SUBNATIONAL ELECTORAL CHOICE
Economic and Referendum Voting in Argentina, 1983-1999

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Are the policy failures of subnational officials reliably punished by voters, or do subnational elections instead pivot around national trends? This study attempts to shed new light on these questions by exploring subnational elections in the Argentine context. Building on a modified version of the referendum-voting model, our analysis suggests that the fate of candidates in both national and subnational elections is shaped by the performance of the incumbent presidential administration. At the same time, however, we also find evidence that voters respond to the policy choices of subnational governments, albeit in ways that attenuate, rather than strengthen, the nexus between policy responsibility and electoral accountability.

**Keywords:** economic voting; referendum voting; subnational elections; governors; Argentina

The literature on economic voting takes as its central point of theoretical departure the referendum-voting model, which explains electoral outcomes in terms of the performance of the incumbent presidential administration. If presidential approval is high and/or the economy is performing well, candidates of the incumbent party are expected to benefit at all levels of government. Conversely, the vote for candidates of the incumbent president’s party is expected to be negatively related to low approval ratings and/or deteriorating macroeconomic performance.

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Although the model performs well in explaining national electoral results both in the United States and the broader comparative contexts (e.g., Erikson, 1989; Kramer, 1971; Lewis-Beck, 1988; Lewis-Beck & Rice, 1984; Marra & Ostrom, 1989; Pacek & Radcliff, 1995; Powell & Whitten, 1993; Tufte, 1975, 1978), the relative importance of national conditions for understanding subnational electoral contests remains open to debate. Gubernatorial and state legislative elections are potentially insulated from national political and economic forces. Unlike presidents or national legislators, state officials cannot reasonably be held responsible for national policy successes or failures. Thus their fate should instead depend on policy performance at the subnational level. Yet evidence that voters actually draw distinctions between the roles of subnational and national officials and correctly assign political responsibility for policy outcomes is decidedly mixed.

A significant body of aggregate-level research on politics in the United States suggests that state electoral outcomes reflect swings in the national economy and/or presidential popularity (Chubb, 1988; Holbrook-Provow, 1987; Peltzman, 1987; Piereson, 1975; Simon, Ostrom, & Marra, 1991), but there is also evidence that voters take state-level performance into account when casting their ballots for subnational officials (Adams & Kenny, 1989; Lowry, Alt, & Ferree, 1998). Survey data exploring these issues at the individual level of analysis have failed to resolve the issue. Whereas some researchers find that voters differentiate among the functional responsibilities of public officials and cast their ballots for state and national officials, respectively, in accordance with the health of the subnational and national economies (Carsey & Wright, 1998; Howell & Vanderleeuw, 1990; Partin, 1995), others suggest that voting in gubernatorial elections reflects evaluations of national performance (Simon, 1989; Stein, 1990) or a combination of national and state-level evaluations (King, 2001; Svoboda, 1995). Still others (Atkeson & Partin, 1995; Squire & Fastnow, 1994) report that voting in gubernatorial elections responds to evaluations of the state economy, but they find no evidence of retrospective economic voting for candidates competing for national office at the state level. These inconsistencies are compounded by debates over the extent to which presidential popularity, party evaluations, and voter perceptions of economic performance should be treated as equal independent variables or assessed through models capable of capturing the influence of economic perceptions on partisanship and presidential approval (MacKuen, Erikson, & Stimson, 1989).

The relative sensitivity of subnational elections to local and national conditions is a significant empirical issue. If the electorate punishes subnational officials for national policy outcomes while ignoring their success or failure in managing the local economy, democratic accountability is likely to be
highly attenuated. Subnational officials would have few incentives to attend to the concerns of the local electorate, improve policy performance, or otherwise address collective interests. The issue takes on particular importance in an era of political decentralization. Around the globe, state and local governments are assuming greater responsibility for the provision of public goods. The usual presumption is that decentralization will result in increased accountability for the efficient provision of services. But if elections at the subnational level are determined by considerations other than subnational performance, the idea that decentralization will result in a closer match between citizen preferences and the allocation of public resources is highly questionable. The responsiveness of the vote to policy performance at the subnational level thus has major implications for the meaning and significance of political democracy, especially for countries in which subnational government spending accounts for 50% or more of total public spending.

At the present state of research, it is difficult even to begin speculating about these and related sets of issues. Not only have studies exploring the nexus between performance and electoral outcomes at the subnational level yielded inconsistent results but also the literature has largely been limited to the analysis of elections in U.S. states. The conditions under which subnational performance shapes electoral outcomes thus represent a significant question, as does the broader theoretical relevance of a body of research largely limited to a single national context.

This study attempts to shed new light on these questions by extending the analysis of subnational voting to Argentina. Drawing on a modified version of the referendum-voting model, our research suggests that the fate of candidates at all levels of government is shaped by the performance of the incumbent presidential administration. At the same time, in exploring the impact of provincial fiscal policies and economic performance, we also find evidence that voters respond to the policy performance of subnational governments, albeit in ways that attenuate, rather than strengthen, the nexus between policy responsibility and electoral accountability.

