

Inequality, joint participation and (re) distributive challenges in the Argentina Republic

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Abstract

The fiscal correspondence and a giving - back vision of fiscal and financial relationships between different scalar spheres is valid and adequate when the competence features are similar between subnational entities. But, in a clear situation of regional asymmetry (many Argentinas within the same Argentina), in a country that belongs to the most unequal continent in the World, this vision threatens the possibility of citizens living peripheral areas to enforce their constitutional rights and enable their development. The constitutional reform from 1994 incorporated among its multiple changes and additions, a substantial innovation in terms of fiscal federalism: the privileged hierarchization of the federal revenue sharing regime. In this way, the constitutional principles and purposes that may develop from the financial and tax field were consolidated. The principles of regional harmonious prosperity and equal human development acquired special emphasis in the spirit of the preexisting joint participation regime. Moreover, in the sixth transitional clause they established an express mandate to reelaborate the then current regime. The distance between the constitution and the fiscal reality becomes insurmountable until there exists a clarifying position regarding the ambiguity of the dominant discourses about fiscal decentralization that tend to consolidate the weakness of the state institutions in the country, and the growth of the regional asymmetries with their respective populational migration flow towards the cities with greater resources and/or their peripheries.

Fiscal federalism, equality of opportunity, regional asymmetries, public policies, tax system, financial system.

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Introduction

The fiscal federalism, understood as a phenomenon of competence and cooperative relationships on a vertical and horizontal level between the central government and subnational governments in financial and tax matters, is a key instrument to achieve equitable human development, as well as the harmonious development of the Argentine regions. In line with this position, the National Constitution - with more intensity after the 1994 reform-, gathers mandates in a considerable variety of its sections. It also describes the characteristics that the distribution of the shared tax revenue resources should have. In this way it formalized the link between state activity, equality, and rights.

However, the realization of the constitutional maxim finds a remarkable resistance that rests on unbalanced reality of the Argentine regions. In this sense, the territorial asymmetries constantly question the operability of the prescriptions in the Constitution, in the context of the unequal access to opportunities mainly through the public policies formalized and implemented in this regard.

Given this panorama, and completing a series of interlinked documents about this (vid. Rezzoagli, 2011; Rezzoagli and Bazza, 2012; Rezzoagli and Gamberg, 2014; Rezzoagli and Gamberg, 2105), examining the regional imbalances in terms of education and some relevant aspects of the quality of life (such as relevant exemplary indicators of the possible regional asymmetries and its implications), identifying causes and bottle necks, together with the described various discursive proposals to overcome the problems and the financial and tax tools used, are the main objectives of this research.

This research has a qualitative character and the main tools it uses are: the current published data from the National Institute of Statistic and Census (INDEC from its initials in Spanish), the historic and current legislation about Argentine fiscal federalism, and the specialized related doctrine on the national and international level, mainly the works published by the ECLAC, the World Bank, and the United Nations.

It is important to highlight and clarify, following Velázquez, Mikkelsen, Linares and Celemín (2014), that a good part of the socioeconomic variables related to Latin American countries are not available on second level territorial scales (specific data for the horizontal comparison of subnational territorial areas as states or provinces) for Argentina this means 23 provinces and the Autonomous City of Buenos Aires. This data decreases even more for the third level decentralization (municipalities and communes), or for more detailed levels such as the ones for fractions or census radios (approximately 5000 units in Argentina).

This means that the most interesting information is only available for not very interesting scales, for national or large region level, therefore and in spite of the progress in the national statistical systems, as you deepen the level of spatial analysis, the availability of information is more restricted and becomes diluted. Because of this, even if we acknowledge the great contributions of the research sponsored by international organizations about the inequality of opportunity and the taxation for development, they are not meaningful other than in a referential introductory level given the analysis we intend to perform in the scales and optics mentioned above.

The Inequality of Opportunities and its Importance as an Engine of Development

A country is socially fair when its people have the same rights and potentially (without exogenous limitations) have the same possibilities of accessing social welfare. Thus, to achieve a respectable life, human development must be ensured, and then equality from a social point of view refers to a common minimum rights and obligations for all the members of the society (Barbieri, 2007).

In view of this objective there is a need for a state activity aimed at ensuring the compliance of individual and collective rights, as well as providing the suitable means to promote the potential of people, being these mainly: physical, cognitive, emotional, relational and intellectual. In other words, the equality of opportunities is another way to conceive of social justice.

In our current society, all the economic differences are translated to social inequalities, given that there is no political power capable of preventing those differences from translating into dependency relationships, submission or domination. Although there are other providers of welfare supplies and protection -such as the market, families, social organizations and communities- the primary responsibility to ensure the social, economic, and cultural rights, and fundamentally a free and unrestricted access to them, necessarily falls on the state. The state has to guarantee its citizens living conditions that include a minimum income, access to quality social services, and the regulation labor market to promote formal and decent employment (Cecchini y Martínez, 2014).

In this context, to the extent that there exists an unequal access from a certain sector of the population to social services, or any restrictions on their human potential, faculties and / or rights (such as education and employment) for example, related to exogenous factors (gender, ethnicity, place of origin, or habitability conditions, etc.), these become an inherent part of the inequality of opportunity. In practice, it often happens that the concrete public policies find strong links with the specific objectives of certain groups of regional actors, although they are presented as regional objectives. These groups often monopolize the institutional channels and have the capacity of redirecting the programs objectives to their benefit, thus distorting the meaning of politics that aim to be more effective, inclusive, and democratic (Fernández, Vigil y Seval, 2013).

