CPW participants: Thank you for reading this document. This semester I have been mostly focused in collecting regional-level electoral and economic data in order to get a picture of the broad cross-country relationships between regional economic disparities and party system regionalization. I am just getting back into hashing out some elements of the theory. This document provides a sort of draft summary of where I am at with this dissertation project in hopes to get some feedback about how to progress on both theory and empirics. In particular, I am interested in the following issues:

a) For now I am collecting data on both federal and unitary countries, but I keep going back and forth between focusing on a wider set of countries or only on federations. What do you think? The drawback of focusing only on federations is that my N is going to be really small.

b) I wanted to include at the end of this document a section on alternative explanations but I ran out of time. So far my data suggests that there are two groups of countries: one group with low regional income inequalities and highly nationalized party systems, and another group with high regional income inequalities and highly regionalized party systems. There is little movement between the groups. The first group is mostly European and other developed countries and the second group is mostly Latin American countries and India and Belgium. Might this be a story about development? Or about weakly institutionalized parties?

c) How do I deal with endogeneity? I posit that regional income inequalities drive the choice of parties and thus the development of party systems. However, it can also be the case that regionalized party systems create regional economic inequalities. I intend to use case studies to show that the causality runs in the direction that I posit, but there are very few cases that actually have time variation (only India, Belgium and Bolivia for now have significant temporal variation), so any suggestions on this issue will be very welcomed.

REGIONAL ECONOMIC INEQUALITY AND PARTY SYSTEM REGIONALIZATION

1. INTRODUCTION

Party systems vary not only in the number of parties and their ideological diversity, but also on where (geographically speaking) parties obtain their support. Some countries develop party systems with mostly regionally-based parties whereas in other countries we mainly find parties that have broad national constituencies and broad programmatic appeals. Yet other countries have party systems where national parties coexist with a few regional ones.
Scholars of parties and party systems insist that the extent to which party systems are regionalized (as opposed to nationalized) has important consequences for political representation, public policy making, demands for secession and levels of conflict in many democratic regimes. On the one hand, the territorial structure of parties has important effects on the nature of programmatic appeals and on the types of policies parties pursue when in government. Parties that field candidates across the whole territory of a country and that obtain similar vote shares throughout this territory tend to campaign on national issues and defend the interests of the nation as whole. In contrast, parties that target geographically concentrated voters and garner their support mostly (or exclusively) in one part of a country are more interested in defending their particular geographic constituency over the nation as a whole. They are more likely to adopt party platforms and policies that emphasize regional as opposed to national interests. “In highly nationalized party systems, national issues are likely to be central in legislators careers. Executives might have greater ability to forge legislative coalitions on the basis of national issues and to negotiate with a few key national party leaders. In a patchwork or weakly nationalized party system, sub-national issues are likely to be more important [. . .]” (Mainwaring 2003).

Recent work puts some of these intuitions to empirical test. For example, Castaneda-Angarita (2008) focuses on a sample of Latin American countries to argue that regionalized party systems increase the amount of transfers to local and regional governments (in the form of pork barrel projects) and make it more difficult to reduce fiscal deficit. In a similar vein, Rodden seeks to explain variation in redistributive policies in federal countries and argues that the types of parties in a polity can affect the progressive character of inter-regional transfers. More specifically, he argues that countries governed by parties with national programmatic appeals are more likely to enact progressive redistributive policies, whereas countries with parties that “de-emphasize national appeals” tend to develop a system of pork-barrel politics that usually results in regressive inter-regional transfers. In a study of Indian politics, Rodden and Wilkinson (2004) note that the switch from a situation of Congress party dominance to a situation of coalition bargaining between regional parties is linked to a change in patterns of redistributive politics. During the period of Congress rule in India, transfers from the center were targeted to core-supporting states to keep the Congress party coalition together; however, when Congress started losing its majority in the Lok-Sabha in the 1990’s, transfers from the center were instead directed towards opposition states (represented by regional parties) to try to keep the government coalition together.

