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Abstract

The extent to which a party system is nationalized—with *nationalization* being defined as the degree to which major political parties obtain similar vote shares throughout the national territory—has considerable consequences for political representation, public policy making, and even the survival of democracy. Yet, so far there is little empirical evidence about the conditions that promote or inhibit the development of nationalized party systems in new democracies. Using electoral data from 89 elections in 16 Latin American democracies, this article provides a systematic analysis of the effect of decentralization on party system nationalization. The results show that political decentralization and fiscal decentralization inhibit the development of nationalized party systems, thus suggesting that a trade-off exists between decentralized governance and party system nationalization. These results are robust when controlling for ethnolinguistic fractionalization and characteristics of the electoral system.

Keywords

party system nationalization, decentralization, new democracies, Latin America

Politics at the beginning of the 20th century has often been understood as the development of a national political arena (Caramani, 2004; Collier & Collier, 1991; Diaz-Cayeros, 2006). In response to the increasing centralization of government activities, the focus of political actors—particularly, political

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parties—shifted from the subnational level to the national level. At the end of the 20th century, however, a broad and persistent movement away from centralized patterns of governance became one of the defining trends in politics. In many new democracies, the return to electoral politics has coincided with institutional reforms to promote decentralization. Rather than experience an increasing centralization of government activities, these countries experience the transfer of resources and responsibilities to the subnational level at the time of rising electoral competitiveness. Particularly in Latin America, with its long and well-documented history of centralism (Véliz, 1980; Wiarda, 1973), decentralization constitutes a departure from previous patterns of governance.

The idea that good governance emerges from an efficient division of competences between levels of government has a long pedigree in political science and among policy makers (e.g., Oates, 1972; Tiebout, 1956; Weingast, 1995). More recently, however, concerns have been voiced about how these reforms affect party systems. Sabatini (2003), for example, argues that parties in Latin America are poorly equipped to deal with the erosion of centralized governance and so links party decline and failure in many of the new democracies to decentralization. Lalander (2003) and Ryan (2004) contend that decentralization increases party system fragmentation. Moreover, whereas the nationalization of politics in Western Europe has been associated with the weakening of local elites, thereby resulting in increased accountability and responsiveness, in new democracies decentralization often seems to have strengthened local elites (Ryan, 2004) and even have created so-called pockets of authoritarianism (Fox, 1994; Gibson, 2005). At the beginning of the 21st century, many Latin American democracies exhibit a resurgence of subnational political identities (Calvo & Escobar, 2005; Gibson, 2004). Recent violent clashes in Bolivia over a referendum on autonomy provide but one illustration of the relevance that these developments have for democracy.

So far, we have little empirical evidence about the effect of decentralization on party system characteristics (van Biezen & Hopkin, 2006, p. 14). Particularly, the effect of decentralization on party system nationalization in new democracies remains poorly understood. This is lamentable because nationalization—defined as the extent to which political parties obtain similar vote shares throughout the national territory—plays an important role in shaping the terms of political competition and so constitutes a research area of substantive normative importance (van Biezen & Saward, 2008). The extent to which vote patterns are nationalized or regionalized is likely to affect parties' political and electoral strategies (Jones & Mainwaring, 2003, p. 140), with considerable consequences for political representation. Under a nationalized party system, public policy is more likely to be oriented toward the national common good (Stein, Tommasi, Stein, Echebarria, Lora, & Payne,

2005, pp. 40–41), and the presence of politywide parties has been identified as one factor contributing to the survival of democracy (Stepan, 2001).

This article explores how decentralization has affected party system nationalization in Latin America. It develops the argument that in Latin American democracies, where homogenizing functional cleavages are relatively weak, a high level of decentralization can inhibit the development of nationalized party systems. Political decentralization—that is, the presence of a subnational electoral arena—creates opportunities for the formation of distinct subnational party systems that structure competition for subnational offices. Fiscal decentralization provides subnational political actors with access to resources and so increases their fiscal impact.

The first section of this article reviews the relevant literature and discusses the mechanism through which decentralization affects party system nationalization. Based on electoral data for 89 elections in 16 Latin American democracies, the following section empirically explores the effect of fiscal and political decentralization on party system nationalization. The results show that political as well as fiscal decentralization inhibit the development of nationalized party systems, thus suggesting that a trade-off exists between decentralized governance and nationalized party systems.

Decentralization and Party System Nationalization: Theoretical Perspectives

Which factors promote the development of nationalized party systems? How does decentralization affect nationalization? Previous theoretical work implies that the centralization of government activities and party system nationalization are closely linked. In a historical study of Western Europe, Caramani (2004) attributes party system nationalization to the declining relevance of preindustrial territorially based cleavages vis-à-vis socioeconomic functional cleavages. Macro-processes of political and social modernization promoted the integration of peripheries into the nation-state, whereas dislocating important political issues from the local level to the national level contributed to the formation of a political center. The focus of political actors—particularly, political parties—then shifted from the subnational level to the national level. What ensued was the “territorial homogenization of electoral behavior” (p. 1) and the creation of a national political arena where major parties are competitive throughout the territory.

