The Price of Territorial Politics: Economic Geography, Political Institutions and Party Systems

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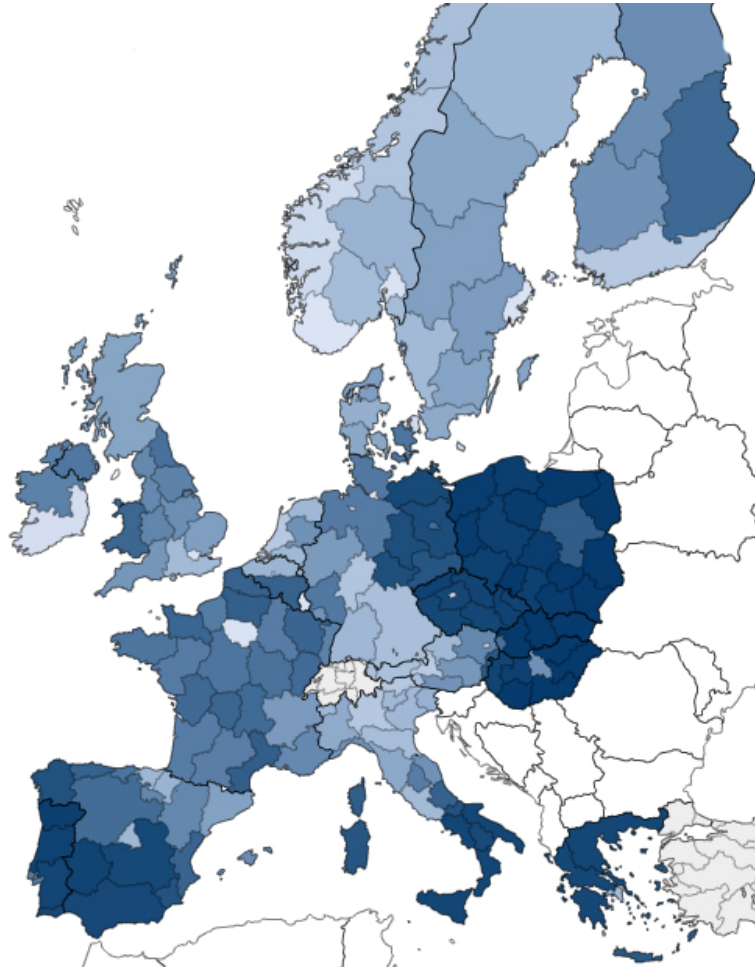
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To Ben

To my mother, Melissa

To my brother, Robert

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ABSTRACT

The Price of Territorial Politics: Economic Geography, Political Institutions and Party
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Carolina G. de Miguel Moyer

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This dissertation explores the question of why some countries develop party systems dominated by regional or local parties whereas other countries have party systems dominated by parties with broad national constituencies and broad programmatic appeals. Scholars have predominantly focused on institutions (such as decentralization, regime type or electoral rules) to explain variation in the territorial structure of party systems. In contrast with current scholarship, I argue that the interaction between the geography of societal preferences and institutions better explains cross-national variation in the territorial structure of party systems. More specifically, I argue that the way in which economic interests map onto politically relevant territorial units affects the incentives of candidates to coordinate across these units. When rich and poor voters are territorially concentrated, and the economic differences between these territorial units are large, conflicts over the territorial distribution of central government resources will become salient. And these redistributive pressures will motivate voters and candidates in regions that expect to "lose out" from the redistributive process to coordinate under regional or local party labels, instead of joining nation-wide political alliances. Furthermore, I argue that the effects of the geography of economic preferences on the party system can be mitigated or exacerbated by institutions such as bicameral chambers and flexible internal party organizations. Methodologically,

this dissertation adopts a multi-method approach that includes a large-N analysis based on an original dataset comparing party systems in both developed and developing countries as well as old and new democracies and three case studies: Post-War II Italy, Progressive Era United States and Pre- and Post-Unification Germany.

CHAPTER I

Introduction

In the Fall of 2010, in the midst of the international financial crisis and the austerity measures imposed by the Spanish central government, Oriol Pujol, the spokesman for *Convergència i Unió* (CiU, an autonomy-minded party in the region of Catalunya in Spain) said: "It's time to tighten our belts, but it's time for some people to do it more than others. Why? Because we have been paying for [the rest of] Spain more than others" (*Los Angeles Times*, August 15th, 2010). The party spokesman made these comments in the context of the 2010 elections to the Parliament of Catalunya. One of *Convergència i Unió*'s main campaign proposals during this regional election was budgetary independence for Catalunya and a smaller contribution in the form of taxes collected by the central government and distributed to other regions of Spain (Pinol and Noguer, 2010; Minder, 2010). The leader of *CiU* (Arthur Mas) said that he wanted Catalunya to become fiscally independent from Madrid, because fiscal independence would be a way to prevent further transfers from Catalunya to poorer regions of Spain (Pinol and Noguer, 2010; Minder, 2010).

Disputes over the territorial distribution of resources are at the heart of demands from regional constituencies and/or regional political parties in many countries. Garrett and Rodden (2005) and Rodden (2004) point out that rich regions in the Italian North and wealthy German states like Baden-Württemberg and Bavaria argue that their regions over-contribute to redistribution schemes that benefit other regions. According to an interview by Ziblatt (2002), an official in the Bavarian Social Ministry said: "Why should a hard working construction worker in Bavaria have to pay for the problems of unemployment in Mecklenburg-Western Pomerania?" (Ziblatt 2002, 637-638; also cited in Beramendi and

Anderson (2008, 255)). In Belgium, conflicts between the regions of Wallonia and Flanders are largely manifestations of tensions about territorial solidarity regarding the distribution of central resources across the regions of Belgium. "As Wallonia's traditional industries like coal and steel have declined, the Flemish increasingly feel that they are subsidizing the less productive south [...] While the two regional governments have considerable autonomy, the Flemish parties want to decentralize authority over justice, health, social security, taxation and labor, while the poorer French speakers fear losing federal social security protections" (Castle and Erlanger, 2010).

Similarly, Desposato notes that in Brazil "the more developed center and southern region of the country accounts for about 80% of GDP, but only receives about 60% of tax revenue. Brazilians from the South commonly complain about having to sustain poorer regions; those in the North and Northeast argue that such redistribution is only fair given the extreme poverty in those regions" (Desposato, 2001, Chapter 4, 207). Desposato's account of Brazil suggests that issues of territorial economic solidarity are salient, and that any change in the distribution of resources "is certain to involve state political conflict, pitting states that would gain from the redistribution against those that would lose" (Desposato, 2001, 207).

Conflicts over the territorial distribution of resources and over "who is paying too much and who too little" into the common pool of central government resources are common in quite a few countries. This dissertation explores the conditions under which these economic conflicts shape parties and party systems. As Cayeros very well puts it, "revenue centralization opens the gate to regional redistribution" (Diaz-Cayeros, 2006, 21). The basic argument of this dissertation is that the existence of large economic disparities between politically relevant constituencies in a country increases the political tensions surrounding central government redistribution of resources. In such a scenario I argue that candidates representing constituencies that have very different economic interests will be more likely to abandon national parties in favor of regional or local political parties as means to better represent the economic interests of their constituency at the national level. This effect however is modified by several aspects of the internal organization or parties and of national-level institutions.

1.1 The Role of Local Parties

The local or national character of parties influences a variety of political phenomena ranging from the nature of policies produced in a country (Jones and Mainwaring, 2003; Hicken et al., 2008; Rodden, 2009b) to levels of violent conflict and demands for secession (Bakke and Wibbels, 2006; Brancati, 2006a). See Figure 1.1.A. By way of example, Hicken et al. (2008) argue that when political competition at the national level occurs between parties that represent specific sub-national [i.e. regional or local] constituencies, then the outcomes of policy debates and conflicts can lead to an oversupply of pork-barrel policies and an undersupply of nationally-focused public goods (Hicken, 2009, 3). In contrast, in nationalized party systems, political cleavages are more likely to fall along functional, ideological, or class lines, rather than along lines that correlate with geography (Hicken, 2009, 3), which leads to nationalized, comprehensive policy programs. In a similar vein, Rodden (2009b) argues that countries with parties that have national programmatic appeals are more likely to enact progressive redistributive policies, whereas countries dominated by parties that de-emphasize national appeals tend to develop a system of pork-barrel politics that usually results in regressive inter-regional transfers.

The local or national character of parties also influences demands for secession and levels of conflict (Brancati, 2009, 2006a; Bakke and Wibbels, 2006; Rose and Urwin, 1975). Rose and Urwin (1975) note "that geographically narrow parties are frequently accompanied by separatist goals, whereas parties with broad geographic support will tend to have an integrating impact on the state and thus provide for a level of political stability that would be absent without their presence" (Morgenstern et al., 2009, 1323-1324). More recently, Brancati (2009) shows that regional parties increase ethnic conflict and secessionism (Brancati, 2009, 157) by reinforcing ethnic and regional identities, producing legislation that favors certain groups over others, and mobilizing groups to engage in ethnic conflict and secessionism (Brancati, 2009, 14-15). Finally, Bakke and Wibbels find that if national parties obtain votes in less than half of the regions in the country (and do not include any minority regions), then the likelihood of conflict in a country increases considerably (Bakke and Wibbels, 2006, 15).

1.1.1 Federalism and Local Parties

The focus on local or national character of parties and party systems is particularly prominent within the literature on federalism and decentralization. Scholars have recently argued that the local character of parties and party systems mediates the effect of federal institutions on a variety of political and economic outcomes (Wibbels, 2005; Rodden, 2006). Figure 1.1.B represents this type of argument. An excellent example is Wibbels' book *Federalism and the Market: Intergovernmental Conflict and Economic Reform in the Developing World* (2005) in which he argues that a federations' capacity to undertake economic policy reform depends on a bargaining process between national and regional political leaders (Wibbels, 2005, 5). In *Hamilton's Paradox* (2006) Rodden explores how the localized or decentralized nature of parties affects the fiscal discipline of subnational units, and argues that "strong disciplined political parties that compete in all of the states [sub-units/regions] can be a solution to underlying collective-good problems in federations" (Rodden, 2006, 121).

In addition to exploring the effects of federal or decentralized institutions, scholars have recently begun addressing questions of institutional design in federations (Rodden, 2009a; Bednar, 2009; Filippov et al., 2003). The local or national character of parties and party systems is central to many arguments in this body of research (Riker, 1964; Filippov et al., 2003; Bednar, 2009; Diaz-Cayeros, 2006; Beramendi, 2011). Figure 1.1.C represent this third set of arguments. In his seminal 1964 book *Federalism: Origins, Operation, Significance*, Riker claims that the decentralized nature of parties in the United States (that is the fact that candidates within US parties have both national and state-level allegiances) is the feature of the party system that keeps the American federal system from becoming completely unitary (Riker (1964, 91) in (Volden, 2004)).

> "The federal relationship is centralized according to the degree to which the parties organized to operate the central government control the parties organized to operate the constituent governments. This amounts to the assertion that the proximate cause of variations in the degree of centralization (or peripheralization) in the constitutional structure of federalism is the variation in the degree of party centralization" (Riker, 1964, 129).

Building on these early insights, current research points to various aspects of the local

or national character of parties to explain why some federations are more stable than others (Filippov et al., 2003; Bednar, 2009) or why certain countries are more (de)centralized than others (Diaz-Cayeros, 2006; Beramendi, 2011). For example, Filippov et al. (2003) claim in their book *The Origins of Self-Sustaining Federations* that stable federations are ultimately the product of "vertically integrated parties", which they define as parties that compete in both levels of government (national and regional/subnational). And both Beramendi (2011) and Diaz-Cayeros (2006) argue that the balance of power between national and regional elites within parties is key to explain the degree (and type) of fiscal decentralization in a country. In his book *Federalism, Fiscal Authority, and Centralization in Latin America*, Diaz-Cayeros argues that regional politicians will only give up fiscal authority to the central government if they can guarantee that the central government will keep providing them with transfers and will not overawe them. For Diaz-Cayeros national political parties can help solve this commitment problem by linking "the fates of state or provincial politicians with those of the federal level of government" (Diaz-Cayeros, 2006, 21).[1]

> "[O]ne can think of outcomes of centralization as being divided according to whether local politicians are nationally or locally oriented. This is the political dimension of the centralized fiscal bargain" (Diaz-Cayeros, 2006, 27).

Beramendi's recent book *Regions and Redistribution: The Political Geography of Inequality* (2011) explores the variation in fiscal structures across countries and argues that the choice of fiscal institutions in political unions depends on "the combined effect of economic geography and political representation" (Beramendi, 2011, 4). By political representation he refers to a set of institutions that affect "the balance of power between the regional and national elites" (Beramendi, 2011, 18) which include electoral rules, bicameral institutions and most notably party systems (Beramendi, 2011, 4). He argues that in countries with highly fragmented party organizations regional elites have more power within the party and thus territorial regional interests become more salient. Highly fragmented party systems will thus encourage fiscal decentralization. In contrast, when national party elites are stronger

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[1]The argument presented in the book is more complex. The problem of commitment hinges on the nature of parties as well as on the amount of revenue that can be extracted and used for transfers. Both of these factors (one political and one economic) help explain the variation in fiscal arrangements in Latin America.

Figure 1.1: Arguments Involving National/Local Parties and Party Systems

A	B	C
Conflict Secession Public Good Provision	Federal Institutions → Conflict Secession Public Good Provision Macro-Economic Outcomes	Federal Institutions
↑	↑	↑
Local/National Parties & Party Systems	Local/National Parties & Party Systems	Local/National Parties & Party Systems
Bakke & Wibbels 2005 Brancati 2006 Hicken et al. 2008 Rose and Urwin 1975	Rodden 2006 Wibbels 2009 Brancati 2009	Riker 1964 Fillippov et al. 2003 Diaz-Cayeros 2006 Beramendi 2011

within the party organization then territorial conflicts become less salient which results in more centralized fiscal structures.

In sum, several scholars have developed arguments that hinge on the local of national character of parties and party systems to explain a variety of institutional choices and of policy outcomes. These scholars, however, have paid less attention to how countries end up with local or national parties and party systems in the first place. This dissertation examines to this precise question. I seek to understand the conditions under which local or national parties develop. Developing a better understanding of these conditions will shed light on the ways in which local or national parties influence public good provision, conflict and institutional design. Furthermore, it will clarify clarify issues of endogeneity in trying to account for these various political and economic outcomes.

1.2   What are Local Parties?

Scholars attribute a range of meanings to the concept of local or national political parties. In order to clarify the question of my dissertation I distinguish between three different features of parties that are associated with the terms "local" or "national": party territorialization, party decentralization and party integration. Figure 1.2 schematically represents

these different aspects of parties. The first characteristic – party territorialization– refers to the extent to which a political party obtains uniform electoral support across the entire territory of a country. If we think of a country as divided into electoral districts, a party is considered to be nationalized if it competes across all electoral districts and obtains a similar proportion of votes in all of them. Conversely, if a party obtains votes unevenly across districts or exclusively in some districts and not others then the party is considered to be territorialized (Cox, 1999; Hicken, 2009).[2]

The second characteristic – party decentralization – refers to the relationship between party leaders and party candidates. Party decentralization describes to the extent to which candidates within a political party are autonomous ideologically and/or organizationally. For example, rules of candidate selection affect the degree of party decentralization. Open primaries tend to foster autonomy, whereas the lack of primaries hinder autonomy and instead promote centralization. The concept of "party decentralization" is thus closely related to the concept of personal vote (Carey and Shugart, 1995) and of party discipline. Finally, the third characteristic – party integration – defines the relationship between national and sub-national party branches or party elites within the party. Whereas the two previous dimensions describe parties in the national electoral arena, this third dimension describes parties in federal contexts, which have both a national and a sub-national electoral arena. This dimension of parties defines the extent to which sub-national elites can challenge national politicians.

Scholars often refer to one (or several) of these three characteristics of political parties when they describe those parties as being "local" or "national".[3] This dissertation specifically focuses on the first characteristic – territorialization– and explores why some countries develop territorialized political parties whereas other countries mostly develop nationalized parties. However, one of the factors that I argue affect the extent of "territorialization" is

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[2]Other scholars refer to "territorialization" as "de-nationalization" or "regionalization". For the purpose of this discussion we can considers these terms as equivalent. In Chapter 3, however, I provide a more detailed explanation of the similarities and differences between these terms.

[3]Some scholars define local or national parties in ideological or programmatic terms. National parties are parties that defend national issues or national interests, and regional or local parties are parties that represent local or regional interests. This type of categorization is common in work on ethno-regional parties in Western Europe, in which regional parties are associated with the specific defense of ethnic/regional claims. For this particular project I stay away from definitions of local or regional parties based on ideology.

Figure 1.2: Dimensions of the National/Local Character of Parties

I	II	III
Party Territorialization	Party Decentralization	Party Integration
↓	↓	↓
Extent to which electoral support is even across territorial units	Relationship between Party Leaders and Party Candidates	Relationship between National and Sub-National Party Branches
Chhibber & Kollman 2004 Cox 1999 Hicken et al. 2008 Kasuya & Moenius 2008 Morgenstern et al. 2009	Kernell 2010 Shugart & Carey 1995 Wallack et al. 2003	Beramendi 2011 Desposato 2001 Filippov et al. 2003 Riker 1964 Rodden 2006 Wibbels 2005

"party decentralization." In other words, the degree to which individual candidates have autonomy from party leaders (party decentralization) affects the degree to which parties will be nationalized or territorialized. Keeping these dimensions of parties conceptually distinct is thus key to the framing of part of my argument.[4] In what follows I present the puzzle, argument and research design of the dissertation.

1.3 Territory, Parties and Party Systems

The territorial nature of parties and party systems varies considerably across countries. As an example, Figure 1.3 shows the degree of party system territorialization in 67 democratic countries. The measure of party system territorialization on the y-axis of this figure captures the degree to which parties in a country are nationalized or territorialized. Lower values on this measure indicate that most parties in the country compete and obtain votes evenly across the territory of a country (i.e. all districts or regions). Higher values on this measure indicate that most parties in the country compete and obtain votes in one small portion of the country (i.e. one district or one region).[5] The figure shows that countries

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[4]This dissertation leaves aside the third characteristic of parties mentioned in the literature – integration – since it is limited to federations.

[5]In subsequent chapters of the dissertation I provide a more detailed explanation of this.

like Argentina, Thailand, Philippines, Belgium and India have highly territorialized party systems, whereas countries such as Hungary, Slovenia or the Netherlands have very nationalized party systems. What explains this cross-national variation? Why do some countries develop party systems dominated by regional or local parties whereas other countries have party systems dominated by parties with broad national constituencies?

In the last ten years there has been a renewed interest in the territorial nature of parties and party systems and its determinants (Chhibber and Kollman, 2004; Cox, 1999; Harbers, 2010; Hicken, 2009; Morgenstern and Swindle, 2005; Bochsler, 2009). Existing explanations of why countries develop nationalized or territorialized party systems however do not adequately account for the variation that we observe across countries, or across time within some countries. One common argument in the literature is that territorialization is more likely in decentralized countries, whereas nationalization is more likely in centralized countries. There are, however, numerous exceptions. Within federations, there is considerable variation; countries such as Canada, Spain or the United States are relatively nationalized compared to federations like Argentina, Belgium, Switzerland or Brazil. Furthermore, changes in the territorial nature of party system over time within the same country do not always correspond to changes in decentralization. In the UK for example the rise of the Scottish National Party in Scotland and of the *Plaid Cymru* in Wales occurred prior to any significant decentralization. On there other hand, Italy post-World War II has had periods of nationalization under a context of decentralized political authority.

Another common argument associated with the territorialization of party systems involves the presence of territorially concentrated ethnic, religious, and linguistic interests in a country. According to this theory nationalized party systems are more likely in homogenous countries, whereas territorialized party systems develop in heterogeneous countries. However this account does not explain why Argentina, Brazil ad South Korea, which are relatively homogeneous ethnically, linguistically and religiously have highly territorialized party systems. It also does not explain why Germany post-1990 (linguistically and ethnically homogenous) has become relatively territorialized. In general, societal explanations on their own are not a sufficient explanation since they cannot account for changes in the territorial nature of party systems over time within a country. Chapter 2 presents a more

Figure 1.3: Cross-National Variation in Party System Territorialization
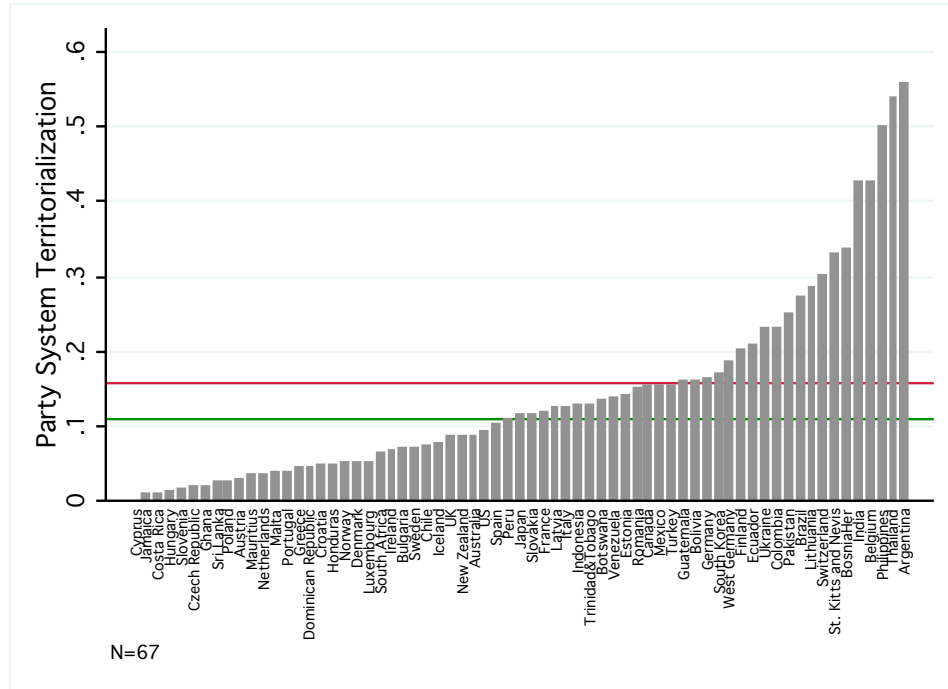
detailed review of existing explanations and their shortcomings. In what follows I summa-rize the argument put forth in this dissertation to explain variation in the territorial nature of party systems both across countries and over time.

1.4 Overview of the Argument

This dissertation seeks to understand why some countries have party systems containing significant local parties whereas other countries have party systems dominated by national parties. In order to tackle this question I focus on the incentives that individual candidates face to coordinate under local or regional party labels instead of national party labels when competing in national-level elections.

I start with the assumption that candidates seek reelection in their particular con-stituency, and that the amount of central government resources that they bring to their constituency will influence their chances of reelection. The conventional wisdom suggests that joining a national party is a better way for candidates to access resources and power at the center because national parties are larger and thus have a higher probability of getting

into office at the national level. In contrast to this view, I argue that joining a national party involves a tradeoff. A candidate who decides to join a national party increases her probability of getting into power "but at the risk of having to share that power with other actors within the party" (Hicken, 2009, 29). Thus I argue that under certain conditions, joining a national party is less beneficial than joining a regional or local party in national-level elections. In particular this dissertation identifies three factors that affect this tradeoff, and thus affect candidates' decision to join smaller regional political parties instead of national parties when competing for national-level office: a) the geography of interests, that is the degree to which voter interests vary across politically relevant territorial units in a country; b) the degree of autonomy of individual candidates with respect to party leaders within national party organizations; and c) the degree to which national-level institutions (such as upper legislative chambers) represent territorial interests in national policy-making.

The first factor affecting the incentives of candidates to join a national or regional political party is the geography of interests. The cost of joining a national political party (or conversely, the benefit of joining a smaller regional or local party) increases as a candidate's policy interests diverge from the policy interests of the rest of candidates in the country. In this dissertation I pay particular attention to the geography of economic interests. I argue that a candidate is more likely to join a local or regional political party as the economic interests of her constituency become increasingly distinct from those of the rest of constituencies in the country.

Two additional factors shape a candidate's decision to join a national or regional political party by modifying the costs associated with intra-party heterogeneity of economic interests: one is the degree of candidate autonomy within the national party (which is linked to party discipline), and the other is the degree to which geographically concentrated interests are represented within national-level institutions. The way in which political parties are internally organized determines whether or not they can cater to a broad nation-wide constituency. For example, I argue that weakly disciplined political parties in which candidates have significant leeway to cater to their local constituencies can actually be useful in maintaining diverse nation-wide political alliances, whereas political parties that enforce strong party discipline will have a harder time preventing party splits or the emergence of

new local-level parties in districts or regions that have a very unique set of preferences.

Finally, the third claim I make is that institutions that give genuine representation to territorial interests at the national level mediate the effect of economic geography on the territorial nature of the party system. For example, I expect that countries with powerful bicameral chambers will be less likely to develop regional parties and territorialized party systems. In sum, I argue that party discipline and bicameralism modify the effect of an uneven geography of economic interests. In other words, weak party discipline and directly elected upper legislative chambers can reduce the costs of intra-party heterogeneity for candidates, and thus reduce their likelihood of abandoning national political parties in favor of smaller regional or local parties.

1.5   Research Design and Organization of the Dissertation

Chapter 2 reviews the literature, fleshes out the argument of the dissertation and generates several testable propositions. The rest of the dissertation tests the propositions developed in Chapter 2 using a multi-method approach that includes a quantitative analysis based on an original cross-national longitudinal data set (Chapter 3 and Chapter 4) and three case studies: Post-World War Italy (Chapter 4), Progressive Era United States (Chapter 4), and Germany Pre- and Post-Unification (Chapter 5). Chapter 6 concludes the dissertation with a summary of the main findings and a discussion of the implications and contributions of the dissertation.

The first part of my empirical strategy is to test the propositions developed in Chapter 2 using a large-N comparative approach. To this end I have created a data set of party system territorialization that uses the largest (and most representative) sample of democracies to date.[6] This data set includes a measure of party system territorialization for 70 democratic countries between 1970 and 2009. In order to create this measure I collected vote totals for each party at each national legislative election disaggregated by district and by region. In addition, I have collected economic data to match the level of aggregation of the electoral data for each country/year. Specifically I collected GDP/capita at the district or regional

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[6]There are few largely comparative studies of party system territorialization with the exception of Hicken (2009) and Brancati (2009).

level and I used this data to calculate a measure of territorial economic disparities for each country/year observation. In addition the data set includes a set of institutional variables, as well as variables capturing various aspects of a country's societal make-up. Some of these variables vary across countries and time, and some vary only across counties. I perform analyses of this data with both the pooled version of the data set where the unit of analysis is the country/election year, and with the averaged version of the data set where the unit of analysis is the country.[7]

Chapters 3 uses the large-N data set just described to test the empirical support for the proposition that the territorial concentration of economic interests is associated with more territorialized party systems. Chapter 4 uses the same data set to test the two modifying conditions of my argument. First I test the argument that strongly disciplined parties magnify the effect of economic inequalities on party system territorialization. Second, I test the argument that elected upper chambers mitigate the effect of economic inequalities on party system territorialization. I find strong support for all three propositions. The analyses presented in these two chapters (Chapter 3 and Chapter 4) address the issue of potential endogeneity (or reverse causality) with the use of time-lags both in the pooled and averaged analyses.

The second part of my empirical strategy is to use case studies as an additional test of the argument (and the propositions) developed in Chapter 2. The criteria that I use to select cases is to be able to reasonably isolate a change in one of the independent variables of interest while keeping the rest of independent variables (and controls) relatively constant. In order to do this I look at changes over time within the same polity. Grzymala-Busse warns against using time as a proxy for causal mechanisms. As she puts it, "[t]iming does not specify how the phenomenon unfolded" (Grzymala-Busse, 2011, 1288); so as much as possible I try to complement my timing arguments with a description of the mechanisms by which the changes in institutions or in geography of preferences affected the territorial nature of the party system.

In Chapter 4 I present two cases that illustrate the modifying effect of party discipline on the territorial nature of the party system. The first case is Italy post-War II, which

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[7]I follow Hicken (2009) in this strategy in order to provide some robustness to the results.

experienced two changes in electoral rules over the course of a period of time short enough that other key variables remained unchanged. I argue that these changes in electoral rules created different incentives for party discipline, which in turn had implications for the decisions of candidates to stick with broad national coalitions instead of small regional or local parties. I show that the change in electoral incentives affected the territorial nature of the party system. The second case is the United States during the period of the introduction of the open primary in the first half the twentieth century. This institutional change created incentives for weaker party discipline, which contributed to the nationalization of the US party system.

Chapter 5 develops the third case study of the dissertation, which is meant to evaluate the impact of a change in economic geography on the party system (which is the proposition tested in Chapter 3). Finding a case study to test this proposition is challenging since the territorial concentration of economic interests tends to change over decades and not years, and often times during this long period institutions and other variables tend to change as well. The case of Germany is ideal however because German reunification represented an exogenous shock that fundamentally altered the territorial distribution of economic interests in the country while keeping the institutional structure fairly constant. The goal of these three cases is to buttress the findings of the large-N analysis as well as to provide some new insight into the development of the party system in these countries.[8]

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[8]I do not have a case study exploring changes in bicameralism. But this is something to think about for further research.

CHAPTER II

Literature Review and Argument

> *"For the most part, when developing basic models addressing such crucial topics as platform choice, party systems, representation, and the transformation of preferences to policies, geography has been a blind spot for political scientists."*
>
> – Jonathan Rodden 2010

This chapter develops the theoretical propositions of this dissertation. I argue that the territorial nature of party systems is shaped by decisions taken by legislative candidates as they seek reelection. These decisions are affected by how economic interests are distributed across politically relevant constituencies in a country, as well as by aspects of the internal organization of parties and by broader institutional and constitutional features. The chapter is divided into three sections. The first section discusses existing research on party system nationalization and reveals some of its theoretical and empirical shortcomings. The second section sets the stage for the argument of the dissertation by pointing to a relatively recent research agenda that focuses attention on the intersection between geography and societal heterogeneity to explain a variety of political phenomena. Finally, the third section presents my argument and develops several propositions that I test in subsequent chapters.

2.1 Why Link? Existing Explanations

Scholars have described the formation of national parties and national party systems as the process of forming links between local candidates and local voters across a country's territory (Chhibber and Kollman, 2004; Cox, 1999; Cox and Knoll, 2003; Kasuya and Moenius, 2008;

Hicken, 2009). National parties form when candidates and voters from different districts in the country coordinate under the same party labels. When the same set of parties competes in every electoral district and voters vote for these parties evenly across all districts then the outcome is a party system with nationally-oriented political parties or what the literature refers to as a nationalized party system. In contrast, when voters and candidates from different electoral districts fail to adopt common party labels the result is a party system with locally oriented parties, or what the literature refers to as a denationalized or territorialized party system. One of the questions at the center of current scholarship interested in the development of parties and party systems is "why link?" In other words, why are candidates and voters more inclined to form national electoral alliances in some countries and not in others?

The majority of answers to this question in the current scholarship have focused on institutions and the incentives they provide for candidates to coordinate (or not) across the territory of a country. Among the different institutional factors mentioned in the literature four stand out as particularly important: a) *decentralization* (i.e. the vertical division of power in a country) probably holds the most prominent place; b) *electoral rules* (mainly the electoral formula and the existence of upper tiers); c) the *nature of the executive* (whether a country is presidential or parliamentary); and d) the *division of power within the national government* (captured by the presence of a second legislative chamber among other institutional features). What follows is a brief review of the central theoretical claims in the literature about how these constitutional features influence the territorial nature of a party system.

2.1.1 Decentralization

The degree of decentralization of power and resources in a country holds a prominent place in the literature as a factor that influences the formation of national parties and the nationalization of party systems (Cox, 1999; Cox and Knoll, 2003; Chhibber and Kollman, 2004; Harbers, 2010; Morgenstern et al., 2009). Decentralization captures the degree to which power is vertically divided in a country. The governments of decentralized countries give some authority and some resources to subnational offices/governments, which means

that power is divided between two levels of government. In centralized (or unitary) countries the national government controls all the power and resources.[1]

Chhibber and Kollman's (2004) book *The Formation of National Party Systems: Federalism and Party Competition in Canada, Great Britain, India, and the United States* argues that if policy in a country is overwhelmingly made at the national level then candidates and voters have more incentives to form national coalitions that will enable them to capture the national government. This means that as countries centralize resources and power at the national level we should expect to see a corresponding nationalization of their party system. In contrast when power and resources lie predominantly at the sub-national level (i.e. in highly decentralized countries) the control of the national government becomes less important as a means to influence policy and thus candidates and voters have fewer incentives to unite under national party labels. A similar argument resonates in Cox and Knoll (2003), Cox (1999) and Hicken (2009). Candidates and parties link across districts in order to increase their chances to control the central government, and "[h]ow much effort one is willing to exert to attain this goal depends on, among other things how centralized power is in the polity [...]" (Cox, 1999, p. 157).

Brancati (2006b) also focuses on decentralization but presents a different mechanism connecting decentralization to the territorial nature of party systems. In the *Origin and Strength of Regional Parties* Brancati argues that politically decentralized countries are more likely to have more (and stronger) regional political parties[2] because the presence of subnational legislatures gives regional parties the opportunity to govern, allowing them to gain experience and resources, which they can then use to facilitate a jump to the national electoral arena. "For regional parties, the costs of participating in national legislative elections are smaller in decentralized systems than in centralized ones [...]. Among many other things, these costs entail renting office space, hiring staff, and publicizing candidates" (Brancati, 2009, 51). Finally, scholars like Morgenstern et al. (2009) have argued that fed-

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[1]The United States and Germany are classic examples of decentralized countries, since the federal government and state governments share power and resources. Examples of centralized or unitary countries are France, Sweden, Norway, Israel, and Belgium in the 1970's. For a more detailed discussion on decentralization see Hooghe et al. (2010), Bednar (2009) and Treisman (2007).

[2]Regional political parties are parties that have local/regional constituencies as opposed to national constituencies. Brancati's focus on regional parties captures to some extent the degree to which countries have territorialized or nationalized party systems.

eral (i.e. politically decentralized) countries should affect the territorial structure of party systems for two reasons: first, decentralized polities contribute to "the development and manifestation of the heterogeneity of the districts' preferences" (Morgenstern et al., 2009, 17); and second, "federalism should breed politicians with ties to a region who have interests in differentiating themselves from the party. Unitary systems should reduce such independence, and by imposing more uniform campaigns, they would reduce [party system nationalization]." (Morgenstern et al., 2009, 17-18). Once again, this theory predicts that decentralization will intensify territorial politics whereas centralization will encourage nationalization.[3]

Recent quantitative studies have yielded empirical results that run counter to the theoretical expectations developed in the literature. For example, based on a large-N analysis of approximately fifty democracies Brancati (2009) finds that while *political* decentralization increases the number and strength of regional parties in a country, *fiscal* decentralization has either no effect or a negative effect on the number and strength of regional parties. In his book *Building Party Systems in Developing Democracies* Hicken (2009) finds that fiscal decentralization on its own does not have a significant direct effect on party system territorialization (Hicken, 2009, 99). Instead Hicken argues that it is the combination of vertical centralization and horizontal concentration of power at the national level that explains party system nationalization. His data set includes around 228 elections in 46 countries. Similarly Lago-Peñas and nas (2009)'s study of party system nationalization based on a sample of 228 elections in seventeen Western European countries between 1945 and 1998 finds no significant evidence that political and fiscal decentralization affect the territorial structure of party systems. Morgenstern et al. (2009)'s work present similar non-significant findings regarding the role of decentralization. In sum, these more recent studies cast doubt on the hypothesized relationship between decentralization and they suggest that this hypothesized relationship bears further exploration.

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[3]There are a few scholars that actually posit the opposite relationship between decentralization and regionalization or territorialization of the party system. In his book on the nationalization of politics in Western European countries, Caramani argues that "rather than being a cause of territorialization of voting behavior, federal structures reduce the expression of regional protest in the party system by opening up institutional channels of voice" (Caramani, 2004, 300). For example, "[...] in federal Switzerland today the territorial tensions are lower than in many (formerly) centralized states such as Belgium, Britain, or Spain." (Caramani, 2004, 300).

Figure 2.1 presents some empirical evidence of the relationship between decentralization and the territorial nature of party systems. Since decentralization is a multifaceted concept I use two different operationalizations: fiscal decentralization and political decentralization. Figure 2.1 shows the relationship between party system territorialization (on the vertical y-axis) and fiscal decentralization (on the horizontal x-axis). Fiscal decentralization is measured as the country's subnational revenues expressed as a proportion of GDP.[4] Higher values on this measure of fiscal decentralization indicate that a higher proportion of revenue is collected at the subnational level relative to the overall GDP of the country which means that the country is more decentralized. Party system territorialization (on the y-axis) captures the extent to which parties in a country obtain votes across all electoral districts. Low values indicate that the party system is nationalized meaning that most parties obtain the same proportion of votes in all electoral districts. Higher values indicate that the party system is localized meaning that (in the extreme) each electoral district has its own different set of parties.[5] The graph suggests that the relationship between party system territorialization and fiscal decentralization is not particularly strong (the fitted regression line is practically flat). The bottom graph in Figure 2.1 shows the same relationship using a measure of political decentralization, which captures the degree to which subnational levels of government are politically independent. The measure I use is based on Hooghe et al. (2010) and it is a categorical variable that ranges from 0 (no independent regional legislature and regional executive) to 4 (completely independent regional legislature and regional executive). The fitted regression line in this graph indicates that the relationship is positive but not very strong. Figure 2.9 at the end of the chapter shows the same bivariate graphs using the averaged sample (instead of the pooled sample) and the patterns look very similar.

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[4]The measure comes from the World Bank Fiscal Indicators. The original measure published by the World Bank is expressed in percentages. I have transformed the measure into proportions by dividing by 100.

[5]This is a commonly used measure in the literature on party system nationalization. Scholars refer to this measure as "inflation" (Hicken, 2009; Cox, 1997). In Chapter 3 I provide a more detailed description of this measure and alternative specifications which I will be using.

Figure 2.1: Party System Territorialization and Decentralization

Fiscal Decentralization = Subnational Revenue as Proportion of GDP (5-year lag)
Party System Territorialization = Inflation Scores (d-n)
N = 190

Party System Territorialization = Inflation Scores (d-n)
N = 296
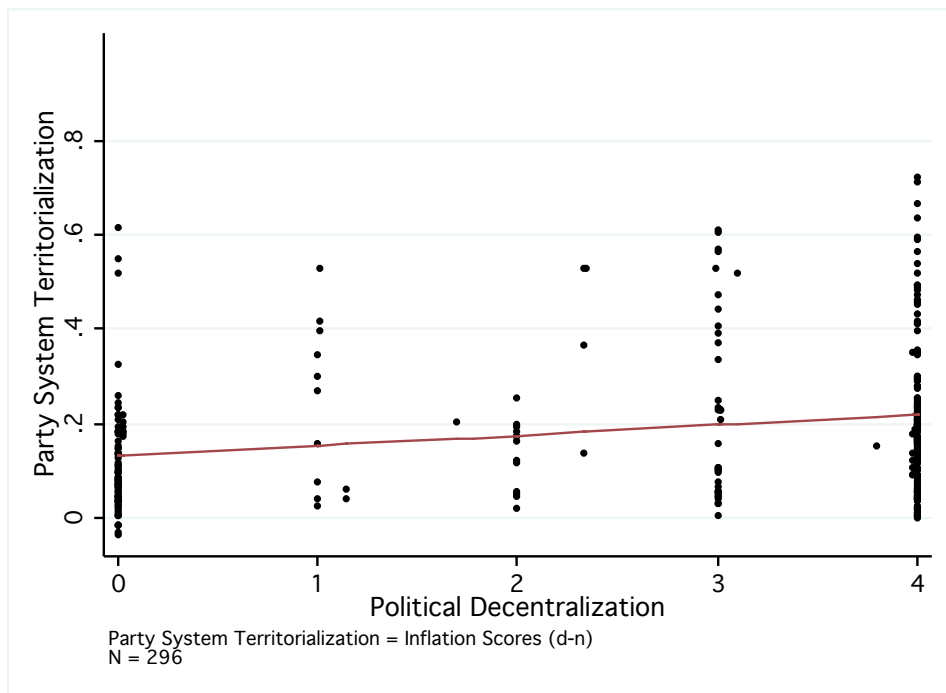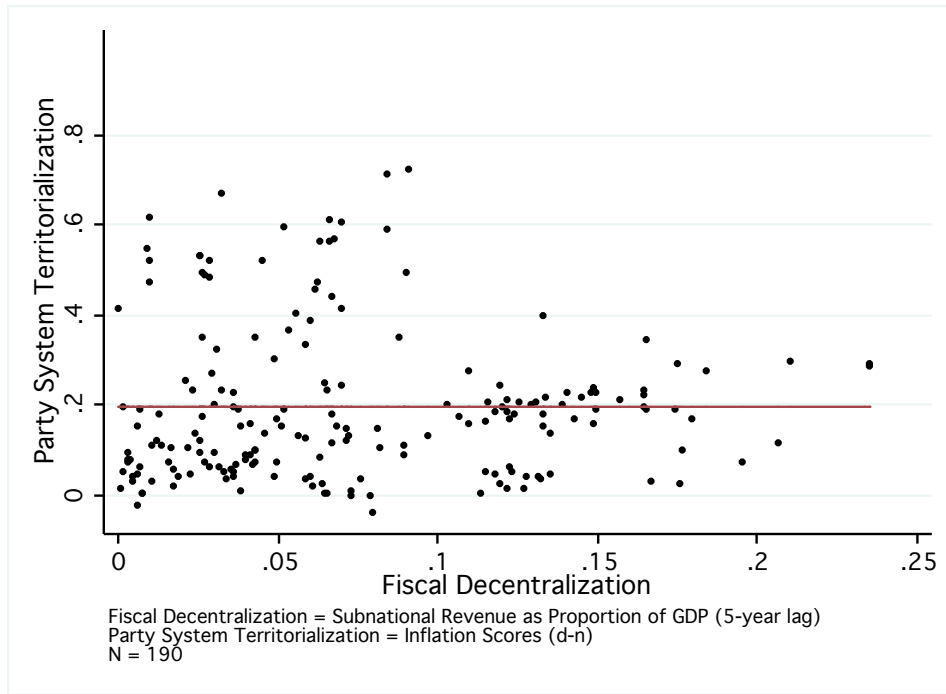
2.1.2 Bicameralism

In contrast with scholars focused exclusively on decentralization, Hicken (2009) shows in his book *Building Party Systems in Developing Democracies* that centralization of power is not sufficient to induce "aggregation," and thus to produce a nationalized party system.

Hicken argues that candidates' incentives to aggregate across districts in a country depend on the size of the payoff at the national-level, and the probability of getting that payoff. Regarding the size of the payoff, candidates will want to coordinate across districts in a country and form nation-wide electoral alliances if the payoff that they expect to receive once in government is large. According to Hicken the size of the payoff depends on the level of vertical centralization of power in a country (in line with Chhibber and Kollman's argument), as well as on the level of horizontal centralization, which he defines as the degree to which power and resources are concentrated or dispersed at the national level. Thus the more resources at the center (i.e. the more vertical centralization) and the more concentrated these resources are (i.e. the more horizontal centralization), the more incentives candidates have to coordinate under common party labels and form nation-wide political parties.

According to Hicken, one of the factors contributing to the degree of horizontal centralization is the presence of an upper legislative chamber.[6] Hicken argues that bicameral legislatures diffuse power at the national level and thus contribute to decreases the size of the aggregation payoff, whereas unicameral legislature concentrate national power (Hicken, 2009, 59). Bicameral countries should thus lead to more party system territorialization whereas unicameral systems (especially together with unitary forms of government) should lead to party system nationalization. To my knowledge, Hicken is the first to theorize (and test) the relationship between bicameralism and the territorial nature of party systems. The box plot presented in Figure 2.2 suggests that countries with bicameral legislatures have more territorialized party systems than countries with just one legislative chamber. Given the categorical nature of the bicameralism data the box plot graph conveys the information

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[6]Hicken also considers two other factors that influence horizontal centralization: the presence of reserve domains and the degree of party cohesion.

better than a scatter plot.[7]

Figure 2.2: Party System Territorialization and Bicameralism
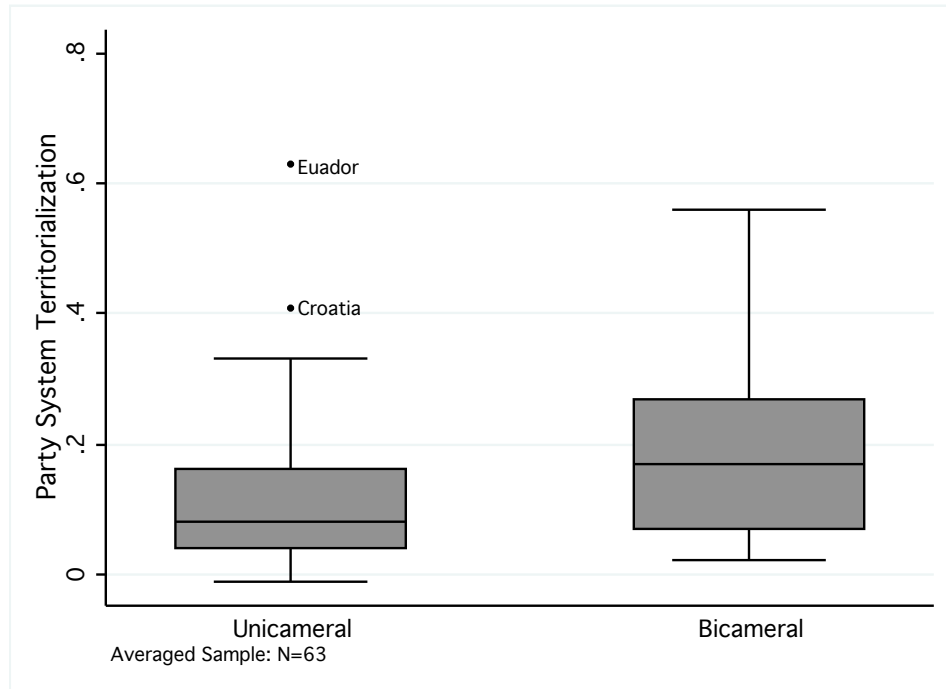
2.1.3 Executive Type

A few scholars have suggested that executive type[8] not only affects the *number* of parties that develop in a country (Filippov et al., 2003; Cox and Knoll, 2003; Hicken and Stoll, 2008; Lijphart, 1994; Powell, 1982) but also the *nature* of these parties both in terms of their internal organization, and in terms of the breadth of their appeals and the breadth

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[7]Boxplots split the data into quartiles, give the maximum and minimum values and show the outliers. The horizontal line across the box represents the median of the data. The lower edge of the box represents the lower quartile (i.e. 25% of the data are less than that value); the upper edge of the box represents the upper quartile (i.e. 25% of the data are greater than that value); the bottom and top "whiskers" represent the minimum and maximum values respectively; and finally the dots are considered outliers in the data, which means that they are more than 3/2 times of the upper quartile.

[8]The most basic distinction regarding the type of executive is between presidential and parliamentary countries. This distinction is based on how the executive is selected. In presidential regimes there is separation of powers which means that the selection (and the survival) of the executive do not depend on the support of the legislature; that is presidents are popularly elected. In contrast, in parliamentary systems the executive (i.e. the prime minister) is chosen by the legislature, which means that there is no independence or separation of powers between branches of government. There are more fine-grained categorizations of executive type; however, for the purpose of simplicity here I focus on the dichotomous distinction between parliamentary and presidential regimes. For an excellent in depth treatment of types of executives see Samuels and Shugart (2010)'s recent book *Presidents, Parties, and Prime Ministers: How the Separation of Powers Affects Party Organization and Behavior.*

of their constituency (Samuels, 2002; Samuels and Shugart, 2010). According to Samuels and Shugart (2010) if presidential elections tend to "reduce party system fragmentation and thus the number of important partisan actors then logically they must also generate incentives for parties to aggregate into relatively larger organizations, with broader appeals."(Samuels and Shugart, 2010, 13). Thus presidential systems should encourage party system nationalization.

The argument that is most commonly advanced in the literature is that presidential systems lead to more nationalized party systems because presidents are often elected by plurality and parties that nominate presidential candidates for presidential office need to gain votes from a "large portion of the national electorate" (Samuels, 2002). In contrast, in parliamentary systems parties can obtain representation at the national level without being the largest party in the country and without having to appeal to a broad sector of the electorate. This general argument is echoed by Cox (1997) in his book *Making Votes Count: Strategic Coordination in the World's Electoral Systems* in which he explores several factors that lead candidates and voters to link across electoral districts.[9] When talking about presidential systems he argues that "would-be presidents must necessarily gather votes *nationwide*" (Cox, 1997, 187). This is especially true under two conditions: 1) when the presidential prize is large, and 2) when the president is elected by a procedure that approximates plurality rule (Cox, 1997, 190).

As examples of how the existence of a president might encourage party system nationalization, Cox (1997) cites research on the cases of France and the United States. When France was a parliamentary system (during the Third and Fourth Republics) candidates remained largely unlinked and there was a multiparty system (Cox, 1997, 188). However, since Charles de Gaulle successfully forced the French parliament to accept a directly elected president in 1962 the party system in France has been characterized by greater linkage and "almost all seats have been won by candidates linked to national parties" (Cox, 1997, 188). Regarding the United States, Cox (1997) cites McCormick (1967)'s work on the formation and development of the second American party system. McCormick (1967) argues that the

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[9]The term *linkage* refers to the "coordination" of candidates and voters across electoral districts to form national parties. Different scholars used different terms ("linkage," "coordination," "aggregation") to refer to the same concept.

critical factor for the formation of national parties in the US after 1790 was the adoption of the Federal Constitution. In particular he argues that the constitutional arrangement to elect a president became an important factor to encourage co-operation among political leaders throughout the nation on behalf of particular candidates" (McCormick, 1967, 94). In other words, competition for the presidency in the United States contributed to the nationalization of its once very fragmented party system.

Unfortunately Cox does not test his propositions empirically beyond the two examples on France and the United States. Furthermore, in some parts of his book he implies that scholars should expect no differences between parliamentary and executive regimes in terms of the incentives for linkage. He says "[t]he fight to capture the premiership or the presidency is equally important and parties will look to broaden their coalitions in order to increase their changes of conquering executive office in either political system" (Cox, 1997). Similarly, Hicken (2009) and Morgenstern et al. (2009) do not expect presidential and parliamentary regimes to generate different incentives for aggregation, and thus they do not expect the type of executive to have an effect on party system nationalization.[10].

The box plot presented in Figure 2.3 on page 25 suggests that there might not be significant differences between executive types. Figure 2.3 shows the relationship between party system territorialization (vertical axis) and executive type (horizontal axis). I classify the countries in my data set as presidential, parliamentary or semi-presidential based on Samuels and Shugart (2010). The boxplot suggests that party systems in parliamentary and presidential regimes are quite similar. The median value for both categories (represented by the horizontal line inside each box) is practically the same, and so is the lower quartile and to some extent the upper quartile. If anything the presidential and semi-presidential category seems to have slightly higher values on party system territorialization, which suggests that parliamentary system actually seem to be have more nationalized party systems than presidential and semi-presidential systems. Figure 2.11 on page 50 at the end of the chapter

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[10]Hicken and Stoll (2011, 2013)'s recent work looks into the effect of presidential races on the legislative party system in presidential regimes. They find that presidential elections "shape the incentives of candidates to coordinate across legislative electoral districts under a common party banner, leading to more aggregated or nationalized party systems when there are few presidential candidates"(Hicken and Stoll, 2011, 854) However, very few studies have actually looked into the comparison between presidential and parliamentary systems, and whether there are differential incentives for aggregation.

presents the "executive type" variable divided into its three categories: "parliamentary," "presidential" and "semi-presidential."

Figure 2.3: Party System Territorialization and Executive Type
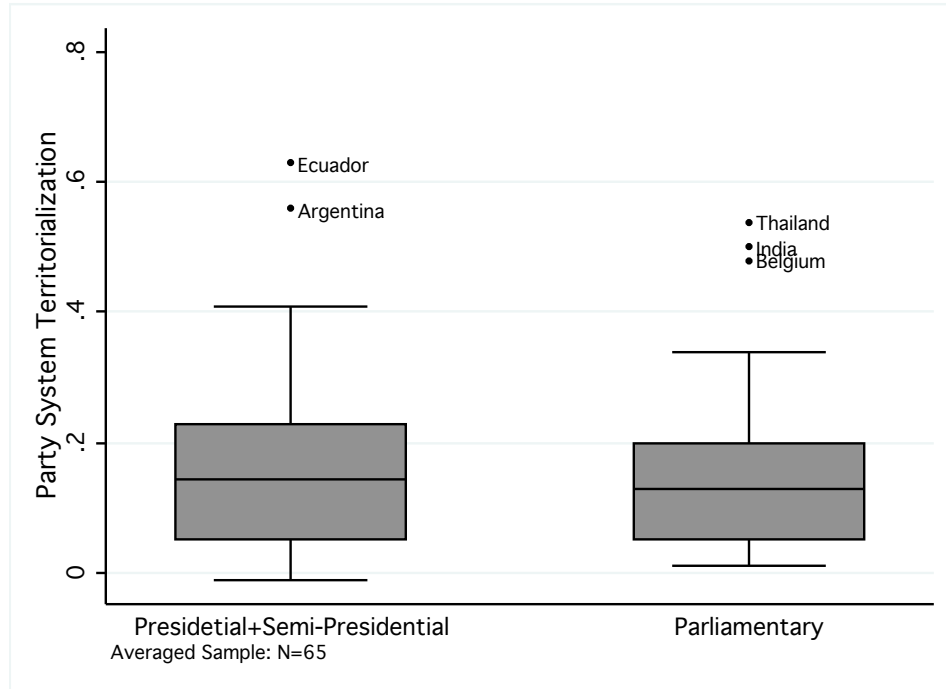
2.1.4   Electoral Rules

Scholars seem to agree that electoral rules affect coordination within districts and thus shape the number of parties at the district level. Yet there is more disagreement about whether electoral rules matter for coordination across districts, and thus whether they matter to explain the number and types of parties at the national level. Duverger's predictions[11] only apply at the district level and not at the national level (Cox, 1999; Chhibber and Kollman, 2004; Hicken, 2009). A country can have an electoral system that promotes two parties per district (SMD plurality electoral systems according to Duverger), but if voters in each electoral district elect a different set of two parties then there will be more

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[11]In very simple terms Duverger's Law states that plurality rule electoral systems tend to produce two parties, whereas proportional representation systems produce multipartism (i.e. several parties) (Duverger, 1964, 204-205). In other words, when a country has single member districts (SMD) and candidates are elected by plurality rule, voters and candidates tend to coordinate into only two political parties, since forming a third party or voting for a third party is not an optimal strategy. In contrast, countries that elect their candidates in multimember districts with proportional rules encourage party system fragmentation.

than two parties at the national level (Chhibber and Kollman, 2004; Hicken, 2009; Cox, 1997, 1999). Morgenstern et al. (2009) however argue that electoral rules are important for cross-district coordination. In their piece *Party Nationalization and Institutions* the authors argue that countries with single-member district (SMD) plurality systems will have more territorialized party systems than countries with proportional representation. They offer two distinct mechanisms that explain why this is the case. First, "since a plurality is required to win the seat in SMD systems, parties may avoid spending the resources (good candidates, costs, and effort) to compete where they have little chance of winning. In proportional representation (PR) systems, by contrast, wasted vote-winning opportunities are costly, because it takes far fewer votes to win a legislative seat" (Morgenstern et al., 2009, 1327).

Second, SMD plurality systems are associated with a greater number of districts than proportional representation (PR) systems. This has three implications. First, a greater number of districts according to Morgenstern et al. (2009) means that districts will be small and thus that preferences within each district will be more homogeneous and that preferences across districts will be more diverse.[12] This should encourage candidates to be more locally oriented, and thus should encourage party system territorialization (Morgenstern et al., 2009, 1327). Second, a greater number of districts implies greater coordination costs for a party and greater costs of control of a party's candidates. In other words, having a large number of districts discourages candidates to form cross-district alliances that will result in nationwide parties. In contrast, in PR (proportional representation) electoral systems the reduced number of electoral districts should facilitate the parties' coordination of campaign platforms and strategies (Morgenstern et al., 2009, p. 1327). Finally, "more districts should yield greater variability in terms of candidate qualities, which again should increase the distinctiveness of electoral districts" (Morgenstern et al., 2009, 1327-1328) and decrease party system nationalization.

