Democracy and Its Discontents in Latin America

edited by
Joe Foweraker
Dolores Trevizo
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as the democratic governments of the region seek to respond to an autochthonous perception of a crisis of representation. But unsurprisingly, attempts at reform are often captured in the legislatures by the same oligarchic and corporate interests, thus leaving the root problems of representation and accountability unresolved. In some cases, this may lead to populist insurgencies that inveigh not only against the parties in government, but against the *partidocracia* in general. Whether this happens or not, it is noteworthy that political crises in contemporary Latin America do tend to exhibit a systemic dimension with extraordinary, but often constitutional, measures required for their resolution. Consequently, both party and popular leaders often come to see the constitution as the key to a more democratic politics and defend their reform projects in these terms, especially insofar as they concern rights and representation.

In Chapter 3, David Doyle takes up and explores the question of accountability by looking at its variation across the region as viewed through the prism of public policy making and asking why some governments are effective agents of the citizenry, providing effective public policy through channels of accountability and representation, while others remain predatory, producing policy that is ineffective and sometimes harmful. He argues that the causal link between citizens’ preferences and aspirations on the one hand and effective policy on the other is state capacity, as reflected in a consistent and uniform defense of the rule of law, the provision of public goods, and an ability to gather enough tax revenue to fund these attributes. Consistent with my own arguments above, the variation in state capacity is then explained by different trajectories of state formation and the subsequent stickiness of state institutions; however, Doyle also suggests that the colonization of state institutions by oligarchic and corporate powers is expressed in Latin America today through political parties that are personalist, clientelist, and largely unconcerned with policy effectiveness.

In Chapter 4, Melissa Ziegler Rogers looks at the same issues through the lens of modern political economy, beginning with the question of inequality—which is germane to both Doyle’s argument and my own. In a groundbreaking analysis, she divides this question into interpersonal and interregional inequality before looking at the effect of both on democratic institutions. Her first important finding is that interpersonal inequality drives government spending up (presumably to address the social consequences) while interregional inequality drives it down. This represents a difficult disconnect between regional demand for distribution and its eventual supply. Rogers then goes on to explore the impact on democratic institutions, especially electoral systems, some of which are more attuned to interpersonal inequality (strong centralized party systems with broad social constituencies) while others are more regional in orientation, with more par-

icularistic connection systems reflect the profound ambitions and Doyle’s investigation. Add legislative subnational autocracy because regional autocrats that then fail to dovetail at several points of subnational democracy.

In all of these the chapters on institutional reform, and of the political in Chapter 5, Da shifters the focus from answer the central question of a freely elected democracy given the long history of experiences of the four Chiles, and Uruguay—government depends on institutional development. Defense Ministry in Defense being the “key notable improvements in democracy, but Brazil is because of the delegative attenuating and cloudy country-specific institutes.

In Chapter 6, Ger those of Doyle and Rogers degree of representativeness—but now as rel Munck, the democratic question of democracy concern for a minimal s issues remained, but, in deepening this demo. In particular, the civic opposed neoliberalism—
ticularistic connections between voters and local representatives. The latter systems reflect the presence of strong regional oligarchies with regionally bound ambitions and preferences—an analysis that connects directly to Doyle’s investigation of the variation in state capacity and policy effectiveness. Add legislative malapportionment and what Rogers calls “enclaves of subnational autocracy” and distributional policies are rendered ineffective because regional autocrats capture a large share of any interregional transfers that then fail to reduce overall inequality. As suggested, her argument dovetails at several points with that of Doyle, and reminds us that the quality of subnational democracy varies far more across Latin America than that of national democracy.

In all of these chapters, there is an implicit recognition of the importance of institutional reform for effective policymaking and accountable government, and of the political and cultural constraints that make reform so difficult. In Chapter 5, David Pion-Berlin addresses these concerns directly by shifting the focus from vertical to horizontal accountability and seeking to answer the central question of how to make the military more accountable to freely elected democratic governments. The question is central because—given the long history of military intervention in the region and the recent experiences of the four countries under scrutiny, namely, Argentina, Brazil, Chile, and Uruguay—the survival, development and quality of democratic government depend on it. For Pion-Berlin, the answer to the question lies in institutional development and design and, specifically, in the reform of the Defense Ministries in these countries and beyond, with the Ministry of Defense being the “key link in the chain” of accountability. He demonstrates notable improvements in design in all four cases and this is good news for democracy, but Brazil and Uruguay tend to lag behind Chile and Argentina because of the delegation of vital tasks to military agencies and personnel, so attenuating and clouding accountability. In his account, there is no single overarching explanation for the variation across cases that rather depends on country-specific institutional histories and features.

In Chapter 6,Gerardo L. Munck pursues a similar line of inquiry to those of Doyle and Rogers insofar as he addresses the variation in the form and degree of representation, accountability, and the effectiveness of public policy—but now as refracted through distinct models of democracy. For Munck, the democratic transitions of the 1980s and 1990s did not settle the question of democracy but, on the contrary, made it yet more salient. The concern for a minimal standard of democracy that had motivated the transitions remained but, in addition, a new concern with the development and deepening of this democracy arose—and transformed democratic politics. In particular, the divide between those who supported and those who opposed neoliberalism—the key axis of ideological conflict—spurred the
Inequality and Democratic Representation

Melissa Ziegler Rogers

Latin America has the highest inequality of any region in the world. Uneven distribution of income fundamentally threatens the continuance and quality of democracy in the region. Unequal democracies face threat from both the rich, who fear redistribution to the poor majority, and the poor, who see existing institutions as unresponsive to their demands (Acemoglu and Robinson 2006). Related to this, inequality may have distorting effects on the party system and encourage clientelism. The quality of democratic institutions, including voter turnout especially among the poor, is also known to be worse where income is more disparate. These dynamics are troubling in any nation, but are particularly so where nascent democratic institutions and young governments may not be able to manage these conflicts.

This chapter addresses the role of inequality in Latin America from a different approach than nearly all previous work. I focus on the threats to democratic quality that may come from interregional inequality—divergence in income level and economic productivity across geographic regions within a nation. I compare these effects to those expected from interpersonal inequality and examine how democratic political institutions structure attention on these distinct types of inequality. My modest goal in this chapter is to show a systematic difference between interpersonal inequality, the unequal distribution across individuals, and interregional inequality. Latin America has long been discussed as the region of the world with the highest interpersonal income inequality. The data below show that Latin America also has the highest level of interregional inequality of any global region.

Using a new dataset on interregional inequality, interpersonal inequality, and government spending in Latin America, I show that these types of inequality display different incidence and effects. Not only are these types of inequality conceptually distinct, they also drive divergent government behavior. I address the classic political economy concern with the effect
of inequality on government spending, applying the existing theoretical work to interregional as well as interpersonal inequality. I found that while interpersonal inequality tends to prompt higher government spending to address social ills in the region, interregional inequality has an opposite and robust effect to drive down government spending as regions become more lopsided. This finding alone has implications for the quality of democracy if indeed the regional demand for redistribution is disconnected from its supply.