In Western Europe, the process of progressive nationalization was completed before the Second World War. After the war, Western European countries sustained highly nationalized politics, and the predominance of the

homogenizing left–right cleavage has created a situation in which even decentralization and the creation of federal structures have not led to a relapse to regionalized vote patterns (Caramani, 2004, pp. 291–292). Caramani’s argument (2004) emphasizes the process of nation building through the creation of external boundaries, the formation of a political center, and the resulting development of functional cleavages with programmatic voter–party linkages. This argument might not travel well to Latin American countries, which have experienced different processes of state formation and political modernization. One key characteristic of democracies in Latin America is the relative weakness of functional homogenizing cleavages. In particular, the left–right dimension has proven to be less powerful in structuring party competition (Dix, 1989; Roberts, 2002), and other mechanisms—such as clientelist exchanges and personalized politics—play an important role in linking voters to parties (Kitschelt, 2000; Levitsky, 2003). In other words, whereas Western European democracies have been remarkably resistant to regionalizing trends once a high level of nationalization was achieved, in Latin American democracies the relative weakness of functionally based cleavages might make electoral behavior more vulnerable to regionalization.

Like Caramani (2004), Chhibber and Kollman (2004) examine party system nationalization in historical perspective. Focusing on Canada, Great Britain, India, and the United States, they seek to explain why and when national parties emerged and why during certain periods, regional parties have been able to draw significant vote shares. Specifically, they aim to understand what motivates candidates to adopt regional or national party labels in their quest to obtain office. Although Caramani emphasizes a progressive development toward nationalized politics, Chhibber and Kollman identify cyclical patterns of nationalization and regionalization within party systems. Building on an actor-centered approach, the authors attribute changes in party aggregation across districts to strategic incentives provided to voters and candidates by the distribution of authority across levels of government. According to Chhibber and Kollman (2004) “party systems become more national as governments centralize authority; in contrast, there are more opportunities for regional, state, or provincial parties to thrive as provincial or state governments gain more authority relative to the national level” (p. 21). The hypothesized mechanism is the desire of voters and candidates to influence policy outcomes. Therefore, it is rational for voters to support national party labels at times when national governments are important in their lives and to support regional labels when subnational governments influence key policies. Even though their study focuses on countries with single-member districts, in principle the same logic should be at work in

other electoral systems. A larger role for the central government, the authors contend, should make the party system more national regardless of the electoral system (pp. 233-234).

Chhibber and Kollman's assumption (2004) that voters and political elites are chiefly motivated by the desire to influence policy suggests that voter-party linkages are first and foremost programmatic. As demonstrated above, however, this premise does not adequately capture the political reality of Latin America. The argument presented in this article therefore builds on the theoretical insights provided by Chhibber and Kollman as well as Caramani (2004) and shares their focus on decentralization as one of the conditions that shape party system nationalization, but it aims to extend the scope of the argument to democracies in Latin America since the beginning of the third wave of democratization (Huntington, 1991).

Decentralization and Party System Nationalization in Latin America

Decentralization disperses resources and responsibilities over multiple levels of government. Systems are decentralized to the extent that the central government possesses a smaller share of fiscal resources and grants more autonomy to subnational levels of government (Schneider, 2003). Both political decentralization (the presence of a subnational electoral arena) and fiscal decentralization (the extent to which subnational governments manage resources) encourage regionalized vote patterns.¹

The direct election of executives and legislatures at different levels of government provides a challenge for politywide political parties (Stepan, 2001), and political decentralization in particular creates opportunities for the formation of distinct subnational party systems that structure competition for subnational offices. Until recently, subnational elections in established democracies have been dismissed as mere instances of second-order elections (Reif & Schmitt, 1980), which are conducted largely in terms of national political considerations. Yet, this congruence between the national and subnational levels is linked to the presence of the left-right dimension as a "super issue" that shapes evaluations of political performance and preferences at all levels of government (Jérôme & Lewis-Beck, 1999). In other words, the hierarchy of elections depends on the presence of functional cleavages. The literature on party systems outside Europe, however, contains a wealth of information about distinct subnational party systems and so recognizes such systems as common empirical phenomena. Studies of state-level party systems in the United States have been influential in this regard (e.g.,

Key, 1949; Schlesinger, 1991). Recent scholarship has emphasized the emergence of subnational authoritarianisms and the persistence of local party systems with limited levels of competitiveness in new democracies (e.g., Fox, 1994; Gibson, 2005). Within one country, we might thus find multiple party systems at different levels of government.

Distinct party systems—understood as patterned interactions—develop at the subnational level because cleavage structures and the salience of particular issues at this level differ from those at the national level (Bardi & Mair, 2008). Therefore, the introduction of subnational elections encourages the formation of regional parties (Brancati, 2008; Harmel & Robertson, 1985) and forces statewide parties to consciously deliberate about the formulation of political strategies appropriate for different subnational arenas (van Houten, 2003). The dynamics of coalition and alliance formation in these subnational arenas may diverge quite substantially from those at the national level (Downs, 1998). Hence, patterns of party competition develop at the subnational level, possessing all the properties of systems (Sartori, 1976).²

Where subnational party systems emerge, they affect electoral competition for national offices within the region. Spillover from subnational to national elections occurs, for example, because regional parties start contending in national elections (Brancati, 2008). Once regional parties are formed and established, the costs of competing in national elections are relatively low. Even though regional parties are unlikely to share power at the national level, contending in national elections improves their electoral prospects in the next regional election. Moreover, coalitions and alliances formed by statewide parties for the purpose for subnational elections constrain these parties in subsequent national electoral campaigns. Political decentralization therefore encourages regionalized vote patterns.