Figure 2.4 presents the relationship between electoral formula (PR, Majoritarian and

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[12]As I will argue later, whether this assumption is true or not is an empirical question. The degree of preference homogeneity within districts and the degree of preference heterogeneity across districts actually depends on how preferences are distributed in a country. We cannot assume that all SMD plurality systems have internally homogeneous districts.

Mixed) and party system territorialization. The top graph presents the mixed electoral system category together with the PR electoral systems, whereas the bottom graph shows the three types of electoral rules separately. Surprisingly, electoral rules are the institutional factor that have the greatest impact in producing different party systems across countries. Majoritarian electoral rules are associated with more territorialized party systems than proportional representation systems. Mixed electoral systems fall somewhere in between (which means that careful categorization of these systems is needed). Although it is not clear whether these differences are statistically significant, the pattern indicates that electoral rules have some explanatory power. According to Morgenstern et al. (2009) one of the mechanisms linking SMD plurality systems to greater party system territorialization is that SMD plurality systems have more (and smaller) electoral districts, and thus it becomes harder to coordinate across a large number of such districts. According to Figure 2.5(b) the number of districts does not seem strongly related to party system territorialization, and nor does district magnitude. This is consistent with recent empirical findings by Hicken (2009).

2.1.5 Institutional Determinants of Party System Territorialization

I test the explanations reviewed above using the data set collected for this project I present. The various bivariate scatterplots and box plots are useful in that they provide a general picture of key relationships. However, a multivariate analysis provides a better test of the extent to which these different explanatory factors account for variation in the territorial nature of party systems. I present the results of these analyses both with the data set pooled and with the data set averaged. As a reminder, the measure of party system territorialization captures the degree to which the average district-level party system mirrors the national party system, and ranges from 0 (a perfectly nationalized party system) to 1 (a perfectly territorialized party system). This is the dependent variable.

Table 2.1 presents six different model specifications using the pooled data set. "Political decentralization" and "bicameralism" are significant in one of the six models (Model 1 and Model 4 respectively). Their significance level is not very strong and it is not robust to alternative specifications. None of the other institutional variables is statistically significant.

Figure 2.4: Party System Territorialization and Electoral System
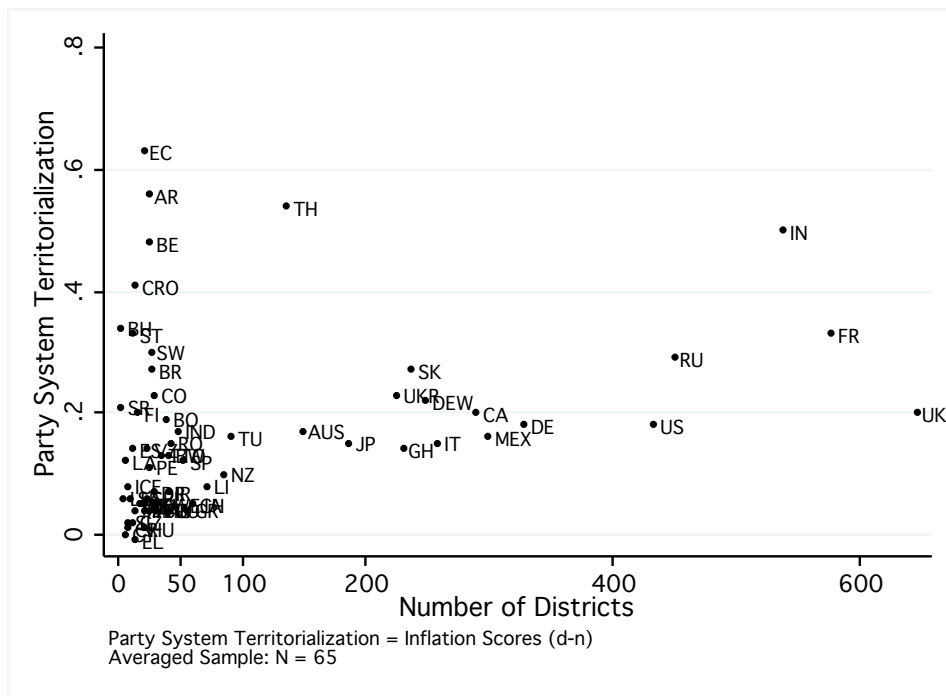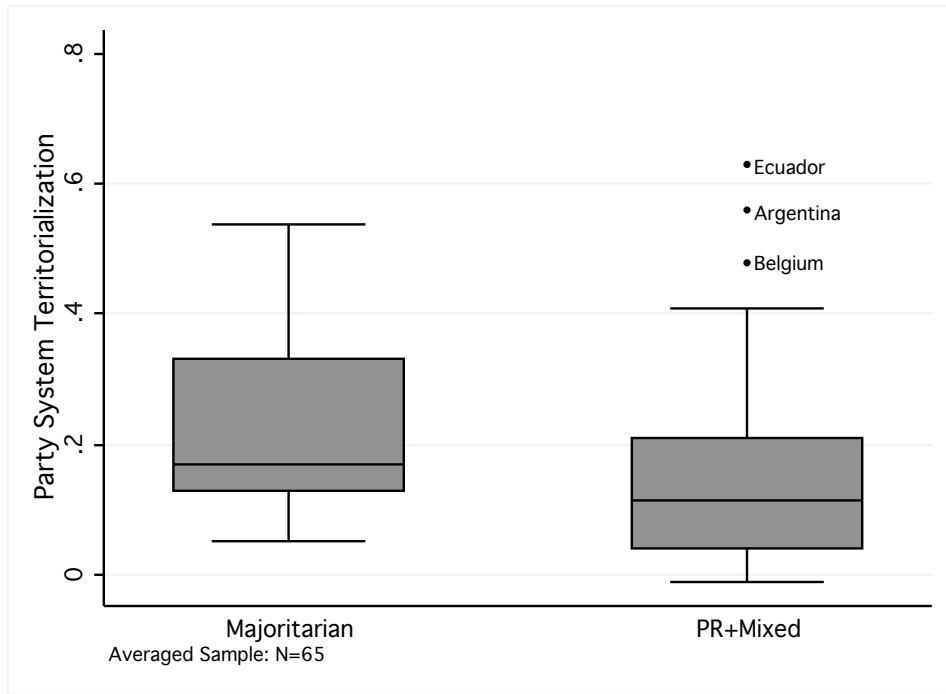
For robustness I run the same regression models with the averaged data set, and the results are very similar. Results with the averaged data set are presented in Table 2.3 on page 52 at the end of this chapter. These tables show similar results, except that "bicameralism" is no longer significant in Model 4, and that "parliamentary system" is negative and significant but only in one of the models (Model 3).

These results strongly suggest that on their own institutional variables cannot explain variation in party system territorialization across countries and time. This conclusion is supported by the relatively small R-squared in all these model specifications both in the pooled and averaged samples. The last model in Table 2.1 includes "ethnic fractionalization" as a control variable. Introducing this variable does not change the effect of any of the institutional variables. "Ethnic fractionalization," which is a proxy for social heterogeneity or social diversity in a country, is not significant in the analysis with the pooled sample, but it is significant in the analysis with the averaged sample (Table 2.3 on page 52). More ethnically diverse countries are associated with more territorialized party systems.[13] In the next section I turn to a more in depth discussion of the role of social diversity in explaining variation in party system territorialization.

2.2 A Role for Societal Interests

The literature on nationalization of party systems reviewed in the previous section stands out for its lack of attention to societal interests, and for portraying institutions "as if they were operating in a social vacuum" (Adsera and Boix, 2004, 2-3). This is surprising given that the neo-institutionalist tenet that institutions alone can explain the political world has long been replaced with more nuanced approaches. Since the 1990's there has been an increasing focus on the origins and effects of institutions in the context of underlying socio-economic structures (Pontusson, 1995). According to Boone (2003), recent work on

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[13]I have conducted some robustness tests which are presented in Table 2.2 on page 31. Model 1 includes a different measure of fiscal decentralization (subnational revenues as a proportion of the country's GDP), which is not statistically significant. Model 2 tests the interactive hypothesis between "bicameralism" and "fiscal decentralization" (based on Hicken (2009)), which is not significant either. The same two models are run with the averaged sample and presented in Table 2.4 on page 53 at the end of the chapter. The results are similar with the averaged sample, except for "ethnic fractionalization" which is significant in the analysis with the averaged sample.

Table 2.1: OLS Multivariate Regression: Pooled Sample

DV: Party System Territorialization	M1	M2	M3	M4	M5	M6
Political Decentralization (lag)	.024*		.020	.011	.011	.015
	(.01)		(.01)	(.01)	(.01)	(.01)
Fiscal Decentralization (lag)$^{+}$		.002	.001	.001	.001	.001
		(.00)	(.00)	(.00)	(.00)	(.00)
Bicameral				.092*	.084	.057
				(.05)	(.06)	(.06)
Parliamentary	−.056	−.043	−.056	−.044	−.042	−.037
	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
Electoral System (PR+Mixed)	−.032	−.068	−.071	−.041	−.012	.010
	(.06)	(.07)	(.07)	(.07)	(.07)	(.07)
Number of Districts					.000	.000
					(.00)	(.00)
Ethnic fractionalization						.180
						(.12)
Constant	.185***	.232***	.217***	.139	.112	.031
	(.06)	(.08)	(.08)	(.09)	(.09)	(.11)
Adj. R^2	.081	.069	.092	.131	.132	.155
No. of cases	268	184	177	177	177	171

Sig: p<0.10, ** p<0.05, *** p<0.01*

DepVar: Inflation Scores (idn)

Robust Std Errors Clustered by Country

+Subnational rev. as % total revenues

Table 2.2: OLS Multivariate Regression: Pooled Sample

DV: Party System Territorialization	M1	M2
Political Decentralization (lag)	.021	.017
	(.02)	(.01)
Fiscal Decentralization (lag)[+]		.003
		(.00)
Fiscal Decentralization (lag)[++]	−.003	
	(.00)	
Bicameral	.058	.104
	(.06)	(.07)
Bicameral x Fiscal Decentralization (lag)[+]		−.003
		(.00)
Parliamentary	−.039	−.041
	(.07)	(.06)
Electoral System (PR+Mixed)	−.004	.004
	(.07)	(.07)
Number of Districts	.000	.000
	(.00)	(.00)
Ethnic fractionalization	.162	.193
	(.12)	(.13)
Constant	.071	−.007
	(.11)	(.12)
Adj. R^2	.169	.157
No. of cases	172	171

Sig:* p<0.10, ** p<0.05, *** p<0.01

DepVar: Inflation Scores (idn)

Robust Std Errors Clustered by Country

+Subnational revenue as % total revenues

++Subnational revenue as % GDP

institutional choice has become more sensitive to "the features of social context that define the parameters and players in institutional choice" (19). As an example the work of Boix (2003) and Adsera and Boix (2004) emphasize the role of socio-economic factors (and especially of economic inequalities) to explain the origins and stability of democratic regimes.

Today many works in political science scholarship explicitly model political phenomena as an interaction between societal interests and institutions (Amorim Neto and Cox, 1997; Clark and Golder, 2006; Stoll, 2005, Stoll), and several recent projects have made significant contributions to theorizing and measuring "societal interests," which the previous scholarship had neglected. Just to present a few examples, Stoll's forthcoming book "Changing Societies, Changing Party Systems" explores how social heterogeneity (and its interaction with institutions) explains the number of parties in a political system. This project builds on a relatively long lineage of research that explores the interaction between social heterogeneity and electoral rules (Amorim Neto and Cox, 1997; Cox, 1999, 1997; Clark and Golder, 2006; Ferree et al., 2007; Filippov et al., 2003; Hicken, 2009; Powell, 1982). Her book is particularly noteworthy in that it places societal interests at the center of her theoretical analysis and proposes innovative measures of social heterogeneity that allow for both cross-country and cross-time comparisons.

One of the less explored aspects in Stoll's book, as well as in the work of others such as Amorim Neto and Cox (1997); Cox (1999, 1997); Clark and Golder (2006); Filippov et al. (2003); Hicken (2009) is the intersection between social heterogeneity and political geography. This intersection however is central to the object of this dissertation: the territorial nature of parties and party systems.

2.2.1 The Role of Geography

The way in which societal interests are distributed across space within countries is particularly relevant to the question of this dissertation as well as to broader questions about "representation and the (imperfect) transformation of preferences into public policy" (Rodden, 2010, 323). The role of clustering of preferences is prominent among scholars of federalism (Duchacek, 1986; Kymlicka, 1995; Riker, 1964; Elazar, 1999), yet the early in-

sights of these scholars have not been fully developed theoretically and empirically. Despite recent attention to the role of social heterogeneity in explanations of political phenomena, scholars have neglected the aspect of how heterogeneity is geographically distributed.

> "For the most part, when developing basic models addressing such crucial topics as platform choice, party systems, representation, and the transformation of preferences to policies, geography has been a blind spot for political scientists" (Rodden, 2010, 322).

Scholars have assumed, often for analytical simplicity, that the same mix of societal interests is present in every single district or region of a country; or in the words of Kendall and Stuart that "voters are scattered at random" across constituencies in a country (Kendall and Stuart, 1950, 188). Rodden challenges this long-held assumption and suggests that for various historical and sociological reasons voters tend to cluster geographically: "individuals sort themselves into neighborhoods with similar demographic, occupational, income, and ultimately political profiles" (Rodden, 2010, 322).

Taking into account this clustering of political profiles is key to understand a variety of political phenomena. For example, Rodden argues that the concentration of left-wing voters in urban areas (which is a common phenomenon in most industrialized countries) helps explain why left-wing parties have struggled to win majorities in parliamentary countries with single-member districts" (Rodden, 2010, 335). Jusko's research agenda on the relationship between the electoral geography of low-income voters and anti-poverty programs across a wide variety of OECD countries is another example of the importance of considering political geography. Jusko argues that the effect of electoral rules on legislators' incentives to cater to poor voters depends on the geographic distribution of low-income voters "such that when low-income voters are pivotal in the allocation of a large number of seats, even under SMD electoral rules, legislators may have strong incentives to craft generous antipoverty policies" (Jusko, 2009, 1).[14]

The distribution of voters across constituencies is also important to understand the incentives facing politicians in building political alliances at the local and national levels. The importance of geography is prominent in the literature on the development of European

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[14]Both Rodden (2011) and Jusko are producing book versions of their arguments.

party systems (Lipset and Rokkan, 1967; Caramani, 2004), which alludes to "territorial cleavages" as the main ingredient in explaining the territorialization of electoral behavior and party systems. For example, Cox's article *Electoral Rules and Electoral Coordination* explores the institutional factors that contribute to the nationalization of party systems, and only briefly at the article's conclusion does he claim that social diversity should matter to explain linkage[15] when preferences are concentrated in space.

> "Social diversity matters for linkage when Basques are concentrated in one region of Spain, Swedes are concentrated in one region of Finland, and Scots are concentrated in one region of Britain. But the relevant level of concentration depends on where districts lines are drawn and on the relevant electoral thresholds" (Cox, 1999, 159).

Unfortunately, Cox does not develop the logic further, nor does he test it empirically. More recently Morgenstern et al. (2009) and Hicken (2009) have tested Cox's argument, but the measures of social heterogeneity that they use (fractionalization indices) do not capture "geographic concentration" and instead focus on social diversity that is related to ethnic, linguistic or religious difference. Selway's measures of geographic concentration of social diversity (based on the concept of cross-cuttingness and included in the CIMMSS data set) constitute a substantial contribution to the empirical analysis of this issue. Selway conceptualizes and measures several relevant dimensions of social heterogeneity (fractionalization, cross-cuttingness, bipolarization...) and uses these measures to test how electoral rules interact with the geographic concentration of social diversity to affect the number and types of parties that develop in a country.[16] Aside from Selway's recent work, however, the relationship between the geography of social heterogeneity and party systems is largely underdeveloped theoretically and empirically. The goal of this dissertation is to build (and expand) on this budding research agenda by examining more closely the geography of social heterogeneity and its role in explaining the territorial nature of party systems in a country. I now turn to develop the argument of the dissertation.

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[15]The term linkage is equivalent to the term *aggregation* or the term *coordination* both of which are used in the literature. They are a synonym of nationalization.

[16]Before Selway's CIMMSS data set very few measures of social heterogeneity across countries were available.

2.3 Argument

As Cox and Knoll (2003) explain: "[i]n most nations in the world, votes are cast and seats awarded within a number of geographically defined electoral districts. [...] Any group with sufficiently concentrated support in a given district can hope to win seats in that district [...] and the question arises: should such a group go at it alone or should it link with other groups in other districts?" (Cox and Knoll, 2003, 5). In other words, should candidates representing local/regional constituencies join large national party organizations, or should they stick with smaller local or regional political parties?

The existing literature has focused mostly on what candidates stand to gain if they join a broad national party. Hicken (2009) argues that national parties are large-scale organizations and as such they have a considerable chance of winning national-level elections and making it into government. Furthermore, since national parties are larger, candidates stand to gain more of the prize (i.e. resources, power, policy influence) that comes from winning office. In contrast, regional or local parties are smaller and less likely to attain substantial electoral victory in national elections, which means that candidates from local or regional parties have less of a chance of controlling a significant share of the prize at the national level.

Given that candidates want to capture the resources and power associated with national office and that national parties are in a better position than regional parties to capture those resources and power, it is a puzzle why politicians run under local or regional party labels in national elections. To address this puzzle I explore the individual-level incentives that guide candidates to join local/regional parties, instead of national parties, in national-level elections. And I specifically focus on understanding the costs associated with joining a national party, or alternatively the benefits of joining a regional/local party. Ultimately, understanding the conditions under which candidates will decide to join local/regional political parties (instead of national parties) in national-level elections will allow us to understand the factors that affect the degree to which party systems are nationalized or territorialized.

In what follows I present a hypothetical example that illustrates the tradeoff that candidates face when deciding to abandon a national party in favor of a local/regional political

party. As a preview to the reader I will argue that this tradeoff is influenced by three factors: a) the geography of interests, that is the degree to which voter interests vary across politically relevant territorial units in a country; b) the degree of autonomy of individual candidates with respect to party leaders within national party organizations; and c) the degree to which national-level institutions (such as upper legislative chambers) represent territorial interests in national policy-making.

2.3.1 Tradeoff

Imagine a candidate running for office in a national election representing a certain constituency. For now we can think of this constituency as a region that is also an electoral district.[17] Ultimately the candidate's goal is to secure the election at the national level and influence policy in ways that will benefit her constituency, which in turn will guarantee her subsequent reelection.[18] This candidate faces a choice; she can run in the national election with a regional party representing her particular regional constituency, or she can join forces with a national political party.[19] The regional party will only field candidates in her region whereas the national party will field candidates in all regions (i.e. in all electoral districts) in the country. The choice that the candidate makes will depend on how she evaluates the costs and benefits of joining a national party (instead of a regional party) in light of her ultimate goal: influencing national policy in order to secure reelection. This tradeoff is illustrated in Figure 2.5.

National parties have a clear advantage over regional or local parties, which is that they have a higher probability of winning national-level elections and making it into government. From a candidate's perspective, however, being part of the winning party is a necessary but not sufficient condition to influence policy at the national level. Because national parties are large organizations that field candidates in all electoral constituencies in a country, they are accountable to a large and potentially very diverse set of interests. Given this internal

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[17]Empirically speaking the relevant constituency can vary depending on the country and time period. In Chapter 3 I elaborate further on this point and I present a more concrete definition of "politically relevant constituency."

[18]She might have other policy goals, but ultimately she wants to get reelected to attain these other goals.

[19]Hicken (2009) and Cox and Knoll (2003) present a similar tradeoff as a way to think about candidate's choices. The tradeoff I present in this section is very much inspired in theirs, but my focus is on the costs of "going national" or conversely the benefits of going regional, which have been less explored.

Figure 2.5: Tradeoff for Hypothetical Candidate

Joining a National Party   Joining a Regional Party

| Benefits | Costs | Benefits | Costs |

| Larger probability of winning elections | Intra-party heterogeneity | Intra-party homogeneity | Smaller probability of winning elections |
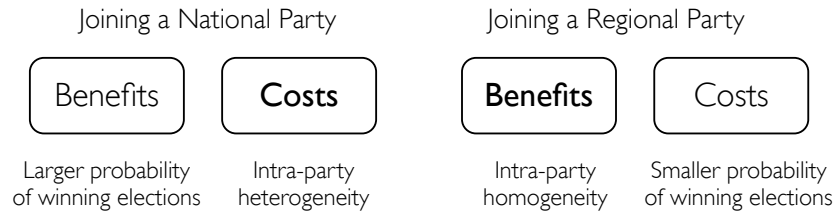
diversity our candidate runs the risk that the party leaders ignore her policy interests once in government.

> "Party leaders have strong incentives to move their parties' policies toward the position of the median voter *in the national electorate* (Downs, 1957). This is the strategy most likely to deliver the party an overall electoral victory (i.e. a majority of seats in parliament), but not necessarily one that is in the best interests of each of the party's MP's" (Kam, 2009, 23).

In other words, a candidate that decides to join a national party increases her probability of getting into power "but at the risk of having to share that power with other actors within the party" (Hicken, 2009, 29). This requirement to share power with other actors in the party becomes more of a threat to the candidate's reelection as the candidate's policy interests become more dissimilar from the policy interests of the rest of candidates within the national party.

In contrast, local or regional parties are smaller, which means that they have a relatively lower chance of winning national-level electoral contests and gaining representation at the national-level. However, local or regional parties have the advantage that they are accountable to a more homogenous set of interests since they compete and obtain votes in only one constituency in the country. This is an advantage for candidates whose policy-preferences are not aligned with those of the rest of candidates/constituencies in the country. If such a candidate joins a local or regional party then she will be less likely to win a national election than if she had decided to run under a national party label; however, if she does gain a sufficient amount of seats in the legislature to bargain with the majority party, then being part of a relatively homogeneous regional party (instead of a heterogeneous national party) will increases her influence on national-level policy-making.

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Trying to influence national policy from within a national party that is very diverse is harder than trying to negotiate with a national party as an independent (and internally homogenous) regional party. Regional parties are better at this because they are mostly held accountable for one particular policy issue that is of interest to their constituency, so they have room to sacrifice on other policy dimensions; whereas the national party is held accountable for all policy dimensions and thus will have to make some tradeoffs. This distinction in the nature of accountability between national and regional political parties is inspired by Bawn and Rosenbluth (2006)'s work that distinguishes between parties that "represent narrow interests and build temporary majorities following an election" and parties that "are themselves 'long coalitions' forged to create a potential majority before the election and intended to last beyond the next election (Aldrich 1995; Schwartz 1989)" (Bawn and Rosenbluth, 2006, 125). Bawn and Rosenbluth (2006) argue that:

> "[a] single party in government is accountable for all of its policy decisions since it must promote the collective interest of a broad support base if it wants to keep its majority (Cox 1990). Participants in multiparty coalition governments, by contrast, are held primarily responsible for only a subset of policy decisions: those in the policy areas in which they have the biggest stake" (Bawn and Rosenbluth, 2006, 125).

Because regional political parties and their candidates are accountable for only a "subset of policy decisions" they are able to exercise greater influence at the national level about the policy that their region most cares about. So if a candidate represents a constituency that has interests that are very different from the rest of constituencies in the country, regional parties might be a better way to get her voice heard at the national level. This argument leads to the following proposition:

> **Proposition 1.** As the difference in interests between a candidate's constituency and the rest of constituencies in the country increases the candidate will be less likely to stick with the national political party.

Figure 2.6 presents a simple illustration of the argument so far. The extent to which a candidate's policy interests are similar to those of the rest of members in the national party is what I refer to as "intra-party heterogeneity" (or conversely, "intra-party homo-

geneity"),[20] and it is a direct function of how voter interests are distributed across electoral constituencies, which I refer to as the "geography of interests."[21] If the set of interests that voters care about is similar in all constituencies/regions in the country, then we should expect national parties to have greater intra-party homogeneity, and we should expect most candidates to stick with the national party. In contrast, when voter interests vary considerably across constituencies then we expect candidates within the national party to have fairly heterogeneous policy interests leading to greater intra-party heterogeneity. In this case we should expect some candidates to join regional or local parties.[22]

Figure 2.6: Geography of Interests and Intra-Party Heterogeneity
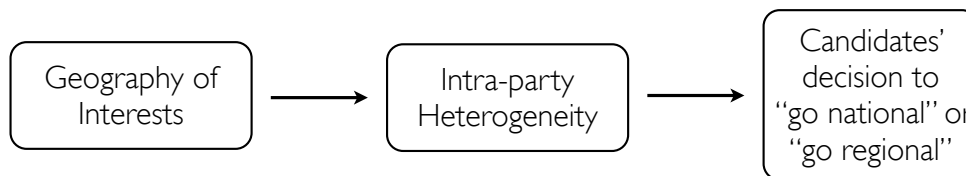
2.3.1.1 Geography of Economic Interests

I specifically focus on the geography of *economic* interests as a factor affecting candidates' incentives to join national or regional political parties. Issues regarding who gets what and how resources should be distributed across individuals and jurisdictions are at the heart of politics. When constituencies in a country have very different economic interests then questions about the distribution of central government resources become particularly salient to certain constituencies. In such a scenario we should expect candidates representing constituencies that have very different economic interests to be more likely to abandon national parties in favor of regional or local political parties.

Another hypothetical will illustrate this point. Imagine a country with two regions A and B. Region A is relatively poor, meaning that the majority of people living in this region

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[20]The concept of "intra-party heterogeneity" is similar to Rohde (1991)'s concept of ideologically heterogeneity within political parties, and both refer to the diversity of interests/preferences represented within a single party.

[21]Throughout the dissertation I use the term "geography of preferences" and "geography of interests" interchangeably. I also use "interests" and "preferences" interchangeably.

[22]Several scholars describe a similar type of tradeoff when candidates are faced with the pressure of responding to multiple constituencies(Kernell, 2010).

have a relatively low income. Region B is relatively rich, meaning the majority of people in that region are wealthy.[23] And let's assume that region A is larger (in terms of population) than region B, meaning that the median voter in the country (as a whole) lives in the poor region. I am thus describing a country where the geography of economic interests is relatively uneven, which means that regional constituencies have very different economic interests. Given this distribution of economic interests we would expect the voters in region B to have a very different set of preferences over the redistribution of central government resources than voters in region A. Voters in the two regions have similar preferences over certain types of policies (i.e. foreign affairs, environmental policy), but they have different preferences about economic policy and especially about the degree of redistribution of central government resources from rich regions (i.e. rich voters) to poor regions (i.e. poor voters). These different preferences are derived from the underlying territorial distribution of resources in the country. Voters in richer regions prefer less redistribution than voters in poor regions.

Now let's imagine that our hypothetical candidate represents voters in region B, the richer region. If she decides to join a national political party, she is more likely to make it into government and get credited for the policies implemented by the national party. However, this choice implies a cost which is that she will have to accept some transfers away from her region into the poorer region in the form of inter-territorial redistribution. On the other hand, if she decides to join a regional party she will have greater influence on redistributive policy at the national level, and might be able to block some transfers away from her rich region to the poorer region. However, this choice implies a cost: she will have to sacrifice influence on other policy issues. This choice that voters face in region B will be affected (among other factors) by the expected magnitude of transfers away from

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[23]I assume that wealthy regions tend to have a higher proportion of wealthy citizens, and that poorer regions (regions with less resources and less developed economically-speaking) tend to have a higher proportion of poor citizens. I am thus assuming a relative homogeneity of economic interests *within* regions. This is a good assumption to make in order to keep things simple, and as I will show in Chapter 4, it is an empirically sound assumption. I illustrate this for the case of Germany and Italy. Furthermore, other scholars make a similar assumption (see Tucker (2006)'s book "Regional Economic voting: Russia, Poland, Hungary, Slovakia and the Czech Republic 1990-1999). However, in the future it would be interesting to explore whether intra-regional economic inequality has an effect on candidates' decision to join regional or national political parties. My intuition is that greater homogeneity of interests within regions should increase the likelihood of candidates joining a regional party (instead of sticking with the national party). In his book *Regions and Redistribution: The Political Geography of Inequality* Beramendi presents a model in which both the level of inequality within regions and across regions are important to explain the choice of fiscal institutions (Beramendi, 2011, see Chapter 2).

their region to the poorer region, and the magnitude of the transfer depends directly on the territorial distribution of economic resources in the country. As regional economic inequalities increase, redistributive pressures will also increase and voting for a candidate within a national party will become more costly for voters in the rich region (region B). Voters in region B will thus be more likely to vote for a regional political party that will prevent the transfer of economic resources away from their region.

> **Proposition 1.1** Candidates representing regions at the extremes of the regional economic distribution (i.e. very rich or very poor regions) are more likely to join regional political parties to compete in national-level elections.

> **Proposition 1.2** At the aggregate level, if economic interests are unevenly distributed across regions in a country we should expect to see more regional/local political parties and a more territorialized party system.

In sum, candidates are influenced by the distribution of economic interests in a country. Two additional factors shape a candidate's decision to join a national or regional political party by modifying the costs associated with intra-party heterogeneity of economic interests: one is the degree of candidate autonomy within the national party (which is linked to party discipline), and the other is the degree to which geographically concentrated interests are represented within national-level institutions. In what follows, I elaborate on the role of these two factors.

2.3.2 Party Discipline

The degree to which national political parties are weak or strong (i.e. the degree of autonomy of individual candidates within the national party) modifies the costs associated with intra-party heterogeneity. When candidates have very different policy preferences than those of the rest of candidates in the country they risk losing influence over policy outcomes. Given this situation they are more likely to stick with a national political party if they expect to be able to pursue their own policy agenda once in office. Candidates with divergent policy preferences will not defect from the national party if the national party allows for a strong degree of candidate autonomy vis-a-vis party leaders, that is if the party

has weak party discipline. In contrast, they will be less likely to stick with a national party if the party is organized in such a way that individual candidates have to follow the wishes of party leaders, and thus are unable to pursue their own policy agendas once in office. Highly disciplined political parties are likely to push candidates with divergent policy preferences to form smaller regional or local parties to represent their constituents' interests. In sum, the degree of candidate autonomy modifies the effect of intra-party heterogeneity. This interactive proposition is summarized as follows:

Proposition 2.1. Weakly disciplined national parties (i.e. parties that allow for a substantial degree of candidate autonomy) mitigate the positive effects of intra-party heterogeneity on the likelihood that candidates will abandon the national party in favor of a smaller regional political party. In contrast, strongly disciplined parties exacerbate these positive effects.

The degree of party discipline will not have an independent effect on the likelihood that a candidate will abandon the national party; instead its effect will depend on the degree of intra-party heterogeneity. Party discipline generates ambiguous effects on an individual candidate's incentives to stick with the party. On the one hand, as Ashworth and Bueno de Mesquita (2004) argue, parties with strong party discipline make "voters more confident about the policy positions members of that party will pursue. Since voters are risk averse, an increase in a party's discipline increases the probability voters will vote for that party" (Ashworth and Bueno de Mesquita, 2004, 1). This increases the chances of reelection of a candidate. On the other hand, however, strong party discipline has a cost for individual candidates which is that they will be "less able to pursue their own policy agendas once in office" Ashworth and Bueno de Mesquita (2004, 1). And this in turn has the potential to affect their re-election chances in the future. Conversely, weak party discipline can make a candidate's efforts towards reelection more difficult in that it creates uncertainty for voters, but weak party discipline also has the positive aspect of allowing for individual candidates to pursue their own policy agendas within the parties.

In sum, the extent of party discipline on its own will not have a clear discernible effect on the likelihood that candidates will abandon the national party. The effect depends on whether voters and candidates value autonomy over certainty, and this depends on the degree of intra-party heterogeneity. Under conditions of high intra-party heterogeneity,

voters are more likely to value that their candidates have a voice within the party so that once in office they can pursue the specific interests of their constituents. If this is the case then voters and candidate will prefer weak party discipline. Under conditions of intra-party homogeneity however, we should either see no effect (since the benefits of sticking with the national party are so much larger), or we should see that weakly disciplined parties, voters and candidates value candidate autonomy much less, and thus will put a premium on the advantages of strong parties. This is summarized in the following two propositions:

> **Proposition 2.2.**: The degree of candidate autonomy (i.e. the degree of party discipline) should not have an independent effect on the likelihood that a candidate will abandon the national party.

> **Proposition 2.3.**: Weakly disciplined national parties (i.e. parties that allow for a substantial degree of candidate autonomy) should encourage candidates to stick with them only if intra-party heterogeneity is high.

Figure 2.7: Party Discipline Proposition
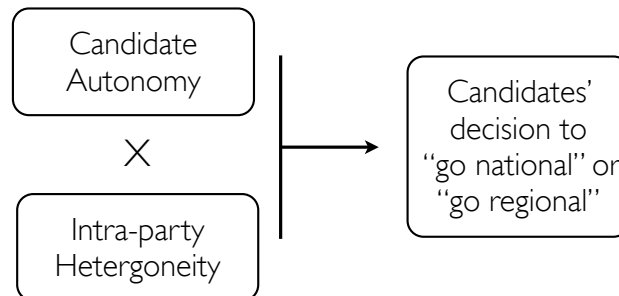
2.3.3 Bicameralism

The third part of my argument focuses on national-level institutions and their effect on candidates' incentives to join national or regional political parties under conditions of a geographically uneven distribution of economic interests. In particular I focus on the role of bicameralism. Upper legislative chambers play an important role in my argument because they provide an institutionalized mechanism to represent geographical/territorial interests in national-level policy-making.

"The most common basis upon which senates [i.e. upper chambers] have been constitutionally anointed is to provide territorial representation. [...] The paradigmatic federal house is the U.S. Senate, whose one hundred members are distributed territorially on the basis of two senators for each of the fifty states regardless of differences in state population size" (Patterson and Mughan, 1999, 10).

As explained earlier, a candidate representing a constituency with economic interests very different from the rest of constituencies in the country is more likely to be held accountable by her constituents for issues of redistribution of economic resources (than for other issues). Given this she is more likely to join a regional political party in order to have a more effective voice in national-policy making. However, if a country already has an institution that specifically gives voice to territorial constituencies in national-level policy-making (i.e. an upper house) then our legislative candidate is less likely to be held accountable for "territorially specific issues" since voters know that these issues are represented by candidates running for elections in the upper house. Therefore, the presence of an upper legislative chamber should decrease the likelihood that our candidate will join a regional or local political party.

In order for voters to engage in this balancing act in which they hold candidates for upper chambers responsible for territorial issues (thus liberating candidates for the lower house form this burden) the upper house must wield substantial influence in policy-making and must be directly elected by the voters. Many countries have upper chambers that are either indirectly elected or appointed and/or that do not have genuine power over policy-making. In such cases (although the countries are bicameral) we should not expect an effect of bicameralism. This leads to the following proposition:

Proposition 3. Directly elected upper chambers mitigate the positive effects of intra-party heterogeneity on the likelihood that candidates will abandon the national party in favor of a smaller regional political party. In contrast, countries without upper chambers (or with an upper chamber that is indirectly elected or appointed) exacerbate these positive effects.

The logic of this proposition runs counter to some of the claims in the literature. As explained in the literature review at the beginning of this chapter, Hicken (2009) posits that a greater concentration of power at the national-level should encourage aggregation,

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whereas dispersion of power at the national-level will make candidates less likely to link across constituencies and form national parties. For Hicken one of the factors affecting the level of concentration of power at the national-level is the presence of an upper legislative chamber. His argument implies that upper legislative chambers undermine the concentration of power at the national level and thus discourage "aggregation," which means that upper legislative chambers create incentives for candidates to abandon national political parties. The argument that I posit regarding the role of bicameralism presents a different mechanism and leads to opposite predictions. According to my expectations upper legislative chambers should make it easier for candidates to stick with national political parties in a context of intra-party heterogeneity, whereas unicameral countries should create incentives for candidates to abandon national parties in the context of high levels of intra-party heterogeneity.

Hicken et al. (2008)'s argument and my own argument are not mutually exclusive. In fact, it is probably the case that bicameralism has two different and counter-active effects on candidates' incentives to form nation-wide alliances, which would explain why its direct effect (in Chapter 4) is often not robustly significant. On the one hand, bicameral chambers tend to fragment power at the national and thus discourage the formation of national parties. On the other hand, upper chambers institutionalize territorial interests, which actually makes candidates more likely to stick with national political parties (since territorial interests are already represented at the national level). In Chapter 4 I focus on testing the latter argument (my own), which is based on the interaction between territorially concentrated economic interests and bicameralism.

2.3.4 Summary of Argument

I argue that the territorial nature of party systems is shaped by decisions taken by candidates as they seek reelection in their particular (territorial) constituencies. Three factors affect their decision to join smaller regional political parties instead of national parties when competing for national-level office. The first factor is the geography of interests; in this dissertation I pay particular attention to the geography of *economic* interests. A candidate is more likely to join a regional political party as the economic interests of her constituency

become increasingly distinct from those of the rest of constituencies in the country. The second factor is party discipline; in this dissertation I pay particular attention to the degree of candidate autonomy within the national party. The third factor is bicameralism and the extent to which national-level institutions represent territorially concentrated interests. I argue that party discipline and bicameralism modify the effect of an uneven geography of economic interests. In other words, weak party discipline and directly elected upper legislative chambers can reduce the costs of intra-party heterogeneity for candidates, and thus reduce their likelihood of abandoning national political parties in favor of smaller regional or local parties. In the aggregate, the individual-level decisions of candidates have an effect on the territorial nature of the party system. Figure 2.8 shows a schematic representation of my argument.

Figure 2.8: Argument of the Dissertation
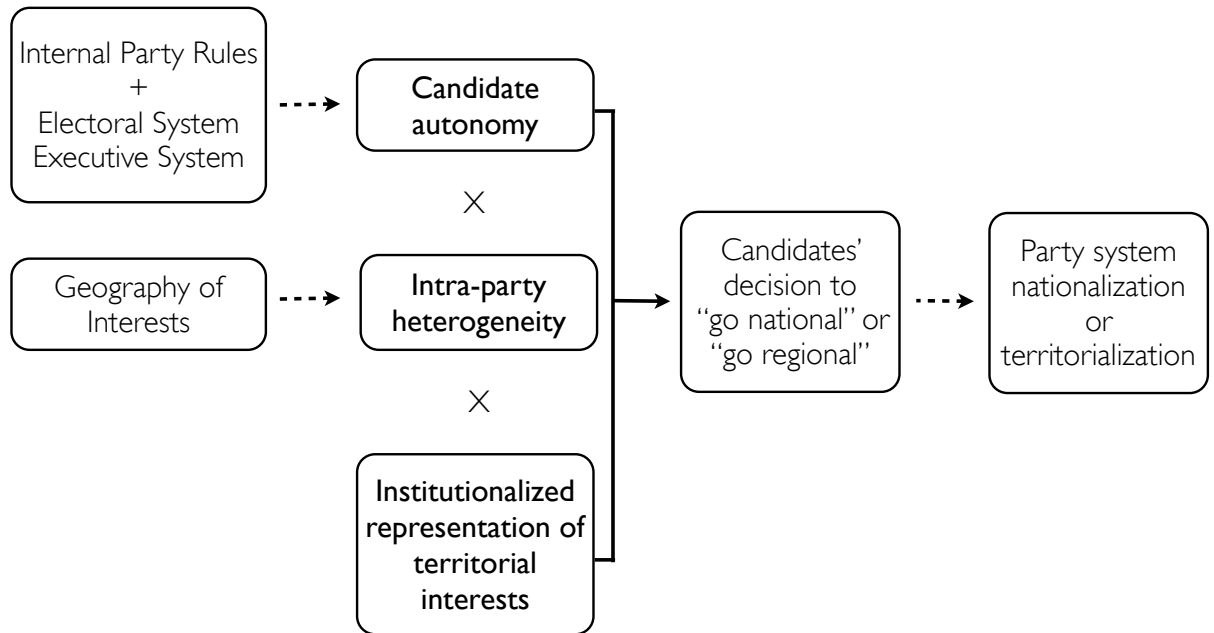
2.4 Conclusion

Most of the existing literature on the development of national parties and party systems has focused on institutions to explain candidates' incentives to join national political parties. One of the most common explanations of party system nationalization states that an increase in power and resources at the national-level should create incentives for candidates (and voters) to form national political parties as a way to better capture those resources and power (Cox, 1999; Cox and Knoll, 2003; Hicken, 2009; Chhibber and Kollman, 2004). In other words, a large pool of resources available for distribution at the national level is an incentive for candidates to build nation-wide coalitions. In contrast, I argue that from the point of view of an individual candidate what matters is not *only* the size of the pie but also (and perhaps more importantly) how the pie will be distributed among the members of the winning party. In other words, being part of a national party is *not always* the best way of getting access to power and resources controlled by the central government. Under certain conditions, the policy preferences of an individual candidate might be most easily achieved by joining a regional political party.

The goal of this chapter has been to develop the conditions under which the decision to join a regional party is best for a candidate. The three factors that condition candidates' decisions are a) the distribution of interests across politically relevant constituencies in a country, b) the internal organization of parties and c) directly elected upper chamber that represent territorial interests. The rest of the dissertation seeks to test these propositions with a mixed method approach. Chapter 3 tests the relationship between economic geography and party system territorialization using a large-N data set. Chapter 4 tests the modifying effect of "party discipline" and "directly elected upper chambers" using the same data set, as well as two brief case studies: Post-World War II Italy and Progressive Era United States. Chapter 5 presents an in depth case study of Germany.

Figure 2.9: Party System Territorialization and Decentralization

Fiscal Decentralization = Subnational Revenue as Proportion of GDP (5-year lag)
Party System Territorialization = Inflation Scores (d-n)
N = 53

Party System Territorialization = Inflation Scores (d-n)
N = 63
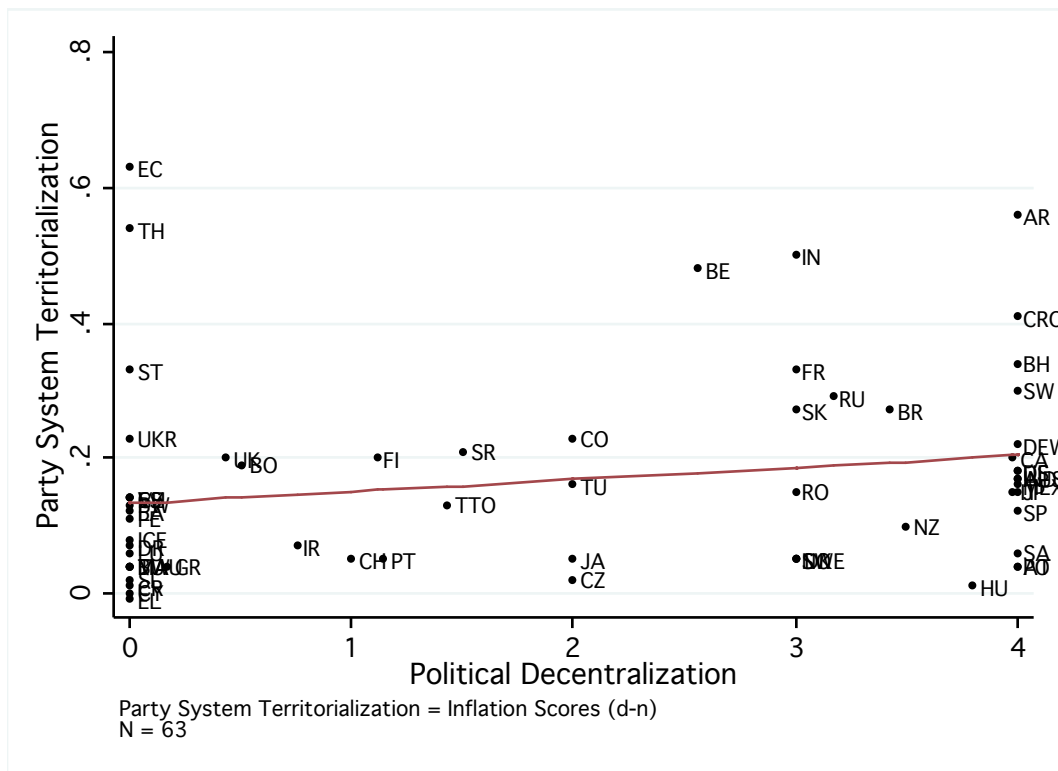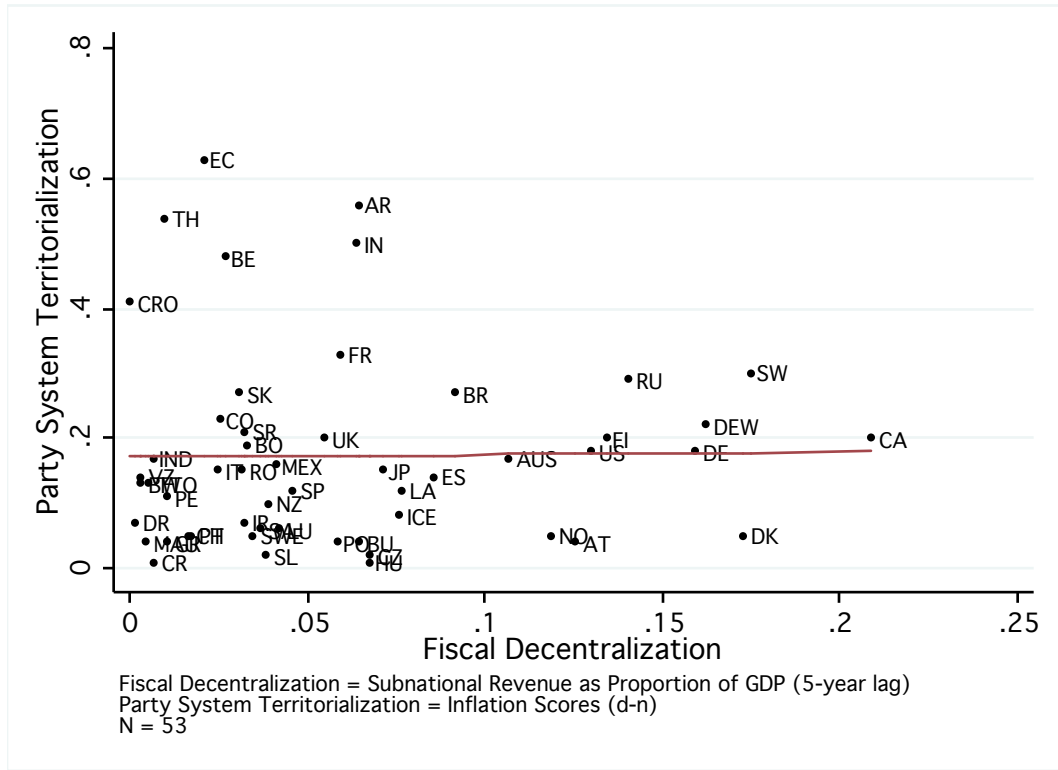
Figure 2.10: Party System Territorialization and Political Decentralization
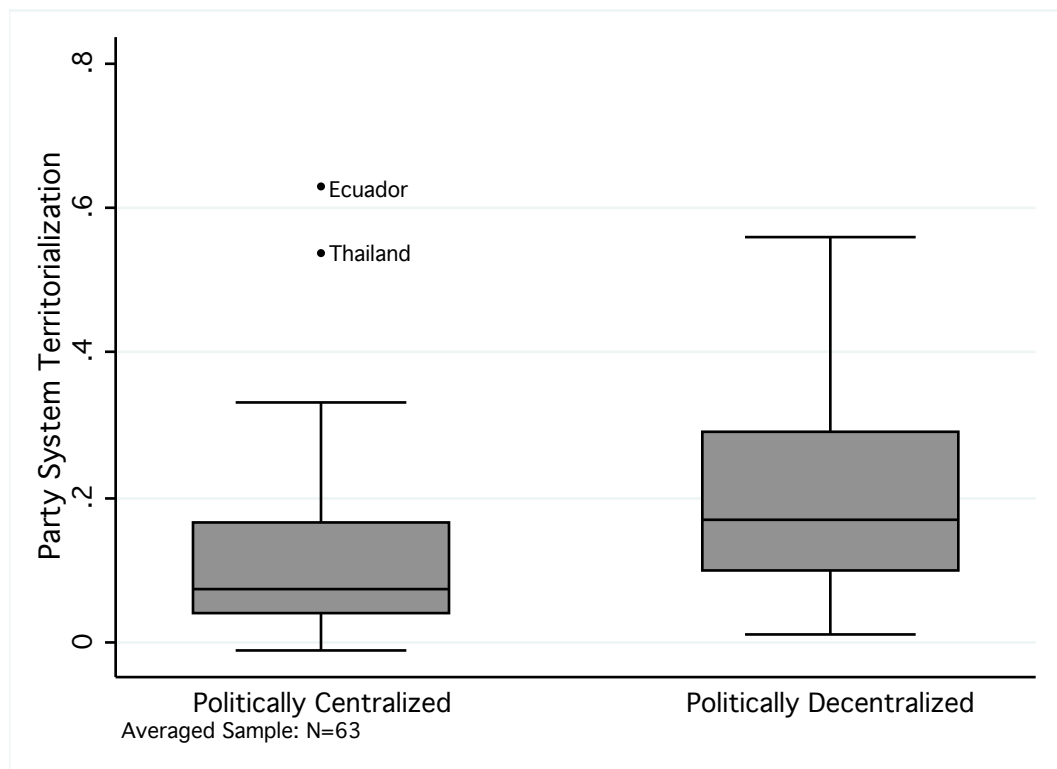
Figure 2.11: Party System Territorialization and Executive System
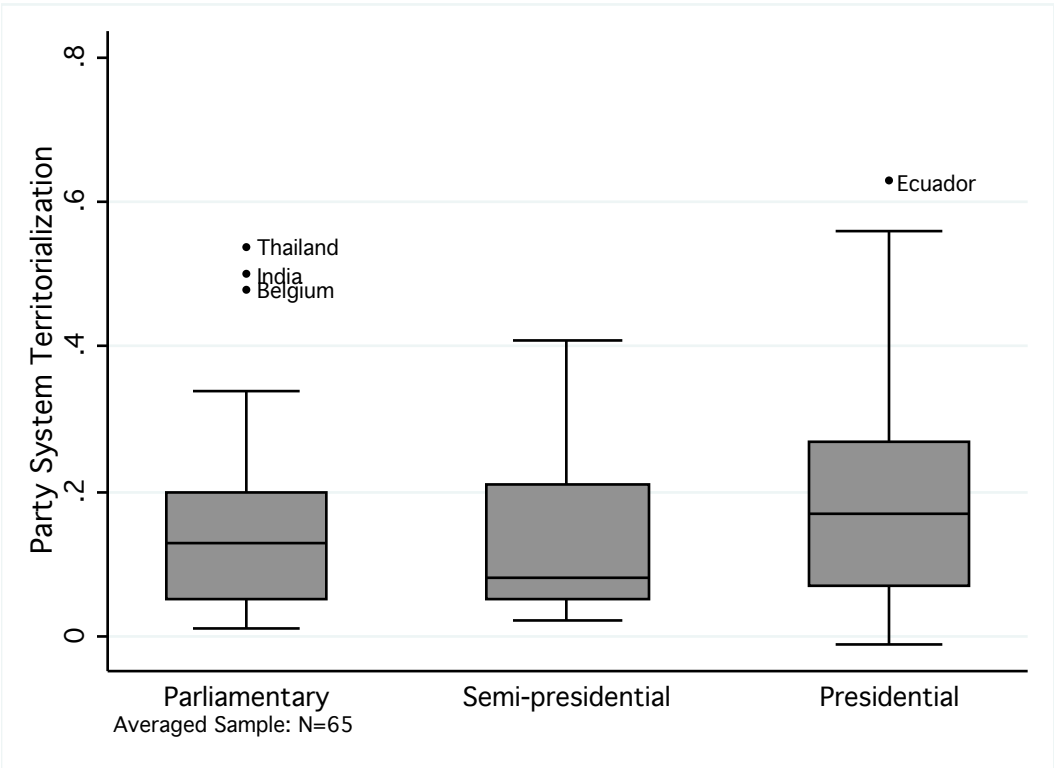
Figure 2.12: Party System Territorialization and Electoral System
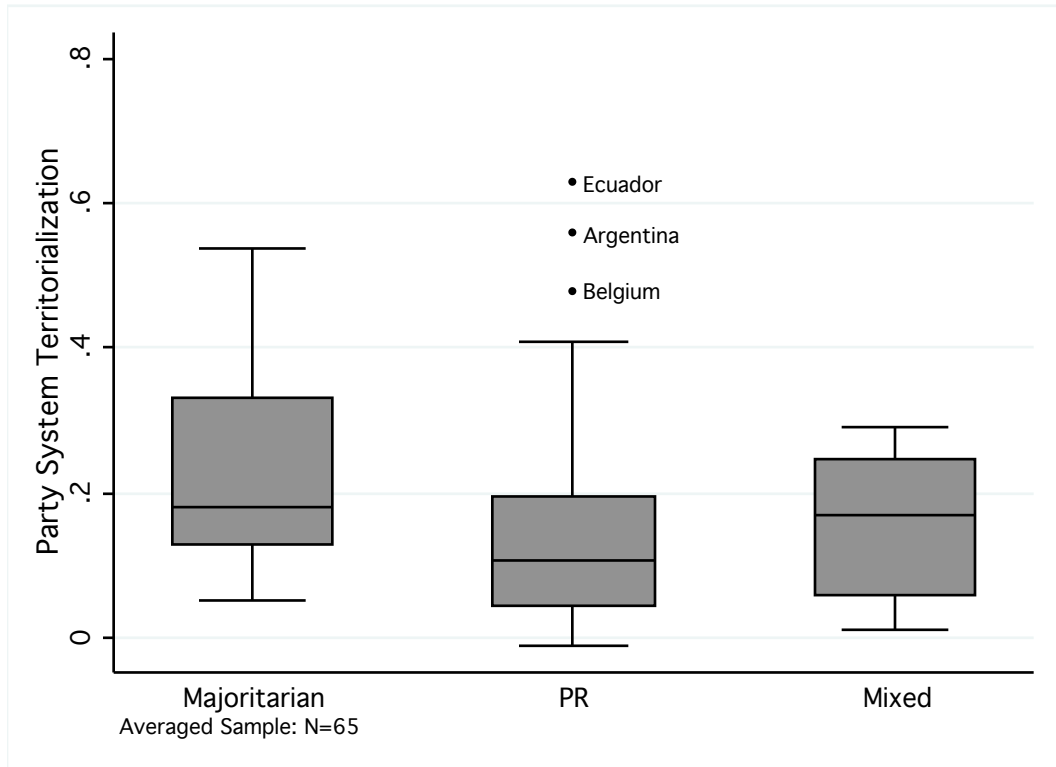
Figure 2.13: Party System Territorialization and Av. District Magnitude
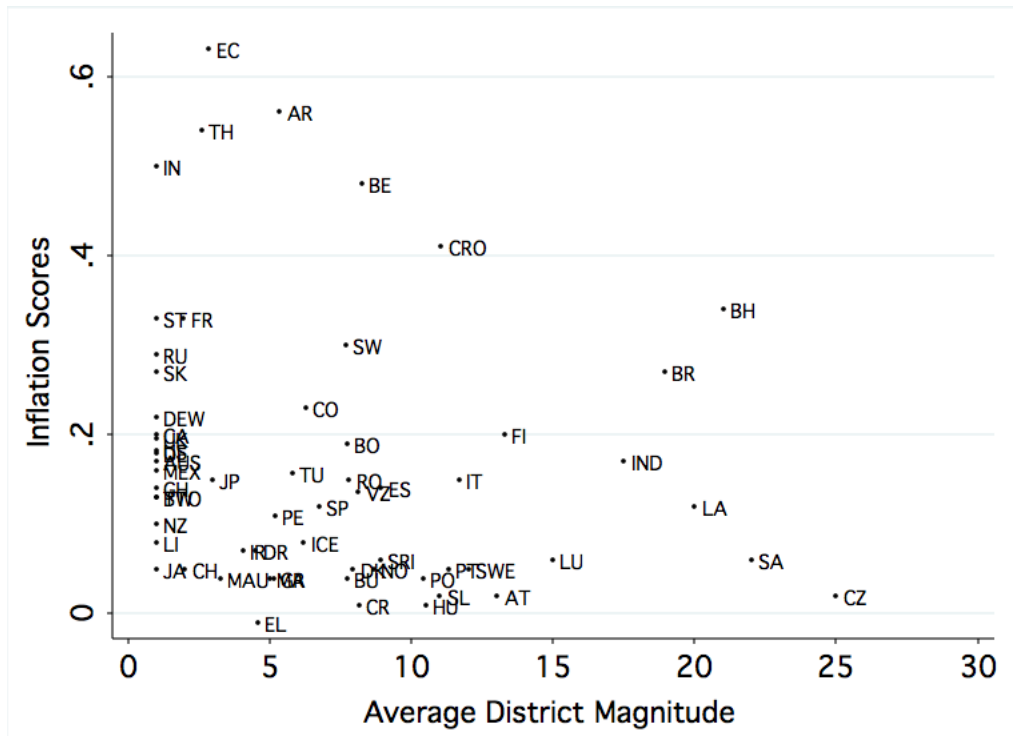
Table 2.3: OLS Regression: Averaged Sample

DV: Party System Territorialization	M1	M2	M3	M4	M5	M6
Political Decentralization (5-year lag)	.023**		.011	.008	.006	.010
	(.01)		(.02)	(.02)	(.02)	(.02)
Fiscal Decentralization (5-year lag)[+]		.003	.002	.002	.001	.002
		(.00)	(.00)	(.00)	(.00)	(.00)
Bicameralism				.028	.019	−.012
				(.05)	(.05)	(.05)
Parliamentary System	−.055	−.067	−.073*	−.067	−.064	−.061
	(.04)	(.04)	(.04)	(.04)	(.04)	(.04)
Electoral System (PR+Mixed)	−.072	−.080	−.079	−.069	−.039	−.021
	(.04)	(.05)	(.05)	(.06)	(.06)	(.06)
Number of Districts					.000	.000
					(.00)	(.00)
Ethnic fractionalization						.198**
						(.09)
Constant	.208***	.224***	.218***	.195**	.168**	.086
	(.05)	(.06)	(.06)	(.08)	(.08)	(.09)
Adj. R^2	.067	.068	.058	.045	.043	.102
No. of cases	63	52	52	52	52	50

Sig: p<0.10, ** p<0.05, *** p<0.01*

DepVar: Inflation Scores (idn)

+Subnational rev. as % total revenues

Table 2.4: OLS Regression: Averaged Sample

DV: Party System Territorialization	M1	M2
Political Decentralization (5-year lag)	.019	.011
	(.02)	(.02)
Fiscal Decentralization (5-year lag)[++]	−.002	
	(.00)	
Bicameral	−.015	.008
	(.05)	(.08)
Fiscal Decen (lag) (revsharelagav)		.003
		(.00)
Bicameral x Fiscal Decentralization (5-year lag)[+]		−.001
		(.00)
Parliamentary	−.058	−.064
	(.04)	(.05)
Electoral System (PR+Mixed)	−.018	−.022
	(.06)	(.06)
Number of Districts	.000	.000
	(.00)	(.00)
Ethnic fractionalization (Fearon)	.194**	.201**
	(.09)	(.09)
Constant	.103	.071
	(.08)	(.10)
Adj. R^2	.096	.083
No. of cases	51	50

Sig:* p<0.10, ** p<0.05, *** p<0.01

DepVar: Inflation Scores (idn)

+Subnational revenue as % total revenues

++Subnational revenue as % GDP

CHAPTER III

Economic Geography and Party System Territorialization

In Chapter 2 I argue that the territorial nature of party systems is shaped by decisions taken by candidates as they seek reelection in their particular constituencies. These decisions are affected by how economic interests are distributed across constituencies in a country, as well as by aspects of the internal organization of parties and by broader institutional and constitutional features. This chapter (Chapter 3) and the next chapter (Chapter 4) test these propositions. The focus of this chapter is on testing the proposition that the distribution of economic interests across politically relevant constituencies in a country matters in explaining variation in party system territorialization. The chapter proceeds as follows. The first three sections introduce the reader to the data set that I assembled for this project. I discuss the definition of "politically relevant units", and present the operationalization of the dependent variable "party system territorialization". The fourth section introduces the main independent variable, geography of economic interests, and presents a way to operationalize this concept to allow for cross-country and temporal comparisons. The fifth and sixth sections discuss the model, methodology and control variables. The rest of the chapter presents and discuses the results of my analyses,.