Policies based on clientelism which have greater strength on subnational scales, may also contribute, given that in their ambition to come to power, or to keep power, they give away goods and privileges instead of winning over voters by adopting policies that benefit them. Political parties that participate in clientelism do not have an incentive to improve the conditions of vulnerable sectors using redistributive policies because doing so would raise the price of their votes.

A difficulty to note is that very frequently, access to these development opportunities in individual and collective terms, is conditioned by several factors that hinder the access of the most vulnerable sectors of society, or in case they allow it, they do it in minimal degrees and with a difference in terms of length and quality.

As an example of this analysis, if we consider the access of wealthy and poor families to the possibility of having electric power at home, we can assert that relatively wealthy families have electricity in almost every country in the world, but in countries like Panama, Peru, and Nicaragua among others that we could mention on the continental level, less than 20% of the total of poor families have access to electricity (UNDP, 2010).

We can state the same about the access to any public service, among other considerations, (Rezzoagli y Bazza, 2012) or with respect to work development opportunities (Rezzoagli y Gamberg, 2014) or educational opportunities. Thus, deepening this initial reasoning, we can affirm that it is not likely for the most capable children (in academic terms) that lack adequate financial resources, to have access to the best educational opportunities in accordance with their capacities. On the contrary, it is more likely that their poverty will restrict their educational possibilities, mainly in comparison with wealthier children which have a disproportionate access to the best schools. In this light, it is essential to analyze the state activity aimed at leveling what the society and the market do not spontaneously assume.

This difference between the citizens within a geographic scale to consider (local, provincial, national or international) is what shows the inequality of opportunities. If, this unequal situation is sustained over time, then the negative consequences will be alarming in terms of opportunity hoarding. This is the process that takes place when concrete groups control the resources, as well as the most valuable assets, for their own interest. This perpetuates and increases the inequalities, and the cycles of dominance and dependence (Rezzoagli, Gamberg, 2014).

As an example of opportunity hoarding we cannot fail to mention the challenge of hunger on an international level, the problem of food security, the complexity of recognizing and guaranteeing food as a right. In a context in which agriculture and natural resources are subject to: commodification, worldwide changes in consumer habits, environmental degradation, and climate change, which mean increasingly significant constraints. As well as international policies that bet on industrial agriculture and speculative trading, within a lax regulatory framework that leaves small producers unprotected and the most vulnerable without access to food (Manos Unidas, 2013). Inequality thus, is not only expressed in the purchasing gap in people's income, but also derives from the "discrimination" of class, race, gender, geographical origin, etc., that make it incompatible with our democratic ideals.

The great importance that emerges from what has been presented above, leaves no doubt: the equality opportunities is one of the greatest challenges to undertake with specific and targeted public policies to mitigate the current and distressing reality that considers not only Argentina, but all Latin America, as the most unequal region in the world to date, according to recent international reports from the United Nations, and the World Bank, among others.

An important change in the speech of the International Monetary Fund is that inequality is no longer just a matter of social justice, but has also become an obstacle for growth.

This seems to close a historical gap in the official economic thinking that differentiated the major issues of economic growth from the "social" issues of inequality and poverty.

In this sense, provided that the society and the state have freedom, democracy, social justice and economic progress as objectives, equality will be an elemental and indispensable foundation (Oszlak, 2007). It should also be noted that the very concept of nation must be understood as a spectrum of responsibilities that exceed the diverse and conflicting interests of the civil society.

In regard to the expressed assessments, it is very important to examine the terms set by the Constitution. With relation to the subject that interest us, the constitutional maxims refer to the principles of equality of opportunities, and the creation of an equal level of development in all the regions of the country and for all its inhabitants, in accordance to solidarity and the creation of public policies (Rezzoagli, Gamberg, 2014). The following sections: 16, 37 -second paragraph-, 75 item 2 -paragraph 3-, items 19 and 23, highlight within their terminology and in a relational form, a particular concept of equality: the equality of opportunities.

This use of language works as an implicit acknowledgement of the disparate realities within the country (Grosman, 2012). This is why the constitutional maxims are related to positive actions, such as free education or the (re)distribution of the tax revenue. In other words, equality orders to appraise the specificity of difference, within the framework of an egalitarian policy (Barbieri, 2007).

A central aspect of analysis in terms of the proposed objectives is fiscal federalism

In this way, the state action on tax and financial matters can be understood as a way of deploying public policies to horizontally level regional capacities, which ultimately seek to achieve sustainable and uniform growth of all the fundamental political units of subnational category make up of Argentina.

The constituents wish of a homogenous regional development rests on a dialectical relationship between the constitutional requirements of equality, and the instrumentalization of fiscal federalism in general and joint participation in particular.

The design of the federal federalism (in general) and a regime of joint participation (in particular) is not an exclusively technical task. The criteria selected for the distribution, the political-economical-social aspects that can influence these criteria, and the objectives to achieve, can vary significantly the content of the same regime in different countries. This omission leads to the promotion of a set of public policies to overcome inequality that in most of the cases, did not manage to achieve their strategic objective in spite of the progress made. This produces constant sense of socio-political frustration that many times leads to surrender to the persistence of inequality.

Inequality of Opportunities. The Situation in Argentina

Even if there is no doubt that since 2003, “the country has gone through a path of growth, technical progress, job creation and reduction of poverty that has no precedents in over half a century” (Bárcena in Stumbro and Rivas, 2013:4) which managed to reverse to a large extent, the terrible economic and social damage produced by the liberal dynamics of the 90s, the current challenges regarding the horizontal regional leveling and the fight against the hoarding of opportunities are unavoidable in our country.