THEORETICAL FRAMEWORK

To what extent does the literature on economic voting establish a basis for understanding subnational electoral outcomes? Do electoral results at the subnational level of government respond to national economic and political trends rather than local conditions? Are the policy failures of subnational officials reliably punished by voters? To address these questions, we draw on a modified version of the referendum-voting model. In accordance with prior
research in the U.S. context (e.g., Stein, 1990), we begin by assuming that subnational electoral outcomes reflect national economic conditions and/or presidential approval ratings. We also assume that the relative vulnerability of candidates for public office to fluctuations in national economic conditions will depend on partisan affiliation to the party of the president. Weak national macroeconomic performance is thus expected to exert a negative influence on the vote for state-level candidates affiliated with the party in power at the national level. By the same token, positive economic conditions at the national level are expected to bolster the electoral fortunes of in-party incumbents at all levels of government. Building on findings that state-level economic conditions influence subnational electoral outcomes (e.g., Atkeson & Partin, 1995; Carsey & Wright, 1998), we further assume that subnational performance is electorally important, albeit not necessarily in ways that reinforce democratic accountability. Building on the logic of the referendum-voting model, which offers the most parsimonious and rigorously substantiated account of subnational electoral outcomes, we assume that voters do not ordinarily draw accurate distinctions among the policy responsibilities of public officials, such that both national and subnational economic successes or failures are likely to be attributed to the policies of the presidential party.

In developing a theoretical framework to address subnational electoral outcomes, however, we attempt to move beyond the limitations of a simple referendum-voting model, whose underlying assumptions are questionable. The central difficulty is that the model is constructed around an intrinsically implausible bottom-up account of democratic accountability that results in a political world largely devoid of politicians, campaigns, institutions, or anything resembling strategic political calculus or manipulation. These limitations have been underlined by research in the U.S. context showing that the model establishes a weak basis for understanding electoral behavior in midterm elections (Erikson, 1989) and neglects questions involving political strategy and manipulation (Gerber, 1998; Jacobson, 1989; Marra & Ostrom, 1989; Ragsdale, 1984), including distributive political activity (Bickers & Stein, 1996; Stein & Bickers, 1994). From a broader comparative perspective that encompasses the study of political systems with “clientelistic” parties and/or less sophisticated electorates, these limitations are highly problematic.

We attempt to overcome these weaknesses of the referendum-voting model by developing a more fully integrated but still parsimonious account of electoral outcomes that addresses the issue of strategic political manipulation. The model assumes that over and above questions of shifts in presidential popularity and/or economic performance, electoral outcomes at the state level will be influenced by the efforts of national and subnational politicians to manipulate electoral outcomes through distributive spending.
Specifically, we seek to test six hypotheses:

**Hypothesis 1:** The vote for candidates of the incumbent president’s party at the subnational level will vary directly with national economic performance.

**Hypothesis 2:** The vote for candidates of the incumbent president’s party at the subnational level will vary directly with subnational economic conditions.

**Hypothesis 3:** The greater the relative flow of national revenues to the subnational level, the greater the support for candidates of the incumbent president’s party.

**Hypothesis 4:** The higher the level of subnational deficit spending, the greater the vote for candidates of the incumbent president’s party.

**Hypothesis 5:** Support for candidates of the incumbent president’s party at the subnational level will decline with opposition party control of the subnational government.

**Hypothesis 6:** The vote for candidates of the incumbent president’s party will decline during midterm elections.

The first hypothesis is derived from the established literature on referendum voting (e.g., Tufte, 1975, 1978). The second hypothesis builds on recent U.S. literature, which suggests that voters take subnational as well as national performance into account when casting their ballots for subnational officials. Given the potential difficulties that voters may experience in distinguishing between the responsibilities of national and subnational governments, however, we expect that subnational policy successes will redound to the benefit of the president’s party rather than to the party in control at the subnational level. Likewise, adverse subnational economic conditions are expected to work against the electoral fortunes of the president’s coreligionists, even when the responsibility belongs elsewhere. The fourth, fifth, and sixth hypotheses are built on the assumption that politicians attempt to influence electoral outcomes. In accordance with the logic of political business cycle theories (e.g., Nordhaus, 1975), we also expect voters to respond positively to expansionary fiscal policies. For the same reason that positive economic conditions at either the subnational or the national level are expected to enhance the position of the president’s party, however, we expect that voters will blame or credit that party with public spending decisions rather than distinguish between federal and subnational budgetary processes. Hence federal largesse will enhance the electoral fortunes of candidates belonging to the in-party as will subnational deficit spending. We also expect that candidates of the incumbent president’s party will achieve higher levels of electoral support in subnational units where their coreligionists are in charge of the executive branch and positioned to channel resources to their benefit. Finally, we assume that the vote for the president’s party will reflect coattails effects and tend to decline in midterm elections.
Our basic model assumes the following form:

\[ V_t = b_0 + b_1X_{1t} + b_2X_{2t} + b_3X_{3t} + b_4X_{4t} + b_5X_{5t} + b_6X_{6t} + b_7X_{7t}, \]  

(1)

where \( V_t \) = the percentage vote received by the party of the incumbent president; \( X_{1t} \) = national economic performance; \( X_{2t} \) = subnational economic performance; \( X_{3t} \) = federal spending at the subnational level; \( X_{4t} \) = subnational deficit spending; \( X_{5t} \) = opposition control of subnational government; \( X_{6t} \) = midterm election; \( X_{7t} \) = first-order lag of the dependent variable.