3.1 Politically Relevant Territorial Units

One of the propositions developed in Chapter 2 is that the distribution of economic interests across politically relevant territorial units is a key factor in explaining cross-country differences in party systems. A previous step to testing this proposition is to provide a

definition of "politically relevant territorial units". This definition will be useful in operationalizing the dependent variable "party system territorialization" as well as some of the main independent variable "geography of economic interests".

What constitutes a politically relevant territorial unit can vary from country to country and over time. For most countries, the "electoral district" is the politically relevant territorial unit. Electoral districts delineate the boundaries of a candidate's reelection constituency and are the minimal unit over which seats are assigned. This makes electoral districts politically meaningful for both candidates and voters. In some countries, however, there are other territorial units that can also be politically relevant for candidates and voters. Federal or decentralized have sub-national units/regions[1] with a significant degree of political power and independent policy-making capacity. And oftentimes these regions are represented in national-level policy-making through representation in an upper legislative chambers.

Table 3.1 on page 57 shows a classification of all democracies in my data set according to whether each has a regional tier in addition to the electoral district tier. I define "regional tier" as a politically relevant territorial unit that has some degree of authority.[2] On the one hand, countries that do not have a "regional tier" are what the literature refers to as "unitary countries" (in contrast with federal or decentralized countries). In unitary countries the politically relevant territorial unit is the electoral district. Examples of such countries are Bulgaria, Finland between 1970 and 1991, Iceland, Honduras, and UK between 1974 and 1997. On the other hand, there are countries that have a regional tier. These countries can be of two types: a) countries where the regional tier coincides with the district tier (region = district), and b) countries where the regional tier is different from the district tier (region ≠ district). In the former case, the politically relevant unit is the district/regional tier.

In the latter case, the politically relevant tier can be wether the district or the region. Examples of such countries are Australia which has 24 regions (i.e. states) and around 150

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[1]The literature refers to sub-national units in various ways: states, provinces, regions. I use the term "region" throughout the dissertation.

[2]The amount of power given to regional tiers ranges from administrative powers to full fledged autonomy with taxing and policy-making authority.

electoral districts (depending on the election year). Another example is Canada which has 12 regions (i.e. provinces) and between 264 and 308 electoral districts depending on the election year. Finally, the UK has 4 regions and 635 electoral districts. For the interested reader, Table 3.15 on page 113 at the end of this chapter lists the number of districts and the number of regions (if any) for each democracy in my data set.[3] In countries where the regional tier is different from the district tier the question emerges as to what is the politically relevant territorial unit for candidates. I argue that because these countries are decentralized or federal, the region is more politically relevant than the district. So for example in the case of Spain, I take the 13 "autonomous communities" (which are the regions in Spain) and not the 52 "provinces (which correspond to the electoral districts) as the politically meaningful territorial unit. Note that in this list there are four countries (Croatia, Netherlands, Slovakia and Ukraine) that are unusual in that the number of electoral districts is smaller than the number of regions. More specifically in the case of the Netherlands, Ukraine and Slovakia the number of electoral districts is 1, since the entire nation is the electoral district. This means that seats are not assigned to territorial constituencies. However, these countries have decentralized regions, so I take these regions to be the politically relevant unit.

3.2 The Dependent Variable: Party System Territorialization

If we think of a country as divided up into electoral districts, a party system is "nationalized" if all electoral districts have the same set of parties. When this is the case the district-level party systems are the same in each district and the same at the national level. In contrast, when the party system is completely "localized", each electoral district will have its own set of parties. This means that each district-level party system will be different from each other and different from the national level party system. In sum, the differences between the local and national party systems give us an intuition of the extent of nationalization.

For example, let's assume that each district produces two parties. A localized party

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[3]Countries that do not have regions are classified as unitary countries in Table 3.1. Note that some countries that do have regions are also classified as unitary, and it is noted in Table 3.15. This means that they have a regional tier, but its existence is almost symbolic. They have no power whatsoever so they are de facto unitary countries.

Table 3.1: Classification of Countries by State Structure and Territorial Units

Regional Tier		No Regional Tier
Federal		**Unitary**
Region = District	Region ≠ District	Only District Tier
Argentina	Australia	Bangladesh
Austria 1971-1994	Austria 1995-2006	Belgium 1974-1978
Bosnia-Herzegovina	Belgium 1995-2007	Bolivia 1985-1993
Brazil	Bolivia	Botswana
Colombia 1998-2006	Canada	Bulgaria
Czech Republic 2002-2006	Germany	Colombia 1982-1990
Hungary 1994-2006	Indonesia 2004	Costa Rica
Indonesia 1999	Italy	Cyprus
South Africa	Japan	Czech Republic 1996-1998
Switzerland	Mexico	Dominican Republic
Venezuela	New Zealand 1990-2005	El Salvador
	Philippines	Estonia
	Poland 2001-2005	Finland 1970-1991
	Russia 1999-2003	Ghana
	Spain	Greece 1981-1993
	Sri Lanka	Guatemala
	United States	Honduras
	West Germany	Iceland
		Ireland 1987-1993
		Latvia
Decentralized		
Region = District	Region ≠ District	
Denmark	Belgium 1989-1991	Luxembourg
Ecuador 1984, 2006	Chile	Malta
Finland 1995-2007	France	Mauritius
Hungary 1990	Greece 1996-2000	Peru
Norway	India	Slovenia
Portugal	Ireland 1994-2002	St. Kitts and Nevis
Romania	Jamaica	Taiwan
	Lithuania	Thailand
	New Zealand 1981-1987	Trin.& Tobago 1971-1976
	Poland 1997	UK 1974-1997
	Sweden	
	Russia 1993-1995	
	Turkey	
	Trin.&Tobago 1981-2000	
	UK 2001-2005	
	Croatia*	
	Netherlands*	
	Slovakia*	
	Ukraine*	
* No. districts < No. regions		

system would be such that each electoral district has a different set of two parties competing and receiving votes in their respective district. If this is the case then the aggregation of different sets of two parties would lead to N parties at the national level, and N being equal to 2 x the number of districts in that country. However, if all electoral districts have the same set of two parties then at the national level we will observe the same two parties as well. Based on this logic Chhibber et al. (2004) and Chhibber and Kollman (2004) use a measure of the extent of coordination across electoral districts in a country which is the difference between the effective number of parties at the national level (ENPn) and the effective number of parties at the district level averaged across districts (ENPd):[4]

$$\text{ENP Difference} = \text{ENP}_\text{n} - \text{ENP}_\text{d} \tag{3.3}$$

According to this measure, if the effective number of parties at the district-level is similar to the effective number of parties at the national level (i.e. if the ENP difference is small or close to 0) we can assume that the same set of parties is present in all electoral districts. And this implies that the party system is "nationalized". However, if the difference is large it means that coordination between districts is not good and creates an inflated party system at the national level. In this case the party system is "localized". This simple difference is then transformed into a " a percentage measure of how much larger the national party system is than the average district-level party system" (Hicken, 2009, 22), which several scholars refer to as "inflation". This transformation, which I use as the measure of party system localization, is presented in equation 3.4. The measure ranges from 0 (a perfectly nationalized party system) to 1 (a perfectly localized party system).[5] According to Hicken

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[4]The measure of the effective number of parties is based on Laakso and Taagepera (1979) and calculated as follows:

$$\text{ENPn} = \sum_{\text{i}=1} \left(\frac{\text{v}_\text{i}}{\text{V}}\right)^2 \tag{3.1}$$

$$\text{ENP}_\text{d} = \frac{\sum_{\text{d}=1} \left(\frac{1}{\Sigma_{\text{i}=1}\,\text{v}_{\text{ij}}^2}\right)}{\text{D}} \tag{3.2}$$

In equation 3.1, v is the number of votes obtained by party i; V is the total number of votes cast at the national level; so the effective number of parties at the national level is the sum of squared vote shares. In equation 3.2, D is the number of districts and v_{ij} is the vote share of each party in each district. Note that this measure weights parties according to their size.

[5]This is a widely used measure of the degree of party system nationalization, but not the only one. For

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(2009), if this measure is 0.1 it "suggests that only 10 percent of the size of the national party system can be attributed to different parties garnering votes in different parts [districts] of the country (poor aggregation), with the other 90 percent due to the average number of parties at the district level. In short, a measurement of 0.1 indicates a aggregation is very good – the same parties are generally the frontrunners in most districts nationwide. On the other hand, [if the measure is 0.6] we know that poor aggregation deserves most of the credit for producing a large number of parties nationally while intra-district coordination can only account for 40 percent of the national party system's size" (Hicken, 2009, 62).

$$\textbf{Inflation Measure} = \frac{\text{ENP}_n - \text{ENP}_d}{\text{ENP}_n} \qquad (3.4)$$

As explained in the previous section, however, in some countries electoral districts are embedded within larger territorial units (regions) which have the potential to structure political competition especially when these regions have significant powers to produce policy and to control resources. Countries in which there is a regional tier (in addition to a district tier) and in which the regional tier is distinct from the district tier are listed in column 2 of Table 3.1. The key question for the present analysis is whether it is appropriate to use the "electoral district" to calculate the extent of party system nationalization (as is done in equation 3.4), or whether we should use the "region" instead.

Figure 3.1 illustrates the different types of party systems that can emerge in countries that have districts embedded within larger regions. The type of party system that emerges is the result of coordination across districts within regions (intra-region coordination) and across regions (inter-region coordination). In order to have a completely nationalized party system, candidates and voters need to coordinate across districts within regions as well as across regions, which is the equivalent to good coordination across all districts in the country. However, depending on the level at which coordination fails we can find three different types

example, some scholars measure the extent to which each party in a country is nationalized and then take an average to have a party system level measure. Jones and Mainwaring (2003) first measure the dispersion of each party's votes across different regions (their measure of dispersion is the Gini index) to create what they call the "Party Nationalization Score (PNS)". And then they aggregate these individual party scores to create a party system measure. [Cite Morgenstern measures as well]. See Hicken (2009) or Leiras (2006) for a good review on the different ways scholars have calculated this inflation measure and the logic behind these different measures.

of party systems: *localized* party systems, *atomized* party systems and *regionalized* party systems (see Figure 3.2(a)).

Figure 3.1: Typology of Party Systems for Countries where Regional Tier ≠ District Tier
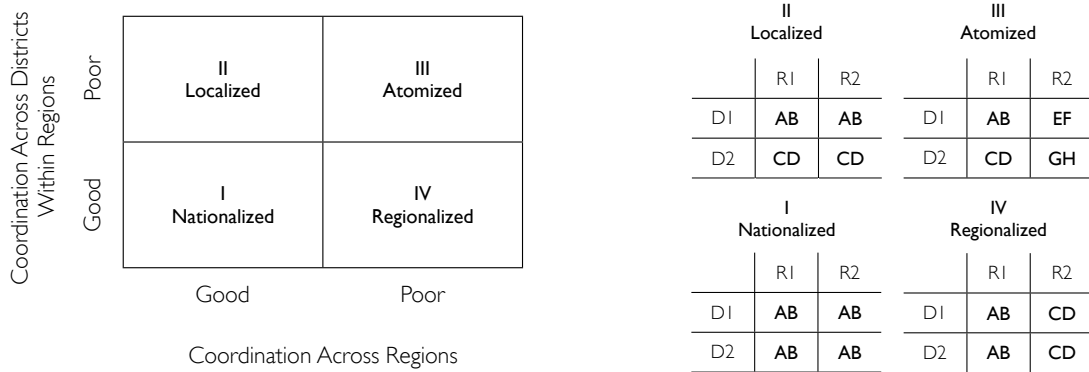
In order to illustrate the differences between these types of party systems imagine a country with two regions (R1 and R2) and two districts (D1 and D2) in each region (that is a total of 4 districts). Also imagine for sake of simplicity that this country has a single-member first-past the post electoral system, so in theory we expect to find two political parties in each district. In a nationalized party system there is good coordination across all four districts (D1 and D2 from R1 and D1 and D2 from R2), which results in the same set of two parties (party A and party B) in each district. In contrast, if voters and candidates fail to coordinate across districts within regions as well as across regions then each district will have an entirely different set of two parties (parties A and B in district 1 of region 1, parties C and D in district 2 of region 1, parties E and F in district 1 of region 2, and parties G and H in district 2 of region 2). The outcome is an *atomized* party system (third quadrant in Figure 3.2(b)). If voters and candidates manage to coordinate perfectly across districts within regions but imperfectly across regions we end up with two different sets of parties in each region (parties A and B in both districts of region 1 and parties C and D in both districts of region 2). This is the definition of a perfectly *regionalized* party system (fourth quadrant in Figure 3.2(b)). In contrast, if voters and candidates decide to coordinate perfectly across regions but imperfectly across districts within regions we end

up with a party system where the two regions have the same set of parties (parties A, B, C and D), but the districts within each of the regions have two different parties (A and B in district 1 and C and D in district 2). This is what I call a *localized* party system (second quadrant in Figure 3.2(b)).

Where countries lie in this two-by-two table is an empirical question. Figure 3.2 maps party systems for all countries with districts that are embedded within regions (that is countries in column 2 in Table 3.1). The vertical y-axis represents the degree of coordination across districts within regions in a country.[6] Higher values indicate poor coordination across districts within regions, lower values indicate good coordination across districts within regions. The horizontal x-axis represents the degree of coordination across regions.[7] Higher values indicate poor coordination across regions, lower values indicate good coordination across regions. The graph thus mirrors the two dimensions in the tables in Figure 3.1. The line is a 45 degree angle line that I use as a reference point. The graph tells us that most of these countries (with the exception of France, UK, Jamaica, and the United States) are below (i.e. to the right) of the 45 degree angle line, which means that most countries with districts and regions tend to have more problems of coordination across regions than across districts within regions. In other words, the relevant variation is expressed in the dimension of regionalization (rather than the dimension of localization). This suggests that the "region" is more politically relevant than the district.

There are also theoretical and methodological reasons that suggest that the use of "regions" (instead of districts) is more appropriate for the set of countries that have both a regional tier and a district tier. First, countries that have a regional tier are either decentralized countries or federal countries, which means that the regional level has a substantial amount of power (especially in federations) and thus would be an important unit of analysis when examining political competition. Second, countries that have both districts and

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[6]It is calculated based on the following formula:

$$\frac{\mathrm{ENP_r} - \mathrm{ENP_d}}{\mathrm{ENP_r}} \tag{3.5}$$

[7]It is calculated based on the following formula:

$$\frac{\mathrm{ENP_n} - \mathrm{ENP_r}}{\mathrm{ENP_n}} \tag{3.6}$$

Figure 3.2: Mapping Party Systems for Countries where Regional Tier $\neq$ District Tier
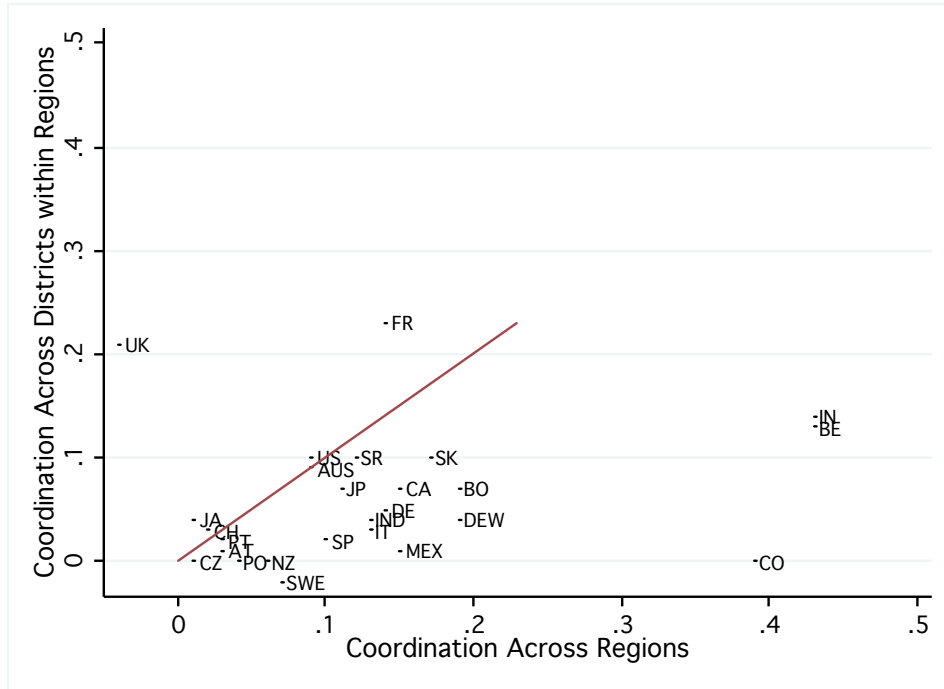
regions tend to have a large number of very small electoral districts (i.e. the UK has 635 districts, the United States has 435 electoral districts, Canada has 264 electoral districts and so on (see Table 3.15 for a list of countries with their corresponding number of districts and regions). The small size of these districts suggests that parties competing in only one district would not be viable nationally, and thus that candidates and voters have an incentive to coordinate along larger territorial units (i.e. regions). Third, scholars (Chhibber and Kollman, 2004; Hicken, 2009; Harbers, 2010) have pointed to political and fiscal (de)centralization as a key determinant of the degree of party system nationalization or territorialization. If this argument is correct decentralization should affect coordination across regions and not across districts since regions are the unit to which power is devolved in decentralized or federal countries.[8] Finally, regions tend to have more stable territorial boundaries than districts. The creation, alteration or elimination of regions is a rare occurrence since it is politically charged, yet the number of districts and/or their territorial

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[8]Current research has actually only tested the argument about decentralization using the district, instead of the region, as the unit of analysis. In order to correctly test this argument, however, the unit of analysis should be the region.

boundaries change often in countries with majoritarian electoral systems.[9]

Based on these reasons I construct a new measure of party system nationalization that uses "regions" instead of "districts" for countries in my data set that have a distinct regional tier (that is for countries in column 2 in Table 3.1). I call this measure "party system territorialization" to distinguish it from the measure presented above "party system localization". Equation 3.7 shows the formula for the measure "party system territorialization".

$$\textbf{Party System Territorialization} = \frac{\text{ENP}_\text{n} - \text{ENP}_\text{t}}{\text{ENP}_\text{n}} \tag{3.7}$$

This measure differs from the one in equation 3.4 in that it uses the "region" as the relevant territorial unit for countries with a regional tier that is different from the electoral district tier (column 2 in Table 3.1). For the rest of countries it uses the only unit available: "districts" in the case of unitary countries (column 3 in Table 3.1) and "districts", which are also "regions" in countries that have a regional tier that is the same as the electoral district tier (column 1 in Table 3.1). The measure is thus constructed identically to "party system localization", but instead of using the effective number of parties in each district (ENPd) across the board, I use the effective number of parties in each district in some countries and the effective number of parties in each region in other countries. I call this measure ENPt (which stands for effective number of parties in each politically relevant territorial unit). The measure ranges from 0 indicating greater party system nationalization to 1 indicating greater party system territorialization. This is my main dependent variable.[10]

3.3   Data Set and Patterns

There are few large-N comparative studies of party system territorialization. Caramani's (2004) work on the nationalization of European electorates in 17 Western European countries and Chhibber and Kollman (2004)'s study of party system nationalization in four

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[9]The size of regions varies across countries, but so does the size of electoral districts, so issues of varying size of territorial units should not guide this decision.

[10]It should be noted that the correlation between the measure of "party system localization" and "party system territorialization" is quite high (0.8) since many countries have the same values in both measures (i.e. all unitary countries and all countries where region = district). However, distinguishing between these two measures does yield different conclusions regarding the role of decentralization for example. I will show this in my robustness checks.

federations (Canada, India, UK and US) are some of the first attempts to study and measure the territorial dimension of politics across several countries. The emphasis of both of these studies however, is mostly diachronic; they focus on a long-term historical perspective of party system change within a fairly reduced sample of countries. Furthermore, their samples are limited to developed democracies (with the exception of the Indian case in Chhibber and Kollman (2004)'s work). More recently some scholars have explored the territorial nature of party systems outside of the developed Western world, but with the notable exceptions of Hicken (2009) and Brancati (2009) these works have focused mostly on a subset of cases in Latin America (Morgenstern et al., 2009; Harbers, 2010), and have not compared their findings with other developing countries or with developed and long-established democracies. In sum there are few comparative studies of party system nationalization that include a representative sample of both developed and developing countries as well as new and old democracies.

For this dissertation I have created a data set of party system territorialization that uses the largest (and most representative) sample of democracies to date. The universe of cases for my data set is all countries that have been democratic for at least two legislative election periods starting in 1970 (or anytime after that if their transition to democracy happens at a later year). I base the coding of democratic countries on a combination of sources. Until 1994 I use Boix (2003) who considers countries as democratic if there are free multiparty elections and a majority of the population has the right to vote (Boix, 2003).[11] His data set only extends to 1994. I use the Freedom House Index and the *polity* variable from the Polity V data set to code more recent years. I code a country as democratic if the polity score is 6 or higher *and* the freedom house index indicates that the country is *free*.[12] Table 3.16 on page 116 provides the list of countries, country codes and election years for which I have data to calculate inflation scores. The data set contains a measure of party system territorialization for 346 election years in 67 countries spanning the period from 1970 to

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[11]For a more detailed explanation of the coding see page 66 in Boix (2003) and see Appendix 2.1 on page 98 for the list of countries and time periods that they are democratic.

[12]This decision rule coincides with coding decisions by other sources and scholars. The Election Results Archive (ERA) for example considers countries as democratic as having at least 5.5 score in the Freedom House ratings and at least a 6 on University of Maryland Polity III / IV rankings for the year in which the elections took place in the polity score. See http://cdp.binghamton.edu/.

2009.[13]

The data collected to construct the measure of "party system territorialization" consist of electoral results for each party in each electoral district (and in each region if they have a regional tier) at each national legislative election for every democratic country. Until recently this type of data was practically inexistent. Today, two data collection projects are underway to collect district-level electoral results for a comprehensive set of countries: CLEA (Kollman et al., 2012) and CLE (Brancati, 2007). In addition I have used country sources and other databases on electoral results (see Table 3.17 for all sources on electoral data by country). The data can be analyzed as a pooled sample (cross-country and cross-time variation) or as an averaged sample (cross-country variation). Figure 3.3 shows the variation in the dependent variable (which was calculated based on equation 3.7) for all countries in my data set. The top graph presents the variation across countries (values are averaged across the series of elections available for each country). The top red horizontal line represents the mean value of this measure, whereas the bottom green line represents the median value for this measure. This average measure of "party system territorialization" ranges from a low of 0 for Cyprus, which indicates that Cyprus has a perfectly nationalized party system, to a high of 0.73 for Argentina, which indicates that it has a very territorialized party system. The bottom graph shows both the variation across countries and across time within each country.

3.4 The Geography of Economic Interests

Geographically concentrated interests are most frequently associated with ethnic, religious and/or linguistic characteristics. This makes sense since it is easy to imagine why people of the same language, religion and/or ethnicity would end up clustering together in space. There is a substantial literature on the relationship between geographically concentrated ethnicity, language and religion and the territorialization of politics (de Winter et al. 2006, de Winter and Turban 1997, Keating 1998). Especially in Western Europe, scholars

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[13]Data for key independent variables such as "fiscal decentralization" and "territorial economic inequality" are more limited than the electoral data that I use for the dependent variable (party system territorialization), which reduces the number of cases when running the relevant regression analyses. As I will explain in the empirical section the final data set used in the analyses contains around 137 election years across 38 countries.

Figure 3.3: Variation in Party System Territorialization

(a) Variation Across Countries

(b) Variation Across Countries and Time

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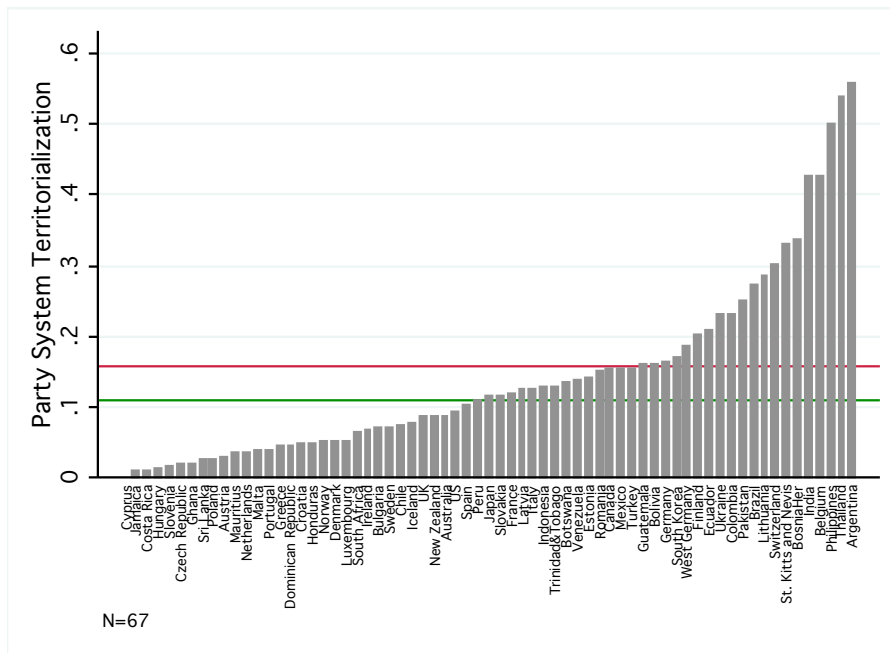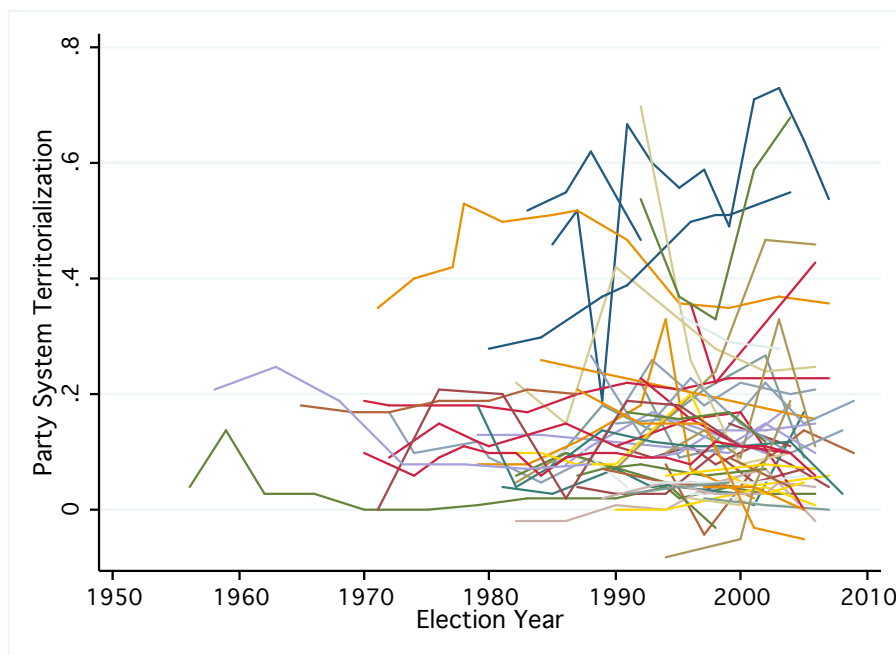
have associated the rise and the success of regional political parties with a "region's cultural or ethnic distinctiveness"(Ziegfeld, 2009, 16). Interestingly, economic interests have been less frequently associated with regional parties and territorialized party systems. Although there is a literature on economic grievances that predicts the rise of regional parties due to economic dissatisfaction, there are few empirical studies testing these propositions.[14] In the case of Western Europe, Lipset and Rokkan (1967) and Caramani (2004) (who are the established authorities on the development of parties and party systems in Europe) argue that economic interests (represented in the left-right dimension) are in fact *nationalizing* forces that are responsible for the nationalization of the party system and electoral behavior.

> "The progressive and rapid formation of nationalized electorates and party systems must be explained through the *supremacy of the functional nonterritorial left-right alignment* that resulted from state-church conflicts and centralization processes first –that is processes of state formation and nation-building– and, later, from the class cleavages that developed out of industrialization and urbanization" (Caramani, 2004, 292).

In contrast with this view, I argue that for a variety of historical, sociological and environmental reasons, economic interests are territorially concentrated in some countries and at some time periods. The ways in which economic interests map onto politically relevant territorial units can in turn have a profound impact on politics, and especially on the development of certain types of parties and party systems. In what follows I show two maps of Italy and Germany that serve as an illustration of the territorial concentration of economic interests in these two European countries. In turn, I present regional economic data on other democracies to show that the concentration of economic interests is even more pervasive in other parts of the world. I then turn to proposing a measure of the territorial concentration of economic interests.

Figure 3.4 on page 69 illustrates the geographic distribution of economic interests in Italy using two different economic measures. The top map shows the geographic concentration

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[14]There are some notable exceptions such as Jolly (2006, 2010), which considers the impact of culture, economic interests and institutions on the success of regionalist parties in Europe. Also Sorens (2008) and [cite van houten] considers the role of economic variables. Interestingly, most of these studies do not find a strong effect of economic preferences on the success of regionalist or secessionist parties. Also mention the work of Roland et al. on Economic heterogeneity.

of low income citizens within the regions of Italy between 1988 and 1996.[15] The map shows that low-income citizens are not evenly distributed across the regions of Italy. A higher proportion of poor citizens (between 31% and 40%) live in the southern regions, whereas the northern regions of Lombardia and Emilia-Romagna have a significantly lower proportion of low-income citizens (between 0 and 9%). The bottom map shows the GDP per capita of Italian regions in 2001.[16] According to this map southern Italian regions have a lower GDP per capita than northern Italian regions. The distribution of GDP per capita in this map is strikingly similar to the distribution of low-income citizens in the top map, which suggests that poor and underdeveloped regions in Italy (that is regions with low GDP per capita) tend to have a higher proportion of low-income citizens, whereas richer and more developed regions (regions with a higher GDP per capita) have a lower proportion of low-income citizens (or conversely, a higher proportion of high-income citizens). More importantly, these two maps of Italy offer a good portrait of the territorial distribution of economic interests and they show that economic interests are not evenly distributed across the regions of Italy.

Italy is not an exception. Economic interests are also unevenly distributed in Germany. Figure 3.5 maps the geographic distribution of economic interests in Germany. The top map shows the geographic concentration of low income citizens within the regions of Germany before German reunification (1984-1990) and after German reunification (1994-2000).[17] The map shows that low-income citizens were fairly evenly distributed across the regions of The Federal Republic of Germany between 1984 and 1990 (prior to reunification). However, after reunification in 1989 the distribution of low-income citizens became more unequal with a relatively high proportion of poor people living in Eastern Lander (26-30%) and a much lower proportion of poor citizens living in the Western Lander. Bavaria is the Lander in Germany with the lowest proportion of low-income citizens. In sum reunification

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[15]Low-income citizens "are those of woking age with market incomes in the first quintile in the national market income distribution" (Jusko, 2006, 2). This map was created by Jusko (2006) based on household income data from the Luxembourg Income Study (LIS)

[16]The measure of regional GDP per capita is regional GDP in $US, 2000 PPP. I created this map based on data from the OECD regional statistics database and their explorer portal. See: http://stats.oecd.org/OECDregionalstatistics/

[17]This map was created by Jusko (2006) based on household income data from the Luxembourg Income Study (LIS). Low-income citizens "are those of woking age with market incomes in the first quintile in the national market income distribution" (Jusko, 2006, 2).

Figure 3.4: Geographic Distribution of Economic Interests in Italy
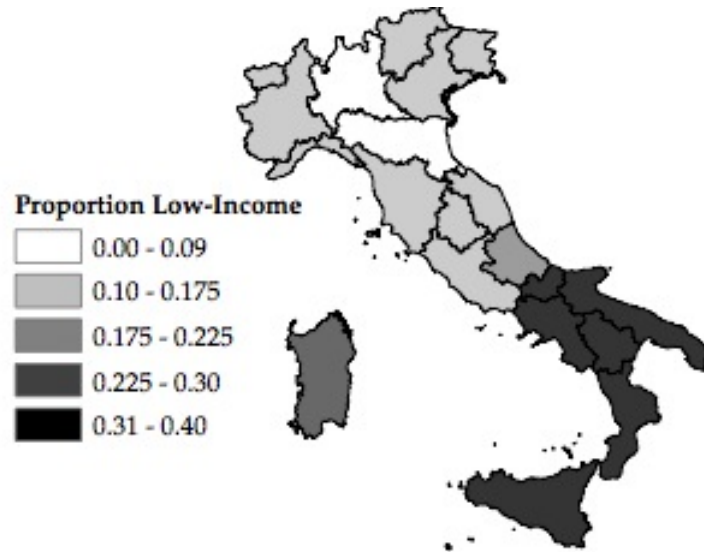
(a) *Geographic concentration of low-income citizens within the regions of Italy, 1988-1996; Source: Long-Jusko 2006*
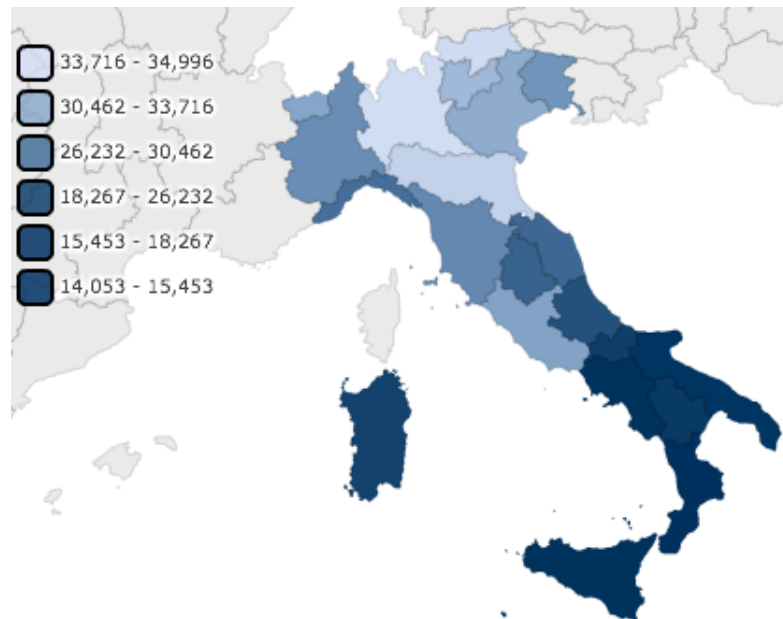
(b) *GDP/capita of Italy's Regions, 2001. Source: OECD regional statistics*

created more income inequalities across Lander. The bottom map in Figure3.5 shows the distribution of GDP per capita for Germany's Lander in 2001. The map shows that Eastern Lander have a much smaller GDP per capita ($14516 - $16179) than Western Lander. More specifically all Eastern Lander (with the exception of Berlin) are at the bottom 5% of the distribution of regional income in Germany. Whereas Bavaria, Baden-Wurttenberg and Hesse are in the top 5% if the regional income distribution in Germany with regional GDP/capita between 42,000 and 46,285 $US. As in the case of Italy, the distribution of GDP per capita across German Lander overlaps quite nicely with the distribution of low-income citizens across Landers. As in the case of Italy, these two maps of Germany suggest that economic interests are territorially concentrated, and that Eastern Lander have less economic resources and more poor citizens than Western Lander.

Other Western European countries such as Spain or Belgium have similar patterns of territorial concentration of economic interests. Outside of Western Europe we find countries with much starker territorial differences in economic interests (i.e. Mexico, India, Argentina), and also countries with a more even distribution of economic interests across their regions (i.e. Slovenia, Austria). In order to provide a comparative view, Figure 3.6 on page 73 presents the distribution of GDP per capita across regions for a larger (and more diverse) sample of countries. Because individual income data disaggregated at the regional-level for non-Western European countries is generally not available I focus on regional GDP per capita to compare the distribution of economic interests in different countries. If we assume that richer regions tend to have a higher proportion of rich citizens, whereas poorer regions in a country tend to have a higher proportion of poor citizens, then we can use these curves to map the territorial distribution of economic interests.[18]

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[18]This is not an unusual assumption. Tucker makes this assumption in his book *Regional Economic Voting*.

"[T]he only assumption at work here is that there will be a larger proportion of economic winners in areas of the country where the economy is performing better than where it is performing worse, and similarly a larger proportion of economic losers in areas of the country where economic conditions are worse than in areas where the economy is performing well" (Tucker, 2006, 22).

Figure 3.5: Geographic Distribution of Economic Interests in Germany
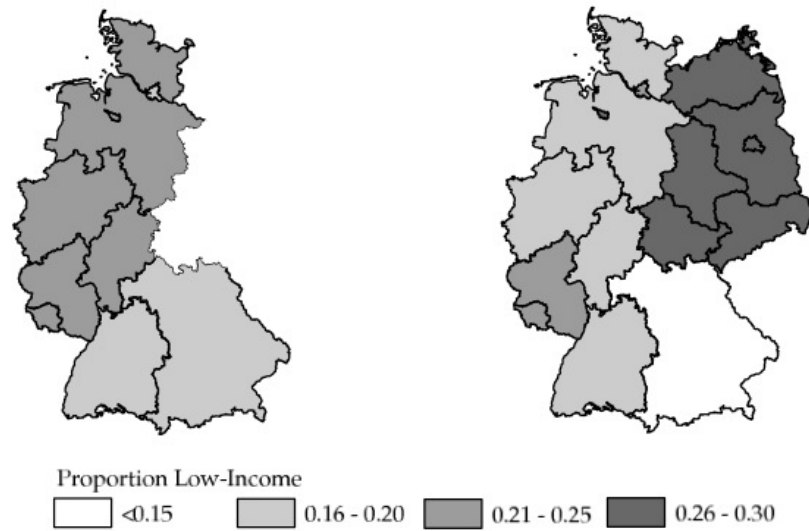
(a) *Geographic concentration of low-income citizens within the regions of Germany, 1984-1990, 1994-2001. Source: Long-Jusko 2006*
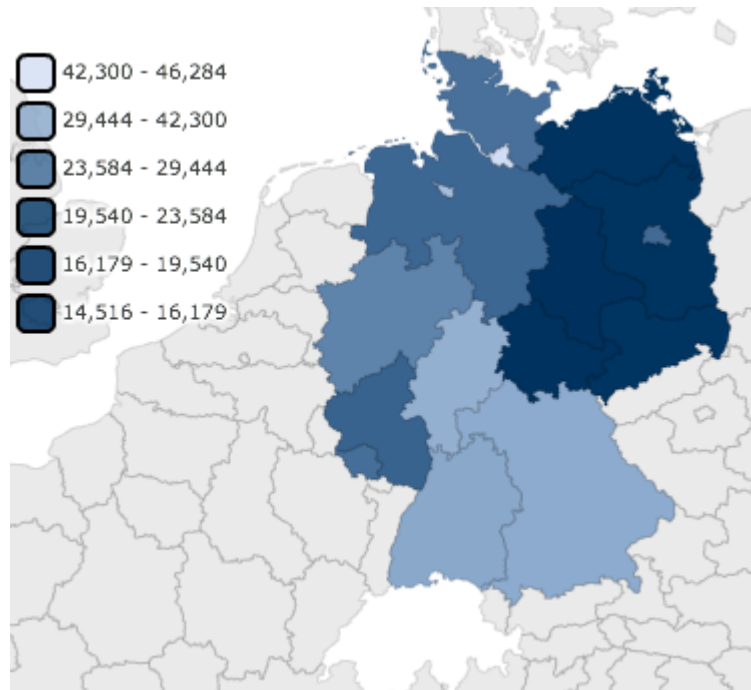
(b) *GDP/capita of Germany's Lander, 2001. Source: OECD regional statistics*

The graphs in Figure 3.6 are kernel density graphs[19], and the curves can be interpreted as a histogram.[20] The x-axis represents the GDP per capita of each region in the country expressed as a share of the national average. The national average refers to the average regional GDP per capita in the country. Regions that fall close to 1 on the x-axis have a GDP per capita that is close to the average regional GDP per capita in the country. And the further away regions are on this x-axis the more different their GDP per capita is with respect to the average in the country. The y-axis can be interpreted loosely as the number of regions at each point in the x-axis. The spread of the distribution represents the extent to which regions in a country have a different GDP per capita. For example, Mexico has a much wider distribution than Slovenia, which means that in Mexico more regions are further away from the average regional income in the country (some are much richer than the average regional income, and some are much poorer than the average). What we gather from this wide distribution is that regional GDP per capita in Mexico is very unevenly distributed. In contrast, the probability density graph for Slovenia is relatively narrow and tight around 1 (on the x-axis), which means that regions in Slovenia are closer to the average regional GDP per capita and thus that regions have similar GDP per capita and thus are quite equal. Together, these density graphs tell us that economic interests are far from being evenly distributed across regions, and thus do not serve as the "nationalizing forces" that Caramani suggests. Next I turn to developing a measure of territorial concentration of interests that can be used comparatively.

3.4.1 Measurement

In order to capture the degree of territorial concentration of economic interests I use a measure of economic inequality or inequality amongst territorial units in a country (as defined earlier). This measure captures whether territorial units in a country have similar GDP per capita by calculating the dispersion of territorial GDP per capita around the

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[19]These graphs are inspired by Rodden's unpublished paper "Federalism and Inter-Regional Redistribution" (Rodden, 2004) where he uses kernel density graphs to compare the regional distribution of income and expenditures for a series of federal countries.

[20]According to King (1991), "the area under the curve between two values [of the horizontal x-axis] gives the approximate proportion of observations falling in that range. The total area under the curve is equal to 1" (King, 1991, 125).

Figure 3.6: Distribution of Regional GDP per capita
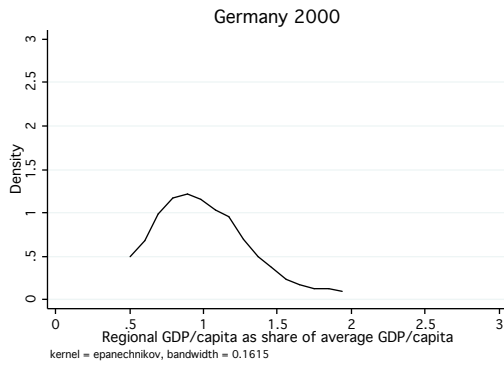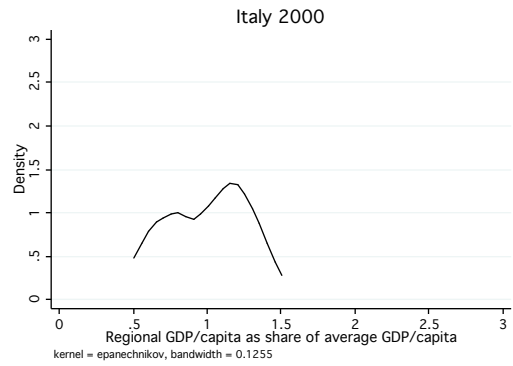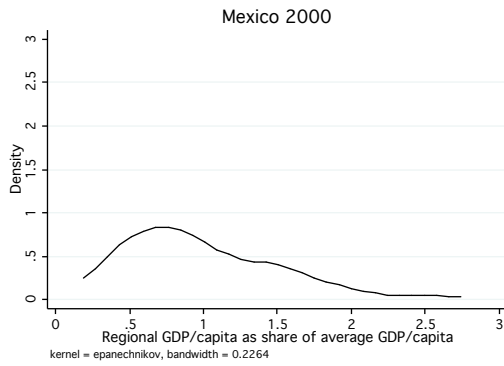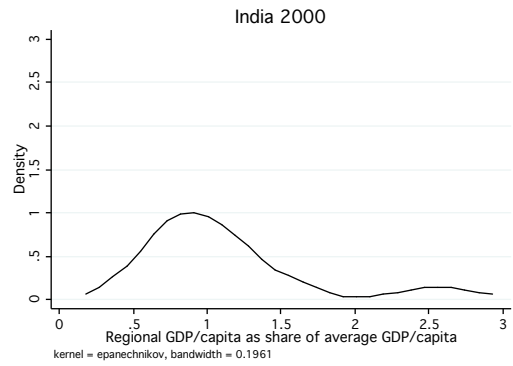
mean territorial GDP per capita in the country. To construct this measure I follow Shankar and Shah (2003) and Lessmann (2009) and use a measure of dispersion around the mean (the coefficient of variation)[21] to capture the dispersion of territorial GDP capita around the mean territorial GDP per capita in the country.[22] The formula for this measure is presented in equation 3.8 where y_i is GDP per capita of territory i, Y_u is the mean territorial GDP per capita and N is the number of territorial units in the country. In other words the measure divides the standard deviation of territorial GDP per capita over the mean territorial GDP per capita in the country.

$$\text{Territorial Economic Inequality Index} = \frac{\sqrt{\sum_i \frac{(y_i - Y_u)^2}{N}}}{Y_u} \tag{3.8}$$

This measure, which I call "territorial economic inequality index" varies from 0 for perfect equality (equal GDP per capita for all the units in the country) to $\sqrt{N-1}$ for perfect inequality (only one territorial unit has all the GDP) (Shankar and Shah, 2003, 1422). This means that countries with low levels of territorial economic inequality should have a fairly equal distribution of economic interests across regions, whereas countries with high levels of territorial economic inequalities should have a fairly unequal distribution of economic interests across regions. To show that this measure captures well the territorial concentration of economic interests, Figure 3.7 presents the regional distribution of GDP per capita in four very different countries: Slovenia, Italy, India and Ecuador. The differences between these density graphs illustrate the levels of equality or inequality of the GDP per capita of regions in each country. According to these density graphs, Slovenia shows the most equality between regions' GDP per capita whereas Ecuador shows the most inequality between regions in terms of their GDP per capita. Below each graph is the corresponding

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[21]The coefficient of variation is defined as the ratio of the standard deviation to the mean.

[22]There are other measures of economic inequalities across regions. Shankar and Shah's article *Bridging the Economic Divide Within Countries: A Scorecard on the Performance of Regional Policies in Reducing Regional Income Disparities* (2003) provides a very good review of different measures of inequality, as does Lessman's article *Fiscal Decentralization and Regional Disparity: Evidence from Cross-section and Panel Data* (2009). The Gini Index and the coefficient of variation (COV) are the two most widely used measures of inequality (Shankar and Shah, 2003, 1423). I choose to use the coefficient of variation because of ease in the calculations. Lessmann (2009) calculates territorial inequalities for 23 OECD countries using both the coefficient of variation and the adjusted Gini index and he reports a correlation coefficient of 0.79 for these two measures. In the future, I would like to conduct robustness tests with the Gini Index.

"regional economic inequality index" for that country and year. The index is lowest in Slovenia (0.19), second lowest in Italy (0.25), higher in India (0.53) and highest in Ecuador (2.07).

Figure 3.7: Distribution of Regional GDP/capita and Regional Inequality Index
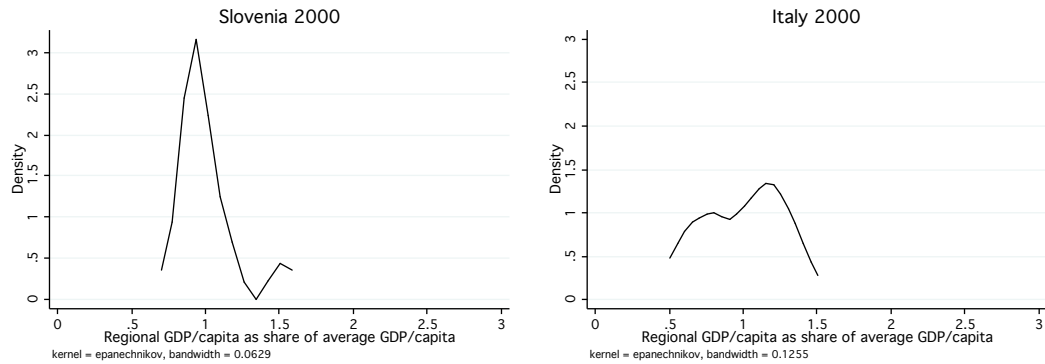
(a) **Territorial Econ. Inequality Index=0.19** (b) **Territorial Econ. Inequality Index=0.25**
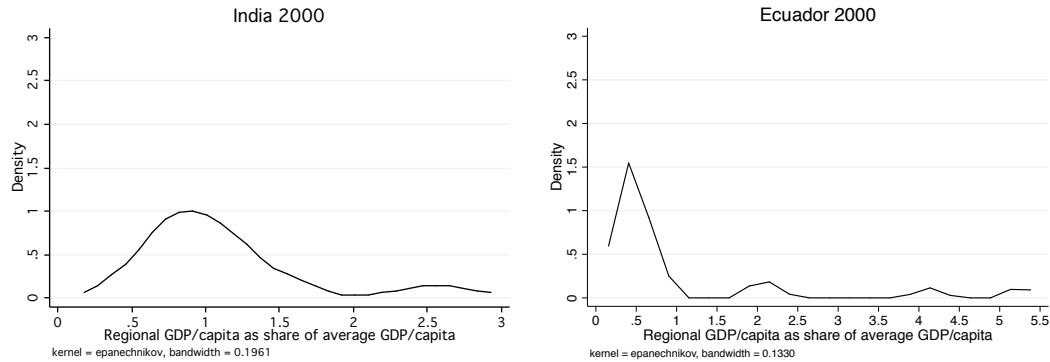
(c) **Territorial Econ. Inequality Index=0.53** (d) **Territorial Econ. Inequality Index=2.07**

The upper bound of the index is defined as $\sqrt{N-1}$, which means that this measure is sensitive to the number of regions in a country. In Figure 3.7 I chose four countries that have similar number of regions[23] so the indices created for these countries are very much comparable. However, there is a bit more variation in the number of regions across the countries in my data set. I deal with this in two ways. First, whenever I include this index in regression analyses I also add a control for the number of regions to make sure that the effect of "regional economic inequality" is not biased by the number of regions in a country.

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[23]Slovenia has 12 regions, Italy has 21 regions, India has 28 regions and Ecuador has 22 regions.

Second, I conduct some robustness tests using a weighted version of this index where each regional deviation is weighted by its share in the national population. Using the weighted measure eliminates the sensitivity to the number of regions.[24]

To create this measure I collected data on regional GDP per capita for each region in each country and election year in my data set. Table 3.18 lists the different sources for this economic data collected at the regional level. For developed democracies I relied largely on data from EUROSTAT (nd), from the OECD (nd) Regional Statistics Database[25] and from Lessmann (2009).[26] For non-OECD countries I used different academic or country-specific sources. See Table 3.18 in 121 at the end of the chapter for all sources by country. I located and included regional-level (or district-level) economic data for 48 of the 71 countries for which I have electoral data. This reduces my sample but does not bias it since I still have a representative sample of countries based on key variables such as development, years since democratization, degree of political and fiscal decentralization and other institutional variables.

Figure 3.8 shows the variation in the "territorial economic inequality" index. The top graph shows the variation across countries (values are averaged across time within each country) and the line represents the mean value of this index across the sample of countries for which I have regional economic data. The "regional economic inequality" index ranges from a low of 0.1 in Denmark to a high of 1 in Chile. The bottom graph shows both the variation across countries and across time. This bottom graph shows that the "regional economic inequality index" varies across time within most countries. This is important because the regression analyses will take full advantage of this time variation. Finally, Figure 3.9 presents a scatterplot showing the relationship between party system territorialization

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[24]The formula for the weighted "regional economic inequality index" is the following:

$$\text{Regional Economic Inequality Index (W)} = \frac{\sqrt{\sum_i [y_i - Yu]^2 \frac{P_i}{P}}}{Yu} \tag{3.9}$$

$\frac{P_i}{P}$ is the population share of each region and the rest of terms are the same as the ones defined in equation 3.8. Both the weighted and unweighted measures are based on Shankar and Shah (2003). These measures are also used by Lessmann (2009).

[25]Their data also includes a few less developed countries such as Mexico, Chile and some Eastern European countries.

[26]I want to give special thanks to Lessmann (2009) for making his European regional economic data available for this project.

(which is the dependent variable) and the "territorial economic inequality" index. These bivariate graphs indicate a positive relationship between territorial economic inequalities and party system territorialization. Figure 3.12 at the end of the chapter reproduces these same scatterplots with the weighted index. The patterns look very similar.

3.5   Control Variables

I include several control variables to account for competing hypotheses. In this section I first discuss the controls for geographically concentrated ethnic, linguistic and religious diversity. I then introduce the more institutional controls: fiscal and political decentralization, bicameralism, executive type, electoral system and number of territorial units (number of districts and number of regions). Finally I discuss a set of controls that speak to modernization theories: level of development, years of democracy, and degree of party system institutionalization.[27]

3.5.1   Geographically Concentrated Ethnicity, Religion and Language

I argue in Chapter 2 that geographically concentrated interests matter to explain the territorial nature of party systems. In particular I argue that economic interests when territorially concentrated create incentives for candidates to abandon nation-wide coalitions in favor of smaller regional or local political parties. I argue that economic interests are more important than interests that have traditionally been associated with regional or local parties such as territorially concentrated ethnicity, religion and language. In order to test this proposition I need to control for ethnic, religious and linguistic diversity that is territorially concentrated. To do so, I include two types of measures.

