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Decentralization's Nondemocratic Roots: Authoritarianism and Subnational Reform in Latin America

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ABSTRACT

This study challenges the common view of authoritarianism as an unambiguously centralizing experience by investigating the subnational reforms that military governments actually introduced in Latin America. It argues that the decision by military authorities to dismiss democratically elected mayors and governors opened a critical juncture for the subsequent development of subnational institutions. Once they centralized political authority, the generals could contemplate changes that expanded the institutional, administrative, and governing capacity of subnational governments. This article shows how cross-national variation in the content and consistency of the generals' economic goals led to quite distinct subnational changes; in each case, these reforms profoundly shaped the democracies that reemerged in the 1980s and 1990s.

One of the common definitional stances adopted in the now sizable literature on decentralization is to distinguish between its two main forms: deconcentration and devolution. Deconcentration refers to changes that empower the subnational offices of national government ministries, dispersing central agents throughout the country and endowing them with greater resources and responsibilities (Rondinelli 1989; Parker 1995). Devolution, in contrast, refers to the transfer of resources and responsibilities to subnational authorities who are "largely or wholly independent of higher levels of government" (Manor 1999). Scholars generally agree that for devolution to occur, subnational elections are a necessary but not sufficient condition (Heller 2001; Hutchcroft 2001; Manor 1999).

As this simple distinction suggests, the politics surrounding these two forms of decentralization are likely to be quite distinct. For example, whereas deconcentration often appeals to central state actors seeking to penetrate interior regions more completely (Migdal 1988), devolution poses a more direct challenge to these actors because it empowers subnational officials they do not control.

By examining important cases that do not readily fit into either category, this article problematizes the distinction between deconcentration and devolution. It does not question the importance of subnational elec-

tions as signal events that alter the calculations of would-be decentralizers at the center. In Latin America and other regions, the spread of subnational elections in the last two decades has set in motion deep changes in the political careers that politicians pursue, the lobbying strategies that interest groups adopt, and the demands that are now emerging from subnational governments. Indeed, in many countries, using electoral mechanisms rather than appointment procedures to constitute subnational governments is one of the most significant features that distinguishes democracy's third wave from earlier waves (Eaton 2004).

Placing too much emphasis on elections, however, overlooks reforms that expand the institutional capacity of subnational officials who are not elected but who still cannot be described accurately as agents of central government bureaucracies. Salient examples of such reforms include changes that give unelected subnational governments greater statutory control over the provision of education and health care, additional taxing authority, and the right to operate their own banks and state-owned enterprises. The conceptual distinction between deconcentration and devolution cannot account for these changes because they transcend the mere empowerment of central bureaucrats located below the national level (deconcentration), but do not meet the higher standard set by separate elections for subnational officials (devolution). This study explores this middle ground by investigating the subnational reforms that authoritarian governments introduced in Latin America in the third quarter of the twentieth century. In the cases examined here, military-led governments at the center canceled subnational elections and then proceeded to modify subnational governments in ways that went far beyond bureaucratic deconcentration. Herein lies the core puzzle: why did authoritarian regimes regarded as highly centralist expand the governing capacity of subnational governments?

The decision by military authorities to terminate prior experiences with direct subnational elections opened up a critical juncture for the subsequent development of subnational governments. In earlier democratic periods, the separate election of subnational officials often encouraged those who controlled the national government to guard governing capacity jealously and to resist expanding subnational authority. When, in contrast, military authorities dismissed elected officials at the subnational level and gave these jobs to appointees who enjoyed their confidence, they could contemplate deep changes in the capacity of subnational governments. Once they had asserted political control over mayors and governors, military authorities could and did use subnational governments in the service of the far-reaching economic and political goals that motivated the coups of the 1960s and 1970s. Because the military authorities chose to strengthen the capacities of unelected subnational governments rather than rely exclusively on the efforts of

central government bureaucrats placed in subnational jurisdictions, neither devolution nor deconcentration successfully captures the logic of these military-led reforms.

The military regime's decision to do other than deconcentrate power within the central bureaucracy is not merely of academic interest. When democracy was restored at the subnational level in the end phase of authoritarian rule, newly elected officials were returned to gubernatorial and mayoral offices whose capacity had been considerably expanded. The simple return to subnational elections immediately brought new political significance to the changes that had been introduced in the period of military rule. From the standpoint of incoming, democratically elected national politicians, the reversal of bureaucratic deconcentration would have been much easier to effect than the recentralization of governing authority from separately elected subnational governments. In this sense, the form taken by the generals' subnational engineering helps explain why intergovernmental conflict—that is, conflict between separately constituted levels of government—has become so pronounced in the postauthoritarian period.

To explore the logic of subnational reforms by military authorities, the research here focuses on the three countries in Latin America that have received the most scholarly attention from students of military government: Argentina, Brazil, and Chile. For Argentina, the focus is on two distinct periods of military rule: the so-called *Revolución Argentina* between 1966 and 1973 and the subsequent *Proceso de Reorganización Nacional* between 1976 and 1983. The relevant period in Brazil is the lengthy experience with military rule that began with the coup of 1964 and terminated more than two decades later in the indirect presidential election of 1985. In Chile, the military government was led by Augusto Pinochet, who took power in the wake of the 1973 coup and left the presidency in 1990.