Other scholars have explored how the territorial nature of parties has an impact on the degree of conflict and stability in a country. According to Brancati, “[r]egional parties increase ethnic conflict and secessionism 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 2006: 1). Supporting this line of thought, a great deal of research on federalism has emphasized the importance of nationalized party systems to prevent secessionist tendencies and to help sustain federal bargains (Riker; Filippov, Ordeshook and Schvetsova 2004). However, there are also some scholars that argue that national parties can actually encourage ethnic conflict by excluding minority groups or minority regions (citation). In a large-N empirical test of some of these hypotheses, Bakke and Wibbels conclude that the presence of strong national
parties in government has no peace-promoting effects (as some would have expected); however, if the national party is weak (i.e. the national party obtains votes in less than half of the regions) and does not include any minority regions, then the likelihood of conflict increases considerably (Bakke and Wibbels 2004: 15).

What unites all of this research is that it treats the party system as an independent variable. But given that party system structure matters a great deal for the political life of a country, we should get a better understanding of the factors that contribute to the development of these different types of party systems. My dissertation addresses the following questions:

1. Why are some party systems more regionalized than others? In this part of the dissertation I point to some structural conditions that lead to party system regionalization. I intend to use case studies and large-n cross-country comparisons to illustrate these relationships.

2. Why are some national parties more able to adapt to the pressures of regionalization than others? In this second part of the dissertation I am interested in party strategy. How do parties with national aspirations try to prevent elite splits or loss of votes due to regional pressures?

3. What are the (re)distributive consequences of having nationalized versus regionalized party systems?

This document is an introduction to set up the grounds for the first part of the dissertation (I do not delve into the second and third questions presented above). The unit of analysis is the country. I first present a definition and a measure of party system regionalization. I then show that existing theories cannot explain why some decentralized countries have nationalized party systems whereas others have fairly regionalized ones. The fourth section is the first draft of my theory (or at least my intuitions) about the structural conditions and mechanisms that drive party system regionalization. In very general terms, my argument is that party system regionalization is driven by regional conflict over the distribution of scarce resources from the center. Finally, I present some preliminary cross-country relationships between regional income disparities and party system regionalization to argue my case that as regional income inequalities increase we should expect to see more regionalized party systems. Although, I can confirm a relationship in the expected direction that seems robust to controls, the number of cases is still too small to make any firm claims. In addition, causality and the mechanisms that I posit in my theory are difficult to untangle with the data I have so far (I still have not selected the case studies that will help me tease out the causality).

2. What is party system regionalization? How do I measure it?

For this first part of my dissertation project I am interested in measuring regionalization at the party system level1. Some scholars (Brancati; Ziegfield) have gone about this task by first identifying which parties in a country are regional parties and then measuring their electoral strength. For example, Brancati (2004, 2006) defines regional parties as parties that obtain votes in only one region of a country2. She first identifies which parties are regional according to this definition and then

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1In the second part of this dissertation project I intend to identify which parties are national and which are regional since I am interested in how national parties try to prevent the regionalization of their vote share.

2Fearon and Houten (2002) define regional parties in a similar way.
aggregates their vote shares (or seat shares), which produces a country-level measure of regional party strength. The main problem with this measurement strategy is that it does not capture the phenomenon of “regionalized national parties”. Certain countries do not have regional parties (in the strict sense of Brancati’s definition provided above), but still have a fairly regionalized party system because the main national parties have very uneven distributions of votes across regions (Latin American countries often fall under this category). Conversely, countries like Spain have a fair amount of strong regional parties, but the two main national parties are still extremely strong and obtain fairly even distribution of votes across all regions. So despite having regional parties, Spain has a fairly nationalized party system.

