

Local Governments in Latin America

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Abstract: Comparison of local governments in federal systems helps design new policies. In particular, this study presents federal asymmetries of state and municipal governments in Latin American countries. To this end, the hypothesis states that nations with more symmetry would have greater governance within the federal pact. The study includes the social, political, constitutional, and economic subjects as main variables applied to the cases of Argentina, Brazil, and Mexico. The analysis is supported by coefficients and graphs to aid the multidisciplinary approach. The results show that Brazil is the most asymmetric nation and Mexico the most centralized.

A. Introduction

Comparative studies of local governments have the advantage that in addition to their scientific utility it is thereby possible to adapt public policies based on similar cases. In particular, the comparative study of local units is a recurring topic in the literature. However, the asymmetry used in order to study Latin American countries at the local level has not been widely utilized.

This study will present the cases of Argentina, Brazil, and Mexico in order to assess the strength of the local governments and their relation to their federations. Theoretical studies of the federal asymmetries, which include authors such as Livingston, Burgess, and Tarlton, are useful in the identification of methods, techniques, and variables for the corresponding analysis. To this end, the main hypothesis states that nations with greater symmetry have greater governance as a nation, understood as the strength of the federal agreement. Symmetry is understood as equality among federal states and local governments.

A multidisciplinary technique is proposed in order to test the aforementioned hypothesis. Historical, legal, and socio economic variables are included in order to understand the differences among the countries. The main challenge consists of generating coefficients that can capture the differences among jurisdictions, as well as the degree of autonomy. The main variables included in the analysis are social, constitutional rules, political factors and economic performance. Each of them will serve to generate their individual variables with

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their coefficients to reflect each entity. In turn, these results generate basic statistics and graphs, which are a visual support to facilitate interpretation.

In this regard, the sections of the present essay are as follow: the second and following section corresponds to the theoretical framework that presents the theories about federalism and asymmetries. The third corresponds to Argentina, the fourth to Brazil, and the fifth to Mexico. They describe the history of each nation and present a brief discussion of their federal relations. The sixth section offers an analysis of the coefficients and presents their graphs, along with a description of the results. The seventh corresponds to a discussion of the findings and final conclusions.

B. Theoretical framework

The historical evolution of federations helps to determine the causes of their origins, as well as the purpose of the federal pact. Michael Burgess sets as causes: a) the real or imaginary sense of military insecurity; b) the real or imaginary sense of economic insecurity; c) the relative cultural integration; and d) the perception of a threat to the stability of the existing political order. As the purpose he identifies:

“a) shared political values; b) expectation of greater economic benefits; c) multiple types of communications and transactions; d) the desire for political independence; or previous political association; e) territorial strategic considerations; f) geographical proximity; g) cultural and ideological common factors, such as nationalism, religion and heritage of same traditions; h) political leadership and expansion of the political elite; i) similar political and social institutions; j) taste for federal models; and k) the culmination of historical processes that were the result of political agreements.”²

In addition to its historical evolution, federalism has been studied from legal and formal points of view. Legal essays study the constitutional framework and, formal studies refer to the real institutional and political conditions. Following the latter sense, Livingston added the socio-cultural theory of federalism in which all societies are “more or less closely integrated in accordance with own peculiar historical, cultural, economic, political and other determinants.”³ In this view, federalism can be appreciated by the aforementioned similarities among societies or governments, or by the differences between them. With respect to similarities, Tarlton mentions:

“What I mean by symmetry is the level of conformity and commonality in the relations of each separate political unit of the system to both the system as whole and to the other component units. The overall extent to which the federal system is charac-

2 Michael Burgess, *Comparative Federalism, Theory and Practice*, London 2006, p. 100.

3 Charles D. Tarlton, “Symmetry and Asymmetry as Element of Federalism: A Theoretical Speculation”, *The Journal of Politics*, Vol. 27, No. 4 (Nov. 1965), pp. 865–66.

*terized by a harmonious pattern of states partaking of the general features of the federal nations is at the core of the symmetry of federalism.*⁴

Regarding to asymmetries:

*“The ideal asymmetrical federal system would be one composed of political units corresponding to differences of interest, character and socio economic factors represented in the whole society”. In the asymmetrical system it would be difficult (if not impossible) to discern interests that could be clearly considered mutual or national in scope (short of those pertaining to national existence per se).”*⁵

As a rule, scholars have indicated that symmetry will lead to a unitary political system whereas asymmetry would be more suited to a federal system. However, Tarlton challenged this classic view, mentioning the opposite situation based on the history of American federalism. He argues that:

*“The higher the level of symmetry, that is the more each particular section, state or region partakes of a character general and common to the whole, the greater the likelihood that federalism would be a suitable form of governmental organization. On the other hand, if the system is highly asymmetrical in its components, then a harmonious federal system is unlikely to develop. If a formula were to be extracted from this, it would read: The elements of similarity among components units of a federal system must, if that system is to function at an optimum level of harmony, predominate over existing elements of diversity.”*⁶

Thus, the features mentioned by Burgess related to the historical causes of federal systems as well as Livingston’s socio-cultural theory of federalism help to identify and develop the main study variables which are grouped into cultural, political, constitutional, and economic issues.