We definitely agree with Velázquez, Mikkelsen, Linares, and Celemín (2014:161), who after analyzing the quality of life in Argentina –welfare ranking by department (2010) - come to the conclusion that the maps of 2010 show a much better situation than the one from 2001. The progress has been unavoidable in most dimensions of quality of life; there is a substantial increase in education, a reduction by half of the population with low levels of education, and an increase that doubled the number of college graduates during the decade 2000 – 2010. There are also important achievements in health, such as a decrease by half of infant mortality and a significant reduction in the population without social security. This encouraging data showing that the country was able, at least in these areas, to overcome the disastrous neoliberal stage of the nineties and its economic and social upheaval in 2001.

We consider that there is no doubt that the social upheaval of 2001 generated an ideological paradigm change - political and economic in the Argentine Republic, mainly since 2003, when there are glimpses of an economic policy aimed at strongly combating poverty, and achieving the equality of income through wage restructuring and of vast and fruitful social programs that attended the vital needs of citizens. The national state implemented these directives all throughout the country. The important road Argentina has taken together with several Latin American countries during the last decade, must necessarily address the restructuring of the productivity and employment variables in the various regions of the country, together with a prior or concomitant strengthening of state endogenous capacities from a financial point of view (vid. Rezzoagli y Gamberg, 2015).

However, the development of capacities, the access to services, to social safety nets, and the increase of work opportunities all throughout the social fabric may encounter barriers to their equitable distribution. Although it seems paradoxical, studying the degree of "welfare" from different sectors of society quickly leads us to associate it with its most significant opposites (Velázquez, 2010). This is why, in spite of the diversity of factors that condition the reality of the different social sectors, we will only consider some of them below - individually and collectively- which due to their importance and social impact, become critical indicators: specifically the consequences of poverty and destitution by regions, and the possibility of access to public services that are essential for a decent life.

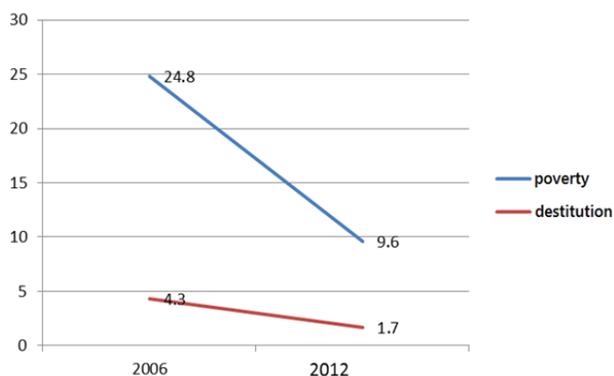
The reason why we selected these factors over others that are equally determinant (such as age or gender) responds exclusively to a question of delimitation of representative information of what we intent to cover in this paper.

In accordance with the constitutional rules that incorporate a federal political and territorial organization -Section 1 National Constitution- and the goal of a harmonious and differentiated development that tends to equality in the progress of the provinces, and without prejudice to the study of the general situation national level, we will place emphasis on the particular situation of the fundamental political units of our country.

Levels of Poverty and Destitution in the National and Provincial Scopes

To begin with, it is important to highlight that the intensity of poverty and extreme poverty indicators is of great significance as they denote the percentage of deprivation experienced by low-income households in terms of access to basic services.

It is because of the dramatic consequences that these deficiencies bring along that in the last years the decrease of these social issues successfully set the course of the political, economic, social, and cultural decisions.



Graphic 1

We can observe in graphic I that in a period of six years, they have managed to decrease poverty in a meaningful way, as well as destitution though in less abrupt parameters. As show by data from the ECLAC (2014), poverty in Argentina decreased from 24.8% in 2006 to 9.6 % by the year 2010, as well as destitution which decreased from 4% in 2006, to 1.7% by 2010. Moreover, if we make a retrospective comparison using older indicators from the ECLAC, we can observe that in 2002 52% of the population was below the poverty threshold, and around 24% was below the destitution threshold.

Clearly this is a visible consequence of the shrinking of the neoliberal Argentine state from the 90s with its privatization and labor flexibility processes, its disastrous restrictive policies of social spending, and the destruction of the domestic industry, that ended up drowning the society with a disproportionate tax burden, as well as the exhaustion of the incessant and excessive debt with international creditors, which led to the collapse and the “corralito”, known as the great crisis of 2001.

This crisis led to a paradigm shift in the position of the state and regarding its performance which is why from 2003 to date, we can distinguish with greater intensity three types of policies to alleviate poverty:

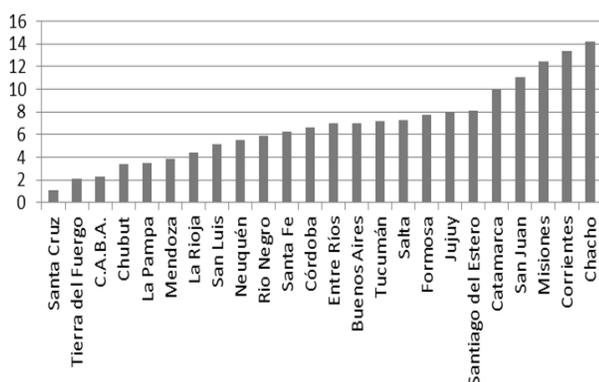
- Direct transfer policies –generally with conditions- from the national level to the subnational and local instances.
- Increasing revenue policies, through the perfecting of the tax revenue system, and the introduction of withholding on exports, mainly of primary products.
- Increasing public job offer policies, by which the state assumes the restructuring cost that the market does not assume.

