

## **The Origins and Strengths of Regional Parties**

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Traditional explanations of the origins of regional parties as the products of regionally-based social cleavages cannot fully account for the variation in regional party strength both within and across countries. This unexplained variance can be explained, however, by looking at institutions, and in particular, political decentralization. This argument is tested with a statistical analysis of thirty-seven democracies around the world from 1945 to 2002. The analysis shows that political decentralization increases the strength of regional parties in national legislatures, independent of the strength of regional cleavages, as well as of various features of a country's political system, such as fiscal decentralization, presidentialism, electoral proportionality, cross-regional voting laws and the sequencing of executive and legislative elections.

Regional parties are present in almost every country of the world and at almost every level of government. Their effect on government is thought to be profound; not only are regional parties supposed to improve democracy by representing groups otherwise under-represented by the state, but they are also thought to reinforce ethnic and regional identities and make strong demands on states for autonomy or independence.<sup>1</sup> They have even been shown to increase government instability and to encourage ethnic conflict and secessionism.<sup>2</sup>

Regional parties are traditionally believed to originate from regionally-based social cleavages. That is, regional parties are thought to exist because certain regions within a state have unique interests and concerns that cannot, or are not, addressed adequately by existing parties.<sup>3</sup> But while regional cleavages have an important effect on regional parties, the former cannot fully account for the strength of the latter. Countries such as

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<sup>1</sup> Lieven de Winter, ed., *Regionalist Parties in Western Europe* (New York: Routledge, 1998); Michael Keating, *The New Regionalism in Western Europe* (Northampton, Mass.: Edward Elgar, 1998); Pieter Van Houten, 'Regional Assertiveness in Western Europe: Political Constraints and the Role of Party Competition' (doctoral dissertation, University of Chicago, 2000).

<sup>2</sup> Dawn Brancati, 'Pawns Take Queen: The Destabilizing Effects of Regional Parties in Europe', *Constitutional Political Economy* (Special Issue) 16 (2005), 143–59; Dawn Brancati, 'Decentralization: Fueling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism', *International Organization*, 60 (2006), 651–85.

<sup>3</sup> De Winter, ed., *Regionalist Parties in Western Europe*; Stein Rokkan and Derek W. Urwin, eds, *The Politics of Territorial Identity* (Beverly Hills, Calif.: Sage Publications, 1982); Joanne Bay Brzinski, 'The Changing Forms of Federalism and Party Electoral Strategies: Belgium and the European Union', *Publius*, 29 (1999), 45–70; James Fearon and Pieter van Houten, 'The Politicization of Cultural and Economic Differences' (Fifth Meeting of the Laboratory in Comparative Ethnic Processes (LiCep), Stanford University, 2002); Derek J. Hearl, Ian Budge and Bernard Pearson, 'Distinctiveness of Regional Voting: A Comparative Analysis Across the European Community Countries (1979–93)', *Electoral Studies*, 15 (1996), 167–82; Michael Hechter and Margaret Levi, 'A Rational Choice Approach to the Rise and Fall of Ethnoregional Political Parties', in A. Tiryakian and R. Rogowski, eds, *New Nationalism in the Developed West* (Boston, Mass.: Allen and Unwin, 1985), pp. 128–46.

the former Czechoslovakia have had strong regional parties but weak regional cleavages, while other countries such as Indonesia and Romania have weak regional parties but strong regional cleavages. Nor can regional cleavages account for significant variations in the strength of regional parties over time and across legislatures, as regional cleavages do not vary to a great extent along such dimensions.

Thus regional cleavages are not automatically translated into party systems. Whether or not they are so translated depends on the role of politicians and the incentives provided to them by institutions to form certain types of parties over others. One very important institution in this regard, albeit not the only institution, is political decentralization. Political decentralization encourages politicians to form regional parties, and voters to vote for them, because decentralized systems of government have regional legislatures in which regional parties have a greater opportunity to govern than is the case in national legislatures. Regional parties are not confined to the regional level of government in decentralized systems, however. Their presence at this level carries over to the national level for two reasons. First, national competition yields regional parties certain electoral advantages at the regional level, and secondly, regional legislatures sometimes elect or appoint national legislatures.

Some scholars have already examined the effect of political decentralization on political parties, but most of their studies focus on the effect of decentralization on the organization or cohesion of political parties rather than on the origins of regional parties.<sup>4</sup> More recently, however, Pradeep Chhibber and Ken Kollman have studied the effects of fiscal and political decentralization on the distribution of parties' votes throughout a country.<sup>5</sup> In their studies, Chhibber and Kollman argue that fiscal and political centralization lead to a more even distribution of votes throughout a country by encouraging parties to merge with each other at the national level of government to control decisions made at this level.

The argument of this article shares Chhibber and Kollman's general theoretical view of decentralization, but it differs from their argument in several respects. It differs in its focus on regional parties rather than the distribution of all parties' votes across countries. It also differs in terms of its emphasis on political as opposed to fiscal decentralization, as well as in its emphasis on the institutional structure of decentralization rather than the distribution of power between levels of government. The argument of this article also diverges from that of Chhibber and Kollman in its claim that political and fiscal decentralization are distinct phenomena that should be analysed separately.

In order to test my argument, I conduct a statistical analysis of thirty-seven democracies around the world from 1945 to 2002, looking at the effect of decentralization on regional parties. This analysis includes the same countries as Chhibber and Kollman's study

<sup>4</sup> William M. Chandler, 'Federalism and Political Parties', in W. M. Chandler, ed., *Federalism and the Role of the State* (Toronto: University of Toronto Press, 1987), pp. 149–70; David Truman, 'Federalism and the Party System', in A. W. MacMahon, ed., *Federalism: Mature and Emergent* (New York: Doubleday, 1955), pp. 115–36; Aaron B. Wildavsky, 'Party Discipline Under Federalism: Implication of the Australian Experience', in A. B. Wildavsky, ed., *American Federalism in Perspective* (Boston, Mass.: Little, Brown, 1967), pp. 162–81; Scott Desposato, 'The Impact of Federalism on National Political Parties in Brazil', *Legislative Studies Quarterly*, 29 (2004), 259–85.

<sup>5</sup> Pradeep Chhibber and Ken Kollman, 'Party Aggregation and the Number of Parties in India and the United States', *American Political Science Review*, 92 (1998), 329–42; Pradeep Chhibber and Ken Kollman, *The Formation of National Party Systems: Federalism and Party Competition in Britain, Canada, India and the United States* (Princeton, N.J.: Princeton University Press, 2004).

(Canada, India, the United Kingdom and the United States), as well as thirty-four additional countries that vary along different political, social and economic dimensions. The analysis draws on an original dataset of national legislative elections at the constituency or district level. This dataset makes an analysis of regional parties possible because, unlike most election datasets, it provides information on where parties win votes throughout a country, rather than the overall number of votes and seats they win in the country at large.

The results of the statistical analysis confirm the hypothesis that political decentralization increases the strength of regional parties. The analysis also finds that cross-regional voting laws, as well as concurrent presidential and legislative elections, decrease the strength of regional parties. The analysis does not find support, however, for Chhibber and Kollman's findings regarding fiscal decentralization (at least in terms of sub-national expenditures).

The remainder of this article proceeds as follows. First, I define the basic terms used throughout this article, including political and fiscal decentralization as well as regional parties. Secondly, I explain my argument that political decentralization increases regional parties in national legislatures. Thirdly, I describe the data I employ and the measurements I use to test the relationship between political decentralization and regional parties. Fourthly and finally, I present the results of my statistical analysis and discuss the implications of my findings.

#### TERMS AND DEFINITIONS

Political decentralization refers to a division of political authority among multiple levels of government in which each level is democratically elected and has independent decision-making power over at least one issue area.<sup>6</sup> Independent decision-making power means that the different levels of government can legislate and set policy on certain political matters. Countries such as Bolivia, Colombia and France (pre-1982), where the sub-national level of government only administers decisions made at the national level, are not decentralized, even though sub-national governments are elected in these countries. Usually a country's national level of government has control over political issues that benefit from a common policy throughout a country or that sub-units of a state cannot provide for individually, such as defence, foreign affairs, immigration, etc. Meanwhile, the issues over which regional governments have control vary widely across countries, but usually they involve matters that benefit from being tailored to the specific needs of different areas of a country, including health, education, infrastructure, etc.

Political decentralization is distinct from fiscal decentralization in that fiscal decentralization refers to a division of fiscal authority between multiple levels of government.<sup>7</sup> Although political decentralization may be undermined by a low level

<sup>6</sup> Political decentralization, as it is defined here, is sometimes known by different names, including federalism, policy decentralization, or decision-making decentralization. See William Riker, *Federalism: Origin, Operation, Significance* (Boston, Mass.: Little, Brown, 1964); Jonathan Rodden, 'Comparative Federalism and Decentralization: On Meaning and Measurement', *Comparative Politics* (2004), 481–500; Daniel Treisman, 'Defining and Measuring Decentralization: A Global Perspective' (unpublished manuscript, University of California, Los Angeles, 2002). Increasingly, scholars are replacing the term 'federalism' with the term 'decentralization' for various reasons, including the desire to include countries that do not describe themselves as federal, such as Spain or Italy, but which have regional governments with independent decision-making powers.