Tarlton’s study, respect to his formula mentioned above, represents the basis for the development of the hypothesis in the sense that more symmetry represents governability whereas asymmetry represents the incentive for instability. The degree of stability will be measured among the countries studied and not against a subjective standard.

C. Argentina

I. Background

Argentina was founded with the creation of the Viceroyalty of Rio de la Plata by King Carlos III in 1776, to separate it from Peru. In July 9, 1816 the Congress of the United

4 Tarlton, “Symmetry and Asymmetry as Element of Federalism (Fn. 3), p. 867.

5 Tarlton, “Symmetry and Asymmetry as Element of Federalism (Fn. 3), p. 869.

6 Tarlton, “Symmetry and Asymmetry as Element of Federalism(Fn. 3), p. 872–73.

Provinces proclaimed independence and later issued a centralist Constitution in 1819. By 1820, with the first battle of Cepeda, the federal movement triumphed which in fact meant the separation of the provinces, kept together by an “interprovincial treaty”.

The following years saw interior struggles (centralist Constitution 1826), and military conflicts with Brazil, resulting in the creation of the State of Uruguay, as well as several episodes of war with England. The formal separation of Buenos Aires led to the proclamation by 13 provinces of the Constitution of 1853, creating the Argentine Confederation. This Constitution remains in force to date and its structure was instrumental in the return of Buenos Aires as part of the Republic in 1860. Bartolome Mitre (1862–68) was the first president of Argentina as a united nation, with the support gained from the war against Paraguay. In addition, the conquest of native people in the plains of the Pampas, Patagonia, and Chaco Territories in 1879, extended the national territory.

The civil war of 1880 motivated the proclamation of Law 1029, in which the city of Buenos Aires formally became the capital of Argentina. From 1880 to 1916 the country experienced a period of economic expansion, the consolidation of political parties, and constitutional presidential changes alternating with episodes of political crises, but no longer in the sense of federal conflicts.

However, in 1930, a military dictatorship (presidency of Uriburu, 1930–32) took control. This kind of episode was repeated several times throughout the century until 1983. In these years the presidential periods of Juan D. Peron (1946–52 and 52–55) were distinguished by their nationalism, the creation of the most important constitutional institutions, and the establishment of the social welfare state in favor of the unprotected classes.

The loss of the Malvinas war in 1982 motivated the end of the last dictatorship. Elections were held on 30 October, 1983, and Raul Alfonsín won. Since then, in Argentina constitutional stability and democratic consolidation have prevailed.

II. Federalism

Argentina is a Federation comprising the national government, 23 provinces or federal entities, and the City of Buenos Aires (as the national capital including an autonomous statute) with a total population of 44.2 million. There are 2,171 municipal governments with an average of 17,173 people in each. The Constitution establishes in its article 121 the classic federal rule stating that provinces retain the power not delegated in favor of the Federal government. In particular, the specific rules are: a) exclusive powers in favor of the federal state; b) exclusive powers to the provinces; c) shared powers; d) exceptions in favor of the federal state; and e) exceptions for provinces.⁷ The Constitution only mentions the municipal government as part of the province (articles 5 and 123). In this sense, the Constitution guarantees the existence and autonomy of municipal governments and, their political, eco-

7 Victor Bazan, *El Federalismo Argentino: Situación Actual, Cuestiones Conflictivas y Perspectivas*, Estudios Constitucionales, 11 (2013), p. 44.

nomie, and administrative regime is regulated by the provincial constitutions and organic laws. The constitutional reforms of 1994 favored federalism through the following aspects: more powers to the national senate; the constitutional establishment of the revenue sharing system; the adoption of the clause of the harmonious growth of the nation; the specific methods of federal intervention; more autonomy for the municipal governments; the creation of regions and celebration of international agreements by the provinces; the recognition of the original dominion of natural resources in favor of the provinces; and, the autonomous regime of the capital city of Buenos Aires (CABA).⁸

In economic terms, after the crisis of 2001, the nation has shown high levels of economic growth, as well as improvement in labor indicators. The new institutional and economic model has motivated new agreements among the three levels of government with respect to fiscal coordination in which more revenues are applied by subnational levels. The Federation has shown a revenue increase of 28% from 2001 to 2010, while the provinces reached 32%. Even after considering these new amounts for the provinces, the Federation predominates. Article 75 of the Constitution establishes the main revenue guidelines: taxes related to foreign trade are considered federal; value added taxes are shared among governments; income taxes are in favor of the provinces and the Capital City, but the Federation may use them for a specific time and proportionally to the defense, common security, and general welfare if the State is required. Therefore, the provinces rely on four provincial taxes: Gross Income (representing the highest yield), Sales, Real Estate, and Vehicle tax. Real estate tax is shared with municipal governments which also receives revenues from the Federal and provincial levels.⁹

