of tax policy in Argentina. Findings show that legislative innovation follows a hierarchical (power law) structure with a few distinct issue areas dominated by key enacted bills. Taxation in Argentina is well described by three main issue areas: the VAT laws, the income tax, and the revenue-sharing legislation. We provide evidence that complexity in the *status quo*, as described by a larger number of important precedent laws, reduces the likelihood of final approval. Our research departs from existing models of delegation by considering complexity in the status quo rather than complexity in the proposal. We argue that more complex status quo should be accounted for when trying to assess whether legislators draft more or less detailed law initiatives.

*New government policies create new politics.*

—E. E. Schattschneider 1935

*First, let me clarify that this is not a new tax. This is just a simplified system for the collection of the value added tax, the income tax, and the retirement system tax.*

—Former Representative and current President Cristina Fernandez de Kirchner, defending an amendment to the Simplified Income Tax System (*Monotributo*) in the House of Representatives, initiative 0004-PE-1998.

On May 6, 1998, House Representative Cristina Fernandez de Kirchner forcefully argued in favor of a revenue sharing amendment to bill 0004-PE-1998, the Simplified Income Tax System popularly known

as the *Monotributo*. The law initiative proposed by Argentine President Carlos S. Menem created a simplified tax system for small contributors, scheduling fixed monthly tax payments in lieu of the traditional income tax for individuals in the lower income categories.

The original version of the initiative drafted by the Executive bypassed existing revenue-sharing legislation, allocating all resources from the enacted tax to the federal government. Supporters of the project, Congressional records show, sought to describe the *monotributo* as a “new” tax that was not covered and should not be included in existing revenue-sharing agreements. Such normative choice triggered spirited debates in committee and on the plenary floor, with the federal government and provincial interests at odds with each other.

Arguments among representatives of the smaller provinces quickly challenged the notion of the *Monotributo* as a *new* tax. As argued by then House Representative Cristina Fernandez de Kirchner, the proposed law simplified the payment of three taxes that were already codified in existing revenue-sharing rules: the value-added tax, the income tax, and social security taxes embedded in an omnibus bill approved in 1991. The revenue-sharing battle had already been fought, she argued. These spoils were not up for grabs, and they should be allocated according to preexisting agreements.

Indeed, laws seldom appear out of thin air. An overwhelming majority of initiatives that regulate complex social phenomena have many moving parts (Huber and Shipan 2002), borrowing normative and political strength from existing *issue areas* embedded in multiple laws and regulations (Hecl 1978). Such legislation bears the scars of prior distributive fights, which grants rights to individuals and groups to be passed on to the *new* legislative proposals. Those with the institutional strength to renegotiate existing agreements often seek to reinterpret current legislation or to advance initiatives that revise acquired rights. Defenders of the status quo, by contrast, cite existing precedents and describe the new legislation as derivative from current rules.

In this article, we seek to understand how complexity in the status quo affects the success of proposed legislation in Congress. Initiatives, we argue, borrow technical, normative, and political strength from a web of existing legislation, with precedent laws setting up *legislative knowledge networks* that provide opportunities and constraints to policy-makers. We analyze in detail one of these *knowledge networks*, exploring the determinants of tax policy enactment in Argentina.

Similar to scientific citations, legislative information is stored in the nodes of legislative knowledge networks.<sup>1</sup> Legislative knowledge networks are also acyclic given that time flows only in one direction

(e.g., existing laws cannot draw technical and normative value from future laws). Each enacted law *cites* preexisting legislation and, if successfully implemented, will be *cited* in future law initiatives. The information stored in the nodes of the tax policy network communicates normative and distributive content, settled in previous legislative debates, to be passed on to the new legislation.

The concept of *legislative knowledge networks* (LKN) challenges current descriptions of the *status quo* in legislative analysis. Whereas the status quo is typically conceived of as a point in a policy space, our notion of LKN conceptualizes legislation as a complex web of normative content embedded in multiple laws; neither of which is equally likely to be amended nor equally likely to be replaced. To study tax policy change, we argue, one should account for the level of complexity of the *status quo* when measuring legislative success.

As it is the case with citation networks, policy issue areas are often dominated by a few very important laws (Barabási and Albert 1999). In describing tax legislation in the Argentine Congress, for example, we provide evidence of a hierarchical network that is organized around three key tax-issue areas: value-added taxes, income taxes, and intergovernmental transfers (e.g., revenue sharing and budget legislation). These tax-issue areas are responsible for regressive and pro-province policy outcomes in the collection of taxes and the distribution of resources in Argentina today (Cont and Porto 2013; Porto and Cont 1998). Politically, these three key issue areas are both the corollary of previous distributive conflicts and determine the allocation of resources to entrenched existing political actors (Eaton 2002; Gibson 2005; Scartascini, Stain, and Tommasi 2010; Tommasi et al. 2001).

To assess important legislative initiatives and describe Argentina's knowledge network of tax policies, we draw on a database describing the ties (legal sources) of each tax initiative proposed to the Argentine Congress between 1984 and 2011. We then estimate key network properties as well as the determinants of policy linkages. We show that the tax legislative knowledge network in Argentina is hierarchical, with fewer out-dyads than in-dyads, as a smaller number of key laws are the source of much of the existing legislation.<sup>2</sup>

After describing the key properties of the tax legislative network in Argentina, we estimate models of legislative success, that is, the rate of approval of initiatives in Congress (Canes-Wrone and Marchi 2002; Mayhew 2005; Saiegh 2009; Tam Cho and Fowler 2010). Results provide evidence that initiatives that take as sources a larger number of (important) laws are less likely to be approved. Furthermore, we show that with more extensive amending, the rate of success of complex

initiatives approximates that of simpler bills. We present this finding as evidence of a trade-off between success and time constraints in “busy” legislatures (Cox and McCubbins 2011; Saiegh 2011). Our findings have implications for existing theories of delegation (Epstein and O’Halloran 1999; Huber and McCarty 2004; Huber and Shipan 2002). As already noted, a significant literature explains complexity in proposed legislation as a decision by policy makers, who decided to provide more detail statutes rather than delegate the “fine print” of the law to bureaucrats (Huber and Shipan 2002). We control for alternative theories that consider complexity in the proposal, showing that our results are robust when including a variety of confounding factors.

This article is organized as follows. First, we discuss existing spatial models of legislative analysis and describe some benefits from integrating such models with social network analysis to measure status quo complexity. Second, we use network graphs to describe the properties of the Argentine network of tax policies. Third, we estimate legislative success as a function of the number of precedents required by law initiatives. Fourth, we present a case study which depicts how the legislative knowledge network and the amendment patterns shape the nature of an important tax reform. We conclude with a discussion on the future of this research agenda.

### **On Complexity: No Tax Law is an Island**

Models of policy enactment in contemporary political science begin from similar assumptions: there is a legislative domain with a status quo  $sq_k$  that a proposal  $p_k$  seeks to modify. Each legislator  $x_i$  compares the utility of approving or rejecting a proposal, voting YEA when  $U(x_i - p_k)^2 - U(x_i - sq_k)^2 > 0$  and NAY otherwise. Given a distribution of policy preferences by a collection of legislators,  $x_i \in X$ , and a set of legislative rules  $\mathcal{R}$  that regulates consideration and approval,  $\mathcal{R} \equiv \{reporting\ requirements, open\ rule, \dots, majority\ vote\}$ , a decision is made to uphold the existing status quo or to change it.