First I include an average measure of ethnic, linguistic and religious fractionalization, which is based on three separate variables created by Alesina et al. (2003): ethnic fractionalization, linguistic fractionalization, and religious fractionalization. Each of these measures is based on the Herfindhal index,[28] which captures the number (weighted by the size of the group) of ethnic, religious or linguistic groups in a country. Each of these variables ranges

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[27]In the future I would also like to include a variable that captures whether countries have passed legislation that explicitly prohibits regional parties. I am in the process of coding this.

[28]The formula to calculate a fractionalization index is the following:

Figure 3.8: Variation in Territorial Economic Inequality Index
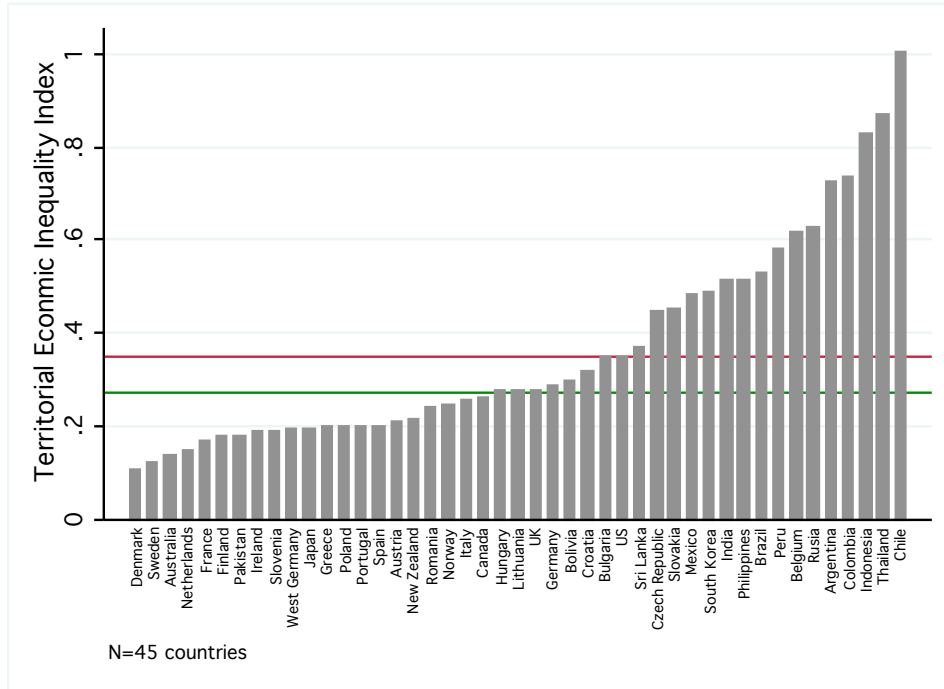
(a) Variation Across Countries
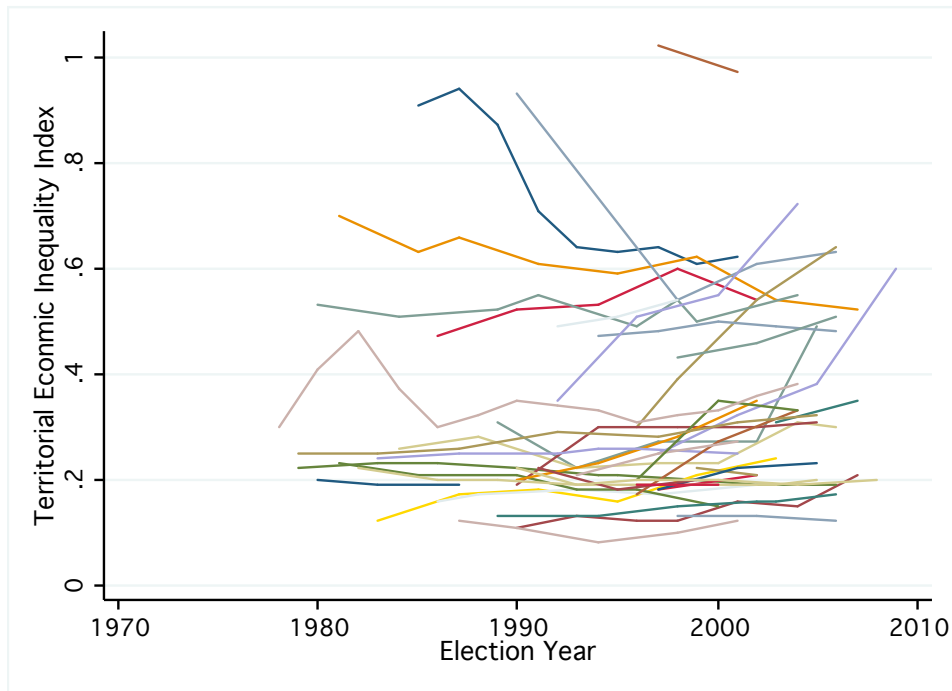
(b) Variation Across Countries and Time

Figure 3.9: Party System Territorialization and Territorial Economic Inequality
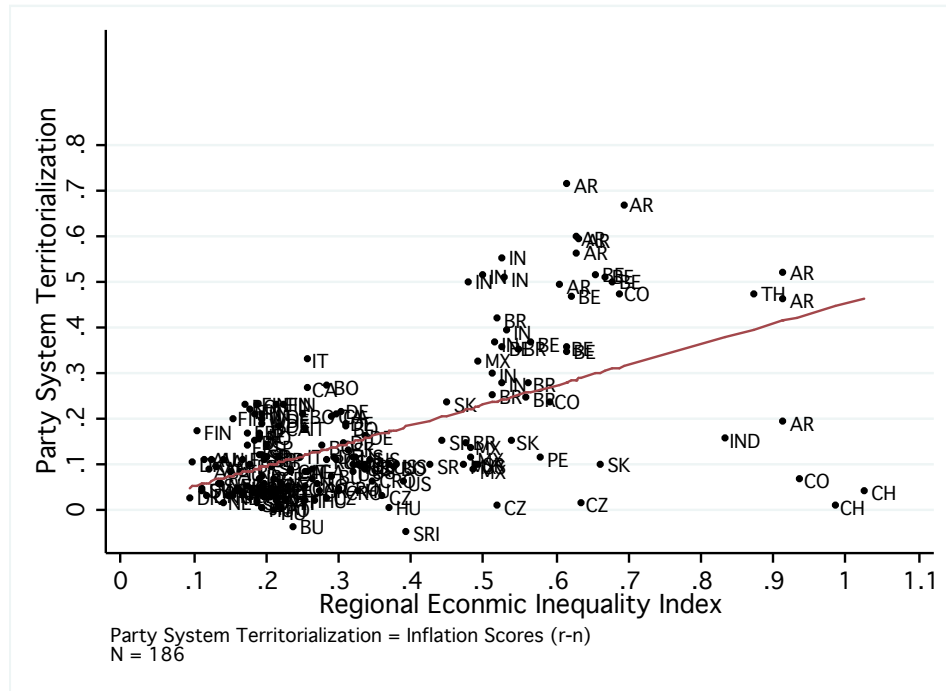
(a) Pooled Sample
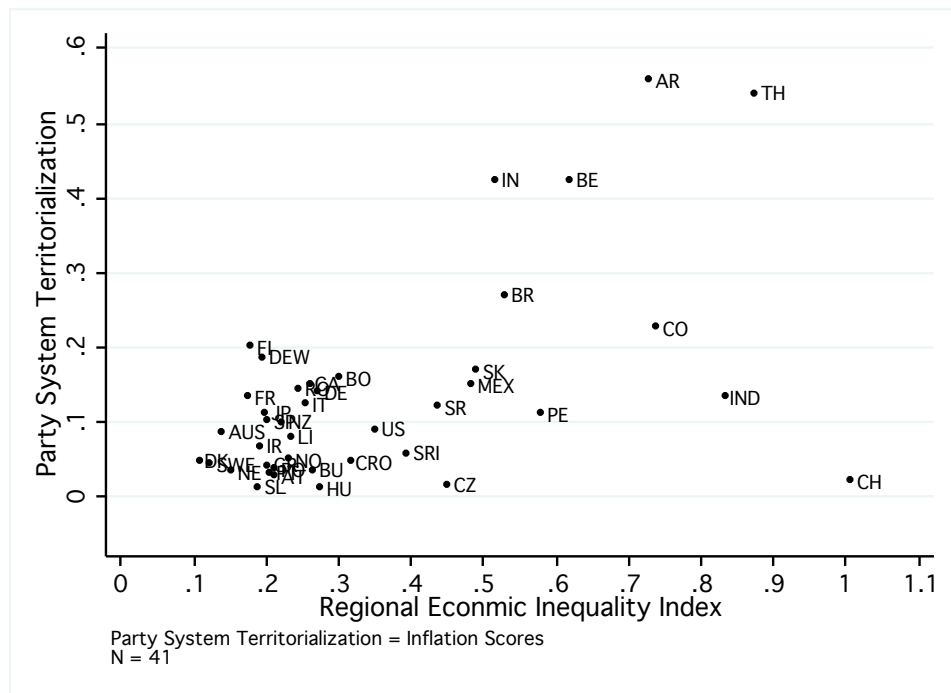
(b) Averaged Sample

from 0=perfectly homogenous country to 1-(1/N) for perfect heterogeneity, where N is the number of ethnic, religious or linguistic groups (depending on the measure). I average these three fractionalization measures created by Alesina et al. (2003) to get a summary measure of ethnic-religious-linguistic fractionalization that also ranges from 0 to 1-(1/N). This type of fractionalization measures have been widely used in the literature to capture the degree of social diversity in a country, which is why I include them in my analyses. However, these measures do not capture an important aspect of social diversity, its geographic concentration.

Scholars have often assumed that ethnic, religious and/or linguistic diversity tends to be geographically concentrated, and thus have used fractionalization measures as proxies for geographically concentrated social diversity, but recent work by Selway (2011) suggests that this assumption is inaccurate. Some countries might have many different linguistic groups (in which case they might have a high linguistic fractionalization index) but these groups might not be geographically concentrated, whereas other countries might have just two linguistic groups (low linguistic fractionalization index) but these linguistic groups might each be concentrated in a different region of the country. In a recent article "The Measurement of Cross-cutting Cleavages and Other Multidimensional Cleavage Structures" Selway (2011) introduces a new data set (CIMMSS) that includes several measures of geographically concentrated social diversity. These measures build on the concept of "cross-cuttingness" which Selway defines as the extent to which "groups on a first cleavage are identically distributed amongst groups on a second cleavage".[29] For example, one such measure is religion-geography cross-cuttingness which gets at the degree to which religion and territory overlap in a country. Low values of religion and geography cross-cuttingness mean that individuals of religion A mostly live in region C whereas individuals of religion B mostly live in region D. In other words, religion and geography reinforce each other. In contrast, high values of religion-geography cross-cuttingness mean that individuals of religion A are equally divided in terms of the region where they live, and so are individuals of religion B.

$$\text{Fractionalization} = 1 - \sum_{i=1} p_i^2 \qquad (3.10)$$

where p_i is the population share of group i in a country.

[29]https://sites.google.com/site/joelsawatselway/CROSS-CUTTING-CLEAVAGES-DATA

This means that religion and geography cross-cut.

I use two such measures from Selway (2011)'s data set as controls for territorially concentrated social diversity. The first measure is the one described above and which I re-baptize "territorial concentration of religion". The second measure I use is "territorial concentration of language". I invert the original cross-cuttingness measure so that higher values mean higher territorial concentration (i.e. lower cross-cuttingness) of religion or language and lower mean lower geographic concentration (i.e. higher cross-cuttingness).[30] The measures range from 0 to 1. It is important to note that these variables do not vary over time within countries, in contrast with my measure of geographic concentration of economic interests ("territorial economic inequality index"). Note that my measure of concentration of economic interests ("regional economic inequality index") does vary across time within each country. My expectation is that including controls for social diversity and for territorially concentrated social diversity should not overwhelm the effect of "territorial economic inequality" on the territorial nature of the party system.

3.5.2 Institutional controls

As discussed in Chapter 2, decentralization has been a key explanation of party system territorialization in the literature. The political dimension of decentralization refers to the extent to which subnational levels of government hold independent elections. Political decentralization is theoretically and empirically distinct from fiscal decentralization, which measures the extent to which regional or local governments manage resources (Harbers, 2010, 610). Figure 3.10 on page 82 presents a scatter plot between these two dimensions of decentralization with fiscal decentralization on the y-axis and political decentralization on the x-axis. The scatter plot is divided into four quadrants based on the mean value for each of the two dimensions of decentralization. The figure illustrates that these two dimensions are somewhat independent. Politically centralized countries (that is countries that do not have electorally independent subnational governments) tend to be more fiscally centralized as well. However, politically decentralized countries can be either fiscally cen-

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[30]Selway (2011)'s data set also include a measure of ethnic-geographic cross-cuttingness (i.e. territorial concentration of ethnicity) but the coverage of this variable is too spotty to include as a control in my models.

tralized (Colombia, Italy, Mexico, New Zealand, Spain) or fiscally decentralized (Australia, Austria, Brazil, Canada, Germany Switzerland). I thus include a measure of both political and fiscal decentralization in my analyses.

Figure 3.10: Dimensions of Decentralization: Fiscal and Political

Fiscal Decentralization = Subnational Revenue as a Proportion of GDP
N = 51
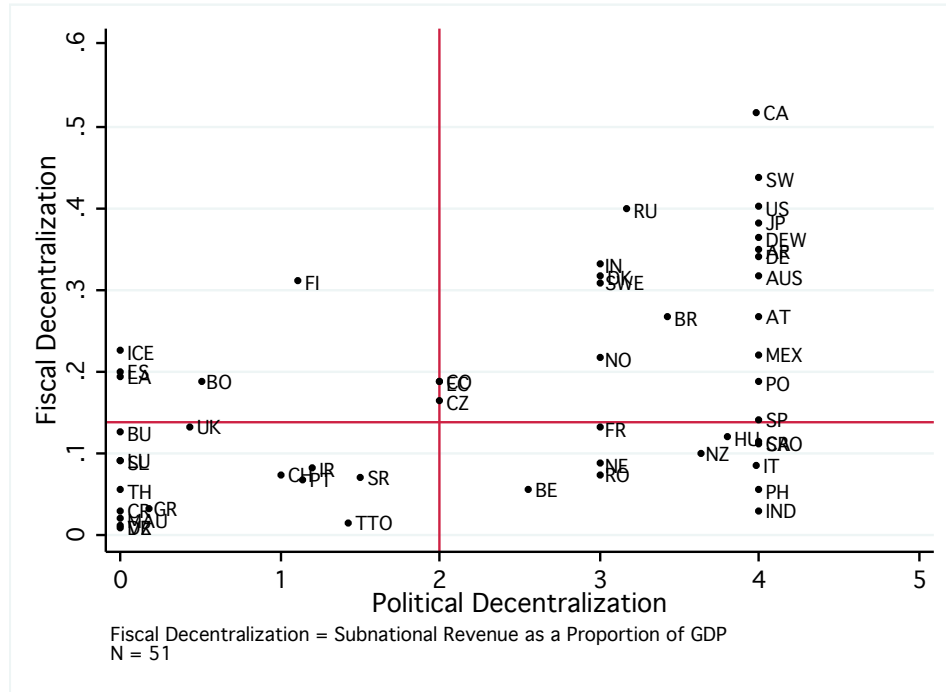
I build on Hooghe et al. (2010) for my measure of political decentralization. Hooghe et al. (2010) have developed a coding scheme to measure the extent to which a region is endowed with an independent legislature and executive: 0=no regional assembly; 1=an indirectly elected regional assembly; 2=a directly elected assembly; 0=the regional executive is appointed by central government ; 1=dual executives appointed by central government and the regional assembly; 2= the regional executive is appointed by a regional assembly or directly elected. They then add up the scores for the assembly and for the executive for each country and create a categorical variable that ranges from 0 (no independent legislature or executive) to 4 (completely independent legislature and executive). Countries that score a 4 have subnational legislative and executive bodies that are independently elected and that are independent from the central government. These are purely federal countries. Countries scoring 0 have no subnational level of government or have a subnational level where officials

are not independently elected. These are unitary countries. Hooghe et al. (2010) have coded this variable annually for 42 OECD democracies between 1950 and 2006. I use their data for OECD countries and code the remaining cases (and time periods) myself using the same coding scheme.

For fiscal decentralization I use a measure that is commonly employed in the literature: subnational revenues as a % of total revenues in a country. I also perform robustness tests with a related measure that is also commonly used in the literature: subnational revenues as a % of GDP. The data for both measures of fiscal decentralization comes from the World Bank Fiscal Indicators.[31] The measures are reported in percentages but I convert them to *proportions* so that their scale is similar to that of the "regional economic inequality index". This will facilitate comparing the magnitude of the effects of the coefficients on the regional inequality and fiscal decentralization variables in the regression analysis. Because this measure has been collected for a far more limited sample of countries and time periods, I perform some robustness tests without fiscal decentralization as a control.

For bicameralism I create a variable called "bicameral" that takes the value of 1 when the country has an upper legislative chamber, and a value of 0 when the country is unicameral. I base the coding of this variable on data from the Interparliamentray Union (IPU), and my own coding from various country sources. I control for electoral system, which I code dichotomously: "majoritarian electoral system" is equal to 1 if the electoral system is majoritarian and 0 if the system is proportional representation or mixed. The data for coding electoral systems comes from Golder (2005)'s data set "Democratic Electoral Systems Around the World, 1946-2000", and my own coding for countries and years that were not available in Golder's data set.

The nature of the executive (presidential versus parliamentary) is a proxy for the coalition potential of regional political parties. Parliamentary systems allow for smaller regional political parties to gain access to the legislative arena and to have an impact on government policy through coalitions. This is less likely in presidential systems. The data for this variable is taken from Samuels and Shugart (2010)'s recently published book *Presidents, Parties, and Prime Ministers: How the Separation of powers Affects Party Organization and*

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[31]$http://www1.worldbank.org/publicsector/decentralization/fiscalindicators.htm$

Behavior. For the purpose of this chapter the executive is coded as a dichotomous variable where 1=parliamentary system and 0=presidential (and semi-presidential) systems.

Finally, I control for the *number of territorial units* in a country for both substantive and methodological reasons. First, I include the number of territorial units (regions and districts) when including the unweighted version of the "regional economic inequality index" since the measure is sensitive to the number of territorial units in a country. Furthermore, the literature on party system nationalization argues that party coordination across districts becomes harder as the number of districts increases (Morgenstern et al., 2009), therefore I include the number of districts when using party system localization as the dependent variable. Both the "number of regions" and the "number of districts" variables have right-skewed distributions so I log these measures. The graphs on the left of Table 3.14 show the distribution of these variables unlogged whereas the graphs on the right show the distribution of logged variables. Logging these variables creates a more normal distribution of these two variables, which is preferable when doing OLS regression.

3.5.3 Development, Democracy and the Age of Parties

There are a few scholars that link party system territorialization (or its converse nationalization) to macro-historical processes of modernization and democratization. In the book *The Nationalization of Politics* (2004), Caramani argues that a variety of macro-forces (such as the consolidation of the nation-state, industrialization, and the advent of mass politics) at the end of the First World War led to a rapid and inexorable development towards national electorates and national party systems in Western Europe. According to Caramani the rise of the nation-state and the process of industrialization in Europe facilitated the process by which functional left-right alignments and class cleavages slowly replaced territorial cleavages so that electoral and party behavior became increasingly homogenous across the territory in each country. Furthermore, he argues that the extension of the franchise and the rise of political and party competition led to a push from parties to capture new electorates and thus to expand across the territory.

In order to account for these explanations I include two controls. I include a measure of the age of democracy called "years of democracy" which is the number of years since

the last transition to democracy for each country. I base this measure on my coding of democratic countries based on the Freedom House Index[32] and Polity IV.[33] See Table 3.20 for the coding. I also include a control for level of development. Following Boix (2003, 78) I use the value of real per capita income (in constant dollars, Chain Index, expressed in international prices, base 1985) taken from the "Penn World Tables" (Alan et al., 2011)[34]. I divide the value by 1000, to have a more manageable interpretation of the coefficient in the regression analysis. The expectation according to modernization theories is that richer countries and older democracies should have more nationalized party systems, or conversely, poorer countries and younger democracies should have more territorialized or regionalized party systems. In addition, controlling for level of development addresses the possible criticism that the argument I am advancing about territorial economic inequalities is actually an argument about development.[35]

Finally, the literature suggests that party system territorialization might be a symptom of weak parties with weak ties to society (Mainwaring, 1999; Hicken, 2009; Simmons, 2008). Mainwaring argues that weakly institutionalized political parties might not have the required ties to society and organizational capacity to run nation-wide campaigns. In contrast, if "parties have solid roots in society, there is a high degree of continuity in their social bases, and therefore in patterns of electoral geography" (Mainwaring, 1999, 88). In others words, fielding candidates across all districts (or regions) in the country requires resources and experience that are only acquired over time. Therefore, we might expect that more institutionalized party system are also more nationalized party systems.

Hicken (2009), Simmons (2008) and Roberts and Wibbels (1999, 581) argue that a good proxy for the degree to which a party is well-institutionalized is whether the party is long-

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[32] $http://www.freedomhouse.org/$

[33] $http://www.systemicpeace.org/polity/polity4.htm$

[34] $http://pwt.econ.upenn.edu/php_site/pwt_index.php$

[35] Among economists, low levels of economic development are often associated with higher levels of economic inequality (both individual-level economic inequality and territorial economic inequality). In 1965, Williamson (1965) developed the theory that there his a curvilinear relationship between development and territorial economic disparities.

> "[R]ising regional income disparities and increasing North-South dualism is typical of early development stages, while regional convergence and a disappearance of severe North-South problems is typical of the more mature stages of development" (Williamson, 1965, 44).

This is what has become to be known as the "Williamson Curve".

lived (Simmons, 2008, 93). The data that they use to measure the length of parties' life comes from the World Bank's *Database of Political Institutions* (Beck et al., 2001). "The database covers the period 1975-2004 for well over 150 countries of all levels of political and economic development. A party's age is coded according to the number of years since the party was founded under its current name. The investigators are aware of purely "cosmetic" name changes in which the party's name changes, but the party leaders, platform, and constituency remain the same and they do not code an obviously cosmetic change as the date of a new party's formation" (Simmons, 2008, 94). Based on this data I construct a measure that averages the age of the governing party and the age of the main opposition party in each country at each election year. The expectation is that younger parties (i.e. less institutionalized parties) are associated with more territorialized party systems, or conversely that older parties (i.e. more institutionalized parties) are associated with more nationalized party systems.

Because the measures of "years of democracy" and "age of parties" have fairly right-skewed distributions I log these measures.[36] The graphs on the left of Table 3.13 show the distribution of these variables unlogged whereas the graphs on the right show the distribution of the logged variables. Logging creates a more normal distribution for both of these two variables, which is better suited for the assumptions of OLS regression.

Tables 3.2 and 3.3 present the summary statistics for the different variables in the regression models using the pooled and averaged data set respectively. For variables that have been logged I also include the unlogged version. The reader will notice that some variables are lagged in time. The discussion about lags is part of the empirical modeling strategy which I describe in the next section.

3.6   Model and Empirical Strategy

The set of propositions that I develop in Chapter 2 (and that I test in this chapter and in subsequent chapters) argue for a specific causal claim which is that the territorial

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[36]In doing so I follow what other scholars have done. See Simmons (2008, 94) and Hicken (2009).

Table 3.2: Summary statistics (pooled sample)

Variable	Mean	Std. Dev.	Min.	Max.	N
Party System Territorialization	0.154	0.157	-0.08	0.73	346
Territorial Economic Inequality (lag)	0.352	0.224	0.09	1.58	175
Territorial Economic Inequality Weighted (lag)	0.309	0.183	0.06	0.98	178
Fiscal Decentralization (lag)	0.206	0.136	0.002	0.538	219
Political Decentralization (lag)	2.368	1.748	0	4	328
Ethnic/Relig/Linguistic Diversity	0.342	0.158	0.07	0.830	357
Territorial Concentration of Religion	0.163	0.09	0.07	0.92	342
Territorial Concentration of Religion (log)	-1.902	0.384	-2.659	-0.083	342
Territorial Concentration of Language	0.22	0.207	0	0.93	320
Territorial Concentration of Language (log)	-1.731	0.743	-3.507	-0.073	295
Personal Vote (lag)	0.881	0.61	0	1.67	260
Majoritarian Electoral System	0.275	0.447	0	1	345
Parliamentary System	0.53	0.5	0	1	353
Bicameralism	0.651	0.477	0	1	347
Age of main parties	50.31	40.83	2	188	316
Age of main parties (log)	3.502	1.028	0.693	5.236	316
Number of Units	32.047	54.918	2	450	344
Number of Units (log)	2.945	0.925	0.693	6.109	344
Years of Democracy	46.062	48.934	0	197	357
Years of Democracy (log)	3.315	1.176	0	5.283	338
Country GDP/capita (thousands $US)	16.965	10.258	1.429	59.292	343

Table 3.3: Summary statistics (averaged sample)

Variable	Mean	Std. Dev.	Min.	Max.	N
Party System Territorialization	0.134	0.131	-0.06	0.560	70
Territorial Economic Inequality (lag)	0.365	0.269	0.11	1.58	44
Territorial Economic Inequality Weighted(lag)	0.33	0.188	0.08	0.940	45
Fiscal Decentralization (lag)	0.172	0.129	0.009	0.514	55
Political Decentralization (lag)	1.758	1.689	0	4	71
Ethnic/Relig/Linguistic Diversity	0.346	0.168	0.07	0.830	70
Territorial Concentration of Religion	0.177	0.112	0.07	0.92	66
Territorial Concentration of Religion (log)	-1.844	0.433	-2.659	-0.083	66
Territorial Concentration of Language	0.253	0.225	0	0.93	63
Territorial Concentration of Language (log)	-1.648	0.815	-3.507	-0.073	60
Personal Vote (lag)	0.830	0.603	0	1.67	68
Majoritarian Electoral System	0.254	0.515	0	2.8	70
Parliamentary System	0.465	0.502	0	1	71
Bicameralism	0.514	0.5	0	1	71
Age of main parties	40.71	33.732	3.5	148.92	67
Age of main parties (log)	3.321	0.956	1.253	5.003	67
Number of Units	30.784	60.879	2	450	66
Number of Units (log)	2.84	0.935	0.693	6.109	66
Years of Democracy	32.212	38.871	0	179	71
Years of Democracy (log)	2.924	1.124	0.223	5.187	68
Country GDP/capita (thousands $US)	14.539	10.041	1.499	50.454	70

distribution of economic interests (and the institutional and constitutional features of a country) affect the nature of parties that develop in a country and thus the nature of the party system. In the short term, the assumption that social structure and major constitutional features in a country are exogenous is reasonable. In the long run however, the territorial distribution of economic interests and especially political institutions (i.e. electoral system, decentralization, bicameralism....) can change as a result of the types of parties that are elected into government. This means that in the long run some independent variables are endogenous to the nature of the party system.

According to Beramendi (2011) for example the pressure from regional political parties in Spain has triggered the recent reforms towards more fiscal decentralization.[37] Political parties with narrow constituencies might also press for other institutional reforms such as bicameral institutions or an electoral system that might help increase their representation at the national level. In order to untangle this dynamic relationship I propose a model that lags key independent variables with respect to the dependent variable. In particular I use a five-year time lag for the following variables: "territorial economic inequality", "fiscal decentralization", "political decentralization", and "personal vote". In the robustness checks I also test the models with a 10-year lag for these variables.

Given the nature of the data (time-series cross-sectional data) I cannot assume that observations within each country are independent. I thus use OLS regression with robust standard errors that are clustered by country in all regression analyses using the pooled data set (based on Harbers (2010) and Hicken (2009), which is based on Beck and Katz (1995), Franzese (2006) and Golder (2006)). In addition, I also present the analyses using the cross-section of my sample (what I refer to as the averaged sample). When running models with the averaged sample I use a moving average for each variable and I also use temporal lags for the same variables as in the pooled sample.

Equation 3.11 presents the general model that I use to test the proposition that "territorial economic inequality" explains variation in party system territorialization controlling for other societal interests and for key institutions. The dependent variable "party system

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[37]Beramendi's argument is that the structure of territorial inequality interacts with certain aspects of the party system to explains levels of fiscal decentralization. In his argument, the party system is an exogenous independent variable.

territorialization" varies across countries i and across election years within each country t. β_0 is a constant term. The "territorial economic inequality" index also varies across countries and time, and the variable is lagged 5-years with respect to election year t. The rest of terms are controls. The term $X_{i, t-5}$ represents a set of control variables that are also lagged 5 years with respect to election year t (i.e. political decentralization, fiscal decentralization, and personal vote). $Z_{i, t}$ corresponds to a set of controls that vary across time and across countries but are not lagged such as country GDP per capita, average age of parties, years of democracy, electoral system, and executive type (presidential versus parliamentary). This second set of controls is not lagged. Finally P_i corresponds to a set of controls that only vary across countries (not across time) such as social diversity measures (i.e. "ethnic/religious/linguistic diversity", "territorial concentration of language" and "territorial concentration of religion").

$$\text{Party System Territorialization}_{i, t} = \beta_0 + \beta_1 \text{ Territorial Economic Inequality}_{i, t-5} +$$

$$\beta_3 \text{ X}_{i, t-5} + \beta_4 \text{ Z}_{i, t} + \beta_5 \text{ P}_i + \varepsilon_{i,t} (3.11)$$

A few of the covariates included in this model are empirically correlated. The variables of "age of parties" and "years of democracy" are related concepts since younger democracies tend to have younger parties, and older democracies tend to have older political parties. The correlation coefficient between these two variables is 0.67. I am also concerned with the correlations between "country GDP per capita" and "territorial economic inequality" as well as between "country GDP per capita" and "years of democracy" since they have often been associated in the literature (see Boix (2003) for a review of the relationship between development and democracy). Given these concerns I test for multicollinearity of my predictors based on the baseline model (model 5 in Table 3.6). Tables 3.4 and 3.5 present the Variation Inflation Factors (VIF) for multicollinearity for the baseline model M5 in Table 3.6. Scholars argue that VIF values over 10 might be problematic (UCLA, 2012). These tables suggests that none of my predictors poses a serious problem in the regression

analysis due to problems of multicollinearity.

Table 3.4: Multicollinearity Test-Baseline Model (Pooled Sample)

Independent Variables	VIF	(1/VIF)
Years of Democracy (log)	3.76	0.25
Country GDP/capita	3.71	0.28
Age of main parties (log)	3.58	0.28
Majoritarian System	3.04	0.33
Number of Units (log)	2.62	0.38
Political Decentralization (lag)	2.38	0.42
Parliamentary	2.22	0.45
Ethnic/Relig/Language Diversity	1.88	0.53
Regional Inequality	1.79	0.56
Fiscal Decentralization (lag)	1.75	0.58
Bicameralism	1.65	0.61
Mean VIF	2.58	

Table 3.5: Multicollinearity Test-Baseline Model (Averaged Sample)

Independent Variables	VIF	(1/VIF)
Country GDP/capita	2.97	0.34
Age of main parties (log)	2.92	0.34
Parliamentary	2.76	0.36
Years of Democracy (log)	2.49	0.40
Political Decentralization (lag)	2.35	0.43
Number of Units (log)	2.01	0.50
Ethnic/Relig/Language Diversity	1.89	0.53
Regional Inequality	1.88	0.53
Majoritarian System	1.67	0.60
Fiscal Decentralization (lag)	1.53	0.65
Bicameralism	1.15	0.87
Mean VIF	2.15	

3.7 Empirical Analysis: Results

Table 3.6 on page 95 shows the results for equation 3.11 on page 3.11. I present four different models, which correspond to different specifications. Model 1 serves as a replication of existing models in the literature, and does not include the "territorial economic inequality" variable or the modernization-related variables ("years of democracy" and "country GDP

per capita"). Model 2 adds the "territorial economic inequality" index. The model shows that higher levels of territorial economic inequalities are more likely to lead to greater party system territorialization. Conversely, lower levels of territorial economic inequalities lead to greater party system nationalization. Model 3 includes the modernization-related variables "years of democracy" and "country GDP per capita". Finally, Model 4 includes political decentralization as a dichotomous variable (instead of as a variable with 4 categories). Models 2, 3 and 4 in this table show strong support for the proposition that "territorial economic inequality" has a positive (and significant) effect on the territorial nature of the party system. Note that the adjusted R-squared in these models, which include the "territorial economic inequality" index is substantially larger than the adjusted R-squared in Model 1.[38] The results for the economic inequality variable remain robust when using the averaged sample instead of the pooled sample. See Table 3.7 on page 96.

3.7.1   Results: The Role of Institutions

In terms of other variables in the model there are some noteworthy findings. "Bicameralism" is only statistically significant in the first model, but looses significance in the more fully specified models 2, 3 and 4. However, in Table 3.7, which uses the averaged sample, "bicameralism" is statistically significant in three of the four models, although the significance levels are relatively low. The effect of "bicameralism" is positive, which indicates that countries that posses upper legislative chambers are more likely to have territorialized party systems. In sum, "bicameralism" seems to have an effect on the territorial nature of party systems, but not a very robust one. In the next chapter (Chapter 4) I offer an explanation for this lack of robust findings. In brief, I argue that "bicameralism" has two distinct effects that cancel each other out. On the one hand, Hicken (2009) argues that bicameralism fragments power at the national level and thus creates incentives for party system territorialization. On the other hand, I argue that bicameralism creates incentives against territorialization by institutionalizing voice for geographically concentrated interests. These two effects are probably operating simultaneously, which explains why we do

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[38]Whereas R-squared is usually sensitive to the number of variables included in the model, the *adjusted* R-squared is not. This means that the increase in the adjusted R-squared in models 2 and 3 is not due to the inclusion of more variables in the model.

not see a significant independent effect of bicameralism on party system territorialization. However, when I properly test the mechanism of these effects (in Chapter 4) then I do find strong support for the significance of bicameralism.

We observe a similar pattern with other institutional variables, which turn out to be less significant than existing explanations would predict. In Table 3.6 "fiscal decentralization" is statistically significant with a positive effect. Higher levels of fiscal decentralization lead to a greater likelihood of having a territorialized party system, whereas lower levels of fiscal decentralization (i.e. greater fiscal centralization) lead to more party system nationalization. These results however are not robust in the models using the averaged sample (Table 3.7), where fiscal decentralization is statistically significant only in models 1 and 2. In turn, "political decentralization" is not statistically significant in any of the models using the pooled or the averaged sample with the exception of model 4 in Table 3.6 where "political decentralization" is positively (and significantly) related to party system territorialization. In sum, the coefficients for both political and fiscal decentralization are not very robust. These results suggests that the direct effect that some scholars in the literature hypothesize does not hold. However, this does not mean that decentralization is not important. This probably means that while decentralization is likely to have an effect on the territorial nature of party systems, its effect has not been correctly specified.[39] Other institutional variables such as the electoral system and regime type (parliamentary or presidential) are not statistically significant in neither Table 3.6 with the pooled sample nor Table 3.7 with the averaged sample. In Chapter 4 I will show how regime type and electoral system do have an important modifying role in explaining the development of territorialized party systems.

Finally, there is a set of (non-institutional) variables that – as far as I know– have not been tested before with a large-N dataset. These are "age of parties", "years of democracy" and "country GDP per capita". "Age of parties", which is a proxy for party system institutionalization, has a negative and statistically significant effect on party system territorialization,

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[39]Although my argument in this dissertation does not focus on the role of decentralization, exploring the conditional relationship between decentralization and party system territorialization is an avenue for further research.

which suggests that older parties are more likely to be national in scope, whereas younger parties are more territorialized. This is probably because older parties have had the time to spread territorially. This effect disappears in model 4. When using the averaged sample (Table 3.7) the effect of "age of parties" is only significant in two of the four models, which means that the effect is not very robust. In terms of modernization-related variables, "country GDP per capita" is statistically significant in the models in Table 3.6. As a country becomes richer (in terms of GDP per capita) it is more likely to develop a nationalized party system. In contrast, poorer countries tend to have more territorialized party systems. This is consistent with Caramani's theoretical expectations. This effect however is not robust when using the averaged sample in Table 3.7. Surprisingly, "years of democracy" has a positive and statistically significant effect in all models using both the pooled and averaged samples. This tells us that older democracies are more likely to have territorialized party systems than younger democracies, which would contradict Caramani's expectations, and the expectations of modernization theorists in general.[40]

3.7.2 Results: The Role of Social Diversity

One of the goals of this chapter and the analyses I present is to evaluate whether the effect of geographically concentrated economic interests remains significant when controlling for other types of societal interests (ethnicity, religion, language). To this end, the models presented in Tables 3.6 and 3.7 include a measure called "ethnic/religious/linguistic diversity." The measure is not statistically significant in any of the models. This is not particularly surprising given that this particular measure of diversity (although commonly used in the literature) is a measure of fractionalization that does not capture the territorial/geographic character of ethnic, religious or linguistic diversity.

In lieu of this blunt fractionalization measure, Table 3.8 presents a series of regression models using two alternative measures of diversity: "territorial concentration of religion" and "territorial concentration of language."[41] Model 1 and Model 2 in Table 3.8 show that

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[40]It would be interesting to do some further research on why length of democracy is negatively associated with party system nationalization.

[41]Selway (2011), from which I take these measures, unfortunately does not have a comprehensive measure of "territorial concentration of ethnicity," so I only include territorially concentrated religion and territorially concentrated language in my regression models.

Table 3.6: OLS Regression: Direct Effects (Pooled Sample)

DV: Party System Territorialization	M1	M2	M3	M4
Territorial Economic Inequality (lag)		.497***	.487***	.448***
		(.13)	(.14)	(.12)
Ethnic/Relig/Linguistic Diversity	.014	−.061	−.108	−.108
	(.15)	(.16)	(.15)	(.15)
Fiscal Decentralization (lag)	.348	.530***	.397**	.353**
	(.23)	(.19)	(.17)	(.17)
Political Decentralization (lag)	.002	−.001	.010	
	(.01)	(.01)	(.01)	
Political Decentralization (dic) (lag)				.092**
				(.04)
Majoritarian Electoral System	−.019	−.033	−.077	−.054
	(.04)	(.06)	(.06)	(.05)
Parliamentary System	.000	.043	.041	.011
	(.05)	(.05)	(.03)	(.03)
Bicameralism (dic)	.092**	.043	.039	.023
	(.04)	(.04)	(.05)	(.05)
Age of Parties (log)	−.054**	−.052***	−.040*	−.034
	(.02)	(.02)	(.02)	(.02)
Number of Units (log)	.009	.004	.005	−.014
	(.04)	(.03)	(.02)	(.02)
Country GDP per capita			−.007***	−.007***
			(.00)	(.00)
Years of Democracy (log)			.064**	.056**
			(.03)	(.03)
Constant	.185	.040	−.057	.020
	(.14)	(.12)	(.11)	(.11)
Adj. R^2	.194	.490	.553	.573
No. of cases	206	140	137	137
No. of countries/clusters	53	39	38	38

Sig:*p<0.10,** p<0.05,*** p<0.01

Standard Errors in Parentheses

Robust Standard Errors Clustered by Country

Fiscal Decentralization (lag): revsharelagav2

Table 3.7: OLS Regression: Direct Effects (Averaged Sample)

DV: Party System Territorialization	M1	M2	M3	M4
Territorial Economic Inequality (lag)		.216***	.205**	.180**
		(.08)	(.08)	(.09)
Ethnic/Religious/Linguistic Diversity	.111	−.018	−.036	−.045
	(.12)	(.14)	(.15)	(.15)
Fiscal Decentralization (lag)	.307*	.362*	.308	.313
	(.17)	(.20)	(.20)	(.19)
Political Decentralization (lag)	−.006	.002	.015	
	(.01)	(.02)	(.02)	
Political Decentralization (lag) (dic)				.065
				(.06)
Majoritarian Electoral System	−.030	−.026	−.044	−.040
	(.04)	(.04)	(.04)	(.04)
Parliamentary System	.009	.027	.014	.006
	(.04)	(.06)	(.06)	(.06)
Bicameralism (dic)	.073*	.073*	.070	.076*
	(.04)	(.04)	(.04)	(.04)
Age of Parties (log)	−.030	−.041	−.062*	−.063*
	(.02)	(.03)	(.03)	(.03)
Number of Units (log)	.063**	.040	.020	.013
	(.02)	(.03)	(.03)	(.03)
Country GDP per capita			−.005	−.005
			(.00)	(.00)
Years of Democracy (log)			.058**	.056**
			(.02)	(.02)
Constant	−.053	−.028	.003	.032
	(.10)	(.11)	(.12)	(.12)
Adj. R^2	.195	.234	.308	.322
No. of cases	51	40	39	39

Sig:*p<0.10,** p<0.05,*** p<0.01

Standard Errors in Parentheses

Fiscal Decentralization (lag): revsharelagav2

"territorial economic inequality" (my key independent variable that I use as a proxy for the territorial concentration of economic interests) remains significant when controlling for either territorially concentrated language or territorially concentrated religion. The variable "territorial concentration of religion" is not significant, whereas the variable "territorial concentration of language" is statistically significant and its effect its quite substantial. Countries where language is territorially concentrated tend to have more territorialized party systems. This is consistent with much of the literature on the emergence and success of regional political parties in Western Europe, which argue that language is an important marker of ethnic identity, which drives regionalization. What is important however, is that the effect of linguistic concentration does not overwhelm the effect of "territorial economic inequality," which remains more important.[42]

The measures of "territorial concentration of language" and "territorial concentration of religion" are particularly right skewed (see Figure 3.15) so I transform them to make their distributions more normal. This allows for a more accurate regression analysis. Models 3 and 4 in Table 3.8 include these two variables logged. I also log my key independent variable "territorial economic inequality" in order to be able to compare the magnitude of the coefficients between all the social diversity variables. The results suggest that the effect of "territorial economic inequality" remains significant even when controlling for other forms of territorial concentration of social diversity. In other words, the geography of economic interests is a significant factor in explaining party system territorialization, even more so than the geography of religion or the geography of language. The results are robust when running these models with the averaged data set (see Table 3.9). "Territorial concentration of language (logged)" is statistically significant when using the averaged data set but not when using the pooled data set. "Territorial concentration of religion (logged)" is not statistically significant in neither the pooled or averaged data sets.

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[42]It is interesting that "territorially concentrated religion" is not significant, and would be interesting to explore the different effects of various aspects of social diversity.

Table 3.8: OLS Regression: Direct Effects (Pooled Sample)

DV: Party System Territorialization	M1	M2	M3	M4
Territorial Economic Inequality (lag)	.443***	.444***		
	(.12)	(.13)		
Territorial Concentration of Religion	−.114			
	(.28)			
Territorial Concentration of Language		.174*		
		(.10)		
Territorial Econ. Inequality (lag) (log)			.153***	.156***
			(.04)	(.04)
Territorial Concentration of Religion (log)			−.053	
			(.05)	
Territorial Concentration of Language (log)				.017
				(.03)
Fiscal Decentralization (lag) (revsharelagav2)	.347*	.370**	.336*	.346**
	(.18)	(.17)	(.18)	(.16)
Political Decentralization (dic) (lag)	.092**	.077*	.110**	.107**
	(.04)	(.04)	(.04)	(.05)
Majoritarian Electoral System	−.063	−.068	−.046	−.054
	(.05)	(.06)	(.05)	(.06)
Parliamentary System	.010	−.020	.004	−.019
	(.04)	(.03)	(.04)	(.04)
Bicameralism (dic)	.012	.004	−.006	−.011
	(.04)	(.04)	(.04)	(.05)
Number of Units (log)	−.012	−.017	−.022	−.025
	(.02)	(.02)	(.03)	(.03)
Age of Parties (log)	−.039	−.035	−.041	−.032
	(.02)	(.02)	(.03)	(.02)
Country GDP per capita	−.007***	−.005**	−.007***	−.006**
	(.00)	(.00)	(.00)	(.00)
Years of Democracy (log)	.055**	.041	.050*	.041
	(.03)	(.03)	(.03)	(.03)
Constant	.028	.000	.300*	.452**
	(.11)	(.13)	(.17)	(.18)
Adj. R^2	.569	.596	.552	.546
No. of cases	137	136	137	136
No. of countries/clusters	38	37	38	37

Sig:$p<0.10$,** $p<0.05$,*** $p<0.01$*
Standard Errors in Parentheses
Robust Standard Errors Clustered by Country
Fiscal Decentralization (lag): revsharelagav2

Table 3.9: OLS Regression: Direct Effects (Averaged Sample)

DV: Party System Territorialization	M1	M2	M3	M4
Territorial Economic Inequality (lag)	.176*	.153**		
	(.09)	(.07)		
Territorial Concentration of Religion	−.108			
	(.42)			
Territorial Concentration of Language		.373***		
		(.10)		
Territorial Economic Inequality (lag) (log)			.120***	.114***
			(.04)	(.03)
Territorial Concentration of Religion (log)			−.024	
			(.06)	
Territorial Concentration of Language (log)				.086***
				(.03)
Fiscal Decentralization (lag)	.326*	.271*	.376**	.299*
	(.19)	(.15)	(.18)	(.15)
Political Decentralization (lag) (dic)	.058	.030	.034	.022
	(.06)	(.04)	(.06)	(.04)
Majoritarian Electoral System	−.044	−.043	−.055	−.056*
	(.04)	(.03)	(.03)	(.03)
Parliamentary System	.010	−.026	.030	−.002
	(.06)	(.05)	(.06)	(.04)
Bicameral	.073*	.028	.057	.014
	(.04)	(.03)	(.04)	(.03)
Number of Units (log)	.018	.010	.029	.023
	(.03)	(.02)	(.03)	(.02)
Age of Parties (log)	−.069*	−.072**	−.079**	−.083**
	(.04)	(.03)	(.03)	(.03)
Country GDP per capita	−.004	.001	−.003	.002
	(.00)	(.00)	(.00)	(.00)
Years of Democracy (log)	.057**	.049**	.063***	.058***
	(.02)	(.02)	(.02)	(.02)
Constant	.042	−.009	.157	.378***
	(.14)	(.09)	(.14)	(.11)
Adj. R^2	.322	.500	.414	.537
No. of cases	39	37	39	36

*Sig:*p<0.10,** p<0.05,*** p<0.01*

Standard Errors in Parentheses

Fiscal Decentralization (lag): revsharelagav2

3.8   Robustness Checks

I conduct three sets of robustness checks. First, I test the baseline model (Model 4 in Table 3.6) using two different operationalizations of my key independent variable "territorial economic inequality". The results are presented in Table 3.10. The first model in this Table is the baseline model (for reference). As explained earlier, the measure of territorial economic inequality that I use in this model is based on the coefficient of variation which is sensitive to the number of units in a country. I thus run the baseline model with a weighted version of this coefficient of variation. The results are presented in Model 2, and the coefficient on the weighted version of "territorial economic inequality" is still positive and statistically significant.

Finally, the third model in Table 3.10 use a measure of "territorial economic concentration" from Selway (2011). This measure is based on a measure of cross-cuttingness between geography and individual income. The coefficient on this measure of territorial concentration of economic interests is also positive and significant but the magnitude of the effect and the significance are smaller than those of my measures ("territorial economic inequality" and "territorial economic inequality (weighted"). I believe my measures are better for two reasons: first they provide for time variation, whereas Selway's measure of "territorial concentration of income" is a constant value for each country over time. Whereas this is somewhat justifiable when measuring ethnic or linguistic concentration (since they generally do not vary significantly over time) it is less justifiable for income. Second, Selway's measure is not consistent across countries in terms of how he defines "territorial units". In some countries he uses regions and in others districts (depending on where data are available). My measure is systematically measured at the most politically important level of aggregation and it matches the territorial unit that is used for the dependent variable. I run these same models with the averaged data set (see Table 3.11) and the results are consistent, except that in the third model the measure of "territorial concentration of income" looses its statistical significance.

Second, in Table 3.12 I test the baseline model with three additional measures of fiscal decentralization. The baseline model (Model 1) uses the measure "proportion of subnational

revenues as a share of total revenues (revshare)" as a measure of fiscal decentralization. In Model 2 I use the measure 'total revenues as a proportion of GDP (revgdp)". In Model 3 I use the measure "subnational expenditures as a percentage of total government expenditures". And in Model 4 I use the measure "subnational expenditures as a percentage of GDP". Table 3.13 presents these same models with the averaged sample and the results are consistent with the ones obtained in Table 3.12.

The third robustness check adds a set of regional dummy variables to the baseline model. This is to account for specific historical or cultural factors that are not capture through development and democracy variables. See Table 3.14. The reference category is "Western Europe". Results are robust, once more. The variable "territorial economic inequality" remains positive and statistically significant, and so is political and fiscal decentralization.

Table 3.10: Robustness A: OLS Regression (Pooled Sample)

DV: Party System Territorialization	M1	M2	M3
Territorial Economic Inequality (lag)	.448***		
	(.12)		
Territorial Economic Inequality Weighted (lag)		.599***	
		(.16)	
Territorial Concentration of Income (log)			.118*
			(.07)
Fiscal Decentralization (lag)	.353**	.404*	.411
	(.17)	(.24)	(.27)
Political Decentralization (lag) (dic)	.092**	.096	.110
	(.04)	(.06)	(.07)
Ethnic/Relig/Linguistic Diversity	−.108	−.044	−.073
	(.15)	(.17)	(.16)
Majoritarian Electoral System	−.054	−.023	−.003
	(.05)	(.05)	(.03)
Parliamentary System	.011	.027	−.034
	(.03)	(.04)	(.06)
Bicameralism (dic)	.023	.015	.066*
	(.05)	(.06)	(.04)
Number of Units (log)	−.014	−.008	−.013
	(.02)	(.04)	(.04)
Age of Parties (log)	−.034	−.028	−.026
	(.02)	(.02)	(.02)
Country GDP per capita	−.007***	−.006***	−.006***
	(.00)	(.00)	(.00)
Years of Democracy (log)	.056**	.047	.004
	(.03)	(.03)	(.02)
Constant	.020	−.072	.448**
	(.11)	(.13)	(.20)
Adj. R^2	.573	.503	.315
No. of cases	137	139	191
No. of countries/clusters	38	39	48

Sig:*p<0.10,** p<0.05,*** p<0.01

Standard Errors in Parentheses

Robust Standard Errors Clustered by Country

Fiscal Decentralization (lag): revsharelagav2

Table 3.11: Robustness A: OLS Regression (Averaged Sample)

DV: Party System Territorialization	M1	M2	M3
Territorial Economic Inequality (lag)	.180**		
	(.09)		
Territorial Economic Inequality Weighted (lag)		.573***	
		(.16)	
Territorial Concentration of Income (log)			.060
			(.08)
Fiscal Decentralization (lag)	.313	.461**	.323*
	(.19)	(.19)	(.18)
Political Decentralization (lag) (dic)	.065	.050	.045
	(.06)	(.05)	(.05)
Ethnic/Religious/Linguistic Diversity	−.045	−.140	.053
	(.15)	(.15)	(.14)
Majoritarian Electoral System	−.040	−.034	−.028
	(.04)	(.04)	(.04)
Parliamentary System	.006	.056	.013
	(.06)	(.05)	(.05)
Bicameralism (dic)	.076*	.068	.068
	(.04)	(.04)	(.04)
Number of Units (log)	.013	.025	.048*
	(.03)	(.03)	(.03)
Age of Parties (log)	−.063*	−.077**	−.042
	(.03)	(.03)	(.03)
Country GDP per capita	−.005	−.003	−.005
	(.00)	(.00)	(.00)
Years of Democracy (log)	.056**	.071**	.029
	(.02)	(.03)	(.02)
Constant	.032	−.145	.112
	(.12)	(.12)	(.20)
Adj. R^2	.322	.431	.211
No. of cases	39	40	47

Sig:*p<0.10,** p<0.05,*** p<0.01

Standard Errors in Parentheses

Fiscal Decentralization (lag): revsharelagav2

3.9 Conclusions

This chapter has explored the effects of economic geography on party system territorialization. The main finding is that countries where economic interests are unevenly distributed across politically relevant territorial units are more likely to develop territorialized party systems. Conversely, countries with a fairly even distribution of economic interests across politically relevant territorial units are more likely to develop nationalized party systems. This effect is significant when controlling for other explanatory factors and it is robust to alternative specifications. The chapter further demonstrates that the geography of other societal interests (such as ethnicity, language and religion), which scholars typically allude to in order to explain the success of regional or local parties are not as important as the geography of economic interests. Finally, the chapter shows that the effect of institutional variables such as electoral system, regime type, bicameralism, decentralization is insignificant or not robust to alternative specifications. As I argue this does not mean that institutions do not matter, but rather that the effects that scholars have posited are not correctly specified. The next chapter continues to test the argument developed in Chapter 2 and shows that some institutional variables such as bicameralism, regime type and the electoral system do play an important modifying role in accounting for variation in party system territorialization.