Since then and with the proliferation of social programs they have managed to decrease poverty, which brought along a decrease in the inequality rates. The issue then, given this progress, is to measure the effectiveness of these actions in time (the possibility that these poverty reduction programs naturally decrease through the incorporation of its benefits back to the work market), and in the horizontal spatial scope (between the different regions of the country, to avoid concentrating the benefits in a few regions, give that for example, in Argentina 62% of the population only occupies 30% of the country’s territory.

It is necessary, therefore, to consider for this analysis the beneficiary subjects, the type of the solution in relation to time, the fiscal costs and maintainability, as the effective actual policies implemented to rebuild a genuine accumulation system that allows an increase in employment opportunities, the recomposition of the salary, the circulation of money, and the public spending as mobilizing elements of the economy.

In this way, to measure the impact of direct transfers (i), different researches have calculated the poverty and destitution levels that would result if these transfers disappeared. This verified that if they stopped the direct transfer programs of a social content, to reduce the disproportionate public spending and decrease a possible growing inflationary process, then poverty levels would increase in 2 and 3 points, as a consequence of the lack of these social policies, and destitution levels would increase by 4 to 5 points (Susmel, 2012). This is why the importance of this type of intervention is highlighted. Additionally and in this same line, the increase of the minimum salaries (ii) and the general recomposition of wages generated a raise in the consumption that proved beneficial in terms of competence.

However, we must necessarily contrast this analysis of vertical relationship in the generation of public policies to reduce poverty and destitution, with respect to the consolidation of a middle class worker, with the horizontal leveling of opportunity seizing by region of the country. To do this, Graphic II shows the poverty rate by province in 2014, where you can see the divergences presented by the different regions.



Graphic 2 People under the poverty threshold

As shown in this graphic, there are absolutely different realities for each of the province of the country.

While the percentage of people living in a poverty situation in Santa Cruz is 1.1%, in the province of Chaco this percentage is 14.2%. On the other hand, and completing this analysis that shows more than 13 percentual points of difference between the provinces in the two extremes, we can see in the in the income per capita for each of the provinces the contrast and inequality among the different regions of Argentina. For example, we find that according to the data offered by the Ministry of Economy with regard to the salary of employees in the private sector, the higher salaries are paid in the Autonomous City of Buenos Aires and in the Patagonic provinces (Neuquen, Chubut, Santa Cruz, and Tierra del Fuego). The latter in some cases duplicate the salaries of the rest of the provinces, specially the provinces from the Argentine northwest and northeast (Rezzoagli y Gamberg, 2014).

If we take into account the two graphics presented so far, we encounter a paradoxical reality: there is a reliable decrease of the poverty and destitution rates in the national average; however, in the light of this progress we can see the uneven effectiveness it had and has for each region of the country individually considered.

Regional Asymmetries. Comparative Analysis Between

Even if the Argentine Republic has a large territorial extension (approximately two million eight hundred thousand square kilometers), a distinctive feature of the country is that because of natural and human reasons the population concentrates on a reduced territory with large cities. To the extent that 66.7% of the population lives in the provinces of Buenos Aires (39%), Córdoba (8.2%), Santa Fe (8%), Mendoza (4.3%) and the Autonomous City of Buenos Aires (7.2%). Consequently large urban centers with a higher population density appear.

As another example, while the Autonomous City of Buenos Aires has a population density of 14,450.8 inhabitants per Km², there are provinces with less than one inhabitant per Km². Within the latter group, Tierra del Fuego is the greatest expression, given that in its territory the rate is 0.1 inhabitants/Km².

Taking into account another important variable regarding the analysis of the horizontal equality of opportunities, we highlight the access to education which represents one of the indicators that clearly exposes the contrast and the imbalances within the Argentine regions (from the most populated ones to the ones with medium or low density). In this matter, it is important to highlight that while the Autonomous City of Buenos Aires an 82% of the population attended and completed elementary school, in three northern provinces such as Corrientes, Chaco, and Misiones this percentage is as low as 56.1%, 53.6% y 51% respectively.

On the other hand, regarding the attendance to educational institutions between ages 15 and 17, the Autonomous City of Buenos Aires shows the highest levels reaching a 90.5%, that is only exceeded by Tierra del Fuego with 94.8%. While in Santiago del Estero and Misiones, only attend school 66.5% and 71.6% respectively. On this note and taking the comparison to the total of the Argentine provinces, the levels of high school completion are clearly disparate though without rattling pronouncements as shown in Graphic III.

One of the greatest social achievements encouraged by the national government is the program called Universal Child Allowance (Asignación Universal por Hijo).

This is a right that belongs to the children of people who are unemployed, working in the informal economy with an income equal or below minimum living wage, small contributors (“monotributistas”), domestic workers, seasonal workers during the low season, or people that receive any of these plans: Argentina Trabaja, Manos a la Obra, Ellas Hacen, Programa de Trabajo Autogestionado, Jóvenes con Más y mejor Trabajo, Programa Promover la igualdad de Oportunidades y Seguro de Capacitación y Empleo. To cash the Universal Child Allowance people must present their children’s school certificate and health checks. Children must be under 18 years old, with a maximum of 5 kids, prioritizing younger and handicapped children. It is paid to only one of their parents, prioritizing the mother.

This is a program that has broken paradigms in the state action aimed to solve the problem of youth education, begging, and class differences, betting heavily on achieving a more fair and egalitarian society; trying in this way, to generate the suitable conditions to break with one of the main mechanisms of intergenerational transmission of poverty.

However, and without minimizing the important progress this program represents, there are at least two issues to (re)consider or (re)discuss to break the unequalizing process targeting exogenous variables like place of origin or habitability conditions:

- The first is related to the focal axis, as it is defined base on the recipients but does not take into account the provision and quality of service provided by the offerer; it is indisputable that it is an important progress to alleviate the vulnerable situation of children and adolescents, and to improve on the income of such households in every corner of the country.