The national government prevails with regard to revenues. By 1993, this level received 78% of total revenue, increasing slightly to 80% in 2015. The provinces have maintained 16% and municipalities decreased from 6% to 4% in the same period. Public spending is another story. The first data is from 1980, when the Federation spent 66% of the total national expenditure. In 1993, spending dropped to 52% and for 2013 it went up to 58%. The provinces decreased from 39% to 33%, while the municipalities maintained 9% of the national expenditure between 1993 and 2015. The difference between the income and the expenses of the Federation represents the role of federal transfers to the other governments. Although in percentage terms the provinces have shown a lower percentage, it is important to emphasize that in absolute terms the provinces, like the Federation, have increased real income since 2001. With respect to the municipal level, their own revenues have represented on average 40% of their total income.¹⁰

8 *Bazan*, *Federalismo Argentino* (Fn. 7) pp. 49–57.

9 *Ministerio de Economía y Finanzas Públicas*, *Recursos Tributarios Provinciales: Jornadas Internacionales de Finanzas Públicas*, Córdoba, Facultad de Ciencias Económicas, UNC, Agosto 2012, pp. 4–10.

10 *Accotto Lopez*, *Alejandro y Mariano Machioli*, coord., *La estructura de la recaudación municipal en la Argentina*, Buenos Aires 2015, pp. 24–26.

Despite the revenue monopoly of the Federal government, it is worth mentioning the increase in real terms of federal shares, as well as the increase in the provinces' fiscal effort. Shared revenues from federal tax continue to be the most important revenue source for the provinces, although their share has decreased from 51.9% to 45% of the provinces' total income, from 1993 to 2015. However, federal transfers have represented a significant growth, increasing from 3% to 11% for the same period of time; this is mostly due to capital infrastructure expenditure. On the other hand, provincial tax revenues showed a significant increase from 34.5% to 37% in that period. This situation is explained by the tax rate increase of the gross income tax and changes in the real estate assessment of properties. Non-tax revenues have decreased in importance, from 8.3% to 5.7% in the same period due to macroeconomic variations.¹¹

D. Brazil

I. Background

By 1534, Portugal had created General Captaincies as a political and military control. In 1573, the first two provinces were founded and until 1709 a total of six provinces constituted Brazil. Sao Paulo in territorial, economic, and political extension has predominated as the most important state. It was not until 1775 that the states were unified to create a single Viceroyalty. In 1789, the Colony reached 16 provinces with a territory similar to the current one. Since then, the main political characteristic has been autonomy from the Crown and among the provinces. The degree of autonomy was also distinguished within municipal governments, granted by "political bills" given by Portugal.¹² The Brazilian independence process was unique in the Continent. King Juan VI moved from Portugal to Brazil in 1808 in order to escape from Napoleon I. With this, Brazil became a Kingdom instead of a colony. Later, the royal family returned to Portugal. However, the Prince that was left declared Brazil's independence on September 7, 1822. The Empire of Pedro I was formally born. His rule lasted until 1831 when he failed in several wars in addition to, the threat of separation of several provinces. His son Pedro II governed until 1889. Political struggles triggered a military coup which established, as a consequence, a new Constitution and the creation of the United States of Brazil, electing Deodoro de Fonseca as its first president. The adoption of federalism was not a simple decision due to the social, political, and economic disparities among states.¹³

11 *Dirección Nacional de Coordinación Fiscal con las Provincias*, El impacto de las transferencias presupuestarias del gobierno nacional en las provincias argentinas: IV Jornadas Iberoamericanas de Financiación Local, Urban Public Economic Review, BID, septiembre 2015, pp. 2–3.

12 *Raquel Rolnik*, Descentralización y Federalismo en Brasil, Quórum: revista de pensamiento iberoamericano 2004, p. 91.

13 *Dalmo A. Dallari*, Preámbulo de las Constituciones de Brasil: Revista de Derecho Político, 51(2001), p. 449.

From 1889 to 1930, a constitutional democracy prevailed. This period also presented the most important population and economic development since the colonization. In addition, the federal model was tested in this period, consolidating the nation and allowing state differences. The south presented a more accelerated development, allowing the states greater autonomy.¹⁴

In 1930, a new military coup took power, alternating dictatorships with constitutional periods. Political parties were consolidated from left to right and national and regional integration was established. In these years a new Constitution was enacted in 1946, giving rise to a continuity from 1945 to 1964 (known as the Republic of Nova). However, in 1960 a coup returned, establishing several military dictatorships until 1985.

In 1985, the democratic transition took place with the election of President Tancredo Neves. Democracy was consolidated with the promulgation of the current Constitution of 1988 which declared as the new name of the country “Federation of Brazil”; Fernando Collor de Mello was elected President. It should be noted that to this day there has been constitutional order and institutional continuity, despite political upheavals.

