



In November, 2007, as Argentina's first lady and President-elect, Senator Cristina Fernandez de Kirchner walks past an honour guard at the Chilean government palace in Santiago.

## Kirchners swap keys to Argentina's executive suite

Husband-wife rotation could see Mr. Kirchner return to power in four years

BY MIGUEL BRAUN AND MARTIN ARDANAZ

**A**RGENTINA'S FORMER SITTING president, Nestor Kirchner, helped his wife Cristina take the presidency of Argentina on the first round of presidential elections last October, winning 45 per cent of the vote.

For anyone unfamiliar with Argentine politics, this might seem surprising.

However, Cristina Kirchner didn't arrive on the coattails of her husband – she was a senator and before that a

deputy in the national legislature and in the provincial legislature of Santa Cruz.

Since taking power she has appointed Martin Lousteau, the president of Banco de la Provincia de Buenos Aires, as economy minister in a bid to show her readiness for any downturn in the economy. Nerves remain frayed from Argentina's recent extended economic crisis of the early 2000's.

In November, her defence minister,

Nilda Garre, fired the chief of Argentine military intelligence after hearing a tape of a phone call from the chief saying that the minister had to go. The new president has also weathered an election campaign scandal around allegations that money from Venezuela helped put her in office.

This succession to power by the wife of the former president can be explained in part, at least, in light of Argentina's political economy. Understanding the interaction between economic shocks and political institutions helps in grasping key aspects of the outcome of the 2007 national elections.

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Ms. Kirchner's election was aided by the severe fragmentation of the opposition. Her nearest rival in the elections last Oct. 28 was Elisa Carrió of the Affirmation for an Egalitarian Republic Party, who received 23 per cent of the vote. The former Minister of Economy and Production, Roberto Lavagna of the Radical Party, came third with 16 per cent. A distant fourth was Alberto Rodríguez Saa of the Justice, Union, and Liberty Front Alliance who received less than eight per cent.

Argentina is a federal democracy with a presidential form of government and a bicameral legislature. The federation consists of 23 provinces and a semi-autonomous federal capital. Presidents are chosen directly in a single, nation-wide vote that includes a runoff system requiring 45 per cent of the valid votes, or 40 per cent with a margin of at least 10 per cent over the runner-up, for first-round victory.

### Presidents have leeway

Presidents are vested with considerable legislative powers, including a strong veto and executive-decree authority. They also enjoy substantial leeway in unilateral policy action, especially throughout the budget process.

But, in Argentina, the president does not govern alone. Presidential power is counterbalanced by strong federal institutions and powerful governors. From this election onward, however, provincial influence will decline because elections for president and for the national legislature will be held on the same date. With both elections the same date, the fate of candidates for the legislature will be linked to their party's presidential candidate, not to their party's candidate for governor.

To understand the workings of Argentine-style federalism, five key features need explaining. First, provincial governments are important political and administrative entities.

They dictate their own constitutions (including electoral rules), enjoy policy-making authority over vital areas of public policy (education, health), control large budgets, and are also in charge of executing national public policies such as welfare programs. This policy-making and implementation authority is complemented by the Constitution's residual power clause, which states that provinces reserve all powers not delegated to



Argentina's President Cristina Fernandez accepts a gift from Venezuelan President Hugo Chavez in Buenos Aires on her first day in office, Dec. 11, 2007.

the federal government.

Second, provinces serve as electoral districts for congressional elections. The fact that electoral districts are identical to provincial boundaries makes the province the locus of party competition and political support base for politicians and parties.

Congress is composed of a Chamber of Deputies and a Senate. The 257 deputies are elected from party lists under a proportional representation formula for four-year terms. On the ballot, voters choose a list, not the individual candidates. But in fact, small provinces are over-represented because the electoral system also establishes a minimum of five deputies per province. The Senate consists of 72 directly elected members, with three senators per province serving six-year terms.

Under this system, the number of votes it takes to elect a senator in the District of Buenos Aires is much higher

than the number of votes it takes to elect a senator in one of the rural provinces. Studies also show that the country has a high degree of unequal representation in the lower chamber.

### Slums surround capital

Third, Argentine federalism is characterized by large regional disparities. The 23 provinces and the Federal District of Buenos Aires vary greatly in size and wealth. In 2004, the four largest provinces, Buenos Aires, Santa Fe, Cordoba, and the City of Buenos Aires, accounted for 63 per cent of the population, and 72 per cent of GDP. Furthermore, GDP per capita was on average 40 per cent higher than in the rest of the provinces.

Even in these more developed regions, social problems are acute as vast pockets of poverty surround the major cities. In the province of Buenos Aires, there are densely populated slums outside the federal capital.