However, they need to work not to limit it exclusively to the conditionality of the demand, and to also take into account improving the quality/quantity of the offer.

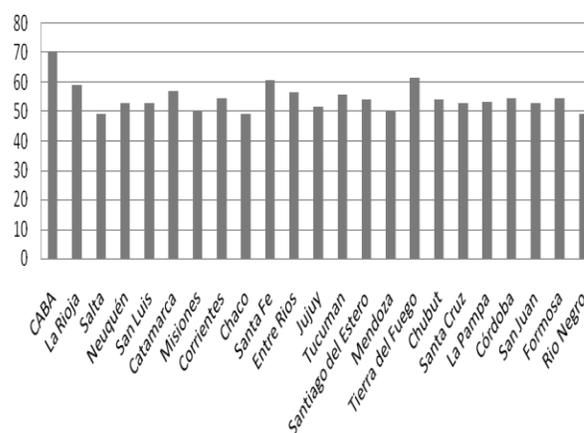
The key issue of the inequality in education lies in the quantity but above all in its quality. If there is not enough investment in the public system, which the system that can close gaps, then the effort is not enough, especially if we consider that this is a national program and the funding for the offer is mainly subnational (thought the nation collaborates with specific programs, elementary school and high school is decentralized to the subnational governments, which means they are responsible for the funding). Additionally the access conditions or distance to the establishments varies according to the place of living (village, town, municipality, county, region), and the infrastructure, materials, and the quality of the service are very uneven (if we analyze wealthy regions in contrast with the poorer regions) which results in a disparate use of the education opportunities all throughout the country. It is not only a matter of offering the opportunity, but also a matter of “giving an opportunity to the opportunity”.

This means working hard and in coordination to take care of the endogenous capacities of the state and private structures that provide the service.

The second issue invites to a deeper reflection, subject to an analysis that we will not develop in this item, but that we would like to highlight nevertheless... and that is that coward and discriminatory voices may lie behind the criticism to the redistribution of this programs and hidden behind concepts such as freedom of choice, economic self-determination, federalism, and competitiveness.

These voices come from groups that instead of thinking in strengthening the system and the programs proclaim an alleged responsibility for the poor to overcome such poverty because they have been given an opportunity, and they have wasted it.

Moreover, this responsibility can transcend the sphere of the home and be raised as an element of social responsibility or cultural growth of the country, given that poverty would hinder such attainment. That is, the poor would end up being responsible for their condition and therefore for the country not growing as much as expected.



Graphic 3 Completion of Secondary Education

There are other variables that we might consider to analyze the regional asymmetries, mainly on a second level territorial scale, or more specific; and the current challenge of the Argentina Republic and the American continent in general in the fight against inequality of opportunities and opportunity hoarding – with regards to the access to public services, see Rezzoagli y Bazza (2013). To further deepen in the regional inequalities regarding formal employment and the generation of the gross geographic product, see Rezzoagli y Gamberg (2014).

However, to the ends of this paper, we consider accomplished the challenge of demonstrating the existence of horizontal inequalities that imply a strengthening of the existent programs, and a rethinking of their scalar relations of management.

Fiscal Federalism as a Problematic Phenomenon

Porto (2004: 41) establishes that fiscal federalism is a theory that studies the problems with the assignment of functions, and sources of funding among the different government levels, from a vertical organization view, where the main debate is the centralization or decentralization of the fiscal decisions and competencies.

Stiglitz (2002) states that fiscal federalism can be seen as the distribution of financial responsibilities between the central, regional, and local administrations. For Oates (1999) it mainly refers to 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 between the different layers of government given their jurisdictional autonomy.

Some authors put the main emphasis on spending efficiency (Avila, 2002), that is, achieve effective and measured relationship between public needs and expenses that must be done accordingly to meet or deal with them.

There are authors that lay the main emphasis on the spending efficiency (Ávila, 2002), that is achieving an effective and measured relationship between public needs and the expenses to cover or face these needs.

Evidently, functions such as promoting monetary and exchange stability correspond to the national government because they are closely related to the national territory and also there is a need to perform uniform actions in all the country. But other functions that can be assigned to other communities according to the problems and needs they solve, with or without external consequences for other territories, that may have distributive or redistributive character, etc, bring up the question of which is the most appropriate instance of the government to perform them.

The latter is according the mentioned doctrinal current, is the main basis for the analysis of fiscal federalism, as a theory that analyzes intergovernmental relationships, which, of course, affects the way of funding or obtaining resources related to the public expenditure growth (Rossingnolo, 2002).

We must state that fiscal federalism should not be understood as a theory that exclusively studies and develops the vertical relationship between the national government and the subnational instances; it does not refer either to the power struggle that exists or might exists between two or more autonomous governments, it should also analyze the horizontal relationship between the subnational instances with each other; these are two sides of the same coin. (Rezzoagli, Bazza, 2012).

The Complex System of Joint Competence

Section 75 of the Argentine Constitution, in its second item states regarding the power of the Congress:

“To levy indirect taxes as a power concurrent with the provinces. To levy direct taxes for a specified term and proportionally equal throughout the national territory, provided that the defense, common security and general welfare of the State so require it.

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The taxes under this subsection are subject to joint participation, except for those which, in part or in all, have specific allocation. An agreement-law based on understandings between the Nation and the provinces shall establish systems of joint participation for these taxes, guaranteeing the automatic remittance of funds. The distribution among the Nation, the provinces and the City of Buenos Aires, and among themselves, shall be carried out in direct relation to the jurisdictions, services and functions of each one of them taking into account objective sharing criteria.