<sup>7</sup> Jonathan Rodden, 'Comparative Federalism and Decentralization'.

of fiscal decentralization, many countries, such as India and Spain, are more decentralized politically than they are fiscally.<sup>8</sup> However, many other countries, including Norway and Denmark, are more decentralized fiscally than they are politically. Such discrepancies may result from national governments granting regional governments control over certain fiscal powers in order to avoid extending more important political powers to them,<sup>9</sup> or from national governments trying to undermine regional governments by denying them the financial powers to implement their policies.<sup>10</sup>

Regional parties, meanwhile, are defined as parties that compete and win votes in only one region of a country. Regional parties may participate in national or regional elections so long as they only compete in one region of a country at either level of government. Besides competing in only one region of a country, regional parties tend to focus their agendas on issues affecting only these regions. Regional parties stand in stark contrast to state-wide parties, which compete and win votes in every region of a country and tend to focus their agendas on issues affecting groups throughout the country. The Quebec party in Canada (PQ), the Basque National party in Spain (PNV) and the Dravida Munnetra Kazagham (DMK) in India are all examples of regional parties.

Regional parties are not necessarily ethnic or religious parties and vice versa. An ethnic party is a party that 'represents itself as the champion of the cause of one particular ethnic category or set of categories to the exclusion of others, and makes such a representation central to its mobilizing strategy'.<sup>11</sup> The Basque National party (PNV) is a regional party, but not an ethnic party since it purports to represent all people living in the Basque Country regardless of their ethnic identity. By contrast, the Bharatiya Janata party (BJP) is a religious party because it champions the interests of Hindus in India, but it is not a regional party since it competes throughout India.

This definition of regional parties begs the question of the definition of regions. In this article regions refer to the political regions of a country, that is, the level of government directly below the national level of government. In the United States, the political regions are the states – New York, New Jersey, Massachusetts, etc. Political regions are distinct from geographic regions, which are areas of land, usually contiguous, considered to be a unit based on common physical characteristics, such as mountain ranges, plains, bodies of water, etc. In the United States, the geographic regions are the Northeast, the West, the South, etc. Regions are defined in this article in terms of political regions because I argue that the effect of decentralization on regional parties operates through the creation of regional legislatures with independent decision-making powers, and such legislatures largely coincide with political rather than geographic regions.

<sup>8</sup> Robert Agranoff and Juan Antonio Ramos Gallarín, 'La evolución hacia una democracia federal en España: un examen del sistema de relaciones intergubernamentales', in R. Agranoff and R. Bañón i Martínez, eds, *El estado de las Autonomías ¿Hacia un nuevo federalismo?* (Bilbao: Instituto Vasco de Administración Pública; 1998); Pradeep Chhibber, *Democracy Without Associations: Transformation of the Party System and Social Cleavages in India* (Ann Arbor: University of Michigan Press, 1999).

<sup>9</sup> Tullia G. Faletti, 'A Sequential Theory of Decentralization: Latin American Cases in Comparative Perspective', *American Political Science Review*, 99 (2005), 327–46.

<sup>10</sup> Chhibber, *Democracy Without Associations*.

<sup>11</sup> Kanchan Chandra, *Why Ethnic Parties Succeed: Patronage and Head Counts in India* (New York: Cambridge University Press, 2004).

WHY POLITICAL DECENTRALIZATION ENCOURAGES REGIONAL PARTIES

Political decentralization encourages politicians to form regional parties and voters to vote for them, because politically decentralized systems of government have regional legislatures in which regional parties have a much greater opportunity to govern – that is, to control a legislature’s agenda – than is the case in national legislatures. Regional legislatures may also exist in centralized systems, and in some cases they may even be elected by voters, but because regional legislatures lack decision-making authority in centralized systems, politicians have little incentive to form parties different from those that govern at the national level.

In national legislatures, the ability of parties to govern is constrained by the proportion of seats they win in the country overall. Parties representing only one region are therefore not very likely to govern at the national level unless they represent a region that accounts for a large proportion of the seats at this level. At the regional level, the ability of parties to govern is only constrained by the proportion of seats they win in that particular region. Regional parties are therefore much more likely to govern at the regional than the national level, which gives politicians greater incentives to form regional parties and voters greater incentives to vote for them.

The presence of regional parties in decentralized systems is not, however, confined to the regional level, but carries over to the national level for at least two reasons. First, the costs of participating in national elections are small for regional parties that already exist for the purpose of competing in regional elections. In centralized systems, the costs for regional parties of competing at the national level are much greater, since they must be created from scratch in order to do so. These costs include renting office space, hiring staff, registering parties for elections and purchasing media time to inform voters about their political agendas.

Not only are these costs smaller in decentralized systems, but participating in national elections may also improve the electoral prospects of regional parties at the regional level. National elections garner much more attention than their regional counterparts. As a result, voters may become much more familiar with regional parties that compete at the national level than those that do not. Voters may also be more inclined to support regional parties that compete at the national level than those that do not, because these parties, having challenged state-wide parties at a country’s most powerful level of government, may appear to be stronger defenders of regional interests than parties that do not compete at the national level.

The second reason that the strong presence of regional parties in regional legislatures may lead to a greater presence of regional parties in national legislatures is that regional legislatures sometimes elect or appoint national legislatures.<sup>12</sup> In such cases, regional legislatures are likely to elect or appoint regional parties to national legislatures, given the strong presence of regional parties within regional legislatures. Upper houses of legislatures are elected or appointed by regional legislatures in Austria, Bosnia-Herzegovina, France, Germany, India and South Africa, among others.<sup>13</sup> In Indonesia,

<sup>12</sup> See Samuel C. Patterson and Anthony Mughan, eds, *Senate: Bicameralism in the Contemporary World* (Columbus: Ohio State University Press, 1999).

<sup>13</sup> In Germany the upper house is composed of the prime minister and the cabinet ministers of each of the country’s regional (*Länder*) legislatures. The upper house is, thus, appointed rather than elected because the regional legislatures do not conduct separate elections to determine their representatives in the upper house, although the regional legislatures do elect these ministers in the first place.

where there is no upper house, regional legislatures elect almost 25 per cent of the lower house.

#### ALTERNATIVE EXPLANATIONS

Alternative explanations for the argument presented in this article suggest that either regional cleavages or regional parties cause countries to adopt decentralized systems of government, not vice versa. As I have previously suggested, regional cleavages cannot fully account for the existence of regional parties because they do not automatically translate into party systems. Politicians have a considerable amount of discretion in deciding whether or not to form regional parties, and they are strongly influenced in their decisions by the incentives institutions provide them to form certain types of parties. Regional cleavages cannot explain the existence of decentralization for the same reason. That is, politicians do not form decentralized systems simply because regional cleavages are present in them – a fact demonstrated by the large number of centralized systems with strong regional cleavages in existence today, such as Bolivia, Romania and Sri Lanka.

Neither can decentralization be completely attributed to regional parties. Although autonomy is often one of the principal demands of regional parties,<sup>14</sup> they are rarely in a political position to force countries to decentralize. For decades regional parties in Northern Ireland, Scotland and Wales adamantly demanded regional autonomy or independence from the United Kingdom. Successive Labour and Conservative governments ignored these demands until 1997, when the Labour party embraced decentralization. The long period of resistance suggests that pressure from regional parties is not enough to cause a country to decentralize. The Labour party also suspended Northern Ireland's legislature in 2001 despite pressure from regional parties, suggesting that pressure from regional parties is not enough to prevent a country from centralizing either.

Many factors in addition to pressure from regional parties and regional cleavages may also contribute to a country's decision to decentralize. Countries may decentralize in order to achieve economies of scale through a large internal market, which is the primary reason countries have joined the European Union and other economic unions with a decentralized government structure.<sup>15</sup> Conversely, not needing a large internal market because of international market integration has contributed to the disintegration of countries such as Czechoslovakia, Yugoslavia and the Soviet Union.<sup>16</sup>

Some countries, such as the United States and Canada, have formed decentralized systems of government in order to protect themselves against an external military threat.<sup>17</sup> The United States decentralized not only to protect itself against foreign invasion, but also to improve its economy through a common market, and to minimize conflicts among the

<sup>14</sup> De Winter, ed., *Regionalist Parties in Western Europe*; Rokkan and Urwin, eds, *The Politics of Territorial Identity*; Bonnie Martha Meguid, 'Competition between Unequals: The Role of Mainstream Party Strategy in Rising Party Success in Western Europe' (doctoral dissertation, Harvard University, 2002); Van Houten, 'Regional Assertiveness in Western Europe'.