In this study, I took a cautious further step to address whether certain political institutions may condition government responses to inequality. I suggest that electoral rules vary in their attentiveness and reactions to regional versus interpersonal concerns. Some nations have electoral systems more attuned to the challenges of interpersonal inequality: namely, centralized strong party systems with broad social constituencies. Other countries’ national institutions are more clearly geographic in orientation, with decentralized political and administrative systems and strong personal vote connections to local zones. How and whether nations address these challenges of inequality will depend fundamentally on how political bargains are struck in nations and the incentives of politicians to represent constituents.

The chapter is structured as follows. First, I address the concept and incidence of interpersonal and interregional inequality within Latin America and in comparative perspective with the rest of the world. Second, I suggest theoretical reasons why interpersonal and interregional inequality may drive conflict in governments and different ways these conflicts are managed within democratic political institutions. Third, I show empirical results on the relationship between inequality and government spending and the interaction between inequality and political institutions on government spending. Finally, I link the findings in this chapter to the quality of representation for the less privileged in Latin America’s democracies.

**Background: Inequality and Democracy in Latin America**

The historic focus of inequality and democracy in Latin America has been on the uneven distribution of income and resources (especially land) among individuals within a nation (Acemoglu and Robinson 2006; Boix 2003). Interpersonal inequality is the concept that motivates nearly all studies (and quantitative measures) of inequality in academic and policy research. This focus on distribution among individuals is appropriate and important, but does not paint a complete picture of politically relevant inequality. Most countries, especially in the developing world, have wide-variance in admin-istration and policies, with some countries experiencing higher levels of inequality than others. Understanding the complex interplay between inequality and political systems is crucial for democratic development in Latin America. The size of any other country, income, and Sao Paulo’s respective national and international development (S. Latin America in particular) are fundamental. The history between social and economic sectors have fundamental influences. The relationship between inequality and government spending and the interaction between inequality and political institutions on government spending. Finally, I link the findings in this chapter to the quality of representation for the less privileged in Latin America’s democracies.
Inequality and Democratic Representation

Theoretical work has found that certain inequalities are regional in nature. As regions develop differently, the quality of governance can vary significantly. Other orientations suggest that regional inequalities are the result of broader social and economic factors. For example, the concept of "governance" has been central to the study of political development (Boix 2003). This orientation emphasizes the importance of institutional factors in determining political outcomes.

The development of democratic politics in most nations of the world is characterized by a complex interplay of factors. Geopolitical, economic, and cultural influences shape the political landscape. Inequality tends to be concentrated in regions that are more economically disadvantaged. This regional concentration of inequality is often linked to political outcomes, as regions with higher levels of inequality are more likely to experience conflict and instability. To understand these dynamics, it is necessary to consider the interplay between inequality and political representation.

Latin America, like much of the developing world, is characterized by uneven development and agglomeration around a central city. In most nations, the population of the largest city dwarfs the size of any other city. In Latin America, the examples of population concentration are evident—the megacities of Mexico City, Buenos Aires, and São Paulo dominate the population and economic activity of their respective nations. Latin America is a highly urbanized region of the world, second only to the wealthiest Organization for Economic Co-operation and Development (OECD) nations in urban population, and much of this population is concentrated in one city center. These cities in Latin America are modern, economically diverse, and reminiscent of their counterparts in the developed world. However, much of the area outside of the capitals of Latin American countries is set apart by economic stagnation and depressed development (Sawers 1996).

The history of any country is structured by distributive conflict not only between social groups (rich and poor classes), but also between regions and economic sectors. The wealthy in agricultural regions, for example, may have fundamentally different economic interests from the wealthy in industrial regions. Their attitudes toward redistribution, trade openness, and government investment may be more strictly opposed than those of rich and poor within the same sectors and regions (Cusack, Iversen, and Soskice 2007). National policies strongly affect interpersonal distributions of income, of course, through labor and social welfare policies. Central policies are perhaps even more critical, however, to adjudicating between regions and economic sectors through laws addressing trade policy, taxation and subsidization, and fiscal federalism. Import-substitution industrialization provides a cogent example of political adjudication of regional interests in Latin America.

Regional inequality is largely absent from politics research for both theoretical and empirical reasons. Historical accounts of inequality have typically centered on class interests, in narratives motivated by the experience of class conflict in Western European nations. Additionally, the measurement of inequality has focused nearly exclusively on individual
or household distributions of income quintiles, through indicators such as the Gini coefficient and the ratio of low to high incomes (e.g., 90/10 quintiles, 50/10 quintiles). This chapter is meant to address both gaps in this literature, by raising theoretical reasons to focus on regional distributive conflict and its role in democratic quality, and by adding quantitative evidence to begin to explore these questions.

In Table 4.1, the incidence of interregional inequality is shown for available Latin American countries for the period 2000–2010. The measure listed is the population-weighted coefficient of variance in regional GDP per capita, discussed in more detail below. It is apparent in the table that the level of interregional inequality in the region varies quite widely, from the low in Bolivia to the high in Mexico. The large federations of Latin America have strikingly high levels of interregional inequality. Not surprisingly, differences in regional income are a pervasive political concern in Argentina, Brazil, and Mexico. Even the countries with relatively low levels in comparison to their neighbors, such as Bolivia or Colombia, are nonetheless on the upper side of the global scale.

Table 4.2 features average values of global regions to compare Latin America to other parts of the world, again in the period 2000–2010. Table 4.2 reveals that the Latin American region has very high levels of interregional inequality. This level is particularly striking in comparison with Western Europe. Each Latin American country has interregional inequality levels higher than each Western European nation. In fact, if you exclude Indonesia (the highest value in the world) from the Southeast Asian sample, Latin America has the highest inequality of any global region. These simple charts reveal the potential relevance of the question of interregional inequality to the political environment of Latin America today.

<table>
<thead>
<tr>
<th>Table 4.1 Regional Inequality in Latin American Countries, 2000–2010</th>
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<tbody>
<tr>
<td>Country</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>Argentina</td>
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<tr>
<td>Brazil</td>
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<td>Bolivia</td>
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<td>Chile</td>
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<td>Ecuador</td>
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<td>Mexico</td>
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<td>Panama</td>
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<td>Peru</td>
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The interest coefficients of this study is to The concept these units c the values of r nations. The according to r poverty is also the population summary states. A few ex. A few ex: America that province of B GDP. Thus, tw economic outp GDP each. Of GDP, meaning population (e.: what is highly the federal dis GDP, respective figures indicate American cour. These sim inequality in L. I apply these to redistribution p mon entry poi
Inequality and Democratic Representation

Table 4.2 Regional Inequality in Global Perspective, 2000–2010

<table>
<thead>
<tr>
<th>Global Region</th>
<th>Regional Inequality Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>0.477</td>
</tr>
<tr>
<td>Western Europe, North America, Australia, and New Zealand</td>
<td>0.206</td>
</tr>
<tr>
<td>Eastern Europe and the former Soviet Union</td>
<td>0.373</td>
</tr>
<tr>
<td>East Asia</td>
<td>0.342</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>0.626</td>
</tr>
<tr>
<td>South Asia</td>
<td>0.402</td>
</tr>
</tbody>
</table>

The interregional measures of inequality shown above are calculations of coefficients of variance in regional GDP per capita. The regional unit used in this study is the state, province, or department as defined by the nation itself. The conceptual analog is to the US state, although the powers designated to those units clearly vary across nations. The coefficient of variance aggregates the values of regional GDP to one value for a nation that is comparable across nations. The interregional inequality measure shown above is weighted according to regional population, on the assumption that regional wealth or poverty is more politically meaningful when attributed to a large segment of the population. The calculation formula is shown in Figure 4.1 below and the summary statistics for nations in the sample can be found in Appendix 1.