The model thus incorporates the basic elements of the traditional economic voting literature while simultaneously controlling for other variables of potential relevance to subnational elections. In the latter respect, the model differs significantly from others found in the literature that have examined national but not state economic conditions (or vice versa) (e.g., Holbrook-Provow, 1987; Partin, 1995) or that have addressed economic performance while neglecting the strategic manipulation of the economic environment through distributive spending (or vice versa) (e.g., Bickers & Stein, 1996; Piereson, 1975).

**DATA AND METHOD**

Data for the analysis are drawn from the study of electoral outcomes at the provincial level in Argentina since the transition to democracy in 1983. Argentina was selected for this analysis for both theoretical and methodological reasons. First, and most important, focusing on Argentina makes it possible to explore the subnational applicability of economic voting models outside the context in which they were originally developed. Obviously, it is only by extending the comparative horizons of research that we can begin to assess the broader theoretical relevance of the literature on subnational voting in the United States. Argentina is a particularly useful case for this purpose, not because it is in any sense a representative political system but because it simultaneously evinces important political similarities and differences with the United States that are relevant to the study of subnational voting.

Like the United States, Argentina has a federal system made up of political units that hold regular elections for both subnational executive and legislative office. As in the United States, political power is also decentralized, allowing governors to play significant roles in national politics and to emerge on a regular basis as leading contenders for presidential office. The Argentine provinces are also important administrative units that play a pivotal role in the
delivery of public services. By 1994, the provinces accounted for more than 90% of public expenditures on primary and secondary education and public housing, 57% on infrastructure and services, 74% on public health, and 50% on public safety and justice (Inter-American Development Bank, 1994). The relative importance of the provincial political arena thus establishes a significant basis for exploring subnational voting in Argentina. From the perspective of referendum-voting models, a political system in which subnational politicians enjoy both national visibility and major policy responsibilities resembles a least likely case.

At the same time, there are theoretically interesting differences between the relative autonomy of subnational political units in Argentina and the United States. Whereas the ratio of own-source revenues to spending in U.S. states approximates 124%, creating a high level of fiscal autonomy vis-à-vis the federal government, the Argentine provinces, along with states in other federal systems such as Australia, Brazil, Canada, India, Mexico, and Spain, depend on fiscal transfers from the center (Ahmad, 1997, pp. 2-3). The difference is of importance with respect to the question of electoral manipulation as well as the willingness and capacity of voters to distinguish between the responsibilities of national and subnational authorities.

In addition to these theoretical considerations, issues of data and method were important in the selection of the Argentine case. First, the Argentine provinces are sufficiently numerous and varied in terms of economic performance to allow for statistically meaningful analysis of subnational influences on electoral outcomes. Second, the question of data availability was of some importance. Evaluating the broader applicability of the referendum-voting model requires reliable data on a series of subnational electoral outcomes as well as a consistent data series measuring subnational policy performance. Both of these requirements are met in the Argentine case. In addition, the data available for Argentina allow us to assess both provincial and federal attempts to manipulate electoral outcomes through fiscal allocations.

Finally, the Argentine experience is also theoretically interesting and important in its own right. Over the past two decades, the country has undergone not only a transition to democracy but also a far-reaching process of political decentralization, which as indicated above, has placed the bulk of the responsibility for social service delivery at the subnational level. The relative responsiveness of the vote to subnational performance thus has major implications for the study of democratic accountability in Argentina as well as for broader debates over governmental decentralization.

The basic research design is pooled cross-sectional, time-series analysis, which allows us to compare the impact of national and subnational conditions on electoral results across provincial units, looking at data for the 1983-
1999 period. The dependent variable, the vote for candidates of the incumbent president’s party, is measured at the provincial level on the basis of two separate indicators: the first measuring the vote cast for candidates running for governor and the second the vote for provincial legislators. For the sake of comparing the variables shaping outcomes in national and subnational elections, we also include data on the percentage vote received by candidates of the presidential administration in elections for national deputies. The lagged dependent variable is included to address the issue of change relative to the previous election. Taking as our baseline the 1983 election, which marked the transition from dictatorship to democracy, the analysis thus assesses electoral change over four gubernatorial and up to eight provincial legislative elections in 23 provinces as well as provincial results for the election of national deputies.1

The operationalization of the independent variables included in our model is shaped by the limitations of the available data. For economic performance, we rely on data on the annual rates of national and provincial level unemployment, weighted for the month in which the specific national or provincial election occurred.2 Because Argentine survey data have consistently identified inflation and unemployment as the most electorally salient dimensions of economic performance in the post-1983 period, we also include in the estimations the monthly change in the consumer price index lagged 1 month with respect to the date of particular elections. The results of the analysis have also been cross-checked on the basis of data on national and provincial level GDP growth for a reduced number of years (utilizing annual data weighted to reflect the month of the national or provincial election). The results are weaker but otherwise similar to those reported below.