It shall be based on principles of equity and solidarity giving priority to the achievement of a similar degree of development, of living standards and equal opportunities throughout the national territory...”.

In this way, it limits the taxing powers of the nation and the provinces, and establishes the competence of the nation and the provinces regarding indirect taxes and reserves for the provinces the tax jurisdiction in relation to direct taxes. However this will not prevent the nation to enforce them -for a fixed amount of time- when required by the defense, common security and the general well being of the state. This constitutional section is related, among others, to section 75 item 18, section 75 item 19, and section 125, that provide a framework for the exemption power, and law 23548 of joint participation.

From a historic point of view, the organization of the fiscal relationships between the nation and the provinces can be divided, according to Fernández (1999: 33), into two main periods:

- The first period takes place between the creation of the national state in 1860 and 1935. The main characteristic of this period is the lack of any form of fiscal joint participation; therefore, the central authority as well as the subnational authorities were self sufficient through the use of their own resources following the rules established by the constitution of that time.
- The second period that takes place from 1935 to the present is characterized by fiscal joint participation agreements. In 1935, a fiscal joint participation agreement for specific taxes is established for the first time (in 1952 they included the tax to the free transfer of assets).

In 1973 the existing systems are unified and for the first time in the history of the nation, a percentage is fixed for the nation and another percentage is fixed for the provinces.

In 1988 the law 23548 is passed, putting an end to an intermediate stage of joint participation anarchy that began in 1983 with the abandonment of the previous system; the third section of this law states that the total amount of the proceeds from the taxes referred affected by this law will be distributed: 42.34% for the nation, 54.66% for the group of provinces that adhere to this law, 2% to recover the relative level of the provinces it mentions, and 1% to a fund for contributions for the National Treasury (fondo ATN).

With regard to the distribution of spending responsibilities, Argentina acknowledges two marked periods:

- The first one starts with the national organization -last quarter of the XIX century- and is characterized by a growing national public spending, which was often done at the expense of functions that according to the National Constitution were an exclusive concern of the provinces. As a result of these processes, a spending pattern that assigned approximately 75% of the total spending to the nation and 25% to the provinces was structured. These rates were sustained almost for a century, in spite of the deep changes that took place in the public sector during this period.
- By the early 60s this trend began to reverse as a result of different decentralization plans. The provinces took on new roles, some of them through delegation, such as education and health, and others that compete with the private sector.

For over 50 years we can verify a gradual increase in public spending in the provinces without a comparable increase in their correlative joint participation income, which allows us to confirm the decentralization of spending as an important feature of the Argentine fiscal federalism and the tendency to sustain this in the future.

In practice, most taxes are collected by the nation and are joint participated afterwards, provinces collect four main taxes (property tax, automobile tax, stamp duty, and gross receipts tax) that enables them to afford in average a third percent of their spending.

Although with marked differences between jurisdictions, the rest is done through joint participation, other transfer from the central government, debt and, in some provinces, with royalties related to the existence of important natural resources.

For reasons of administrative efficiency and economies of scale in the collection, in a division of functions and resources between different levels of government, where decentralization is feasible essentially function or allocative branch of the budget, the implementation of broad-base taxes or dynamic taxes to the central government is suggested; while the fix-based taxes that are can be geographically divided should remain in the regional or intermediate sphere (Asensio, 2001).

The result is a concentrated schema with a strong vertical fiscal imbalance that has to be covered by transfers of the surplus in resources, where the national government collects more than 80% while their share in the public spending barely exceeds the 50% (Rubinzal, 2010).

The mentioned item 2, first part, of section 75 from the National Constitution, should be understood in harmony with the statements in items 12, 13, and 18 from section 75, when they respectively make reference to the passing of background legislation; the authority to regulate the international and interprovincial commerce and the so called "progress clause" thanks to which the federal Congress was able to establish exemptions of local taxes to certain activities for national interest purposes. Also, fundamentally with item 19, through the incorporation of a new mandate that was already implied in the constitutional text.

There it says that it is a responsibility of the Congress "... To provide for the harmonious growth of the Nation and the settlement of its territory; to promote differential policies in order to balance the relative unequal development of provinces and regions..."

This ruling makes explicit recognition of the existing regional asymmetries, and the state's duty to act to fight these asymmetries, which is directly related to the established in paragraph 2 of the same section 75 of the constitution, which states for the distribution of resources that make up the joint participation mass "...it shall be based on principles of equity and solidarity giving priority to the achievement of a similar degree of development, of living standards and equal opportunities throughout the national territory..."

Today, legally, the regime precariously rests on two rules:

- Section 15° of law 23.548 that establishes the automatic extension of its validity "in the absence of a replacement of the current regime."
- Laws 24.699 and 24.919 that according to the exposed extend the fulfilling of the pact's clauses for the production, employment and growth..." (Dalla, 1998, pages 20 and 21).

However the constitutional mandate of item 2 section 75 of the National Constitution, in its second part, states that the joint participation mass of resources should be defined through "...An agreement-law based on understandings between the Nation and the provinces shall establish systems of joint participation for these taxes, guaranteeing the automatic remittance of funds.

The distribution among the Nation, the provinces and the City of Buenos Aires, and among themselves, shall be carried out in direct relation to the jurisdictions, services and functions of each one of them taking into account objective sharing criteria..."; the fact is that to date the temporary mandate that imposed by the transient sixth clause of the constitution has not been respected.