These four regimes shared many traits. Together they represent the closest real-world approximations of bureaucratic authoritarianism (BA) as an ideal type (O'Donnell 1973; Collier 1979). At the same time, scholars have also noted that the BA label masks a significant degree of cross-national variation in the actual economic and political reforms pursued by the authoritarian rulers (Hagopian 1993; Hirschman 1979; Schamis 1991). The discussion of subnational reforms that follows takes its cues from both strands in the literature on BA regimes. At one level, what is striking are the commonalities that led each of these regimes—despite their strongly centralizing profiles—to expand subnational roles. The purpose of these regimes was not simply to clean house and hold a new round of democratic elections. Instead, military leaders in each case engaged subnational governments in the pursuit of ambitious attempts to transform their country's society, polity, and economy. Considering

the relevant counterfactual here, major changes in subnational government would have failed to interest military authorities with shorter time horizons, as in the more traditional military interventions that took place so frequently in Latin America earlier in the twentieth century.

At another level, while longer time horizons and transformative ambitions explain these regimes' common interest in subnational governments, the content of their subnational reforms varied considerably. This cross-national variation can be explained by emphasizing differences in the economic policy orientation of the generals in each country. Specifically, differences in national economic development strategies translated into distinct changes in the mix of rights and responsibilities that the generals decided to assign to subnational actors, again with important implications for postauthoritarian politics. Whether the regime attempted to promote economic development through statist or neoliberal programs directly shaped the quality of the subnational reforms it proposed and implemented. The contrast is clearest in the Brazilian and Chilean cases. While the statist approach of the Brazilian generals accelerated the expansion of subnational authority over public sector banks, industries, and universities, the neoliberal approach in Chile resulted largely in the offloading of what were previously central government responsibilities in the absence of accompanying resources. Simply put, statism generated greater increases in autonomy for subnational governments than did neoliberalism.

The two Argentine regimes suggest that, in addition to the content of economic policy goals, the relative consistency with which generals pursued these goals is equally critical in understanding whether military rule actually put subnational governments on a new footing. Governed at different moments by the statist logic of the *Revolución Argentina* and the neoliberal logic of the *Proceso*, authoritarian governments in Argentina did propose ambitious subnational reforms but lacked the coherence necessary to turn those proposals into reality.

By emphasizing the content and consistency of the generals' economic policy goals in all four regimes, this study adopts a plainly top-down approach. Different goals at the top explain much of the variation in subnational reforms, but a more complete explanation would certainly require greater attention to the various strategies of subnational officials, who defined their own goals within the distinct development frameworks that were imposed from above.

To set up the argument about how and why military-era subnational reforms differed, this article proceeds to investigate what these four military regimes had in common; namely, political centralization. It then analyzes the differential impact of distinct development strategies on the changes that military governments decided to introduce in the four cases. These reforms had particular consequences for politics in the

postauthoritarian period. The analysis concludes with comments on the relationship between regime type and subnational reform.

THE LOGIC OF POLITICAL CENTRALIZATION IN FOUR MILITARY REGIMES

For the military governments with transformative projects that came to power in Argentina, Brazil, and Chile, it was not enough simply to close the national legislature or dismiss politicians from national offices. Unlike most other Latin American countries where subnational officials had been appointed by national politicians in earlier democratic periods, military leaders in these three countries confronted long histories of subnational elections. Independent political space at the subnational level posed obvious problems for the new *de facto* authorities at the center, who responded in short order by removing, and in some cases repressing, subnational politicians.

Resistance for independent subnational politics might not have been problematic for the type of short-lived military government that took power simply to dismiss "objectionable" national politicians, but military leaders with more foundational goals viewed unfettered subnational democracy as incompatible with the pursuit of these goals. Because subnational elections were canceled, none of the subnational changes that followed can accurately be considered "devolution." Yet the story does not end here. The decision to centralize political authority operated as the necessary condition for a myriad of decisions in the subsequent period that increased the governing roles of local and intermediate governments, in effect making such increases politically palatable.

Beyond the similarly ambitious goals that brought each of these regimes to power, a distinct political logic guided subnational interventions in each case. For example, while all the regimes included in this study disrupted democratic procedures at the subnational level, the reasons for and extent of the disruption differed considerably. In Chile, the chief targets of military repression were the directly elected municipal councils, which, before 1973, were charged with electing the country's mayors. In contrast to subnational jurisdictions in Argentina and Brazil, the municipalities in Chile did not wield much governing authority before the coup.¹ As a result, worries that the municipalities might use their authority over resources in ways that would challenge the military were not the dominant concern facing the new *de facto* authorities. Instead, the need to terminate the municipal democratic process reflected the municipalities' status as important sites of political contestation (Valenzuela 1977). Intervening in municipal government was thus an important component of the regime's broader attempt to rid Chile of the cancer of party politics. Municipal officeholders had few responsi-

bilities and fewer independent revenues, but municipal elections themselves were an important element in what the military viewed as a failed democracy. The important victory of Salvador Allende's Popular Unity government in the municipal elections of 1971 (Dornbusch and Edwards 1990) provided further partisan motivation for the extreme political centralization experienced in Chile.

In contrast to Chile, political repression at the subnational level in both Argentine regimes focused on the provincial rather than the municipal level. As in Chile, however, the political logic of subnational interventions in Argentina also reflected a clear antiparty agenda; specifically the anti-Peronism of military reformers. After the military regime barred the Peronists from participating in the presidential elections that it held three years after the 1955 overthrow of Juan Perón, the Peronist Party's electoral successes in the provinces proved to be critical evidence of Perón's continuing support in the 1960s. For example, Peronist victories in the provincial elections in 1962 encouraged the military to depose President Arturo Frondizi; and four years later, a similar victory in the important province of Mendoza inspired the June 1966 coup (McGuire 1997, 89, 146).

For the authoritarian government of Juan Carlos Onganía, which took power that month, maintaining democracy in the provinces would have been fundamentally at odds with the Argentine *Revolución* through which he sought to steer the country toward a non-Peronist future. The more brutal and radical authoritarian coalition that took power a decade later had even greater cause to abolish provincial elections. In the brief democratic interregnum between the military's departure in 1973 and its return in 1976, the Peronists swept gubernatorial elections throughout Argentina. After the March 1976 coup, the military moved aggressively to repress the governors, then divided up responsibility for the provinces between officers of the army, navy, and air force (Gibson 1997, 79).