<sup>15</sup> Alberto Alesina and Enrico Spolare, 'On the Number and Size of Nations,' *Quarterly Journal of Economics*, 112 (1997), 1027–56; Patrick Bolton and Gerard Roland, 'The Breakup of Nations: A Political Economy Analysis', *Quarterly Journal of Economics*, 112 (1997), 1057–90; Walter Mattli, *The Logic of Integration: Europe and Beyond* (New York: Cambridge University Press, 1999).

<sup>16</sup> Alesina and Spolare, 'On the Number and Size of Nations'.

<sup>17</sup> See Riker, *Federalism: Origin, Operation, Significance*.

states.<sup>18</sup> A further reason for decentralization, which accounts for many countries in Latin America – including Colombia, Venezuela and Uruguay – beginning to do so, is that state-wide parties at the national level believe that their electoral prospects are greater at the regional than at the national level.<sup>19</sup>

Countries may also decentralize because they are large and cannot easily be managed from a single central government located far away from most of its constituents.<sup>20</sup> All of the large democracies in the world today are decentralized, including Canada, India, Russia and the United States. Countries may even decentralize because of colonial legacies. Many former colonies of Britain, such as Nigeria, have decentralized systems of government because Britain used decentralization to ‘divide and rule’ its subjects during colonial times, and because of entrenched regional elites unwilling to relinquish their power and adopt centralized systems of government once their colonies gained independence.<sup>21</sup> Other colonial powers, including France and Spain, did not use this strategy of ‘divide and rule’ to manage their territories, even though their territories were also diverse ethnically and religiously.

Furthermore, even when countries decentralize because of pressure from regional parties, decentralization can still exert an independent effect on regional parties. This effect is most evident in Spain where regional parties in the Basque Country and Catalonia put pressure on Spain to adopt a decentralized system of government. State-wide parties adopted decentralization in the late 1970s but, despite the objections of regional parties in the Basque Country and Catalonia, they extended autonomy to every region of Spain, not just to those. At the time Spain decentralized, regional parties had a strong presence in the Basque Country and Catalonia, but a weak presence everywhere else. Following decentralization, however, regional parties emerged throughout the country, even in regions without ethno-linguistically distinct identities. Today, the presence of regional parties in some of the non-distinct regions of Spain is even comparable in size to the presence of regional parties in the Basque Country and Catalonia.<sup>22</sup>

In order to explore the possibility of endogeneity between decentralization and regional parties further, I conduct an instrumental variable regression analysis below. The instruments I use for this analysis, size, population, territorial contiguity and British colonial legacies, are informed by the theoretical discussion in this section as to the reason why decentralization is not a product of regional parties. The results of the statistical

<sup>18</sup> Alexander Hamilton, James Madison and John Jay, *The Federalist Papers*, reprint edn (Harmondsworth, Midx.: Penguin Classics, 1987).

<sup>19</sup> Kathleen O’Neill, ‘Decentralization as an Electoral Strategy’, *Comparative Political Studies*, 36 (2003), 1068–91; Kent Eaton, *Politics Beyond the Capital: The Design of Subnational Institutions in South America* (Stanford, Calif.: Stanford University Press, 2004); Maria Escobar-Lemmon, ‘Political Support for Decentralization: An Analysis of the Colombian and Venezuelan Legislatures’, *American Journal of Political Science*, 47 (2003), 683–97.

<sup>20</sup> Treisman, ‘Defining and Measuring Decentralization’; Alesina and Spolare, ‘On the Number and Size of Nations’; Ugo Panizza, ‘On the Determinants of Fiscal Centralization: Theory and Evidence’, *Journal of Public Economics*, 74 (1999), 97–139.

<sup>21</sup> Crawford Young, *The African State in Comparative Perspective* (New Haven, Conn.: Yale University Press, 1994); Jeffery Herbst, *States and Power in Africa: Comparative Lessons in Authority and Control* (Princeton, N.J.: Princeton University Press, 2000).

<sup>22</sup> For example, in the 2000 Congress of Deputy elections in Spain, regional parties won 29 per cent of the seats in the Canary Islands compared to 35 per cent in Catalonia, and about 8–9 per cent of the seats in Aragon and Madrid, compared to 12 per cent in Galicia.

analysis suggest that the relationship between decentralization and regional parties is not endogenous. That is, that decentralization causes regional parties, not vice versa.

#### DATA AND MEASUREMENT

In order to test this argument about the effect of decentralization on regional parties, I compiled an original dataset of constituency-level election results for fifty democracies around the world from 1945 to 2002. I collected this data by contacting every country in the world that had held at least two democratic elections during this period.<sup>23</sup> I consider elections to be democratic if a country scores five or higher on the Polity Index (0–10) of democracy for a given election year. Five is the cut point commonly used to measure democracy, since it represents the midpoint of the Polity scale. I collected the data from different sources within countries, including electoral commissions, ministries of the interior and legislative bodies. Ultimately, I was able to obtain data for fifty countries, or about two-thirds of the world's democracies.

This dataset is unique in that it provides information at the constituency-level, the level at which seats are distributed. Most published datasets on elections only report results at the national level. Unfortunately, such datasets cannot be used for this project, which requires information on where parties win votes throughout a country in order to measure the strength of regional parties. The analysis is carried out at the national level, however, because this is the level at which the institutions considered in this study vary.

Before aggregating the data to the national level, I identify the political regions in each country in the dataset using census data and information provided by the Federal Information Processing Standards (FIPS) regional codes.<sup>24</sup> I then aggregate the constituency-level data to the regional level to identify regional parties, in other words, those parties competing in only one region of a country. In some countries, however, the constituency level of government is greater than the regional level. I exclude these countries from the analysis because it is impossible to determine which parties are regional parties.<sup>25</sup> The final analysis includes thirty-seven countries: Argentina, Australia, Belgium, Bermuda, Bolivia, Botswana, Canada, Colombia, Costa Rica, Estonia, Finland, Germany, Greece, Hungary, Iceland, India, Indonesia, Ireland, Italy, Latvia, Lithuania, Malaysia, Mauritius, Mexico, Niger, Norway, Poland, Romania, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, the United States, the United Kingdom and Venezuela.<sup>26</sup>

<sup>23</sup> Countries must hold two democratic elections for there to be an opportunity for a changeover of power.

<sup>24</sup> In a separate analysis, I have measured regions according to the geographic regions of a country as a robustness check. No substantively different conclusions can be drawn about the relationship between decentralization and regional parties under this different specification.

<sup>25</sup> These countries are: Cyprus, Czech Republic, Czechoslovakia, Israel, Moldova, Netherlands, New Zealand, Slovakia and Trinidad and Tobago. Portugal is also excluded from the analysis because its official election results (as reported on the National Election Commission's website) lack data on the Azores. Yugoslavia is also excluded because only regional (not national) elections were held in 1989.

<sup>26</sup> I collected this dataset over a two-and-half year period by contacting every democracy in the world (scoring more than 4 on the Polity IV index for at least two consecutive elections) via email, letter, fax, telephone, etc. to get copies of their official election results. I received responses from fifty (out of a total of seventy-five) countries and included the data from all fifty countries in my dataset. I have no reason to expect that the countries for which I was not able to collect data are different from those for which I was able to collect data in a way that will bias the results. Although many of the excluded countries are less developed than those included, the overall level of development of a country should not increase or decrease the strength of regional parties, although regional variation in levels of development may affect the strength of regional parties. To further ensure that case selection

*Independent Variable*

My main explanatory variable is political decentralization, understood as a division of political authority between multiple levels of government in which each level is democratically elected and has independent decision-making power over at least one issue area. Having independent decision-making powers means that each level can legislate and set policy on certain issues, including relatively minor issues, such as national statistics, or more important ones, such as education or health. Governments in which lower levels of government only administer decisions made at a higher level, such as those in Bolivia and Colombia, are not politically decentralized.

I measure political decentralization by means of an indicator variable coded 1 if the regional level of government in a country has independent decision-making power over at least one political issue area, and 0 otherwise. A dichotomous rather than an ordinal measure is appropriate, because it is consistent with the argument presented here, that political decentralization encourages regional parties through the creation of regional legislatures, and not because of the particular distribution of powers between national and regional legislatures.

I do not consider systems of government in which the only authority of the regional level of government is to raise taxes to be politically decentralized, because tax authority relates more to fiscal than to political decentralization, and because in such systems taxes are only used for administrative purposes.<sup>27</sup> I have used my own analysis of the countries' constitutions and how these constitutions distribute decision-making powers between levels of government to determine whether or not the countries are decentralized. I have also evaluated my coding against a number of comparative studies of decentralization and found broad similarities between my coding and those of others.<sup>28</sup>

Seventeen countries in this study are decentralized, splitting the dataset almost evenly between decentralized and centralized systems of government.<sup>29</sup> All the countries coded as decentralized in this study have regional legislatures with independent decision-making powers over more than one issue area, and most have control over the following issues: education, health, environment, infrastructure development. Regional legislatures in some of the countries (Canada, Italy, Mexico, Spain, the United Kingdom, the United States and Venezuela) also have control over public order and the police, while some regional

*(Footnote continued)*

is not driving the results, I conducted the same analyses on a smaller subset of the dataset, which produced similar results. I also discarded outliers and inspected the data to determine whether the presence of missing data produces different results, which it does not.