Table 3.12: Robustness B: OLS Regression (Pooled Sample)

DV: Party System Territorialization	M1	M2	M3	M4
Territorial Economic Inequality (lag)	.448***	.466***	.475***	.460***
	(.12)	(.14)	(.11)	(.14)
Fiscal Decentralization (lag) (revshare)	.353**			
	(.17)			
Fiscal Decentralization (lag) (revgdp)		.559		
		(.39)		
Fiscal Decentralization (lag) (expshare)			.427**	
			(.18)	
Fiscal Decentralization (lag) (expgdp)				.371
				(.28)
Political Decentralization (lag) (dic)	.092**	.112**	.076*	.115**
	(.04)	(.05)	(.04)	(.05)
Ethnic/Relig/Language Diversity	−.108	−.111	−.037	−.098
	(.15)	(.17)	(.12)	(.16)
Majoritarian Electoral System	−.054	−.045	−.072	−.037
	(.05)	(.05)	(.05)	(.05)
Parliamentary System	.011	−.000	.000	−.017
	(.03)	(.03)	(.03)	(.04)
Bicameralism (dic)	.023	.025	.010	.026
	(.05)	(.05)	(.04)	(.05)
Age of Parties (log)	−.034	−.023	−.035*	−.017
	(.02)	(.02)	(.02)	(.02)
Number of Units (log)	−.014	−.011	−.021	−.015
	(.02)	(.02)	(.02)	(.02)
Years of Democracy (log)	.056**	.063**	.050**	.056*
	(.03)	(.03)	(.02)	(.03)
Country GDP per capita	−.007***	−.009***	−.007***	−.009***
	(.00)	(.00)	(.00)	(.00)
Constant	.020	−.006	.008	.003
	(.11)	(.11)	(.10)	(.11)
Adj. R^2	.573	.544	.586	.539
No. of cases	137	135	137	135
No. of countries/clusters	38	37	38	37

*Sig:*p<0.10,** p<0.05,*** p<0.01*

Standard Errors in Parentheses

Robust Standard Errors Clustered by Country

Table 3.13: Robustness B: OLS Regression (Averaged Sample)

DV: Party System Territorialization	M1	M2	M3	M4
Territorial Economic Inequality (lag)	.180**	.183*	.169*	.175*
	(.09)	(.09)	(.09)	(.09)
Fiscal Decentralization (lag) (revshare)	.313			
	(.19)			
Fiscal Decentralization (lag) (revgdp)		.586		
		(.46)		
Fiscal Decentralization (lag) (expshare)			.165	
			(.16)	
Fiscal Decentralization (lag) (expgdp)				.254
				(.39)
Political Decentralization (lag) (dic)	.065	.086	.070	.088
	(.06)	(.06)	(.06)	(.06)
Ethnic/Religious/Linguistic Diversity	−.045	−.060	−.055	−.060
	(.15)	(.15)	(.15)	(.15)
Majoritarian Electoral System	−.040	−.034	−.031	−.026
	(.04)	(.04)	(.04)	(.04)
Parliamentary System	.006	−.004	.004	−.011
	(.06)	(.06)	(.06)	(.06)
Bicameral	.076*	.078*	.076*	.082*
	(.04)	(.04)	(.04)	(.04)
Age of Parties (log)	−.063*	−.058*	−.048	−.051
	(.03)	(.03)	(.03)	(.03)
Number of Units (log)	.013	.008	.009	.007
	(.03)	(.03)	(.03)	(.03)
Years of Democracy (log)	.056**	.062**	.054**	.057**
	(.02)	(.03)	(.03)	(.03)
Country GDP per capita	−.005	−.006*	−.005	−.006
	(.00)	(.00)	(.00)	(.00)
Constant	.032	.044	.026	.039
	(.12)	(.12)	(.13)	(.13)
Adj. R^2	.322	.294	.280	.263
No. of cases	39	39	39	39

*Sig:*p<0.10,** p<0.05,*** p<0.01*
Standard Errors in Parentheses

Table 3.14: Robustness C: OLS Regression (Pooled Sample)

DV: Party System Territorialization	M1	M2
Territorial Economic Inequality (lag)	.498***	.474***
	(.13)	(.12)
Fiscal Decentralization (lag)	.602***	.460***
	(.14)	(.16)
Political Decentralization (lag) (dic)	.077**	.088**
	(.03)	(.04)
Ethnic/Relig/Linguistic Diversity	.130	−.079
	(.15)	(.14)
Majoritarian Electoral System	−.033	−.046
	(.05)	(.05)
Parliamentary System	−.055	.002
	(.03)	(.03)
Bicameral	.001	.014
	(.04)	(.05)
Number of Units (log)	−.016	−.012
	(.02)	(.02)
Age of Parties (log)	−.050**	−.034*
	(.02)	(.02)
Country GDP per capita	−.006**	−.008***
	(.00)	(.00)
Years of Democracy (log)	.039*	.053**
	(.02)	(.02)
Eastern Europe	−.154***	
	(.04)	
Latin America	−.130*	
	(.07)	
Asia	−.090	
	(.10)	
Oceania	−.061*	
	(.03)	
North America	−.209***	
	(.05)	
European Union		.061**
		(.03)
Constant	.104	−.016
	(.11)	(.10)
Adj. R^2	.641	.588
No. of cases	137	137
No. of countries/cases	38	38

Sig:*p<0.10,** p<0.05,*** p<0.01

Standard Errors in Parentheses

Robust Standard Errors Clustered by Country

Fiscal Decentralization (lag): revsharelagav2

Figure 3.11: Weighted and Unweighted Territorial Economic Inequality Index

N = 193

Figure 3.12: Party System Territorialization and Territorial Econ.   Inequality Index
Weighted

(a) Pooled Sample
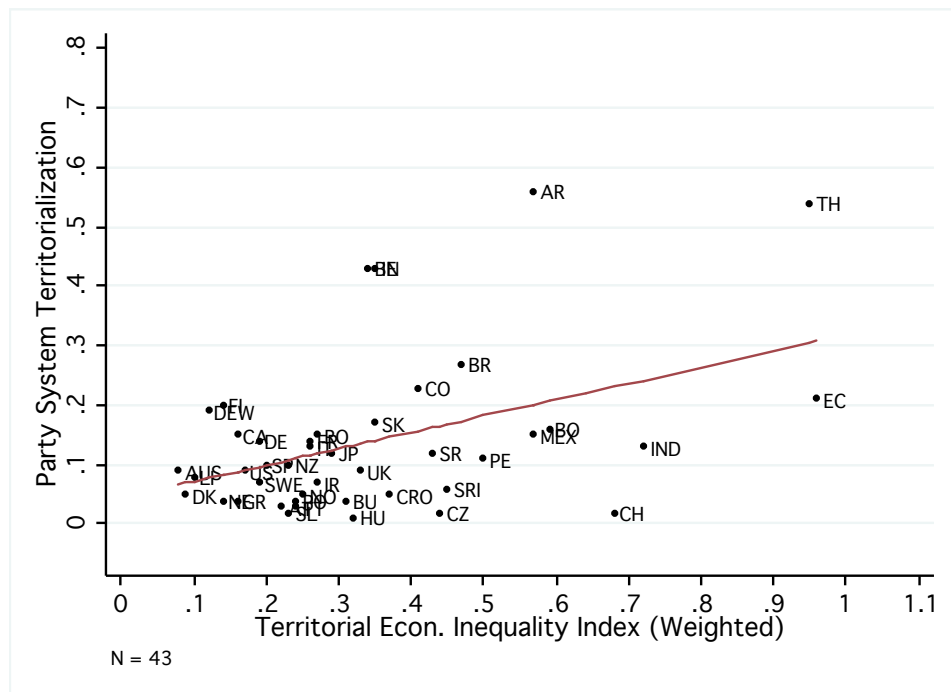
(b) Averaged Sample

Figure 3.13: Histogram of Age of Parties and Years of Democracy
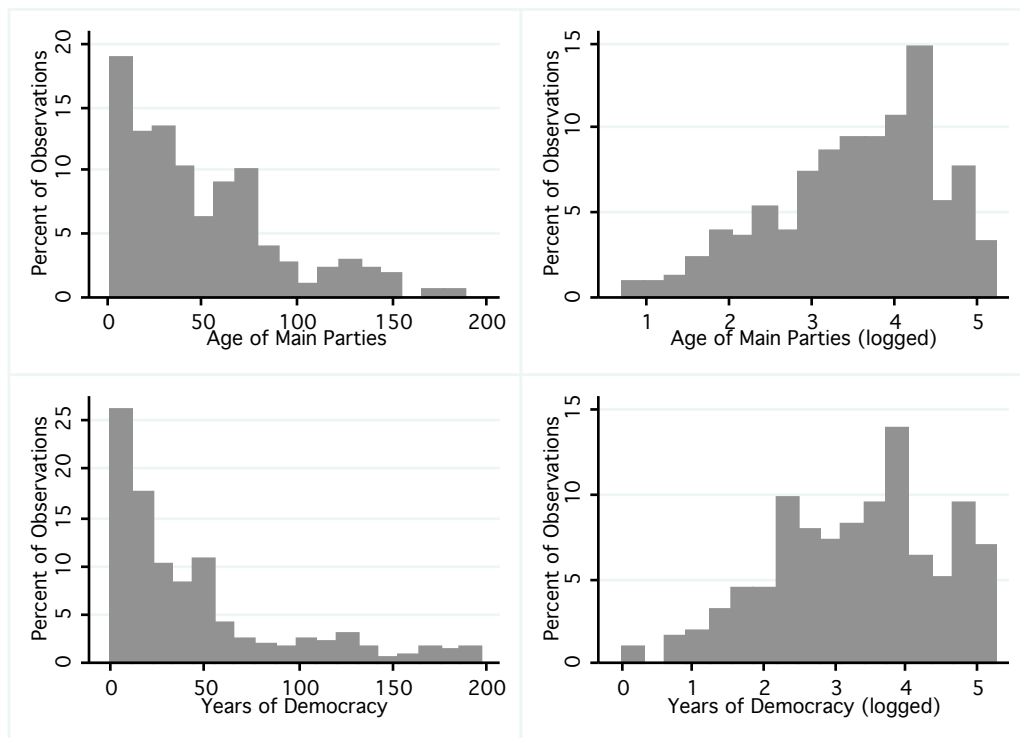
Figure 3.14: Histogram of Number of Territorial Units
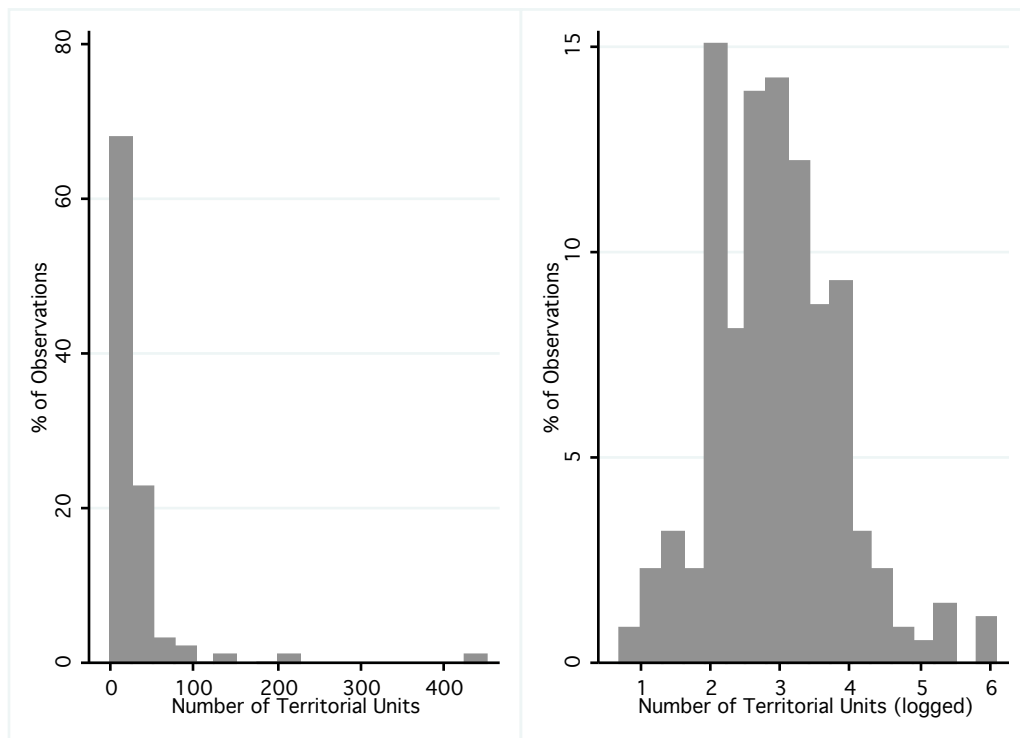
Figure 3.15: Histograms of Religious and Linguistic Territorial Concentration
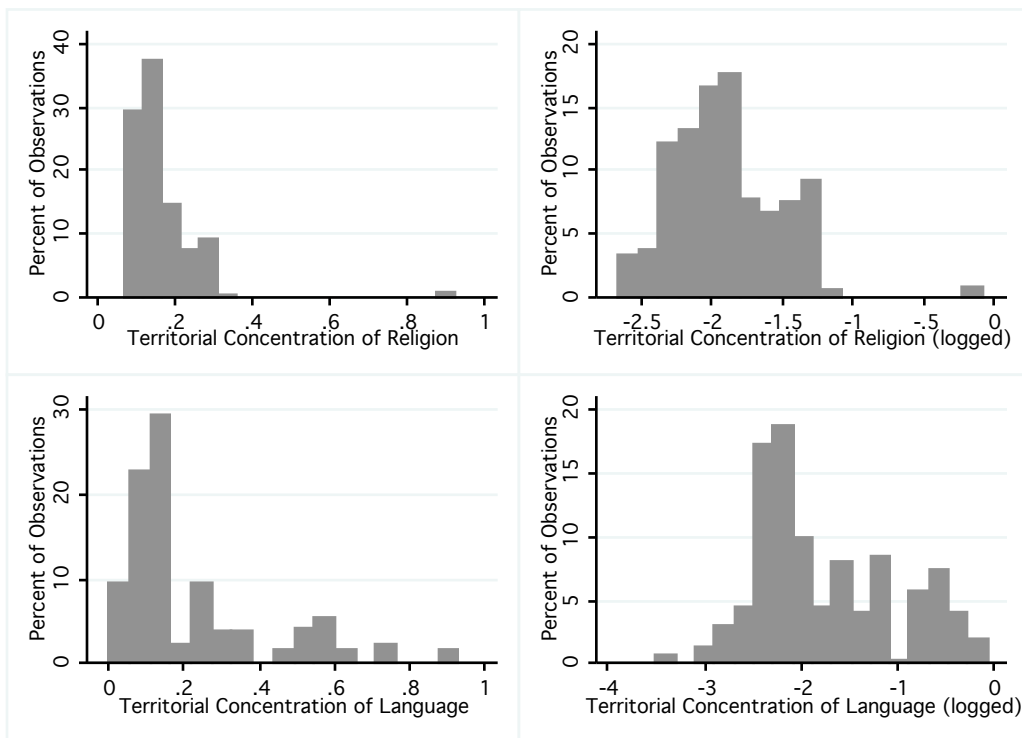
Table 3.15: Coding Regions

Country	Election Year	Districts	Regions	Notes
Argentina	1985-2007	24	24	
Australia	1990-2007	148-150	8	
Austria	1971-1994	9	9	
	1994-2006	43	9	
Bangladesh	2001	300	6	Unitary
Belgium	1974-1978	30	–	
	1981-1987	30	3	
	1995-1999	20	3	
	2003-2007	11	3	
Bolivia	1985-1993	9	9	
	1997-2002	68	9	
	2005	70	9	
Bosnia-Herz.	1996-2006	2	2	
Botswana	1979-2004	32-57	?	
Brazil	1982	25	25	
	1986	26	26	
	1990-2006	27	27	
Bulgaria	1994-2009	28	–	
Canada	1972-2000	264-308	12	
	2004-2006	264-308	13	
Chile	1997-2005	60	13	
Colombia	1982-1990	33	–	
	1998-2006	26	26	Federal
Costa Rica	1982-2006	7	–	
Croatia	2000-2003	10	22	
Czech Republic	1996-1998	8	14	Unitary
	2002-2006	14	14	Federal
Cyprus	1996	6	–	
Denmark	1987-1998	17	17	
	2001-2005	16	16	
Dominican Rep.	1982	27	–	
	1986-1998	30	–	
Ecuador	1984	20	20	
	2006	22	22	

Continued

Country	Election Year	Districts	Regions	Notes
El Salvador	2000-2003	14	–	
Estonia	1992	12	–	
	1995-1999	11	–	
Finland	1970-1991	15	–	
	1995-2007	15	15	
France	1982-2002	556-577	96	
Ghana	2004	230	10	Unitary
Guatemala	2007	22	–	
Honduras	1997-2001	18	–	
Germany	1990-1998	328	16	
	2002-2009	299	16	
Germany-West	1965-1987	248	10	
Greece	1981-1993	56	–	
	1994-2006	56	13	
Hungary	1990-2006	20	20	
Iceland	1979-1991	8	–	
India	1980-1991	528-543	31	
	1996-1999	528-543	31	
	2004	528-543	31	
Indonesia	1999	27	27	
	2004	69	32	
Ireland	1987-1993	41	8	Unitary
	1994-2002	38	8	
Italy	1979-1992	95	20	
	1994-2008	475	20	
Jamaica	1997-2007	60	14	
Japan	1972-2005	124-300	47	
Latvia	1993-2006	5	–	
Lithuania	1992-2004	71	10	
Luxembourg	1989-1999	4	–	
Malta	1998	13	–	
Mauritius	1995-2000	21	–	
Mexico	1994-2006	300	32	
Netherlands	1989-1994	1	13	Country=District
	1998-2006	1	12	Country=District

Continued

Country	Election Year	Districts	Regions	Notes
New Zealand	1981-1987	65-97	22	Decentralized
	1990-1991	65-97	14	Federal
	1996-2005	62-97	16	Federal
Norway	1993-2005	19	19	
Pakistan	2002	272	6	
Peru	2001	25	–	
Philippines	1992-2004	200-209	80	
Poland	1997	52	16	
	2001-2005	41	16	
Portugal	1991-1995	20	7	
Romania	1992-2004	42	42	
Russia	1993-2003	450	?	
Slovakia	1998-2006	1	8	Country=District
Slovenia	1996-2004	8	–	
South Africa	1999-2004	9	9	
South Korea	1988-2008	225-245	16	
Spain	1979-2008	52	19	
Sri Lanka	1994	21	9	
	2000-2004	22	9	
St. Kitts & Nevis	2000	11	–	
Sweden	1994-2006	29	21	
Switzerland	1995-2003	26	26	
Taiwan	2001-2004	31	–	
Thailand	1983-1992	133-142	9	
Trinidad&Tobago	1981-2000	36	15	
Turkey	1971-2002	107-84	81	
United Kingdom	1974-2005	635	4	
Ukraine	1998	1	27	Country=District
United States	1970-2006	$\tilde{4}35$	50	
Venezuela	1958-1988	22-23	22-23	

Table 3.16: Countries and Election Years

Code	Country	National Legislative Election Years
AR	Argentina	1985, 1987, 1989, 1991, 1993, 1995, 1997, 2001, 2003, 2005, 2007
AU	Australia	$1980^d, 1984^d, 1990^r, 1993, 1996, 1998, 2001, 2004, 2007$
AT	Austria	1971, 1975, 1979, 1983, 1986, 1990, 1994, 1995, 1999, 2002, 2006
BE	Bangladesh^r	2001
BE	Belgium	1981, 1987, 1991, 1995, 1999, 2003, 2007
BO	Bolivia	1985, 1989, 1993, 1997, 2002, 2005
BH	Bosnia Herz.	1996, 1998, 2006
BW	Botswana	1979, 1984, 1999, 2004
BR	Brazil	1982, 1986, 1990, 1994, 1998, 2002, 2006
BU	Bulgaria	1994, 1997, 2001, 2005, 2009
CA	Canada	$1972, 1974, 1979, 1980, 1984, 1988, 1993, 1997, 2000, 2004^r, 2006$
CH	Chile	1997, 2001, 2005
CO	Colombia	1982, 1986, 1990, 1998, 2002, 2006
CR	Costa Rica	1982, 1986, 1990, 1994, 1998, 2002, 2006
CRO	Croatia^d	2000, 2003
CZ	Czech Republic	1996, 1998, 2002, 2006
CY	Cyprus	1996
DK	Denmark	1987, 1990, 1994, 1998, 2001, 2005
DR	Dominican Rep.	$1982, 1986, 1994, 1998^r$
EC	Ecuador	$1984, 2006^r$
EL	El Salvador^d	2000, 2003
ES	Estonia	1992, 1995, 1999
FI	Finland	1970, 1972, 1975, 1979, 1983, 1987, 1991, 1995, 1999, 2003, 2007
FR	France	$1986^r, 1988^r, 1993, 1997, 2002$
GH	Ghana	2004
GU	Guatemala^r	2007
HO	Honduras^r	1997, 2001
DEW	West Germany	1972, 1976, 1980, 1983, 1987
DE	Germany	$1990, 1994, 1998, 2002^r, 2005^r, 2009^r$
GR	Greece	$1980^d, 1981, 1985, 1990, 1993, 1996, 2000$
HU	Hungary	1990, 1994, 1998, 2002, 2006
ICE	Iceland	1979, 1983, 1987, 1991
IN	India	1980, 1984, 1989, 1991, 1996, 1998, 1999, 2004
IND	Indonesia	1999, 2004
IRE	Ireland^d	1987, 1989, 1992, 1997, 2002
IT	Italy	1979, 1983, 1987, 1992, 1994, 1996, 2001, 2006, 2008
JA	Jamaica	1997, 2002
JP	Japan	1972, 1976, 1979, 1980, 1983, 1986, 1990, 1996, 2000, 2003, 2005
LA	Latvia	1993, 1995, 1998, 2002, 2006
LI	Lithuania	1992, 1996, 2000, 2004
LU	Luxembourg	1989, 1994, 1999
	Continued	*Note*
		r = only regional level electoral data
		d = only district level electoral data

Code	Country	National Legislative Election Years
MA	Malta	1998
MAU	Mauritius	1995, 2000
MX	Mexico	1994, 1997, 2000, 2003, 2006
NE	Netherlands	1989, 1994, 1998, 2002, 2003, 2006
NZ	New Zealand^d	1981, 1984, 1986, 1996, 1999, 2002, 2005
NO	Norway	1993, 1997, 2001, 2005
PA	Pakistan^r	2002
PE	Peru	2001
PH	Philippines^d	1992, 1995, 1998, 2001, 2004
PO	Poland	1997^r, 2001, 2005^r
PT	Portugal	1991, 1995, 1999, 2002, 2005, 2009
RO	Romania	1992, 1996, 2000, 2004
RU	Russia^d	1993, 1995, 1999, 2003
SR	Slovak Republic	1998, 2002, 2006^r
SL	Slovenia	1996, 2000, 2004
SA	South Africa	1999, 2004
SK	South Korea	1988, 1992, 1996, 2000, 2004^r, 2008
SP	Spain	1979, 1982, 1986, 1989, 1993, 1996, 2000, 2004, 2008
SRI	Sri Lanka	1994, 2000, 2001, 2004
ST	St. Kitts & Nevis	2000
SW	Sweden	1994, 1998, 2002
SW	Switzerland	1995, 1999, 2003
TW	Taiwan	2001, 2004
TH	Thailand	1983, 1986, 1988, 1992
TR	Trinidad&Tobago^d	1976, 1981, 1986, 1991, 1995, 2000
TU	Turkey^d	1991, 1995, 1999, 2002
UK	United Kingdom	1974, 1979, 1983, 1987, 1992, 1997, 2001^r, 2005
UKR	Ukraine	1998
US	United States	1970 – every two years – 2006
VZ	Venezuela	1958, 1963, 1968, 1973, 1978, 1983, 1988

Note

r = only regional level electoral data

d = only district level electoral data

Table 3.17: Sources of Electoral Data

Country	Sources
Argentina	Marcelo Leiras
	Atlats Electoral de Andy Tow: http://towsa.com/andy/totalpais/
Australia	Psephos, CLEA and Australian Electoral Commission
	CLEA
	Australian Electoral Commission
Austria	CLEA
Bangladesh	Electoral Geography 2.0
	Psephos
Belgium	CLEA (Caramani)
	Psephos
	http://www.ibzdgip.fgov.be/
Bolivia	Marcelo Leiras
	Corte Nacional Electoral (CNE)
	CLEA (Psephos)
Bosnia-Herz.	Brancati
Botswana	CLEA
Brazil	CLEA (Nicolau)
Bulgaria	EED
Canada	Brancati, CLEA and Parliament of Canada
Chile	CLEA (Psephos)
Colombia	Marcelo Leiras
	PDA
Costa Rica	*Atlas Electoral Digital de Costa Rica 1953-2006*
	CLEA (Psephos)
Croatia	EED
Czech Republic	CLEA (Essex)
	EED
Cyprus	Brancati
Denmark	CLEA
Dominican Rep.	Brancati
Ecuador	PDA
El Salvador	
Estonia	Essex: www.essex.ac.uk/elections/
Finland	CLEA
France	CLEA (Caramani)
	Ministere de l'Interieur (Interior Ministry of France)
Ghana	CLEA
Germany	CLEA (Caramani)
Germany-West	CLEA (Caramani)
	http://www.bundeswahlleiter.de/
Greece	Brancati
Guatemala	Electoral Geography 2.0
Honduras	Electoral Geography 2.0
Hungary	Brancati

Continued

Country	Sources
Iceland	Brancati
India	CLEA
Indonesia	CLEA
Ireland	EED
Italy	CLEA (Caramani)
	Italian Ministry of Interior
	Electoral Resources on the Internet
	1953-1972: Instituto Cattaneo
Japan	CLEA and Steven R. Reed
	Psephos
Jamaica	CLEA
Latvia	Brancati
Lithuania	Brancati
	EED
Luxembourg	Brancati
Malta	Brancati
Mauritius	Brancati
Mexico	Instituto Federal Electoral (IFE)
Netherlands	
New Zealand	Government of New Zealand: http://www.electionresults.govt.nz/
Norway	EED
Pakistan	CLEA
Peru	*Oficina Nacional de Procesos Electorales* (National Office of Electoral Processes)
Philippines	CLEA
Poland	EED
Portugal	CLEA and EED
Romania	CLEA
Russia	CLEA
Slovakia	CLEA
Slovenia	Brancati
	EED
South Africa	CLEA
South Korea	CLEA
	National Election Commission of Korea
Spain	CLEA
	Ministerio del Interior (http://www.elecciones.mir.es/)
Sri-Lanka	CLEA
St. Kitts and Nevis	
Sweden	Brancati
	EED
Switzerland	EED
Taiwan	
Thailand	CLEA
TrinidadTobago	Brancati

Continued

Country	Sources
Turkey	Brancati
UK	Electoral Commission: http://www.electoralcommission.org.uk/elections/ UK Elections Forecasting and Politics Program, UK-Elect: http://www.ukelect.co.uk/
Ukraine	Essex: www.essex.ac.uk/elections/
US	US Census Bureau
Venezuela	Brancati

Brancati: Dawn Brancati. 2007. Constituency-Level Elections (CLE) Dataset. New York, New York. http://www.cle.wustl.edu

CLEA: Ken Kollman, Allen Hicken, Daniele Caramani and David Backer. Constituency-Level Elections Archive (http://www.electiondataarchive.org/). CLEA is a repository of detail results at the constituency level. It draws from a variety of sources, which in the table above are specified in parenthesis.

EED: European Election Database

Psephos: Adam Carr's Election Archive (http://psephos.adam-carr.net/)

PDA: Political Database of the Americas (http://pdba.georgetown.edu/Elecdata/Col/Elecamara90.html)

Data from Marcelo Leiras: I want to thank Marcelo Leiras for providing electoral data disaggregated at the regional level for several Latin American countries.

Electoral Geography 2.0: http://www.electoralgeography.com/new/en/

Oficina Nacional de Procesos Electorales (Peru): http://www.web.onpe.gob.pe/

Instituto Cattaneo: http://www.cattaneo.org/

Table 3.18: Sources for Regional GDP and Regional Population

Country	Source
Argentina	UNLP (Universidad Nacional de la Plata), Departamento de Economia*
Australia	OECD: Regional Statistics and Indicators
Austria	OECD: Regional Statistics and Indicators
Bangladesh	–
Belgium	OECD: Regional Statistics and Indicators
Bolivia	*INE: Instituto Nacional de Estadistica*
Botswana	–
Bosnia-Herz.	–
Brazil	*Instituto Brasileiro de Geografia e Estatistica*: http://www.ibge.gov.br/
Bulgaria	Eurostat Regional Statistics
Canada	CANSIM
Chile	*Oficina Regional de la FAO para America Latina*
	http://www.rlc.fao.org/proyecto/gcp/rla/126/jpn/ciren/chi_pop.htm
Colombia	*DANE: Departamento Administrativo Nacional de Estadistica*
Costa Rica	–
Croatia	Eurostat Regional Statistics
Czech Republic	Lessman**
Cyprus	–
Denmark	OECD: Regional Statistics and Indicators
Dominican Rep.	–
Ecuador	*Banco Central de Ecuador*: http://www.bce.fin.ec
El Salvador	–
Estonia	–
Finland	OECD: Regional Statistics and Indicators
France	OECD: Regional Statistics and Indicators
Ghana	–
Germany	OECD: Regional Statistics and Indicators
Germany-West	OECD: Regional Statistics and Indicators
Greece	OECD: Regional Statistics and Indicators
Guatemala	–
Honduras	–
Hungary	OECD: Regional Statistics and Indicators
Iceland	–
India	1980-2006: Ministry of Statistics and Programme Implementation
	1980-2006: http://www.mospi.gov.in/
	1970-1980: Kalirajan & Takahiro (nd)
Indonesia	Shankar and Shah (2003)
Ireland	OECD: Regional Statistics and Indicators
Italy	OECD: Regional Statistics and Indicators
Japan	OECD: Regional Statistics and Indicators
Jamaica	–
Latvia	–

Continued

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Country	Sources
Lithuania	Eurostat Regional Statistics
Luxembourg	–
Malta	–
Mauritius	–
Mexico	OECD: Regional Statistics and Indicators
Netherlands	OECD: Regional Statistics and Indicators
New Zealand	OECD: Regional Statistics and Indicators
Norway	Lessman
Pakistan	Shankar and Shah (2003)
Peru	*Anuario Estadistico Peru en Numeros 2009*, Richard Webb and Graciela Fernandez Baca
Philippines	Shankar and Shah (2003)
Poland	OECD: Regional Statistics and Indicators
Portugal	Lessman
Romania	Shankar and Shah (2003)
	Eurostat
Russia	Shankar and Shah
Slovakia	OECD: Regional Statistics and Indicators
Slovenia	OECD: Regional Statistics and Indicators
South Africa	Shankar and Shah
South Korea	Lessman
Spain	OECD: Regional Statistics and Indicators
Sri-Lanka	Shankar and Shah (2003)
St. Kitts Nevis	–
Sweden	OECD: Regional Statistics and Indicators
	1920-1961: Williamson (1965)
Switzerland	*Office federal de la statistique, Comptes nationaux*
	Eurostat
Taiwan	–
Thailand	Shankar and Shah (2003)
Trinidad&Tobago	–
Turkey	–
UK	OECD: Regional Statistics and Indicators
Ukraine	–
US	US Census Bureau
	1840-1961: Williamson (1965)
Venezuela	–
Countries with Data	48
Total Number Countries	71

Country	Democratic	Boix (2005)	Freedom House Index	Polity Score
Argentina	1973–1975	1973–1975	PF: 1981–1983, 2001–2002	6:1973–1975
	1983–2009	1983–1994	F: 1983–2000, 2002–2010	6+: 1983-2009
Australia	1901–2009	1901–1994	F: 1972–2010	10: 1901-2009
Austria	1946–2009	1946–1994	F: 1972–2010	8: 1920–1932
				10: 1946–2009
Bangladesh	1972–1973	1986–1994	PF: 1972–2009 (NF:1975)	8: 1972–1973
	1991–2006			6: 1991–2006
				5:2009
Belgium	1944–2009	1945–1994	F: 1972–2009	6+: 1853–1938
				10: 1944-2009
Bolivia	1982–2009	1982–1994	PF: 1972–1973, 1976–1979	7+: 1982–2009
			PF: 2003–2009	
			F: 1981–2002	
Bosnia Herz.	1996–2009		PF: 1996–2009	
Botswana*	1966-1986	A:1966–1994	PF: 1972	6+: 1966–2009
Brazil*	1985–2009	1979–1994	PF: 1972–1984, 1993–2001	7+: 1985–2009
			F: 1984–1992, 2002–2009	
Bulgaria	1990-2009	1990–2009	PF: 1990	8+: 1990
			F: 1991–2009	8+: 1989–2009
Canada*	1888–2009	1867–1994	F: 1972–2009	8+: 1888-2009
Chile*	1964–1972	1934–1972	PF: 1979–1989	6: 1964–1972
	1989–2009	1990–1994	F: 1972, 1990–2009	8+: 1989
Colombia	1957–2009	1958-1994	PF: 1988–2009	6+: 1957–2009
			F: 1972–1988	
Costa Rica*	1875–2009	1948–1994	F: 1972-2009	6+: 1875–2009
Croatia	2000–2009	A: 1991–1994	PF: 1991–1999	8+: 2000–2009
			F: 2000–2009	
Cyprus*	1967–2009	1977-1994	PF: 1974-1980	7+: 1967–2009
			F: 1972–1973, 1981-2009	
Czech Republic	1993–2009	1993–1994	F: 1993–2009	10: 1993–2009
Denmark	1945–2009	1945–1994	F: 1972–2009	10: 1945–2009
Dominican Rep.*	1978–2009	1966-1994	PF: 1974–1977, 1993–1997	6+: 1978–2009
			F:1972–1973, 1978–1992	
			F:1998–2009	
Ecuador	1979–2006	1979–1994	PF: 1972–1978, 1996–1997	6+: 1979–2006
			PF: 2000–2009	
			F: 1979–1995, 1998–1999	
El Salvador	1984–2009	1984–1994	PF: 1976–1996	6+:1984–2009
			F: 1972–1975, 1997–2009	
Estonia	1991-2009	1991-1994	F: 1991-2009	6+:1991-2009
Finland**	1917–2009	1917–1994	F: 1972–2009	8+:1917–1929
				4:1930–1943
				10:1944–2009
France	1946–2009	1946–1994	F: 1972–2009	10: 1946–2009

Continued

Country	**Democratic**	Boix (2005)	Freedom House Index+	Polity Score
Germany	1990–2009	1990–1994	F: 1990–2009	10: 1990–2009
Germany, West	1949-1990	1949–1990	F: 1972–1989	10: 1949–1990
Ghana*	2001-2009	1979–1980	PF: 1977–1979, 1992–1999	6+:2001-2009
			F: 1980, 2000–2009	
Greece	1975–2009	1974–1994	F: 1974–2009	8+: 1975–2009
Guatemala*	1996–2009	1966–1981	PF: 1974–1980, 1984–2009	8: 1996-2009
		1986–1994	F: 1972–1973	
Honduras	1982–2009	1982–1994	PF: 1972–1982, 1993–2009	6+:1982–2009
			F: 1983–1992	5:1985-1988
Hungary	1990–2009	1990–1994	PF: 1983-1989	10:1990-2009
			F: 1990–2009	
Iceland	1918–2009	1918–1994	F: 1972–2009	NA
India	1950–2009	1950–1994	PF: 1975–1976, 1991–1997	
			F: 1972–1974, 1977–1990	
			F: 1998–2009	
Indonesia	1999-2009	1955–1956	PF: 1972–1992, 1998–2004	6+:1999-2009
			F: 2005–2009	
Ireland	1921–2009	1922-1994	F: 1972–2009	8+: 1921–2009
Italy*	1948–2009	1946–1994	F: 1972–2009	10: 1948–2009
Jamaica*	1959–2009	1962–2009	F: 1972–2009	9+: 1959–2009
Japan	1952–2009		F: 1972–2009	10:1952–2009
Latvia	1991-2009	1993-1994	PF: 1992–1993	8+: 1991-2009
			F: 1991, 1994–2009	
Lithuania	1991–2009	1992–1994	F: 1991-2009	10: 1991–2009
Luxembourg	1945–2009	1945–1994	F: 1972–2009	NA
Malta	1964–2009	1964–1994	F: 1974–2009	NA
Mauritius	1968–2009	1968–2009	F: 1972–2009	9: 1968–2009
Mexico	1997–2009	A	PF: 1972–1999	6+: 1997–2009
			F: 2000–2009	
Moldova	1993–2009	NA	PF: 1991-2009	7+:1993–2009
Netherlands	1945–2009	1945–1994	F: 1972–2009	10: 1945–2009
New Zealand	1857–2009	1857–1994	F: 1972–2009	9+: 1857–2009
Norway	1945–2009	1945–1994	F: 1972–2009	10: 1945–2009
Pakistan*	1973–1976	1988–1994	PF: 1972–1978, 1984–1998	8:1973–1976
	1988–1998		PF: 2008–2009	7+: 1988–1998
Peru	1980–1991	1980–1989	PF: 1975–1979. 1989–2000	7+: 1980–1991
	2001-2009		F: 1980–1988, 2001–2009	9: 2001-2009
Philippines	1987–2009	1986–1994	PF: 1972–1985, 1990–1995	8: 1987–2009
			PF: 2005–2009	
			F: 1986–1989, 1996–2004	
Poland	1991–2009	1989–1994	PF: 1978–1989	8+: 1991-2009
			F: 1990–2009	
Portugal	1976–2009	1976–1994	PF: 1974–1975	9+:1976-2009
			F: 1976–2009	
Romania**	1990–2009	1991–1994	PF: 1991–1995	8+:1996-2009
			F: 1996–2009	5:1990–1995

Continued

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Country	Democratic	Boix (2005)	Freedom House Index+	Polity Score
Russia**	1993–1995 2000–2006	1993-1994	PF: 1991-2003	6:2000–2006
Slovakia	1993–2009	1993-1994	PF: 1993, 1996-1997 F: 1994–1995, 1998-2009	7+:1993-2009
Slovenia	1991–2009	1991-1994	F: 1991–2009	10:1991-2009
South Africa	1994–2009	A: 1910–1914	PF: 1972–1980, 1982-1993 F: 1994–2009	9: 1994–2009
South Korea**	1988–2009	1988–1994	PF: 1973–1975, 1977–1987 F: 1987–2009	9: 1993–2009
Spain	1978–2009	1977–1994	PF: 1974–1976 F: 1977–2009	9+: 1978–2009
Sri Lanka*	1948–1981 2001–2002 2006–2009	1948–1976 1991-1994	PF: 1975, 1981–2009 F: 1972–1974, 1976–1980	6+: 1948–1981 6: 2001–2002 6: 2006-2009
St. Kitts&Nevis	1984–2009	1984–1994	F: 1981-2009	NA
Sweden*	1917–2009	1911–1994	F: 1972–2009	10: 1917–2009
Switzerland	1848–2009	1848–1994	F: 1972–2009	10: 1848–2009
Taiwan*	1992-2009	A	PF: 1976–1995 F: 1996–2009	7+:1992-2009
Thailand	1992–2005	1983–1990 1992–1994	PF: 1973–1974, 1978-1988 PF: 1991-1997, 2005, 2007–2009 F: 1975, 1989–1990, 1998-2004	9: 1992–2005
Trinidad&Tobago	1962–2009	1962–1994	PF: 2001–2004 F: 1972–2000, 2005–2009	8+: 1962–2009
Turkey	1983–2009	1983-1994	PF: 1980–2009 F: 1974–1979	7+: 1983–2009
United Kingdom*	1880–2009	1885–1994	F: 1972–2009	6+: 1880–2009
Ukraine	1991–2009	1991-1994	PF: 1991-2004 F: 2005-2009	6+: 1991–2009
United States*	1809–2009	1800-1994	F: 1972–2009	9+: 1809–2009
Venezuela	1958–2005	1959–1994	PF: 1992–1995, 1999–2009 F: 1972–1991, 1996–1998	6+: 1958–2005 5: 2006–2009

NA: Not Available
A: Authoritarian
* = Discrepancy
** = Boix coding

Table 3.19: Sources for Other Variables

Variable	Source
Fiscal Decentralization	World Bank Fiscal Indicators
Political Decentralization	Hooghe at al. (2010)
	Treisman (2007)
	Own coding based on country sources
Bicameralism	Inter-Parliamentary Union (IPU)
	Wallack et al. (2003)
Executive Type	Golder et al. (2005)
	Political Database of the Americas (PDA)
	Inter-Parliamentary Union (IPU)
Electoral System	Golder et al. (2005)
	Inter-Parliamentary Union (IPU)
	Political Database of the Americas (PDA)
Number of Units	Golder et al. (2005)
	Hooghe at al. (2010)
	Own coding based on country sources
Ethnic/Religious/Linguistic Diversity	Alesina et al. (2003)
Territorial Concentration of Religion	Selway (2011)
Territorial Concentration of Language	Selway (2011)
Territorial Concentration of Income	Selway (2011)
Age of main parties	Database of Political Institutions (DPI)
Years of Democracy	Freedom House
	Polity IV
Country GDP per capita	Penn World Tables
Party Cohesion	Wallack et al. (2003)
	Own coding based on country sources

CHAPTER IV

Party Discipline, Bicameralism and Party System Territorialization

In Chapter 3 I find that countries with large territorial economic inequalities are more likely to develop territorialized party systems, whereas countries with small territorial economic inequalities are more likely to develop nationalized party systems. Though economic geography is important it is not the sole factor affecting party systems. In the present chapter I turn to the role that party discipline and bicameral institutions play in modifying the effect of economic geography on the party system. In support of my argument I present quantitive evidence using the dataset introduced in Chapter 3 as well as evidence from two case studies: post-World War II Italy and Progressive Era United States.

4.1 Hypotheses and Key Variables

4.1.1 The Modifying Role of Party Discipline

In Chapter 2 I argued that party discipline modifies the costs associated with intra-party heterogeneity. In particular I posit that loosely disciplined political parties can prevent a party system from territorializing in the face of structural pressure to do so. If a candidate has economic preferences very different from those of the rest of candidates in the country she risks having her voice overrun by that of the rest of candidates within the national party once in office. Given this situation she is more likely to stick with a national political party if she expects to be able to pursue her own policy agenda once in office. A candidate with divergent economic policy preferences will remain with the national party if the national

party allows for a strong degree of candidate autonomy vis-a-vis party leaders, that is if the party has weak party discipline. In contrast, she will be less likely to remain affiliated with a national party if the party requires individual candidates to follow the wishes of party leaders, and thus does not allow candidates to pursue their own policy agendas once in office. In other words, I expect that highly disciplined political parties are likely to create incentives for candidates with divergent policy preferences to form smaller regional or local parties in order to better represent their constituents' economic interests.

At the aggregate level this means that countries with large territorial economic disparities are less likely to produce territorialized party systems if national political parties have weak party discipline and allow for a substantial degree of candidate autonomy. Conversely, countries with large territorial economic disparities are more likely to produce territorialized parties and party systems if national parties have strong party discipline and do not allow for candidate autonomy. This proposition runs counter to the argument commonly found in the literature that loose party organizations are actually more likely to fragment[1].

The level of party discipline is influenced by a variety of factors. On the one hand, the literature examining American politics (which mostly aims at explaining changes in party discipline over time within a single country) has argued that the degree of ideological heterogeneity affects whether members will impose strong or weak party discipline (Rohde, 1991; Aldrich, 1995). On the other hand, scholars interested in explaining cross-country variation in levels of party discipline have been more focused on how institutional structures generate "different incentives for parties to impose discipline and maintain cohesion (Cox & McCubbins 1993, Cain et al. 1987)" (Ashworth and Bueno de Mesquita, 2004, 2). For example, Carey and Shugart (1995) and Wallack et al. (2003) argue that electoral institutions affect the degree to which electoral competition revolves around political parties versus individual candidates, or what Carey and Shugart (1995) have called the "incentives to cultivate a personal vote." More specifically closed list proportional representation systems with multi-

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[1] In his book *Building Party System in Developing Democracies*, Hicken (2009) argues that party cohesion is a factor affecting the incentives of candidates to join national party organizations. His argument however leads him to make a prediction opposite to the one I make in the present chapter. He argues that weak parties (i.e. parties that lack party cohesion) should discourage "aggregation" (which is his term for coordination, and thus for the formation of nation-wide political organizations). In contrast I predict that weak parties should encourage individual candidates to stick with national parties.

member districts tend to encourage party discipline, whereas plurality systems with single member districts tend to discourage party discipline (or encourage candidate autonomy).[2] In addition to electoral institutions, scholars have argued that regime type also has powerful influence on parties' and candidates' incentives to be more or less disciplined. In particular, political parties in parliamentary systems are much more disciplined than in presidential systems (Huber and Stanig, 2009; Diermeier and Feddersen, 1998; Ashworth and Bueno de Mesquita, 2004). In this project I use the insights from the literature that focuses on institutions to measure differences in party discipline across countries and time, and to test whether these differences play a role in moderating the effect of intra-party heterogeneity on party system nationalization or territorialization. I take this route because of potential issues of endogeneity.

4.1.1.1   Excursus on Endogeneity

Over a sufficiently long period of time it is certainly the case that party discipline is partly related to intra-party heterogeneity as well as to the nationalization or territorialization of parties and party systems (the dependent variable in my models). In other words, the association between weak party discipline and heterogeneous national political parties is at least partially due to national party leaders not enforcing party discipline in order to keep the national party together.[3] This interpretation features prominently in the literature on American legislative behavior. In Aldrich (1995) and Rohde (1991)'s theory of conditional party government the degree of preference agreement within parties is the most important factor explaining whether parties in the legislature will be strong or weak (Aldrich and Rohde, 2001). Figure 4.1 illustrates this potential feedback. Aldrich and Rohde argue that "parties delegate authority to leaders only when there is sufficient ideological homogeneity among party members and polarization between the parties" (Ashworth and Bueno de Mesquita, 2004, 25). In contrast, when there is ideological heterogeneity among

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[2]Mixed member systems and proportional representation systems with open list should encourage more party discipline than plurality systems but less party discipline than closed list proportional systems.

[3]Hicken (2009) raises this same concern about endogeneity when exploring the relationship between the level of party discipline and candidate incentives to "aggregate" (i.e. to form nation-wide parties). As he puts it, "[s]tronger incentives to coordinate across districts may induce smaller groups/parties to ally under the banner of a larger party. The net effect of this might be an increase in intra-party factionalism" (Hicken, 2009, 37-38).

party members, "they will be reluctant to delegate significant power to party leaders, for fear that that power could be used to force them into supporting policies (or being identified with policies) that would make them vulnerable" (Aldrich and Rohde, 2001, 275).

In other words, party leaders will change the rules of the game that affect party discipline in response to the degree of intra-party heterogeneity. The "rules of the game" can be either internal party rules about selection of candidates, advancement within the party etc., or rules of behavior within the legislature, such as who has agenda-setting power or who gets appointed to committees for example. The latter type of rules is mostly what scholars of American legislative behavior have in mind to explain party discipline levels. In addition, the rules of the game affecting party discipline can also be broader constitutional or institutional features such as the electoral system or regime type. Although the literature does not explicitly link the change in electoral institutions or regime type to the degree of intra-party preference heterogeneity, one could extend the above argument to assert that in the long run heterogeneous societies might opt for certain types of constitutional features that accommodate the representation of divergent policy interests.

Figure 4.1: Endogenous Party Discipline
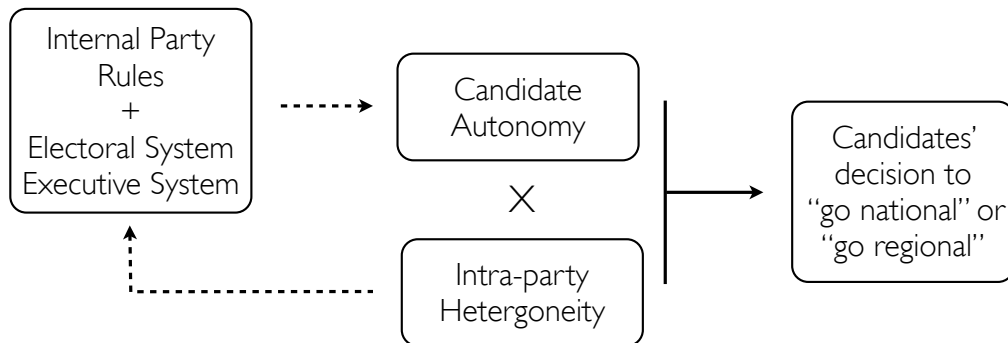
The fact that over a sufficiently long period of time there might be a feedback mechanism is not surprising. Przeworski (2003) argues that "[e]verything, and thus nothing, is 'primary'. The only motor of history is endogeneity" (Przeworski, 2003, 5). Acknowledging this endogeneity, however, should not keep us from trying to untangle the short-term reciprocal effects between these variables (Przeworski, 2003). I tackle this issue of endogeneity in

three ways. First, my proxy measures of "party discipline" are based on institutional rules that cannot be so easily changed by party leaders in response to changes in the electoral composition of interests. Instead of focusing on internal party rules or on rules of legislative behavior I focus on how features of the electoral system and of the type of regime affect party discipline. Although in the long run these features might be endogenous to the electoral composition of interests in society, they can be considered fairly exogenous in the short term.[4] Second, where possible I lag these variables. And third, I present two case studies in which there is an institutional change that affects party discipline that is exogenous to any of my other variables, and show the effect of this institutional change on the territorial nature of the party system.

4.1.1.2 Hypotheses Regarding the Role of Party Discipline

The literature on the personal vote (Carey and Shugart, 1995; Wallack et al., 2003) distinguishes between systems where "politicians' careers depend most on party fortunes to particularistic systems, where candidates must focus on narrow geographic constituencies" (Wallack et al., 2003, 136) and suggests that electoral institutions create incentives that drive these differences. Carey and Shugart (1995) and Wallack et al. (2003) have developed measures of personal versus party vote based on different electoral incentives. The data for this measures come from Johnson and Wallack (2006)'s dataset "Electoral Systems and the Personal Vote."[5] This dataset focuses specifically on aspects of electoral institutions that affect the internal organization of parties, especially regarding the incentives for candidates to cultivate a personal vote rather than cater to party leaders' wishes (Johnson and Wallack, 2006, 2). This dataset spans 180 countries between 1978 and 2005, which makes it ideal for my cross-sectional time-series analysis.

I focus on three core variables in their dataset: "ballot," "pool," and "vote." "Ballot"

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[4]Hicken (2009, 38) follows this same strategy and uses electoral incentives as a proxy for party cohesion. I use the same strategy, but in addition I look at the incentives of type of regime (especially the vote of no confidence) on party cohesion.

[5]This dataset is an update of Wallack et al. (2003)'s "Database of Particularism," and "has evolved to cover more aspects of electoral systems as well, providing additional information on more complex systems with multiple tiers and runoffs. Both data sets as well as supplementary material may be found at http://dss.ucsd.edu/jwjohnso/espv.html" (Johnson and Wallack, 2006, 1). These two data sets are based on Carey and Shugart (1995)'s work on the incentives that electoral systems provide to cultivate a personal vote.

refers to the party leaders' control over candidate nominations. "Pool" refers to "the extent to which votes among candidates from the same party are pooled" (Johnson and Wallack, 2006, 3).[6] "Vote" refers to "whether voters cast a single intra-party vote instead of multiple votes or a party-level vote (Carey and Shugart 1995, p. 417)"(Johnson and Wallack, 2006, 4). In order to account for the complexities of mixed-member systems (which combine two tiers of membership), Johnson and Wallack code these three aspects of electoral systems (pool, ballot and vote) separately for single-member district tiers and for multi-member district tiers, and then they calculate an average measure of these two tiers for each of these the three dimensions (Johnson and Wallack, 2006, 10). Each of these averaged measures (avballot, avpool, avvote) provide some information about the extent to which candidates have incentives to follow party leaders or to cultivate a personal vote. I combine these three measures to create an average measure called "candidate autonomy" that ranges from 0 (low candidate autonomy) to 2 (high candidate autonomy). In the dataset the measure ranges from 0 to 1.67. Low values of candidate autonomy indicate that there is strong party discipline while high values of candidate autonomy indicate that party discipline is low. According to my theory I should expect the following:

> **H1**: Low levels of candidate autonomy mitigate the positive effect of territorial economic inequalities on party system territorialization. In contrast, high levels of candidate autonomy exacerbate the positive effect of territorial economic inequalities on party system territorialization.

Several scholars (Carey and Shugart, 1995; Huber and Stanig, 2009; Diermeier and Feddersen, 1998) have argued "regime type" is also an important factor affecting party discipline. According to Carey and Shugart "[...] if an assembly's primary function is to select and maintain in office an executive dependent on parliamentary confidence, we can expect party cohesion to be more important, and personal reputation thereby less, than when the origin and survival of the executive is independent of the assembly (Shugart and Carey, 1992). So, ceteris paribus, personal reputation will be more important in a presidential than in a parliamentary system" (Carey and Shugart, 1995, 42). Diermeier

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[6]Systems that do not pool across co-partisans are coded 2; systems that pool across subsets of co-partisans are coded 1, and systems that do not pool votes among co-partisans are coded 0 (Johnson and Wallack, 2006, 3).

and Feddersen (1998) and Huber and Stanig (2009) argue more specifically that the vote of confidence procedure that is characteristic of parliamentary system is the key feature affecting party discipline. Diermeier and Feddersen (1998) argues that "the confidence procedure allows a ruling coalition to propose a bill without allowing any amendments and to link the adoption of the bill with the survival of the coalition (Huber 1996). It thus creates an incentive for all those who profit from the current government to vote for the government's proposals" (Diermeier and Feddersen, 1998, 611). I thus expect the following:

> **H2**: Parliamentary systems exacerbate the positive effect of territorial economic inequalities on party system territorialization. In contrast, presidential systems mitigate the positive effect of territorial economic inequalities on party system territorialization.

These two hypotheses provide a good test of the role of party discipline in modifying the effect of economic geography on the party system. I turn now to the second proposition in this chapter, the modifying role of bicameralism.

4.1.2 The Modifying Role of Bicameralism

In Chapter 2 I argue that the presence of a directly elected upper chamber affects the incentives of candidates to join regional political parties. More specifically I argue that the presence of an upper legislative chamber should decrease the likelihood that our candidate will join a regional or local political party. In Chapter 3 I tested the direct effect of "bicameralism" on party system territorialization. The results of these analyses suggested that "bicameralism" did not have a robust effect. The variable that I used in these regressions (in Chapter 3) was coded dichotomously as 1 if a country has an upper legislative chamber and 0 if a country is unicameral. This measure however is somewhat crude since upper legislative chambers vary considerably across countries in terms of their formal powers and in terms of how their members are elected (or selected). For example, in Canada the members of the upper legislative chamber (or Senate) are appointed by the Governor General on the recommendation of the Primer Minister, and they hold office until they are 75 years of age (IPU, 2012). In the UK, the House of Lords (the upper legislative chamber) has "710 life peers appointed by the Crown on the advice of the Prime Minister, 92

hereditary peers and 25 archbishops and bishops"(IPU, 2012). The logic of my argument regarding the role of upper legislative chambers only holds if upper chambers are truly representative of citizens' interests. I posit that upper chambers are an institutionalized way to offer territorial representation at the national-level, so countries with this institutionalized mechanisms are less likely to have regional or local political parties. Given this logic, countries such as UK or Canada should not be considered to have a representative upper chamber.

I thus create a measure that is more appropriate to my argument and I call this measure "elected bicameralism" that captures the extent to which a country has a representative upper legislative chamber. I classify countries based on the selection of the members of their upper legislative chamber into four categories: 0= country does not have an upper legislative chamber; 1= country has upper legislative chamber with non-elected members; 2=country has upper legislative chamber with indirectly elected members; 3= country has upper legislative chamber that is directly elected. I base my coding of bicameral chambers based on information from the Inter-Parliamentary Union (IPU). I also create a dichotomous version of this measure "elected bicameralism (dic)" which takes the value of 1 if a country has an upper legislative chamber that is directly elected, and 0 otherwise. I will perform analyses with the three measures: "bicameralism dic)", "elected bicameralism" and "elected bicameralism (dic)".[7]

Whether regional parties can influence national-level politics depends on several institutional factors. These institutional factors should only matter when "territorial inequalities are large". When territorial inequalities are small, institutions should not play a role since there are no incentives to create regional political parties from the part of candidates.

> **H3**: Directly elected upper chambers mitigate the positive effect of territorial economic inequalities on party system territorialization. In contrast, the absence of a directly elected upper chamber exacerbates the positive effect of territorial economic inequalities on party system territorialization.

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[7]Ideally it would be even better to have a more fine-grained coding of bicameralism along several dimensions: formal powers, balance of power between lower and upper houses and extent of territorial representation. As far as I know such a dataset that is comparative across several countries and time periods does not currently exist. This is an avenue for further research.

Table 4.1: Summary statistics

Variable	Mean	Std. Dev.	Min.	Max.	N
Party System Territorialization	0.153	0.156	-0.08	0.73	352
Territorial Economic Inequality (lag)	0.351	0.225	0.09	1.58	181
Candidate Autonomy (lag)	0.872	0.612	0	1.67	263
Candidate Autonomy (av) (lag)	0.806	0.603	0	1.67	252
Bicameralism (dic)	0.649	0.478	0	1	353
Elected Bicameralism	1.53	1.296	0	3	349
Elected Bicameralism (dic)	0.358	0.48	0	1	349
Parliamentary System	0.524	0.5	0	1	357
Fiscal Decentralization (lag)	0.205	0.135	0.002	0.538	225
Political Decentralization (dic) (lag)	0.599	0.491	0	1	337
Ethnic/Relig/Linguistic Diversity	0.34	0.159	0.07	0.830	361
Majoritarian Electoral System	0.272	0.446	0	1	349
Age of main parties (log)	3.499	1.024	0.693	5.236	319
Number of Units (log)	2.947	0.916	0.693	6.109	350
Years of Democracy (log)	3.313	1.17	0	5.283	342
Country GDP/capita (thousands $US)	17.031	10.221	1.429	59.292	349

4.1.3 Model and Empirical Strategy

The dependent variable that I use in this chapter –party system territorialization– is the same as in Chapter 3. As a reminder, "party system territorialization" ranges from values close to 0 indicating greater party system nationalization to high values around 1 indicating greater party system territorialization. The three main independent variables on which I focus on in this chapter are: party discipline, executive type and bicameralism. I analyze the ways in which these variables interact with "territorial economic inequality" which is the same variable introduced in Chapter 3. The rest of variables included in the analyses to follow are controls and are the same as those included in the analyses in Chapter 3. Summary statistics for all variables included in the analyses of this chapter are in Table 4.1 in page 135.