If subnational elections grant political authority and legitimacy to local politicians, fiscal decentralization provides access to resources and some autonomy from the center. In an environment where ideology plays a limited role in structuring party competition, public resources (which can be turned into patronage goods) have a substantial impact on the terms of competition (Calvo & Escolar, 2005; Greene, 2007; Scherlis, 2008). The availability of resources particularly matters in new democracies, where contingent and fluid ties between voters and parties predominate, rather than programmatic linkages (Kitschelt, 2000; Roberts, 2002). In such settings, electoral success is enhanced by the ability of politicians to distribute jobs and favors (Remmer & Wibbels, 2000), and the level of government at which patronage resources are allocated has been shown to affect political outcomes (Calvo & Murillo, 2005). A wealth of empirical studies demonstrates that in a number of Latin American democracies, decentralization has strengthened local elites and so

created an additional layer of particularistic exchanges (e.g., Ryan, 2004). In a first analysis of possible causes of the striking denationalization of Argentine electoral competition, Calvo and Escobar (2005) link the territorialization of vote patterns to rising levels of fiscal decentralization. Although the process of centralization at the beginning of the previous century was characterized by a nationalization of electoral competition, extensive decentralization (after the return to democratic rule in 1983) has created incentives for diverging patterns of party competition across Argentine provinces.

Thus, whereas in established democracies, the regionalization of vote patterns has been inhibited by the predominance of homogenizing functional cleavages and programmatic voter–party linkages, in Latin American democracies both nationalization and regionalization can occur. The extent to which party systems are nationalized is likely to depend on the degree of fiscal and political decentralization. In decentralized polities, party systems are likely to be less nationalized than they are in centralized polities. As such, two hypotheses can be formulated on the basis of this discussion:

Hypothesis 1: In politically decentralized systems, party system nationalization is likely to be lower than it is in centralized systems.

Hypothesis 2: In fiscally decentralized systems, party system nationalization is likely to be lower than in it is centralized systems.

Measurement and Estimation

Previous work on party system nationalization in Latin America has tended to emphasize the measurement of nationalization rather than its explanation (e.g., Alemán & Kellam, 2008; Jones & Mainwaring, 2003). The current analysis aims to provide an account of the determinants of party system nationalization in Latin American countries. In each country, the analysis begins with the first democratic election after the beginning of the third wave of democratization for which data are available. Only countries with a score of 4 or higher on the Polity Index were considered democratic (Marshall & Jaggers, 2002). Overall, party system nationalization measures were computed for a total of 89 elections in 16 Latin American countries.

Dependent Variable

Nationalization, the dependent variable, refers to the extent to which subnational territorial units mirror the overall national pattern of party competition. If patterns of competition overlap, the system is considered nationalized. If patterns of competition diverge, the system is considered regionalized.³ Nationalization therefore reflects vote shares obtained by parties and so does

not capture programmatic differences within one party across subnational units.

In this analysis, vote shares have been aggregated at the level of primary administrative divisions. In federations, these are the states (Brazil, Mexico, and Venezuela) and provinces (Argentina). For unitary countries, the units are departments and regions. Table 1 provides an overview of the names of the administrative divisions and the included elections for each country.

The nationalization measure used in this analysis is the party system nationalization score, proposed by Jones and Mainwaring (2003). It is based on the Gini coefficient, a widely used measure of inequality. Calculation of the score proceeds in two steps. First, a Gini coefficient is computed that reflects the vote distribution of each party. For this party nationalization score, a Gini coefficient of 0 signifies that a party received the same percentage of votes in every subnational unit. In a second step, the obtained Gini coefficients are multiplied by the respective party's share of the national valid vote and then added up. Hence, the contribution of each party to the party system measure is proportionate to its share of the national vote. The overall Gini coefficient is then subtracted from 1 so that high scores indicate a high level of party system nationalization. Given that the calculation of the initial party nationalization score is based on vote shares (rather than total votes), each district is weighted equally, regardless of differences in population.⁴

Confidence in the measure is strengthened by the fact that it compares well with other nationalization measures. It correlates highly with Chhibber and Kollman's party aggregation measure (2004, pp. 175-178), which suggests that both indicators measure similar processes and outcomes. Kasuya and Moenius's district-focused measure of nationalization (2008, p. 8) and Jones and Mainwaring's party system nationalization score (2003) also yield similar substantive results when applied to the evolution of the U.S. party system.