A few examples provide some context for the regional gaps in Latin America that are apparent in these indicators. In Argentina, the city and province of Buenos Aires together produce nearly 70 percent of national GDP. Thus, two provinces out of twenty-four generate the vast majority of economic output, and nineteen of twenty-four produce less than 1 percent of GDP each. Of course, the measures use regional GDP per capita, rather than GDP, meaning certain provinces with high productivity relative to sparse population (e.g., Santa Cruz or Neuquén) dampen the statistical effect of what is highly lopsided economic output. Similarly, São Paulo in Brazil and the federal district of Mexico alone produce 33 percent and 16 percent of GDP, respectively. Bogotá produces 25 percent of GDP in Colombia. These figures indicate a geographic concentration of economic might within Latin American countries.

These simple summary statistics reveal a notable difference between inequality in Latin America and the rest of the world. In the sections below, I apply these new data to much-studied relationships between inequality and redistributive politics in the political economy literature. As the most common entry point into this literature, I examine the differences between the
two types of inequality for their effect on total government spending. Next, I address the role that political institutions play in this distribution—what incentives do politicians under different systems of representation have to deliver goods to social groups or regions?

Inequality and Government Spending in Latin America

Inequality encourages political conflict as rich and poor groups articulate different preferences for government spending. In the most simplistic formulation of economic reasoning, rich groups should press for lower government spending under increasing inequality. In a progressive tax system, government spending is inherently redistributive—those who benefit from government spend less to consume it. Poor groups should have opposite preferences, pressing for more redistributive government spending as inequality grows. These dynamics have been almost exclusively attributed to rich and poor individuals, most famously through the Romer-Meltzer-Richard model (RMR model; Romer 1975; Meltzer and Richard 1981). They can also be reasonably attributed to regional actors who face similar incentives to block or advocate redistribution. Rich regions, like rich individuals, should hope to limit government spending and, under certain institutional conditions, have the means to do it (Giuranno 2009; Rogers 2016).

Where politics is structured and resources are administered along geographic lines, politicians and voters are incentivized to evaluate distributional concerns in terms of their region (Beramendi 2012). Certain political institutions, notably geographic constituencies, federalism, personal vote elections, and, to some extent, presidentialism territorialize political competition (Rogers 2016). In contrast, parliamentarism, closed list proportional representation, and unitarism have centrifugal effects—they encourage focus on national politics (Gerring, Thacker, and Moreno 2005).

Where resources are divided to provinces or districts, politicians push to maximize resources going to their district, regardless of whether they prefer fiscal constraint or expansion at the national level (Rehfeld 2005). Federalism, bicameralism, electoral rules, and even the presidential-parliamentary distinction not present in Latin America inform politicians and voters about whether they should think primarily in terms of their districts or their social group, or both. All political systems have some concept of both geography and social group representation, of course, but most systems fall closer to one or the other. Chile, for example, has very nationally oriented politics while Colombia is a strongly local political system. These institutional features shape the distributive debate in a nation to be either more concerned Ferretti, Perotti, The primary focus on local issues in their districts. Political institutions in their districts to federalized care forers of governances national parties (Harbers 2009).

The example provide clear exam national politics marily to the popular plurality by Fiorina 1987). America) are ele bring resources to vote because motivation. However, the governor. As makes politicians al. 2002). Open claiming for policy bringing resources selves, although member districts.

In this analy the more obvious. Importantly for design of elector The case has be regional inequali of electoral rules conflict, but not reg 2007). Variation has been attribut ance (Boix 1994 regional implica.
... spending. Next, distribution—what sentiment have to groups articulate most simplistic form for lower governmentative tax system, who benefit from it have opposite sentiment spending as ususely attributed to Romer-Melzer- Richard (1981), who face similar...ns, like rich individuals or certain institutional; Rogers (2016). ministered along to evaluate distribution (2012). Certain...ism territorialize centrism, closed tripetal effects—Berger, and Moreno, politicians push... of whether they held (Reinfeld 2005). the presidential-nform politicians ems of their disavow some concept...se, but most systems very nationally oral system. These ation to be either more concerned with local public goods or with broad social goods (Milesi-Ferretti, Perotti, and Rostagno 2002).

The primary reason politicians in geographically oriented systems focus on local allocation is that politicians' careers depend on pleasing their districts. This takes different forms depending on the structure of political institutions. For US politicians, this means bringing home pork to their districts to win reelection (Grimmer 2013). For Argentina and Brazil, federalized career paths incentivize attracting central transfers to the coffers of governors. In Chile, politicians' career paths depend more on national parties that aim to please social constituencies that span regions (Harbers 2009). Political institutions fundamentally shape whether politicians (and voters) evaluate the national distributive game in regional terms.

The examples above of the United States, Argentina, and Brazil provide clear examples of institutions that influence distributive structures in national politics. First, the US localized credit claiming is attributed primarily to the personal vote, which stems from single-member district simple plurality systems for members of Congress (Cain, Ferejohn, and Fiorina 1987). All legislators in the United States (and some in Latin America) are elected according to these rules, which motivate members to bring resources back home. In Argentina, there is not an equivalent personal vote because members are elected through closed list proportional representation. However, list access is determined by local party leaders, typically the governor. Accordingly, the nomination process for national legislators makes politicians think about national policy in provincial terms (Jones et al. 2002). Open list proportional representation in Brazil incentivizes credit claiming for politicians who must compete within their own party lists. Bringing resources to their home territory is one way to distinguish themselves, although the specific geographic pull is less clear than in single-member districts (Samuels 2002).

In this analysis, I focused on the effects of electoral rules, as opposed to the more obvious choice of federalism, on the territorialization of politics. Importantly for both the theoretical implications and the empirics, the design of electoral rules is not obviously endogenous to regional disparity. The case has been made that the design of federalism is endogenous to regional inequality (Bolton and Roland 1997; Beramendi 2012). The design of electoral rules has been argued to be endogenously driven by class conflict, but not regional inequality (Boix 1999; Cusack, Iversen, and Soskice 2007). Variation in electoral system design in Western Europe, for example, has been attributed to concerns with income redistribution and social insurance (Boix 1999; Iversen and Soskice 2006). Class conflict may have regional implications, of course, but the primary motivation for electoral
rule design appears to be whether incumbent groups can win a majority, or will need to share power with rising socialist parties. In this regard, electoral rules that territorialize politics may be plausibly exogenous to concerns of regional inequality per se. Of course, this question remains for future research.