<sup>27</sup> The following countries have democratically elected sub-national legislatures with the authority to raise their own taxes, but do not have authority over political issues, or any other fiscal issues, and are considered centralized in this study: Bolivia (tax authority post-1994), Botswana, Colombia, Costa Rica, Estonia, Greece (elected only), Hungary, Iceland, Indonesia, Ireland (elected only), Latvia, Lithuania, Niger, Norway, Poland, Romania, Slovenia, Sweden and Turkey. In this study, there are four countries in which sub-national legislatures are not elected and do not have the authority to levy taxes: Bermuda, Mauritius, Spain (1977–79), the United Kingdom (1974–97).

<sup>28</sup> Daniel J. Elazar, *Federal Systems of the World: A Handbook of Federal, Confederal and Autonomy Arrangements* (London: Longman, 1994); John Gerring, Strom C. Thacker and Carola Moreno, 'Centripetal Democratic Governance: A Theory and Global Inquiry', *American Political Science Review*, 99 (2005), 567–81.

<sup>29</sup> The seventeen countries are: Argentina, Australia, Belgium (since 1978), Bosnia-Herzegovina, Canada, Finland, Germany, India, Italy, Malaysia, Mexico, South Africa, Spain (since 1980), Switzerland, the United Kingdom (1945–74; 1998–2000), the United States and Venezuela.

TABLE 1 *Descriptive Statistics*

Variables	Frequency	Mean	SD	Minimum	Maximum
Decentralization	46	0.47	0.50	0	1
Regional Parties (% of total)		24.70	24.61	0	83.20
Regional Party Vote (% of total)		3.17	7.27	0	52.40
Regional Party Seats (% of total)		3.20	7.40	0	50.00
Denationalization		0.99	1.29	-0.13	7.08
Presidentialism	32	0.32	0.47	0	1
Presidentialism (concurrency)	16	0.16	0.37	0	1
Presidentialism (non-concurrency)	12	0.12	0.33	0	1
Mixed Electoral Systems	4	0.04	0.20	0	1
Majority/Plurality Systems	32	0.32	0.47	0	1
Total Number of Regions		25.36	20.15	5	101
First Elections	8	0.08	0.27	0	1
Cross-Regional Voting Laws	5	0.05	0.21	0	1
ELF		0.401	0.265	0.013	0.887
ELC		2.69	0.83	1	4

*Note:* The frequency statistics are available for indicator variables only. They represent the percentage of observations taking the value of 1 in the study.

legislatures (Canada, Malaysia and the United States) even have control over the administration of justice. I present the summary statistics for political decentralization and the remaining variables in this analysis in Table 1.<sup>30</sup>

### *Dependent Variable*

My dependent variable is the strength of regional parties in an election. For this analysis, I define regional parties in a narrow sense, that is, as parties that compete in only one political region of a country. This definition of regional parties does not include information about their political focus, or whether they are ethnic or religious in nature. Unfortunately, it is very difficult to code parties based on their agendas in a large cross-national study like this, which includes almost 5,000 political parties many of which are small, unknown and ephemeral. This measure is also more consistent with my argument, which claims that decentralization encourages parties to compete only in certain regions of the country. It does not claim that decentralization directly causes parties to adopt certain agendas over others.

Having defined regional parties, I evaluate their strength in three different ways: (1) the percentage of parties competing in an election that are regional parties, (2) the percentage of votes regional parties receive in an election, and (3) the percentage of seats regional

<sup>30</sup> More detailed summary statistics are available from the author upon request.

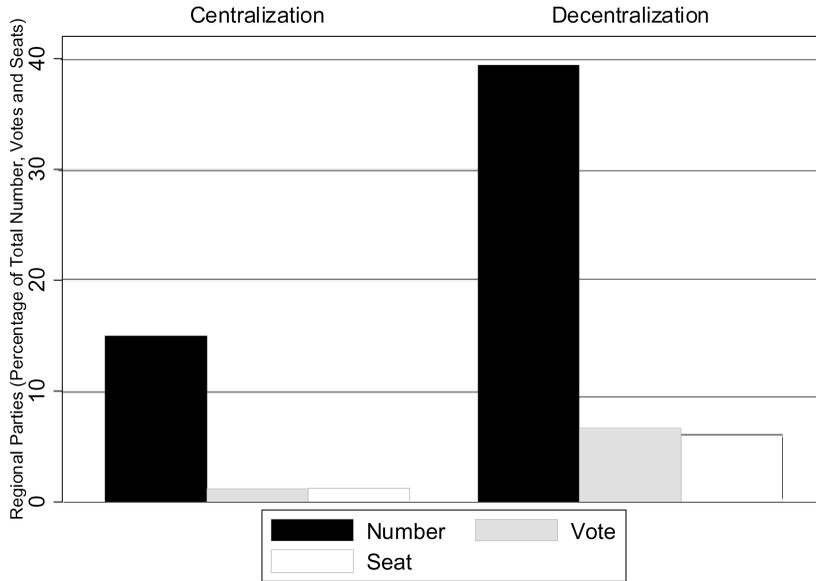


Fig. 1. Regional party strength (centralization vs. decentralization)

parties win in an election.<sup>31</sup> Each of these measures ranges between 0 and 100 per cent.<sup>32</sup> Their mean values in centralized versus decentralized systems of government are depicted in Figure 1.

From this graph it is apparent that there is a stark difference in the strength of regional parties in centralized versus decentralized systems of government. Regional parties have a much stronger position in decentralized than in centralized systems. In centralized systems, 15 per cent of the parties competing in national legislative elections are regional parties, whereas in decentralized systems, the corresponding figure is 39 per cent. In centralized systems, regional parties also win about 1 per cent of the vote and 1 per cent of the seats. In decentralized systems, by contrast, regional parties win 7 per cent of the vote and 6 per cent of the seats.

In addition to these three measures, I also evaluate the strength of regional parties using Chhibber and Kollman’s measure of ‘denationalization’.<sup>33</sup> This measure does not identify

<sup>31</sup> In an election where there are four parties competing and only one is a regional party, the value of the first measure is 25 per cent. If this party wins 10,000 votes out of a possible 40,000 votes and ten out of a possible forty seats, the values of the second and third measures are also 25 per cent.

<sup>32</sup> I have also defined regional parties as parties that compete in more than one region of a country, but not in every region, and I have measured regional parties according to these same three measures. Decentralization has the same substantive effect on regional party strength in these models. However, since my argument is more consistent with an understanding of regional parties as parties competing in only one region of a country, I do not rely on this definition or measurement of regional parties in this article.

<sup>33</sup> ‘Denationalization’ is the term used by Chhibber and Kollman; see Chhibber and Kollman, ‘Party Aggregation and the Number of Parties in India and the United States’; Chhibber and Kollman, *The Formation of National Party Systems*:

$$NN = \frac{1}{\sum_{i=1}^n p_i^2} - ND = \sum_{i=1}^D \left( \frac{1}{\sum_{i=1}^n pd_i^2} \right) / ND,$$

the strength of regional parties directly; rather it measures the overall distribution of parties' votes throughout a country, regardless of whether they are state-wide parties or regional parties. This measure is calculated by first determining the effective number of electoral parties (ENEP) in each national legislative election, as well as the effective number of electoral parties (ENEP) in each constituency for that election.<sup>34</sup> The effective numbers of electoral parties in each constituency are then summed and divided by the total number of constituencies in the election. Finally, this value is subtracted from the overall effective number of electoral parties to determine the degree of 'denationalization' (defined by Chhibber and Kollman as the degree to which votes are evenly distributed throughout a country). This measure is larger the more parties there are that do not compete throughout the country, and the more votes these parties receive.

### *Control Variables*

I also include a number of control variables in this analysis to take into account other factors that may affect regional parties. The first set of these controls is an attempt to capture traditional explanations of regional parties as products of regional cleavages. These controls consist of the ethno-linguistic fractionalization (ELF) index and the ethno-linguistic concentration (ELC) index.<sup>35</sup> The ELF index measures the overall ethno-linguistic heterogeneity of countries, and it ranges between 0 and 1.<sup>36</sup> A score of 0 indicates that every person in the country belongs to the same ethno-linguistic group, while a score of 1 indicates that every person belongs to a different ethno-linguistic group. This index is based on data from the Ethno-Linguistic Fractionalization (ELF) Indices, 1961 and 1985 dataset.<sup>37</sup> A high score on the ELF index may increase regional party strength, but only if ethno-linguistic groups are concentrated in regions. The ELF index does not, however, measure the degree to which groups are concentrated, and many diverse countries have widely dispersed ethno-linguistic groups.