Independent Variables

Decentralization refers to the division of labor between levels of government. Because decentralization is a relative concept, measurement is not entirely straightforward, and substantial debate exists in the literature about the best way to capture the relationship between levels of government. To reduce the complexity of measuring decentralization, it is helpful to distinguish between the fiscal dimension and the political. Political decentralization is measured by a dummy variable; that is, a country is considered politically decentralized if subnational legislatures and executives are directly elected. Data for this indicator are available through the World Bank's Database of Political Institutions (T. Beck, Clarke, Groff, Keefer, & Walsh, 2001). Where this database was incomplete, data have been updated and cross-checked

Table 1. Administrative Divisions and Included Elections

| Country | Territorial Unit | Units (n) | Elections Included | Elections Not Included |
|-------------|------------------|----------------------|-------------------------|---------------------------|
| Argentina | Province | 24 | 1983–2007 | |
| Bolivia | Department | 9 | 1985–2005 | |
| Brazil | State | 27 | 1986–2006 | |
| Chile | Region | 13 | 1989–2005 | |
| Colombia | Departments | 33 (26) ^a | 1978–2006 | 1991, 1994 |
| Costa Rica | Province | 7 | 1982–2006 | |
| Ecuador | Province | 22 (20) ^a | 1979–2006 | 1998, 2002 |
| El Salvador | Department | 14 | 1994–2003 | 1985, 1988, 1991, 2006 |
| Guatemala | Department | 22 | 1990–1999 | 1994, 2003, 2007 |
| Honduras | Department | 18 | 1985–2005 | |
| Mexico | States | 32 | 1994–2006 | |
| Nicaragua | Department | 17 | 1990–2001 | 2006 |
| Paraguay | Department | 18 | 2003–2008 | 1993, 1998 |
| Peru | Region | 26 | 1980–1990, 2001–2006 | |
| Uruguay | Department | 19 | 1989–2004 | |
| Venezuela | State | 24 | 1983–1998 | 2000, 2005 |

a. New regions were created during the period considered; as such, the initial number of districts is indicated in parentheses.

with information obtained from Daughters and Harper (2007) as well as from the Web sites of the Library of Congress and the U.S. State Department.

Two indicators have been constructed to tap into aspects of fiscal decentralization. The first indicator is a scale composed of four items: subnational revenue as a percentage of gross domestic product, subnational expenditure as a percentage of gross domestic product, subnational revenue as a percentage of total government revenue, and subnational expenditure as a percentage of total government expenditure.⁵ These measures do not necessarily reflect how much autonomy subnational governments have with regard to the use of these resources, because transfers from the central government may in some cases be earmarked. Nevertheless, they reflect the overall level of fiscal resources managed at the subnational level and so indicate the fiscal impact of local governments (Schneider, 2003, p. 37). Therefore, they indicate the extent to which subnational governments have access to resources.

Second, the size of subnational and national governments also yields information about their relative importance. Chhibber and Kollman (2004) argue that the number of public employees at different levels of government constitutes a good measure of decentralization. In addition to the fiscal

decentralization scale, government employment data—obtained from the International Monetary Fund's *Government Finance Statistics*—are therefore used to capture the extent of fiscal decentralization. Specifically, the indicator reflects the subnational wage share—that is, the percentage of total government wages attributed to subnational governments. Both indicators relating to fiscal decentralization have been constructed as a 3-year moving average (2 years preceding the election and the election year itself).⁶

Control Variables

Previous research has shown that party system characteristics are often closely related to the social and political heterogeneity of society (e.g., Clark & Golder, 2006; Coppedge, 1997). In particular, ethnicity affects the relative ease or difficulty with which nationalized parties can be formed (Bochsler, 2006). In plural societies, aggregating diverse ethnic interests into nationalized parties is likely to be more difficult than it is in relatively homogeneous societies. The current analysis therefore controls for ethno-linguistic fractionalization and so includes a variable that ranges from 0 to 1, with higher values indicating a higher level of heterogeneity.⁷

Incentives created by the political and electoral system also affect nationalization. All Latin American countries under consideration in this study have presidential regimes. There is a substantial body of literature in comparative politics that argues that concurrent presidential elections reduce the effective number of legislative parties. Because in presidential systems, the grand prize is generally awarded in a single national district, these systems encourage the formation of national alliances between parties. If presidential elections are held with lower house elections, the resulting coattails effects should promote higher nationalization (Cox, 1997; Shugart & Carey, 1992).⁸

The final control variable in the analysis is the number of districts. There are theoretical as well as practical considerations for the inclusion of this variable. From a theoretical perspective, party aggregation across districts arguably becomes more challenging as the number of districts increases; that is, maintaining an organizational structure in a large number of districts is more demanding for a political party than it is in just a few or even one nationwide district (Nikolenyi, 2008). The practical reason for the inclusion of this variable is rooted in the Gini coefficient–based nature of the party system nationalization score. Bochsler (2005) shows that the Gini coefficient is sensitive to the number of units upon which it is based, with heterogeneity increasing with the number of districts. Because the variance in the number of units is limited in this data set, ranging from only 7 in Costa Rica to 33 in Colombia, a bias in the results is unlikely. Yet, because both theoretical and methodological considerations point toward a possible inverse relationship