1. Missing data are a problem only with respect to provincial legislative elections. Out of 160 possible observations for provincial legislative elections, our data cover 118, or approximately 74% of the cases. No province was completely excluded from the analysis of provincial legislative elections because of missing data. It may be noted that the missing data reflect the limitations of federal electoral records, which do not cover all provincial elections. Some gaps in the series were filled by consulting official sources at the subnational level, but the obstacles to such research, including missing or (in the case of the Province of Santiago del Estero) destroyed electoral records, are considerable.

2. It should be noted that this operationalization, as well as others for economic performance reported below, explicitly takes into account variations in provincial electoral schedules. The data have also been adjusted for differences in the dates of the 1991 election of national deputies, which was variously held on August 11, September 8, October 17, and December 1 in different provinces.
The efforts of the federal government to enhance the electoral fortunes of partisans affiliated with the incumbent president are measured in terms of the ratio of provincial revenues to national revenues (measured during the year of the election on the assumption that efforts to shape electoral outcomes will emphasize distribution in the immediate pre-electoral period). The ratio for individual provinces over the 1983-1999 period ranges from .03 to 13.6. The magnitude of the effort of provincial authorities to manipulate electoral outcomes is measured in terms of the ratio of provincial fiscal deficit (total revenues minus total expenditures) relative to total provincial expenditures (again measured in the year of the election). This figure ranges from –.49 to .36 over the period in question. Finally, partisan control of the provincial government is measured on the basis of a dummy variable, coded 0 if the governor belongs to the same party as the president and otherwise as 1. Data sources are as detailed in the appendix.

The statistical analysis relies on a combination of ordinary least squares (OLS) with robust standard errors to address problems of heteroskedasticity and seemingly unrelated regression (SUR). Because considerable controversy continues to surround analyses involving cross-sectional time series data, it may be noted that the results have been cross-checked using robust standard errors clustered by province as well as on the basis of a random effects model. The results for both of these alternative methodologies are virtually identical to those reported below.3

We begin by estimating the vote received by the incumbent president’s party in gubernatorial, provincial legislative, and national deputy elections. To the extent that voters in provincial elections take both provincial and national government performance into account rather than voting in accordance with a simple national referendum model, we expect that provincial electoral outcomes will respond to a broader variety of influences than elections to the national Chamber of Deputies.

In the second part of the statistical analysis, we draw on seemingly unrelated regression to assess the relative independence of outcomes at different electoral levels. Assuming a hierarchical pattern of influence in which trends in national elections spill over to gubernatorial elections and the latter in turn to elections of provincial deputies, we simultaneously estimate the outcome of elections for national deputies and provincial governors as well as for provincial governors and provincial deputies. It may be noted that during the period in question, no elections were held for national senators, who were elected indirectly by provincial legislatures.

3. These and other results described hereafter are available from the authors on request.
RESULTS

Table 1 reports the estimates of the basic model of subnational voting for national deputy, gubernatorial, and provincial deputy elections. Taken together, the results offer considerable support for the hypotheses concerning the impact of national economic performance, interim elections, opposition governorship, and national distributive spending on subnational elections. After controlling for the vote received by the presidential party in the prior election, support for the incumbent president’s party in provincial elections varies indirectly with opposition control, national unemployment, and national inflation. It may be noted, however, that the impact of economic conditions is far weaker in gubernatorial than provincial legislative elections, suggesting the possible importance of issues of personality in elections to the more visible office.4 As anticipated, national distributive spending works in favor of candidates from the president’s party. The greater the relative flow of federal funds relative to provincial revenue levels, the greater the support for the president’s coreligionists in provincial electoral contests.

Less consistent with theoretical expectation is the electoral impact of subnational budgetary policies. The positive sign on the coefficient for the

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Table 1

<table>
<thead>
<tr>
<th></th>
<th>Provincial Governors</th>
<th>Provincial Deputies</th>
<th>National Deputies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial Unemployment</td>
<td>−.108 (.330)</td>
<td>−.183 (.262)</td>
<td>−.208 (.203)</td>
</tr>
<tr>
<td>National Unemployment</td>
<td>−1.951** (.678)</td>
<td>−.857* (.384)</td>
<td>−.254 (.316)</td>
</tr>
<tr>
<td>Inflation</td>
<td>−.044 (.212)</td>
<td>−.628*** (.097)</td>
<td>−.331*** (.079)</td>
</tr>
<tr>
<td>Provincial/national revenues</td>
<td>−8.298** (2.812)</td>
<td>−5.569* (2.256)</td>
<td>−1.364*** (.383)</td>
</tr>
<tr>
<td>Opposition governor</td>
<td>−7.740** (2.830)</td>
<td>−3.065 (2.277)</td>
<td>−2.798* (1.332)</td>
</tr>
<tr>
<td>Interim election</td>
<td>−19.199*** (3.974)</td>
<td>−9.095*** (2.021)</td>
<td>−1.906 (1.864)</td>
</tr>
<tr>
<td>Lagged incumbent vote</td>
<td>.337** (.115)</td>
<td>.586*** (.113)</td>
<td>.609*** (.074)</td>
</tr>
<tr>
<td>Constant</td>
<td>70.553*** (7.882)</td>
<td>41.495*** (7.666)</td>
<td>24.756*** (4.284)</td>
</tr>
<tr>
<td>n</td>
<td>86</td>
<td>106</td>
<td>174</td>
</tr>
<tr>
<td>F</td>
<td>15.72***</td>
<td>24.78***</td>
<td>35.32***</td>
</tr>
<tr>
<td>Adj. $R^2$</td>
<td>.603</td>
<td>.670</td>
<td>.608</td>
</tr>
</tbody>
</table>