Theories of delegation add a new wrinkle to the streamlined model, arguing that legislative statutes can be vague or specific (Huber and Shipan 2002). Representatives can go to great lengths to describe how legislation should be implemented, or they can delegate the “small print” of implementation to bureaucratic agencies or the Executive (Epstein and O’Halloran 1999). Indeed, most tax legislation declares both general goals as well as detailed normative content on the type of policy instruments, government agencies, jurisdictions, as well as the categories of actors to be reached by the policy.

Epstein and O'Halloran (1994) describe the politician's decision as a trade-off between informational gains and bureaucratic drift. That is, politicians want to minimize information costs and take advantage of bureaucratic expertise while, simultaneously, they want to prevent bureaucrats from extracting rents. In a similar vein, Huber and Shipan (2002) provide a theoretical rationale for delegation: politicians write detailed or vague statutes to balance information asymmetries (detailed statutes require more effort) and the relative homogeneity of preferences (detailed statutes require consensus in a broader number of areas).

Indeed, complexity increases the costs of writing statutes,<sup>3</sup> requiring higher investment in information and more extensive committee and plenary debate. Complex proposals often require multiple votes on individual articles, rapidly depleting committee and plenary time (Cox and McCubbins 2011). Consequently, lower technical capacity and the lack of cohesive majorities facilitates policy delegation while high technical expertise among politicians as well as more cohesive majorities will reduce delegation in favor of more detailed statutes.

In existing models of bureaucratic delegation, however, little attention is paid to the level of complexity of the *status quo*. As described in Huber and Shipan, detailed statutes are measured in the output of the legislative process, for example, the proposal  $p_k$ . By contrast, no attention is given to the level of complexity of the *status quo* to be replaced. As they note:

The status quo in our model represents expectations of the players about the policy outcome that will result if no new legislative action is taken. It is an outcome that has been determined by previous laws, exogenous shocks, court decisions, and any other factor that has affected policy in the past. *Since our primary focus is on how statutes are designed, not on whether policy changes, we will not pay a great deal of attention to the role of the status quo in our analysis.* (2002, 85; our emphasis)

However, a more complex initiative today, if approved, will also become a more complex *status quo* tomorrow. If we accept that politicians may produce more or less detailed statutes to deal with information asymmetries and bureaucratic drift, we also should expect that current legislation will reflect prior complexity.

Given that most law initiatives replace or alter existing legislation, as described by Rep. Cristina Fernandez at the beginning of this article, a more detailed and complex status quo will also demand higher levels of information and more extensive debate to be replaced. That is, more detailed legislation should be more difficult to modify and, consequently, more resilient to changes in the partisan environment in Congress. Indeed, detailed statutes that are approved will yield a more

resilient and demanding status quo in future legislative debates. In other words, complexity breeds complexity.

To analyze complexity in statutes, Huber and Shipan (2002) measure the length of law initiatives proposed by legislators. However, little attention is given to law complexity which results from precedents to be replaced or amended by new proposals. In this article, we pay closer attention to complexity in the status quo, discussing how precedent legislation affects the consideration and approval of legislation. More complex legislative precedents, we argue, will make it more difficult to amend or replace the current status quo.

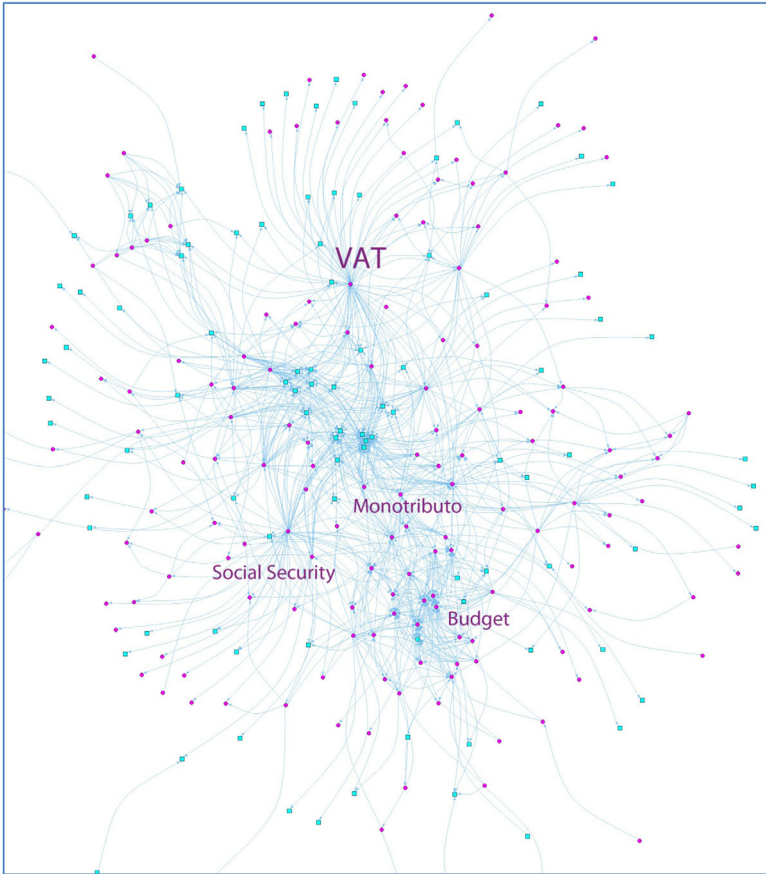
### Legislation Networks and Complexity

Legislation complexity can be observed in the informational content of existing statutes, the level of detail of legislative initiatives, as well as in the number of precedents that need to be modified to successfully approve a proposal (Tam Cho and Fowler 2010).<sup>4</sup> For example, as described above, the new tax for small contributors proposed by Carlos S. Menem in Argentina modified three existing laws: the value-added tax, the income tax, and the social security framework. Each of those initiatives also included distinct revenue-sharing provisions and affected a variety of government agencies.

The fact that initiatives draw normative and technical content from existing legislation forms a knowledge network in the area of taxation that is similar to citations networks in published scientific work or in court proceedings (Fowler et al. 2007). In the case of tax policy, we consider each law initiative as a node and each cited precedent in a law initiative as a directed tie from law  $i$  to law initiative  $j$ . If a law initiative fails, it will not be cited by future initiatives. If a law initiative is approved, signed by the president, and officially published, it will become part of the existing legislation and a source for future legislation.

Figures 1 and 2 provide descriptive insight into this knowledge network, considering all tax laws and tax initiatives proposed to the Argentine Congress between 1984 and 2011. This network is composed of nodes (law initiatives) and directed edges (relationship), which describes an existing law being a precedent of (being modified by) a legislative initiative. In Figure 2, arrows go “out” of an existing law and “into” a proposed legislation, with circles describing enacted laws and squares describing legislation that was not approved by Congress. The *out-degree* of each law in the legislative knowledge network—how many times a law is cited as a precedent—is a measure of the importance of a bill. By contrast, the *in-degree* of each law initiative in the