If hostility to subnationally successful political parties led to the sharp centralization of political authority in Argentina and Chile, Brazil represents a different dynamic. Political parties were much less established in Brazil (Mainwaring 1999; Schwartzman 1982), and attempts to root them out were consequently much less central to the authoritarian project than in the other countries. In contrast to the immediate halting of subnational democracy in Argentina and Chile, at first the Brazilian generals went ahead with direct gubernatorial elections scheduled for 1965. Later, however, they shifted to indirect elections, through concern that direct elections would not install politicians who supported a substantial period of military rule (Abrucio and Samuels 2000). Some leading governors had supported the coup in 1964 not because they wanted extended military rule, but because they hoped to compete in new pres-

idential elections expected to be held in the wake of João Goulart's overthrow (Camargo 1993).

Direct gubernatorial elections would have given these governors a major foothold with which to oppose the military's continued stay in power, in contrast to the indirect electoral procedures that the generals were better able to manipulate. Indirect elections certainly gave traditional elites in the states greater room to demand advantageous treatment from the center than their counterparts enjoyed in Argentina and Chile (Hagopian 1996). Considering the military authorities' ability to manipulate indirect elections, however, the termination of direct elections is appropriately understood as a centralizing rupture—one that was simply not as extreme as that effected by the Argentine and Chilean militaries (Kugelmas 2001).² Ultimately, because it requires politically independent subnational governments, devolution is not an accurate label for the subnational reforms that Brazil's generals would subsequently introduce.

STATISM AND NEOLIBERALISM AT THE SUBNATIONAL LEVEL

If the canceling of elections (Argentina and Chile) or altering of electoral procedures (Brazil) lessened the threat posed by independent subnational governments, the scale of the socioeconomic transformations sought by military leaders provided them with the incentive to enlist these governments as allies and partners. All four regimes searched for successful economic development strategies in response to broadly similar economic crises, and in all four cases this search convinced the generals of the need to do more than redistribute authority within the bureaucracy of the central government (that is, bureaucratic deconcentration). To understand how the character of subnational government changed over the course of authoritarian rule, the generals' economic policy orientation is the single most important factor to consider.

While the Brazilian regime and the first Argentine regime (1966–73) sought to facilitate industrial deepening through the maintenance or expansion of state-led industrialization (Stepan 1973; Smith 1989), the Chilean regime and the second Argentine regime (1976–83) embraced neoliberal policies in the attempt to move away from statist models (Foxley 1983; Lewis 1990; Schamis 1991).³ That national strategies differed along a core neoliberal-statist dimension is well accepted in the literature on Latin American political economy. Less understood is the differential impact these national strategies had on subnational governments and on the nature of the intergovernmental conflicts that raged subsequent to redemocratization.

The case studies that follow address a broad set of functional changes that the generals designed and introduced. These changes altered both the roles assigned to subnational governments and the resources they could use in performing those roles. With respect to the assignment of new roles, the literature has tended to emphasize changes in the division of expenditure responsibilities, including the transfer of education, health care, and other services to subnational governments (Manor 1999; Rondinelli 1989). But the narrow focus on expenditure responsibilities is problematic because subnational roles also expand when, as in the Brazilian case, governments below the national level are allowed to create their own state-owned enterprises and to adopt their own industrial policies (Montero 2002).

With respect to changes in the resources at the disposal of subnational governments, this study focuses on fiscal as opposed to administrative resources.⁴ Fiscal resources include the tax revenues that subnational officials are empowered to raise in their own districts and through their own effort, along with the tax revenues they receive from the national government in the form of unconditional transfers, matching grants, and earmarked funds. Also in this category are nontax revenues that subnational officials can borrow from a variety of sources, including foreign and national governments, private holders of debt at home and abroad, and state-owned banks under the control of subnational governments themselves.

Table 1 documents the major changes that affected subnational governments during each of the four military governments.⁵ The four military governments did not introduce changes in all of the functional categories described above, which renders a systematic comparison across these cases somewhat difficult. For example, revenue-sharing arrangements were reformed by military authorities in Argentina and Brazil but not in Chile; and education and health care responsibilities were explicitly transferred downward in Chile and in the second Argentine regime but not in Brazil. Nevertheless, table 1 summarizes the changes examined in greater detail in the country-specific analyses that follow.

State-led Development in Brazil

In the study of Brazilian federalism during military rule, scholars have focused on two distinct periods: the sharp centralization of taxing authority in 1967, and the steady decentralization of tax revenues after the 1974 electoral defeat of the promilitary party (Abrucio and Samuels 2000; Rezende 1996; Selcher 1989). These important tax and revenue changes symbolize the distinct dynamics at play in the first and second decades of military rule. Beyond tax policy, however, once the generals eliminated direct gubernatorial elections, their commitment to statism as

Table 1. Changes in Subnational Government During Military Rule

Military regimes	Changes in distribution of fiscal authority	Changes in distribution of policy responsibilities
Argentina 1966–1973	<ul style="list-style-type: none"> • 1967 and 1968 decrees cut revenue transfers to provinces and Buenos Aires • 1973 law increases transfers by giving provinces, federal government equal shares of revenue 	
Argentina 1976–1983	<ul style="list-style-type: none"> • 1976 decrees cut provincial transfers in half to finance social security reform • Buenos Aires removed from revenue-sharing system 	<ul style="list-style-type: none"> • 1979, 1982, and 1983 laws enhance provincial authority over regional industrial policies • 1981 decree transfers primary education and some health care to provinces
Brazil 1964–1985	<ul style="list-style-type: none"> • 1967 centralization of tax bases reduces subnational fiscal autonomy • Increased revenue transfers to states and municipalities after 1974 ARENA electoral defeat 	<ul style="list-style-type: none"> • Creation of 200+ parastatals controlled by state and municipal governments • Expansion of banks and universities run by state governments
Chile 1973–1990		<ul style="list-style-type: none"> • 1974 creation of regional governments; regional authorities given role in expenditure decisions • 1981 decree transfers responsibility for schools and hospitals to municipalities

an economic ideology led them to introduce a series of changes that were, in some senses, deeper and more structural.