The modeling strategy is very similar to the one deployed in Chapter 3 in terms of using time lags and robust standard errors clustered by country.[8] The main difference between the analysis in Chapter 3 and that of the present chapter is that in the present chapter I analyze three interactive models. The first model shown in equation 4.1 examines

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[8]Refer to Chapter 3 for details.

the interaction between "territorial economic inequality" and "candidate autonomy". I present two different versions of this model corresponding to the two operationalizations of "candidate autonomy". The second model shown in equation 4.2 examines the interaction between "territorial economic inequality" and "parliamentary system". And the third model shown in equation 4.3 examines the interaction between "territorial economic inequality" and "bicameralism". I will present three different versions of this model corresponding to three different operationalizations of "bicameralism". For each model I also present results without the interaction in order to compare the direct effect of the institutional variables with the interacted effect. I present the results with the pooled sample in the text, but include the results with the averaged sample at the end of the chapter.

$$\text{Party System Territorialization}_{\text{i, t}} = \beta_0 + \beta_1 \text{ Territorial Economic Inequality}_{\text{i, t-1}} +$$
$$\beta_2 \text{ Candidate Autonomy}_{\text{i, t}} +$$
$$\beta_3 \text{ (\textbf{Territorial Economic Inequality}_{\text{i, t-5}} * \textbf{Candidate Autonomy}_{\text{i, t-5}}) +}$$
$$\beta_4 \text{ X}_{\text{i, t-5}} + \beta_5 \text{ Z}_{\text{i, t}} + \beta_6 \text{ P}_{\text{i}} + \varepsilon_{\text{i,t}} \ (4.1)$$

$$\text{Party System Territorialization}_{\text{i, t}} = \beta_0 + \beta_1 \text{ Territorial Economic Inequality}_{\text{i, t-5}} +$$
$$\beta_2 \text{ Parliamentary}_{\text{i, t}} + \beta_3 \text{ (\textbf{Territorial Economic Inequality}_{\text{i, t-5}} * \textbf{Parliamentary}_{\text{i, t}}) +}$$
$$\beta_4 \text{ X}_{\text{i, t-5}} + \beta_5 \text{ Z}_{\text{i, t}} + \beta_6 \text{ P}_{\text{i}} + \varepsilon_{\text{i,t}} (4.2)$$

$$\text{Party System Territorialization}_{\text{i, t}} = \beta_0 + \beta_1 \text{ Territorial Economic Inequality}_{\text{i, t-5}} +$$
$$\beta_2 \text{ Bicameralism}_{\text{i, t}} + \beta_3 \text{ (\textbf{Territorial Economic Inequality}_{\text{i, t-5}} * \textbf{Bicameralism}_{\text{i, t}}) +}$$
$$\beta_4 \text{ X}_{\text{i, t-1}} + \beta_5 \text{ Z}_{\text{i, t}} + \beta_6 \text{ P}_{\text{i}} + \varepsilon_{\text{i,t}} (4.3)$$

4.2 Empirical Analysis: The Role of Party Discipline

Table 4.2 presents the results of the regression analysis to test the first hypothesis with two different measures of "candidate autonomy". The first two models (Model 1 and Model 2) show the direct effect of all variables (no interactions). We can compare these models with the last two models (Model 3 and Model 4) that include the interaction term between "territorial economic inequality" and the two different measures of "candidate autonomy".

The first two models show that "candidate autonomy" on its own does not have a significant effect on party system territorialization. In contrast, the interactive models suggest that "candidate autonomy" becomes significant when interacted with "territorial economic inequality". Unfortunately, interactive terms (and their significance) are difficult to interpret solely through an analysis of the coefficients in Models 3 and 4.[9] What is important in interaction terms is to gauge the significance of the marginal effect of one of the interacted variables over the range of the other variables and vice-versa. Following Kam and Franzese (2007) and Brambor et al. (2006) I calculate and draw the relevant marginal effects. This allows me to better interpret the magnitude, direction and significance of the coefficient of the interaction term. Figure 4.2 shows the marginal effects calculated from Model 3 in Table 4.2. The marginal effect is represented by the thick black line. If the marginal effect line is above *0* then the marginal effect is positive; if it is below *0* then the marginal effect is negative. The curved dotted bands represent the 95% confidence intervals. The marginal effect is statistically significant if neither of the bands crosses the *0* line. Each interactive effect can be expressed as two graphs.

Figure 4.2a shows the marginal effect of "territorial economic inequality" on party system territorialization as personal vote changes from 0 (low personal vote / high party discipline) to 1.6 (high personal vote / low party discipline). What the graph tells us is that "territorial economic inequality" always has a positive effect on party system territorialization (since the marginal effect line is above 0). However, the effect decreases in magnitude as "candidate autonomy" increases within parties. This means that higher levels of "territorial economic inequality" lead to more party system territorialization especially when

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[9]When using interaction terms the "standard errors on the interaction term and the constituent variables are uninterpretable (Kam and Franzese; Brambor, Clark and Golder 2005)" (Hicken, 2009, 78).

party organizations in the country have high party discipline. Conversely, institutions that encourage low party discipline are likely to mitigate the effect of economic inequalities on party system territorialization.

Figure 4.2b on the other hand shows the marginal effect of "personal vote" on party system territorialization as "territorial economic inequality" changes from 0 (low levels of "territorial economic inequality") to 1 (high levels of "territorial economic inequality"). The figure shows two important elements of the relationship between "candidate autonomy" and party system territorialization. First, the effect of candidate autonomy on the party system is *only* significant under high levels of "territorial economic inequality". When "territorial economic inequality" is low (values between 0 and 0.5) the internal organization of parties does not have an effect. This result fits with my theory as there are no economic incentives to form regional parties under low "territorial economic inequality". Second, the graph shows that under high "territorial economic inequality" conditions, the effect of personal vote on party system territorialization is negative. This means that under conditions of high "territorial economic inequality" countries with parties that encourage personal vote are more likely to have nationalized party systems than countries that have very disciplined party organizations. This is an interesting finding since it contradicts the general expectation that countries with parties that are loose and that allow for candidate autonomy are more fragmented and thus more territorialized. The regression results and marginal effect graphs for the averaged sample are presented in Table 4.7 and in Figure 4.9 starting on page 166. Although the significance of these marginal effects is reduced in these regressions, the trend of the lines is the same.

Finally, Table 4.3 presents the results for the second hypothesis, which is represented in equation 4.3. The first model (M1) shows the direct effect of all variables (no interactions) whereas the second model (M2) include the interaction terms between "territorial economic inequality" and "parliamentary system". Once more parliamentarism seems to matter in the second model with interactions but not in the model without interactions. Figure 4.3a shows the marginal effect of "territorial economic inequality" on party system territorialization as executive type changes from 0 (presidentialism) to 1 (parliamentarism). The graph tells us is that "territorial economic inequality" always has a positive effect on party

Table 4.2: OLS Regression – Pooled Sample

DV: Party System Territorialization	Direct Effect M1	Direct Effect M2	Interaction M3	Interaction M4
Territorial Economic Inequality (lag)	.430***	.445***	.644***	.615***
	(.12)	(.12)	(.13)	(.12)
Candidate Autonomy (lag)	−.058		.077	.047
	(.05)		(.09)	(.07)
Candidate Autonomy (av) (lag)		−.047		
		(.04)		
Econ. Ineq. x Cand. Autonomy			−.324**	
			(.15)	
Econ. Ineq. x Cand. Autonomy(av)				−.275**
				(.12)
Fiscal Decentralization (lag)	.385**	.384**	.368**	.370**
	(.19)	(.18)	(.17)	(.17)
Political Decentralization (lag) (dic)	.078*	.076	.037	.040
	(.05)	(.05)	(.04)	(.04)
Ethnic/Relig/Language Diversity	−.156	−.127	−.125	−.092
	(.16)	(.15)	(.15)	(.16)
Majoritarian Electoral System	−.017	−.037	−.056	−.057
	(.06)	(.06)	(.05)	(.06)
Parliamentary System	.025	.022	.050	.049
	(.04)	(.04)	(.04)	(.03)
Bicameralism	.034	.029	.027	.024
	(.05)	(.05)	(.05)	(.05)
Number of Units (log)	−.018	−.015	−.001	.002
	(.03)	(.02)	(.03)	(.03)
Age of Parties (log)	−.026	−.026	−.022	−.023
	(.02)	(.02)	(.02)	(.02)
Country GDP per capita	−.008***	−.008***	−.009***	−.009***
	(.00)	(.00)	(.00)	(.00)
Years of Democracy (log)	.076**	.079**	.081**	.090***
	(.03)	(.03)	(.03)	(.03)
Constant	−.015	−.037	−.146	−.168
	(.10)	(.10)	(.11)	(.11)
Adj. R^2	.581	.586	.615	.611
No. of cases	127	128	127	126
No. of countries/clusters	35	36	35	35

*Sig:*p<0.10,** p<0.05,*** p<0.01*

Figure 4.2: Marginal Effects: Model 3 in Table 4.2 – Pooled Sample
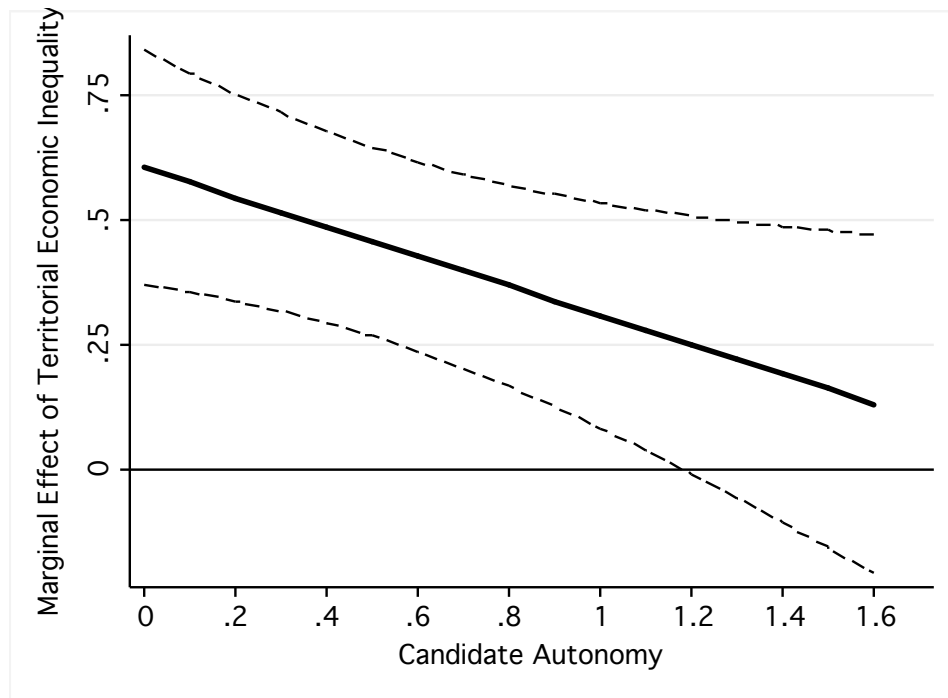
(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization
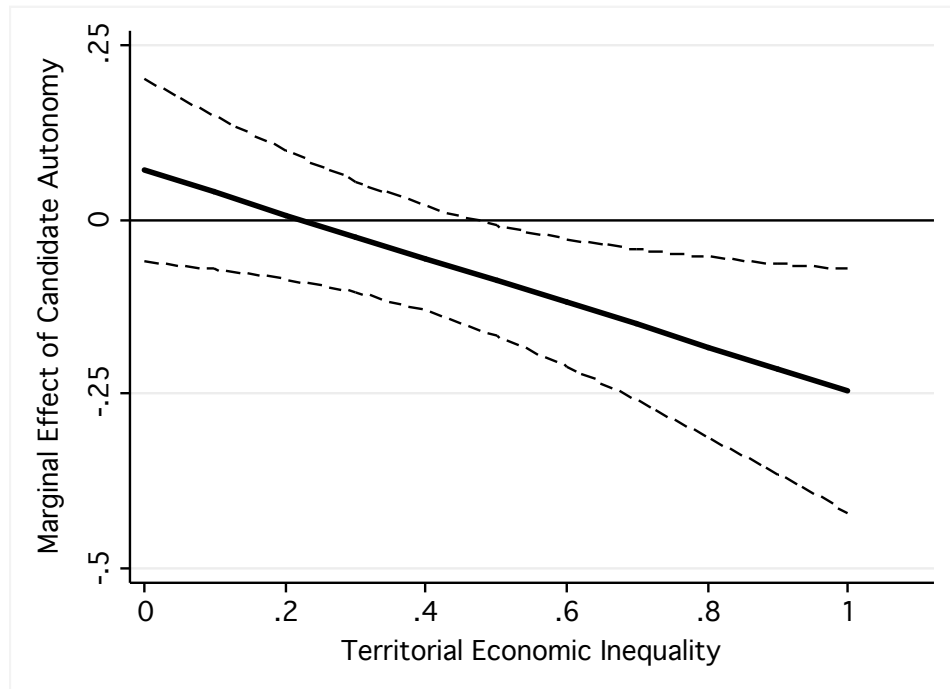
(b) Marginal Effect of **Personal Vote** on Party System Territorialization

system territorialization (since the marginal effect line is above 0), but this effect is larger in parliamentary than in presidential systems. In other words, parliamentarism magnifies the effect of economic inequalities on party system territorialization.

Figure 4.3b shows the marginal effect of "parliamentarism" on party system territorialization as "territorial economic inequality" changes from 0 (low levels of "territorial economic inequality") to 1 (high levels of "territorial economic inequality"). The figure shows that a parliamentary system increases party system territorialization under conditions of high territorial economic inequalities. The effect becomes negative (but hardly significant) when economic inequalities are extremely low. Once more results are robust when using the averaged sample (see Table 4.9 and Figure 4.13 on page 172).

I now turn to two case studies that illustrate the ways in which party discipline affects the development of nationalized or territorialized party systems. In order to isolate the modifying effect of party discipline on party system territorialization, I have identified two countries in which territorial economic inequalities are relatively high and constant over time, and in which the level of party discipline changes due to a change in electoral institutions. The two cases are Italy post-World War II and the United States during the late 19th and early 20th century. These cases also illustrate how the theory can help explains variation in party system territorialization across time within the same country.

4.3   Evidence from Post-World War II Italy

The Italian party system has changed substantially from the end of World War II to the present. During the first three decades after World War II (1950s, 1960s, and 1970's) Italy's party system was dominated by a single center-right party *Democrazia Christiana*,[10] and overall the party system was quite nationalized. In the late 1980's however the Italian party system became increasingly territorialized as a result of the break-up of *Democrazia Christiana* and the emergence on the national political stage of *Lega Nord*,[11] Italy's main regional political party. And in the following two decades (early 1990's to the present) the

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[10]In English, Christian Democratic Party.
[11]In English, the Northern League.

Table 4.3: OLS Regression – Pooled Sample

	Direct Effect	Interaction
DV: Party System Territorialization	M1	M2
Territorial Economic Inequality (lag)	.430***	.281**
	(.12)	(.12)
Parliamentary System	.025	−.121**
	(.04)	(.06)
Territorial Econ. Inequality (lag) x Parliamentary		.502***
		(.15)
Fiscal Decentralization (lag)	.385**	.492***
	(.19)	(.15)
Candidate Autonomy (lag)	−.058	−.066
	(.05)	(.05)
Political Decentralization (lag) (dic)	.078*	.069**
	(.05)	(.03)
Ethnic/Relig/Language Diversity	−.156	−.252
	(.16)	(.15)
Majoritarian Electoral System	−.017	.008
	(.06)	(.04)
Bicameral	.034	.035
	(.05)	(.05)
Number of Units (log)	−.018	−.010
	(.03)	(.02)
Age of Parties (log)	−.026	−.011
	(.02)	(.02)
Country GDP per capita	−.008***	−.007***
	(.00)	(.00)
Years of Democracy (log)	.076**	.052*
	(.03)	(.03)
Constant	−.015	.040
	(.10)	(.11)
Adj. R^2	.581	.639
No. of cases	127	127
No. of countries/clusters	35	35

Sig:*p<0.10,** p<0.05,*** p<0.01

Figure 4.3: Marginal Effects: Model 2 Table 4.3 – Pooled Sample
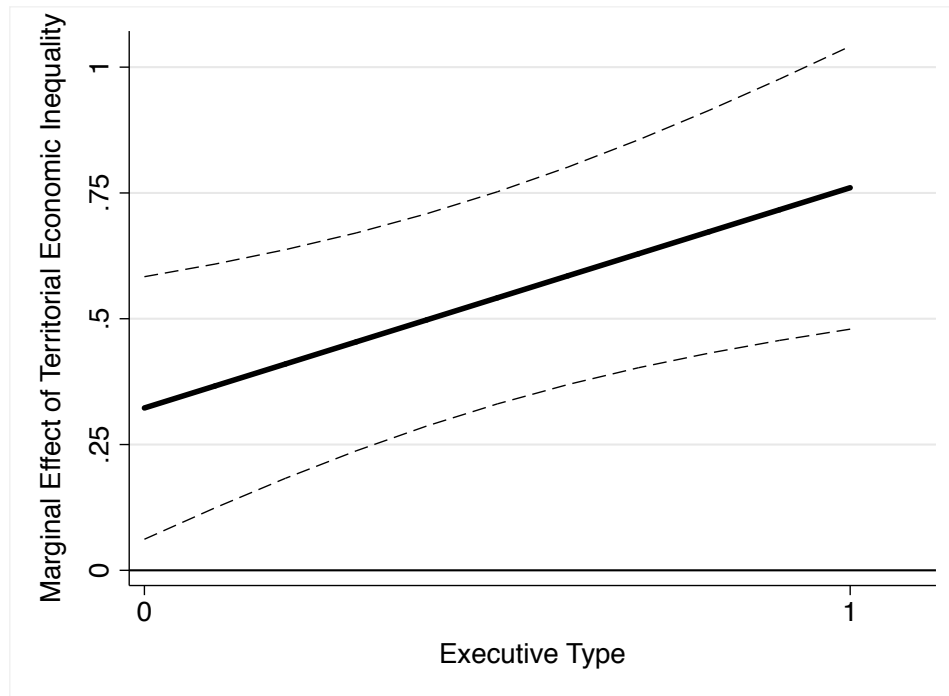
(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization
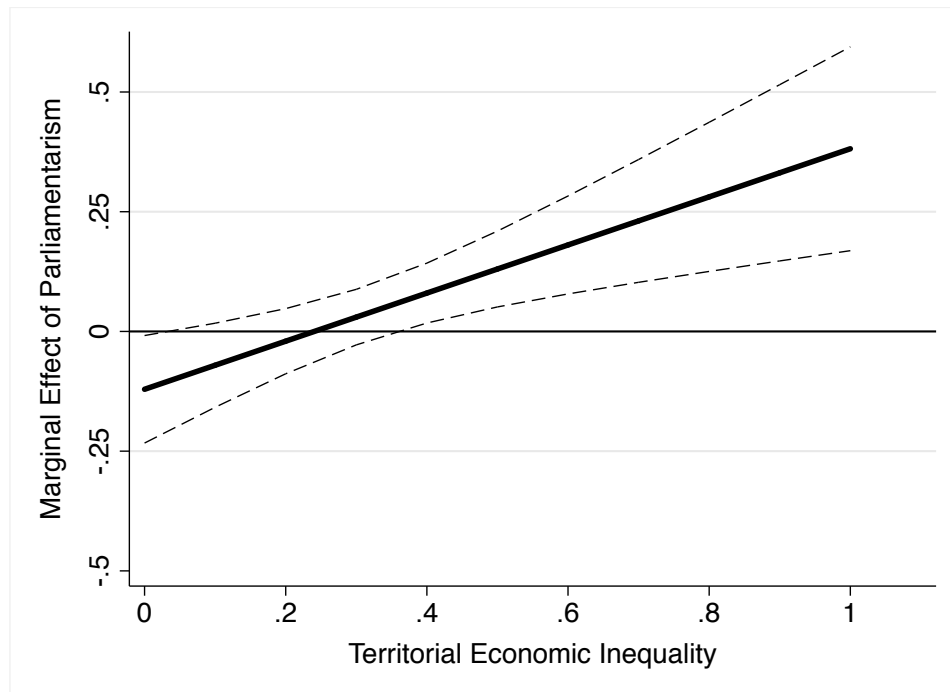
(b) Marginal Effect of **Parliamentarism** on Party System Territorialization

degree of territorialization of the Italian party system has changed, as has the electoral success of *Lega Nord*.

Current explanations of party system territorialization cannot account for changes over time in the degree of party system territorialization in Italy. On the one hand, sociological explanations of regional party success tend to emphasize ethnic, linguistic or religious interests as the basis for regional political parties yet the *Lega Nord* is not your typical ethno-territorial political party. As Giordano argues:

> "[...] the LN's [*Lega Nord*] political project is not based in an area that has historic claims to nationhood. Instead, the LN has attempted to invent an ethnicity for the North of Italy (or Padania) in order to justify its political claims for the protection of the economic interests of the region" (Giordano, 2000, 445).

On the other hand, institutional explanations linked to the role of decentralization (Brancati, 2009; Chhibber and Kollman, 2004) cannot explain why the *Lega Nord* emerged more than a decade after the process of decentralization had started in Italy,[12] or why the Italian party system became very nationalized in the 1990's (under an already consolidated decentralized political system).

According to the argument I develop in this dissertation, the territorialization of the Italian party system (caused mainly by the rise of the *Lega Nord*) is a response to the uneven distribution of economic interests across the regions of Italy. One of the distinctive aspects of the *Lega Nord* is that it has exploited the North-South economic divide in Italy and has articulated a political project based on economic grievances rather than on ethnic or linguistic difference. The presence of large territorial economic inequalities in Italy cannot be the whole story however, since these economic inequalities have remained relatively constant over time, yet party system territorialization has fluctuated. In what follows I argue that the changes in the *Lega Nord*'s electoral success, and more generally the changes in the degree of territorialization of Italy's party system, can be explained by changes in party discipline. Italy is one of the few countries in the world that has experienced two major electoral reforms in a relatively short period of time. In this section, I posit that these electoral

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[12]As I will explain later the process of decentralization in Italy started in 1949 for some regions, and then was extended to all regions in the 1970's.

reforms changed party discipline incentives and in turn affected the territorialization of the party system.

4.3.1 Electoral Reforms and Party System Territorialization

Italy post-World War II experienced two major changes in its electoral institutions. The 1948 Italian Constitution established an electoral system based on multi-member districts (MMD) and seats allocated by open-list proportional representation.[13] This electoral system was changed by referendum in 1992 to a mixed member system in which 75% of the seats (475 seats) in the Chamber of Deputies were allocated by plurality in single-member districts (SMD) and 25% (155 seats) were allocated by proportional representation (EED, 2012; Jusko, 2006). A decade later, in 2005, the electoral system changed to a bonus-adjusted closed list proportional representation system with multi-member constituencies.[14] These changes in electoral rules created new incentives for stronger or weaker party discipline. According to Carey and Shugart (1995) the periods under proportional representation (1948-1991 and 2005-present) should be characterized by stronger party discipline than the period under a mixed electoral system (1992-2004).

According to my argument these changes in the levels of party discipline should affect the territorial nature of the Italian party system. Under the two periods of stronger party discipline (i.e. under PR-type electoral systems) we should observe an increase in party system territorialization, and more specifically an increase in votes to regional political parties (such as the Northern League). In contrast, under the period of weaker party discipline corresponding to the mixed electoral system we should observe a more nationalized party system. Figure 4.4 on page 147 traces the association between Italy's electoral reforms

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[13]According to Renwick et al. (2009) this was a very permissive electoral system: "[t]he effective threshold for elections to the lower house of the national parliament was barely 1 percent" (Renwick et al., 2009, 2).

[14]According to Renwick et al. (2009) under this new system,

"[...] voters vote for closed party lists, and seats are initially allocated proportionally subject to thresholds of 2 per cent for parties belonging to a coalition, 4 per cent for parties not belonging to a coalition, and 10 per cent for coalitions. If, however, no party or coalition gains 340 seats (55 per cent of the domestic total) through proportional allocation, the largest party or coalition in terms of votes automatically receives 340 seats (the premio di maggioranza, or majority premium). These seats are allocated proportionally among those coalition parties that passed the threshold, and the remaining seats are allocated proportionally among the other above-threshold parties" (Renwick et al., 2009, 2).

and the degree of party system territorialization since the end of World War II. The solid line shows the degree of party system territorialization in Italy between 1953 and 2008 based on the inflation measure used as the dependent variable in the quantitative analyses. Low values indicate greater party system nationalization whereas high values indicate greater party system territorialization. The graph is divided into three periods which are separated by the two changes in electoral institutions during the post-World War II period. Finally, the dotted line represents the degree of territorial economic inequality (measured by the weighted coefficient of variation).[15]

The graph reveals that changes in electoral institutions are associated with changes in the level of party system territorialization. During the open-list PR period (1953 to 1991) party system territorialization initially hovered around 0.08 and progressively increased to 0.18 in 1992. This trend towards greater territorialization is reversed after the 1993 electoral reform that introduced a mixed electoral system. The three general elections conducted under this new electoral system produced a more nationalized party system. Finally, when the electoral system switched back to closed-list proportional representation in 2005, the trend was reversed yet again and points towards a greater territorialization of the Italian party system (especially in the 2008 election). These broad patterns conform with the theoretical expectations laid out in this chapter. Table 4.4 (page 148) shows the percentage of the vote obtained by the *Lega Nord* in both general and regional elections. The first big electoral victory of the Lega Nord was in 1992 when it obtained 8.7% of the vote nationally (and 23% in Lombardia). The period under a mixed member electoral system (1994 through 2011) witness a slight decrease in electoral strength (with the exception of 1996). Finally the Table indicates that the last two general elections conducted under closed-list PR (as well as the 2012 regional elections) have marked a come back for the Lega Nord.

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[15]Note that there are two different scales in the graph. The y-axis on the left corresponds to the measure "party system territorialization", and the y-axis on the right corresponds to the measure of "territorial economic inequality (weighted)".

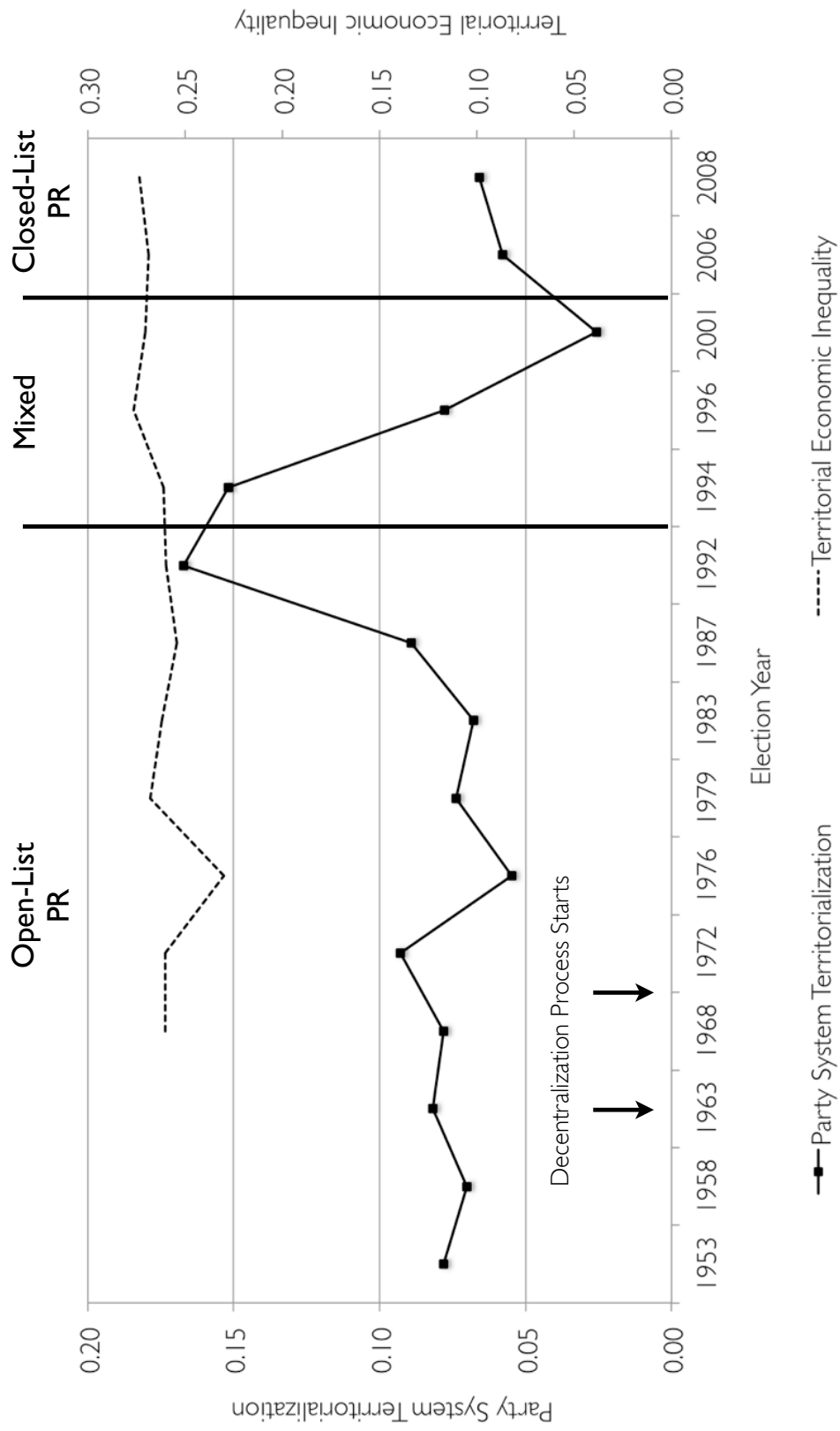Figure 4.4: Party System Territorialization in Italy 1953-2008

Table 4.4: Northern League % of the Vote

Year	Election	% Vote in Italy	% Vote in Lombardia	Notes
1987	General	1	2.6	Northern League competes on its own
1992	General	8.7	23	Northern League competes on its own
1994	General	8.4	22.1	Part of *Pollo della Liberta* coalition
1996	General	10.1	25.5	Northern League competes on its own
2001	General	3.9	12.1	Part of *Casa della Liberta* coalition
2006	General	4.6	11.7	Part of Silvio Berlusconi's coalition
2008	General	8.3	21.6	Part of Silvio Berlusconi's coalition
1990	Regional		18.9	
1995	Regional		17.7	
2000	Regional		15.5	
2005	Regional		15.8	
2010	Regional		26.2	

One aspect of Figure 4.4 (page 147) however is puzzling. The Italian party system is very nationalized during the 1950s', 1960's and early 1970s, despite relatively large levels of territorial economic disparities (between Northern and Southern regions) and a proportional representation electoral system. Given the argument presented in this dissertation we might expect to see a greater level of party system territorialization in those early decades. Instead, territorialization only starts in the 1980's and early 1990's, with the rise of the *Lega Nord* and other regional political parties. What explains delayed territorialization of the Italian party system?

There are two factors that I argue contribute to suppress territorialization in these early decades after World War II. The first factor has to do with the profound ideological divide that existed between Italian communists and the rest of political forces and political interests in Italy. In the aftermath of World War II, as the iron curtain fell, the Italian Communist Party (PCI) which was very strong electorally, came to be perceived as a menace. In reaction to this, *Democrazia Christiana* (the main center-right party in Italy) forged an "agreement with its minor-party allies permanently to exclude from office the left and right extremes" (Newell, 2000, 9). This tacit agreement has been referred to as the *conventio ad excludendum* ("agreement to exclude), and it kept the Italian Communist Party (PCI) from governing. It also created an unusual situation of hegemony in which the *Democrazia Christiana* (DC) was the only party able to govern in Italy, resulting in its unchallenged

dominance during the first decades after World War II. This one-party dominance had the effect of reducing party discipline. During the post-World War II period party discipline in Italy was unusually low given that Italy was a parliamentary system with a proportional representation electoral system.

> "The Christian Democrats in particular, knowing that they would always be the mainstay of any feasible governing coalition, therefore also knew that the costs of disunity were low. And in fact, the DC was notorious for its factionalism" (Newell, 2000, 9).

Party discipline was low because parties (and especially *Democrazia Christiana*) did not need to be cohesive to stay in power.[16] Their hold on power was practically guaranteed as long as the Communist Party remained strong and the *conventio ad excludendum* was maintained. This situation prevented small parties from emerging by capitalizing on new cleavages. This situation, however, started to change when the collapse of communism in the 1980's broke the hegemony of *Democrazia Christiana*. It is at this time that we see the emergence of regional political parties, and the progressive territorialization of the party system. The most important regional political party in Italy, the Northern League, emerged in the early 1980's under the name of *Lega Lombarda*,[17] and its leader Umberto Bossi entered parliament for the first time in 1987 (Donovan, 1995, 52). The Northern League achieved its first important victory in the 1992 General Election when it obtained 8.7% of the national vote (and 23% of the vote in Lombardia) (see Table 4.4), and became the fourth largest political party in the Italian Parliament. The Northern League enjoyed electoral success until 1996 after which it began to dwindle.[18]

The second factor that contributed to Italy's unusual party system nationalization between 1950 and 1970 involved the structure of the state. The 1948 Italian Constitution "had mandated directly elected regional governments (*regioni*) with enumerated powers for the whole of Italy, but these provisions were put into practice only for five regions with special autonomous statute (*regioni autonomae a statuto speciale): Sicilia,*

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[16]The low levels of party discipline were "reflected in parliament's procedures, especially in the frequent use of secret voting, both in the Chamber and the Senate" (Newell, 2000, 10).

[17]The Northern League was official founded in 1991.

[18]The Northern League has had a strong come back in the past two elections, which I will address later on in this section.

Sardegna, Valle d'Aosta/Vallee d'Aoste, Friuli-Venezia-Giulia (since 1963), and *Trentino-Alto Adige/Sudtirol*" (Hooghe et al., 2008, 196). It was not until 1970 (through a constitutional revision) that Italy became a fully fledged decentralized or quasi-federal polity with the creation of fifteen ordinary-statute regions (*regioni a statuto ordinario*) "each with a directly elected regional council and an executive responsible to it" (Hooghe et al., 2008, 196). The unitary structure of the state in the early decades functioned to suppress the emergence (or success) of regional political parties. Italy's decentralization in the 1970's coincided with the emergence of regional political parties. Still the timing of decentralization does not explain the emergence of regional parties as well as the collapse of communism and the end of the *conventio ad excludendum* ("agreement to exclude). Furthermore, the fact that decentralization was well underway in the 1990's and early 2000's when the party system became nationalized again, suggests that the effect of decentralization is not as powerful as some scholars expect.

In sum, this brief case study illustrate how changes in electoral rules produce changes in the incentives for party discipline and these changes in turn can help explain variation in the territorial nature of the party system in Italy. Certainly there are other important factors that influence the nature of the Italian party system (especially during the first decades after World War II), but the changes in electoral rules can help explain some important fluctuations in the the success of the Northern League during the more recent decades.

4.4 Evidence from Progressive Era United States

The United States might seem an unlikely candidate to illustrate the impact of institutional changes on party discipline and in turn on the territorial nature of the party system, since the United States' main institutional features – a presidential regime with a plurality rule single member district electoral system– have remained rather constant over time. Given this institutional continuity, scholars of American politics have attributed changes in party discipline in the United States to changes in the electorate's preferences and in the ideological composition of US parties (Rohde, 1991; Aldrich, 1995), instead of to institutional changes in regime type or electoral system. Focusing on changes in intra-party

ideological diversity (as proxies for changes in party discipline) however is inappropriate for my purpose since intra-party ideological diversity is too close of a concept to my key independent variable: the territorial distribution of (economic) preferences.

Instead I focus on a rarely studied electoral institutional change in the United States that recent scholars (Ansolabehere et al., 2004; Harvey and Mukherjee, 2006) link to changes in party discipline: the state adoption of direct primaries as the method for nominating candidates for the U.S. House in the late nineteenth century and early twentieth century. Before 1896 parties controlled the nomination process. Between 1896 and 1915, states began adopting the open primary, and although "different states adopted the primer at different times", the reforms happened in a relatively short period of time. By 1915 "[...] all but a handful of states adopted the primary as the chief method of nominating candidates for federal, state, and local offices" (Ansolabehere et al., 2004, 1). Table 4.5 shows the year in which states implemented open primaries. The table combines two sources Ansolabehere et al. (2004) and Harvey and Mukherjee (2006).[19] By 1915 most states had implemented these changes in electoral institutions, the exceptions being Delaware, only switched to open primaries in 1978, Connecticut in 1955, New Mexico in 1939, Rhode Island in 1947 and Utah in 1937 (see Table 4.5 on page 152).

Several scholars have tied the introduction of direct primaries in the United States to the weakening of party discipline. Harvey and Mukherjee (2006) argue that the "direct primary had the effect of reducing the observability of partisan behavior" (Harvey and Mukherjee, 2006, 376), which lead to a weakening of party discipline. In support of this argument they find a strong correlation between the introduction of primaries and split-ticket voting[20] between 1880 and 1940 in the United States.[21] Furthermore, as Galderisi and Ginsberg (1986) argue:

> "[the direct primary] can be seen as an antiparty reform on three separate counts. First, by weakening party leaders' capacity to control nominating processes, primary elections undermine the organizational coherence of established parties. Second, primaries tend to direct the attention of voters and political activists

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[19]Several Southern states do not appear in the table because scholars have had difficulty coding them.

[20]Split-ticket voting is a fairly conventional measure of party discipline

[21]Harvey and Mukherjee (2006) specifically look at the geographic variation in party discipline in the United States between 1880 and 1940.

Table 4.5: Dates of Direct Primary Use in U.S. House Elections

State	Year	State	Year
AZ	1909	NV	1909
CA	1909	NH	1909
CO	1910	NJ	1911
CT	1955	NM	1939
DE	1978	NY	1913
ID	1909-1919, 1931	ND	1907
IL	1910	OH	1913
IN	1915	OK	1907
IA	1907	OR	1904
KS	1908	PA	1907
KY	1912	RI	1947
ME	1911	SD	1907
MD	1910	TN	1909
MA	1911	UT	1937
MI	1909	VT	1915
MN	1901	WA	1907
MO	1907	WV	1915
MT	1912	WI	1904
NE	1907	WY	1911
FL*	1913	LA*	1906
MS*	1902	NC*	1915
SC*	1915		

Sources: Ansolabehere et al. (2004), p. 31.
                    *Harvey and Mukherjee (2006), p. 380.

toward the nominating contests of the party most likely to win the general election, and away from the interparty race. [...] Last, and most interesting, primary elections have the effect of inhibiting the formation of new parties" (Galderisi and Ginsberg, 1986, 116)

We can thus use the introduction of direct primaries for the US House as a proxy for a change in the levels of party discipline that lead to weaker party cohesion within US parties. This change in electoral procedure is particularly appropriate for our analyses because the reforms happened in a relatively short period of time, and they were mostly introduced for reasons other than trying to change party discipline or more importantly, other than trying to change the level of party system territorialization.

"At the turn of the century progressives had high hopes for the primary, expecting that it would reduce the power of party machines and bosses, help more independent-minded, honest, and progressive politicians win once, increase voter participation and give voters a greater sense of political efficacy, and generally help reduce corruption in government" (Ansolabehere et al., 2004, 5).

In other words, this electoral change was mostly exogenous to the territorial nature of the party system. According to the theory developed in this dissertation, exogenous changes in party discipline should be associated with changes in the territorial nature of the party system. More specifically, in the case of the United States we should expect an increase in party system nationalization after the introduction of open primaries in 1915.

Figure 4.5 on page 157 shows the changes in party system localization in the United States from the end of the Civil War in 1866 to the early 1960's (solid line). The data for this long time series come from the CLEA database (Kollman et al., 2012), and was used in Chhibber and Kollman's book *The Formation of National Party Systems: Federalism and Party Competition in Canada, Great Britain, India, and the United States* (2004). This measure of party system localization is the same as the measure of party system territorialization I use in this dissertation. I call this measure "localization" in the present discussion because it uses the "district" instead of the "state" as the minimal territorial unit.[22] Figure 4.5 also shows the changes in territorial economic inequalities during the

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[22]I use the district level because the historical data was readily available at this level of analysis. In the future, however, I intend to produce a similar measure using the "state" as the unit of analysis, and even using the "north-south" division as the unit of analysis. We should find stronger support for my argument

same period. The measure of territorial economic inequality is the weighted coefficient of variation of state GDP/capita. The economic data for this series come from Williamson (1965), which in turn collected the data from a variety of sources.[23] The data points are very sparse until 1929, but become fairly regular thereafter. The general trend suggests that territorial economic disparities in the United States were relatively high until the early 1940's,[24] after which they drop significantly.[25] Finally, the vertical line divides the graph into two periods indicating when most states had adopted open primaries as a method of electing candidates for federal, state and local office.

What we see in the graph is that party system localization was relatively high (and extremely volatile) before the early twentieth century, but after 1915 the party system nationalizes and becomes more stable around relatively low levels of party system localization. The horizontal dotted lines indicate the average party localization score for the period before 1915 (average=0.15) and for the period after 1915 (average=0.12).[26] In other words, before 1915 party discipline is higher and we observe greater party system localization, whereas after 1915 party discipline is lower and what we observe is an increase in party system nationalization. Furthermore, territorial economic inequalities remain relatively constant (and high) during this period of electoral reform towards the end of the nineteenth century and beginning of the twentieth century, which helps isolate the effect of the change in electoral rules on the party system.

This graphs also allows to asses the impact of one of the most important alternative explanations of party system nationalization: centralization of power. As explained in Chapter 2, Chhibber and Kollman (2004) argue that the nationalization of party systems is

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if the measure were calculated using "states" or using the "north-south" territorial division, so using the district biases the results against me.

[23]See Williamson (1965, 27) for a list of sources.

[24]And very similar level to those of the Italian case presented earlier

[25]These disparities can be mostly attributed to North-South economic differences, which most likely decreased after the New Deal as a consequence of redistribution programs, as well as to population migration from the South to the North [citation needed]. Western European nations experienced a similar reduction in territorial economic inequalities right after World War II, which coincided with the golden age of the welfare state. In the 1970's and 1980's, with the dwindling of the welfare state and the end of protectionist policies, many Western European countries experienced a slight increase in territorial economic disparities. There might be a connection between centralization of power, creation of a strong welfare state, reduction of inequalities and party system nationalization that I would like to explore in the future.

[26]The party system before the American Civil War was even more localized and more volatile than after the Civil War. In fact, the average party system localization between 1834 and 1915 is 0.19. It should also be noted that in recent decades (1980's, 1990's, 2000's) the US party system has become more localized.

linked to the centralization of power. In the United States, centralization happened over a long period of time, but according to Chhibber and Kollman, the most significant expansion of the federal government occurred after the New Deal. "On the whole, prior to the New Deal, governance in the United States was quite decentralized, with the states controlling most areas of policies about which voters cared" (Chhibber and Kollman, 2004, 147). The graph shows that the party system in the United States actually started nationalizing before the New Deal, that is before any significant centralization of power at the federal level. The centralization of power at the federal level after the New Deal (1933) and the reduction of inter-territorial economic inequalities in the 1940's most likely contributed to a further consolidation of a nationalized party system. What is key for my argument however is that institutions affecting party discipline in the United States also had an important impact on the territorial nature of the party system, and this effect can be isolated from the process of centralization, which happened later.

In addition to the role of centralization, Chhibber and Kollman point to the nature of the executive and argue that in the case of the United States "presidentialism" contributed to the nationalization of the US party system.

> "Why Southern elites did not separate from the Democratic Party following reconstruction in the 1870's and form a new, Southern political party is an intriguing question. Why did they rejoin forces with northern and western Democrats? Our answer is that this is where the American presidential system has its most potent effect in its history. Voting for Democrats was the southern elite's way of making sure they had a unified voice in presidential politics –the unified south had a veto on Democratic presidential candidates because of voting rules in the nominating conventions –and a way of countering a centralized threat through unified voting and scuttling of action on racial matters in the Congress. [...] By bolting from the Democratic Party, the South would have reduced its role in choosing presidents. Consider how much presidents like Cleveland and Wilson had to cater to the South because they needed southern delegates to win within their own party" (Chhibber and Kollman, 2004, 218).

In this dissertation I also argue that presidential systems tend to encourage party system nationalization. The mechanism I posit however works through party discipline. As explained earlier in this chapter, presidential systems promote weak party discipline, which in turn helps keep national coalitions together. As Rodden and Warshaw (2009) argue "[...] one of the most basic facts about U.S. style presidentialism is that the lack of a no-confidence

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procedure in the legislature absolves candidates in the districts of the need to adopt common platforms or act cohesively (Diermeier and Feddersen 1998) and co-partisan House candidates manifestly do not adopt common platforms in practice" (Rodden and Warshaw, 2009, 19). The relatively low levels of party discipline in the United States (compared to other countries with parliamentary systems of government) certainly contributed to prevent the split of the South and to maintain a fairly nationalized party system throughout most of the twentieth century. However, the effect of presidentialism is supposed to be constant over time and thus cannot explain why there was a change towards more nationalization in the United States right after the first decade of the twentieth century.

In sum, although various factors (executive type, party discipline, centralization of power) have an influence on the territorial nature of party systems in a country, the change in party system nationalization that took place in the United States at the beginning of the twentieth century can only be attributed to a change in party discipline that happened after a significant change in electoral rules. Alternative explanations such as centralization of power or presidentialism cannot account for this specific change at this moment in time. This case thus serves to illustrate the important role of party discipline in affecting the territorial nature of party systems.

Figure 4.5: Party System Localization in the United States 1866-1962
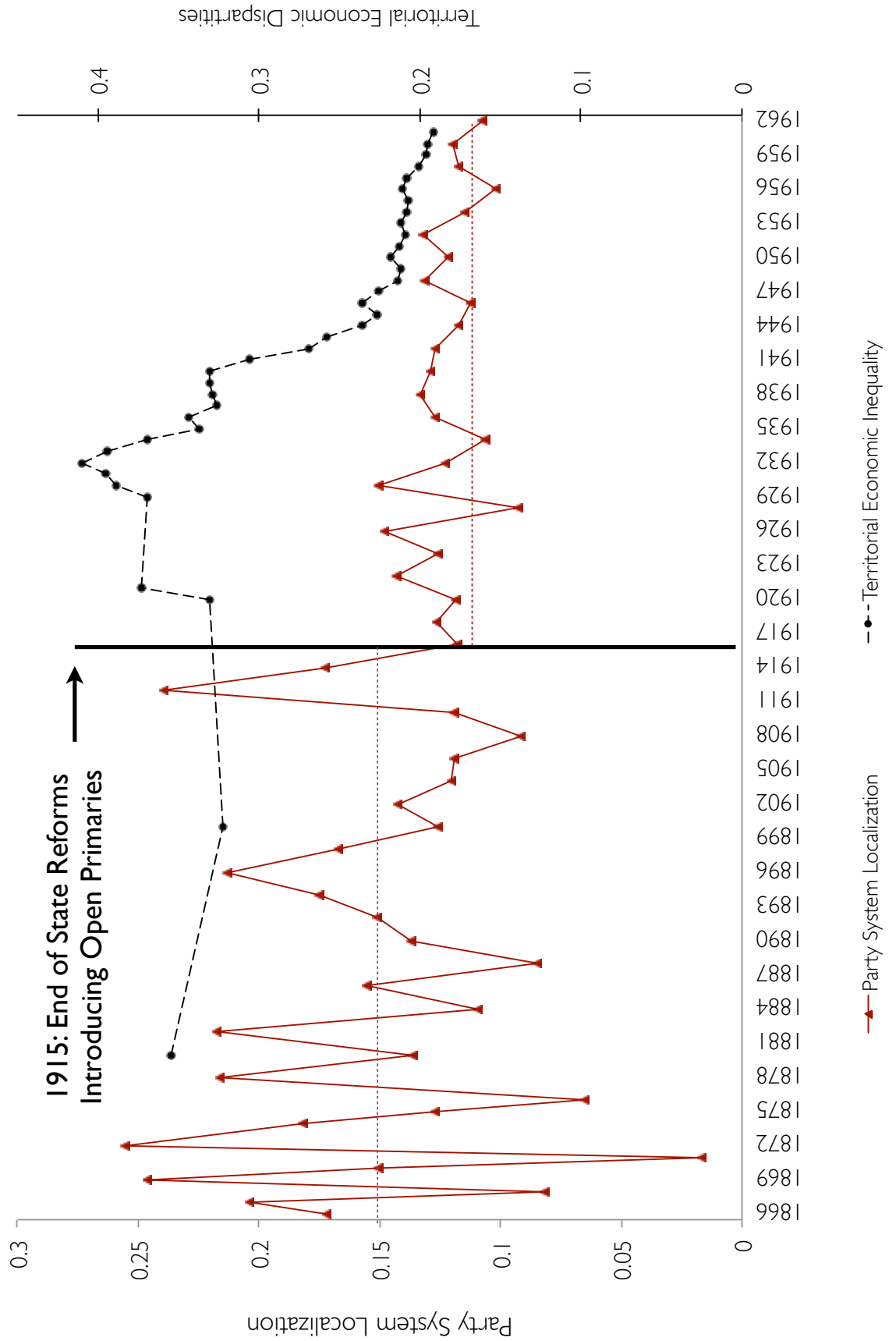
4.5 Empirical Analysis: The Role of Elected Bicameralism

Table 4.6 presents the results for the third hypothesis, which is modeled in equation 4.3 on page 136. The first three regression models (M1, M2 and M3) show the direct effect of all variables (no interactions) with each of the three different measures of bicameralism, whereas the last three models (M4, M5 and M6) include the interaction terms between "territorial economic inequality" and the three different measures of bicameralism. The first three models show that "bicameralism", "elected bicameralism" and "elected bicameralism (dic)" do not have a significant direct effect on party system territorialization. This is consistent with the findings in Chapter 3. In contrast, the interactive models (M4, M5, M6) show that under some operationalizations bicameralism is significant when interacted with "territorial economic inequality". Once again, in order to correctly interpret the magnitude and significance of the coefficients of these three interactions I graph their respective marginal effects.

Figure 4.6a shows the marginal effect of "territorial economic inequality" on party system territorialization as "bicameralism" changes from 0 to 1.[27] The graph tells us that "territorial economic inequality" always has a positive effect on party system territorialization (since the marginal effect line is above 0), but this effect is only significant when "bicameralism" is equal to 1, that is when countries have an upper legislative chamber. The effect is not significant when "bicameralism" is equal to 0. In other words, in unicameral countries the effect of "territorial economic inequality" on the party system is not significantly distinguishable from 0. Figure 4.6b shows the marginal effect of "bicameralism" on party system territorialization as "territorial economic inequality" changes from 0 (low levels of "territorial economic inequality") to 1 (high levels of "territorial economic inequality"). The figure suggests that the effect of bicameralism is practically 0 *and* it is not statistically significant (since the dotted confidence lines are not simultaneously above or below 0, which means that they include 0). In other words, bicameralism (coded to reflect whether a country has an upper legislative chamber or not), does not seem to play a modifying role. This is not surprising given the crudeness of the measure (as explained earlier).

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[27]Note that although the marginal effect is a line, we should only care about the relevant values for 0 and 1, since "bicameralism" is a dichotomous variable.

I proceed to show the marginal effect graphs for the other two measures of bicameralism: "elected bicameralism" and its dichotomous version, "elected bicameralism (dic)."

Figure 4.7a shows the marginal effect of "territorial economic inequality" on party system territorialization as "elected bicameralism" changes from 0 to 3. The graph tells us that "territorial economic inequality" always has a positive effect on party system territorialization (since the marginal effect line is above 0), but this effect decreases as upper legislative chambers become more representative (i.e. become directly elected). Figure 4.7b shows the marginal effect of "elected bicameralism" on party system territorialization as "territorial economic inequality" changes from 0 (low levels of "territorial economic inequality") to 1 (high levels of "territorial economic inequality"). The graph shows that under conditions of high "territorial economic inequality," the effect of having a directly elected upper legislative chamber on party system territorialization is negative. The effect is statistically significant between the values of 0.5 and 1 on the "territorial economic inequality" variable (x-axis). This means that under conditions of high "territorial economic inequality" countries with upper legislative chambers that are truly representative and directly elected are more likely to have nationalized party systems than countries that do not have elected upper legislative chambers (or that have chambers that are indirectly elected or appointed). Furthermore, this figure suggests that when "territorial economic inequality" is very low having a representative upper legislative chamber has a slightly positive (and statistically significant) effect on party system territorialization. This positive effect (which only holds under low inequalities) confirms Hicken's argument that the presence of upper legislative chambers should have a positive effect on party system territorialization. In other words, this interactive hypothesis reveals potentially two distinct and opposing effect of bicameralism, which correspond to the Hicken (2009)'s logic on the one hand and to my logic on the other. These opposing effects also explain why the direct effect of bicameralism (as shown in Chapter 3 or in Models 1, 2 and 3 in Table 4.6 are not significant).

Finally, Figure 4.8a and Figure 4.8b present the marginal effects of Model 6 in Table 4.6, which test the interactive term "elected bicameralism (dic)" with "territorial economic inequality." The results of this interaction are consistent with those in Figure 4.7a and Figure 4.7b. Figure 4.8a shows that "territorial economic inequality" always has a positive effect

Table 4.6: OLS Regression – Pooled Sample

	Direct Effect			Interaction		
DV: Territorialization	M1	M2	M3	M4	M5	M6
Territ. Econ. Inequality (lag)	.430***	.433***	.436***	.221	.873***	.826***
	(.12)	(.12)	(.11)	(.31)	(.29)	(.12)
Bicameralism	.021			−.026		
	(.04)			(.10)		
Elected Bicameralism		.002			.040	
		(.01)			(.03)	
Elected Bicameralism (dic)			−.006			.150**
			(.03)			(.06)
Econ. Ineq. x Bic.				.216		
				(.35)		
Econ. Ineq. x Elect. Bic.					−.165	
					(.11)	
Econ. Ineq. x Elect. Bic.(dic)						−.536***
						(.17)
Fiscal Decentralization (lag)	.386*	.380*	.376*	.373*	.444**	.519***
	(.20)	(.20)	(.20)	(.21)	(.20)	(.17)
Candidate Autonomy (lag)	−.063	−.060	−.060	−.058	−.074	−.074
	(.06)	(.05)	(.05)	(.06)	(.05)	(.05)
Political Decentralization(lag)	.067	.075	.079	.070	.055	.027
	(.05)	(.05)	(.05)	(.05)	(.04)	(.03)
Parliamentary System	.022	.019	.015	.018	.018	.007
	(.04)	(.04)	(.04)	(.04)	(.04)	(.04)
Majoritarian Elec System	−.035	−.028	−.023	−.034	−.039	−.048
	(.05)	(.05)	(.05)	(.06)	(.05)	(.05)
Number of Units (log)	−.012	−.016	−.016	−.015	−.002	.008
	(.03)	(.03)	(.02)	(.03)	(.02)	(.02)
Age of Parties (log)	−.034	−.033	−.032	−.038	−.025	−.023
	(.02)	(.02)	(.03)	(.03)	(.03)	(.03)
Country GDP per capita	−.007***	−.007***	−.007***	−.007**	−.007***	−.006***
	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)
Years of Democracy (log)	.075**	.072**	.070**	.072**	.072**	.057**
	(.03)	(.03)	(.03)	(.03)	(.03)	(.03)
Constant	−.037	−.014	−.008	.030	−.170	−.170
	(.11)	(.10)	(.10)	(.19)	(.15)	(.13)
Adj. R^2	.574	.572	.572	.572	.583	.627
No. of cases	127	127	127	127	127	127
No. of countries/clusters	35	35	35	35	35	35

*p<0.10,** p<0.05,*** p<0.01

Figure 4.6: Marginal Effects: Model 4 Table 4.6 – Pooled Sample
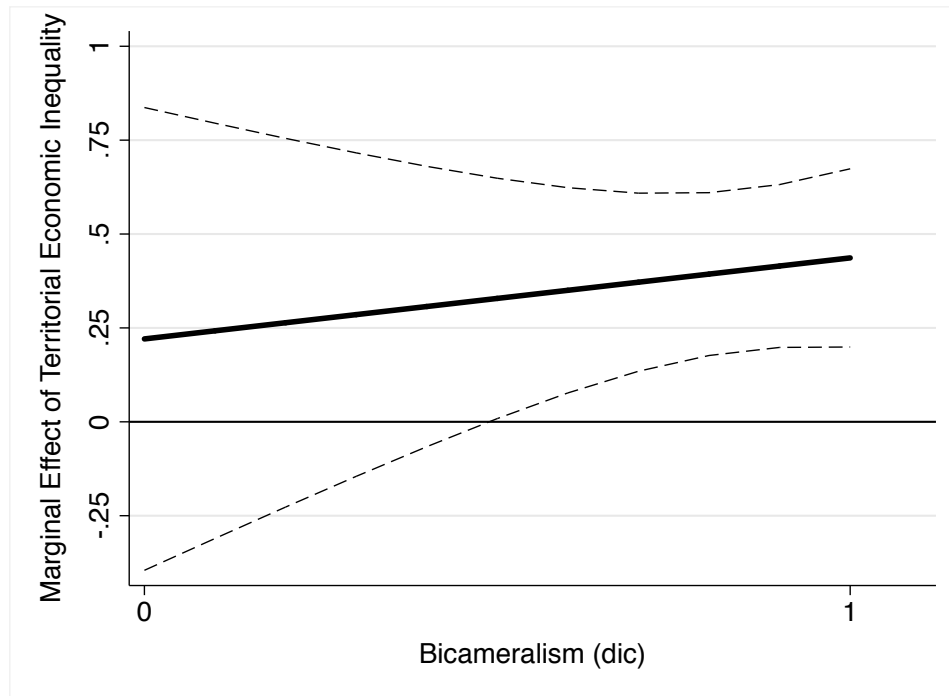
(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization
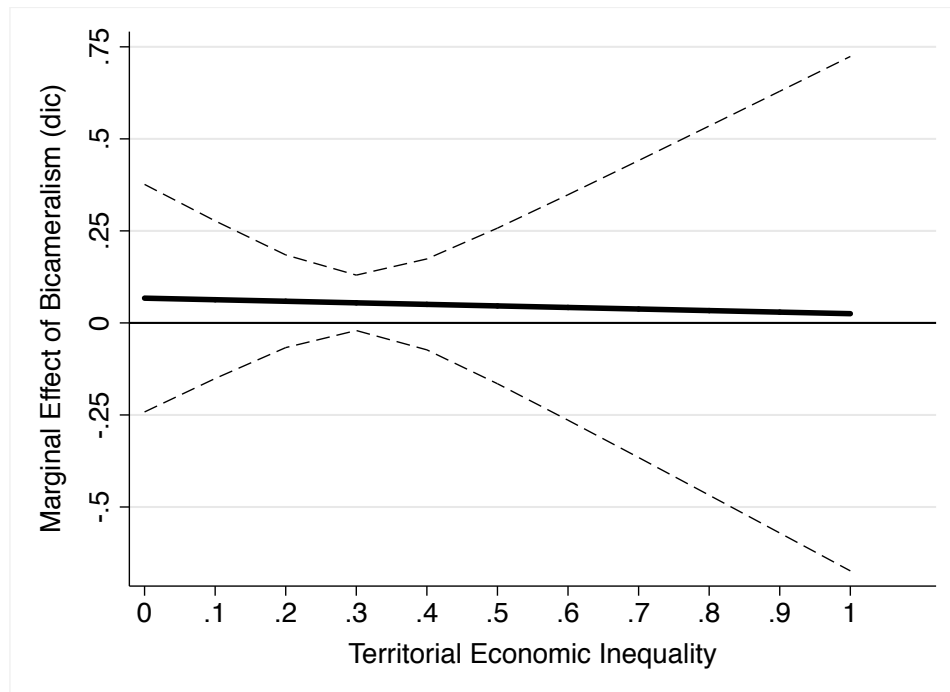
(b) Marginal Effect of **Bicameralism** on Party System Territorialization

on party system territorialization (since the marginal effect line is above 0), but this effect decreases as upper legislative chambers become more representative (i.e. become directly elected). Figure 4.8b suggests that having an elected upper legislative chamber matters positively under low levels of "territorial economic inequality", whereas it matters negatively under high levels of "territorial economic inequality". In other words, bicameralism has opposite effects depending on the level of inequality.[28]

In sum, the results of these analyses suggest that bicameralism has an important modifying role on the effect of economic inequalities. I find however that the simple presence of an upper legislative chamber is not sufficient for these effects to take place. The mechanism I posit depends on the upper legislative chamber being directly elected. The results of these regressions also show that elected bicameralism has different (and opposing effects) depending on the level of territorial economic inequalities, which explains why the direct effects of these variables are not significant.