FIGURE 1  
Network of Tax Initiatives, Argentine Congress, 1984–2011

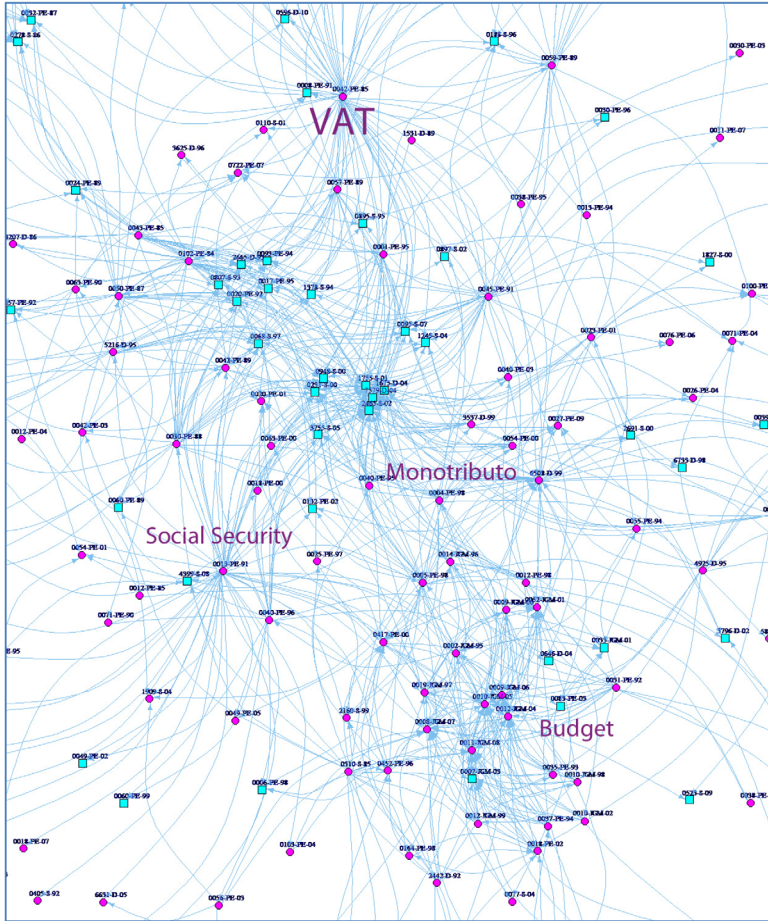


*Note:* Knowledge network of legislative initiatives. Fruchterman-Reingold layout, with dark circles describing approved initiatives and light squares describing failed initiatives.

legislative knowledge network—how many precedents are cited by a proposal—is a measure of the legislative complexity of a bill. Once an initiative is approved, it becomes a tax law that serves as a tax precedent to be amended or rejected by new initiatives.<sup>5</sup>

It is worth describing in detail Figures 2 and 3, which show that in Argentina there are well-defined issue areas. Some of those issue areas are very dense, such as revenue sharing and the government budget, composed of a large number of individual laws. For example, each year

FIGURE 2  
Network of Tax Initiatives, Argentine Congress, 1984–2011

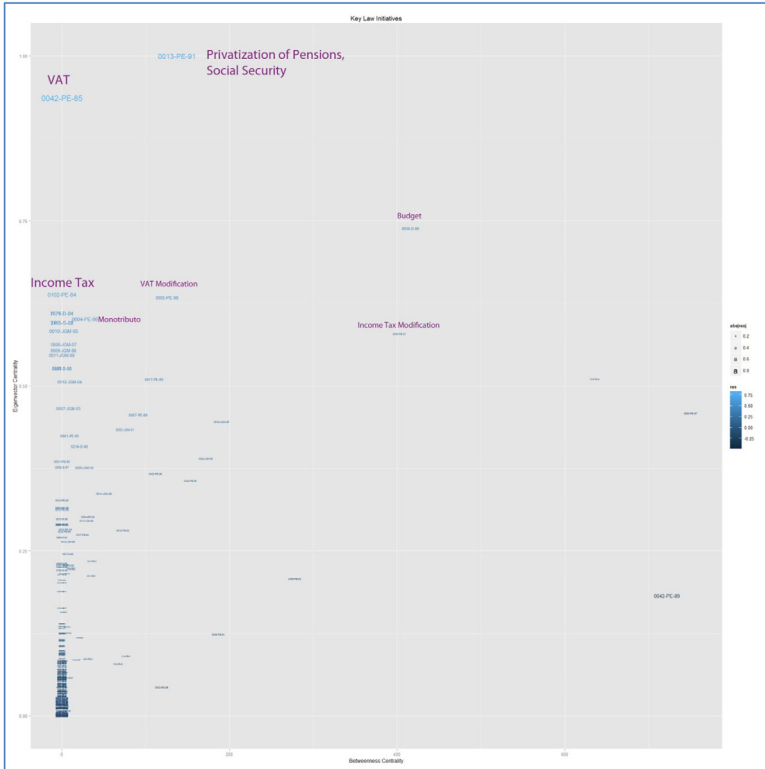


*Note:* Knowledge network of legislative initiatives, zoomed 3/1. Fruchterman-Reingold layout, with dark circles describing approved initiatives and light squares describing failed initiatives. Labels describe the official filing number assigned to each project.

the budget is approved as a separate law, drawing normative and technical content from existing legislation in the same issue space. Budget laws are unlikely to be modified by new initiatives. By contrast, revenue-sharing laws are often modified by—serve as precedent to—new law initiatives. Other issue areas, such as the value-added tax (VAT) are sparser, dominated by very few laws. At the center of the



FIGURE 3  
Eigenvector Centrality and Betweenness Centrality



*Note:* Law initiatives described by their centrality in the network (betweenness centrality in the horizontal axis) and by their importance as precedents for other networks (eigenvector centrality in the vertical axis).

VAT legislation we find initiative 0042-PE-1985, proposed by President Raúl R. Alfonsín, which became Law 23,349 on August 19, 1986 and was subsequently modified on several occasions.

Toward the center of the knowledge network, we have more complex law initiatives that draw content from a larger number of precedents. By contrast, toward the periphery of the network we have more specific law initiatives that draw content from very few precedents.

Notice that network centrality does not equate importance. At the center of the knowledge network we have a group of law initiatives that draw normative content from other important laws such as VAT,

income, and budget laws. These proposals, which depend on a large number of different laws across issue areas, are generally rejected by Congress as observed by the larger number of squares (e.g., nonapproval).

More interestingly, other initiatives at the center of the net, which derive content from a large number of existing laws, are not necessarily more general or ambitious. Instead, complexity often results from proposing initiatives which simultaneously collect and allocate resources, oftentimes to benefit a narrow constituency, provide targeted subsidies, or alter promotion policies.

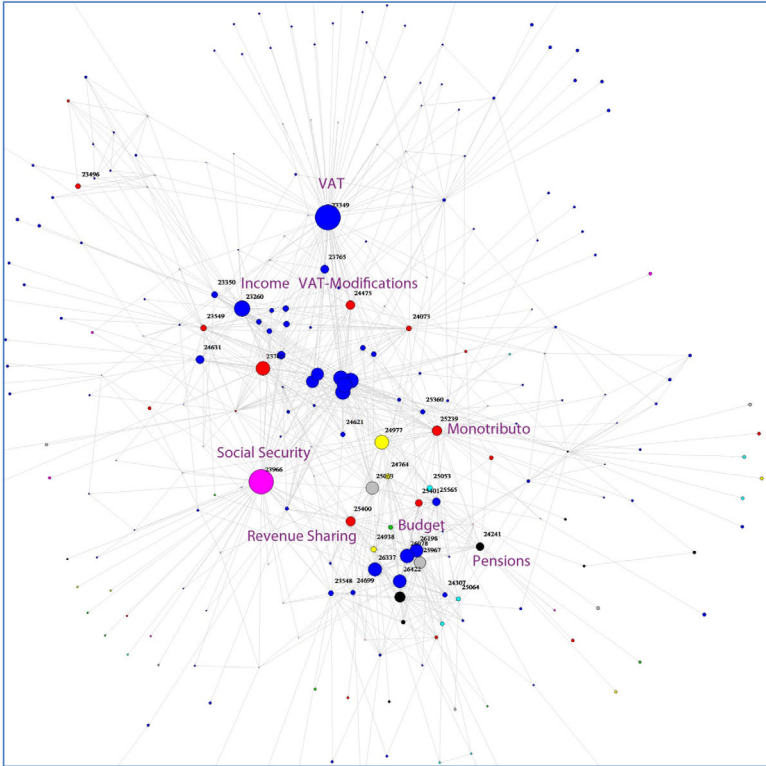
The fact that more central initiatives are not a more important precedent is captured in Figure 3, which describes betweenness centrality on the horizontal axis (how central initiatives are in the network) and the eigenvector centrality in the vertical axis (how important they are as precedents to other laws). Betweenness centrality captures the property of being cited as precedent by initiatives from very different issue areas. However, being cited in many bills is not the same as being cited in many *important* bills. For example, Law 23,760, approved in 1989 from bill 0042-PE-89, regulates a variety of taxes in commercial exchanges such as buildings, yachts, airplanes, financial transactions, and so on. Consequently, a large number of initiatives to transfer government properties or allocate subsidies may cite this law as a precedent. However, most bills that do so will be themselves minor pieces of legislation. Being central in the network as a result of being cited as precedent by proposals in different issue areas does not equate being cited as precedent by other important bills.<sup>6</sup>