For this reason, I also include the ELC index in the analysis. The ELC index measures the spatial distribution of groups. It is based on the group concentration variable of the Minorities at Risk Project, which covers the period from 1985 to 2000. The group concentration variable categorizes ethnic groups into four categories: (1) widely dispersed, (2) minority in one region or primarily urban, (3) majority in one region and dispersed in

*(Footnote continued)*

where  $p_i$  = the number of votes won by a party in a legislature/total number of votes in the legislature and where  $pd_i$  = the number of votes won by a party in a district (or constituency)/total number of votes won by the party in a district (or constituency) and  $ND$  is the number of districts (or constituencies) in a country.

<sup>34</sup>  $ENEP = 1/\sum p_i^2$ , where  $p_i$  represents the vote share of a party participating in an election (Rein Taagepera and Matthew Soberg Shugart, *Seats and Votes: Effects and Determinants of Electoral Systems* (New Haven, Conn.: Yale University Press, 1989)).

<sup>35</sup> Ethno-linguistic heterogeneity, however, is only one of the types of regional cleavages that may affect the strength of regional parties in countries. Other regional cleavages may be religious or economic in nature. See James D. Fearon and Pieter van Houten, 'The Politicization of Cultural and Economic Difference' (unpublished manuscript, Department of Political Science, Stanford University, no date). Unfortunately, cross-national data on these particular cleavages are not available. Ethno-linguistic heterogeneity is nonetheless one of the most important, if not the most important, cleavage associated in the literature with regional parties.

<sup>36</sup> Charles Lewis Taylor and Michael C. Hudson, *World Handbook of Political and Social Indicators* (New Haven, Conn.: Yale University Press, 1976).

<sup>37</sup> I have compared the Roeder data (available from Professor Roeder, University of California, San Diego) to census data I have collected. The level of fractionalization is similar in both datasets. I, therefore, rely on the Roeder dataset because it contains data for more countries.

others, and (4) concentrated in one region.<sup>38</sup> For the purpose of this analysis, I modify the group concentration variable by recoding it so that it ranges from 1 to 4. I then add these values together for each country and divide by the number of ethno-linguistic groups in a country in order to create a national aggregate measure of concentration.<sup>39</sup> Countries such as Australia and Greece have low scores on this index, while countries such as Belgium and India have high scores.

The second set of control variables represents additional institutions that may affect the presence of regional parties. The first such institution is fiscal decentralization,<sup>40</sup> which I measure separately from political decentralization because these two types of decentralization are distinct phenomena and are not closely associated with each other.<sup>41</sup> Fiscal decentralization refers to a division of fiscal authority between multiple levels of government, and it is most commonly measured in terms of sub-national revenues and expenditures.<sup>42</sup> According to Chhibber and Kollman, fiscal decentralization may increase the strength of regional parties because it decreases the incentives parties have to merge with each other at the national level of government to control decisions made at this level.<sup>43</sup> Using the World Financial Indicators (1972–2000) from the International Monetary Fund (IMF), I measure fiscal decentralization in four different ways: (1) total regional expenditure (percentage of total government expenditure), (2) total regional expenditure (percentage of gross domestic product), (3) total regional revenue (percentage of total revenue), (4) total regional revenue (percentage of gross domestic product).<sup>44</sup>

Different aspects of a country's political system may also affect the strength of regional parties, such as executive system and electoral system type. In presidential systems of government, voters directly elect the chief executive, who needs the support of either a majority or plurality in order to get elected. Presidential systems differ from parliamentary systems where national legislatures elect the chief executive and where coalition governments are more common. The fact that coalition governments are more common in parliamentary than in presidential systems may encourage more politicians to form

<sup>38</sup> The MAR dataset only includes 'at risk' groups, however. At-risk groups are 'all non-state communal groups that collectively suffer or benefit from systematic discriminatory treatment vis-à-vis other groups, and/or groups that collectively mobilize in defense or promotion of their self-defined interests.' Cleavages may be stronger or weaker in countries, depending on the presence of 'non-risk' groups in a country. See Minorities at Risk Project (MAR), < <http://www.cidcm.umd.edu/inscr/mar> > .

<sup>39</sup> See Shaheen Mozaffar, James R. Scarrit and Glen Galaich, 'Electoral Institutions, Ethnopolitical Cleavages, and Party Systems in Africa's Emerging Democracies', *American Political Science Review*, 97 (2003), 379–90. It was not possible to create a weighted index because of insufficient data on a group's proportion of a country's total population.

<sup>40</sup> I do not include a control for upper houses because I do not have data on upper house elections that are either elected or appointed by regional legislatures in this study.

<sup>41</sup> The correlation coefficients between political decentralization and all four measures of fiscal decentralization in this article are less than 0.5.

<sup>42</sup> Rodden, 'Comparative Federalism and Decentralization'.

<sup>43</sup> Chhibber and Kollman, 'Party Aggregation and the Number of Parties in India and the United States'; Chhibber and Kollman, *The Formation of National Party Systems*.

<sup>44</sup> In addition to total sub-national expenditure (as a percentage of GDP), Chhibber and Kollman use several qualitative indicators of fiscal decentralization in their book-long treatment of the subject (*The Formation of National Party Systems*), which include the proportion of public sector employees at the sub-national level of government and the degree of autonomy granted to sub-national governments for social welfare policies and the establishment of public corporations.

regional parties and more voters to vote for them. The small size of most regional parties makes it more likely that regional parties will participate in government through coalition governments rather than in single-party governments. Presidential systems are coded 1 if the populace directly elects the chief executive and 0 otherwise.

The effect of executive systems on regional parties may also be influenced by the concurrency of executive and legislative elections. There are at least two reasons why this may be the case. The first reason, suggested by Gary Cox, is that parties co-ordinate with each other across districts when executive and legislative elections occur at the same time, since large parties are more likely to win an executive position than small parties.<sup>45</sup> The second reason is a variation on ‘the coattails effect’.<sup>46</sup> When executive and legislative elections are concurrent, the party that wins the office of executive tends to win the lion’s share of the seats in the national legislature. This party is more likely to be a state-wide party than a regional party, given the size of most regional parties. I measure concurrency in this study using two indicator variables – one representing presidential systems with concurrent presidential and legislative elections, and one representing presidential systems with non-concurrent presidential and legislative elections. Parliamentary systems (with concurrent elections) are the base category.

The likelihood of a regional party governing in either of these systems depends, however, on the size of a region that the party represents. The larger this region, the more likely a regional party representing this region is to participate in government. Since the data for this analysis is aggregated at the national level, it is impossible to measure the size of regions directly. Size, however, may be inversely related to the number of regions in a country. That is, the more regions there are, the smaller each of these regions is likely to be. By including a variable for the number of regions in a country, I can also control for the possibility that there are more regional parties in a given country simply because there are more regions. I represent the total number of regions in a country by a continuous variable.

The rules used to regulate elections may also have a strong effect on the strength of regional parties. Proportional representation (PR) systems, which distribute seats according to the share of votes parties win in an election, may increase the strength of regional parties because PR systems are more open to small parties and because regional parties tend to be small.<sup>47</sup> Majority and plurality systems, by contrast, may decrease the strength of regional parties because of the higher threshold they impose on parties in order to win seats. I measure the proportionality of the electoral system in two distinct ways. The first is a set of indicators measuring the type of electoral system. One of these indicator variables represents mixed electoral systems, which combine aspects of proportional representation and majority or plurality systems, while the other represents pure majority or plurality systems. Proportional representation systems are the base category. The second way I measure proportionality is according to the average district magnitude in a country,

<sup>45</sup> Gary Cox, *Making Votes Count: Strategic Coordination in the World’s Electoral Systems* (New York: Cambridge University Press, 1997).

<sup>46</sup> Warren F. Miller, ‘Presidential Coattails: A Study in Myth and Methodology’, *Public Opinion Quarterly*, 19 (1955/56), 353–68.

<sup>47</sup> Maurice Duverger, *Political Parties: Their Organization and Activity in the Modern State* (New York: John Wiley, 1954).

which is larger for mixed electoral systems and proportional representation systems than for pure majority/plurality systems.<sup>48</sup>

Regardless of the type of electoral system in a country, the first democratic elections may also increase the strength of regional parties because of the failure of politicians and voters to co-ordinate among themselves.<sup>49</sup> Politicians, for their part, may fail to co-ordinate and may form regional parties during a country's first elections because they have not yet identified other parties with similar views from other areas of a country with which they can merge and form larger parties. Voters, for their part, may fail to co-ordinate and may vote for regional parties because they are not sure which parties are likely to win the first elections and survive until the next term. First elections are coded 1 if an election is the first in a country and 0 otherwise.

However, none of these variables may have any effect on regional parties if countries adopt cross-regional voting laws. These laws, which require parties or candidates to compete in a certain number of regions of a country in order to be elected, must decrease the strength of regional parties. I represent cross-regional voting laws in this study with an indicator variable coded 1 if cross-regional voting laws are in place for a particular national legislative election, and 0 otherwise. Of the countries included in this study, cross-regional voting laws exist in Indonesia, Mexico and Turkey. Only Indonesia's cross-regional voting laws require parties to compete in every region of a country in order to win seats. In order to be elected in Indonesia, parties must have branches in all nine provinces of the country as well as in half the districts in each of these provinces. In Mexico parties must compete in at least two hundred of the country's single-member districts in order to win seats in the proportional representation component of this country's electoral system. In Turkey, meanwhile, a candidate can only be elected if the party s/he represents is fully organized in at least half the country's provinces and one-third of the districts within these provinces, and has also nominated two candidates for each parliamentary seat in at least half of the country's provinces.