Table 2. Country Means for Dependent and Independent Variables in Latin America

| Country | PSN | FDS | SUB REV ^a | SUB EXP ^a | SUB EXP ^b | SUB REV ^c | SUB WAG ^d | ELF |
|-------------|----------|-------|----------------------|----------------------|----------------------|----------------------|----------------------|-----|
| Argentina | .63 (13) | 23.97 | 8.24 (22) | 10.09 (22) | 40.54 (22) | 37.01 (22) | .68 (20) | .29 |
| Bolivia | .76 (6) | 13.18 | 6.20 (25) | 6.13 (22) | 22.24 (21) | 24.39 (22) | .29 (24) | .74 |
| Brazil | .59 (6) | 22.68 | 10.57 (12) | 16.28 (12) | 35.50 (12) | 28.36 (12) | .67 (12) | .58 |
| Chile | .89 (5) | 5.39 | 2.06 (16) | 2.05 (16) | 9.13 (16) | 8.31 (16) | .13 (15) | .52 |
| Colombia | .69 (7) | 13.81 | 5.17 (14) | 6.21 (14) | 27.10 (14) | 18.51 (9) | .45 (13) | .60 |
| Costa Rica | .88 (7) | 2.08 | 0.76 (26) | 0.78 (26) | 3.30 (26) | 3.47 (26) | .04 (14) | .46 |
| Ecuador | .57 (9) | 10.30 | 2.51 (2) | 2.71 (2) | 17.92 (2) | 18.04 (2) | .18 (1) | .66 |
| El Salvador | .85 (4) | 2.05 | 1.17 (3) | 0.78 (3) | — | 5.29 (1) | .06 (5) | .16 |
| Guatemala | .76 (3) | 3.52 | 0.34 (4) | 0.98 (4) | 9.09 (4) | 3.68 (4) | .05 (4) | .76 |
| Honduras | .92 (6) | — | — | — | — | — | — | .12 |
| Mexico | .82 (5) | 17.64 | 5.90 (7) | 6.49 (7) | 29.82 (7) | 28.37 (7) | — | .22 |
| Nicaragua | .86 (3) | 5.49 | 2.32 (5) | 2.66 (5) | 7.98 (5) | 9.02 (5) | .08 (4) | .39 |
| Paraguay | .58 (2) | 2.22 | 0.50 (15) | 0.52 (15) | 4.30 (15) | 3.55 (15) | .05 (12) | .18 |
| Peru | .72 (5) | 8.44 | 2.71 (16) | 4.24 (16) | 19.10 (16) | 6.54 (10) | .32 (16) | .51 |
| Uruguay | .87 (4) | 7.69 | — | 3.19 (9) | 10.27 (9) | 10.55 (7) | — | .38 |
| Venezuela | .76 (4) | 1.19 | 0.31 (2) | 0.64 (2) | 2.54 (2) | 1.24 (2) | — | .52 |

Note: Number of observations on which these averages are based are in parentheses. PSN = party system nationalization; FDS = Fiscal decentralization scale; SUB REV = subnational revenue; SUB EXP = subnational expenditure; SUB WAG = subnational wages; ELF = ethnolinguistic fractionalization.

a. As percentage of gross domestic product.

b. As percentage of total expenditure.

c. As percentage of total revenue.

d. As proportion of total government wages.

between nationalization and the number of districts, this variable has been included as an additional control. Table 2 summarizes the country means of the interval-level variables in the analysis, and Table 3 provides basic descriptive statistics.

Trends in Party System Nationalization

A first glance at the data shows that countries included in the analysis differ quite substantially with regard to absolute levels of party system nationalization and in the development of nationalization during the period considered. Figure 1 displays trends for 16 Latin American democracies. The average nationalization score for all countries and elections is .74. Nationalization scores range from .98 (Chile–2005) to .29 (Argentina–2007). Of the countries for which data are available for at least three elections, Argentina (standard deviation, $\sigma = .17$) is the country with the highest level of change over time, whereas Honduras ($\sigma = .01$) is the most stable.

The data show that in Latin America, trends toward nationalization as well as regionalization can be observed. Whereas a number of countries (e.g., Argentina and Colombia) move toward regionalized vote patterns, the party system in Chile nationalizes. In another group of countries (e.g., Uruguay and Costa Rica), no trend in either direction is observable, and vote patterns appear relatively stable between elections.

Table 3. Descriptive Statistics

| | M | SD | MIN | MAX |
|-----------------------------------|-------|------|------|-------|
| Party system nationalization | .74 | .15 | .29 | .98 |
| Fiscal decentralization scale | 11.04 | 8.41 | 0.81 | 28.78 |
| Subnational wage share | .32 | .26 | .02 | .75 |
| Political decentralization | 0.44 | — | 0.00 | 1.00 |
| Ethnolinguistic fractionalization | .45 | .19 | .12 | .76 |
| Concurrent presidential elections | 0.69 | — | 0.00 | 1.00 |
| Number of districts | 19.72 | 7.13 | 7.00 | 33.00 |