For example, military authorities chose to expand state universities, state-owned enterprises (*estatais estaduais*), and state-owned banks, all

at Brazil's intermediate level of government (Britto 1995; Prado 1996; Tandler 1968). As Montero demonstrates, the military in Brazil presided over the expansion of industrial policymaking by subnational authorities. Some states (for example, Minas Gerais) responded by delegating authority to technocrats in developmental agencies, producing increased levels of public investment; while in others (such as Rio de Janeiro), populism undermined the effective use of industrial policymaking authority (Montero 2002).

For the purpose of categorizing these changes relative to the concepts of deconcentration and devolution, it is important to note that what the generals in Brazil did not do was assign exclusive authority over industrial policy to the deconcentrated agents of the central government. Instead, they shared this authority with subnational governments. The shift from direct to indirect electoral procedures reduced the potential threat posed by this phenomenon of "subnational statism," facilitating its expansion considerably beyond what had been contemplated in the earlier democratic period by the government of President Juscelino Kubitschek (1956–60).

While the growth of the parastatal sector under the Brazilian generals has been subject to extensive study, most scholars of this period have focused exclusively on those new state-owned enterprises that were controlled by the federal government (Abranches 1980; Evans 1979; Werneck 1987). Yet in the first years of the military government, 175 state-owned enterprises (SOEs) were created in the states, in contrast to only 39 at the federal level. Between 1970 and 1976, the numbers were more equal, with the establishment of 70 federally controlled SOEs and 60 SOEs at the state level (Rezende 1980, 47). The available data clearly demonstrate nevertheless that the aggressive pursuit of statism reached far below the national level. Fifteen years into the military period, according to data presented in table 2, the share of state-owned enterprises controlled by subnational spheres of government—both state and municipal—far exceeded those controlled by the federal government. Of the 654 SOEs in place in 1979, 456 were owned by subnational governments.

Beyond the growth in the number of subnationally owned enterprises in the 1960s and 1970s, it is also evident that Brazilian states and municipalities derived valuable revenues from these enterprises over the course of military rule. According to several scholars, revenues from the parastatal sector served as partial compensation to the states for the centralizing changes in taxing authority that the generals had instituted in 1967 (Lopreato 1997, 95; Prado 1996, 34). It also bears noting that subnational statism was particularly significant in the area of banking and insurance, and that subsequent to redemocratization, this expansion would trigger attempts by later generations of federal politicians to

Table 2. Distribution of State Enterprises by Sector and Sphere of Government, Brazil, 1979

Sectors	Federal government	State government	Municipal government	Total
Agriculture and mining	20	11	1	32
Manufacturing	56	33	3	92
Services	122	312	96	530
Utilities	41	51	11	103
Transport, storage, commerce	40	29	8	77
Planning, research, development	7	70	57	134
Technical/administrative services	19	64	16	99
Construction, engineering	8	9	4	21
Banks, insurance	7	89	—	96
Total	198	356	100	654

Source: Trebat 1983, 38

assert control over state finances through the privatization of state-owned banks.

Table 2 shows that the phenomenon of subnational statism was a cross-sectoral one, but the weight of state-controlled SOEs relative to federally controlled SOEs varied across sectors. Although it federalized decisionmaking authority in all sectors by the late 1960s, the military government allowed a much greater degree of participation by the states in some sectors (for example, transportation and electricity) than in others (oil and telecommunications). The impact of statism on subnational governments was particularly striking in the strategic electricity sector (Tendler 1968). According to Villela (1984, 41), whereas only 7 percent of Brazil's electricity was generated by parastatals that were owned by the states in 1962, that percentage steadily increased to nearly 50 percent under military rule.⁶ Considering the numerous decisions that a government is called on to make when it runs its own enterprises, banks, and universities, it is possible to conclude that statism produced much greater autonomy for subnational authorities than the more liberal approaches adopted elsewhere.

Liberal Development Strategies in Chile

The dominance of neoliberalism as the Chilean regime's guiding ideology generated a set of changes that were much less advantageous for

Table 3. Indicators of Fiscal Decentralization in Chile, 1970 and 1992

	1970	1992
National government spending as a percentage of total spending	95.3	87.3
Municipal government spending as a percentage of total spending	4.7	12.7
National revenue as a percentage of total revenue	97.5	97.2
Municipal revenue as a percentage of total revenue	2.5	2.8

Source: Yáñez and Letelier 1995, 187

subnational governments than those in Brazil. These changes have received far less attention from scholars relative to other reforms, like privatization and financial liberalization, but the changes that Pinochet referred to as "decentralization" were an important part of the new regime's neoliberal program. Having suppressed local democracy, Pinochet was able to reconfigure subnational governments profoundly in the attempt to institutionalize this radically new policy orientation.

The key change at the municipal level occurred in the early 1980s and involved shifting responsibility for education and health care to the municipalities, but without giving these governments additional control over revenue. As table 3 shows, by the end of the dictatorship, municipal spending as a percentage of total spending had experienced a significant increase without a concomitant change in the share of revenues collected by municipalities (Marcel 1994). Endowing municipalities with important responsibilities marks a major departure, given the insignificance of this level of government in the decades before the coup. Pinochet also created an entirely new tier of 13 regional governments between the municipalities and the national government, and instructed his national ministries to channel their spending through these new regional governments (Gleisner 1988; Zavala 2001).