This adds complexity to the distribution mechanism, since it the agreement law was not passed and is replaced by a set of rules and agreements with various distribution criteria. Due to the absence of an agreement law, the primary distribution of joint participation taxes must necessarily be detailed according to each of the rules involved in the system. In this context Law N° 25.570, established that the distribution of resources after 03/01/2002 should be done according to the following schema:

- According to Law N° 23.548 of Joint Participation of Taxes the primary distribution is: 42.34 % for the national treasury, 56.66 % for the provinces, and 1 % for the Ministry of Internal Affairs (Fund of contributions from the national treasury to the provinces - ATN).
- However the state retains 15% from the mass of joint participation taxes, by N° 24.130 and 26.078, for the payment of national social security duties and other operational expenses, and the sum of \$45.8 million per month, to distribute among provincial states.
- Additionally, some taxes have a previous distribution mechanism described in each of them, for example: Laws 20628 and 20078 about the Income Tax; Value Added Tax - Law n° 23,966, section 5th, item 2 and Law N° 26,078; Domestic Taxes - Law N° 24,674: except Insurances; Tax on the Transfer of Property for Individuals and Undivided Estates - Law n° 23,905, Title VII; Emergency Levy on Certain Game Awards from Sweepstakes and Sport Contests - Law n° 20,630 and its modifications.

And many others that because they have specific assignments (section 75, item 3, National Constitution), are not part of the primary joint participation mass described in item 3 from Law 23548.

During the 90s the national government and the governors from the provinces endorsed the so called Fiscal Agreements. On August 12th 1992 they celebrated the Agreement between the National Government and the Provincial Governments with the goal of funding the national social security duties. On that occasion it was considered necessary to remove a percentage (15%) from the joint participation mass (“pre-joint participation”: before proceeding to its distribution) which was specifically affected to this objective. This agreement is known as Fiscal Agreement I.

On August 12th 1993 the President of Argentina and the governors from the provinces signed the Federal Agreement for Employment, Production and Growth. This agreement was ratified by the National Congress in a particular way, and by the provincial legislatures. It established the subsumption and extension of the first Fiscal Agreement (signed a year before) and a series of duties for both levels of government: some of immediate fulfillment and others of progressive fulfillment. This agreement is known as Fiscal Agreement II.

In our days, the mentioned agreement is under judicial attack from different provinces that claim among other reasons, that it no longer serves any purpose after the nationalization of the national retirement and pension system that left behind the private AFJP system.

In turn, Santa Fe, and subsequently Cordoba and Corrientes, initiated legal action before the National Supreme Court of Justice filing a complaint against the referred agreement, and in the specific case of Cordoba, stopped contributing with 15% to the social security system. The latter province also entered another tax dispute with the national government when it created, almost at the end of 2012, the “road tax” that applies to fuels in that province. This tax was reported to the National Supreme Court by the National Ministry of Economy for considering it (materially) an undemocratic and unconstitutional tax.

With the sanction of law N° 25,570 on 5/3/02, the national government ratifies the “Nation-Provinces Agreement on the Financial Relationship and the Basis for a Tax Joint Participation Regime” that was celebrated on 2/27/02.

This allowed provinces to improve their relative fiscal position (in the post crisis 2001 moment) given that they could return to the previous regime, the federal commitment from 1999 (law n° 25,235 sanctioned on 12/15/99 and published in the Official State Gazette on 1/7/00 that ratified the agreement subscribed between the national government and the provinces elected governors, denominated Federal Commitment that was carried out on 12/6/99) of automatic distribution and by coefficient, and by the lowest payment of services that was a result of the debt swap and the 15% limit in the allocation of the joint participation for the payment of debt services

However, an important fact that since the mid-twentieth century until now Argentina’s tax structure has made very little progress on reforms aimed at improving income distribution. On the contrary, a great part of the adopted measures had regressive effects, that is taxes create inequality (Nun, 2011).

On a strictly tax collection scope we can reflect upon two important and representative taxes for the country, one of them supposedly progressive and the other regressive. Firstly let us analyze the Income Tax (companies and individuals) that in percentage of the GDP is almost three times inferior to those of the central countries, even if the tax collection increased in the last years to an average of 6%. A problem with taxes is evasion, estimated above 50%. If you add tax avoidance and the lack of real political will for a progressive collection (because of competency considerations that escape the notion of tax justice itself), the result is that a substantial part of this tax is simply not collected. Those who cannot escape it are registered and formal workers, because it is directly discounted from their salaries. Thus 80% of the collection of the income tax comes from the salaries and only the remaining 20% comes from other sources.

There is no doubt that the cause of the disparity is the numerous exemptions that benefit the capital gain of the individuals, such as the ones generated from the buying and selling of stock shares, from dividends, from the financial transactions, from the interest on government securities, etc. These tax exemptions were eliminated in the region by Brazil, Chile, Uruguay, Colombia, Mexico and Paraguay (Nun, 2011).

The VAT has an average collection level close to 10% of the GDP, added to the sales taxes charged by provinces and that equal a 3% of the GDP.

In this way, the total consumption taxes duplicate what is collected for the income tax, placing Argentina above the Latin American average, as well as the average of the countries of the OECD, however the aforementioned magnitudes are balanced when export rights – withholdings- are incorporated. In turn, the evasion on this tax is high and hard to fight.

If the evasion decreased to the rates in Chile for example, then the general fee of 21% could be lowered between 6 and 8 percentage points.

The redistribution of income in Argentina is undoubtedly progressive, but this is mainly due to the increase and restructuring of the public expenditure. If we use as benchmarks the years between 1997 and 2010, we can see that it increased significantly from 30.3% to 45.5% of GDP. In the same way, the allocation for health and family allowances were duplicated in average. Of course from 2010 to 2015 that progressiveness remained being a characteristic of the public expenditure, mainly of social type, and these percentages were increased to date.