II. Federalism

Brazil comprises the Federal government, the Federal District (Brasilia) as capital of the nation, and 26 states with a total population of approximately 209 million. The country has 5,564 municipal governments with an average of 34,361 persons per municipal government. It presents the classic characteristics of developed federations such as autonomy of states. The nation exhibits disparities not only in geographical terms and social inequality, but also between states and municipal governments. The 1988 Constitution is a reflection of this, since only the classic powers were granted to the union, such as national security, currency, diplomatic representation, war, and commerce (article 21). Tax laws, production and consumption, natural resources, historical heritage, environment, education, social security, protection of minorities, housing, sanitation and police were left as shared powers (articles 23 and 24). This has resulted in a model in which states and municipalities provide services with a wide range of autonomy and the Federation acts as a secondary partner. It is also reflected in the rules regarding the tax sources of the three levels of government (articles 153 to 156), as well as the rules regarding shared income and federal funds to be transferred (articles 157 to 162); Brazil is probably the only Federation with this constitutional arrangement.¹⁵

The national Constitution establishes a particular chapter for municipal governments (articles 29 to 31). In this sense, the main political structure, administrative issues (such as

14 *Dallari*, *Constituciones de Brasil* (Fn. 13), p. 452–453.

15 *Jose Serra y Jose Roberto R. Afonso*, *El Federalismo Fiscal en Brasil: Revista de la CEPAL*, 91(2007), pp. 29–30.

local public services), and the fiscal regime are guaranteed, leaving the secondary regulations to the state congress and the municipal legislative body.

Brazil enjoyed significant economic growth from the end of the 19th century until 1970; since then, it has suffered several economic crises and problems that have impacted the federal structure, especially with regard to the size of the central government. In the beginnings of the Republic (1891 to 1930), a modest central government represented half of the national public expenditure. Then came a period of centralization (1930 to 1946) in which the central government reached 55% of national spending. After the Second World War, and with a new democratic Constitution, central government spending decreased to 50% during the 1950s. As a result of the military regime, with a concentration of political and financial power, the central government reached 70% of national spending in 1983. The new democracy and agreements, as well as economic crises, reduced the position of the national government to 58% for 2005. State governments have ranged from 20% to 35% of national spending and, municipalities from 6% to 17% of spending, for the period of 1960 to 2005. The total tax burden increased from 17.4% to 38.9% of the national gross product, for the same period mentioned above, favoring the expansion of states and municipalities. There are five important taxes that represent 70% of the national income. Four of them are federal and the fifth on Circulation of Goods and Services (ICMS), which is the most important tax, is collected by the states. Not only did the fiscal capacity of the latter increase, but federal transfers also increased. Income Tax reached 47% of total transferred revenues, and the Tax on Industrialized Products reached 57% in 2005. Both are applied to the “Participation Fund of the States and the Federal District” and the “Fund of the Municipalities”, which represented only 20% of total transfers in 1980. The taxes for Compensation for the Export of Industrialized Products, Maintenance and Performance of Fundamental Education and Appreciation of Teaching, and the Tax on Rural Territorial Property are important revenue sources transferred to states and municipalities.¹⁶

E. Mexico

I. Background

Mexico, since Cortes' conquest in 1521, was always a single unit or Viceroyalty. Independence was completed in September 1821 by the Spanish born in Mexico in order to maintain their privileges which were threatened by the Constitution of Cadiz of 1812. After the conservative Empire of Iturbide, a Federal Constitution was proclaimed in 1824, leading to a century of struggles between conservatives and liberals. After the War of Three years and, subsequent liberal triumph over the Empire of Maximiliano (supported by Napoleon III), the 1857 Charta was restored in 1867. This was the last historical moment in which the federal state form was questioned. The Mexican Revolution was not a movement that ques-

16 Serra, *Federalismo Fiscal* (Fn. 15), pp. 31–40.

tioned the state political structure, but instead it demanded social rights. In this sense, the new Constitution of 1917, in force to date, repeats the same postulates as that of 1857 with the addition of social rights.

The new Constitution of 1917 and the end of military actions among the winning faction ended with the creation of a hegemonic National Party (transformed later into the Revolutionary National Party, PRI, which governed from 1928 to 2000). This led to an exaggerated centralism over the majority of the last century. The Federal government was responsible for most of the public services, programs and infrastructure throughout the territory. It was not until the 1980s that decentralization began, in which traditional services such education and public health were assigned to the states.

Along with decentralization, a slow and continuous democratic political reform provided the opportunity for opposite political parties to gain positions. In 2000, Vicente Fox from the opposition won the presidency. Since those years, political alternation and institutional stability at the three levels of government have been common conditions.