#### THE ANALYSIS

To estimate the relationship between political decentralization and regional parties, I use ordinary least squares (OLS) regression with decade fixed-effects.<sup>50</sup> The decade fixed-effects indicate that there has been a slight growth in the strength of regional parties in countries since the 1990s when many new democracies arose in East Central Europe.

<sup>48</sup> Gian Maria Milesi-Ferretti, Roberto Perotti and Massimo Rostagno, 'Electoral Systems and Public Spending', *Quarterly Journal of Economics*, 117 (2002), 609–57.

<sup>49</sup> Cox, *Making Votes Count*.

<sup>50</sup> Breusch-Pagan and White Tests indicate that heteroscedasticity is not a problem in the analysis. I have also explored fixed-effects for regions of the world. Models including fixed-effects for regions of the world produce the same substantive conclusions regarding decentralization as those without world region fixed-effects. I also cluster the data according to country. The size of the coefficient for decentralization is the same in these models and significant at the 0.1 level or better. I also estimate the relationship between decentralization and regional party vote using Feasible Generalized Least Squares (FGLS), which allows variance to vary across countries, and Seemingly Unrelated Regression (SUR) analysis, which allows mean and variance to vary across countries. In FGLS models allowing for panel heteroscedasticity, the effect of decentralization is still positive and significant, but about half the size of that in the OLS models. In the SUR models, the effect of decentralization on regional party vote is positive, significant and about the same size as in the OLS models. The robustness tests are available from the author upon request. Note that it is not possible to use country fixed-effects in this analysis since the main variables of interest do not vary across time.

TABLE 2 *Regional Party Vote Analysed in Five Different Models*

	(1)	(2)	(3)	(4)	(5)
Decentralization	4.33** (0.97)	4.84** (1.01)	8.02** (1.83)	5.62** (1.17)	5.21** (1.37)
Presidentialism	-0.59 (0.90)				
Presidentialism (Concurrent)		-2.50* (1.19)	-4.74* (1.93)	-2.75* (1.39)	-5.64** (1.58)
Presidentialism (Non-concurrent)		2.81* (1.33)	1.23 (2.13)	2.77* (1.36)	1.07 (1.7)
Total Number of Regions	-0.04 (0.02)	-0.04 (0.02)	-0.002 (0.04)	-0.04 (0.02)	-0.04 (0.03)
First Elections	0.92 (1.54)	1.40 (1.64)	1.54 (2.83)	1.63 (1.67)	1.36 (1.91)
Mixed Electoral Systems	-2.81 (2.11)	-2.69 (2.12)	-1.70 (3.92)	-2.90 (2.50)	-3.50 (2.77)
Majority/Plurality Systems	-0.41 (1.10)	-1.33 (1.13)	-2.93 (2.02)	-1.06 (1.23)	-2.22 (1.47)
Cross-Regional Voting Laws	-2.96 (2.01)	-3.37 (2.02)	-13.83 (9.62)	-3.33 (2.06)	-4.91* (2.34)
Sub-national Expenditure (% of total)			-0.31** (0.10)		
ELF				-2.15 (2.29)	
ELC					1.67 (0.88)
Constant	-1.20 (2.51)	-1.21 (2.51)	5.87** (2.12)	-1.34 (2.77)	-6.39 (4.40)
Adj. $R^2$	0.117	0.147	0.171	0.154	0.187
Observations	294	281	148	270	209

Note: Decade fixed-effects not shown. \* $p \leq 0.05$ , \*\* $p \leq 0.01$ .

There are 294 national elections included in this analysis. The unit of analysis is a national election year. I have conducted two separate sets of OLS analyses – the first using regional party vote as the dependent variable and the second using Chhibber and Kollman's measure of denationalization as the dependent variable. The results of the first set of analyses are presented in Table 2.

In Model 1, I look at the effect of political decentralization on regional party vote, controlling for different institutions that may also affect regional party vote. In this model, political decentralization increases regional party vote by about 4 percentage points. This is an interesting effect, since regional parties have won an average of 3.2 per cent of the vote in the countries included in this study. Regional parties have also consistently won much more than 4 per cent of the vote in a number of countries in this study, including Argentina, Canada, Germany, India and Spain, all of which, incidentally, have decentralized systems of government.

In separate models (not shown), I replace regional party vote with two different measures of regional party strength. The first represents the percentage of parties that are regional parties in an election and the second represents the percentage of seats that regional parties win in an election. According to these models, decentralization increases the percentage of parties that are regional parties by 16 percentage points and the percentage of seats that regional parties win by 4 percentage points. The effect of decentralization on these variables is significant at the 0.01 level.

Majority/plurality systems and mixed electoral systems have a negative effect on regional party vote in Model 1, but their effect is neither jointly nor individually significant. In separate models (not shown), average district magnitude has no effect on regional party vote either. Cross-regional voting requirements, however, decrease regional party vote by almost 3 percentage points in Model 1. The effect of cross-regional voting laws is almost as strong as the effect of decentralization on regional party vote, but it is only significant at the 0.10 level. First elections, however, do not have a significant effect on regional party vote, although the number of regions in a country does. The effect of the latter variable is quite small and is only significant at the 0.10 level. According to Model 1, one additional region decreases regional party vote by about 0.04 percentage points. The division of a country into twenty-five additional regions (a very large amount), thus, would increase regional party vote by only 1 percentage point.

Presidentialism does not have a significant effect on regional party vote either. To further explore the effect of presidentialism on regional party vote, I replace presidentialism in Model 2 with the two indicator variables representing concurrent and non-current presidential elections.<sup>51</sup> In this model, election concurrency has a significant effect on regional party vote. Presidential systems with concurrent presidential and legislative elections decrease regional party vote by 2.5 percentage points more than parliamentary systems. By contrast, presidential systems with non-concurrent presidential and legislative elections increase regional party vote by 2.8 points over that of parliamentary systems.

In Model 3 I include a control variable for fiscal decentralization, measured in terms of total sub-national expenditures (percentage of gross national product (GDP)). I include fiscal decentralization in a separate model because the data on fiscal decentralization are only available since the 1970s and decrease the total number of observations in the analysis. According to this analysis, total sub-national expenditure (percentage of GDP) decreases regional party vote (in contrast to Chhibber and Kollman's predictions). The coefficient is  $-0.31$ , so that an increase in this variable equivalent to its mean decreases regional party vote by almost 4 percentage points. The effect of political decentralization on regional party vote is still significant in this model. In Model 3 political decentralization increases regional party vote by 8 percentage points. Excluding the variable for political decentralization from the model does not significantly change the results for fiscal decentralization. If I drop political decentralization from this model, the coefficient for sub-national expenditure (percentage of GDP) is  $-0.26$  and is significant at the 0.05 level.

In alternative models (not shown), I replace this measure of fiscal decentralization with one of the three alternative measures described in the previous section. The effect of fiscal decentralization is consistently negative under these different specifications. The coefficient for total sub-national revenue (percentage of GDP) in these models is  $-0.40$

<sup>51</sup> There are fewer observations in Model 2 than in Model 1 because I was unable to determine the concurrency of a number of elections in Venezuela.

and is significant at the 0.01 level. The coefficient for total sub-national revenue (percentage of total revenue) is  $-0.13$  and is significant at the 0.05 level. The coefficient for total sub-national expenditure (percentage of total expenditure) is  $-0.11$ , but it is only significant at the 0.10 level.

There are at least four reasons that may account for these results being different from those of Chhibber and Kollman on spending. The first reason is that these analyses include more countries than Chhibber and Kollman's analyses, and they include control variables for different political institutions, as well as the strength of regional cleavages. Chhibber and Kollman's statistical analysis is based on forty-six elections in one country – the United States – and does not contain any control variables.<sup>52</sup> The second reason is that fiscal decentralization does not correspond very well to the degree of political decentralization in a country, and that any relationship observed between fiscal decentralization and regional party vote is due to political, not fiscal, decentralization. The third reason is that the IMF figures are not comparable across countries because accounting standards across countries differ, as Chhibber and Kollman recognize.<sup>53</sup>

None of these reasons explains why the effect of fiscal decentralization on regional party vote is negative, however. The fourth reason, which may explain it, is that the IMF measures of fiscal decentralization include transfers and grants from the national level of government to the regional level. Consequently, countries in which regional budgets are composed of many transfers from the national government appear very decentralized fiscally.<sup>54</sup> Transfers, however, may tie politicians at the regional level to parties in control of the national level. That is, politicians at the regional level may not be able to secure transfers from the national level without belonging to the party that controls the national level of government, which is generally a state-wide party. In these countries, regional parties are likely to have a weak presence at the regional level and therefore at the national level as well.

