In Argentina, during more than two decades since the early 1990s, changes in the legal framework, on one hand, and changes in the Constitution, on the other, have modified the scope for the financing of federal and subnational governments.

Normative fiscal federalism usually emphasizes the role of own-source revenues and transfers in meeting the financial needs of its different government levels. In particular, the expenditure side of the public finances requires renewed attention. In the empirical field, the experience of different nations shows a variety of options in the fiscal organization.

This contribution focuses on one particular South American experience and considers the new environment for decisions in fiscal/financial matters following different intergovernmental agreements, new constitutional norms since 1994, and changes in ordinary law before and since that year, all of which modified national, provincial, and municipal governments’ decision-making.

First, we will examine the alternatives of taxation power at different levels of government, as own source and shared resources. Second, we will consider some facts about Latin America in comparison with Argentina. Third, we will comment on some aspects in the evolution of intergovernmental finance in Argentina. We will conclude by identifying some factors around the peculiarities of such a process of ‘multilevel fiscality’.

2 Tax Systems and Tax Assignment

In the first half of the twentieth century, the feasibility of potentially greater fiscal centralization because of the technical requirements of the major taxes,
in particular progressive income tax, was observed. Indeed, the feasibility for an increased centralization emerged from Robert Murray Haig’s findings from his examination of the tax systems in developed countries such as the United Kingdom (hereinafter UK), Germany, and the United States of America (hereinafter US).\(^1\) During that time, in developed countries, value added tax (hereinafter VAT) had not become widespread nor had the social welfare systems of those states been concluded. Afterwards, the relationship between the tax system structures and economic and social development were studied, from the historical perspective as well as from a ‘cross-sectional’ perspective.\(^2\)

During the 1960s, Wheare devoted in his classical study on federal government a specific treatment of the federation’s financial requirements.\(^3\) Throughout the second part of the twentieth century and the beginning of the present one, a vast specialized bibliography on fiscal federalism developed. There exists a tripartite division, namely expenditure assignment, revenue assignment, and transfers.

The concept of ‘revenue assignment’ emerged from the postulation of alternative taxing powers in the different jurisdictions of a federal state. Various studies address this subject as well as the alternatives for ‘multilevel finances’ (the financing of the different government levels) where each level has different needs.\(^4\)

Revenue assignment is about examining and suggesting the best taxes to being assigned to each level of governmental.\(^5\) Vito Tanzi considered it in a recent contribution, presenting an outline of the alternatives offered by revenue assignment. Taking into account such concepts and some observations

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3 K. Wheare suggested that transfers of resources (i.e. from the center to the subnational units) should be of free availability to be compatible with federalism. See K. Wheare, *Federalism* (London and New York: Oxford University Press, 1964).
5 A classic explanation is the one by R. Musgrave and P. Musgrave, *Hacienda Pública Teórica y Aplicada* (Madrid: McGraw-Hill, 1992). The so-called normative approach gives the principal taxes to the national government (NG) assigning the tributes on not mobile tax base to the subnational governments (SG or SNG), to providing regional and local essential public goods. The consequence is a more limited tax spectrum for the SNG.