By contrast, the eigenvector centrality captures the property of bills that are cited as precedents by other important bills. In Figure 3, the VAT law is important not only because it is cited by a large number of bills but, more significantly, because it is cited by a large number of important bills. That is, it is cited by other bills that are also cited as precedent by a large number of initiatives.

As can be observed, substantively important bills on the vertical axis are completely unrelated to their network centrality (horizontal axis). This is consistent with the descriptive network graphs in Figures 1 and 2, where the more central initiatives that cite as precedents many important bills are less likely to be approved. Figure 3 also shows that social security, VAT, and personal income legislation are the most important precedents (vertical axis) among tax legislation in Argentina.

The connectivity of different law initiatives is depicted in Figure 4, with the network of legislative projects rescaling nodes according to their total ties to the other legislative initiatives in the postdemocratic period.

FIGURE 4  
Network “with Force,” Describing Law Initiatives  
by Their Relative Importance



*Note:* Fruchterman-Reingold layout, 1000 iterations, with node sizes rescaled to reflect their relative importance (residuals  $< .25$ ) without distinguishing in-degree and out-degree. Colors describe “fast and greedy” communities.

Let us briefly consider how such content links bills to preceding legislation in the main issue areas.

Two bills are central in the key areas of value-added and income taxes: Law 23,260 reforming the Income Tax, and Law 23,349 reforming the VAT. These nodes have two common traits, which they share with other, more minor nodes (such as Law 25,063, analyzed later in this article): they extend the tax bases, and they set general, essentially flat, tax rates. The bulk of the child bills stemming from these nodes (such as initiatives 0002-S-88, 1675-D-04, and many others) also share common traits: they either try to reduce tax bases by (re)introducing exemptions,

or they attempt to reduce tax rates by (re)introducing tax credits or differential rates. The tax bases and rates established in the node bills were thus the normative content carried by the child bills into the network, which in turn also informed how the Executive formulated its subsequent tax initiatives. Just like Buchanan observed for the 1986 Tax Reform Act in the United States, the broadening of the tax base and the generalization of tax rates offered “potential rents to those agents who can promise to renegotiate the package, piecemeal, in subsequent rounds of the tax game” (Buchanan 1987, 33). Following this logic, Argentine presidents proposed changes to the value-added and income taxes that dwelt on their previous aims to broaden tax bases and generalize rates, and Argentine legislators responded by relying both on the normative content handed down by presidents and their own previous practice of establishing rents for regional, local, and/or sectoral constituencies.

In the revenue-sharing area, the main node is Law 23,548, approved in January 1988, which sets the tax-revenue pool and the criteria to distribute resources between the federal government and the provinces (“*distribución primaria*”) and among the provincial administrations (“*distribución secundaria*”). The allocation of resources resulted from a political bargaining between President Raul R. Alfonsín and the governors (Eaton 2002; Tommasi et al. 2001). In the next decade, the Executive sought to change the primary distribution of revenues in its favor on several occasions: in 1991, to strengthen social security finances (Bill 0013-PE-91); in 1992, to pay for the transition between public and mixed pension systems (Bill 0045-PE-91); in 1996 and 1998 (Bills 5216-D-95 and 0004-PE-98), to pay for its own fiscal deficit, and so forth. Each of these attempts met with strong resistance from governors and legislators, who eventually amended the Executive’s initiatives into forcing the President to accept less of an increase in primary distribution for the federal government than sought for, in exchange for marginal improvements to the revenue shares of most provinces. These marginal improvements, however, were not implemented via changes in the secondary distribution coefficients established in Law 23,548: these coefficients remained intact. Instead, governors and legislators obtained from the Executive new pots of money: some to be distributed according to those 1988 coefficients (such as the monthly fixed-sum guarantees set by the 1992, 1993, 1996, 1998, 1999, and 2000 Fiscal Pacts); others to be distributed following new, varying criteria (such as the Fiscal Disequilibria Fund created by the 1992 Fiscal Pact). Thus all these tax bills stemming from the 1988 Revenue-Sharing Law carried the secondary distribution coefficients as normative (distributive) content and accumulated more normative information in the process—i.e., the fixed sums in

the Fiscal Pacts. Whenever the federal government wanted to increase its revenue share, it had to introduce changes in this network of bills; whenever the provinces wanted to resist the federal advance over their share of the pie, they resorted to the same network and used its normative content to obtain a more favorable bargain.

### Legislative Complexity and Legislative Success

Network figures provide descriptive information that supports the proposition that *status quo* complexity—as reflected by a larger number of precedents—decreases the likelihood of success. Indeed, in Figures 1 and 2 we appreciate that the most central initiatives seem less likely to be approved by Congress. Meanwhile, Figure 3 shows that there is little relationship between eigenvector centrality (importance) and betweenness centrality (a more central location in the network). We now analyze this relationship in further detail, with legislative success as our dependent variable and a battery of independent variables to control for a number of confounding factors. We expect that higher complexity, as described by the number of precedent laws being amended by the current initiative, will reduce the likelihood of approval.

The dependent variable of our analyses takes the value of 1 if a tax law initiative received final approval in both chambers and 0 otherwise. We consider all tax legislation proposed by the Executive and the relevant legislation submitted by Deputies and Senators to the Argentine Congress between 1984 and 2011, with a sample of 266 bills. A total of 161 tax initiatives were approved by Congress (60.5%), of which 115 were proposed by the President and the remaining 52 by representatives. Overall, the success rate of tax initiatives is close to 10 points higher than the average for all bills and close to 20% higher for presidential initiatives. There are also considerably fewer bills dealing with taxation compared to unfunded spending initiatives with no direct tax implications.

To test for the effect of complexity on the likelihood of success, we consider as an independent variable the total number of existing laws that are cited as precedents and modified by the current initiative. In directed graphs, this is described by the in-degree centrality of a node in the legislative knowledge network.<sup>7</sup> As shown in Table 1 and in Figure 5, there is significant variation in the total number of existing laws cited as precedents, with a minimum of 0 in 13% of the cases, a modal value of 1 in 36.5% of cases, and a maximum of 25 in one case. Over half of tax initiatives modify two or more existing laws simultaneously.