4.6   Conclusion

This chapter presents evidence in support of the propositions that "party discipline" and "elected bicameralism" have an effect on the territorial nature of party systems. More specifically, the chapter demonstrates that this effect is not direct. Instead "party discipline" and "elected bicameralism" modify the pressures of territorial economic inequalities on party system territorialization. When parties and national-level institutions are able to incorporate territorially-based diversity, then we should not expect the party system to be territorialized. However, territorially-based parties are more likely to emerge if national-level institutions and existing parties are not able to incorporate territorially disparate interests. The large-N analyses lend strong support for these claims. Furthermore, the cases of Italy and United States provide an illustration of how changes in electoral institutions (and thus in party discipline) can lead to changes in party system territorialization. Focusing on this institutional change also helps explain aspects of party system change within these countries that have not previously been explained.

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[28]The regression results and marginal effect graphs for the averaged sample are presented in Table 4.8 and in Figures 4.11 and 4.12 starting on page 168. The findings are robust when using the averaged sample.

Figure 4.7: Marginal Effects: Model 5 Table 4.6 – Pooled Sample
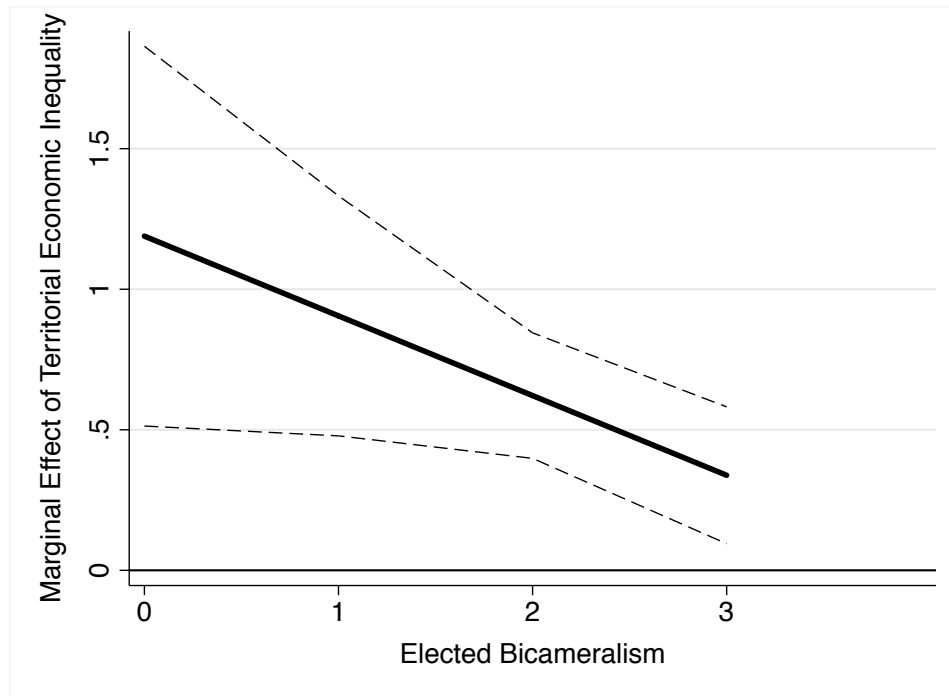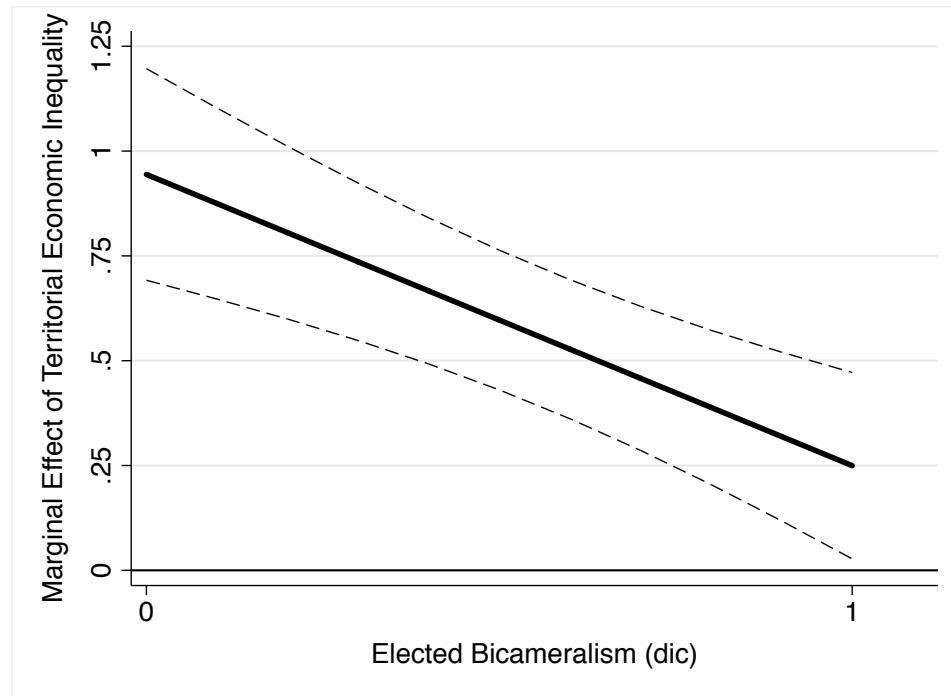

(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization
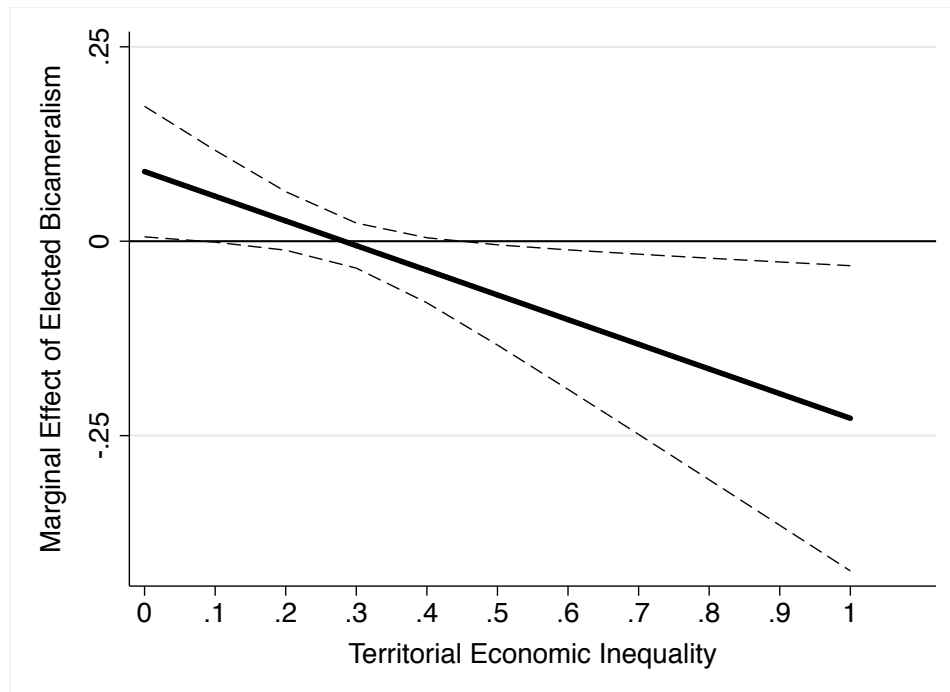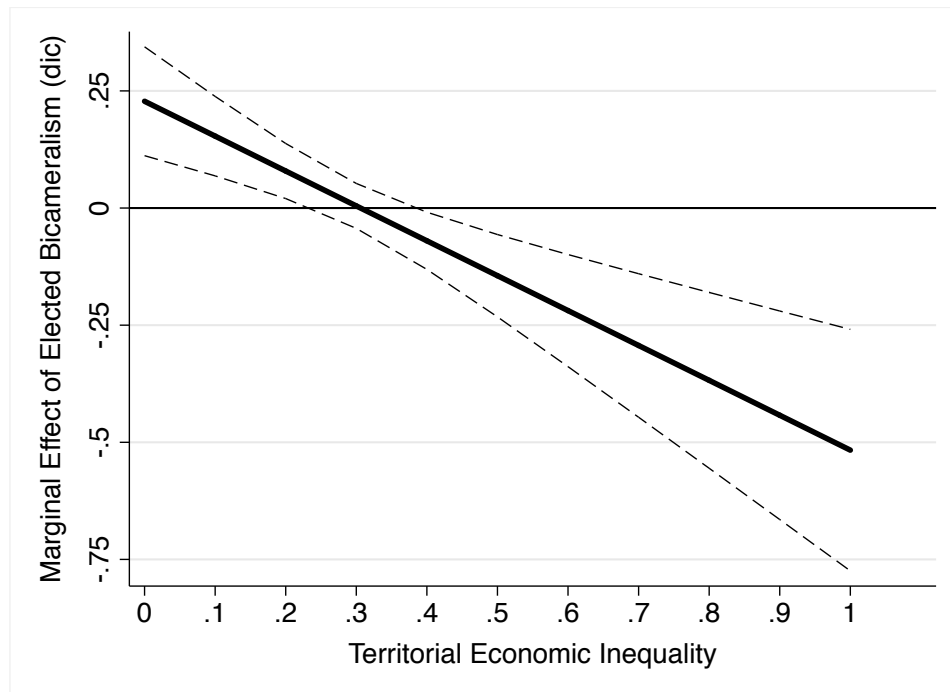

(b) Marginal Effect of **Elected Bicameralism** on Party System Territorialization

Figure 4.8: Marginal Effects: Model 6 Table 4.6 – Pooled Sample

(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization

(b) Marginal Effect of **Elected Bicameralism (dic)** on Party System Territorialization

Finally, the findings in this chapter shed some light into some of the existing literature's contradictory empirical findings on the role of institutions such as bicameralism, executive type or the electoral system. In particular I show that these institutions do not have a direct effect on party system territorialization and that instead their effect depends on the structure of economic inequality. The case of bicameralism illustrates how institutions can have effects that pull in opposite directions, which can lead to misleading conclusions about their role in affecting party systems if their effects are not correctly specified and tested.
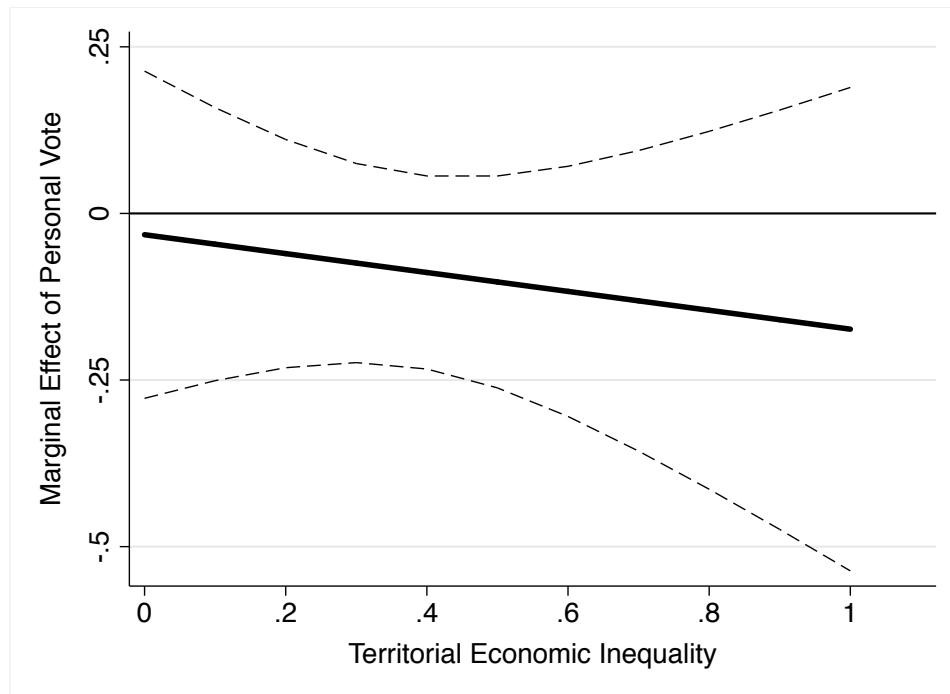
Table 4.7: OLS Regression – Averaged Sample

	Direct Effect	Direct Effect	Interaction	Interaction
DV: Party System Territorialization	M1	M2	M3	M4
Territorial Economic Inequality (lag)	.315*	.349**	.423*	.386*
	(.15)	(.15)	(.23)	(.22)
Candidate Autonomy (lag)	−.097		−.038	−.064
	(.09)		(.13)	(.11)
Candidate Autonomy (av) (lag)		−.085		
		(.07)		
Econ. Ineq. (lag) x Cand. Autonomy (lag)			−.161	
			(.26)	
Econ. Ineq. (lag) x Cand. Autonomy(av)(lag)				−.101
				(.22)
Fiscal Decentralization (lag)	.566*	.564*	.587*	.585*
	(.28)	(.27)	(.29)	(.29)
Political Decentralization (lag) (dic)	.094	.077	.083	.083
	(.07)	(.07)	(.08)	(.08)
Ethnic/Religious/Linguistic Diversity	−.163	−.104	−.182	−.151
	(.23)	(.21)	(.23)	(.23)
Majoritarian Electoral System	.005	−.032	.005	−.002
	(.12)	(.10)	(.12)	(.12)
Parliamentary System	.046	.050	.048	.050
	(.06)	(.06)	(.06)	(.06)
Bicameral	.052	.046	.047	.048
	(.06)	(.06)	(.07)	(.07)
Number of Units (log)	.007	.017	.007	.009
	(.04)	(.03)	(.04)	(.04)
Age of Parties (log)	.009	.004	.008	.006
	(.04)	(.04)	(.04)	(.04)
Country GDP per capita	−.010**	−.009**	−.010**	−.010*
	(.00)	(.00)	(.00)	(.00)
Years of Democracy (log)	.086	.094*	.084	.090
	(.05)	(.05)	(.05)	(.05)
Constant	−.224	−.283	−.239	−.249
	(.23)	(.21)	(.23)	(.24)
Adj. R^2	.334	.363	.311	.304
No. of cases	31	32	31	31

*Sig:*p<0.10,** p<0.05,*** p<0.01*

Figure 4.9: Marginal Effects: Model 4 Table 4.7 – Averaged Sample
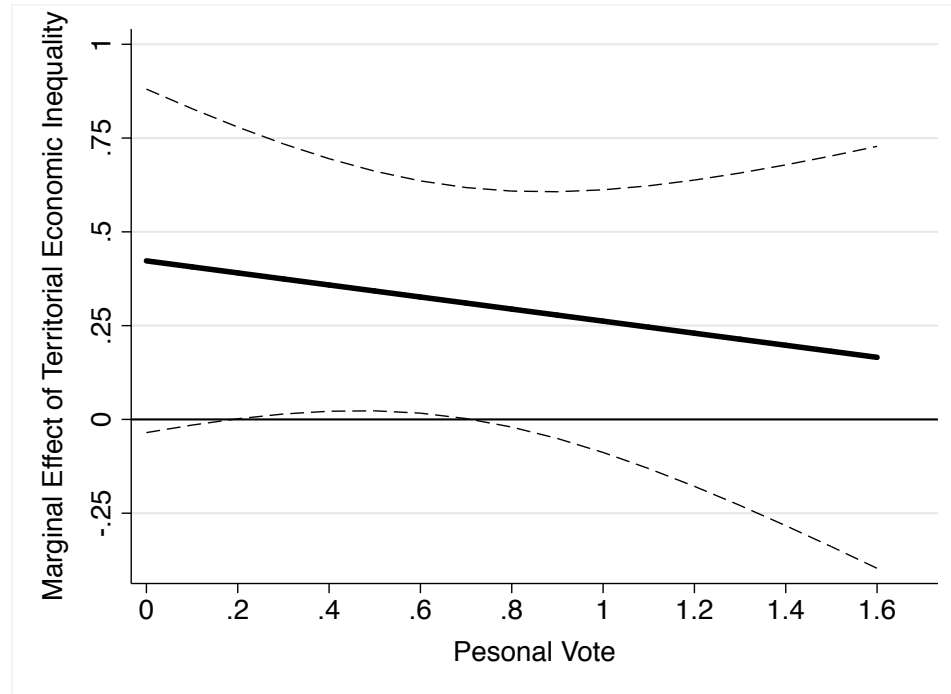
(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization

(b) Marginal Effect of **Personal Vote** on Party System Territorialization

Table 4.8: OLS Regression – Averaged Sample

	Direct Effect			Interaction		
DV: PS Territorialization	M1	M2	M3	M4	M5	M6
Territ. Economic Inequality (lag)	.313*	.330**	.359**	1.039	1.257**	.894***
	(.15)	(.16)	(.15)	(.61)	(.48)	(.26)
Bicameralism	.039			.219		
	(.06)			(.16)		
Elected Bicameralism		−.007			.080	
		(.02)			(.05)	
Elected Bicameralism (dic)			−.064			.137
			(.06)			(.10)
Econ. Ineq.(lag) x Bic.				−.736		
				(.60)		
Econ. Ineq.(lag) x Elec. Bic.					−.337*	
					(.17)	
Econ. Ineq.(lag) x Elec. Bic. (dic)						−.694**
						(.28)
Fiscal Decentralization (lag)	.588**	.586**	.655**	.674**	.697**	.714***
	(.27)	(.28)	(.28)	(.28)	(.26)	(.25)
Candidate Autonomy (lag)	−.092	−.078	−.068	−.122	−.109	−.086
	(.08)	(.08)	(.08)	(.09)	(.08)	(.07)
Political Decentralization(lag)(dic)	.083	.098	.095	.065	.058	.055
	(.07)	(.07)	(.07)	(.07)	(.07)	(.06)
Parliamentary System	.038	.031	.020	.052	.024	−.008
	(.06)	(.06)	(.06)	(.06)	(.05)	(.05)
Majoritarian Electoral System	−.015	.000	.007	−.029	−.029	−.018
	(.11)	(.11)	(.11)	(.11)	(.11)	(.10)
Number of Units (log)	.013	.006	.009	.030	.033	.033
	(.04)	(.04)	(.04)	(.04)	(.04)	(.03)
Age of Parties (log)	−.001	.002	−.003	.011	.020	.013
	(.04)	(.04)	(.04)	(.04)	(.04)	(.03)
Country GDP per capita	−.008*	−.008*	−.008*	−.009**	−.008**	−.006*
	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)
Years of Democracy (log)	.085	.077	.067	.108*	.093*	.061
	(.05)	(.05)	(.05)	(.05)	(.05)	(.04)
Constant	−.261	−.208	−.189	−.566	−.587**	−.402*
	(.22)	(.22)	(.21)	(.33)	(.28)	(.21)
Adj. R^2	.351	.340	.378	.368	.433	.508
No. of cases	31	31	31	31	31	31

Sig:*p<0.10,** p<0.05,*** p<0.01

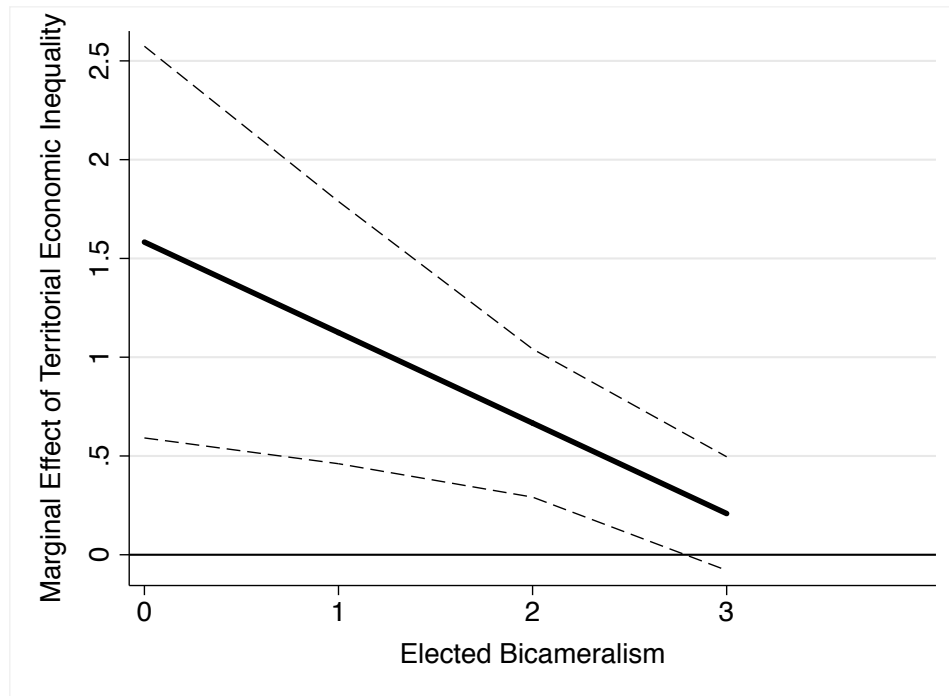Figure 4.10: Marginal Effects: Model 4 Table 4.8 – Averaged Sample
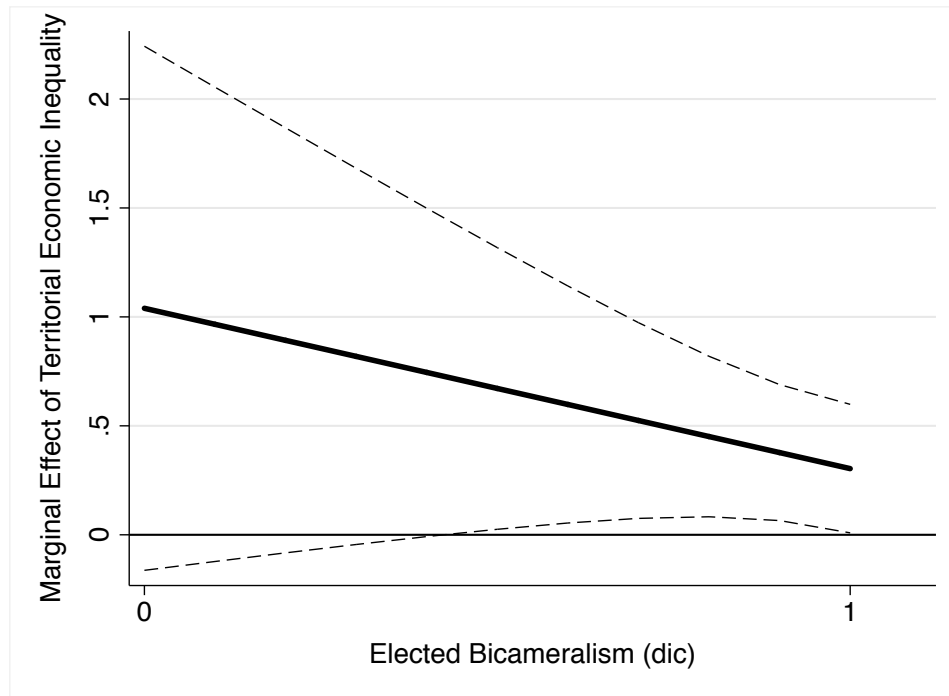
(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization
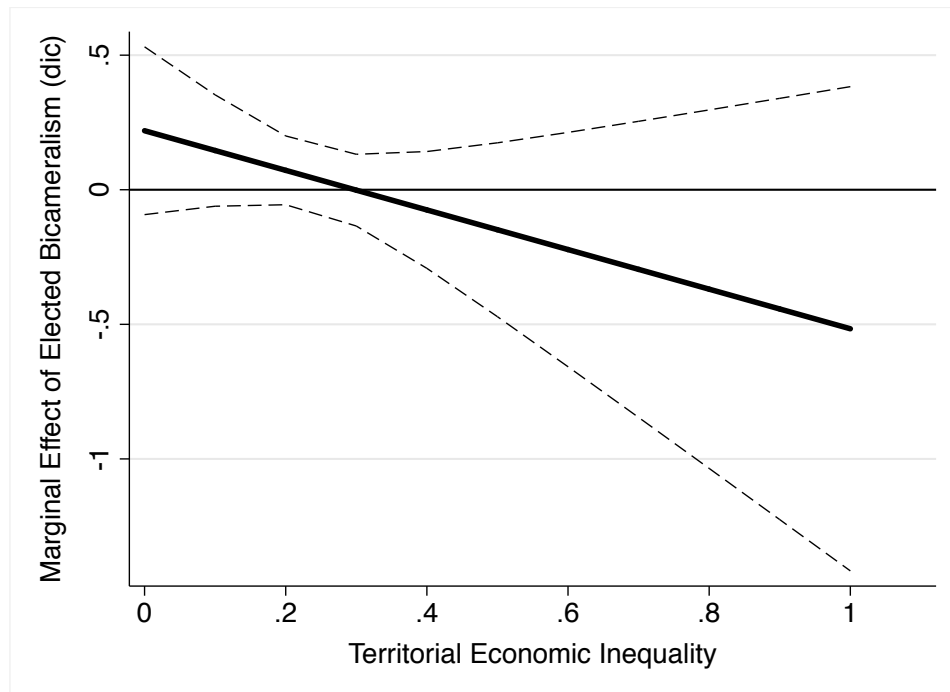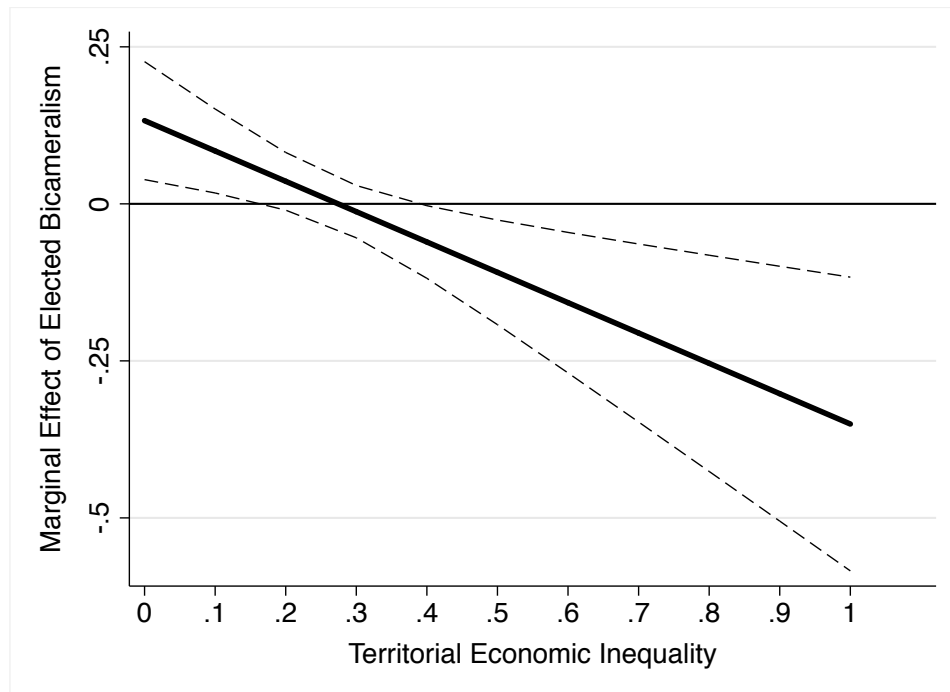

(b) Marginal Effect of **Bicameralism** on Party System Territorialization

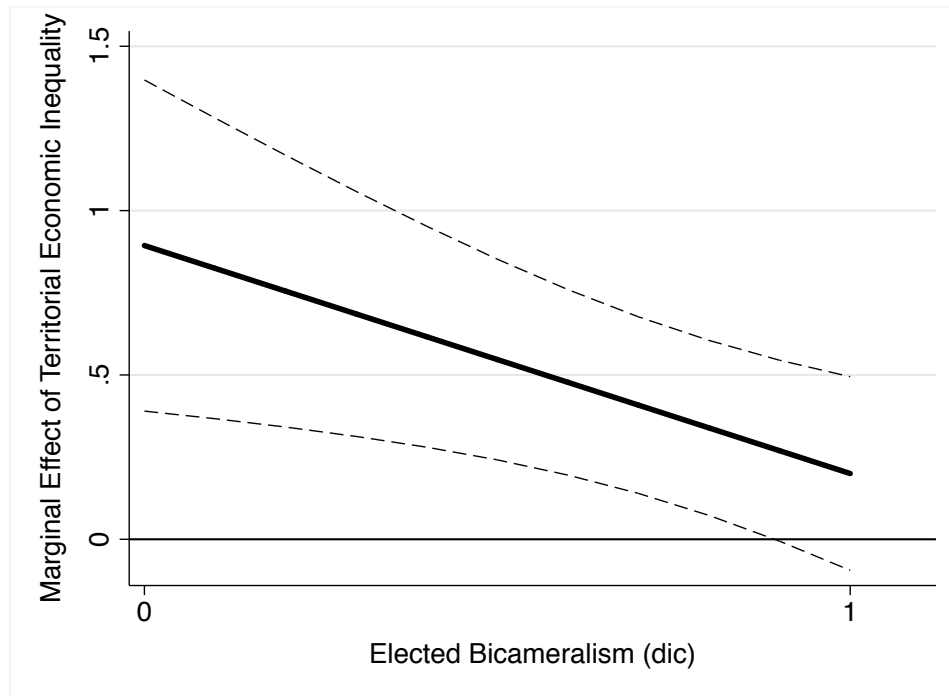Figure 4.11: Marginal Effects: Model 5 Table 4.8 – Averaged Sample

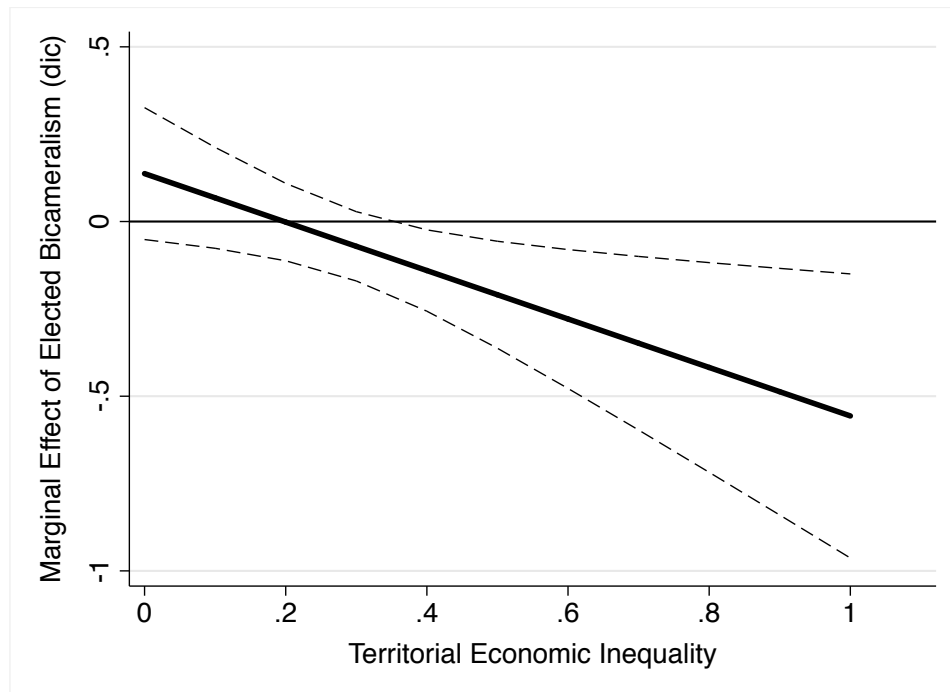(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization

(b) Marginal Effect of **Elected Bicameralism** on Party System Territorialization

Figure 4.12: Marginal Effects: Model 6 Table 4.8 – Averaged Sample

(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization


(b) Marginal Effect of **Elected Bicameralism (dic)** on Party System Territorialization

Table 4.9: OLS Regression – Averaged Sample

	Direct Effect	Interaction
DV: Party System Territorialization	M1	M2
Territorial Economic Inequality (lag)	.315*	.147
	(.15)	(.14)
Parliamentary System	.046	−.176*
	(.06)	(.09)
Territorial Econ. Inequality (lag) x Parliamentary		.755**
		(.26)
Fiscal Decen (lag) (revsharelagav2)	.566*	.667**
	(.28)	(.24)
Candidate Autonomy (lag)	−.097	−.102
	(.09)	(.07)
Political Decentralization (lag) (dic)	.094	.104
	(.07)	(.06)
Ethnic/Religious/Linguistic Diversity	−.163	−.223
	(.23)	(.19)
Majoritarian Electoral System	.005	.047
	(.12)	(.10)
Bicameral	.052	.033
	(.06)	(.05)
Number of Units (log)	.007	.004
	(.04)	(.03)
Age of Parties (log)	.009	.021
	(.04)	(.03)
Country GDP per capita	−.010**	−.008*
	(.00)	(.00)
Years of Democracy (log)	.086	.048
	(.05)	(.04)
Constant	−.224	−.099
	(.23)	(.20)
Adj. R^2	.334	.526
No. of cases	31	31

Sig:*p<0.10,** p<0.05,*** p<0.01

Figure 4.13: Marginal Effects: Model 2 Table 4.9 – Averaged Sample
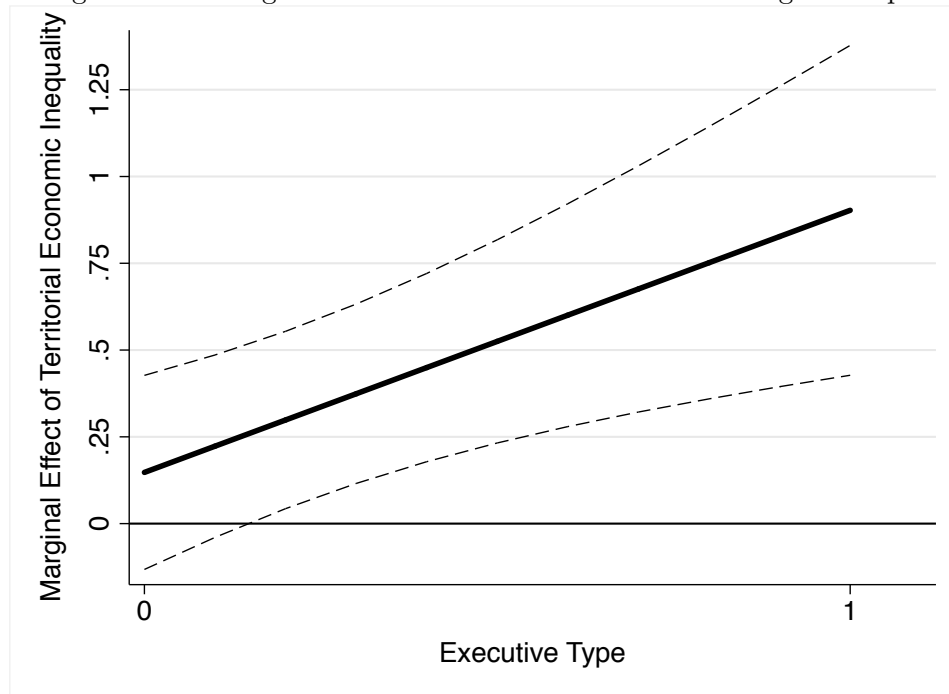
(a) Marginal Effect of **Territorial Economic Inequality** on Party System Territorialization
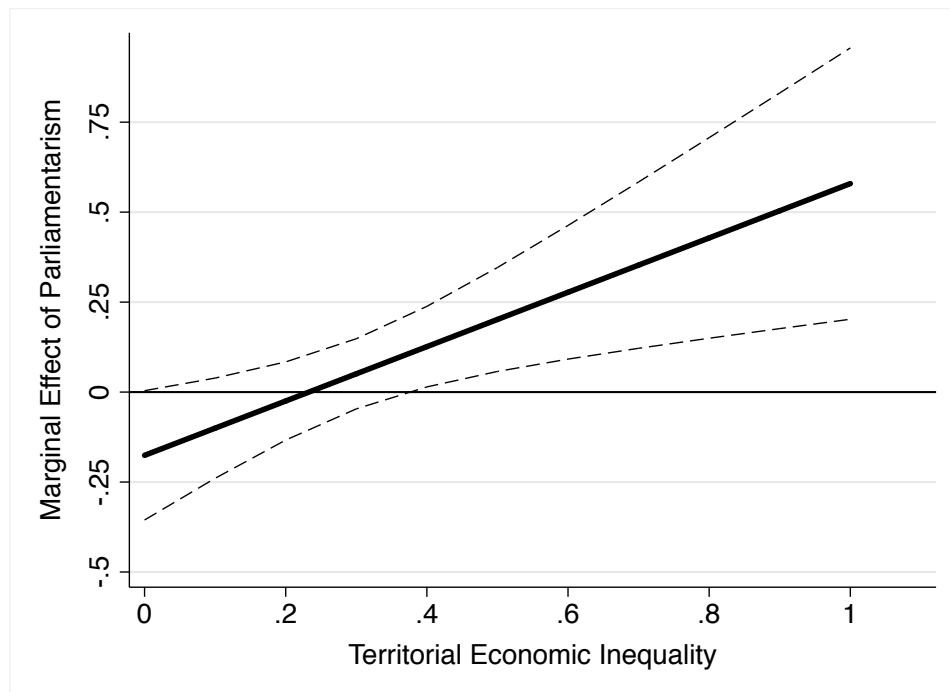
(b) Marginal Effect of **Parliamentarism** on Party System Territorialization

CHAPTER V

German Reunification, Redistributive Conflicts and Party System Change

"East German to West German: 'We are one people!'
West German to East German: 'So are we!'"

– Popular joke in Germany (Minkenberg, 1993)

In Chapter 4 I used the cases of Post-World War II Italy and Progressive Era United States to illustrate how a change in electoral institutions (and thus in levels of party discipline) can affect the territorial nature of the party system while holding the geography of economic interests constant. This chapter turns to a comparative case study of Germany to asses how changes in the geography of economic interests effect the party system where there is no change in institutions.

The chapter is structured as follows. The next section provides the theoretical and methodological justification for the choice of Germany as a case study. The second section compares the party system under the Federal Republic of Germany to the party system under unified Germany. This comparison reveals that the party system under unified Germany is more fragmented and more territorialized. The third section links these transformations to the changing structure of territorial inequality and to debates about the redistribution of resources across Länder. This last section also points to the role of party strategy in mitigating the effects of an unequal economic geography.

5.1 Setting Up the Case Study

Germany is a good case to explore the impact of an unequal economic geography on the territorial nature of parties and party systems for several reasons. First, Germany is relatively homogenous ethnically and linguistically, which allows us to rule out arguments that link territorialization with the emergence of local or regional parties based on territorially concentrated linguistic, ethnic or religious demands. Second, whereas the economic geography of Germany changed drastically in a matter of months due to reunification, the institutional structure remained constant. Third, Germany's institutions (regime type, electoral system, federal structure) are moderately permissive, which means that I expect the institutional context to allow for the emergence of localized or territorialized parties if there is a demand for these types of parties. In what follows I elaborate on these points.

5.1.1 A Change in the Geography of Economic Interests

The political reunification of East and West Germany after the Fall of the Berlin Wall in 1990 produced a dramatic shift in the geography of economic interests in a relatively short period of time (Beramendi, 2011). By way of an example, Figure 5.1 on page 177 compares the degree of territorial economic inequality in the Federal Republic of Germany (FRG) and in unified Germany across time. The measure that I use is the weighted coefficient of variation introduced in Chapter 3 of this dissertation. This measure captures the dispersion of Länder GDP per capita around the mean GDP per capita in the country.[1] I use the weighted version of the coefficient of variation because it is more appropriate when making comparisons across polities with a different number of territorial units, which is the case here.[2] For the period between 1950-1955 I use secondary source data. The data comes from Williamson (1965).[3] For the period between 1980 and 2007 I calculate the weighted

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[1]Throughout this chapter I consider the Länder to be the politically relevant territorial unit per my justification in Chapter 3.

[2]The Federal Republic of Germany (FRG) was composed of 10 Länder. Saarland was a French protectorate until 1956 after which it was incorporated back into the Federal Republic of Germany (FRG), so until 1956 there are 9 Länder in the FRG. The new unified Germany is composed of 16 Länder: 10 Länder from the old FRG and 6 Länder from the old Democratic Republic of Germany (DRG).

[3]The weighted coefficient of variation reported in Williamson (1965) is based on the net product at factor cost per capita and it includes nine West German Länder instead of 10 Länder since Williamson (1965) excludes the Saar (French protectorate until 1955) and Berlin, which is also occupied after World War II. This earlier series should be taken with a grain of salt since they are based on secondary literature that uses

coefficient of variation based on raw data from the OECD Regional Statistics database. As a reminder to the reader, higher values indicate a more uneven distribution of GDP per capita across Länder, whereas lower values indicate that all Länder have a similar GDP per capita.

The data in this figure reveal significant differences in the economic geography of Germany pre-unification and Germany post-unification. Immediately following World War II the distribution of economic interests across Länder in the Federal Republic of Germany (FRG) was relatively uneven. Unfortunately I do not have data for the 1960's and 1970's, but the trend of the time series indicates that the distribution of economic interests across Länder became more equitable as time passed. By 1980 the FRG has a relatively even distribution of economic interests across its Länder. In contrast, the new unified Germany has had relatively high territorial economic disparities since its foundation in 1990. These large territorial economic inequalities are the result of the incorporation of the five poorer East German Länder into the Federal Republic of Germany. The trend shows a slight increase in economic inequalities at the end of the 1990's and beginning of 2000's.

To have a relative measure of these changes, Figure 5.2 compares Germany pre and post-unification with other West European countries. The measure of territorial economic inequality is the same as the one used in Figure 5.1, but for this figure I average the weighted coefficient of variation across time within each country.[4] The figure suggests that the FRG during the 1980's was one of the most equal countries in Western Europe (similar to Denmark). In contrast, unified Germany (1990-2007) has a much more uneven distribution of economic resources across Länder, with a level of territorial economic inequality similar to that of Switzerland, Austria and Spain.

In this chapter, I explore the consequences of this change in economic inequalities for the territorial nature of the party system. For the most part, a country's level of territorial economic inequality changes very slowly over time, which makes it hard to identify its causal effect on the political landscape. One of the empirical complications of such a slow change is that it would require to have relevant data for a long period of time, which is often

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different data than the data used for the later series.

[4]Note that different countries have different time series, and that for the Federal Republic of Germany I take the average starting in 1980 (not 1953) since that is when the data is most reliable.

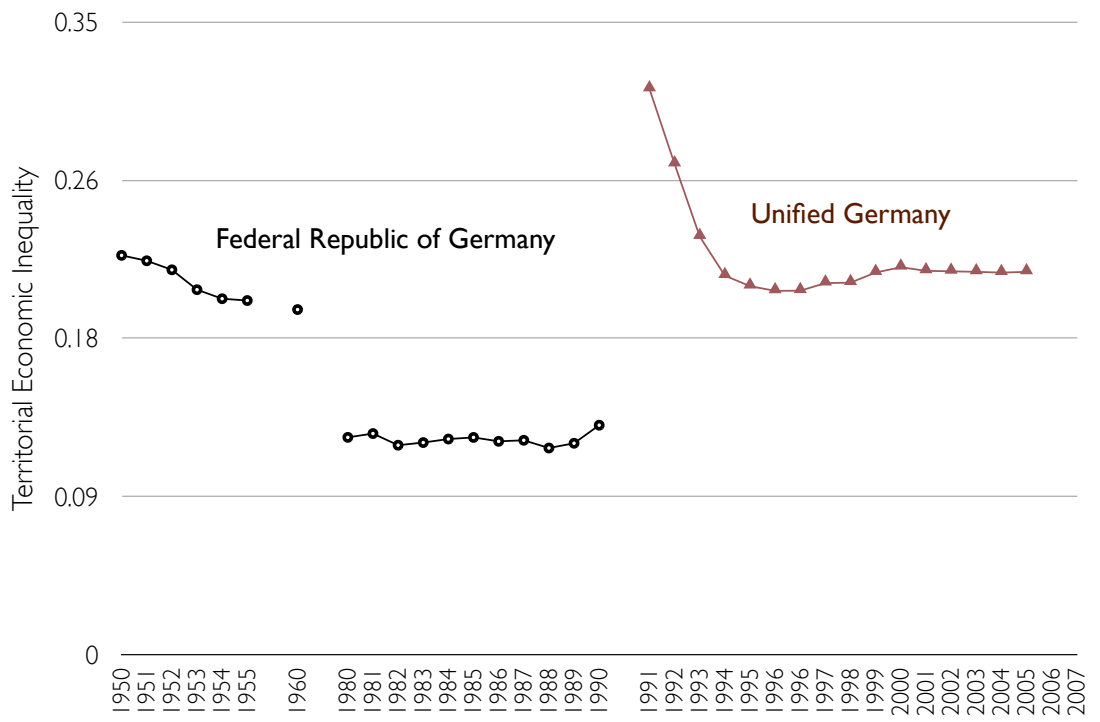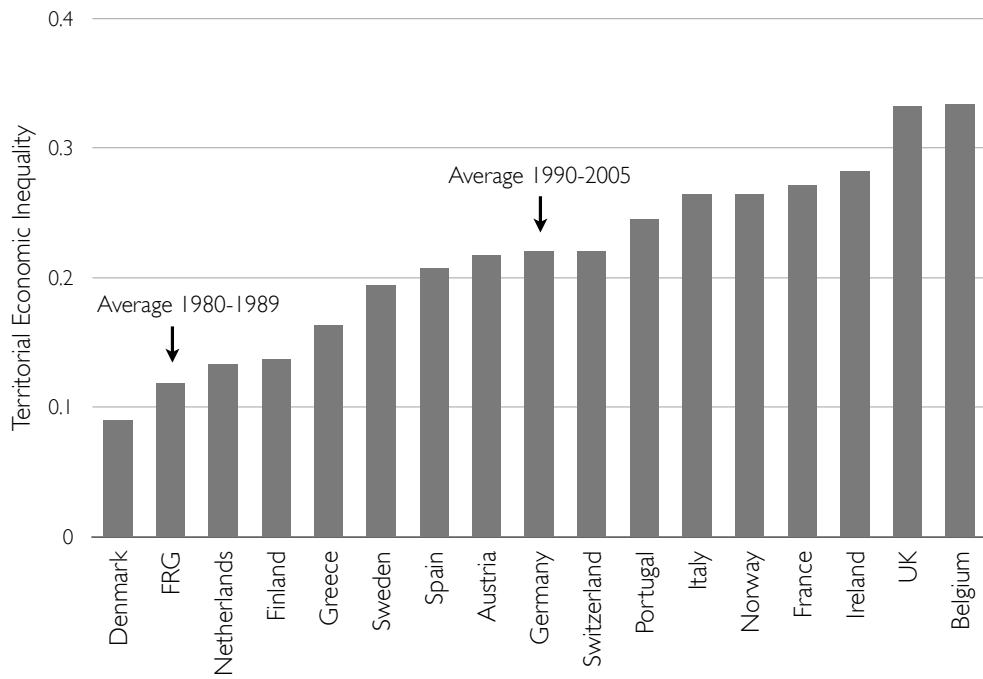Figure 5.1: Territorial Economic Inequalities in Comparative Perspective

Figure 5.2: Territorial Economic Inequalities in Comparative Perspective

unavailable. One of the analytical complications of such slow change is that it is hard to disentangle the effects of economic geography on the party system from the effects of other key contextual variables (i.e. institutions) which are also changing. The change in economic geography that Germany experienced however is exceptional for two reasons: first, it was a relatively large change; second, the change essentially happened overnight (Beramendi, 2011, 83), which means that other contextual factors remained constant; and third, the change was mostly exogenous to the outcome that I am trying to explain – the party system–, and to other relevant variables in my model, mainly the country's institutional structure (electoral system, regime type and federal structure).

> "It was the collapse of the Soviet Union and, as a result, its system of satellite states that launched the process [of German reunification] and shaped Western Germany's approach to it. Indeed, it is commonly recognized that the coup in Russia in 1990 was a major factor in driving western elites to speed up the process of incorporating Eastern Germany as much as possible (Wiesenthal 1995, 1996)" (Beramendi, 2011, 83).

In sum, the historical process of reunification, which lead to an increase in territorial economic inequality, can be treated as an exogenous shock or a critical juncture (Falleti and Lynch, 2009) that is unrelated to the territorial nature of the party system. As I will explain in more detail later in this chapter, the CDU/CSU which was in power in the Federal Republic of Germany at the time the Berlin Wall fell was strategic enough to accelerate the process of unification and to frame the discourse around this process so that it would benefit them electorally.

> "[...] Only a high pace of unification would guarantee the governing Christian Democratic-Liberal coalition government the opportunity to time the all-German elections sufficiently early to take advantage of the initial popular enthusiasm and optimism before its costs and frictions could surface and lead to disenchantment" (Wiesenthal, 2003, 39).

Furthermore, the CDU/CSU was able to delay the pressing question of revamping the fiscal system of inter-territorial redistribution with the creation of a separate and temporary fund that would finance the cost of reunification. Thus the actions taken by the CDU/CSU altered the initial conditions of the change in economic inequalities and somewhat muted its

effects for the first years after unification. This allowed the CDU/CSU to obtain substantial electoral support both in Western and Eastern Länder during the first Bundestag Elections under the new unified Germany, which for the first years kept its support relatively nationalized. However, the effects of an unequal economic geography soon kicked in, and the CDU/CSU's initial advantage soon wore off.

5.1.2 Institutional Incentives

The constitutional and institutional framework that was established in the 1949 Constitution for the Federal Republic of Germany was transplanted to the new unified Germany with few alterations. Several features of this institutional framework deserve attention for the effects my argument predicts they will have on the incentives of candidates and parties to form nation-wide alliances: the electoral system, the type of executive and the bicameral structure of the national legislature. In what follows I make two points. First, I argue that these institutions of the German political system changed little over time. Second, I ague that the incentives of these institutions in the German case are mixed in terms of facilitating or hindering territorialization.

The 1949 Constitution for the Federal Republic of Germany established an institutional framework that was particularly favorable to the development of few nationally oriented political parties (Beramendi, 2011). After World War II, German elites were intent on avoiding the situation that lead to the collapse of the Weimar Republic in 1933, which had fallen due to fragmentation, political instability and the rise of extremist forces. German elites thus placed particular emphasis on the design of the electoral system to prevent party fragmentation. The 1949 Constitution established that elections to Germany's lower house (*Bundestag*) would be governed by a mixed member proportional system. According to this electoral system each voter has two votes, one goes to elect a candidate by majority rule in single member districts (SMD) and the other one goes to elect a party list in multimember constituencies (corresponding with the Länder) (EED, 2012; Jusko, 2006; IPU, 2012).

This electoral system, which has remained mostly unchanged to the present,[5] creates

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[5]There have been a few minor changes in the electoral system between 1949 and the present that are worth mentioning. From 1949 to 1953 the threshold rule was more permissive since it "required political parties to receive at least five percent of the vote in at least one Länder" (Álvarez-Rivera, 2012) or obtain

mixed incentives for party discipline. Most Western European countries are parliamentary democracies with PR electoral systems. Both of these institutional features promote strong party discipline. Germany is different in that despite being a parliamentary system, it has a mixed electoral system, which means that German political parties should have relatively lower levels of party discipline than most countries in Western Europe. Party discipline among German parties, however, should be higher than in countries with purely majoritarian systems. Figure 5.3 uses the Wallack et al. (2003) data on personal vote to compare levels of party discipline across countries.[6] The figure suggests that both the FRG and unified Germany have similar levels of party discipline (i.e. candidate autonomy) and that candidate autonomy is relatively high compared to other Western European countries. It is only lower in the UK, Ireland and Italy post-1992. These relatively low levels of party discipline (or high levels of candidate autonomy) should discourage territorialization compared to countries with more disciplined parties.

A second distinctive aspect of the German electoral system is that in order to qualify in the national allocation of seats, a party must obtain at least 5 percent of the national vote, or win three single member constituency seats (Jusko, 2006, 3). This specific aspect of the German electoral system makes it very hard for small parties to gain seats in the lower house, since obtaining 5% of the national vote is difficult if you are not a large national party[7] On its own this threshold would certainly preclude the formation of smaller political parties; however, the national threshold rule can be trumped if a party wins three

one single member constituency seat. In 1953 the 5% threshold requirement changed to be a nation-wide threshold (Álvarez-Rivera, 2012), and in 1957 the rule of 1 SMD seat was changed to 3 SMD seats. After 1957 the threshold remained unchanged with the exception of a one-time change in the December 1990 election (which was the first election under unified Germany) in which party lists needed only to secure five per cent of the votes cast in either East or West Germany in order to qualify for the first allocation of seats (Jusko, 2006, 10). The second exception has to do with the method of calculating the translation of votes into seats. The actual formula has changed from the d'Hondt formula between 1956-1984, to Niemeyer from 1985 to 2005, and to Sainte-League/Schepers introduced for the first time in the 2009 *Bundestag* election (Álvarez-Rivera, 2012). In addition in 2002 the number of single member constituencies was reduced from 328 to 299 and the number of members in parliament was reduced from 656 to 598. More specifically, prior to 1990 there were 496 seats, from 1990 to 2001 there were 656 seats, and in 2002 and afterwards there were 598 seats in the *Bundestag*.

[6]This is the same data used to measure party discipline (i.e. candidate autonomy) in the quantitative analyses in Chapter 4. As a reminder to the reader, higher values on the y-axis indicate more candidate autonomy / less party discipline, whereas lower values on the y-axis indicate less candidate autonomy / more party discipline.

[7]This threshold was explicitly introduced in the 1949 Constitution as a "safeguard against the coalition instability that paralyzed the Reichstag of the Weimar Republic" (Bawn, 1993, 986).