The four largest provinces elect 17 per cent of the Senate and in the lower chamber they elect

51 per cent of all representatives.

Fourth, political parties are usually coalitions of provincial party organizations. This is especially the case with Argentina's two traditional parties: the Partido Justicialista (the Peronists) and Unión Cívica Radical (the Radicals). These parties have dominated the electoral landscape and occupied main public offices for the last 60 years. The Peronist party has enjoyed more extended national presence than the Radicals, backed by more stable and broader sub-national coalitions.

A second group of parties consists of minor national parties, who have achieved a certain degree of national presence (representation in the Lower Chamber) since 1983, but have consistently failed to consolidate and extend their base of support beyond the capital city and the province of Buenos Aires. These provincial parties are the third group of Argentina's party system: each

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is an important player in only one province where it is often the dominant or main opposition party.

Finally, electoral rules and party practices make provincial party leaders key players in national politics. The way it works is that the lists of candidates are drawn up by each party at the provincial level. Because the provincial party leaders control candidate selection, national legislators' careers are heavily influenced by sub-national party leaders, who are usually provincial governors.

### Governors are kingmakers

Clearly, provincial governors play a key role in national policymaking. For example, since Argentina's return to democracy in 1983, five out of six presidents have been former governors.

And what governors care about is fiscal federalism. They care about this because they need the funds to pay teachers' salaries and keep hospitals running, as well as to finance their political campaigns. Most of that money comes through the common pool of taxes collected by the national government from joint and delegated tax sources.

Sub-national governments are responsible for almost 50 per cent of consolidated public spending (actually two-thirds of total spending if pensions and interest payment on debt are excluded), but collect only 20 per cent of consolidated revenue. This represents a significant fiscal imbalance which is much greater in some provinces than in others.

This problem is addressed through a complex system of intergovernmental transfers. Most transfers are automatic and occur under the federal tax-sharing agreement (called *coparticipación*), the process by which part of the taxes collected by the central government are reallocated to the provinces.

The possibility of a positive-sum federal game (in which both president and governors find it useful to co-operate) is more likely to occur during a strong

economy, which prevailed during former president Kirchner's mandate. Given the executive's power in the budget process, the availability of discretionary funds has made possible the exchange of fiscal resources for congressional support from governors.

Throughout his mandate, Néstor Kirchner strove to gather governors from different parties (Radicals, Peronists, provincial parties) under the government's umbrella. He mustered a solid provincial base for Cristina, his spousal

interests and vetoes clash.

Two additional factors caused the provinces to have less influence in this election. One was the timing of the elections. For the first time since 1989, presidential and legislative elections were held on the same day. Previously, governors set the date for national legislative elections and thus could affect who was elected.

In this election, the fates of legislative candidates were directly linked to those of their parties' presidential hopefuls rather than to gubernatorial candidates. Thus, with Ms Kirchner's first-round win, her party's alliance increased its already comfortable majority in the Chamber of Deputies by 20 seats (including allies) to 161 out of a total of 257. In the Senate, the government is lacking one vote to control two-thirds of the 72 senators.

And then there is the fact that not all provinces matter equally in a presidential election. Given that the president is elected in a single nationwide election, the key to success is securing votes in the most populous districts, in the Federal

District of Buenos Aires, the city of Buenos Aires, Santa Fe, and Córdoba.

Despite these caveats, the support of provinces will be essential for the government in the post-electoral period. After all, international and local observers agree that Argentina's growth rate will probably be lower over the next four years.

With moderate growth, the governors' support will be more expensive to Ms Kirchner and the new government's ongoing challenge is to keep a governing coalition together in what is expected to be a decidedly less buoyant economic environment. Stability is imperative, after all, if, as many pundits predict, Nestor Kirchner will in turn succeed his wife for the presidency when her term ends in 2011.



Former Argentine president Nestor Kirchner speaks to the press during Colombian hostage negotiations in Caracas in December 2007. The hostages were released by guerillas in Colombia in February 2008.

successor, who, besides being the wife of the previous president, has built a political career at both the sub-national level as a provincial legislator (1989-1995), and in the National Congress as a former deputy (1997-2001) and senator (2001-2005) for Santa Cruz and senator for Buenos Aires (since 2005). And Ms. Kirchner also chose a provincial governor from the Radical party - Julio Cobos, from Mendoza - to become part of the presidential ticket and run as Vice President.

### Resisting change

Although fiscal federalism as such was not a main issue in the campaign, all the candidates recognized the need for reforms in federal institutions in order to achieve long-term solvency and equitable development. However, all of this is easier said than done: a strong bias against change conspires against institutional changes in the federal fiscal arena as provincial and national government