II. Mexican federalism

Mexico is constituted by the national government, 31 states, and Mexico City as the capital including its autonomous statue, with a total population of 112 million. The country has 2,458 municipal governments with an average of 45,565 persons each. The constitutional model, supported by several reforms, establishes exclusive federal powers and shared powers among the three levels of government in most of the public responsibilities (since the beginning of decentralization during the nineteen eighties). In this last model, the Federation retained the powers of planning, financing, regulation, and evaluation. States and municipalities execute those public services under federal scrutiny. Matters such as education, public health, ecology, civil protection, urban development, water, public safety, science and technology, tourism, culture, and sports are examples of these fields.

Article 115 of the National Constitution establishes the main guidelines for the municipal structure. Political, administrative (local public services), urban, and fiscal issues are regulated. State constitutions and organic municipal laws develop the secondary regulations. Despite the importance of municipal services, fiscal dependency is a common situation in most of these governments.

The above arrangement has been supported by the rules of fiscal federalism. The Federation transfers on average 45% of its ordinary revenue to the states and municipalities. These resources are represented by conditional funds and free funds, in which 55% are in favor of conditional. These federal revenues have represented the largest financing source for states and municipalities. In the case of the states, their average own income reaches 20%, while for the municipalities their own revenue only accounts for 5%, revealing a great dependency on federal funds. Despite the constitutional arrangement regarding shared pow-

ers, fiscal dependency affairs made states and municipalities obey federal rules in order to obtain more funds, affecting their own agendas and autonomy.¹⁷

F. Asymmetry Study

I. Methodology

Coefficients are common statistics to study efficiency and perform comparisons among units in social studies. However, their application in graphs to compare different variables within a country or among countries is an own contribution to identify the degree of asymmetry.

The purpose of the essay consists of comparing federal countries in Latin America, in particular with respect to their differences in local government. In this sense, Argentina, Brazil, and Mexico were chosen due to their similarities in their historical evolution, constitutional regimes, socio-economic features and, most importantly, data availability at the local level. In order to compare them, several descriptive and graphic analyses were carried out. Initially, four main categories were established, following the theoretical framework, follows: social, constitutional, political, and economic.

The social variable comprises the following coefficients: the proportion of the most important language versus the others languages; majority religion; percentage of population against the total, and proportion of urban population (as an approximation of density) in each state or province. The language and religions coefficients are a proxy used in order to include the weight of indigenous communities. With regard to the constitutional issue, the coefficients are proportion of shared responsibilities (applied by two or three levels of government) versus the exclusive federal powers; the proportion of constitutional controversies at the highest court in which the federal powers prevail (in the last 20 years) and the percentage of federal congressmen per province (to determinate political weight). Variables aim to measure the degree of centralism.

The political variables are the proportion of subnational political parties (state or municipal) compared to national parties by entity; human development index in each entity (measures health, education and economic growth, developed by United Nations) as a proxy for welfare, as well as the degree of municipal autonomy measured by the number of powers recognized in the national constitution in their favor. The economic variables are those that receive more attention in federal studies. In the present case the variables chosen are per capita gross product in each entity; federal transfers per capita to the entities; per capita expenditures of each entity, as well as the proportion of own revenues compared to federal revenues. The idea is to measure the degree of centralism, the strength of the states, as well as the specific weight of the fiscal federalism rules.

17 *Enrique Rabell Garcia*, *Federalismo Fiscal*, Querétaro 2010, pp. 87–105.

Data represents each federal entity in all nations. However, each state represents the data from all municipal governments. Although the technique yields average municipal results in each state, the municipal addition eliminates the sampling problem and allows for comparisons of all of these jurisdictions. Data is taken from official institutions such as national institutes of statistics, financial ministries, or even international sources, mentioned as a footnote in each case. Data availability represents the main criterion to develop coefficients and discard other possible subjects. The coefficients are not presented because the tables would be large and difficult to read. Then, the coefficients are applied into a radial graph. In this case each coefficient was reduced to a scale of 0 to 10 (0 represents symmetry and 10 asymmetry), to allow visual comparison of the graphs.

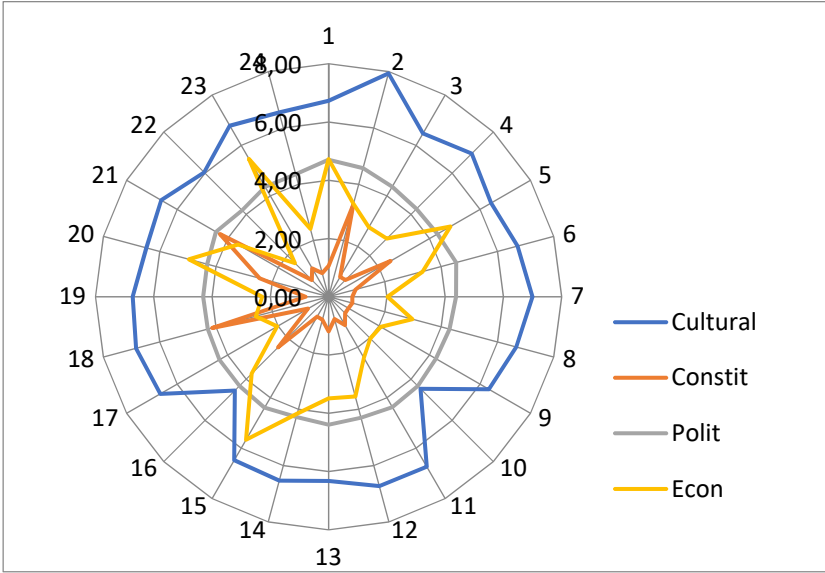
The first step develops the graph for each nation including the main variables. In the graph, each series (line around the center of the graph) represents one of the main variables (cultural, constitutional, political, and economic) and each axis represents each of the states (for example Argentina has 24, includes the Capital City). An almost perfect circular line of each variable means more symmetry among states with respect to that issue.