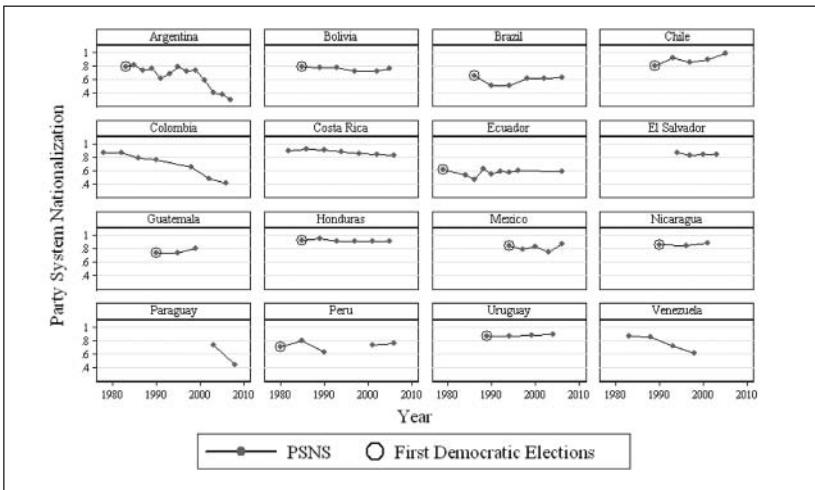


Figure 1. Party System Nationalization in Latin America
 Note: PSNS = party system nationalization score.

This supports the notion that in Latin America, party system nationalization is fairly dynamic and changes are possible over time. Given that levels of nationalization and regionalization differ quite substantially between countries, the question remains, how we can account for this outcome? The following section tests the hypotheses developed above and shows that a substantive portion of the variance in the party system nationalization score—between and within countries—can be explained by fiscal and political decentralization.

Explaining Party System Nationalization

Figure 2 provides a graphic illustration of the relationship between party system nationalization and levels of decentralization. In a survey of

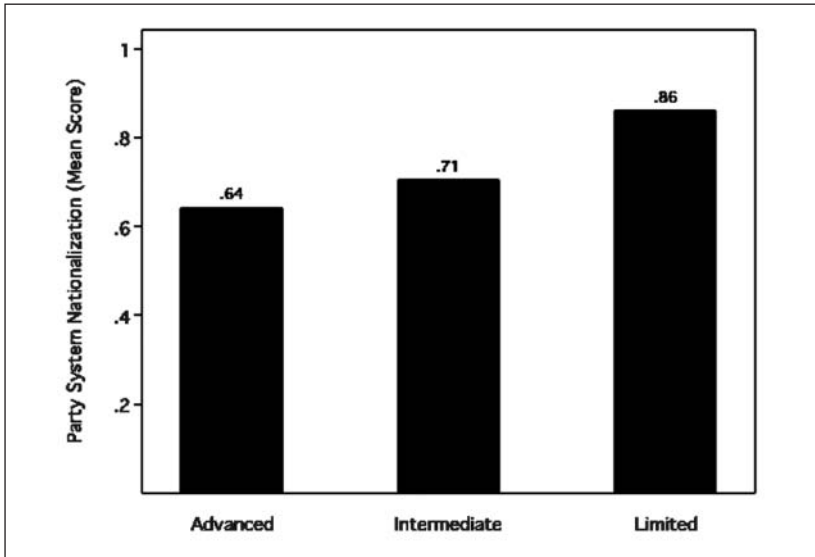


Figure 2. Average Party System Nationalization by Level of Decentralization

decentralization in Latin America, Daughters and Harper (2007) divide countries into three groups: those with advanced levels, intermediate levels, and limited levels of decentralization. Whereas in the first group, average party system nationalization is .64, it is .71 in the second and .86 in the third. A closer look at Colombia and Venezuela in Figure 1, both of which embarked on a process of political decentralization in the late 1980s (Lalander, 2003), indicates that in these countries, the party system nationalization scores declined sharply in the period following the reforms.

This finding provides some initial support for the hypothesized link between decentralization and levels of nationalization. Hypotheses 1 and 2 are now tested more systematically on the basis of the following model:

$$\begin{aligned} \text{party system nationalization}_{i,t} = & \beta_0 + \beta_1 \text{fiscal decentralization}_{i,t} \\ & + \beta_2 \text{political decentralization}_{i,t} \\ & + \beta_3 \text{ethnolinguistic fractionalization}_i \\ & + \beta_4 \text{concurrent presidential elections}_{i,t} \\ & + \beta_5 \text{number of districts}_{i,t} + \varepsilon_{i,t} \end{aligned}$$

All hypotheses are tested using pooled time series cross-sectional analyses. Because observations are clustered within countries and the number of observations per country differs quite substantially, the data pose a number of econometric challenges. Because of the relatively small number of democratic elections in many countries, variation between countries is more than twice as

Table 4. Regression on Party System Nationalization Scores

| Variable | Model 1 | Model 2 |
|--|-----------------|-----------------|
| Fiscal decentralization scale | -.006** (.003) | — |
| Subnational wage share | — | -.115*** (.042) |
| Political decentralization | -.073* (.045) | -.181*** (.035) |
| Ethnolinguistic fractionalization | -.242*** (.094) | -.324*** (.055) |
| Concurrent presidential elections | .033*** (.013) | .030** (.014) |
| Number of districts | -.005*** (.002) | -.001 (.001) |
| Constant | 1.051*** (.060) | 1.027*** (.036) |
| <i>n</i> | 48 | 38 |
| R ² (fitted values, party system nationalization score) | .53 | .59 |
| Wald χ^2 | 203.65*** | 238.26*** |