These regional and municipal reforms clearly bear the imprint of the military's drive to reverse decades of statism in Chile. The creation of the regions and the transfer of important expenditure items to the municipalities were two different ways of achieving the same result: a central state that would be less relevant in the national political economy. Reducing the importance of the central state was important to the military as a means of limiting the damage to its interests that could be done by the victory of left-wing parties in future national elections. In this respect, military engineering at the subnational level proved to be quite advantageous to the Chilean right. Having lost every presidential election since the transition in 1989, the subnational offices reconfigured by Pinochet served as important political bases for the parties of the

right in the postauthoritarian period. Considering the particular strength of national unions in the education and health sectors and their hostility to the authoritarian project, moreover, Pinochet's special interest in transferring responsibility for schools and hospitals to the municipalities was no accident. What is clear is that the desire to transform Chile's political economy in a profound way encouraged Pinochet to look beyond bureaucratic deconcentration. Because it could have been more easily undone by his democratic successors, bureaucratic deconcentration represented a less attractive option for Pinochet than these more fundamental changes in the roles assigned to subnational governments.

Besides redistributing functions away from Santiago and toward regional and municipal governments, the Pinochet regime also used subnational reforms in the attempt to reduce the overall size of Chile's consolidated public sector (Boisier 1994). By forcing new expenditure responsibilities onto municipal governments while failing to give them either additional tax bases or sufficient revenue transfers from the center, the Pinochet government set the stage for a sharp decline in the quality of governmental services in education and health care. The goal, according to some critics of the authoritarian-era reforms, was to encourage Chileans "voluntarily" to shift out of the public sector and into the private market for these services (Caro 2001).

Yet if municipal decentralization appealed to neoliberals in the military government as a form of privatization through the back door, in the end, education and health care were starved of public resources but never completely privatized. Because full-scale privatization never happened, municipal governments emerged from the authoritarian period overburdened and impoverished, but much more important than they had been in the preauthoritarian period, thanks to their new statutory responsibility for some of the most critical services government can provide.

The contrast with Brazil is instructive. Whereas many states in Brazil emerged from the military period stronger than ever and with enhanced access to revenue from subnational parastatals, Chilean municipalities emerged with new responsibilities but subject to tight fiscal control from Santiago. According to the analysis here, then, statism and neoliberalism produced sharply divergent outcomes in these two cases: subnational actors in Brazil received revenues in excess of their obligations, while in Chile new responsibilities for local officials far exceeded their revenue authority. Thus the capacity of Chilean municipalities certainly increased under military rule because they were called on to deliver services that were much more important than anything they had done in the past. Relative to Brazil, however, the scope for autonomy in decisionmaking was much more limited because of the continued and extreme financial centralization associated with the overarching pursuit of neoliberalism.

Economic Policy Incoherence in Argentina

The pursuit of distinct economic development strategies in Brazil and Chile generated very different proposals for subnational reform, but in each country the design and implementation of these different proposals was reasonably coherent. The same cannot be said of either of the two Argentine military governments considered here. Debates over the appropriate economic policy course certainly took place in the Brazilian and Chilean militaries, but studies of both the *Revolución Argentina* and *Proceso* regimes demonstrate the failure of the Argentine military to coalesce in a consistent fashion behind any one approach (Peralta-Ramos 1990; Smith 1989).

Incoherence and volatility were problems not just in the national debate between economic nationalists and economic liberals; the provinces also functioned as tools in the fierce and ultimately unresolved conflicts over economic policy that took place within the Argentine military. The subnational reforms proposed in Argentina's authoritarian interludes were just as significant as those proposed in the other two cases, but most of them were either reversed or undermined by rival factions in the military before it withdrew from power.⁷ Thus, unlike its counterparts in the other countries, the military failed to take advantage of the closing of the national legislature—historically a key arena for provinces to defend their prerogatives relative to the national government—to introduce consistent provincial reforms.

The extreme policy swings that characterized Argentina's revenue-sharing system between 1966 and 1973 illustrate the inconsistency of the regime's attitudes toward provincial governments and the development role they could be expected to play. As shown in table 4, this period witnessed harsh cuts in fiscal transfers to the provinces, only to be followed by the most generous increases in revenue sharing in Argentine history. While the attempt to deepen industrialization was central to President Onganía's developmental plans, his economy minister, Adalberto Krieger Vasena, introduced nevertheless a very liberal program, sponsored by the International Monetary Fund, to control the federal budget deficit. This program involved sharp reductions in automatic provincial revenue transfers in March 1967 and further cuts for the City of Buenos Aires the following year.

Considering their huge dependence on transfers from the center, cuts in revenue sharing had powerfully centralizing outcomes, and put provinces on the defensive relative to the federal government. In 1973, however, the military reversed course and decreed a new revenue-sharing law that was highly advantageous to the provinces (Luna 1975; Saiegh and Tommasi 1998). The law's most important effect was that it incorporated the provinces' historical demand for a share in tax rev-

Table 4. Contradictory Changes in Revenue Sharing
During the Argentine Military Regime of 1966–1973

1967	1968	1973
Increase, federal share of revenues, 54%–59%	Further 22% decrease in revenue shares, City of Buenos Aires (federal capital)	Decrease, federal share of revenues, 59%–48.5%
Decrease, subnational shares of revenues, 46%–41%		Increase, subnational share of revenues, to 48.5%

Source: Nuñez Miñana and Porto 1982

enues that would be equal to the federal government's, a demand they had failed to secure under previous democratic governments. According to the new law decreed by the military in 1973, any new taxes created by the federal government would necessarily form part of the revenue pool subject to provincial transfers, and provinces would be free to devote these transfers to the expenditure items they chose (that is, transfers were not earmarked). In other words, the *Revolución Argentina* began by reducing the revenue autonomy of the provinces relative to the earlier democratic period, but ended by increasing it beyond anything that earlier democratic governments had been willing to grant.