The last step integrates the total average of all the main variables for each nation, obtaining a single series representing all national issues at the same time. In this sense the three nations can be integrated in the same graph in order to compare their asymmetries (the nations' graphs axes are different due to the different number of states or provinces).

II. Argentina

First the graph with the main variables is presented. Argentina exhibits series on culture and politics that are homogeneous, highlighting thereby a great social and political uniformity across the nation. In particular, the cultural variable distinguishes the large proportion of the population that lives in Buenos Aires, the differences in urban and rural population, as well as the provinces with greater territorial extension. There is greater uniformity in language and religion. The political variable demonstrates great municipal uniformity due to the national codification. There are some differences related to human development, but the general pattern is similar for all entities. The proportion of regional parties versus national parties is notable for its great asymmetry, due to the numerous parties and historical alliances.

Graph 1. Argentina patterns



Data from: INDEC, Ministerio de Hacienda y Finanzas Publicas, Ministerio de Educacion, Subsecretaria de Planificacion Economica, UNDP, World Bank.

The constitutional subject would be expected to be similar, but the results are unusual. Shared powers compared to the exclusive federal responsibilities, as well as the municipal powers, have little weight. In this case, the comparison against other nations becomes useful. For example, Brazil has more shared powers than the rest. Returning to Argentina, this means that the Federation maintains very significant control over the whole nation. As for federal congress members by province, due to population variation across entities, the result obtained exhibits diversity. In this regard, the correlation between population and congress members is .96, indicating an almost exact alignment of congress in relation to the population jurisdictions. However, Argentina did not present any tendency in respect to constitutional controversies. The sentences' sample (21) showed the effort from the Supreme Court in order to maintain equilibrium between provinces and the Federal government.

The greatest asymmetry was found in the economic variable. Firstly, none of the series were correlated with the population, verifying with this the asymmetry found. The greatest difference was presented in the per capita gross product for each province. There are great economic differences across provinces due to the historical trends, which show how economic development flowed from Buenos Aires to the provinces. However, federal transfers do not show the same patterns as economic performance, demonstrating the national effort to compensate the provinces that have lower economic activity. These national policies ex-

plain the differences uncovered when comparing the expenditure and income of provinces and local governments.

III. Brazil

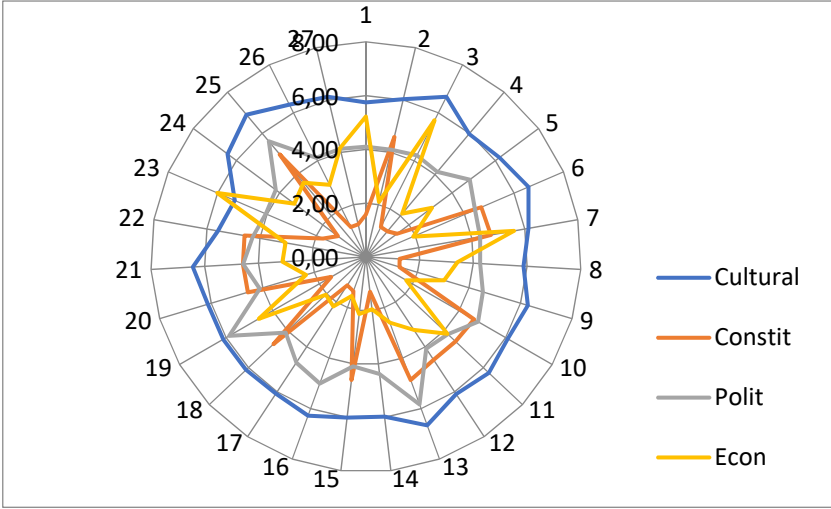
Brazil stands out as the nation with the most asymmetry. Even the cultural variable, with important differences, is related to the other factors. Although there is a dominant language, i.e. Portuguese, there are marked differences in cultural issues such as religion. States in which there was not majority religion were found. Brazil is the country with the largest number of religions. The population also differs in the sense of a great dispersion without a single large metropolitan area. Marked regionalism is shown to the south and on the coasts, dominated by the cities of Sao Paulo and Rio de Janeiro. The urban population also varies among the entities, from states without important cities to states with 75% of urban population. These differences are clearly followed into the policy issues. In addition to the obvious differences in the composition of the federal congress by province, there is a great diversity in human development (from 7.8 to 8.9) and also the large number of parties, both national and subnational, denoting the possibility for greater political or social instability.