Note: Entries are unstandardized regression coefficients, with standard errors in parentheses. †Fiscal balance measured as a percentage of expenditures.

*p ≥ .05. **p ≤ .01. ***p ≤ .001.
fiscal balance suggests that greater financial prudence works in favor of the presidential party, whereas deficit spending works to the advantage of the opposition. This finding may reflect the sheer magnitude of the fiscal adjustment problem confronting the Argentine provinces over the past two decades, which far exceeds anything anticipated by political business cycle theories. By the end of 1995, the provinces had collectively incurred a debt of $15 billion or $430 per capita—more than the prevailing figure of $400 for U.S. states (World Bank, 1996). The problem of servicing this debt in the face of credit shortages and new budgetary shortfalls has periodically provoked emergency cutbacks in provincial spending; payment delays to suppliers, public sector workers, and pensioners; and recurring waves of protests, riots, and outbreaks of violence—all of which might be expected to prove electorally unpopular (Remmer & Wibbels, 2000). Despite the responsibility of provincial governments for these difficulties, however, the evidence presented here suggests that the resulting political price has been paid by the national government.

Dividing the sample into opposition and government-controlled provinces helps to clarify this issue. If voters assign credit or blame for budgetary outcomes to provincial rather than national authorities, the sign for the fiscal surplus should be different in opposition and in government-controlled provinces. Thus to the extent that fiscal deficits yield electoral rewards for provincial authorities, we would expect higher budgetary deficits to be linked with losses for the incumbent president’s party in opposition provinces and gains in provinces dominated by the presidential party. Likewise, if voters instead reward provincial governments for prudential policies, higher fiscal balances should yield increased support for the presidential party in provinces controlled by the government and losses for the presidential party elsewhere. We find neither of these patterns. The sign for fiscal balance is consistently positive, indicating that voters attribute responsibility for provincial budgetary performance to national rather than provincial authorities. Hence regardless of partisan control at the provincial level, budgetary prudence enhances the electoral position of the presidential party. Moreover, these effects are significantly stronger in opposition than in government-controlled provinces.

Also inconsistent with theoretical expectation are the findings with respect to provincial unemployment and spending. No significant relationship exists between provincial unemployment rates and provincial electoral outcomes. The high correlation between provincial and national unemployment rates \( r = .607 \) that could generate a problem of multicollinearity does not statistically significant, the coefficients for both the fiscal balance and the interaction term are positive.
not fully account for this finding. If the unemployment indicators are replaced with a single indicator measuring relative provincial unemployment (provincial unemployment to national unemployment), the results remain insignificant. Likewise, provincial unemployment remains statistically insignificant in two of the three sets of estimates if national unemployment rates are removed completely from the analysis. Only in the case of provincial legislative elections do provincial unemployment rates begin to look electorally important. Again the results do not vary significantly between in-party and out-party provinces. Voters thus appear to be focusing consistently on national rather than provincial economic performance.

The results for elections to the Chamber of Deputies are similar, except that concern for inflation far outstrips the importance of unemployment. Relative to elections for provincial governors and legislators, candidates of the party of the president are also less negatively affected by interim elections. Again, however, opposition governorship, deficit spending, and high ratios of provincial to national revenues are associated with lower levels of support for the presidential party.

Our confidence in these results is enhanced by their relative consistency across the three sets of elections as well as by the similarities that emerge if we replace the indicators of unemployment with GDP growth. Because of reductions in the number of cases due to missing data on provincial performance, the results are weaker, but again only national economic indicators are significantly related to electoral outcomes (inflation and national growth in the estimates for provincial legislators and inflation in the estimates for national legislators). Shifting the focus of the analysis to the vote for the incumbent governor does not reveal any stronger linkages between provincial policy and performance. After addressing outlier effects, the only variables that significantly influence the incumbent vote are interim election timing and the ratio of provincial to national revenues.

If the electoral support for the presidential party is regressed on the quarterly presidential approval rating rather than national unemployment, the results are also similar. Because of the high level of correlation between presidential approval and national unemployment (−.728), as well as the small number of points at which these national variables can be observed over time, the impact of the two indicators can neither be assessed within the framework of a single equation nor be estimated on the basis of simultaneous equations. By dropping national unemployment, however, the basic model that is explored above in Table 1 can be reestimated with presidential approval data.