The dynamics of regional preferences are not as straightforward as those of individuals. While rich regions may want to keep their resources within their borders, there is individual heterogeneity within those borders. More specifically, rich regions have both rich and poor individuals with different preferences for government spending. Under different institutional and economic conditions, poor or rich groups can form coalitions across regional borders to maximize their gains as social groups, rather than regional units (Beramendi, Rogers, and Díaz-Cayeros, forthcoming). Just as with regional interests, therefore, the institutional structure of national politics should be crucial to how and whether groups of individuals or regions are able to collectively act to attain their policy preferences.

This introductory empirical investigation of regional and interpersonal dynamics tested two primary questions: What is the effect of regional inequality on government spending? And how do political institutions condition the effect of inequality on government spending? These questions are complex and the empirical analysis is necessarily preliminary, so I keep the theoretical explanation short and concise, relying on existing theories with specific application to regional dynamics in the Latin American context in particular.

**Theoretical Expectations**

The RMR model of interpersonal inequality shows that increasing inequality should drive higher government spending. In this theory and its extensions, the decisive median voter will push for higher government spending as inequality grows. The median voter, who grows poorer relative to the mean voter with rising inequality, should advocate more government spending that is increasingly redistributive as incomes become more uneven in a progressive tax system. The simplified model of this theory has been largely dismissed for empirical and theoretical reasons in comparative political economy. The empirical predictions are not born out in the data; in fact, the opposite is often shown to be more accurate—inequality drives down government spending rather than increases it (cf. Alesina and Glaser 2004; Benabou 2000; Gouveia and Masia 1998).

One reason for these weak empirical findings is the inadequate portrayal of the political process in the RMR model. That the median voter is decisive (or, more precisely, has been shown to be at least as important) in national politics is undeniable.

**Hypothesis 1:**

Electoral systems in dividing nations have often in geography able to halt the inequality will put co-constraints, Rogers (201) to constrain government spending and interregional inequality to block incentives to block.

**Hypothesis 2:**

Electoral systems in dividing nations have often in geography able to halt the inequality will put co-constraints, Rogers (201) to constrain government spending and interregional inequality to block incentives to block.

**Research Design**

The basic statistics are

- Total Government
- $\beta$ Regional Inequality
- $\beta$ Personal Vote
- $\beta$ Trade Openness
majority, or regard, electoral confidence remains for forward as it resources lose, borders, as well as with different institutionalizations across rather than ing. Just as national policies or regions stereotypical of regional institutions connections are o I keep the theories with a context in deciding (or, more cogently, that the full spectrum of individual votes) has been seriously refuted in formal and theoretical models (Benabou 2000; Gerber and Lewis 2004; Beramendi 2007). More importantly for the purposes here, RMR assumes a form of political representation—a single district with direct democracy—that is far removed from politics in any nation. Rather, nations divide their territory into voting districts, most often in geographic units, and establish a range of actors with veto authority able to halt the interests of the aggregate median voter. Regional inequality will press distributive conflict that discourages cooperation and coordination to boost government spending. For a large sample of countries, Rogers (2016) has shown that political institutions empower regions to constrain government spending through veto authority and enable poor individuals to increase government spending through majority power. As interregional inequality grows, therefore, rich regions should have greater incentive to block spending, leading to my expectation in Hypothesis 1.

**Hypothesis 1:** Higher interregional inequality drives lower government spending.

Electoral systems structure the bargaining dynamics of politicians, whether on the grounds of interpersonal or interregional inequality. By dividing nations into regional electoral units, the interests of regions are highlighted and voter incentives to express preferences on a regional basis become more likely. Electoral systems affect whether politicians think more in local or national terms, increasing or decreasing the relevance of the region-specific preferences. In this manner, incentives created by electoral systems interact with inequality to influence government distribution.

**Hypothesis 2:** Electoral institutions interact with regional inequality to shape government spending.

**Research Design**

The basic statistical model for Hypotheses 1 and 2 is

\[
\text{Total Government Spending/GDP} = \\
\beta \text{Regional Inequality} + \beta \text{Interpersonal Inequality} + \\
\beta \text{Regional Inequality} \times \text{Personal Vote} + \beta \text{Interpersonal Inequality} \times \\
\text{Personal Vote} + \beta \text{Population (log)} + \\
\beta \text{Trade Openness} + \beta \text{Capital Openness} + \beta \text{GDP per capita (log)} + 
\]
\[ \beta \text{GDP Growth} + \beta \text{Ethnic Fractionalization} + \beta \text{Population over 65} + \beta \text{Federalism} + \epsilon \]

**Dependent Variables**

The large literature on the effects of income inequality on government policy typically begins with an analysis of government spending overall and redistributive spending (typically, social transfers) in particular. This analysis is a comparison of interregional measures of inequality to interpersonal measures of inequality, so I employed this most common measure, government spending, as the primary dependent variable. Of course, other dependent variables are highly relevant and will be explored in the future. For this preliminary research, I preferred to evaluate the effects of inequality as they have been traditionally measured in the field so that scholars could have a direct apples-to-apples comparison.

Within the government spending categories, I used two common measures—general government and central government expenditures.\(^3\) General government expenditure refers to spending at all levels of government (central, state, local). Central government expenditure is restricted to resources distributed by the national government. In theory, the central government variable may seem the most appropriate for evaluating the effects of regional inequality on national policymaking. The framework I have provided is one in which representatives of regions and social groups come to the national bargaining table to divide up the spoils of the central government. However, I think it is appropriate to consider general government expenditures for at least two reasons. First, one primary effect of fiscal federalism (which would be captured only in general government measures) is for subnational regions to tax and spend to their own preferences. Expenditures in jurisdictions below the national level could be strongly affected by regional inequality as rich territories spend at high levels to their preferences and tax bases, and poorer areas have fewer resources to distribute. Moreover, poor regions are subsidized with (somewhat) progressive national transfers that plump their spending.

Second, regional inequality may be endogenously related to the fiscal structure of a nation (De Saramendi 2012). That is, rich regions may prefer to decentralize many government functions so that they can consume to their preferences without subsidizing poorer regions. Regional inequality in this case would not necessarily reduce government spending, but shift its geographic incidence. In that case, central government spending would still be the best theoretical indicator of the effect of regional inequality on shared resources, but the comparison with general government spending would provide a more complete picture of its overall impact.
Independent Variables

Regional development has long been a topic of interest in political geography and economics but not much explored in political science due, in large part, to a dearth of data and theoretical models devoid of geography. In this study, I utilized a large dataset of interregional inequality collected from fifty nations around the world for the period 1980–2010 (Rogers 2016). The focus of this examination was the nine available Latin American countries (Argentina, Brazil, Bolivia, Chile, Colombia, Ecuador, Mexico, Panama, Peru), with comparison to results for the entire sample. Although not all Latin American countries have available data, those countries included account for the vast majority of citizens and economic productivity in the region.