TABLE 1  
 Number of Precedents Cited in the Proposal, *In-Degree Centrality*,  
 Argentine House, 1984–2011

Number of Precedents	Frequency	%	Cumulative
0	35	13.16	13.16
1	97	36.47	49.62
2	52	19.55	69.17
3	17	6.39	75.56
4	19	7.14	82.71
5	7	2.63	85.34
6	5	1.88	87.22
7	6	2.26	89.47
8	6	2.26	91.73
9	6	2.26	93.98
11	1	0.38	94.36
12	2	0.75	95.11
14	1	0.38	95.49
15	1	0.38	95.86
17	3	1.13	96.99
20	2	0.75	97.74
22	2	0.75	98.5
23	2	0.75	99.25
24	1	0.38	99.62
25	1	0.38	100

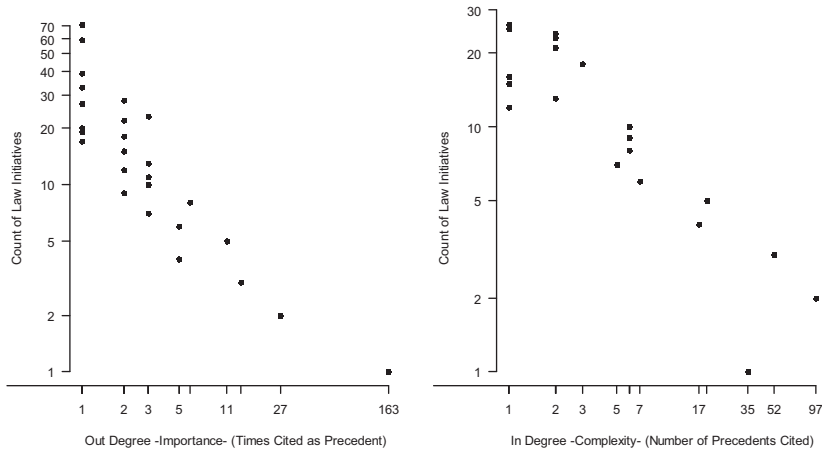
*Note:* Own estimates from *Información Parlamentaria, Honorable Cámara de Diputados*.

For robustness, we estimated models using the raw out-degree count, the  $\log(\text{out-degree}+1)$ , and Kleinberg's Hub centrality; all of which produce very similar results. We also estimated alternative models using quadratic specifications and higher polynomials. In this article, we present results using the log of counts, but all alternative specifications are available upon request.

A number of other controls were added to the model. First, we included an ordinal variable *Legislative Substance Scale (LESS)*, with a (0:5) range, describing the extent to which the original proposal was amended by Congress. This expert-coded variable compares the substantive normative content of each original bill to the final version in Congress or the enacted version of the Law if final approval was achieved.<sup>8</sup> We included an interaction of the *complexity* and *LESS* variables to test whether increases in the extent of amendments has an effect on legislative success that is conditional on complexity.

As described before, we are interested in measuring the effect of complexity in the status quo separate from the complexity coded in the

FIGURE 5  
Out-Degree and In-Degree Centrality in the Argentine Tax Policy  
Citation Network



*Note:* In-degree describes the number of directed links from precedent laws that are cited in a legislative initiative. Out-degree describes the number of times an existing law is cited as precedent in new legislation. High out-degree describes more important legislation while high in-degree describes more complex bills. Scores for out-degree are highly correlated with Kleinberg's (1999) "authority" measure while scores for in-degree are highly correlated with Kleinberg's "hub" measure. Results using Kleinberg's scores or in-degree/out-degree are almost identical.

proposal. Indeed, a large literature on bureaucratic delegation concerns itself with the extent to which legislators draft more or less detailed directives. To control for complexity in the level of detail of the legislative proposal, following Huber and Shipan (2002), we added a variable that describes the total number of words (LN) in each of the bills as a proxy for more detailed initiatives. Interestingly, there is little research discussing the implication of more detailed directives on legislative success. If, as Huber and Shipan (2002) argued, lower levels of legislative fragmentation allow legislators to micromanage bureaucrats by approving more detailed statutes, we should expect more detailed statutes to take more time but also to more easily gain consensus for approval. Consequently, different from complexity in the status quo, more detailed initiatives do not necessarily face a more difficult path to legislative success, if more detailed proposals are also dealt with by a less fragmented Congress. Descriptive information shows no association between our measure of complexity in the status quo and Huber and Shipan's measure of more detailed proposals: the correlation between the two measures is a negligible  $-0.0624$ .

We also included a series of dummy variables indicating whether the tax initiative was proposed by the President; under which Presidential term was the bill introduced (Raúl Alfonsín, Carlos Menem, Fernando de la Rúa, Eduardo Duhalde, Nestor Kirchner, Cristina Fernandez); whether the proposal was cosponsored by the government and the opposition; whether bills were sponsored by opposition legislators; a dummy variable taking the value of 1 if the President's party has a plurality instead of a majority of seats in Congress; and variables describing the issue area of the proposed tax (VAT, income tax, fuels, social security, personal assets, financial assets).

Given that the dependent variable "final passage" can only take two values, we estimated a variety of logistic models, including different specifications of the main dependent variable (e.g., complexity) and all covariates.

### *Results*

Table 2 presents estimates of legislative success, entering different combinations of the main covariates and controls. In all model specifications presented in the article, and in all alternative specifications we ran to assess robustness, the larger the number of precedents being amended, the less likely that the initiative will receive final approval. The results are statistically and substantively significant, with the addition of controls making the relationship stronger.

Model A in Table 2 provides the most basic specification, showing a decline in the odds of success of 41%, e.g.,  $\exp(-.52)=0.59$ , for each unit change in the log count of bills being modified by the proposal. As argued earlier in this article, complexity will either reduce legislative success or deplete committee and plenary time when amending is extensive.

Consequently, we expect that the negative effect of status quo complexity on success will be attenuated as a function of more extensive amending. Indeed, the interaction of complexity and amending (LESS) in Model B is positive, showing that the negative effect of status quo complexity on success becomes negligible as the bill is extensively amended. Figure 6 describes the marginal effect of complexity on success, conditional on the level of amendment. As can be observed, each additional precedent in the status quo has a negative and significant effect on success when there are no amendments to the original bill. When the amendment level is zero, each unit increase in complexity results in a decline of 19% in the odds-ratio of success,  $\exp(-.21)$ . However, when the initiative is extensively amended ( $>3$ ), the effect of



TABLE 2  
Legislative Success and Status Quo (SQ) Complexity (in-degree centrality)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Complexity in SQ	-0.521*** (0.173)		-0.712*** (0.219)	-0.873** (0.342)	-1.311*** (0.431)	-1.458*** (0.501)	-2.359*** (0.622)	-2.359*** (0.631)
Amendment Level (LESS)				0.877* (0.452)	0.504 (0.470)	0.294 (0.510)	-0.221 (0.574)	-0.0694 (0.576)
Complexity in SQ × Amendment Level (LESS)				0.0917 (0.291)	0.238 (0.309)	0.222 (0.351)	0.494 (0.382)	0.439 (0.384)
Complexity in Proposal		0.365*** (0.115)	0.382*** (0.121)					-0.000926 (0.258)
Plurality in Congress					1.190** (0.469)	1.487** (0.639)	2.525*** (0.829)	2.341** (0.956)
Government and Opposition Bill				-0.549 (0.439)	-0.690 (0.467)	0.304 (0.554)	-0.0136 (0.610)	-0.459 (0.672)
Opposition Bill				-1.637*** (0.570)	-1.655*** (0.599)	-1.155 (0.755)	-1.226 (0.823)	-1.219 (0.929)
Modifies VAT					-0.170 (0.411)		0.541 (0.564)	1.018 (0.638)
Modifies Income Taxes					0.947** (0.448)		0.854 (0.589)	0.501 (0.645)
Modifies Excise Taxes					0.0219 (0.454)		0.307 (0.580)	0.0134 (0.647)
Modifies Fuel Taxes					1.302* (0.776)		0.856 (1.013)	1.128 (1.098)
Modifies Social Security Taxes					0.0172 (0.663)		0.246 (1.082)	0.508 (1.169)