I define party system regionalization as the extent to which voters in a country vote for a different set of parties in each region. A party system is completely nationalized if each region has the same set of parties and if these parties obtain the same proportion of votes across regions (controlling for the population size of the region). In contrast, if each region features a completely different set of parties, the party system is considered to be perfectly regionalized. To measure this concept I adapt a commonly used measure in the literature which captures the degree to which district-level party-systems mirror the national-level party system. This measure is based on the difference between the (average) effective number of parties at the district level (ENPdis) and the effective number of parties at the national level (ENPnat) in a national legislative election. In order to create my measure of regionalization I simply switched districts for regions. I use the following formula:

\[
(1) \quad Inflation_{nat-reg} = \frac{ENP_{nat} - ENP_{reg}}{ENP_{nat}}
\]

And the effective number of parties (ENP) is calculated as follows:

\[
(2) \quad ENP_{nat} = \sum_{i=1}^{V} \left( \frac{v_i}{V} \right)^2
\]

\[
(3) \quad ENP_{reg} = \frac{\sum_{d=1}^{R} \left( \frac{1}{\sum_{i=1}^{d} v_{ij}} \right)}{R}
\]

In equation (2), \( v \) 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 if the sum of squared vote shares. In equation (3) \( R \) is the number of regions and \( v_{ij} \) is the vote share of each party in each region.

The inflation measure assumes that if each region features a different party system, then electoral fragmentation at the national level grows (Leiras: 1). If the difference between the number of parties at the national level and the number of parties at the regional level is high (large inflation), it means that there are aggregation problems across regions and thus the party system is regionalized. Conversely, if the difference between the effective number of parties at the regional
level (averaged across regions) is similar to the effective number of parties at the national level (low inflation) then aggregation across regions is good and the party system is considered to be nationalized. The measure ranges from 0 (perfectly nationalized party system) to 1 (perfectly regionalized party system). So far I have collected regional level electoral data for 25 countries. The number of national legislative elections for which I have data in each country varies considerably (due to data availability issues). I have restricted my search to the period between 1970 and 2008 since most of the data for my independent variables is hard to get for an earlier period. The countries and years included in my dataset so far are presented in Table 1.

<table>
<thead>
<tr>
<th>Country</th>
<th>Elections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>1997</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1982</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1996</td>
</tr>
<tr>
<td>South Africa</td>
<td>1999</td>
</tr>
</tbody>
</table>

3. (De)centralization and preference heterogeneity

Existing literature points to both institutional and sociological factors to try and explain the degree to which parties coordinate across districts (or regions) to form nationalized party systems. The degree of (de)centralization of power is one of the most common explanatory factors in the institutional literature (Chhibber and Kollman; Cox; Harbers). Scholars argue that parties (and voters) cross territorial boundaries and coordinate across districts (or regions) in order to capture the resources of the center; therefore when power is centralized (and concentrated) at the national level there are more incentives for parties and voters to coordinate across jurisdictions (Hicken).
This encourages party system nationalization. However, when power lies at the regional level the
control of the national government is less important and voters have less incentives to vote for
national labels (and supposedly more incentives to vote for local or regional parties).

A quick look at the relationship between decentralization and party system regionalization
with the data that I have collected so far suggests that substantial variation remains unexplained.
Figure 2 presents two bar charts showing the degree of party system regionalization (based on the
inflation measure) on the y-axis against two different measures of decentralization: political decen-
trization in the top graph and fiscal decentralization in the bottom graph. On average, politically
centralized countries seem to have more nationalized party systems than politically decentralized
ones (top graph). Similarly, countries that are more fiscally centralized are also more nationalized
than countries that are more fiscally decentralized (bottom graph). However, there is still variation
that is left unexplained among countries that are politically or fiscally decentralized.

3.1. The role of regional preference heterogeneity. My intuition is that conflict between re-

gions matters a great deal in federations and that these conflicts can help explain the variance we
observe in party system regionalization among this group of countries. A broad range of theoretical
and empirical work in political science and economics has been based on the implicit assumption
that sub-national governments within federal systems are more or less equally sized, equally influ-
ential and equally autonomous within the central government (Congleton et al. 1999: 3). Given
this assumption, most of the literature on federalism has directed its attention to the intergovern-
mental conflict between the central government and sub-national governments as a whole and to
how the relative distribution of authority between these two levels of government (a.k.a degree of
decentralization) affects other political variables such as policy outcomes or the structure of parties
and party systems in this case. Less attention has been paid to inter-regional conflict and to the
fact that regions in a country are hardly ever homogenous in terms of their preferences and in terms
of the power they have to act on those preferences.