The interregional inequality measures used in this analysis are country-year observations synthesizing region-level GDP per capita data for each country. I employed the population-weighted coefficient of variance of regional GDP per capita. The formula for this measure is shown in Figure 4.1, with y representing regional GDP per capita, n the number of regional units, and p the population. This indicator is calculated independent of the number of regions considered, is not sensitive to shifts in average GDP level, and satisfies the Pigou-Dalton principle.

Importantly, regional inequality is not fixed in Latin America. Several of the nations included have experienced significant changes in regional inequality in the period under examination. For example, in Bolivia, the regional inequality value fluctuated between .2 and .39, a nearly 100 percent difference between the minimum and maximum value between 1988 and 2011. Notable changes are also observable in regional inequality in Mexico and Chile, with fluctuations of 50 percent between the minimum and maximum observed value. Other countries’ values, such as Peru and

Figure 4.1 Calculation of Regional Inequality Measure

\[ \frac{1}{\bar{y}} \left[ \sum_{i=1}^{n} p_i (\bar{y} - y_i)^2 \right]^{1/2} \]

Note: \( \bar{y} \) represents the country’s average GDP per capita, \( y_i \) is the GDP per capita of region \( i \), \( n \) is the number of regional units, and \( p_i \) is the share of the country’s total population in region \( i \).
Panama, were relatively static. Appendix 3 and Appendix 4 show changes over time in the Latin American sample nations, and descriptive statistics by nation. Overall regional inequality fluctuated somewhat less in the Latin American (standard deviation = .14) than in the global sample (standard deviation = .20), but the changes are nonetheless notable. In comparison, the Gini coefficient of income inequality had a standard deviation of .04 in Latin America and .09 in the global sample. This variation over time makes the regional inequality data plausibly suitable for time series cross-sectional regression analysis.\(^7\)

I compared the effects of interregional inequality to available measures of interpersonal inequality, namely, the Gini coefficient. The Gini coefficient is the most widely used measure of interpersonal inequality and it is based on a nationally aggregated concept of inequality between quintiles of income.\(^8\) Of several available cross-national datasets of interpersonal inequality, I used Frederick Solt’s data, the Standardized World Income Inequality Database (SWIID) (see Solt 2009). These data have advantages both in coverage (which tends to be spotty in Latin American countries) and in distinguishing income before (Gini market) and after (Gini net) government transfers. For theoretical reasons, I used the Gini market value in the regression analysis. I was looking for the effect of inequality on government spending, therefore the Gini market value provided a cleaner indicator because it excludes government taxation and spending in its calculations. Intraregional inequality is also a relevant distributive concern to national politics but data are sparse, even in OECD countries, and are not commonly collected by Latin American countries (see Beramendi, Rogers, and Diaz-Cayeros, forthcoming). Accordingly, I could not include these values in the analysis.

The theoretical focus of this chapter is on the interaction between inequality and political institutions. I focused in this preliminary research on the effect of electoral rules, although I recognize many other institutions can influence these dynamics (Rogers 2016). Accordingly, I measured political institutions to capture the incentives of politicians to deliver resources to social or geographic constituencies with a measure of the personal vote (Carey and Shugart 1995). The personal vote is not, by definition, a geographic concept but tends to relate highly to the spatial orientation of a country’s political institutions.

The personal vote is the relative value of an individual politician’s reputation to his or her party’s reputation in the electoral fate of that politician. The personal vote is high when politicians must distinguish themselves on personal characteristics rather than party characteristics. This highlights the intraparty conflicts as well as the localized incentives that are the focus of my theoretical development. The personal vote measure is an additive index of ballot structuring. The effect of candidates both access to the media and candidate-centered strategies (the numerator) is large in some older, relatively larger populations (the denominator). This variable is a measure of the personal vote: the number of voters per capita (P) that cast a vote for a candidate in a given election year. It captures the proportional of voters who cast a vote as well as the quality of the candidates in the race. The personal vote is an additive index of ballot structuring, ordering of candidates (G), and candidate-centered strategies (P) that affect the quality of candidates in the race.
x 4 show changes in descriptive statistics by less in the Latin sample (standard error. In comparison, deviation of .04 in over time makes cross-sectional available measures. The Gini coefficient inequality and it is a measure of interpersonalized World Income have advantages can countries) and (Gini net) government market value in the commitment on government cleaner indicator in its calculations. Concern to national are not commonly Rogers, and Diaz-these values in the interaction between preliminary research other institutions. I measured political-deliver resources of the personal vote definition, a geopolitical orientation of a politician’s reputation that politician. This highlights the at are the focus of an additive index of ballot structure (takes a value of 2 if parties do not control access or ordering of candidates, 1 if parties control access or order, 0 if parties control both access and ordering), vote pooling (2 if votes are not pooled, 1 if votes pooled across some members in a district, 0 if votes pooled across all members), vote type (2 if voters cast a vote for one individual candidate, 1 if voters cast a vote for a party, 0 if voters cast one vote for a party), and district magnitude (Johnson and Wallack 2006). For each component of the index except the district magnitude, a higher value implies a higher personal vote.

For my purposes, I was concerned with the extent to which politicians must think about their local jurisdiction more than the nation as a whole. I argue the same electoral system structures that tend to cultivate personal reputations are also those most likely to encourage geographic-focused representation. Although this is not a perfect measure of the concept, it does provide a reasonable proxy for the geographic orientation of an electoral system. The average values of the personal vote scores, by Latin American country, are shown in Appendix 2.

**Control Variables**

When measuring government spending, several economic and demographic characteristics are necessary to isolate specific political effects. The first is level of development, measured with the log value of gross domestic product per capita (GDPPC) corrected for purchasing power parity. This variable helps to control for Wagner’s law, which predicts higher government spending as countries grow richer. Second is population, again logged, because larger populations might offer returns to scale in delivery of public services (the numerator) or increase productive capacity (the denominator). The third is an age ratio, the percentage of the population aged sixty-five years and older. In developed countries, this is an important variable to capture the size of the population dependent on government health and income subsidies. This variable may not be quite as relevant in certain Latin American countries, but should play a role in places such as Argentina, Chile, or Mexico, with notable pension systems.

I included ethnic fractionalization because some studies have found social expenditure is lower where ethnic heterogeneity (and, presumably, ethnic tensions) is high (Alesina, Baqir, and Easterly 1999). This may be important, in particular, in the countries with considerable indigenous populations such as Bolivia and Peru, and racial diversity such as Brazil. Globalization, measured as trade openness and capital openness, also controls for the likelihood that countries with open borders are constrained from taxing at high levels to provide government services. With very open
markets, this variable could be even more important in Latin American countries (Wibbels and Arce 2003).

Political institutions other than electoral rules may have similar effects on the territorial scope of national politics. Most importantly, federalism should orient budgets and politician behavior more toward the regions than unitary systems. Federalism is particularly important toward explaining central government expenditure, which should be low relative to unitary systems because significant fiscal activity occurs at the subnational level. I also controlled for institutions that may influence the speed and veto authority in the budget process, including the presidential budget authority (Alesina et al. 1999) and territorial bicameralism in alternative models. The budget authority was similar (and high) for the president in the included countries, with the possible (relative) exception of Peru. Bicameralism is frequently linked to territorial politics and was present in the bigger (and more decentralized) countries in the sample. Only Chile featured a unitary system and bicameralism in the sample. I excluded country fixed effects because I was concerned primarily with the variance across countries on regional inequality and political institutions. The political institutions were fixed in the sample, with the exception of Bolivia, prohibiting over time within country comparisons. Regional inequality did change over time in the sample, but it was a slow-moving variable. Accordingly, cross-country comparisons offered more theoretical and empirical value in this initial examination.