As suggested by Table 2, the results again speak to a pattern of national referendum voting. Support for the incumbent president’s party at the provincial level fluctuates positively with presidential approval, the ratio of provin-
cial to federal revenues, and fiscal balances, and negatively with opposition
governance, inflation, and interim electoral timing. The impact of presiden-
tial approval and national economic conditions, however, appears to vary
with the relative visibility of the electoral contest rather than with differences
between national and provincial elections. Presidential approval ratings and
national economic performance play a more important role in provincial leg-
islative contests than in either gubernatorial or national legislative elections.

Consistent with the results reported above, the importance of electoral timing
differs for provincial and national elections. Also consistent with Table 1 are
the results with respect to the importance of opposition governorship and pro-
vincial budgetary policy. Provinces controlled by opposition party governors
provide less support for candidates of the presidential party, whereas budget-
ary surpluses are associated with higher levels of support for national
incumbents.

A pivotal question raised by the preceding results is the relative independ-
ence of elections at different levels of government. Shifts in the percentage of
the vote received by candidates of the party of the president in gubernatorial,
national deputy, and provincial deputy elections may reflect common sets of
shocks or even more direct patterns of causal linkage. If the outcomes of
gubernatorial electoral contests, for example, spill over to elections of pro-
vincial deputies, then the estimates reported above need to be revised to
account for these influences. Drawing on SUR to explore the issue of interde-

Table 2
Presidential Approval and Voting in the Argentine Provinces, 1983-1999

<table>
<thead>
<tr>
<th></th>
<th>Provincial Governors</th>
<th>Provincial Deputies</th>
<th>National Deputies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial unemployment</td>
<td>−.222 (.344)</td>
<td>−.128 (.233)</td>
<td>−.167 (.204)</td>
</tr>
<tr>
<td>Presidential approval</td>
<td>.163 (.143)</td>
<td>.166*** (.084)</td>
<td>.053 (.039)</td>
</tr>
<tr>
<td>Inflation</td>
<td>−.121 (.267)</td>
<td>−.448*** (.070)</td>
<td>−.280*** (.061)</td>
</tr>
<tr>
<td>Provincial/national</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>revenues</td>
<td>−7.294*** (2.673)</td>
<td>−5.585** (2.199)</td>
<td>−1.340*** (.381)</td>
</tr>
<tr>
<td>Fiscal balance†</td>
<td>26.418*** (9.771)</td>
<td>15.664** (5.426)</td>
<td>11.313** (4.478)</td>
</tr>
<tr>
<td>Opposition governor</td>
<td>−8.154** (2.928)</td>
<td>−3.924 (2.216)</td>
<td>−3.149* (1.309)</td>
</tr>
<tr>
<td>Interim election</td>
<td>−9.062** (3.404)</td>
<td>−7.517*** (1.717)</td>
<td>−1.475 (1.510)</td>
</tr>
<tr>
<td>Lagged incumbent vote</td>
<td>.338** (.117)</td>
<td>.585*** (.108)</td>
<td>.596*** (.070)</td>
</tr>
<tr>
<td>Constant</td>
<td>38.552** (11.769)</td>
<td>23.328** (7.893)</td>
<td>19.727*** (4.756)</td>
</tr>
<tr>
<td>n</td>
<td>86</td>
<td>106</td>
<td>174</td>
</tr>
<tr>
<td>F</td>
<td>15.16***</td>
<td>26.36***</td>
<td>35.21***</td>
</tr>
<tr>
<td>Adj. $R^2$</td>
<td>.591</td>
<td>.693</td>
<td>.611</td>
</tr>
</tbody>
</table>

Note: Entries are unstandardized regression coefficients, with standard errors in parentheses.
†Fiscal balance measured as a percentage of expenditures.
*p $\geq .05$, **p $\geq .01$, ***p $\geq .001$. 
pendence, we find that the residuals from the models estimated in Table 1 are positively correlated across the three equations at the .0000 level of statistical significance as assessed on the basis of the Breusch-Pagan test of independence. Accordingly, the efficiency of our estimates is likely to be improved by joint estimation.

Given variations in the relative visibility of different types of electoral contests, we assume a hierarchical pattern of influence in which national electoral contests influence gubernatorial elections, and the latter in turn influence elections for lower level provincial office. To assess these likely patterns of linkage while attempting to minimize case loss, we present three sets of joint estimations in Table 3. Because the joint estimation procedure results in a significant reduction in the number of cases, the results cannot be compared directly with Table 1; however, they are nevertheless suggestive with respect to the interaction of electoral trends.

Overall, the estimates reinforce the conclusions regarding the relative significance of national and provincial economic performance as well as the impact of both national and provincial budgetary policies on support for the presidential party. Relative to straightforward OLS estimation of the models on the same reduced set of cases, however, the estimates are more efficient as assessed on the basis of the *t* ratios of the coefficients. The improvement has the greatest impact on the weight of opposition governorship, which emerges as a statistically significant influence upon electoral outcomes for all three sets of offices. Also strengthened relative to OLS comparisons on the same set of cases are the *t* ratios for provincial and national spending.