However, the structure of the tax system has not been substantially modified, although they had to appeal to a series of tax measures that made it possible for the aforementioned increase in spending, such as the inclusion of export duties, the tax on banking transactions, the increase in the share of the income tax due to grow tax base caused by the rise in income and prices, and the elimination of the individual capitalization regime for the social security system. There is no doubt that the current challenge in tax collection matters is the need to promote a greater equality through a deep tax reform.

The (Re) Distributive Positioning in Relation to the Public Spending

Federalism is more than a historic event or a regulatory requirement, it is a definition of a life style of equality of opportunities, of even and sustainable development, of growing based on our own strength and weaknesses with the conviction of support and protection from other levels of the government.

We cannot fail to mention that under solemn invocations of federalism we hear voices that threaten solidarity and the possibility of a horizontal harmonic integration, just to mention the statements of the various political leaders of economically successful regions who angrily demand that the resources be distributed according to the contribution of each jurisdiction.

The previous vision that addresses the fiscal correspondence in an unorthodox way in a fiscal joint participation environment, even if well-founded and respectable from a certain field of discussion (fight against political clientelism, fight against the tax illusion between what actually is collected and what it is spent, the need to develop strategies to improve the effectiveness of the tax system, etc.), is functional to the perpetuation of acute territorial asymmetry that currently exists in Argentina, where population and productive distribution is highly unequal.

How to achieve a greater equality of conditions in a capitalist society like ours which, by definition, is generating inequality? Fundamentally, through public spending aimed at income redistribution, but without forgetting the need to progressively make the revenue collection systems more effective. Therefore, the focus should be given to the horizontal leveling, that is maintaining or encouraging a subnational adjustment.

The fiscal correspondence and a giving-back vision of fiscal and financial relationships between different scalar spheres is valid and adequate when the competence features are similar between subnational entities; but in a clear situation of regional asymmetry this vision threatens the possibility of citizens living peripheral areas to enforce their constitutional rights and enable their development.

It would be like organizing a race and placing a Formula 1 car and a bicycle at the starting line and waving the checkered flag. Evidently there is no other result than the hoarding from the Formula 1 car, of all the opportunities the race represents.

While there are negatives in redistribution, such as the mismatch between what is provided and is obtained, the clientelism that favors subordinate political relationship rather than economic and administrative efficiency, the fiscal illusion between what is collected and what it is spent, and the uncertainty in the long-term maintenance of the abundance of resources due to the lack of a system of legitimate and effective accumulation; these disadvantages are a lesser evil compared to the equalizing possibility to reduce these asymmetries. Precisely a well implemented redistributive system over time tends to overcome these negative aspects that appear at the beginning with gradual processes of incorporation of competencies. The Canadian experience where the least favored regions (such as Nova Scotia or New Brunswick) receive more funds than the wealthier provinces (such as Alberta or Ontario), provides us an example of equalization that we must take into account.

According to ECLAC (2013), this progressive evolution of public social spending from 2005 to date, is related to the strengthening of social programs, particularly those aimed at fighting poverty, which include mechanisms to make direct transfers to homes.

They are also related to the efforts to achieve universal primary education, extend the coverage of secondary education, and increase the access to the public health system. Even if the increasing tendency in the public social spending is present in almost all countries in the Latin American region, their levels as well as their composition are different.

In Bolivia, Ecuador, Guatemala, Honduras, Nicaragua, and Paraguay the annual spending per capita does not exceed the 300 dollars. While in various countries from South America such as Argentina, Brazil, Uruguay, Venezuela, Costa Rica, and Panamá, the public social spending exceed the 1,000 dollars per inhabitant.

Internal migration is an essential element in the process mentioned above, as Tiebout (1978) pointed out, the mobility of citizens in search of better living conditions, and the decentralization of public provision are the basis for the mechanism of choice described as free rider or "vote with the feet", that is the shifting to territories that provide better development possibilities.

In this way, we assume that if individuals are perfectly informed and have not restrictions for geographic shifting, then each person can chose the most favorable market conditions as well as the combination of public services (health, education, security, etc) offered by the different subnational governments, that better adjust to their personal preferences.

Compared to what happens in other federal countries in the World, the asymmetries between the provinces in the Argentine Republic are still very striking to date. Evidently Argentina does not escape to the general Latin American context, which the ECLAC considers the most unequal continent in the World.

The asymmetric distribution between spending responsibilities and interjurisdictional taxing powers is the result of a long historical process. The discursive constructions that argue the need to reverse this situation through a decentralizing discourse and a new division of taxation powers, without regarding this factor, ignore the strong territorial concentration on building national wealth, and therefore, are partial and inconsistent.

Final Considerations

Having passed more than 20 years since the reform of the constitution, without fulfilling the transient clause sixth, and in spite of the progress made in the decrease of poverty and consolidation of the middle class since 2001 to the present.

There are still great imbalances regarding the equality of opportunities between the different regions of the country. This is a great challenge and a priority agenda for the state.

The development and implementation of the fiscal federalism must necessarily addresses the horizontal leveling of opportunities in the different regions of the country, as the main premise for the vertical structuring of competencies and the improvement in the efficiency of the public spending, from an ascending and coordinated point of view. Implementing the constitutional mandates leads to continue to have a coordinating national government, which implies that, far from defending the positions that tend to favor the decentralization and the autonomy of subnational regions with respect to each other, and with respect to the central government; we should deepen the equalizing redistributive system from with the national level, and for its own sake.

An important challenge is to give greater implication to the bottom-up process in the configuration or reconfiguration of public policies, currently marked by discretionality, in order to pursue consensual policies and decisions that feel close to the citizens all throughout the country.

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