Estimation Techniques

Predicting government spending requires several adaptations to the standard ordinary least squares model to correct for violations of its assumptions. Throughout, I employed panel corrected standard errors (PCSE). I controlled for autocorrelation in spending with the lagged dependent variable, or alternative, an autoregressive (AR1) process, to reduce the considerable variance absorbed by the lagged dependent variable. In the models presented in the body of the text, I focused on PCSE models with AR1 autocorrelation.

Results

Effects

Interregional inequality had a consistent effect of reducing government spending relative to GDP in a cross-national sample. This result, and its comparison with interpersonal inequality, is shown in Table 4.3. This effect

Table 4.3 Effect of

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>Gen Gov</th>
<th>Exp % of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional inequality</td>
<td>–6.6*</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>0.02</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>GDP growth</td>
<td>–0.04</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Population over age 65</td>
<td>0.1</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>GDP per capita (logged)</td>
<td>0.4</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Population (logged)</td>
<td>0.4</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Capital openness</td>
<td>0.5</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Trade openness</td>
<td>–0.6</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Personal vote rank</td>
<td>0.2</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Ethnic fractionalization</td>
<td>11.6</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>Federalism</td>
<td>1.4</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>–25.1</td>
<td>(22.1)</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Countries</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country fixed effects</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X², F</td>
<td>[Probc &gt; F]</td>
<td>58.7</td>
<td></td>
</tr>
</tbody>
</table>

*Note: GDP is gross. *p < 0.1, **p < 0.05.
Table 4.3 Effect of Inequality on Government Spending (percentage of GDP)

<table>
<thead>
<tr>
<th></th>
<th>Latin American Countries</th>
<th>All Available Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Government Expenditure, % of GDP</td>
<td>General Government Expenditure, % of GDP</td>
</tr>
<tr>
<td>Regional inequality</td>
<td>-6.266*** (3.105)</td>
<td>-3.370*** (1.210)</td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>0.430*** (0.099)</td>
<td>0.019 (0.028)</td>
</tr>
<tr>
<td>GDP growth</td>
<td>-0.100*** (0.039)</td>
<td>-0.108*** (0.020)</td>
</tr>
<tr>
<td>Population over age 65</td>
<td>0.983* (0.588)</td>
<td>0.525*** (0.101)</td>
</tr>
<tr>
<td>GDP per capita (logged)</td>
<td>0.403 (7.117)</td>
<td>0.000 (0.530)</td>
</tr>
<tr>
<td>Population (logged)</td>
<td>0.411 (0.644)</td>
<td>-0.445* (0.247)</td>
</tr>
<tr>
<td>Capital openness</td>
<td>0.599* (0.226)</td>
<td>0.119 (0.163)</td>
</tr>
<tr>
<td>Trade openness</td>
<td>-0.011 (0.017)</td>
<td>-0.009 (0.008)</td>
</tr>
<tr>
<td>Personal vote rank</td>
<td>0.261** (0.119)</td>
<td>0.044 (0.070)</td>
</tr>
<tr>
<td>Ethnic fractionalization</td>
<td>11.687** (5.509)</td>
<td>-0.391 (1.089)</td>
</tr>
<tr>
<td>Federalism</td>
<td>1.492** (0.650)</td>
<td>-4.185 (2.772)</td>
</tr>
<tr>
<td>Constant</td>
<td>-25.187 (22.126)</td>
<td>13.918*** (5.060)</td>
</tr>
</tbody>
</table>

\[ R^2 \] 0.518 0.542 0.586 0.614
Observations 127 83 875 725
Countries 9 8 45 42
Country fixed effects No No No No

\[ \chi^2, F \] [Prob > F] 58.773 (0.00) 200.935 (0.00) 269.423 (0.00) 332.485 (0.00)

Note: GDP is gross domestic product.
*p < 0.1, **p < 0.05, ***p < 0.01, two-tailed test.
was thoroughly documented for the Latin American cases and held true for the larger sample of all available countries with regional inequality data on the right side of Tables 4.3 and 4.4 (Rogers 2016). Whether the dependent variable was general or central government spending, a rise in interregional inequality was associated with a reduction in government output.

Interpersonal inequality, measured with the Gini coefficient, appeared to have a strong positive effect on government spending in the Latin American sample. In the global sample, the effect was highly inconsistent and often negative.

The control variables performed largely as expected. The personal vote was associated with increased spending in the Latin American sample, but had no clear effect in the full sample. Importantly, the personal vote was not a proxy for regional conflict, but for territorialized political institutions. Territorial orientation of politics may very well incentivize overspending on pork by districted politicians who have little regard for the national budget. However, nationalizing political institutions may also encourage overspending as politicians collude to extract rents (Persson, Roland, and Tabellini 1997). There are conflicting expectations for how the personal vote should impact government spending overall, but district-targeting incentives are likely to drive down social spending in the national budget (Milesi-Ferretti, Perotti, and Rostagno 2002).

The effect of trade on spending was negative, although capital openness had an ambiguous, and sometimes positive, effect on spending. There was no evidence of the Wagner effect—that higher GDP per capita drives increased spending—in the Latin American or general sample. Contrary to broad expectations, in the Latin American sample, ethnic fractionalization was associated with higher government spending relative to GDP. The association was negative in the full sample, but not significant. The effect of ethnic fractionalization may have been driven in the Latin American sample by the relatively high spending and high fractionalization in Brazil, Bolivia, and Colombia. GDP growth was associated with reduced spending, likely because the denominator grew and spending did not keep pace.

The effect of interregional inequality on spending in Latin America was the opposite of that on interpersonal inequality. While differences in income across individuals drove higher government spending, as regions became more unequal, the generosity of national expenditure declined. This is an important difference in the nature of inequality and its relation to government that has not been previously theorized or tested in Latin American countries. The important question becomes, Why, in Latin American countries, does distributive conflict manifest itself in two distinct ways? Why do the preferences of rich regions win out in Latin America while the desires of the poor individ...

| Table 4.4 | Interacting on Gover | | | |
|-----------|---------------------|---|---|
| General Government Expenditure | | | |
| Regional inequality | Gini coefficient | | |
| Regional inequality x personal vote rank | Gini coefficient x personal vote rank | | |
| Personal vote rank | GDP growth | | |
| Population over age 6 | GDP per capita (log) | | |
| Population (logged) | Capital openness | | |
| Trade openness | Ethnic fractionalization | | |
| Federalism | Constant | | |
| $R^2$ | Observations | Countries | Country fixed effects $X^T, F$ [Prob > F] |

*Note: GDP is gross, $p<0.1, **p<0.05,$
The personal vote in the Latin American sample, but was not supported by the findings indicating that personal vote should be directly linked to GDP. The study suggests that Latin American countries with reduced personal vote spending tend to have lower GDP growth. There is a strong correlation between personal vote spending and reduced GDP growth. This is in line with the hypothesis that individual-level preferences can influence governmental spending on poverty reduction.