The constitutional topic reflects important frictions. Although the variable is a sample, it reflects that there is not a clear trend as to which level of government predominates. The constitutional text is that which presents the greatest federal balance, since there is a clear and detailed explanation of the exclusive federal responsibilities, shared powers among governments, state mandates, exclusive municipal tasks, as well as tax distribution following the above criteria. This variable, rather than representing an advanced constitutional reform, is the result of the strength of some states. Thus, Brazil exhibited more state autonomy since most of the constitutional controversies (sample of 28) were to their favor.

Economic topics varied widely as a consequence of the subjects mentioned above. However, it should be distinguished at this point, that the four factors under study contrast in different ways without showing similar patterns among them, denoting an important complexity with respect to asymmetries. As expected, the gross product has a larger variation from very rich to poor states and municipalities. This factor impacts the per capita transfers, in which an attempt is made to compensate for these regional differences (the correlation coefficient was -0.29 among gross product and transfers). In addition, federal revenues impact the expenditures (where entities with less economic capacity have more expenditure per capita as a result of transfers) and own revenues, where entities with greater economic capacity (Rio de Janeiro and Sao Paulo) have received less federal revenue in proportional terms. It is not surprising that these large asymmetries, represented by state

and municipal fiscal capacities, are partly responsible for major macroeconomic problems in Brazil.

Graph 2. Brazil patterns



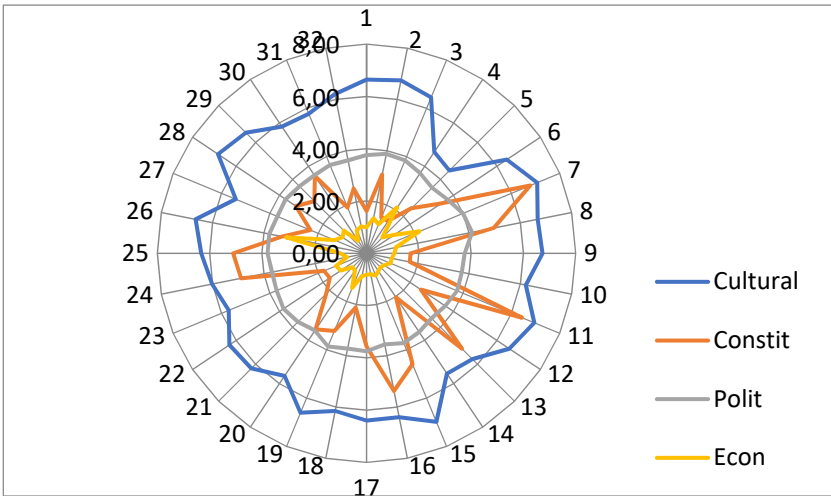
Data from: IBGE, OECD, OMPI, ONU, Secretaria de Ingresos, TSEB.

IV. Mexico

Mexico is the country with the least asymmetry, due to its cultural development and the political centralism that has prevailed for a long period of time. As in the case of Argentina, the series related to culture and politics are similar and homogeneous. Mexico's language (Spanish) and religion (Catholicism) show high uniformity. The population has variance, repeating the Argentine model in the sense of population concentration in the national capital, in this case Mexico City, and the metropolitan area of the State of Mexico. With respect to urban population there are marked differences from less-developed entities (from Guerrero to Chiapas in the southwestern part of the Pacific to richer states such Mexico, Nuevo Leon and Jalisco). In relation to political issues, the municipal powers recognized in the Constitution reflect an important effort to ensure municipal autonomy. Initially a high variation was verified regarding political parties. However, in real terms most of these parties never win elections. Human development follows the correlation with the entities' economic performance. However, this was the variable that presented the lowest disparity. The Constitution presents an important number of shared responsibilities. However, these attributions are managed by the Federal government. Situation verified in respect to the constitutional controversies in which the Supreme Court favors the national government in most of the times (sample of 36).

The economic series show few changes. One of the main reasons comes from the legal formulas for allocation of funds to states and municipalities. The criteria follow the entities' population and economic capacity as the most important components. Thus, these series show the same patterns, since all of the characteristics are tied together. For example: total transfers had a negative correlation with the per capita gross product (-.11) and with population (-.36). The results indicate a moderate compensation effect in favor of states with less wealth. As a consequence, total per capita expenditures presented a moderate correlation with population (.24) and general revenues a very high correlation with population (.82). However, the correlation between the entities' gross product and income was low (.33), denoting a low fiscal effort.

Graph 3. Mexico patterns



Data from: Gobierno de la Republica, H. de Diputados, INE, INEGI, ONU, SCJN, Secretaria de Hacienda.