**CONCLUSION**

Prior research on economic voting at the national level has consistently demonstrated the strength of the relationship between economic performance and support for candidates of the incumbent party. Although electoral rewards and punishments may not be meted out symmetrically, incumbents are typically expected to benefit from strong economies and to suffer from deteriorating ones. In turning to the subnational level, expectations about economic voting become more complicated. To the extent that voters assign the predominant burden of responsibility for macro-economic performance to national governments, economic conditions might be expected to influence electoral support for the president’s party across all levels of government. But there are several plausible theoretical alternatives. If voters assign responsibility for economic performance to both national and subnational governments, the vote for the incumbent party at the state or provincial level
<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Deputy</td>
<td>0.038 (.268)</td>
<td>-0.133 (.303)</td>
<td>-0.199 (.238)</td>
</tr>
<tr>
<td>Provincial Governor</td>
<td>-0.119 (.199)</td>
<td>-0.008 (.219)</td>
<td>-0.351*** (.092)</td>
</tr>
<tr>
<td>National unemployment</td>
<td>-2.075** (.835)</td>
<td>-1.593 (.829)</td>
<td>0.051 (.307)</td>
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<tr>
<td>National unemployment</td>
<td>-0.119 (.199)</td>
<td>-0.008 (.219)</td>
<td>-0.351*** (.092)</td>
</tr>
<tr>
<td>Inflation</td>
<td>-0.119 (.199)</td>
<td>-0.008 (.219)</td>
<td>-0.351*** (.092)</td>
</tr>
<tr>
<td>Provincial/</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>national revenues</td>
<td>-6.272* (2.817)</td>
<td>-8.608** (3.141)</td>
<td>-6.166** (2.063)</td>
</tr>
<tr>
<td>Fiscal balance†</td>
<td>14.393 (9.085)</td>
<td>25.912*** (10.244)</td>
<td>17.409*** (5.727)</td>
</tr>
<tr>
<td>Opposition</td>
<td>-3.488 (2.021)</td>
<td>-2.213*** (2.530)</td>
<td>-3.514* (1.687)</td>
</tr>
<tr>
<td>governor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim election</td>
<td>-18.178** (5.731)</td>
<td>-17.613** (5.838)</td>
<td>-3.115 (1.873)</td>
</tr>
<tr>
<td>Lagged</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>incumbent vote</td>
<td>.538*** (.101)</td>
<td>.262** (.093)</td>
<td>.590*** (.075)</td>
</tr>
<tr>
<td>Constant</td>
<td>53.961*** (12.866)</td>
<td>70.315*** (12.365)</td>
<td>26.363*** (5.475)</td>
</tr>
<tr>
<td></td>
<td>86</td>
<td>86</td>
<td>106</td>
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<tr>
<td>n</td>
<td>86</td>
<td>86</td>
<td>106</td>
</tr>
<tr>
<td>$\chi^2_1$</td>
<td>103.410***</td>
<td>125.840***</td>
<td>195.120***</td>
</tr>
<tr>
<td>$R^2$</td>
<td>.562</td>
<td>.600</td>
<td>.652</td>
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</table>

Note: Entries are unstandardized regression coefficients, with standard errors in parentheses.
†Fiscal balance measured as a percentage of expenditures.
*p ≥ .05. **p ≥ .01. ***p ≥ .001.
may reflect the condition of the local economy. Voters may also confuse the economic responsibilities of different sets of policy makers, such that national officials reap rewards for improvements in local conditions effected by subnational leaders and/or subnational officials gain support on the basis of the policy choices of national officials. Finally, voters may entirely discount the importance of economic issues in subnational elections in favor of other concerns.

To enhance our understanding of economic voting, this article develops and tests a model of subnational electoral choice that emphasizes economic performance and policy manipulation. Drawing on evidence for the Argentine provinces, our statistical findings offer considerable support for the established literature on economic voting, which suggests that the electoral fortunes of the party of the incumbent president at all levels of government revolve around national economic performance. The higher the level of inflation and/or national unemployment in Argentina, the lower the vote of the incumbent president’s party in elections for national deputies, provincial governors, and provincial deputies. Provincial economic performance (whether measured in absolute terms or relative to national economic performance), on the other hand, exercises no significant influence on electoral outcomes, despite the high salience of unemployment in the Argentine political context. Our findings also conform to the traditional literature on economic voting in showing that interim elections and negative shifts in presidential approval work against the electoral fortunes of the president’s party at lower levels of government.

At the same time, our findings depart from the referendum model of economic voting in interesting ways. We show that the capacity of policy makers to manipulate electoral outcomes through fiscal policies at least partially offsets the impact of economic performance and/or presidential approval. In Argentina, support for the incumbent presidential party in elections for both national and subnational office has reflected the relative magnitude of federal transfers to the provinces, provincial budgetary policies, and opposition governorship. Consistent with the literature on referendum voting, however, the evidence also suggests that voters fail to distinguish successfully between subnational and national policies. Regardless of the party in power at the provincial level, the presidential party reaps electoral rewards from national transfers that bolster provincial finances. Subnational fiscal balances likewise redound consistently to the advantage of the presidential party, suggesting that voters fail to separate the policy outcomes resulting from national fiscal policy from those generated at the provincial level.