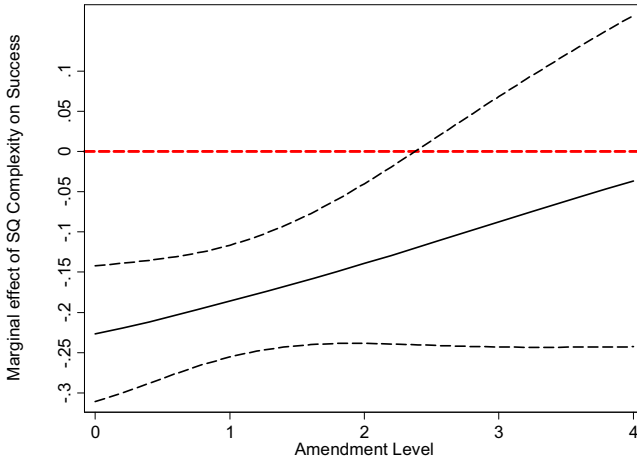
(continued on next page)

TABLE 2  
(continued)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Modifies Personal Assets					0.520 (0.622)		1.923** (0.912)	1.946* (0.999)
Modifies Financial Assets					-0.281 (0.524)		-0.730 (0.677)	-0.797 (0.749)
Carlos S. Menem						0.424 (0.731)	0.292 (0.821)	0.754 (1.029)
Fernando de la Rúa						-0.00505 (0.879)	-0.375 (0.987)	0.592 (1.198)
Eduardo Duhalde						-1.275 (0.971)	-2.273** (1.132)	-1.216 (1.352)
Nestor Kirchner						1.795** (0.872)	2.440** (0.955)	3.527*** (1.161)
Cristina Fernandez						1.091 (0.995)	2.032* (1.104)	3.150** (1.320)
Presidential Initiative						2.888*** (0.564)	3.088*** (0.639)	3.194*** (0.732)
Constant	1.002*** (0.232)	-1.600** (0.687)	-0.865 (0.741)	1.652*** (0.500)	1.571*** (0.598)	0.362 (0.857)	0.373 (0.942)	-0.552 (1.688)
Observations	266	181	181	213	213	213	213	168
LogLik	-173.7	-112.4	-106.6	-98.26	-89.24	-67.04	-58.34	-50.41

Note: Logistic estimates of legislative success with standard errors in parentheses. \* $p < .1$ , \*\* $p < .05$ , \*\*\* $p < .01$ . Dependent variable, legislative success, takes the value of 1 if the bill received final approval and 0 otherwise.

FIGURE 6  
Marginal Effect of Status Quo (SQ) Complexity  
on Legislative Success



*Note:* Results from Table 2, Model (8). An increase in the log count of precedent laws leads to a decline in the log-odds ratio of success when there are no amendments to the original project. The more extensive the number of amendments to the initial project, the smaller the negative effect of status quo complexity on success.

complexity becomes statistically insignificant. This suggests that amendments are the way Congress deals with the complexity of the status quo: by modifying bills, legislators write their way into the zones where policy innovations can coexist with components of the status quo.

Huber and Shipan's (2002) measure of more detailed statutes as a measure of complexity in the proposal yields positive and statistically significant effects only when considered without other controls. As described before, this could be interpreted as the result of more detailed proposals being observed when there are lower levels of legislative fragmentation. However, the effect fades once we include other controls in the equation, showing that more detailed status is not robust to different specifications.<sup>9</sup> Further results in the online supplemental (Appendix B) information also show that complexity in the status quo remains significant and negative in all specifications while that is not the case with the measure of complexity in the proposal.

Results in Table 2 also show that presidential initiatives are considerably more likely to gain final approval, that legislative success is higher under plurality- than under majority-led Congresses, and that initiatives sponsored by opposition parties are less likely to attract the

support of members of Congress. These findings are in line with current analyses of legislative success in Argentina. Results also show that Nestor Kirchner and Cristina Fernandez have enjoyed higher success rates on tax policy than their predecessors; although their reforms are mostly extensions of previous tax provisions. Finally, we find no systematic advantage in the consideration and approval of a particular issue area, with legislative success being higher for income taxes and fuel taxes on some specification.

### **Reforming Tax Policy: An Example**

In this section, we will exemplify how the Argentine Congress dealt with a piece of legislation that simultaneously altered a large number of important existing laws and provisions. We highlight that the bill was not just “detailed” in the number of provisions created, as proposed by the bureaucratic delegation model, but also, and more importantly, that the original writing of the bill was consistently altering existing rules. Indeed, the example shows that detailed changes to laws (complexity in the status quo) affect the lawmaking process different from detailed legislative innovations (complexity in the proposal).

In previous sections we showed that tax legislation in Argentina is dominated by a few critical laws in the areas of value-added tax, social security, and revenue sharing. Most tax legislation is initiated in those issue areas, with approval rates declining as a function of status quo complexity. Network graphs also showed that more central initiatives that draw content from multiple issue areas were not correlated with legislative importance while statistical analyses confirmed a negative relationship between *status quo* complexity and success. In other words, legislation that modifies multiple precedents is either less likely to be approved or requires more extensive amending to achieve success rates that are comparable to those of legislation with a less complex status quo. In what follows, we describe how complex information flows from precedents to proposals in the consideration and approval of legislation, both at the proposal stage and in the amendment process.

Let us depict below the trajectory of proposal 0005-PE-98 initiated by President Carlos Menem in March 1998, enacted into Law 25,063 by Congress, after a partial veto and a congressional override. The bill sought to modify tax rules in light of three problems saddling the economy: a budding recession; a decline in external competitiveness; and mounting fiscal deficits. All three problems resulted from the fixed exchange rate policy (*Convertibility Law*) of 1991, which had been enacted to deal with Argentina’s endemic high inflation. A key provision

in the *Convertibility Law* of 1991 prohibited the Central Bank from printing money to finance public sector deficits, resigning monetary independence to improve external competitiveness in favor of strict peso-dollar parity. Thus, when in late 1997 and early 1998 the Argentine economy was hit by financial shocks from East Asia and declining international prices for its exports, a major tax reform was offered to reduce costs to firms and exporters and tackle the fiscal deficit.

Bill 0005-PE-98 constituted a significant lawmaking challenge due both to the importance of the changes it proposed and to the large number of areas (i.e., the complexity) to be modified. Menem's reform broadened the tax base and altered the tax rates and the revenue-sharing rules for the Value-Added, Income, Selective, Personal Assets, and Social Security taxes. This effectively meant renegotiating the revenue-sharing agreements set by the 1988 Revenue-Sharing Law [*Coparticipación*] and the various fiscal pacts signed between the federal government and the provinces since 1992. Consequently, the bill sought to modify both collection and allocation rules.