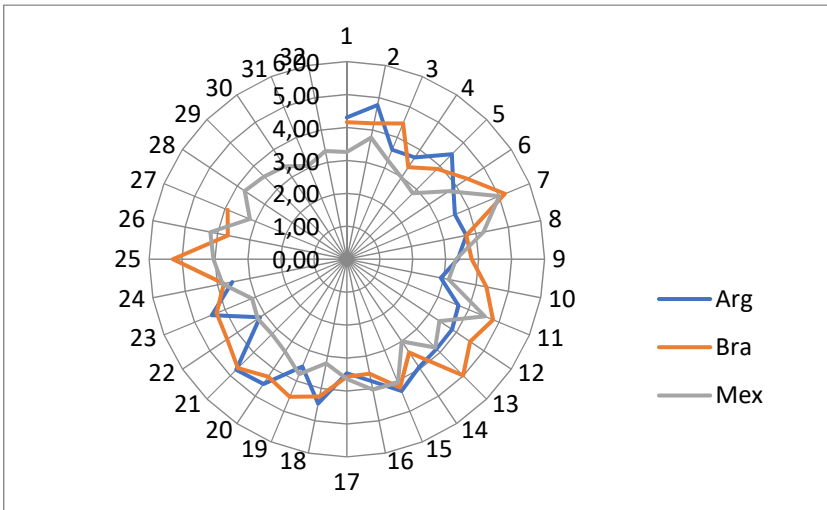
The series for the constitutional issues showed the highest variance. A significant number of shared powers versus the federal exclusive clauses stand out. These issues cover a wide range of services and most of them are decentralized services. Federal congress members presented the expected disparities according to the population distribution in each entity, favoring Mexico City and the states of Mexico, Nuevo Leon, and Jalisco. However, the major variance came from constitutional controversies. The issue did not follow any tendency, denoting an asymmetry that was not found within the constitutional text or political agreements.

G. Conclusions

I. The study

The purpose of the study was to analyze states and municipalities from Argentina, Brazil, and Mexico using the asymmetry approach. To this end, the main hypothesis was that nations with more symmetry should have more stability, understood as the strength of the federal agreement. Brazil was the country with the greatest asymmetries (see graph 4). Beginning with the cultural patterns, Brazil showed important differences motivated by its historical trajectory. It not only has more dispersion in its population, geography, and urban patterns, but also in its languages and religions, reflecting a profoundly multicultural nation. It also has a series of special rules that enhances the federal pact within the Constitution. Because of these rules, the Supreme Court favors federal entities over the national government in most of the times.

Graph 4. Final asymmetry results



The economic issue was the variable that most accurately measured asymmetries. Brazil was the most asymmetric, exhibiting large differences in its entities' gross domestic product and consequently affecting federal compensation policies. However, Argentina showed a greater compensation policy than Brazil because of its differences with the poorer provinces as shown by the high negative correlation between gross domestic product versus federal funds. Mexico presented the least compensation policy of the three nations under study, as a consequence of having less variation in its economic factors (see table one).

Table 1, *Correlation versus federal funds*

	Arg	Bra	Mex
GDP	-0.58	-0.40	-0.15
POP	-0.50	-0.45	-0.35

Brazil showed the highest diversity in political terms, due to the strength of some states and municipalities (especially Sao Paulo and Rio de Janeiro), as well as its political pluralism, cultural diversity, and socio-economic differences. A general public policy in order to reduce asymmetries would be a mistake, due to its social and political values. However, it is notable that Brazil is the country that shows the greatest political instability of the three and the largest economic inequalities, confirming the hypothesis of the study. On the political side, it would be interesting to explore the correlation between the number of political parties and governability, as well as generating mechanisms of political compensation for the less-developed regions in the National Congress. In the economic-financial sphere, the challenge would be to generate policies aimed at the poorer states and municipal governments without hindering the economic development of the richer states and municipal governments.

Argentina has established significant advances in terms of federal strengthening since the constitutional reforms of 1994. At the constitutional level, for our purposes, the topics related to natural resources and fiscal federalism stand out. Both are in deep conflicts that will go to the Federal Supreme Court. In both cases a healthy balance should be acquired to provide provincial and municipal autonomy with minimum federal intervention. In politics it would be interesting to review the correlation between political pluralism and instability or governance, as in the case of Brazil. However, it seems that in recent years, democratic institutions have been strengthened despite the large number of parties and alliances. With respect to fiscal federalism, provinces with smaller capacities should be supported, including their fiscal capacity efforts as a key component.

Mexico shows the greatest symmetry. This symmetry and centralization justifies policies aimed at increasing state and municipal autonomy. Also, due to the fact that recently there has been more political plurality, more political pressure against the party that governs at the federal level would appear. In addition, shared responsibilities, represented by the decentralized services, require more state and municipal freedom. Mexico also confirms the study hypothesis. This federal dominion over the states has represented more political and institutional stability compared to the other nations under study.

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