Note: Standard errors are in parentheses.

p* < .10. *p* < .05. ****p* < .01. Two-tailed.

large than variation within countries. The number of periods (i.e., elections) is relatively small compared to the number of countries; so, feasible generalized least squares would be inappropriate because they run the risk of underestimating standard errors. Therefore—and because countries constitute fixed, rather than sampled, units—models are estimated using panel-corrected standard errors, which can accommodate different within- and across-country disturbance structures (N. Beck & Katz, 1995).⁹ Panel-specific serial correlation has been modeled as a first-order process through a Prais–Winsten transformation rather than the inclusion of a lagged dependent variable, to preserve sample size and degrees of freedom.¹⁰

Table 4 presents the results of these estimations. Models 1 and 2 provide support for the hypothesized negative effect of political and fiscal decentralization on party system nationalization. Coefficients for political and fiscal decentralization show the expected negative sign and meet common levels of significance. The fiscal decentralization scale has a range of 28, and the predicted difference in party system nationalization between the lowest and highest levels of fiscal decentralization in the data is thus .17 (Model 1). Because this is almost 25% of the empirical range of party system nationalization, fiscal decentralization can be said to exert substantial influence on party system nationalization. To illustrate the magnitude of this effect, Figure 3 displays the predicted level of party system nationalization across the observed range of values of the fiscal decentralization scale. The graph reports the predicted effects of fiscal decentralization if ethnolinguistic fractionalization and the number of districts are held at their means. The dummy variables in the analysis are kept at their mode so that the figure displays a

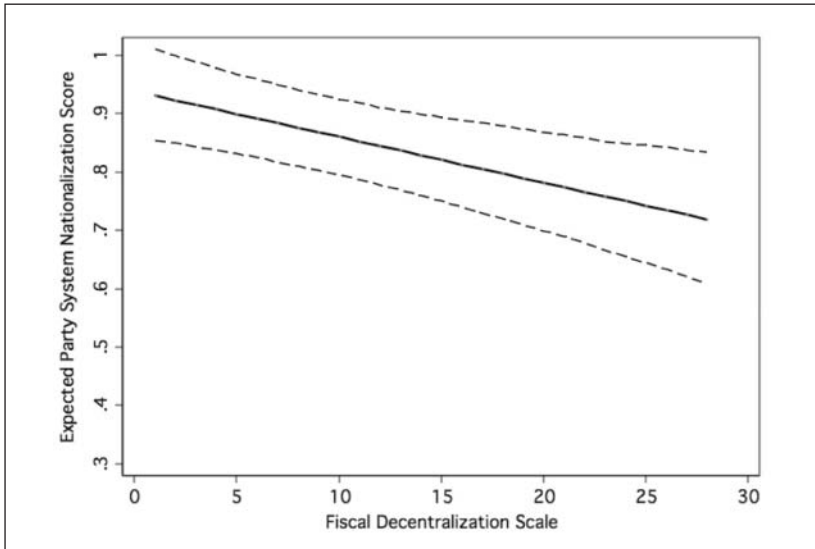


Figure 3. Predicted Levels of Party System Nationalization for Values of the Fiscal Decentralization Scale

situation where presidential elections are concurrent and the polity is politically centralized.

In politically decentralized systems, party system nationalization is expected to be .07 points lower than it is in centralized polities. In Model 2, which substitutes subnational wage share for the fiscal decentralization scale, the effect of political decentralization is more pronounced (.18), whereas the effect of the alternative fiscal decentralization variable remains significant. In both models, concurrent presidential elections show the hypothesized positive effect, while the coefficient for ethnolinguistic fractionalization is negative. The effect of the number of districts is consistently negative, even though it fails to reach significance in Model 2. Overall, the results sustain the argument that both fiscal and political decentralization have a negative effect on party system nationalization.

Conclusion

Although the analysis above lends strong support to the theoretical priors, the direction of the causal link merits critical discussion. Does decentralization really cause party system nationalization, or is it the other way around? Concerns about endogeneity are inherent to all cross-temporal arguments and have featured prominently in previous studies of party system nationalization (e.g., Bochsler, 2006, on Eastern Europe). Chhibber and Kollman (2004)

acknowledge concerns about endogeneity in their analysis but argue that trends toward centralization and decentralization over time are actually the consequences of larger forces that work mostly independently of the party system. Although critical reflections about endogeneity are in order, I agree with Chhibber and Kollman in emphasizing decentralization as a cause rather than an effect for the case of Latin America.