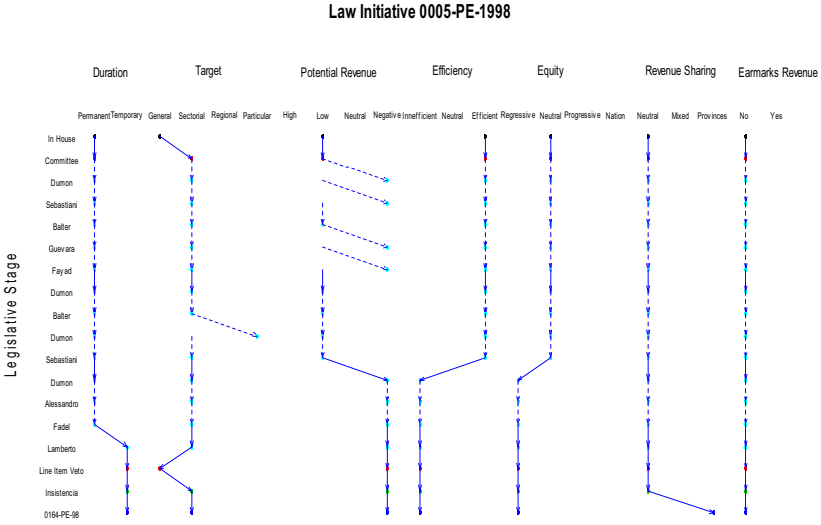
Also, enacting this bill required changing four precedent laws that rank high in importance as described in the previous sections. The success rate for bills with four precedents is 52%, and the substantive amendment rate (LESS) is 0.92 for all bills, and 1 for approved laws. On this basis, we would expect for bill 0005-PE-98 to pass only if legislators amended it to at least 1 in the Legislative Substance Scale.

The expectation of substantive amendments to this bill was even higher when considering number of amendments for bills that attempted to simultaneously change VAT, Income, Selective, Personal Assets, and Social Security provisions. The substantive amendment rate for all 32 such bills in our sample was 1.36. The rate for the 19 bills enacted into law was 1.63. Thus, we would expect for legislators to pass bill 0005-PE-98 by amending it to at least the latter score.

Figure 7 depicts the initial position of the bill in the tax policy space compared to the legislative status quo and the changes that correspond to the amendments introduced at every stage of the lawmaking process. The first row shows the expert-coded dimensions affected by the bill, which we used to calculate the Legislative Substance Scale described in the previous section.

The first column displays the lawmaking process stages which the bill went through: from its inception in the House/Chamber of Deputies, through the Chamber's Committee, the amendments proposed by individual legislators in the Chamber's floor, the presidential veto, its overturn by Congress, and the completion of the tax reform package by the addition of another bill (0164-PE-98) exclusively concerned with the

FIGURE 7  
Issue Areas Affected by Law 25,063 and Its Amendments



Source: Expert-coded content of bill 25,063 and its amendments from Bonvecchi et al. 2014. Arrows describe the direction of policy amendment in each successive legislative stage and for each of the different issue areas coded in the bill. Dotted lines describe failed amendments. Solid lines describe approved amendments.

topic of revenue distribution. The full lines indicate the substantive content eventually incorporated to the bill, while the dotted lines indicate the content of amendments proposed but not accepted by the Congressional majority.

The bill proposed changing a highly complex status quo which involved the Income, Value-Added, Selective, Personal Assets and Social Security taxes and also created new taxes. In the VAT area, the bill extended the tax base to transactions in foreign countries by Argentine nationals; eliminated exemptions on financial investments; applied differential rates to specific imports—such as livestock, grain, mate, and live poultry—as well as financial transactions. In the Income tax area, the bill extended the tax base by incorporating trust and investment funds and increased the tax rate to 35% for PLCs, joint stock companies, public-private firms, nonprofits, and commercial, industrial, and agricultural enterprises.

In Selective taxes, the bill increased the rate on cigarettes; unified the rates for alcoholic beverages; raised the rate for nonalcoholic beverages, and eliminated exemptions. In Social Security taxation, the bill

extended to employers the mandate to contribute to workers' medical insurance. In Personal Assets, the bill incorporated exemptions for goods and services that would now be forced to pay the Minimum Presumptive Income Tax.

Finally, the bill created two new taxes: (1) the Minimum Presumptive Income Tax that sets collection from the presumptive income of all assets held at the end of the fiscal year; (2) the tax on the Interests and Financial Cost of Firms' Debts, which affected interests paid for by indebted firms that were deductible from the Income tax.

The Executive's proposal was thus trying to change the status quo in each tax policy dimension captured in our Legislative Substance Scale: the duration, scope, revenue potential, and impact on equity, efficiency, intergovernmental fiscal relations, and revenue earmarking. In order to do so, it drew from normative content introduced in the original bills of the previous major reforms initiated by the Executive. The details of this legislative knowledge network illustrate how precedents informed reform initiatives.

The majority of the changes in the bill were intended as permanent rules, just like in all major reforms except bill 0045-PE-91. In the scope dimension, apart from some differential VAT rates, the bill extended tax bases, increased rates, and created new general taxes, as the Executive did in all major reforms except bill 0032-PE-87.

Menem's initiative yielded low revenues by offsetting greater tax bases and rates with decreasing burdens for specific sectors, as done in major reforms such as bills 0102-PE-84 and 0042-PE-89. Also just like in these reforms, the broadening of the tax base in Menem's 1998 bill would be strong enough to increase the efficiency of the entire tax system.

Menem's proposed reform would be neutral in terms of equity. While the creation of the Minimum Presumptive Income Tax and the increase of the Income tax rate for firms would enhance progressivity, the differential rates on the VAT for certain imports would make the system more regressive. This combination of progressive and regressive effects also characterized one major VAT and Income tax reform promoted by the Menem administration: bill 0045-PE-91.

Just like initiative 0004-PE-98 described in the introduction, the 0005-PE-98 bill did not include any clause explicitly changing the status quo in revenue distribution. But this meant the bill would accrue revenue to the federal government according to the improved primary distribution shares that emerged from the Fiscal Pacts negotiated during the 1990s that is not following the criteria set in Law 23,548 preferred by the provinces. This had been the Executive's original intent in all major reforms except for bills 0013-PE-91 and 0045-PE-91. As in previous

Executive initiatives, Menem's 1998 reform did not introduce any earmark of revenues or spending.

The political reception of the bill in Congress was mixed, with considerable demands to protect the status quo in all matters related to tax devolution. Faced with a tax proposal that shifted resources away from the local economies, legislators of both the government and the opposition dragged their feet (*Ambito Financiero*, March 6, 1998). President Menem responded by announcing a complementary bill to allocate additional revenue sharing while maintaining each province's current receipts. The provinces rejected this idea, arguing it reversed the previous rule set in the Fiscal Pacts which guaranteed them a minimum monthly sum (*Ambito Financiero*, March 24, 1998).

The provinces responded by introducing extensive amendments to project 0005-PE-98 and reporting the bill from the Budget Committee with a supermajority vote that modified 81% of the Executive's original version. While the original bill had 37 pages, the amendments introduced by the Majority Report altered the content in 30 of those pages. These amendments restored the status quo in collection rules by reversing the extension of tax bases and rates to protect local rents. Legislators also withdrew the entire chapter on Selective taxes from the bill. This shifted the bill's scope from general to prosectoral.

The cross-partisan amendments introduced on the floor of the first chamber also aimed at shielding the status quo from the Executive's reform intent. One amendment reversed the broadening of the tax base intended by the Executive by raising the threshold for the Income and Presumptive Income taxes on small and medium enterprises. This effectively exempted these firms from the most progressive of taxes, thus shifting the bill to the regressive position in the equity dimension.