In Model 4 I include a control variable for ethno-linguistic heterogeneity.<sup>55</sup> The ELF index does not have a significant effect on regional party vote. But it only captures the overall heterogeneity of a country and not the strength of regional cleavages. Regional cleavages may be weak in heterogeneous countries because ethno-linguistic groups are dispersed throughout the country, as they are in the United States. The ELC index was designed to detect the strength of regional cleavages in countries more directly, and, as expected, it increases regional party vote at the 0.10 level of significance. In Model 5 a one unit increase in the ELC index raises the number of votes received by regional parties by 1.7 percentage points. Thus, going from a context where ethnic groups are completely dispersed throughout the country (as is the case in the United States) to a country where ethnic groups are a majority in one region but dispersed in others (such as Spain or Canada) increases regional party vote by about 3 per cent.

In separate models, I conduct the same analyses presented in Table 2 on average regional party vote in order to remove concerns about heteroscedasticity, serial autocorrelation, unit effects and panel imbalance. In these models the size and direction of decentralization's

<sup>52</sup> Chhibber and Kollman, 'Party Aggregation and the Number of Parties in India and the United States'.

<sup>53</sup> Chhibber and Kollman, *The Formation of National Party Systems*.

<sup>54</sup> Unfortunately, there is no alternative source of data for fiscal decentralization that separates out transfers from all other sources of funding for these countries.

<sup>55</sup> The ELF index lacks data for Bermuda, Finland, Indonesia and Sweden. The exclusion of these countries from the analysis does not change the conclusions of this study about decentralization. Excluding these countries from Models 1–2 does not change the substantive or statistical effect of any of the variables in the models.

effect are the same as those presented in the previous analyses. The significance level of this variable is, not surprisingly, lower in these models, given the small number of observations these models contain. The results of these analyses are presented in Table 3.

TABLE 3 *Regional Party Vote (Country Averages) in Five Models*

	(1)	(2)	(3)	(4)	(5)
Decentralization	3.13 (1.93)	3.68* (1.93)	5.33* (2.77)	3.72 (2.22)	4.18 (2.92)
Presidentialism	0.48 (1.92)				
Presidentialism (Concurrent)		-2.06 (2.57)	-3.94 (3.41)	-1.96 (2.94)	-3.62 (3.59)
Presidentialism (Non-concurrent)		3.39 (2.75)	5.35 (4.22)	3.34 (2.89)	4.82 (4.53)
Total Number of Regions	-0.03 (0.05)	-0.03 (0.05)	-0.04 (0.06)	-0.03 (0.06)	-0.04 (0.07)
First Elections	0.93 (4.30)	3.10 (4.47)	3.75 (8.45)	3.17 (4.77)	2.17 (6.08)
Mixed Electoral Systems	0.11 (2.99)	-0.11 (2.93)	1.43 (4.51)	-0.11 (3.73)	-0.79 (4.64)
Majority/Plurality Systems	2.04 (2.24)	0.96 (2.32)	0.34 (3.10)	1.08 (2.69)	-0.71 (3.60)
Cross-Regional Voting Laws	-2.20 (3.88)	-3.64 (3.94)	-10.33 (8.30)	-3.62 (4.15)	-4.51 (5.07)
Sub-national Expenditure (% of total)			-0.21 (0.17)		
ELF				-0.43 (4.89)	
ELC					0.52 (1.65)
Constant	1.03 (1.88)	1.07 (1.84)	3.50 (3.09)	1.19 (2.24)	1.39 (5.88)
R <sup>2</sup>	0.155	0.215	0.306	0.212	0.246
Observations	37	37	29	36	27

\* $p \leq 0.10$ , \*\* $p \leq 0.05$ , \*\*\* $p \leq 0.01$

In the second set of analyses, I substitute Chhibber and Kollman’s measure of denationalization for regional party vote as my dependent variable. These results are presented in Table 4. The results of these analyses are substantively and statistically similar to the results of the previous set of analyses. Across the different models, political decentralization increases denationalization by 1 point, even controlling for the strength of regional cleavages. This is a substantively interesting effect, given that the sample mean for denationalization is almost 1 point. These results also show that political

TABLE 4 *Denationalization*

	(1)	(2)	(3)	(4)	(5)
Decentralization	1.02** (0.16)	1.09** (0.17)	2.06** (0.24)	0.89** (0.19)	0.42* (0.19)
Presidentialism	-0.27 (0.15)				
Presidentialism (concurrent)		-0.71** (0.20)	-1.14** (0.25)	-0.97** (0.23)	-0.82** (0.22)
Presidentialism (non-concurrent)		0.45* (0.22)	-0.49 (0.27)	0.39 (0.23)	0.11 (0.23)
Total Number of Regions	-0.01 (0.003)	-0.01 (0.004)	0.01 (0.01)	-0.004 (0.004)	-0.01* (0.004)
First Elections	0.16 (0.26)	0.27 (0.28)	0.25 (0.37)	0.24 (0.28)	0.28 (0.26)
Mixed Electoral	-0.14 (0.36)	-0.11 (0.35)	0.47 (0.51)	0.25 (0.41)	0.30 (0.38)
Majority/Plurality Systems	-0.47** (0.19)	-0.64** (0.19)	-1.20** (0.26)	-0.81** (0.20)	-0.29 (0.20)
Cross-Regional Voting Laws	-0.58 (0.34)	-0.67* (0.34)	-3.27** (1.24)	-0.73* (0.34)	-0.90** (0.32)
Sub-national Expenditure (% of total)			-0.07** (0.01)		
ELF				0.88** (0.38)	
ECI					-0.01 (0.12)
Constant	0.39 (0.43)	0.40 (0.42)	1.52** (0.27)	0.22 (0.46)	0.83 (0.60)
Adjusted $R^2$	0.187	0.231	0.463	0.240	0.161
Observations	294	281	148	270	209

Note: Decade fixed-effects not shown. \* $p \leq 0.05$ , \*\* $p \leq 0.01$ .

decentralization has a broader effect than just promoting regional parties. Not only does decentralization promote regional parties, but it also causes all parties, regardless of their type, to have a less even distribution of votes throughout the country.

In this analysis, presidentialism does not have a significant effect on denationalization. The sequencing of presidential and legislative elections does, however, have a significant effect. Across the different models presented in Table 4, holding concurrent presidential and legislative elections rather than parliamentary elections alone decreases denationalization by between about three-quarters of a percentage point and slightly over one point. The size of this effect is about the same as that of decentralization. By contrast, holding non-concurrent presidential and legislative elections rather than parliamentary elections alone increases denationalization by less than half a point across the different models. In

one model, non-concurrent elections decrease denationalization, but the effect is less than that of concurrent elections. In most of these models, the effect of non-concurrent presidential and legislative elections is not significant on its own, but it is jointly significant with concurrent presidential and legislative elections.

First elections, regardless of the type of electoral system in which they occur, do not have a significant effect on denationalization, nor do majority and plurality systems or the total number of regions in a country. Cross-regional voting laws, however, decrease denationalization, as does fiscal decentralization. In Model 3 of Table 4, total sub-national expenditure (percentage of GDP) decreases denationalization by 0.07 percentage points for every one unit increase in sub-national expenditure. If I remove political decentralization from the model, the coefficient for fiscal decentralization is still  $-0.06$ . In separate models (not shown), total sub-national expenditure (percentage of total expenditure) also decreases denationalization by 0.04 points for every one unit increase in this variable. Sub-national revenue has a similar effect on denationalization. In separate models (not shown), the coefficients for sub-national revenue (percentage of GDP) and sub-national expenditure (percentage of total revenue) are  $-0.08$  and  $-0.04$ , respectively. The effects of all of these measures are significant at the 0.01 level.

Finally, regional cleavages also seem to have an effect on denationalization. In Model 4 the ELF index, which did not have a significant effect on regional party vote, does have a significant positive effect on denationalization. In Model 5, the ELC index does not have a significant effect on denationalization, although it did have a significant positive effect on regional party vote.

In separate models I conduct the same analyses presented in this article on average denationalization per country to address concerns of heteroscedasticity, serial autocorrelation, unit effects and panel imbalance. In these models the size and direction of decentralization's effect are similar to those in the analyses already presented. The significance level of the coefficients for decentralization is, not surprisingly, lower in these models given the small number of observations the models contain. The results of these analyses are presented in Table 5 overleaf.

#### INSTRUMENTAL REGRESSION

Thus far, the statistical analysis has not addressed the question of endogeneity. To explore this question, I use instrumental variable regression. In this procedure I create new variables to substitute for the endogenous variables in the model based on instruments, which are variables that affect one, and only one, of the endogenous variables in the model. This method corrects for the problem of endogeneity because the new variables are not related to the error terms of the other variables in the model. If the model with instrumental variables is not significantly different from the model without instrumental variables, as determined by a Hausman specification test, then the relationship between two variables is not endogenous.