The poor individuals appear to shape changes in government spending. I discuss two of many possible answers here. First, it is possible that rich regions are also unequal regions (such as Buenos Aires), so rich regions may align with poor regions for social spending that will benefit their poor individuals but dampen spending that will redistribute to other, poorer, regions. This is unlikely in Brazil and Mexico in which the rich regions are also

<table>
<thead>
<tr>
<th>Table 4.4 Interactive Effect of Inequality and Electoral Institutions on Government Spending (percentage of GDP)</th>
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<tbody>
<tr>
<td>General Government Expenditure</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>Regional inequality x personal vote rank</td>
</tr>
<tr>
<td>Gini coefficient x personal vote rank</td>
</tr>
<tr>
<td>Personal vote rank</td>
</tr>
<tr>
<td>GDP growth</td>
</tr>
<tr>
<td>Population over age 65</td>
</tr>
<tr>
<td>GDP per capita (logged)</td>
</tr>
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<td>Population (logged)</td>
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<tr>
<td>Capital openness</td>
</tr>
<tr>
<td>Trade openness</td>
</tr>
<tr>
<td>Ethnic fractionalization</td>
</tr>
<tr>
<td>Federalism</td>
</tr>
</tbody>
</table>

R² = 0.545
Observations = 127
Countries = 9
Country fixed effects = No

| χ², P [Prob > F] | 90.782 (0.00) | 58.4 (0.00) | 254.528 (0.00) | 197.75 (0.00) |

Note: GDP is gross domestic product.
*p<0.1, **p<0.05, ***p<0.01, two-tailed test.
more equal. It is plausible in Argentina, but unknown in the other countries in the sample (Beramendi, Rogers, and Diaz-Cayeros, forthcoming).

Another possibility that I could test more directly is how the electoral rules shape political winners and losers. Does the political system give incentives for politicians to cater to geographic regions or to social classes? If politicians are rewarded for representing the poor as a group, for example, we should expect interpersonal inequality to drive higher government spending. If, however, all politics is local, then politicians should advocate geographically based resources as interregional inequality increases. I examine this below with the electoral system variables from Latin America.

*Conditional Effects: Inequality Under Different Electoral Systems*

The simple theory I offered above is that politicians should care about different constituencies depending on electoral rules. If electoral rules incentivize politicians to deliver goods to national social groups, regional concerns should be less important. If electoral rules motivate locally oriented thinking, politicians will debate geographically oriented spending with more fervency. What is unclear from this theory is what the general effect of inequality should be, given the electoral system. Does regional inequality drive more or less spending in regionally oriented political systems? Does interpersonal inequality drive a wedge between voters and politicians only in party systems oriented to social class? The interactive results of inequality based on electoral system help to sort these dynamics.

![Figure 4.2 Marginal Effect of Regional Inequality by Personal Vote Rank, Latin America](image)

The conditions featured in Table 4.1ing of electoral system. The higher the rank item, the lower the interpreting the strategy under different similar effects and personal inequality to rank and interregional (high personal vote may mean higher) explored in the model, easily read through effects of inequality.

The results in relationship between in the strong negative models is driven Figure 4.2 shows if vote value is low, spending was signi (personal vote value lower spending—th
The conditional effects of inequality, based on the electoral system, are featured in Table 4.4. Recall that the personal vote was measured as a ranking of electoral systems by Joel W. Johnson and Jessica S. Wallack (2006). The higher the rank, the more personal vote oriented was that political system. The lower the rank, the stronger was the party vote. Accordingly, when interpreting the statistical effect of interregional and interpersonal inequality under different electoral systems, I looked for opposite signs to show similar effects and similar signs to show distinct effects. I expected interpersonal inequality to matter most in party vote systems (low personal vote rank) and interregional inequality to matter most in personal vote systems (high personal vote rank). Mattering within an electoral system, of course, may mean higher or lower spending or no effect at all. This is what I explored in the marginal effects. The results of interaction effects were not easily read through statistical output. Accordingly, I graphed the marginal effects of inequality, based on the electoral system, in Figures 4.2 and 4.3.

The results in Table 4.3 suggest several important things for the relationship between inequality and electoral systems in Latin America. First, the strong negative effect of regional inequality that I observed in all models is driven primarily by nationally oriented electoral systems. Figure 4.2 shows that in nationally oriented political systems (personal vote value is low), the effect of interregional inequality on government spending was significantly lower. Regionally oriented political systems (personal vote value is high) did not respond to regional inequality with lower spending—their spending was unchanged. Moreover, the overall
effect of regional inequality to reduce spending was robust in all models. Second, the strong positive effect of interpersonal inequality on government spending in Latin America was also driven by those nations with nationally oriented electoral institutions, shown in Figure 4.3. In geographically oriented systems, increased interpersonal inequality had no statistical effect on government spending.

What do these results suggest about the relationship between electoral systems and inequality on government spending in Latin America? First, it is clear that interpersonal and interregional inequality have divergent effects on government spending in Latin America and these effects differ depending on a nation’s electoral system. The results in the Latin American sample suggest that nationally oriented electoral rules (in all except Brazil, Colombia, and recently Bolivia) depressed spending as regional inequality grew. These same nationally oriented systems push spending up to deal with increasing interpersonal inequality.

Essentially, there was a null result for geographically oriented political systems to changes in interregional inequality. This finding is important in itself because it suggests a particular dynamic in political bargaining: namely, of resolving political conflict with pork barrel spending. Where politicians in nationally oriented political systems feel little motivation to redistribute to poor regions, in geographically oriented political systems it appears that rich regions are not able to cut off the poor regions. The most straightforward explanation for this outcome may be in party bargaining. While most national political parties are diverse in regional representation, they are often more coherently arranged on the issue of interpersonal inequality and redistribution. More simply, parties form precisely on the basis of individual income redistribution with broad regional representation. Accordingly, matters of interpersonal inequality are most often dealt with across parties while interregional inequality is a distinctly intraparty as well as interparty matter. These bargaining dynamics cannot be examined in this chapter, but are considered in detail in Rogers (2016).

Conclusion

What do these findings mean for the quality of democracy in Latin America today? Overall, I argue that regional economic differences impede national responses to inequality, and this may undermine the quality of democracy. Regions with distinct preferences have difficulty agreeing on policy reform and this may result in policy stagnation, even on pressing concerns over income inequality. At the same time, there is some reason for hope that governments will make serious efforts to lower income inequality, representing lower past. Nonetheless, redistributive refor

The results of ment to redistribu results, regional in redistribution, mea that results from g Diaz-Cayeros, fort inequality to lowe Economically dyna ements than do st on a common polic ments’ responses ha

Yet Latin Am addressing inequiti American democra significant degree Schady (2013) doo to the poorest indi reductions in pover ty line in 1996 to 1 and Eduardo Ortiz- government transfers in Argentina, Brazil made these reforms more money in gov passage and implem tant political change tive to the demands in the recent past.