The other cross-partisan amendment was intended to protect provincial interests in the distribution of tax revenues by specifying that the monthly fixed-sum guaranteed for the provinces in the fiscal pacts would remain in force and thus apply to the future revenues from the tax reform. Thus, legislators defended the revenue-sharing status quo by explicitly carrying previous normative content into the bill.<sup>10</sup>

Congressional leaders from both chambers coordinated to amend both bills in Menem's tax package to expedite their approval and show the Executive that legislators and governors were adamant about them.<sup>11</sup> So as the tax reform in bill 0005-PE-98 was voted in the Chamber, another cross-party majority in the Senate amended bill 0164-PE-98 dealing with revenue distribution.

The latter amendments restated the status quo distributive rules preferred by the provinces: the primary and secondary distribution of



revenues established in the 1988 Revenue-Sharing Law, and the monthly fixed-sum guarantee set in the fiscal pacts of the 1990s. The Senate's version of bill 0164-PE-98 increased the monthly fixed-sum guarantee for the provinces, reduced the amount of the Social Security deductions, and established these deductions would only proceed if the provincial share of revenues increased beyond the guaranteed payment. This meant that unless the recession turned into growth, the status quo distributive rules would prevail, and the provinces would enjoy a higher monthly fixed-sum. These changes shaped both tax reforms as favorable to the provinces in the intergovernmental fiscal-impact dimension. By introducing them, legislators effectively imposed as price for their approval of the Executive's bill the reversal of its reform intent.

The President's partial veto to Law 25,063 tried to restore some of the normative content originally intended by the Executive. The veto eliminated exemptions on the Value-Added and Minimum Presumptive Income taxes introduced by Congress. Since these exemptions favored specific sectors, their deletion entailed a return to more general tax rules in the scope dimension. But the presidential veto was partially overturned by Congress, precisely on the issues of exemptions—restoring those that benefited the politically salient waste management and broadcasting sectors. This Congressional decision reversed the location of the bill in the scope dimension to the sectoral position.

Congress thus only approved this major tax reform initiated by the Executive after amending it to reinforce the pro-province, regressive, and prosectoral tax rules we identified earlier in this section. Legislators reversed the broadening of the tax bases and rates and the changes in revenue distribution introduced in Menem's bills by restoring the status quo from previous VAT and Income Tax laws, thus protecting the distributive gains obtained by the provinces in Law 23,548 and most fiscal pacts of the 1990s. Bill 0005-PE-98 thus became Law 25,063 through legislative amendments that pushed it two positions away in the Legislative Substance Scale from the Executive's original intent. This score was 0.37 points further away from the average for all successful proposals dealing with the same taxes.

### **Concluding Remarks**

Let us consider two very detailed proposals: one, changing a large number of existing precedents; the other, incorporating new provisions to deal with previously unregulated issue areas. This article argues that detailed bills that seek to alter a complex status quo—as in the first case—are different from detailed bills that put forward a complex

proposal—as in the second case. Indeed, while most of the existing research on bureaucratic delegation studied the first type of bills, almost no research explores how complexity in the status quo affects lawmaking. The implications are substantive, as legislative fragmentation that may explain the decision to delegate on bureaucrats the fine print of legislative initiatives would be of little relevance when addressing issue areas that are already heavily regulated (i.e., complex status quos).

This article provides evidence that complexity in the status quo reduces legislative success in tax policy initiatives. It describes tax legislation in Argentina as a knowledge network that is dominated by a restricted number of interconnected issue areas. Our analysis departs from current models of the lawmaking process which tend to consider complexity in law initiatives but fail to consider complexity in reversion points. Different from current research on delegation, we provide evidence that complex proposals could result from legislation that modifies detailed laws with multiple precedents rather than from incentives to constraint bureaucratic actors or the result of factionalism or dissent (Huber and Shipan 2003).

Our results also provide evidence of a trade-off between amending and success conditional on status quo complexity, which is inconsistent with previous theories of delegation. In effect, more complex status quo will either reduce legislative success or consume more plenary time as legislators discuss and amend complex initiatives. Legislative success conditional on extensive amendment, we argue, is consistent with more complex status quo but not with prior delegation frameworks. We show that success for legislation dealing with complex status quo is lower, but success rates increase with more extensive amending.

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## NOTES

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1. Knowledge networks are formed by nodes (laws) and edges (citations). Directional graphs can either be “forward-looking” (with arrows going from precedent laws to proposals), or “backward looking” (with arrows going from a proposal to the precedent laws). There is no substantive difference between the two graphs. Given that citations move forward in time, we assume that directional arrows go from precedent laws to new proposals.

2. For a similar exercise analyzing the citation network of legal precedents in the US Supreme Court, see Fowler and Jeon (2008) and Fowler et al. (2007).

3. Hall and O’Toole (2000) describe a different type of complexity that arises from multiple bureaucratic agencies being a part on the drafting of bills. While they do not measure legislative success, they show that new legislation tends to include fewer bureaucratic agencies than initiatives to amend legislation. They then highlight the coordination difficulties that result from multiagency bargaining.

4. In a recent article, Tam Cho and Fowler (2010) analyze the effect of network properties on the overall legislative success in the US House. Our approaches follow a similar intuition, that network structure is an important determinant of legislative success, but use a very different operationalization. In our case, rather than considering the “overall” success rate in Congress, we analyze the likelihood of approval of each bill, conditional on status quo complexity. We operationalize complexity considering the number of precedents that are modified by each bill. We also introduced other controls, consistent with the comparative literature on legislative success.

5. There are a number of different measures of importance comparable to the out-degree and in-degree centrality, such as Kleinberg’s (1999) “relevance” and the eigenvector centrality scores. In our LKN, all three scores are similar.

6. For an extensive discussion on the difference between importance and centrality, see Fowler et al. (2007).

7. Results using “importance” weighted in-degree produce similar results. To this end, we compare estimates that use Kleinberg’s (1999) “hub” centrality instead of the count of precedents. Kleinberg’s “hub” and “authority” provide estimates of connectivity that weights in-degree and out-degree ties by their importance in the web. “Hub” centrality describes the eigenvalue of a node that cites multiple “important” precedents while “authority” describes the eigenvalue of a node that is more frequently cited. Results using Kleinberg “hub” centrality as a measure of complexity yields almost identical results and is available upon request. For presentation purposes we use the in-degree counts which are easier to communicate.

8. Experts coded each bill and version focusing on eight dimensions: the taxes involved (VAT, Income, etc.); the duration of tax rules (permanent, provisional); their revenue potential (neutral, negative, higher/lower than 5% of annual revenues); their scope (general, sectoral, regional, local); their impact on equity; their effect on the efficiency of the tax system; their impact on intergovernmental fiscal relations (pronational, pro-provincial, neutral); and the presence/absence of earmarks on tax revenues. Details are provided in the supplemental information (Appendix A) file that can be found online at <http://www.gvpt.umd.edu/calvo/>.

9. In the online supplemental information, we provide model estimates interacting complexity in the proposal with the level of amendment. Conditional effects are not statistically significant for any level of amendment activity (Appendix B).

10. In addition to these cross-partisan amendments, the opposition proposed other changes, displayed in dotted lines in the chart that were rejected by government party legislators. These modifications were aimed at easing the burden on small and medium firms and health care organizations.

11. Interview with Oscar Lamberto (Peronist-Santa Fe), Head of the Budget Committee at the Chamber of Deputies (September 12, 2002).

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