

## Unequal Provinces, Fragile Democracy: How Subnational Inequality Undermines Argentina's Democratic Institutions

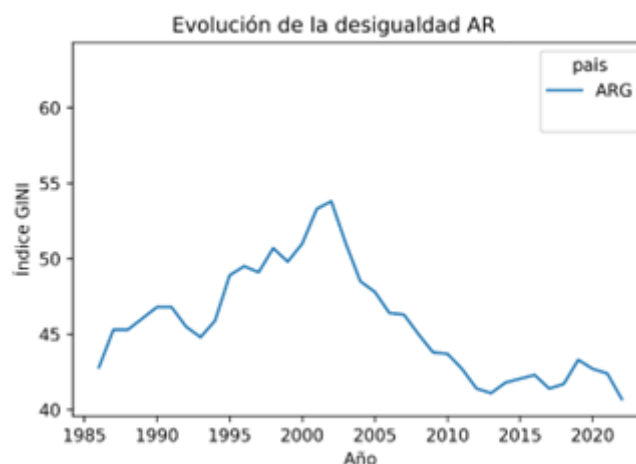
By Ivan Seira

In Argentina, inequality isn't just economic. It runs along provincial lines, shaping political power and weakening democracy from within. While national indicators suggest moderate levels of inequality, the reality at the subnational level tells a different story—one of stark disparities that fuel political imbalance and erode democratic institutions.

Argentina, like many Latin American countries, is a federal system. Each province operates with a degree of autonomy, including over public spending and taxation. This structure has produced significant territorial inequalities: some provinces are economically dynamic and diversified, while others are heavily dependent on national transfers and rely on low-productivity sectors.

While aggregated income inequality has experienced a steady decrease over the last decades, the subnational reality appears different from the national indicators.

**Chart 1 – Aggregate Inequality in Argentina**



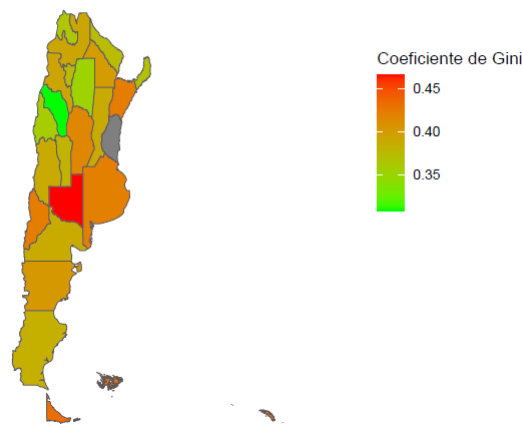
Prepared by the author based on EPH data

For example, La Pampa shows above-average income inequality due to limited private-sector activity and a local economy shaped by a large state presence and low-employment agricultural sectors (Behrend and Bianchi 2011). Similarly, Tierra del Fuego's economy

combines industrial activity with low-intensity fishing and benefits from special tax regimes that concentrate wealth in just a few corporate groups (Hallak et al. 2023).

## Chart 2 – Subnational Inequality

Mapa de calor de desigualdad en Argentina (2023)



Prepared by the author based on EPH data

These differences are not just economic curiosities. They affect the political landscape. In many provinces, governors have access to generous federal transfers and use those funds to maintain power, often without needing broad public support or delivering strong public services. These dynamics mirror what political scientists call "rentier states": regimes sustained not by taxes from a productive economy but by unearned income—in this case, fiscal transfers. This system reduces the incentives for governors to be accountable or responsive to their constituents (Gervasoni 2011). Apart from that, provinces with high inequality and low-employment economies may generate not only unemployment but also huge differences between the citizen's life quality, making them stop believing that democracy can solve (or at least diminish) the gap between the richest and poorest.

The result? Provincial regimes that follow democratic formalities but are functionally uncompetitive. Long-term one-party rule, weak checks and balances, and limited civil

rights are common features. Subnational democracy in Argentina can often differ sharply from the national democratic ideal (Giraudy et al. 2019).

This disconnect has consequences. Inequality feeds frustration and mistrust. When citizens feel excluded from economic growth and see political elites entrenched in power, their faith in democracy vanishes. National-level surveys may show relatively healthy institutions, but they overlook the fragmented reality on the ground.

Combining both high inequality levels with weak democratic institution and practices makes some of the Argentinian province's democracies threatened. The combination of low-quality leaderships that abuses democratic institutions with high levels of income inequality may provide little incentive for citizen to get involved into politics and make the leaders accountable.

To build a more stable and inclusive democracy, Argentina must acknowledge and address these subnational divides. That means tailoring policies that not only redistribute income but also strengthen local democratic institutions. Tackling inequality requires more than economic solutions—it demands political reform that empowers citizens across all provinces equally.

Argentina's future as a robust democracy depends on understanding that the quality of its political system is only as strong as its weakest province.