The sources of improvement in the democracies. After d populist machines de evidence that parties discern those differer is particularly import interests of the relativ need parties able and parties and improve
Inequality and Democratic Representation

...income inequality. The quality of democracy in the region, and the parties representing lower income constituencies appear to be stronger than in the past. Nonetheless, significant structural barriers stand in the way of major redistributive reform in Latin America.

The results of my study suggest that regional inequality is an impediment to redistributive government spending. Indeed, in complementary results, regional inequality is shown to be a strong predictor of lower fiscal redistribution, measured as the percentage decrease in the Gini coefficient that results from government taxes and transfers (Beramendi, Rogers, and Diaz-Cayeros, forthcoming). The theoretical mechanism that links regional inequality to lower redistribution is differences in policy preferences. Economically dynamic regions want different policies out of national governments than do stagnating regions, and they have trouble coming together on a common policy. Not surprisingly, therefore, Latin American governments’ responses have been limited in comparative perspective.

Yet Latin America’s democracies have recently shown signs that addressing inequities is on their policy agenda. In the past decade, Latin American democracies have reduced income inequality and poverty to a significant degree through the efforts of their governments. Levy and Schady (2013) document how government programs to subsidize income to the poorest individuals in Latin America have resulted in substantial reductions in poverty (from 28 percent of the population below the poverty line in 1996 to 13 percent in 2011). Nora Lustig, Luis F. Lopez-Calva, and Eduardo Ortiz-Juarez (2013) show that higher and more progressive government transfers have contributed to reductions in income inequality in Argentina, Brazil, and Mexico. Some of the economic conditions that made these reforms palatable, such as a commodities boom that has put more money in government coffers, may be ephemeral. Nonetheless, the passage and implementation of these reforms reflects a potentially important political change in the region. Democratic leaders appear more attentive to the demands of the majority poor in the region than they have been in the recent past.

The sources of those changes, and the reasons for hope, come from improvement in the quality and functioning of many of Latin America’s democracies. After decades of concern that parties in Latin America were populist machines devoid of programmatic content, we now see increasing evidence that parties offer distinguishable platforms and voters are able to discern those differences (Baker and Greene 2011; Zechmeister 2006). This is particularly important for advancements in redistributive policies. For the interests of the relatively poor to be articulated in the political system, they need parties able and willing to press for their demands. The rise of leftist parties and improved income distribution in recent decades suggest that...
democratic politics has encouraged the representation of a broader segment of the population (Huber and Stephens 2012).

This positive outlook needs to be tempered by severe lingering inequalities in the systems of representation that have clear implications for the likelihood of redistributive policy change. In particular, legislative malapportionment and enclaves of subnational autocracy limit the voice of the poorest in many nations of Latin America (Gervasoni 2010a; Gibson 2005). Moreover, both are inextricably linked to the structure of regional inequality.

Latin America, especially Argentina and Brazil, is a region with substantial malapportionment (Samuels and Snyder 2001). Not coincidentally, those countries with uneven development are also those in which political representation is often disconnected from the one person–one vote democratic ideal (Stepan 2004). Less populated and small regions have disproportionate political voice in these systems. This appears to be important for the distribution of interregional transfers and redistributive reform. For example, Martin Ardanaz and Carlos Scartascini (2013) show that nations with high malapportionment have low personal income tax collection. Low tax revenue and low progressivity in the tax structure limit redistributive options for governments. These authors argue that malapportionment allows antire-distributive elites to buy the support of politicians from less populated (and thus cheaper to buy) regions (see also Gibson 1996; Gibson and Calvo 2000).

Related to this, if regions are powerful actors in national politics, it is important who is representing the interests of those regions. Despite national-level democracy, some subnational regions continue to be governed by autocrats (Gervasoni 2010b). The quality of subnational democracy is much more variable than that of national democracy in Latin America (Gibson 2005). If politicians at the national level have incentive to treat all politics as local, and their local political environment is highly autocratic, then subnational autocracy may influence national democracy. One specific way this may occur is through decisions on interregional transfers.

While government support for the neediest individuals has often been lacking, many Latin American nations transfer considerable income across regions. In fact, intergovernmental transfers in Argentina, Brazil, and Mexico, as a percentage of GDP, are comparable to those found in highly redistributive nations such as Germany (Beramendi, Rogers, and Díaz-Cayeros, forthcoming). Economically productive regions subsidize the spending of less productive regions through centralized taxation. However, these transfers have not led to convergence in regional income (Russo and Delgado 2000). Malapportionment and subnational autocracy help to explain the limited redistributive effects of intergovernmental transfers. Transfers are not progressive, but reflect inequities in representation. Regional income is not a good predictor of regional transfers, but (low) population is a very strong pre-

dictor. Regions like rentier res- reflects a specif inimical to maj-

Notes

1. These bet (2010) and Dion
2. This is an uncontroversial c-
ture or working b individual prefer
3. A summary the central govern
variable. No cent
4. All fifty c data in the indepe
5. The result the regional Gini
6. An arithm
7. With care
8. For a thor data collection pr
9. Vote type
10. Carey an
11. In additi
12. In the Lat
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dictor. Regional autocrats capture a high share of these transfers, which act like rentier resources (Gervasoni 2010a). Redistribution across regions thus reflects a specific political logic in many Latin American nations that is likely inimical to major initiatives to change existing levels of income inequality.

Notes

1. These behavioral assumptions have been questioned. See Ansell and Samuels (2010) and Dion and Birchfield (2010).
2. This is not to say that the preferences of individuals for redistribution are uncontroversial or straightforward. A lively debate in the US and comparative literature is working to sort out the psychological and political economy motivations for individual preferences for government spending.
3. A summary of variables and sources is shown in Appendix 1. The sample of the central government spending is smaller because of missing data in the dependent variable. No central spending data are available for Ecuador.
4. All fifty countries cannot appear in the empirical results because of missing data in the independent variables.
5. The results are also robust to alternative measures of regional inequality—the regional Gini coefficient and the unweighted coefficient of variance.
6. An arithmetical transfer from rich to poor regions reduces inequality.
7. With care taken to address the challenges of the data, discussed more below.
9. Vote type = 1 if a vote for an individual is observationally equivalent to a vote for a party such as in single-member districts.
10. Carey and Shugart (1995) show that district magnitude interacts with ballot structure in proportional representation systems. As district magnitude rises in closed list systems, the personal vote declines. As district magnitude rises in open list systems, parties have more competitors from which to distinguish themselves, so the personal vote rises.
11. In additional models not shown here, I control for possible nonstationarity in the dependent and independent with moving averages in the inequality variables, and full estimations with five-year fixed and moving averages. A full empirical treatment of these data, including an instrumental variables approach, is available in Rogers (2016).
12. In the Latin American sample, in fact, the personal vote is negatively correlated with regional inequality. This may suggest that pork encourages regional convergence, or that regionally disparate societies purposefully choose nationalizing voting rules, or that they are unrelated.