Figure 5.3: Levels of Party Discipline in Comparative Perspective
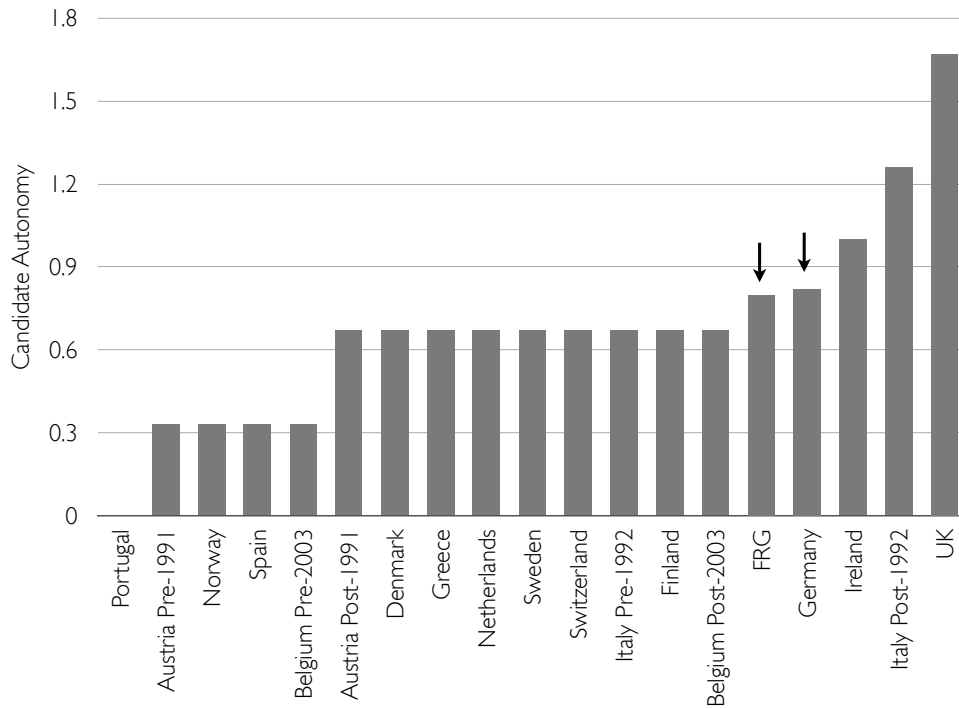
single member constituency seats. This means that the electoral system is more favorable to small parties that have a geographically concentrated constituency base, than to small parties that are nationally oriented. In addition, "a party is entitled to keep any SMD seats it wins in excess of its national allocation (excessive mandate), which allows geographically concentrated interests to be overrepresented by comparison to the national distribution of support" (Jusko, 2006, 3). In sum, although the German electoral system acts to suppress smaller political parties and favor large national electoral alliances, it has some mechanism that would allow for a minimal success of smaller territorially concentrated parties.

Finally, in terms of the federal structure, the architecture of the German federation that was established in the 1949 Constitution was also kept unchanged after reunification. The federal structure was designed to promote cooperation between levels of government, and gives a disproportionate amount of fiscal power to the central government. In other words, the 1949 Constitution established a fiscally centralized federation. In the late 1990's and early 2000's there were several attempts to reform German federal institutions (Gunlicks,

2005), but these were not successful (Beramendi, 2011; Scharpf, 2005). The only major change to the federal structure occurred with the incorporation of the Eastern Länder into the *Bundesrat* (the German upper legislative chamber). Each Eastern Länder was given 4 votes (with the exception of Mecklenburg-West Pomerania, which was given three votes) (Swenden, 2004).[8] According to the argument of this dissertation, the presence of an upper legislative chamber representing territorial interests and with significant legislative prerogatives should discourage party system territorialization.[9]

In sum, the institutional structure of the Federal Republic of Germany and of unified Germany has remained largely untouched over time. Numerous scholars describe the incentives of German institutions as "nationalizing" or "centralizing" (Beramendi, 2011; Scharpf, 2005, 1988). The brief review of German institutions in this section corroborates – to a certain extent– this common view of Germany. The German institutional context certainly encourages large nation-wide alliances more so than other countries in Western Europe; however, the German institutional context still allows room for the success of smaller local or regional political parties. The mixed incentives of this institutional structure work in my favor since finding any small evidence of party system territorialization after reunification would support my argument. The next section turns to comparing the party system of Federal Republic of Germany to that of unified Germany in terms of two characteristics: fragmentation and territorialization.

5.2 Comparing Party Systems

In order to compare the degree of party system territorialization of the Federal Republic of Germany to that of unified Germany I use a measure of party system territorialization that is standardized to account for the different number of territorial units in each of the two polities (Bochsler, 2006).[10] Equation 5.1 presents the formula used to calculate this

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[8]Votes in the *Bundesrat* are given in proportion to population.

[9]In 2007 there was a constitutional reform that decreased the power of the *Bundesrat* in approving certain types of national legislation. This change might have an effect on the party system, but it is still too early to tell.

[10]This standardized measure is different from the inflation measure that I use in Chapter 3 and Chapter 4 of this dissertation. The inflation measure used in those chapters is based on the effective number of

measure:

$$\text{Party System Territorialization (standardized)} = \text{PSTs} = \sum \text{PTs}_i * \text{p}_i \qquad (5.1)$$

In order to create this party system measure I first calculate a measure of territorialization for each political party that I call "Party Territorialization (standardized)". This measure is based on Jones and Mainwaring's "Party Nationalization Score" (Jones and Mainwaring, 2003), which uses the Gini coefficient to calculate the unequal distribution of vote shares across territorial units for each political party. The formula for this party-level measure is presented in equation 5.2 below:

$$\text{Party Territorialization (standardized)} = \text{PTs} = \text{G}_i^{\frac{1}{\log(\text{d})}} \qquad (5.2)$$

In this equation G_i is the Gini coefficient that is calculated for each political party at each election.[11] The Gini coefficient is a commonly used measure of inequality, and in this case

> "[it] assesses the extent to which a party wins equal vote shares across all sub-national units. A Gini coefficient of 0 signifies that a party received the same share of the vote in every sub-national units. A Gini coefficient of 1 means that it received 100 percent of its vote in one sub-national unit and 0 in all the rest" (Jones and Mainwaring, 2003, 142).[12]

One of the problems with the Gini coefficient is that it is sensitive to the number of territorial units (i.e. subnational units) in a country. This is problematic in this case because we are comparing two polities with a different number of units: the Federal Republic of Germany had 10 Länder,[13] whereas unified Germany has 16 Länder. In order to correct for the differences in the number of territorial units Bochsler (2006) proposes to standardize the

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parties (instead of on the Gini coefficient) and it is not standardized since I already control for the number of territorial units in the regression analyses. For an excellent summary of different measures of party system territorialization (or its converse, party system nationalization), see the codebook from the CLEA project (Kollman et al., 2012), and also see Bochsler (2006) and Kasuya and Moenius (2008).

[11] I used the Stata program INEQDEC0 (Jenkins, 1999) to calculate the gini coefficient.

[12] Jones and Mainwaring (2003) who are the first to devise this measure subtract the gini coefficient from 1 so that high scores indicate a high level of nationalization. I do not do this subtraction because throughout the dissertation, high values in my measures indicate greater party system territorialization.

[13] In the 1953 Bundestag election the Federal Republic of Germany had 9 Länder instead of 10.

Jones and Mainwaring measure using the log of the number of territorial units in a country $(log(d))$, which yields the formula presented in Equation 5.2. In order to obtain a *party system* measure of territorialization, I weight each party's standardized territorialization score by the party's share of the national vote (p_i), and sum these values across all parties in the country. See Equation 5.1. I call this measure "party system territorialization (standardized)" and the measure ranges from 0 (indicating greater party system nationalization) to 1 (indicating greater party system territorialization). This standardization allows to correctly compare the party system in the Federal Republic of Germany with the party system in unified Germany. Figure 5.4 on page 186 presents the standardized party system territorialization score (calculated based on Equation 5.1) for every Bundestag election between 1953 and 2009. The figure shows that on average the party system in the Federal Republic of Germany (1953-1987 Bundestag elections) was more nationalized than the party system in unified Germany (1990-2009 Bundestag elections).

For most of the period between the first *Bundestag*[14] election in 1949 and German Reunification in 1990 two large national parties (CDU and SPD) dominated the electoral landscape of the Federal Republic of Germany.[15] As an illustration of this bipartisan dominance, between the Bundestag election of 1957 and the Bundestag election of 1987 these two parties obtained between 80 and 90 percent of the total national vote in the Federal Republic of Germany.[16] Figure 5.5 on page 187 shows the combined vote share for these two parties over time. The top solid line corresponds to the combined share of the vote for the two main parties including the votes for the CSU. The CSU (*Christlich-Soziale Union*) is a regional political party that only fields candidates and obtain votes in the region of Bavaria and is organizationally independent from the CDU. However the CSU has always formed a coalition with the CDU in the national parliament (called *The Union*). The bottom line

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[14]The *Bundestag* is the lower chamber of parliament at the national/federal level in Germany. From now on in this chapter I will use the term "national election" to refer to the *Bundestag* election.

[15]The CDU (*Christlich-Demokratische Union*) was founded after World War II with many members of the old Centre Party. It occupied the center-right of the political spectrum. The SPD (*Sozialdemokratische Partei Deutschlands*) is a much older party established in 1875 that occupied the center-left of the political spectrum.

[16]I use the national election of 1957 as a reference here because it took some time for the German party system to consolidate in the first years of the newly created Federal Republic of Germany after World War II. The SPD was an old party that had been created in 1875 and had strong roots in German society but the CDU/CSU was created in 1949 and was therefore less consolidated.

represents the combined vote share of SPD and CDU not including the CSU votes. As expected the total vote share excluding the CSU is lower; however what is important is that the trend over time is exactly the same. What we observe from Figure 5.5 is that for most of the period between 1953 and 1989 two main parties (SPD and CDU) dominated the German political landscape. At its peak, in 1976 German voters gave SPD and CDU/CSU a combined total of 91 percent of the vote.

Figure 5.4: Standardized Party System Territorialization (PSTs)
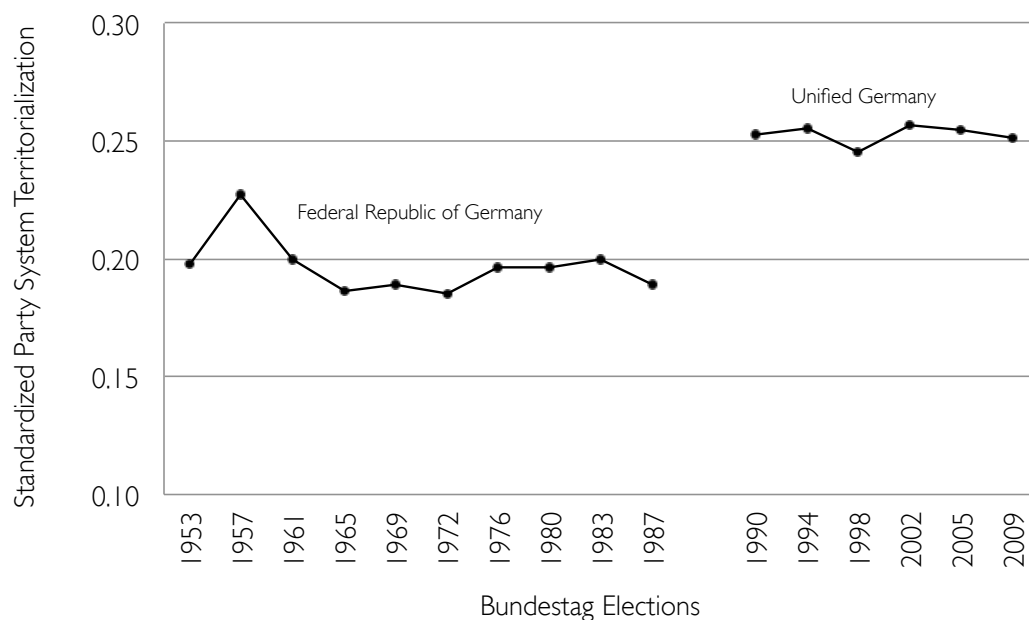
Not only did SPD and CDU garner most of the votes in the Federal Republic of Germany, but their support was evenly distributed across Länder. The CDU was a bit less nationalized than the SPD because of the CSU, but on average the two main national parties competed everywhere and obtained votes fairly evenly across all Länder. Figure 5.6 on page 189 shows the standardized party territorialization score for each major party in the Federal Republic of Germany as well as in unified Germany. Focusing on the Federal Republic of Germany we see that the SPD is more nationalized than the CDU, but overall both parties are fairly nationalized. A third minor party – the FDP (*Freie Demokratische Partei*)– was founded

Figure 5.5: Combined Vote Share of the Two Main National Parties
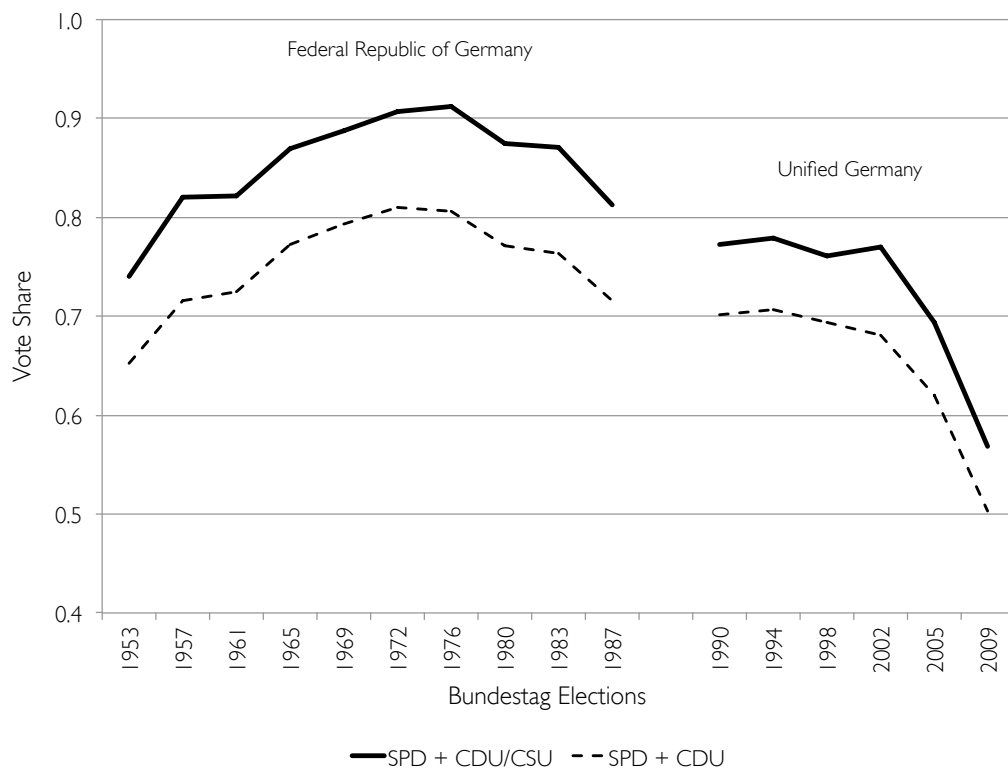
in 1948 as a right classical liberal political party, and was present since the first Bundestag election in 1949. During this period it obtained between 7 and 12 percent of the vote and became a frequent coalition partner for the party in government (SPD or CDU). According to Figure 5.6, the FDP was also a fairly nationalized party.

> In sum, "[f]or most of the post-war period the German party system at the national level [...] remained perhaps the most solid and unspectacular in Europe. Within 15 years of the introduction of democratic elections, minor parties were largely sidelined and a "two-and-a-half" party system had, by 1961, become the norm" (Hough and Koss, 2009, 50).

This stable party system was somewhat disrupted in the early 80's with the emergence of the Greens (*Die Grünen*), which were founded in 1980 and competed in the 1983 and 1987 Bundestag elections obtaining 5 percent and 7 percent of the vote respectively. These percentages were high enough for the Greens to gain representation in the *Bundestag*, which increased the overall number of parties in the German party system. It did not, however, increase territorialization. The Greens, although a small political party, was not a regional political party. As Figure 5.6 shows their vote share was evenly distributed across Länder under the Federal Republic of Germany.[17]

5.2.1 The Party System Post-Reunification: Fragmentation and Territorialization

After reunification in 1990, the relatively stable party system of the Federal Republic of Germany underwent some significant changes. As Figure 5.4 and Figure 5.6 suggest the party system in unified Germany looks quite different from the party system of the Federal Republic of Germany. Although there were no institutional changes the party system under

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[17]During the first three Bundestag elections (1949-1972) the SPD, CDU and FDP were slightly more territorialized. This is probably due to the fact that during these first elections there were other minor and more localized parties that won votes and seats. The party system was more fragmented and more territorialized during these first elections due to slightly different electoral rules. Although the German electoral system has not changed much over time, three elections had slightly different rules. In 1949 the 5% threshold was applied by Länder and not nationally and parties only needed 1 SMD seat. In 1953 the threshold was changed to 5% nationally, but the 1 SMD seat remained unchanged. Finally in 1957 the electoral system is 5% threshold nationally and/or 3 SMD seats. It has remained unchanged since then with the exception of the 1990 elections in which the threshold was 5% by Länder. This was a one-time change though (Partch, 1980).

Figure 5.6: Standardized Party Territorialization (PTs)
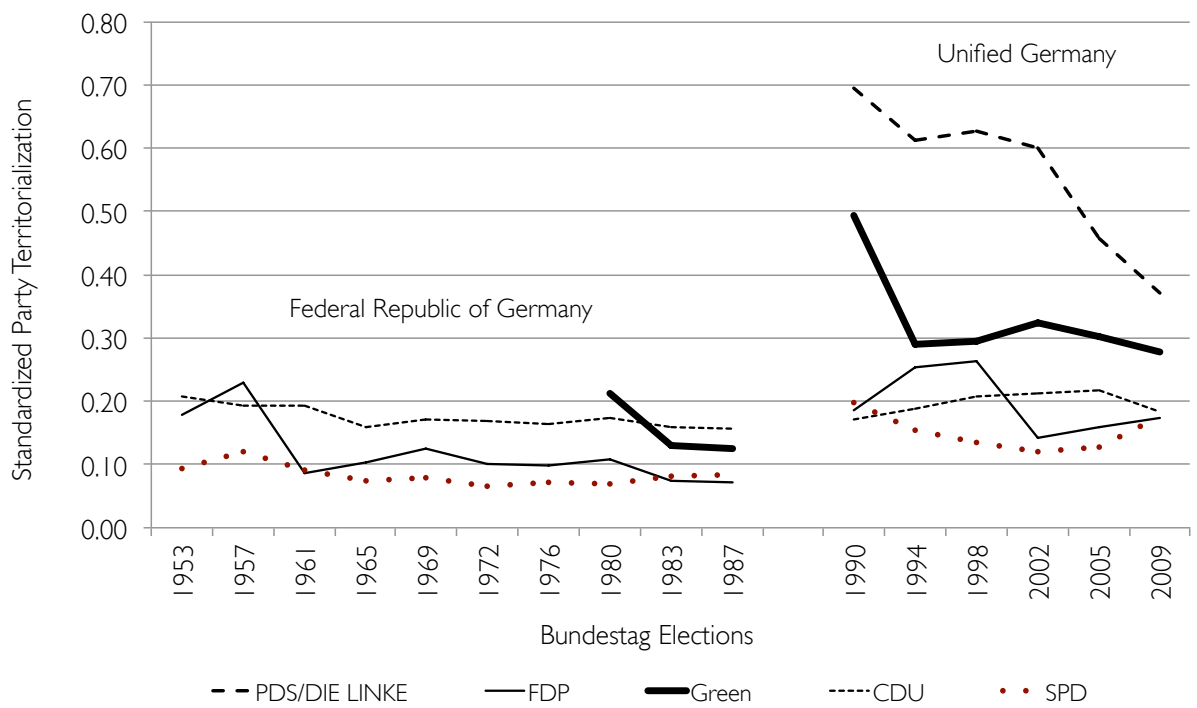
unified Germany became very different in two important respects: first, the number of political parties increased; and second, all political parties became more territorialized.

The support for the two main national parties in Germany (SPD and CDU) began to decline after 1990. In 2002 the SPD and CDU/CSU together received 77 percent of the total vote, in 2005 their combined total declined to 69.4 percent and in 2009 they received 56.8 percent of the total vote share. See Figure 5.5 (page 187). This decline in support for the two largest national parties in Germany was mirrored by an increase in the electoral importance of smaller political parties, in particular the FDP, the Greens and the PDS. As explained earlier the FDP and the Greens already existed under the Federal Republic of Germany.[18] The PDS (Party of Democratic Socialism) was the legal successor of the SED (Socialist Unity Party) that governed the Democratic Republic of Germany until 1990. Figure 5.7 on page 191 shows the vote share for these three parties over time. The top graph shows their vote share disaggregated by party and the bottom graph shows the vote share combined.[19] The vote share of these three parties has increased over time in the unified republic of Germany. This increase is particularly striking in the last two Bundestag elections of 2005 and 2009. This increase in minor parties' vote share is paralleled by a decline in vote share from the two main national parties (SPD and CDU).

These changes have led to an increase in the number of relevant parties competing in German national elections; in other words, it has led to an increase in "party system fragmentation" (Lees, 2006; Weldon and Nusser, 2010). Figure 5.8 on page 192 shows the effective number of parties (ENP) for all Bundestag elections from 1953 to 2009,[20] and shows

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[18]Although these are minor parties they all consistently obtain seat representation in the national assembly. I have excluded from these graphs other minor parties that do not obtain sufficient votes to get represented at the national level.

[19]I present the result counting the CSU as an independent party and thus part of the small parties in Germany (top line), or as a branch of CDU and thus excluded from the average vote share of minor parties (bottom line). Once more what matters is that the trend is similar.

[20]The effective number of parties (ENP) is a measure of the number of parties in a political system weighted by their electoral importance. This measure was created by Laakso and Taagepera (1979) and it is calculated as follows:

$$ENP = \frac{1}{\sum_{i=1} \left(\frac{v_i}{V}\right)^2} \tag{5.3}$$

In equation 5.3, v is the number of votes obtained by party i and V is the total number of votes cast at the national level; so the effective number of parties (ENP) at the national level is 1 divided by the sum of squared vote shares. This measure weights parties according to their size, so that parties with a larger share of the vote are counted more than parties with a smaller vote share. "If one party captures all of the votes in a country then ENP=1. If n parties have equal share of the vote then ENP=n" (Hicken, 2009, 8).

Figure 5.7: Vote Share of Minor Parties
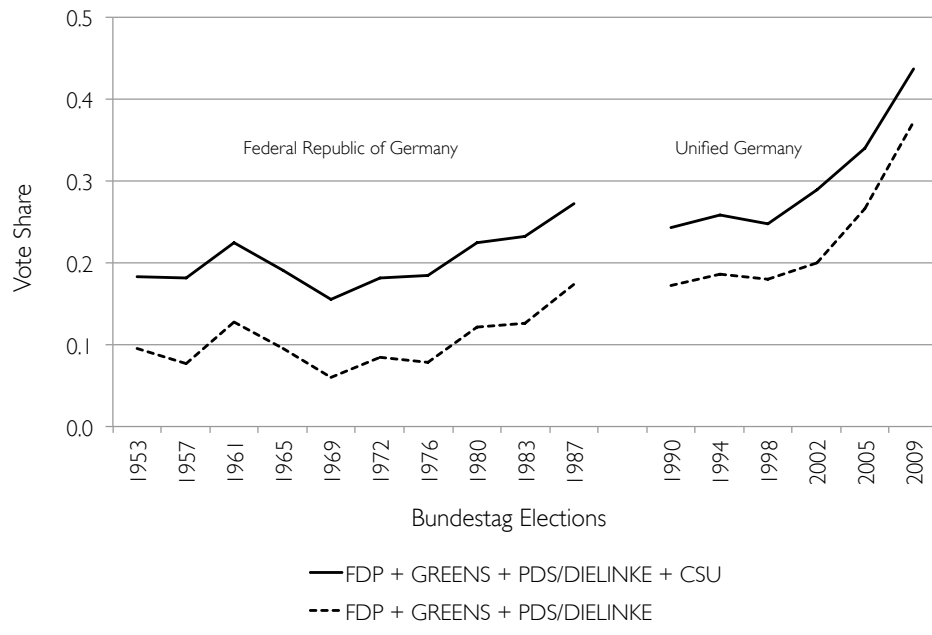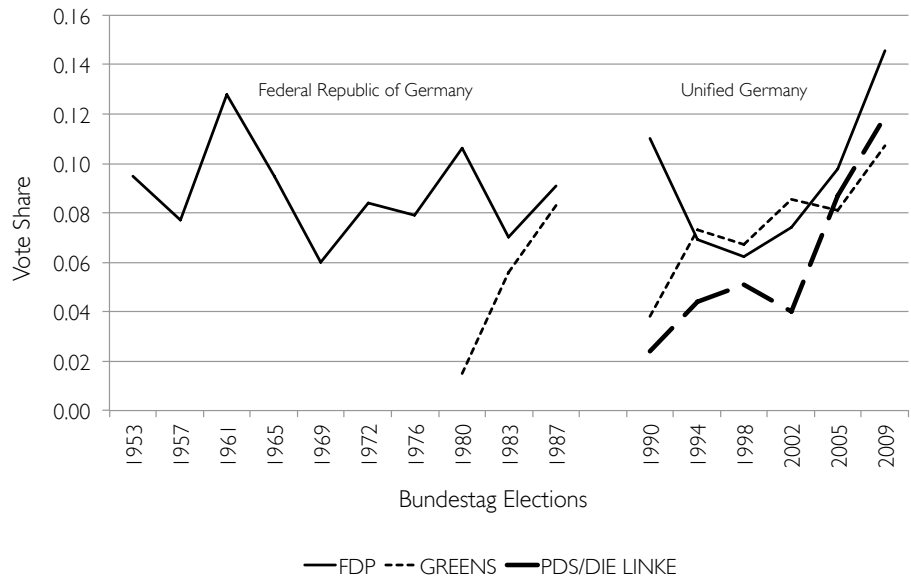
that the number of parties increased from around 3 in 1965 under the Federal Republic of Germany to around 5.5 in the most recent 2009 Bundestag election.

Figure 5.8: Party System Fragmentation
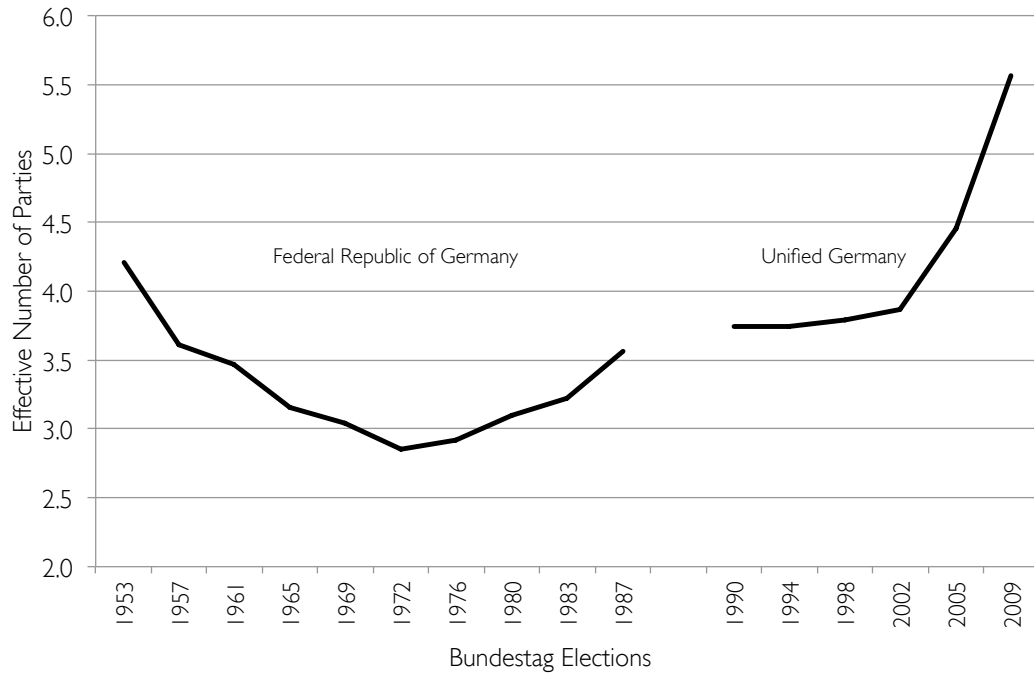
This increase in party system fragmentation is puzzling given that electoral rules have not changed over time and that the German electoral system was especially designed in the first place to prevent fragmentation. As explained earlier in the first section of this chapter, the electoral system established in the 1949 Constitution established that in order to obtain representation in the Bundestag parties must obtain at least 5% of the vote nationally or must win at least 3 SMD (single-member district) seats. The 5% threshold is a relatively high threshold which aims at preventing small parties from gaining representation in the Bundestag. This threshold seemed to be an effective barrier to entering the legislature during the period of the Federal Republic of Germany during which minor parties quickly vanished from the electoral landscape, leaving a party system dominated by two large national parties (SPD and CDU), and one smaller party (FDP). However this same electoral system produced a very different effect under unified Germany, where a larger number of

smaller parties have been able to survive electorally. Why did this happen? Part of the answer to this question has to do with the fact that the electoral law allows territorially concentrated parties to bypass the 5% electoral threshold, since they can alternatively obtain representation in the Bundestag by winning at least 3 SMD seats. So whereas the German electoral system limits the rise of small national parties, it is less effective in suppressing small territorially concentrated political parties. In other words, fragmentation in unified Germany is related to territorialization.[21]

As I showed earlier in this section, the Federal Republic of Germany parties had a relatively nationalized party system. As Detterbeck and Jeffery argue,

> "[t]his reality of nationalized party system responded to a socially homogenous electorate with no politically relevant ethnic or cultural differences. There was a north-south economic divide that was translated into the party system, but for the most part it was fairly nationalized. In Bavaria an integrative CSU preferred national solutions to satisfy regional interests instead of adopting an autonomous strategy" (Detterbeck and Jeffery, 2009, 264).

However, as Figure 5.4 on page 186 suggests, the party system became more territorialized after 1989 under unified Germany. The territorialization of the German party system after 1990 is the result of two parallel processes: a) the rise of an East German regional political party, the PDS; and b) the "westernization" of the FDP, the Greens and to a lesser degree of the two main national parties (SPD and CDU). By "westernization" I refer to the phenomenon by which these parties draw greater support from Western Länder than from Eastern Länder. If we go back to Figure 5.6 on page 189 we can see that the four parties that dominated the political landscape in the Federal Republic of Germany (SPD, CDU, FDP and the Greens) became more territorialized in unified Germany, which contributed to the overall territorialization of the party system. This figure also shows that the PDS is a regional political party. During the 1990's and early 2000's the PDS was extremely territorialized competing (and obtaining votes) *only* in the Eastern Länder. In 2005 the PDS

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[21]The degree of party system fragmentation is not always associated to territorialization. Party systems with few political parties are not always nationalized party systems, and party system with many political parties are not always territorialized. A political system may have many political parties all of which may obtain a similar proportion of votes across electoral districts or regions. Conversely, a political system may have just two political parties both parties might obtain votes in very different parts of the country. In the case of unified Germany, however, fragmentation has been linked to territorialization.

formed an pre-electoral alliance with Oskar Lafontaine's WASG (a splinter party from the SPD competing only in Western Lander). The party was renamed *Die Linke.* This alliance was an attempt by the PDS to become a nation-wide political party. In the 2005 and 2009 Bundestag election we observe a decrease in the PDS/Die Linke's territorialization score, which is a direct consequence of this political alliance. Nonetheless, the PDS/DIE LINKE has remained significantly territorialized, obtaining around 75% of its support in Eastern Länder in 2009.[22]

Figure 5.9 on page 195 shows the percent of the vote for each party that comes from Eastern Länder.[23] This figure gives us a sense of the east-west divide within each party. As expected the PDS/Die Linke's support comes mostly from Eastern Germany (although it has recently attempted to reach over to western voters). Both the FDP and the Greens have remained parties with more support in Western Länder than in Eastern Länder (with the exception of the 1990 election for the FDP), which confirms some claims that other scholars have made. As Dalton argues:
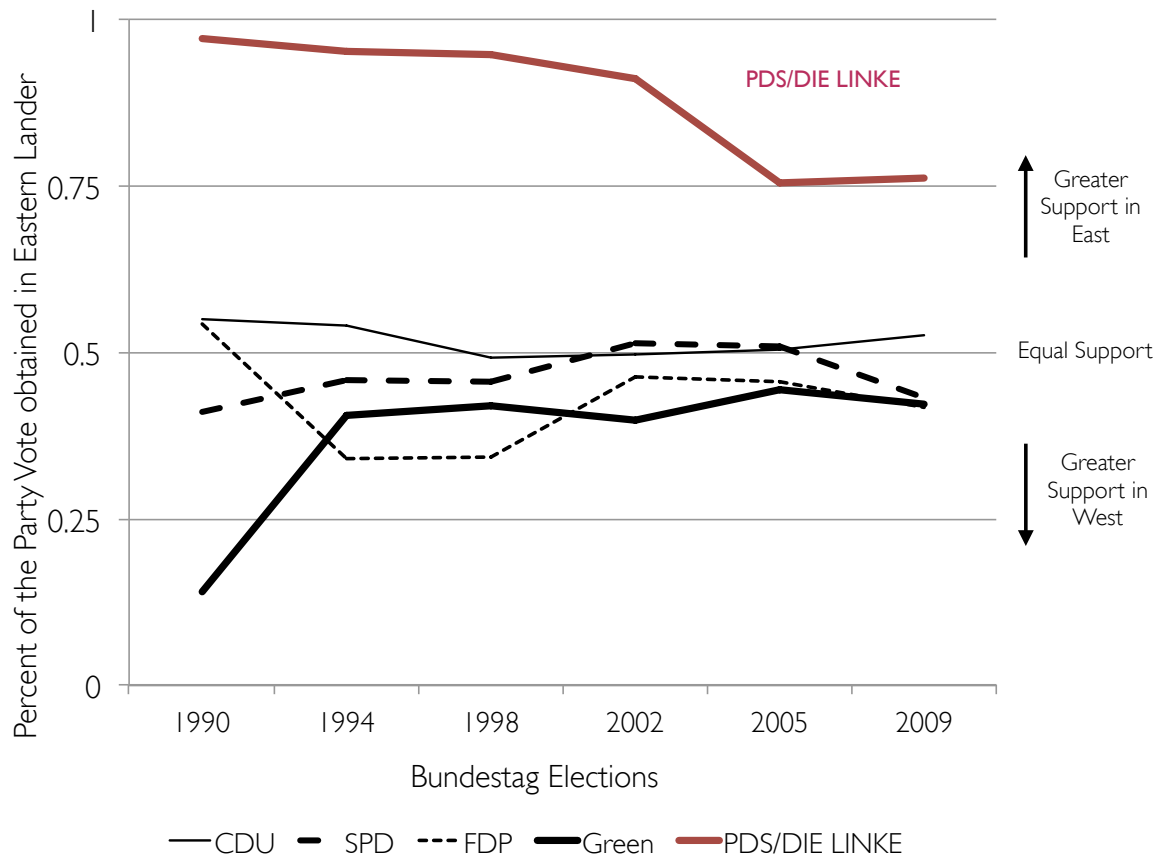
> "The Free Democratic Party (FDP) initially appealed to easterners, due in part to Hans Dietrich Genscher's eastern roots, but its bourgeois liberalism and conservative economic policies eroded its support by 1994. From 12.9 percent of the eastern vote in 1990, the party fell to 3.5 percent in 1994 [...]. Similarly the greens were becoming a predominantly western party as they increased their vote share in the West and lost support in the East" (Dalton and Jou, 2010, 36).

Beramendi describes a similar process when he argues that the FDP and the Greens increasingly "draw their support from the well-educated, well-off Western urban strata, while at the same time they have very little electoral support in the East. They are the quintessential organizations for the net payers of the Reunification efforts"(Beramendi, 2011, 254). Finally, the story of the CDU and of the SPD support is a more complicated one. Their support has remained more even between East and West (especially in the case of the CDU). The SPD is slightly more "west based" in its support, since it competes for the PDS/Die Linke's support base in Eastern Germany. In the next section I will show that the

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[22]This alliance has posed numerous problems for the PDS, which is strongly identified with the East.

[23]The Eastern Länder are Berlin, Brandemburg, Mecklemburg-Vorpommern, Saxony, Saxony-Anhalt, and Thuringia. I have included Berlin to be part of the East; however, excluding Berlin from the East does not change the patterns and trends.

Figure 5.9: Percent of the Party Vote Share obtained in Eastern Länder

Percent of the Party Vote obtained in Eastern Lander

PDS/DIE LINKE

Greater
Support in
East

Equal Support

Greater
Support in
West

Bundestag Elections

—— CDU ━━ SPD ---- FDP ━━ Green ━━ PDS/DIE LINKE

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relative support of these two parties in the Eastern Lander has fluctuated over time mainly due to the different strategies that the parties have adopted to try to cater to East German voters and to bridge the east-west divide. I show that on the margins, party strategy seems to matter, especially in response to the rise of the PDS/Die Linke and to the conflicts over territorial distribution of resources.

5.3   Territorial Economic Inequalities, Redistributive Conflicts and Internal Party Organization

Reunification posed a fundamental challenge to the main national parties regarding the question of how to bridge to voters in Eastern Lander. During the first Bundestag elections after reunification, the CDU managed to garner a substantial amount of the vote in both Eastern and Western Länder. This initial success in bridging the east-west territorial divide was the result of Helmut Kohl's successful negotiation of the unification process. "While others, especially Oskar Lafontaine and the Social Democrats (SPD), looked on the events with wonder or uncertainty, Kohl quickly embraced the idea of closer ties between the two Germanies" (Dalton and Jou, 2010, 35), and made promises of redistribution of resources from East to West that would look palatable to Western Länder. To this end, in 1990, the German Unity Fund was created, which was a fund especially dedicated to redress the economic differences between East and West.

> "Much like richer countries in the European Union, Western Länder were willing to transfer resources interregionally to insure themselves against massive immigration of dependents. The German Unity Fund consisted of an extra budgetary provision of 115 DM billions (that actually increased to over 140 DM billions, as reflected in Table 6.3). Out of this amount, 15 percent was dedicated to federal spending in the new Länder and 85 percent was allocated to direct transfers to them according to the number of inhabitants. These 140 DM billions were raised via borrowing on credit markets and were to be paid in five years jointly by the Bund and the Western Länder (20 DM billions initially by the Bund and 47.5 DM billions by both the federation and Western Länder as debt services for five years). The flip-side of this effort though was the effective exclusion of the new Länder from the formal system of interregional redistribution (FA) for a period of five years, until the end of 1995" (Beramendi, 2011, 237).

In other words, the CDU – motivated by a short-term reelection horizon – managed to keep the question of inter-regional redistribution off the table for a few years, while at the same time promising (temporary) resources to Eastern voters through the German Unity Fund. This strategy yielded positive electoral results for the CDU/CSU during the first Bundestag elections following reunification, and allowed CDU to receive a considerable proportion of votes from Eastern Länder. In contrast, the SPD campaigned against (immediate) reunification on the argument that it would be too costly. Oskar Lafontaine, who was the SPD's candidate for Chancellor in the German Bundestag election of 1990 opposed the German reunification deal negotiated by Helmut Kohl (CDU). "Lafontaine's lukewarm approach to this issue [unification] hurt the SPD in the 1990 election, especially in the east, where the SPD received only 24.5 percent of the vote. Overall, its total of 33.5 percent represented the party's worst performance since 1957"(Conradt, 2009, 127).

A general sense of optimism regarding unification prevailed during the first half of the 1990's and kept the east-west tensions at bay. However, by the mid-1990's voters in both the East and the West started to realize that the promises of economic growth for Eastern Länder would not be easily attained. It is around this time and throughout the latter part of the 1990's and early 2000's that tensions start to surface regarding the way redistribution schemes are going to work, and whether the old system of inter-regional solidarity should be maintained (Ziblatt, 2002). As Beramendi states:

> "Unsurprisingly, as the contours of an East-West divide become sharper, an increasing number of leaders of Western Länder became less constrained by the notion that massive transfers towards the East were a necessary sacrifice in extraordinary times" (Beramendi, 2011, 254).

The resurfacing of economic tensions is first expressed in a series of attempts by the richest Länder (Bavaria, Baden-Württemberg, and Hessen) to alter the German fiscal structure. Starting in 1997 the richest Länder organize a series of informal meetings that last until the early 2000's. These meetings are meant to create a political and policy agenda to further devolve fiscal power in an attempt to block excessive transfers to poorer Länder (O'Dwyer and Ziblatt, 2006).

"While fastidiously avoiding references to the deep east-west economic divide in

Germany, the leaders of the rich states have instead protested in their joint statements against the flow of resources from *"wirtschaffisstarken Ländern"* (*"economically-strong states"*) to *"wirtschafisschwachen Ländern"* (*"economically-weak states"*)" (O'Dwyer and Ziblatt, 2006, 626).

It is within the context of these escalating tensions and the drafting of this new fiscal policy agenda that the party system changes more dramatically. Two changes, which have already been described in the previous section, become more pronounced towards the end of the 1990's: a) the electoral decline of the two main national parties, SPD and CDU (see Figure 5.5); and b) the electoral rise of the PDS which obtains a big victory in 1998 and then again in 2005 and 2007. According to Patton (2011) it is in the mid-1990's that the PDS transforms itself from being a party of the old communist elite, to becoming a regional party specifically representing the interests of Eastern voters (Patton, 2011, 80).

In parallel to these transformations, there is a change in the internal organization of parties allowing for a greater degree of heterogeneous views within the parties(Detterbeck and Renzsch, 2003, 265), and a greater diversity of governmental coalitions (especially in the Länder governments).

> "In the 1990's, there has been a tendency towards increased political auton-
> omy of regional party organizations in terms of policies, coalition building and
> electoral appeal. We have already seen that it has become more difficult for
> regional politicians to follow national patterns of political alignments. Regional
> politicians have facilitated the regionalization of party competition by agreeing
> to form incongruent coalitions or by playing the 'regional advocate's card' in
> election campaigns"(Detterbeck and Renzsch, 2003, 265).

In other words, the process of party system territorialization described in the previous section is accompanied by the rise of intra-party tensions, and in one instance these intra-party tensions have led to an actual party split (Oskar Lafontaine's split from the SPD).

> "Parties have distinct regional strengths, but the same parties also have different
> voter clienteles across regions. This brings party representatives together in
> the Bundestag with different political constituencies and identities. The CDU
> Bundestag deputy from the East has a different voter base than one from the
> Catholic West. The SPD partisan in the East is more middle-class than in the
> West. This diversity can erode party cohesion, and the SPD-left Party split
> may be attributable partially to such tensions, such as cultural issues or policies
> affecting East-West economic policy" (Dalton and Jou, 2010, 50).

In a similar vein, in 2002 the North Rhine Westphalia branch of the SPD started a reform process to have a stronger voice at the federal level by creating a party organization embracing NRW as a whole. "Remarkably, opponents of the reform at the federal level have already spoken off the record about the dangers of a 'parochialization' (*Provinzialisierung*) of the party [...] Without doubt the reorganization of the SPD in NRW will change the relations with other constituent parts of the party. The SPD in NRW seems to be moving towards a role that will eventually show similarities with that of the CSU in Bavaria" (Detterbeck and Renzsch, 2003, 265). Only time will tell whether these internal organization changes will eventually lead to party splits, and thus to greater territorialization of the SPD. This last section has shown that the pressures of regional disparities can manifest themselves internally as well. To a certain extent, the institutional context of Germany and the internal flexibility of parties has allowed German parties to cope with these tensions internally.

5.4   Conclusions

Despite an institutional structure that favors strong national parties, the German party system has experienced fragmentation and territorialization in the past two decades. My argument is that this change in the party system is connected to increased territorial inequalities and redistributive pressures generated by German reunification. This chapter contributes to clarifying the causal story of one of the central claims in my dissertation. Furthermore, it provides an in depth analysis of the territorial structure of the German party system over time. Whereas scholars of German politics have studied the German party system in terms of ideological changes and coalitional politics, fewer have focused on the territorial nature of the party system and whether regional parties are emerging and votes are becoming more territorialized. This chapter also suggests that territorializing pressures also manifest themselves in internal party tensions, which sometimes can lead to party splits.

CHAPTER VI

Conclusion

Massachusetts Democratic Congressman and Speaker of the House Tim O'Neill coined the phrase all politics is local when referring to his first electoral defeat for the Cambridge City Council in 1935:

> "This was the only race I ever lost in my life [...] During the campaign, my father had left me to my own devices, but when it was over, he pointed out that I had taken my own neighborhood for granted. He was right: I had received a tremendous vote in the other sections of the city, but I hadn't worked hard enough in my own backyard. 'Let me tell you something I learned years ago,' he said, 'all politics is local' ".

Though this is a colorful anecdote with a punch-line that has left its mark on American political culture, it reminds us that candidates running for office receive pressures from very different constituencies. The extent to which national politics is influenced by local issues, local support and local candidates is still an open question, and has been a source of lively debate among pundits and scholars for quite some time (Morgenstern and Swindle, 2005). This dissertation inserts itself within this line of inquiry through the exploration of the role of local/regional political parties in national-level politics. Current scholars of political parties and party systems have written at length about the reasons that lead candidates and voters to coordinate under nation-wide party labels in national elections (Aldrich, 1995; Cox, 1999; Chhibber and Kollman, 2004; Hicken, 2009). Scholars know less, however, about why this coordination sometimes "fails" or does not occur. In other words, it is still an open question as to why local or regional political parties dominate the national political landscape in some countries and not others.

In my dissertation I address this question by exploring the trade-off that candidates face when deciding between joining a regional/local party instead of a national political party in national-level elections. Instead of focusing on the benefits of joining national parties (which have been substantially explored) I focus on the costs of joining national parties as well as on the benefits of joining regional political parties. In Chapter 2 I derive some conditions that affect this tradeoff, and I test these propositions empirically in Chapters 3, 4 and 5 with a combination of case studies and large-N quantitative analyses. In the present concluding chapter I briefly summarize the findings of the dissertation and some of their implications. I then review the contributions of the dissertation to the literature on parties and party systems. Finally I present a few avenues for further research.

6.1   Summary of Findings

The basic argument of the dissertation is that the territorial nature of party systems is shaped by candidates' decisions as they seek reelection in their particular (geographic) constituencies. Three factors affect candidates' decision to join smaller regional political parties instead of national parties when competing for national-level office.

The first factor is the geography of interests, and in particular the geography of *economic* interests. A candidate is more likely to join a regional political party as the economic interests of her constituency become increasingly distinct from those of the rest of constituencies in the country. At the aggregate level this means that countries with large territorial economic disparities are more likely to develop territorialized party systems, whereas countries with a fairly equal distribution of income across territorial units are more likely to develop nationalized party systems. In Chapter 3 I find strong support for this proposition based on a large-N statistical analysis that includes a large and diverse sample of democratic countries over time. I find that controlling for existing explanations, countries with large territorial economic inequalities tend to have more territorialized party systems. The results are robust to alternative specifications. Most interestingly, the results hold when controlling for other forms of geographically concentrated interests such as ethnicity or language. This finding sheds some light into the puzzling fact that some of the most territorialized party

systems in the world (such as Argentina, Brazil, Mexico and South Korea) are relatively homogeneous ethnically, religiously and linguistically. However, these countries have large territorial economic disparities, and according to my argument these economic disparities explain why they some socially homogeneous countries have territorialized party systems. The case of Germany in Chapter 5 lends further support to the argument that territorially concentrated economic interests hinder the development of national parties and nationalized party systems.

The "geography of economic interests" however is not the whole story. I argue that two factors modify the costs associated with an unequal economic geography: one is the level of party discipline and the other is the degree to which geographically concentrated interests are represented within national-level institutions. I argue that weak party discipline and directly elected upper legislative chambers reduce the costs of intra-party heterogeneity, and thus reduce the likelihood that candidates will abandon national political parties in favor of smaller regional or local parties. In Chapter 4 I find strong support for the modifying effect of these two factors. The large-N analysis shows that political systems that encourage weak party discipline (i.e. presidential systems and electoral systems that encourage a personal vote) are less likely to develop territorialized party systems than countries with institutions that encourage strong party discipline. The role of party discipline helps explain the changes in Italy's party system post-World War II. Furthermore, changes in party discipline can also help explain why the United States' party system became more nationalized and more stable towards the beginning of the twentieth century, but before the New Deal. Finally, Chapter 4 also finds that having an elected upper legislative chamber mitigates the effect of an uneven economic geography on party system territorialization. In contrast, not having a second chamber that effectively represents territorially concentrated interests exacerbates the effect of an uneven economic geography on party system territorialization.

6.2 Contributions

In categorizing party systems scholars usually focus on the number of parties and their ideological diversity; however, the dimension of where (geographically speaking) parties ob-

tain support is also extremely important (Hicken, 2009). As reviewed in Chapter 1, the local or national character of parties influences a variety of political and economic phenomena. Understanding when local or regional parties develop is important to understanding their consequences for other aspects of politics. This dissertation seeks to build on existing work to advance our understanding of territorialized parties and party system both theoretically and empirically.

One of the theoretical contributions to the existing literature on party system nationalization is the emphasis I place on the role of societal preferences, and in particular the role of economic preferences, and their interaction with institutions. I find that contrary to most of the existing literature's arguments, institutions such as regime type, political decentralization, bicameralism or the electoral system do not have an independent effect on the territorial nature of party systems. Instead, institutions interact with the geography of preferences to account for variation in party systems. The dissertation shows that in order to properly understand the effect of institutions on the nature of party systems we need to correctly specify and test these effects. For example, elected bicameralism has at least two different effects which yield opposite predictions. On the one hand, Hicken (2009) argues that bicameralism fragments power at the national level and thus creates incentives for party system territorialization. On the other hand, I argue that bicameralism creates incentives against territorialization by institutionalizing voice for geographically concentrated interests. These two effects are probably operating simultaneously, which explains why we do not see a significant independent effect of bicameralism on party system territorialization. However, if we properly test the mechanisms of these effects then we do find strong support for the significance of bicameralism. I find that under conditions of high territorial economic inequalities, having an elected bicameral chamber can reduce the likelihood of party system territorialization, which is consistent with my argument. Under conditions of low territorial economic inequalities, however, bicameralism seems to exacerbate the likelihood of party system territorialization, which is consistent with the effect hypothesized by Hicken (2009). In sum, the dissertation helps clarify some of the nil findings in the literature regarding the role of institutions.

A second aspect that this dissertation highlights is the role of political geography, which

until recently has been mostly absent from the study of politics. For a long time the literature on parties, party systems and electoral behavior has assumed that voters with disparate policy interests are randomly distributed across electoral districts or regions in a country (Rodden, 2010, 2011). My dissertation inserts itself into a body of recent research that questions this assumption (Jusko, 2006; Rodden, 2010, 2011), and that pays particular attention to how political preferences are distributed in space. In particular my dissertation focuses on how the geography of *economic* interests and how they affect the types of parties and party systems that develop in a country. Other scholars have also recently focused on economic geography. For example, in his recent book Beramendi (2011) argues that economic geography, which he defines as "cross-regional differences in terms of income inequality and economic specialization" (Beramendi, 2011, 4) is a key factor in explaining variation in fiscal structures and fiscal outcomes across federal countries. Similarly, Jusko's research agenda focuses on the interaction between economic geography and electoral rules to explain changes in policy outcomes. In particular she shows that the concentration of low income voters in certain districts interacts with electoral institutions to explain anti-poverty policy programs. Finally, Rodden's recent research agenda explores how the concentration of left-wing voters in densely populated areas which resulted from the process of industrialization created a bias against left wing parties in Westminster systems.

> "[P]arties of the left have won more "surplus" of votes in their dominant urban districts than have the parties of the right in their largely suburban and rural strongholds. As a result, in order to win 50 percent of the seats, leftist parties in democracies using single-member districts have typically needed to win more than 50 percent of the vote" (Rodden, 2011, 4).

The findings of this research agenda, and of this dissertation, suggest that political scientists and policy-makers should pay attention to the geographic concentration of economic resources and economic interests within countries. Recent global developments (such as trade liberalization, especially in developing countries) and the dismantling of the welfare state in Western Europe, is contributing to a shift in the economic geography of several countries. As with industrialization in the nineteenth century, these changes have the potential to affect the economic geography of many countries with potential consequences for the nature of politics in these countries. By way of an example, the end of protectionist

policies in India in the 1970's has been associated with a noticeable increase of regional economic disparities as some regions have become more economically competitive in the international market. These changes in the economic geography of India have coincided in time with a complete change in the political landscape. In the early 1970's the once-dominant Congress Party started to loose electoral support, and since then there has been a proliferation of regional political parties in national level politics (Ziegfeld, 2009). To what extent these two phenomena are connected is a topic for future inquiry. Similarly, in Western Europe the rise of regional political parties in the UK, Italy or Belgium seems to coincide with the process of deindustrialization and trade liberalization starting the 1970's. In Belgium, for example, deindustrialization put the region of Wallonia (once a rich region) in a position of economic vulnerability, which might have exacerbated the tensions with Flanders, and the regionalization of their party system. Although these ideas are mostly speculative at this point, they plant the seeds of further avenues of research.

6.3 Avenues for Further Research

This dissertation suggests three distinct directions for further exploration. First, the crux of my argument is that candidates representing constituencies with very different interests than the rest of constituencies in the country are sometimes better off running for national office under a regional/local party than under a national party. This means that – under certain conditions– trying to influence national policy from within a diverse national party is more difficult than trying to influence policy as an independent (and internally more homogenous) regional political party.

I argue that this is the case because constituents hold regional political parties account-able for one policy issue that is of particular interest to them, so regional parties can focus their resources on addressing a limited number of policy issues and ignoring most others; in contrast constituents hold national parties accountable for a large number of policy issues and thus national parties will have to make some tradeoffs on a wide range of policies. Bawn and Rosenbluth (2002) develop this idea of accountability and argue these differences in accountability lead "coalition parties" to produce different policies than "coalitions of

parties." In line with this work, it would be interesting to test this accountability mechanism empirically and explore whether voters in fact assign different policy responsibility to regional parties than to national parties. It would also be interesting to further explore the policy implications of governments ruled by "coalition parties" and governments ruled by "coalitions of parties." Italy and India would be good case studies for these empirical tests since they have experienced significant changes in the in the "types of coalitions" in government.

Second, my argument assumes a relative homogeneity of economic interests within regions. I assume that wealthy regions tend to have a higher proportion of wealthy citizens, and that poorer regions tend to have a higher proportion of poor citizens. In the future it would be interesting to explore whether intra-regional economic inequality has an effect on candidates' decision to join regional or national political parties. My intuition is that greater homogeneity of economic interests within regions should increase the likelihood of candidates joining a regional party, whereas greater heterogeneity of economic interests within regions should decrease the likelihood that candidates will abandon national political parties. Focusing on intra-regional economic inequalities can help explain the behavior of regional elites and national elites. As Beramendi argues in his recent book, regional leaders from rich regions often try to appeal to poor voters among their rich region with the following type of discourses: "Why should a hard-working construction worker in Bavaria have to pay for the problems of unemployment in Mecklenburg-Western Pomerania?" (Ziblatt 2002: 637-638) (Beramendi, 2011, 255). If successful, these appeals can make it very hard for national political parties to gain any votes in these regions.

Finally, this dissertation focuses exclusively on the socio-structural determinants of party system territorialization. The geography of economic inequality and the constitutional features of a polity play an important role in explaining cross-country variation in party system territorialization, yet within these broad structural constraints political parties still have some room for maneuver. In the future I intend to analyze the strategies that national parties adopt to obtain broad national electoral support across the territory of a country. I am interested in the following questions: How do parties with national aspirations react to the pressures of an uneven distribution of preferences across politically relevant territorial

units? What decisions do party leaders take to prevent party splits or new parties emerging in certain electoral districts or regions? And are these decisions effective in fending off these regional/local competitors? For example, in a recent article Meguid (2011) makes the argument that decentralization is a strategy that mainstream parties use to bolster their national electoral support when they are electorally threatened by regional parties. I argue that national mainstream parties actually have a wider range of strategies to try to maintain their nation-wide electoral support: a) they can pass legislation that addresses some of the specific territorial demands made by regional political parties; b) they can propose major constitutional changes (i.e. decentralization, changes in electoral rules, increasing the powers of the upper chamber), and c) they can make changes to the internal organization of their own party. I intend to analyze when and why national parties adopt these different strategies and whether they are successful in fending off regional challengers.

In sum, this dissertation has tried to build on existing scholarship on parties and party system to advance our understanding of the intersection between territory, political parties and party systems. This concluding chapter has highlighted the main findings as well as some avenues that deserve further exploration.

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