Previous studies of subnational politics in Latin America have shown that decentralization reforms are most appropriately understood from a top-down perspective. Decentralization is seen as a consequence of large-scale political changes—particularly, democratization (e.g., Grindle, 2000; Nickson, 1995) and the switch to a new economic model (e.g., Litvak, Ahmad, & Bird, 1998). Decentralization has often been promoted by international organizations such as the World Bank and the Inter-American Development Bank. Given the widespread trend toward decentralized governance, there appears to be a diffusion effect, and country-specific approaches are unable to sufficiently account for the global wave of decentralization (Manor, 1999).

Moreover, studies of parties and party systems in Latin America show that after decentralization, local politics became reinvigorated. The recent emergence of indigenous parties in Latin America has been explained in terms of opportunities created by decentralization for the formation of such parties (Van Cott, 2003). In Mexico, regional cleavages—which had been muted through the extensive centralization of politics under the hegemonic party—reappeared after the introduction of decentralization reforms (Klesner, 2005; Magaloni, 1999). Overall, there is substantial evidence that local political actors benefited from the opportunity structure created by decentralization.

This article has explored political and fiscal decentralization as explanations of different trends in the formation of nationalized party systems. It finds that political decentralization and fiscal decentralization are both associated with regionalized vote patterns. The evidence that decentralization matters for party systems should encourage further research in this area. The theoretical discussion has highlighted differences between established democracies on one hand and Latin American democracies on the other. Whereas in Latin America as a whole, homogenizing functional cleavages may be weaker than they are in many established democracies, substantial intraregional differences exist. Chile in particular has often been portrayed as a country having ideological parties and following a process of party system development akin to that of Western European countries (Scully, 1992). The implication of this argument is that the extent to which decentralization leads to a regionalization of the party system is likely to depend on the strength of functional cleavages in a country.

Moreover, as political decentralization and fiscal decentralization encourage the regionalization of vote patterns, a trade-off appears to exist between

party system nationalization and decentralized governance. This suggests that there is a need to rethink the relationship between decentralization and party system nationalization—namely, because from a normative perspective, both are expected to generate substantial benefits for democratic governance in new democracies.

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Notes

1. In addition to noting these two dimensions, some authors distinguish an administrative dimension of decentralization (e.g., Schneider, 2003), which refers to the extent to which subnational governments carry out policy responsibilities.
2. Sartori (1976) remains somewhat ambiguous about whether subnational party systems are indeed systems in their own right. He emphasizes the interdependence of party systems at different levels of government and that "Florida or Louisiana are not states in the sense in which Mexico and Tanzania are such" (p. 83). Nevertheless, he then moves on to analyze state party systems in the United States according to the same criteria used to evaluate national party systems (pp. 84-85).
3. In addition to this conceptualization, nationalization has been understood as the uniformity of electoral change (e.g., Morgenstern & Potthoff, 2005; Stokes, 1967).
4. Indicators of nationalization can be party based (e.g., Jones & Mainwaring, 2003) or district based (e.g., Kasuya & Moenius, 2008). In both cases, nationalization is calculated on the basis of lower house elections. Constituency-level data were obtained from the Constituency-Level Elections Dataset (Brancati, 2007), the

Lijphart Election Archive (n.d.), Marconi Nicolau (n.d.), as well as from a number of national government institutions.

5. The scale reliability coefficient for these four items is .88. Data have been obtained from the World Bank Decentralization Data Page (see <http://www1.worldbank.org/publicsector/decentralization/data.htm>) and have been updated and expanded on the basis of the International Monetary Fund's *Government Finance Statistics CD-ROM*, *Historical Government Finance Statistics CD-ROM*, and *Government Finance Statistics Yearbook* (various years).
6. Please note that data for fiscal decentralization are not available for all country years. Honduras, for example, had to be excluded from the analysis because no data are available. For Mexico, Uruguay, and Venezuela, data relating to subnational wage share are unavailable.
7. For a detailed discussion of the measure, see Taylor and Hudson (1976). Data were obtained from Roeder (2001).
8. Previous studies of nationalization have also found a regionalizing effect of single-member districts. This effect has been attributed to parties' strategic use of resources (given that they may decide to forego competing in districts where their chances of winning are small) and to heterogeneity between districts (Morgenstern & Vázquez-D'Elía, 2007; Tiemann, 2006). Because no Latin American country employs this electoral formula, this variable cannot be included in the current analysis.
9. A concern with the use of panel-corrected standard errors on these data is the relatively low number of repeated observations per country. Even though there is no strict lower limit to the number of repeated observations, it has been shown that the performance of time series cross-sectional estimators increases with the number of repeated observations (N. Beck, 2001). Models reported are run using a minimum number of 3.0 repeated observations. The average number of observations is 5.3. Models were also estimated with a minimum of 4.0 (average 6.5) and 5.0 (average 7.0) repeated observations. This does not qualitatively alter inferences with regard to the key variables.
10. To account for different starting levels of nationalization, I also explored country fixed effects. In this model, the effect of the fiscal decentralization scale remains similar in terms of size and significance. As expected, however, the standard errors of the time-invariant and slowly changing institutional variables are inflated because they correlate highly with the fixed effects. Although political decentralization retains its negative sign, it is no longer significant. Models including a lagged dependent variable yield similar substantive results, even though the effects of the fiscal decentralization variables are slightly lower.

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