An examination of military rule during the subsequent *Proceso* regime reveals the play of these same contradictory impulses. The neoliberal impulse that dominated in the years following the 1976 coup led to cuts in provincial revenue transfers that mirrored the changes in 1967 and 1968 and that undid the 1973 revenue-sharing legislation that had been advantageous for the provinces. The Videla government used these provincial revenue cuts to finance an expensive reform of the social security system, through which the government sought to excuse employers from contributing to their employees' retirement funds (Núñez Miñana and Porto 1982). As in Chile, neoliberalism and the attempt to marginalize powerful national labor unions led the Argentine military government in the early 1980s to transfer expenditure responsibilities for primary education and health care to the provinces. Also as in Chile, these new responsibilities did not come with any extra revenue (FIEL 1993). All these changes reflect the neoliberal approach to subnational reform that Carlos Menem would pick up on in the 1990s.

Even as the provinces bore the brunt of attempts by the *Proceso* generals to liberalize Argentina's economy, however, they also benefited from a series of highly illiberal changes in tax policy that significantly expanded provincial autonomy. In 1979, 1982, and 1983, the federal

Table 5. Fiscal Cost of Provincial Tax Breaks Granted
by Argentina's Military Government (in millions of US\$)

1990	1991	1992	1993	1994	1995
\$2,661	\$2,888	\$3,085	\$3,521	\$3,232	\$3,256

Source: World Bank 1993, 59

government delegated to interior provinces the right to grant federal tax breaks, a policy departure that clashed fundamentally with the austerity measures the generals were then enacting (Azpiazu and Basualdo 1990; Eaton 2001). According to the data presented in table 5, the provinces moved aggressively to take advantage of this new authority over federal taxes, resulting in heavy losses to the federal treasury for years to come (Macón 1985, 161). So long as national authorities exercised political control over the governors, as was the case under the *Proceso*, provincial governments could be seen as mere extensions of the national government. For this reason, delegating authority over federal tax policy to the provinces did not threaten the interests of the generals who controlled the federal government. After provincial and national elections were reintroduced in 1983, however, this military-era reform would produce a significant loss of control for the national government. Thus, as under the earlier military period, the provinces under the *Proceso* experienced a bewildering mix of changes that reduced provincial autonomy in some dimensions but enhanced it in others.

In Argentina, the generals proposed reforms that moved subnational governments simultaneously in statist and neoliberal directions. The conflicting reforms, however, did not merely cancel each other out. Although internally contradictory, these reforms are as important for understanding intergovernmental struggles in postauthoritarian Argentina as are the more coherent subnational changes introduced in Brazil and Chile.

THE IMPACT OF MILITARY-LED REFORMS ON CONTEMPORARY DEMOCRACIES

In all four cases, despite important cross-national differences, changes in the roles ascribed to subnational governments were made politically possible by the prior cancellation of subnational elections. Once subnational elections were reinstituted as part of the return to democracy, particular institutions, actors, and interests reproduced the military reforms over time. In each of the three countries, military-era subnational engineering—whether this engineering was internally consistent or not—

had implications for politics once the military withdrew from power. Following their victories in the "founding" subnational elections of Brazil (1982), Argentina (1983), and Chile (1992), mayors and governors used the newly regained independence of these offices to defend those military-era changes that had expanded the importance of subnational governments.⁸ This opportunity to defend acquired capacities would not have been open to subnational actors if the military had chosen simply to deconcentrate power within the central government bureaucracy.

As Hagopian has argued, when Latin America redemocratized in the 1980s, its new democracies did not merely pick up where preceding democracies had left off (Hagopian 1993). One of the most important illustrations of this point from the four cases is that the simple reintroduction of subnational elections in the course of the national transition immediately infused new political meaning into the functional changes that the military governments had introduced at the subnational level.

The timing of the reintroduction of subnational elections (that is, when these elections took place within the timetable of the broader democratic transition) did differ significantly across the three countries. In Brazil, subnational elections preceded the direct election of the president by seven years; in Argentina, provincial and national elections were held in the same year (1983); and in Chile, subnational elections were held three years after national elections. But in each case, when direct subnational elections were once again held, their reintroduction altered overnight the significance of the manipulation of the system by the preceding military government. So long as the generals appointed subnational officials (Argentina and Chile) or controlled their indirect election (Brazil), the central government retained ultimate authority over how subnational officials used the additional powers that the military had decided to transfer. The return to separate electoral procedures to constitute national and subnational authorities directly increased the potential for conflict between these authorities over such disparate issues as provincial banks, municipal schools, and state universities. Statism and neoliberalism created distinct legacies for subnational governments once the military returned to the barracks in the 1980s and 1990s.

That military-era subnational reforms shaped postauthoritarian politics is well established in the Brazilian case. According to Abrucio and Samuels (2000), subsequent to their defeat in the 1974 elections, the generals used their discretionary control over revenue transfers to subnational governments as a resource that enabled them to delay and control the terms of the democratic transition. Playing to the governors in the area of revenue sharing exacted a heavy and well-documented toll on the federal government (Samuels 2003; Seabra 1997; Shah 1991). The successful demands of state-based politicians for increases in revenue transfers, which were accompanied by no equally explicit redistribution

of expenditure responsibilities, proved disastrous for rational public budgeting in the late 1980s and clearly fueled the hyperinflationary episodes of the early 1990s (Lopreato 1997; Rezende 1996).