Three central conclusions having significant implications for the literature on economic voting may be drawn from these findings. First, and per-
haps most important, the evidence presented in this article underlines the broader theoretical relevance of the referendum-voting model, which has been elaborated and tested mainly with reference to the U.S. experience. The analysis suggests that even under conditions in which the importance of local clientelistic networks might be expected to insulate subnational electoral contests from national influences, candidates from the party of the incumbent president gain or lose votes in subnational elections in response to the performance of the national economy. Second, our analysis points to the limited importance of subnational economic performance. Although literature on U.S. states has suggested that voters take the performance of the subnational economy into account when casting their ballots for state officials, the findings reported here speak to the relative indifference of the electorate to subnational economic performance. The evidence is particularly notable because it is drawn from a research context characterized not only by wide variations in subnational economic performance but also high levels of political sensitivity to these variations, as reflected in recurring incidents of local-level political protest and violence. Third, our findings point to the importance of incorporating policy manipulation into conventional models of economic voting. As the Argentine case concretely demonstrates, the translation of economic performance into votes may be conditioned by both national and subnational fiscal policies. The findings thus emphasize the complexity of subnational electoral processes, which may be affected not only by national economic conditions but also by more direct efforts by politicians to influence the electoral calculus of voters. Although our findings offer little support for the proposition that variations in subnational economy policy shape electoral outcomes, the significance of variations in partisan control suggest that subnational political manipulation cannot be entirely ruled out as an important electoral influence.

Finally, the findings of our analysis also have some interesting implications for the study of political decentralization. Building on the assumption that decentralizing responsibilities to states and localities will produce more efficient and responsive public policy, developing and emerging market countries across the globe have embarked on far-reaching programs of administrative reform. Considerable skepticism exists with respect to the capacity of decentralization programs to deliver their expected benefits, but to date the empirical debate has revolved more heavily around the question of policy performance than of responsiveness. Largely left open for debate is the willingness and ability of voters to hold subnational officials responsible for their policy decisions. However limited and provisional, the evidence reported here sheds some new light on this issue.
First, the findings suggest that even in a context characterized by substantial decentralization of policy responsibilities, subnational elections pivot around national rather than subnational performance, thereby generating a major disjuncture in terms of democratic accountability. Second, to the extent that the findings indicate that subnational policy matters to the electorate, the conclusions that can be drawn from the Argentine experience are hardly encouraging with respect to the anticipated benefits of decentralization. In Argentina, the electorate attributed the successes and failures of subnational policy to the party of the president rather than to the party actually in control at the subnational level. This second disjuncture in democratic accountability undermined the incentives for provincial politicians to satisfy the preferences of voters, thereby creating conditions favorable to corruption, clientelism, and fiscal profligacy that progressively undermined the capacity of the public sector to deliver public goods and services at the subnational level. The resulting structure of political incentives and opportunities, in turn, directly undermined the programs of macroeconomic stabilization and adjustment pursued by successive presidents at the national level, creating a third key asymmetry between policy responsibility and electoral accountability. This study of subnational elections thereby underlines not only the potential inefficiencies of decentralization but more fundamentally its perils for democratic accountability.

APPENDIX

Dependent Variables

The dependent variables consist of the percentage of the vote obtained by the party of the president in (a) national legislative elections, (b) gubernatorial elections, and (c) provincial legislative elections over the 1983-1999 period. National legislative elections have been held every 2 years since 1983, and gubernatorial elections every 4 years. Provincial legislative elections are held every 2 years, except in the provinces of Entre Ríos, La Pampa, Neuquén, Río Negro, Santa Fe, and San Juan, where they have been held every 4 years. In instances in which second round elections were held to determine the winner of gubernatorial elections (Chubut 1991, Corrientes 1997, and Tierra del Fuego 1999), we have relied on the results of the first round. Sources: Ministerio del Interior, Dirección Nacional Electoral, Elecciones Nacionales, Escrutinio Definitivo (Buenos Aires, unpublished data); Guía Electoral de la República Argentina, 1983-1999 (Buenos Aires, Carlos Castro, 1999); unpublished official electoral records for the provinces of Santiago del Estero, Mendoza, and Córdoba.
Independent Variables

Presidential approval. Percentage of respondents who approve of the president 6 months prior to the election, according to public opinion surveys with national representative samples (source: unpublished data, Mora y Araujo & Asociados, Buenos Aires, Argentina, 2000).

Inflation. Monthly change in the consumer price index lagged 1 month with respect to the data of the particular elections (source: Instituto Nacional de Estadística y Censo [INDEC], Dirección de Indices de Precios de Consumo, Buenos Aires, Argentina, 1983-99).


Fiscal balance. Total provincial revenues minus total provincial expenditures relative to total provincial expenditures (source: unpublished data, Ministerio de Economía, Argentina).

Ratio of provincial to national revenues. Ratio of total provincial revenues to total national revenue transfers (source: unpublished data, Ministerio de Economía, Argentina).

REFERENCES


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