In this analysis, I use population, size, territorial contiguity and colonial legacies as instruments for decentralization. Sargan tests indicate that these are valid instruments. I use the physical size of a country and population as instruments for decentralization because large countries often adopt decentralized systems of government due to the fact that they are not easily managed by a single central government located far away from most of its constituents.<sup>56</sup> The data for these instruments are based on the World Population

<sup>56</sup> See Treisman, 'Defining and Measuring Decentralization'.

TABLE 5 *Denationalization (Country Averages) in Five Models*

	(1)	(2)	(3)	(4)	(5)
Decentralization	0.49 (0.39)	0.67* (0.36)	1.15** (0.48)	0.53 (0.41)	0.08 (0.37)
Presidentialism	0.15 (0.39)				
Presidentialism (concurrent)		-0.70 (0.48)	-0.94 (0.59)	-0.88 (0.54)	-0.50 (0.46)
Presidentialism (non-concurrent)		1.14** (0.51)	1.10 (0.73)	1.17** (0.53)	0.87 (0.58)
Total Number of Regions	-0.01 (0.01)	-0.01 (0.01)	-0.003 (0.01)	-0.01 (0.01)	-0.01 (0.01)
First Elections	0.47 (0.86)	1.21 (0.83)	0.69 (1.47)	1.04 (0.87)	0.88 (0.78)
Mixed Electoral	-0.07 (0.60)	-0.15 (0.54)	0.19 (0.78)	0.15 (0.68)	0.09 (0.60)
Majority/Plurality Systems	0.10 (0.45)	-0.26 (0.43)	-0.73 (0.54)	-0.41 (0.49)	0.05 (0.46)
Cross-Regional Voting Laws	-0.66 (0.78)	-1.15 (0.73)	-2.27 (1.44)	-1.26 (0.76)	-0.97 (0.65)
Sub-national Expenditure (% of total)			-0.03 (0.03)		
ELF				0.64 (0.90)	
ECI					-0.15 (0.21)
Constant	0.84** (0.38)	0.85** (0.34)	1.22** (0.54)	0.74* (0.41)	1.50* (0.76)
$R^2$	0.099	0.280	0.346	0.288	0.340
Observations	37	37	29	36	27

\* $p \leq 0.10$ , \*\* $p \leq 0.05$ , \*\*\* $p \leq 0.01$ .

Prospects database produced by the United Nations and the World Development Indicators Online produced by the World Bank.

I also use the contiguity of a country's land as an instrument for decentralization for the same reason. I measure this variable with a simple indicator variable coded 1 if all the territory in a country is contiguous, and 0 if it is not. In addition, I use the status of a country as a former colony of Britain as an instrument because, as mentioned above, Britain commonly used decentralization to control its territories through a strategy of 'divide and rule', while other colonial powers did not, even though these countries' colonies were also very diverse ethnically and religiously.<sup>57</sup> I measure this variable with a simple indicator variable coded 1 if a country is a former colony of Britain and 0 otherwise.

<sup>57</sup> Young, *The African State in Comparative Perspective*; Herbst, *States and Power in Africa*.

TABLE 6 *Instrumental Variable Regression*

	(1)	(2)
Decentralization	6.41 (3.3)	- 0.53 (0.64)
Presidentialism	0.17 (0.97)	- 0.34 (0.19)
Total Number of Regions	- 0.03 (0.03)	- 0.01* (0.005)
First Elections	0.80 (1.58)	0.06 (0.30)
Mixed Electoral Systems	- 1.54 (2.09)	0.32 (0.41)
Majority/Plurality Systems	- 1.14 (2.16)	0.58 (0.42)
Cross-Regional Voting Laws	- 2.16 (2.12)	- 0.85 (0.41)
Constant	1.57 (1.63)	1.55 (0.32)
$R^2$ (uncentred)	0.272	0.319
$\chi^2$	2.82	6.61
$p > \chi^2$	0.901	0.471
$N$	286	286

\* $p \leq 0.05$ , \*\* $p \leq 0.01$ .

I present the results of these analyses in Table 6, as well as the associated Hausman tests.

In Model 1 of Table 6, I test the effect of decentralization on regional party vote using population, size, territorial contiguity and British colonial legacies as instruments for decentralization.<sup>58</sup> In this model, decentralization increases the vote for regional parties by over 6 percentage points (an effect significant at the 0.10 level).<sup>59</sup> In the same model without instrumental variables, decentralization increases regional party vote by over 5 percentage points. A Hausman specification test reveals that the two models are not statistically different from each other, indicating that the relationship between decentralization and regional party vote is not endogenous.

I also explore the possibility of endogeneity between decentralization and the number of regional parties competing in an election (percentage of total parties), as well as the number of seats regional parties win in an election (percentage of total seats). I first test the effect of decentralization on both of these variables replacing it with the aforementioned instrumental variables. In these models (not shown), decentralization increases the percentage of parties that are regional parties in an election by 48 percentage points and the percentage of seats that regional parties win by almost 5 percentage points. I then compare these models to the same models without instrumental variables. According to these models, decentralization increases the percentage of parties that are regional parties in an election by 17 percentage points and the percentage of votes that regional parties receive by over 4 percentage points. Hausman specification tests indicate that the models with instrumental variables are not statistically different from the models without instrumental variables. Therefore, I conclude that the relationships between

<sup>58</sup> Model 1 and Model 2 do not have 296 observations because the population measure only covers the period 1950–2002.

<sup>59</sup> I exclude decade fixed-effects from these models.

decentralization and the percentage of parties that are regional parties, as well as the percentage of seats that they receive, are not endogenous.

In Model 2 of Table 6, I test for the possibility of endogeneity between decentralization and denationalization. In this model, I test the effect of decentralization on denationalization using population, size, territorial contiguity and British colonial legacies as instruments for decentralization. According to this model, decentralization increases denationalization by 0.12 points, although its effect is not significant. In the same model without instrumental variables, decentralization decreases denationalization by 1 point. I then compare the model of denationalization with instrumental variables to the same model without instrumental variables using a Hausman specification test. The test reveals that the two models are not statistically different from each other. I, therefore, conclude that the relationship between decentralization and denationalization is not endogenous either.<sup>60</sup>

## CONCLUSION

In this article I have offered considerable evidence that political decentralization has a significant impact on regional parties, and that decentralization seems to increase the strength of regional parties by giving regional parties a better chance of governing at the regional level of government than at the national level. The evidence for this argument is drawn primarily from a statistical analysis of thirty-seven democracies around the world, which shows that the strength of regional parties is greater in decentralized systems of government than in centralized systems, even when controlling for the effect of regional cleavages and various political institutions. The analysis also finds considerable evidence that presidentialism, majority/plurality systems, election concurrency and cross-regional voting laws decrease the strength of regional parties. The analysis does not find evidence that fiscal decentralization, measured in terms of sub-national spending and revenue, increases the strength of regional parties, and it even finds considerable evidence that fiscal decentralization decreases this variable.

Considering the potential effects of regional parties – such as cabinet instability, ethnic conflict and secessionism – knowing how to manage the extent of regional parties is a valuable tool for policy makers. As this study shows, there are a myriad of different institutions countries may use to regulate the extent of regional parties they have, including political and fiscal decentralization, executive and electoral system type, and cross-regional voting laws. The political configuration that seems to minimize the presence of regional parties is one which includes political centralization, fiscal decentralization, concurrent presidential and legislative elections, majority or plurality systems, and cross-regional voting laws.

Each of these institutions has trade-offs associated with it, however. Political decentralization may produce regional parties, which may encourage secessionism, but political decentralization may also mitigate secessionism by giving regions control over

<sup>60</sup> To ensure the validity of these conclusions, I replicate all of the models in the tables (except Model 3 because of the small number of observations in these analyses), excluding decade-fixed effects from the models. I then replace decentralization with the aforementioned instrumental variables. I compare the models with instrumental variables to models without instrumental variables using Hausman specification tests. None of the models with instrumental variables are statistically different from the models without instrumental variables, indicating that the relationship between decentralization and regional parties and the relationship between decentralization and denationalization are not endogenous.

their own political, social and economic affairs.<sup>61</sup> Countries must consider, therefore, their ultimate goal when deciding how to manipulate the strength of regional parties. If their ultimate goal is to avoid secessionism, they may consider decentralizing politically and regulating the number of regional parties through other means, such as cross-regional voting laws, which do not have obviously negative implications for secessionism. The failure of countries to understand these tradeoffs may result in harmful unintended consequences, more harmful even in some cases than the impact of regional parties in the first place.

<sup>61</sup> Dawn Brancati, 'Decentralisation: Fueling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism,' *International Organization*, 60 (2006), 651–85; Ugo M. Amoretti and Nancy Bermeo, eds, *Federalism and Territorial Cleavages* (Baltimore, Md.: John Hopkins University Press, 2004); Arend Lijphart, *Democracy in Plural Societies: A Comparative Exploration* (New Haven, Conn.: Yale University Press, 1977); Donald Horowitz, *A Democratic South Africa? Constitutional Engineering in a Divided Society* (Berkeley: University of California Press, 1991).