Beyond the story of revenue transfers, however, Brazil's generals put subnational governments on a new footing in another sense. Precisely because the generals had presided over a sharp increase in the number and size of banks and enterprises owned by state governments, the position of subnational actors in Brazil's new democracy was much more advantageous than in other countries. Because of the generals' statism, governors in the post-1982 period wielded a greater set of policy tools than had their pre-1964 predecessors, particularly in the larger Brazilian states (Dias 2002; Kugelman 2002). In states like Minas Gerais, democratically elected governors now presided over state-level developmental agencies that had been created or strengthened during military rule (Montero 2002, 69–71). Changes introduced under the military period, however, did more than expand the governors' own policy relevance. In the fiscal struggles that have taken place in the contemporary democratic period between the federal and state governments, subnational statism created "facts on the ground" in the form of thousands of state government employees who resisted privatization and adjustment in the 1990s.

The legacy of subnational statism therefore deserves to be included to the already sizable list of obstacles, including fragmented parties, federalism, and weak party discipline, that have complicated the pursuit of fiscal balance and economic stability in Brazil (Mainwaring 1997; Sallum 1996). Simply put, conflict between the states and the federal government over the prerogatives of each has been critically important in recent years; and it was the military government that set the parameters of this conflict by expanding the administrative and institutional capacity of subnational governments.

If the task facing governors in Brazil was to defend an advantageous position inherited from the military period, subnational actors in Chile did not want simply to continue down the path set by the previous authoritarian government. Reversing those military-era changes that they found problematic, however, has been an uphill struggle, and the military period has indeed cast a long shadow on subnational politics in postauthoritarian Chile. The challenges facing municipal and regional officials alike are a direct result of the neoliberal logic that pervaded Pinochet's subnational reforms and of the paramount concern with fiscal stability that is still one of the chief legacies of his rule.

At the municipal level, mayors have attempted (with little success) to secure levels of revenue authority commensurate with the additional responsibilities they took on under the dictatorship. But the national government continues to control the calculation of property values, the

chief determinant of the property tax revenues that are the most important municipal tax base (Abalos 1994; Yáñez and Letelier 1995). Since Pinochet's departure from the executive branch, national politicians have kept mayors on a tight fiscal leash, continuing to exert much heavier control over municipal finances than is now common in most countries of the region. If anything, democratization has given the politicians who control the national government additional reason to prefer this imbalance between municipal expenditure responsibilities and revenue authority. In the years since 1990, as in the democratic period before 1973, revenue-starved municipalities have been the necessary condition that enables national legislators to claim credit for brokering additional revenue transfers from Santiago (Valenzuela 1977).

Authoritarian engineering at the regional level has also had a significant impact on Chile's new democracy. Given the six failed attempts to create regional governments before the coup in 1973 (Valenzuela 1999), each of which failed as a result of opposition from the national congress, it is unlikely that Chile would have regional governments today if it had not experienced the breakdown of democracy. Imposed by Pinochet, regional governments since 1990 have become quite institutionalized, largely because of the creation of a new set of socioeconomic and political actors identified with regional interests (Tobar 2001). While regional governments are there to stay, their revenue authority is even more anemic than that of the municipalities. This, too, is a direct reflection of the neoliberal concern with fiscal restraint that guided subnational reforms in Chile. Unlike the great majority of intermediate-level governments in Latin America, the regions in Chile have no statutory authority to raise any revenues on their own. Nor do they receive any form of automatic revenue sharing from the national government, in contrast to other unitary countries in Latin America, such as Bolivia and Colombia, which introduced automatic transfer systems for subnational governments in the 1980s and 1990s. Instead, national politicians decide every year, in the course of annual budget negotiations, how much money to send to the regions. During the presidency of Eduardo Frei (1994–2000), the regions' share of public investment increased from 21 percent in 1994 to 43 percent by 2000; but virtually all of these investment funds are closely earmarked, controlled, and monitored by the national government (SUBDERE 2001).

While the generals in Brazil and Chile forged distinctive and consistent subnational changes that were reproduced subsequent to redemocratization, the impact of military-era reforms on Argentina's democracy is more ambiguous. The contradictory changes that were implemented—slashing revenue transfers from the federal government and then enabling provinces to grant federal tax exemptions—generated their own institutional legacy. In the post-1983 period, governors sought to advance and

build on those military-era changes that had expanded provincial authority, while presidents drew on military-era reforms that sought to shift the intergovernmental balance of power in the opposite direction.

Argentina's most recent experience with democracy thereby reproduced the same inability to find stable institutional equilibria that had characterized military rule. Consider, for example, the repeated waves of decentralization and recentralization that have affected revenue sharing in the two decades since the transition. In 1987, governors secured a major increase in provincial revenue transfers in order to finance the unfunded transfer of responsibility for primary schools and health care that took place under the *Proceso*. Several years later, President Menem championed the need for the type of revenue cuts associated with military-era economy ministers Krieger Vasena and José Martínez de Hoz, slashing provincial revenue shares even as he successfully shifted responsibility for an additional set of expenditures onto the provinces. Later in the decade, this reversal was itself reversed in the form of successful attempts by governors to secure increased revenue transfers even as total tax revenues were collapsing. To the extent that provincial fiscal institutions in the 1980s and 1990s have experienced the same volatility and incoherence that characterized both the 1966–73 and 1976–83 periods of military rule, the generals' failure to fashion coherent subnational changes has indeed been reproduced in Argentina.

CONCLUSIONS

In the last quarter of the twentieth century, most countries in Latin America both democratized and decentralized. In some cases, the very transition to democracy incorporated decentralizing changes, often as a result of prodemocracy advocates who inserted decentralization into the agreements that governed the transition because they understood it to be an inherently democratizing reform. In other countries, transitions from authoritarian rule included no explicit decentralizing measures, but democratization nevertheless set in motion changes that increased the stature of subnational governments. The timing of decentralization, either in the course of the democratic transition or in its aftermath, suggests that democratization has played an important causal role in the shift toward more decentralized patterns of governance (Diamond 2000; Eaton 2004; Montero and Samuels 2003). The complicated and important connections between democratization and decentralization certainly deserve much attention from Latin Americanists and comparativists more generally.

At the same time, while many episodes of decentralization can doubtless be traced to democratization, fuller explanations of the decentralizing changes under way in developing countries must look to the predemocratic period. In many countries, the nondemocratic regimes

that governed before the contemporary wave of democracy introduced significant and often surprising changes that had the effect of strengthening subnational governments. In no case do these earlier changes count as "devolution," since *de facto* authorities at the center controlled subnational officials for most of their rule (Manor 1999). These changes, however, cannot be dismissed as mere window dressing by authoritarian leaders. The uneven but undeniable expansion of subnational capacity on the military's watch—including subnational statism in Brazil, provincial control over federal tax breaks in Argentina, and the devolution of schools and hospitals in Chile—suggests that democracy is not a necessary condition for reforms that increase the governing relevance of subnational governments. Though these reforms fall well short of "devolution," their adoption does challenge the view of authoritarianism as an exclusively centralizing experience. It was, ironically, an act of political centralization in the form of disruptions in subnational democracy that subsequently enabled military authorities in each of the four cases to increase the stature of subnational governments.

The military-era reforms examined here also show that "deconcentration" as a concept fails to exhaust the variety of subnational changes that authoritarian actors can introduce. If military governments had opted mostly for deconcentration in their attempts to promote economic development, postauthoritarian politics would have looked quite different. In each case, military authorities decided not simply to redistribute power downward within the bureaucracy but to endorse structural changes in subnational governments themselves. While national politicians could opt to "reconcentrate" power within the bureaucracy via unilateral executive action, the structural changes introduced by the military were harder to undo. In effect, these changes shaped the contours of conflict between national and subnational governments in the years following the restoration of democracy.

In Chile, for example, municipalities emerged as important centers of political gravity after the withdrawal of Pinochet not simply because elections were reintroduced in 1992, but because mayors were now being elected to offices with real governing capacity. In Brazil, military rulers expanded the set of policy tools at the disposal of state-level governments, and this expansion subsequently made it more difficult for democratically elected federal authorities to rein in the states. Some of these attempts to rein in the states succeeded and some did not, but all of them occupied a salient position in the national policy agenda and consumed significant amounts of political capital. In Argentina, thanks to the failure of democratically elected politicians in the last 20 years to negotiate a comprehensive new system of revenue transfers, revenue sharing still bears the imprint of unilateral changes introduced by the generals in the 1960s and 1970s. The generals' introduction of a highly redistributive

system of revenue sharing in 1973 has proven to be a particularly important innovation, one that fiscal reform advocates have been singularly unable to touch. According to the research presented here, it would be quite difficult to understand these contemporary phenomena without reference to the different development strategies that military governments articulated after the last round of democratic collapse.

NOTES

1. Important taxing powers were devolved in the wake of the 1891 civil war, but these powers were mostly recentralized in the 1925 Constitution.

2. Like that in Chile but unlike that in Argentina, the municipal level in Brazil also experienced important changes during the military period, with the generals holding elections in many municipalities and (later) expanding municipal revenue sharing. For reasons of space, this study focuses on state-level dynamics.

3. It is important to note that both Argentine regimes comprised at least three distinct subperiods, each of which partly reversed the objectives of the earlier ones. This makes it difficult to ascribe a single economic development strategy to either of these two regimes. The research for this study therefore focused on the initial, distinguishing phases of each: the Onganía presidency (1966–70) and the Videla presidency (1976–81).

4. Examples of potentially important changes in administrative resources include transferring to subnational officials authority over personnel decisions (such as hiring and firing workers) and requiring bureaucrats in subnational jurisdictions to report to subnational policymakers rather than to superiors in the national-level bureaucracy. Here, the focus is on changes in fiscal rather than administrative resources because the former experienced far greater change under military rule.

5. Table 1 lists changes that both increased and decreased subnational autonomy. Given the centralizing reputations of the governments in question, the former set of changes are more surprising; indeed, they prompted this attempt to understand why and how subnational governments acquired additional relevance despite the centralizing logic of military rule. It would be misleading, however, to overlook the more expected set of changes that limited subnational autonomy.

6. Three state-level SOEs were particularly significant in the electricity sector: *Compañía Paranaense de Energía Eléctrica*, *Centrais Elétricas de Minas Gerais*, and *Compañía Energética de São Paulo*.

7. The same conflict and lack of cohesion that undermined the generals' economic development goals in Argentina was also reflected in the regimes' political objectives. In the *Revolución Argentina*, liberal factions vetoed Onganía's corporatist proposals, according to which "provincial governors and local notables would erect new political structures to link the state and society by means of so-called 'intermediate groups'" (Smith 1989, 63). Under the *Proceso*, conflict developed between softliners willing to engage in conversations with conservative provincial politicians and hardliners uninterested in dialogue with any elements of political society (Gibson 1997, 81, 82).

8. This analysis focuses only on the second of the two Argentine regimes. The democracy that was initiated in Argentina in 1983 has lasted much longer than the ill-fated democracy born in 1973, making it easier to assess the impact of military reforms in the post-1983 period. Though the 1973 fiscal decentralization law did strengthen the position of governors between 1973 and 1976, that development pales in comparison to the much more serious problems of political polarization and social unrest that led to the breakdown of democracy in 1976.

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