Usually, subunits in federations have considerable differences in physical size, population,
income levels, ethno-territorial composition and political power (Congleton et al. 199: 3), but the
literature on party systems focuses tangentially on this question of regional differences and more
on the abstract concept of preference heterogeneity. Scholars argue that when districts (or regions)
have very different policy preferences it is harder for parties to cross territorial boundaries and co-
ordinate across these districts (or regions). Party system nationalization thus becomes less likely in
heterogenous societies. Most scholars trying to explain party system nationalization include in their
models measures of preference heterogeneity as control or intervening variables. Unfortunately, most

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3I have excluded UK from my analysis because there are some errors in the data
4Political decentralization is self-coded and captures whether a country has a constitutionally protected second level
of government with independent elections and some policy-making authority: under the category “unitary” I included
countries that do not have constitutionally protected sub-national units (although they might have administrative
subdivisions with some elected officials); the middle category labeled “transition” includes countries that have tran-
sitioned from unitary to federal in the period under consideration; and the most far-right category is that of federal
countries as defined above. The measure of fiscal decentralization in the bottom graph is constructed based on a con-
tinuous variable of the share of sub-national expenditures over total government expenditures obtained from World
Bank data. The cut between low and high fiscal decentralization has been artificially created at the median value.
Figure 1. Party System Regionalization and Political and Fiscal Decentralization
of the measures that are used are based on indices of ethnic, linguistic and religious fractionalization that do not really capture the degree of territorial concentration of preferences. The territorial concentration aspect is key to explaining why coordination might prove more difficult: if diverse preferences are equally distributed across all regions we should not expect parties to have difficulty coordinating across the territory. More importantly, and aside from these measurement issues, the literature does not hash out the mechanisms by which preference heterogeneity (assuming that it is regionally concentrated) matters for party system regionalization.

In the next section I present a theoretical framework that tries to explain how regional preference heterogeneity affects party system regionalization. In order to do so I focus on economic regional inequalities as a proxy for regional preference heterogeneity. I argue that these inequalities often drive inter-regional conflict since resources in a country are limited and inter-regional redistribution is quite common. I then explain the conditions under which different regional preferences over redistributive policies can lead to party system regionalization.

4. Theoretical Framework

My theory explores the impact of regional heterogeneity on the territorial structure of party systems. The main argument is that large regional disparities in policy preferences (which I proxy with regional income disparities) will foster party system regionalization. The mechanism of my argument are based on the following three premises:

1. Differences across regions in policy preferences are mostly motivated by differences in income across regions
2. The distribution of income in most federations is asymmetrical and right-skewed
3. Decisions made in different regions of a country about whether to vote for a regional or a national party are not independent

4.1. The economic dimension of regional heterogeneity. Spolaore (2008) argues that most heterogeneity in policy preferences has an economic origin. Political life in federal countries is often plagued by discussions of who gets what and how resources should be distributed across regions. Furthermore, demands from regional parties representing culturally distinct regions are often couched in economic terms. According to Garrett and Rodden (2005) rich regions in the Italian North and the wealthy German states like Baden-Württemberg and Bavaria are constantly worried about paying too much into redistribution schemes that benefit other regions. Regional parties from the regions of Catalonia and the Basque Country in Spain represent culturally and linguistically distinct regions, but their party platforms and political arguments are not solely about culture and language. More often than not they are debating about fiscal policy and redistributive schemes. I thus assume that regional economic disparities are a good way to get at regional preference heterogeneity and inter-regional conflict in federal countries.

According to Rodden, the regional distribution of income in federations is such that poor regions are a majority and can exercise pressure to distribute resources from rich regions to poor

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5 Selway's work presents an innovative way to measure the degree of territorial concentration of certain socio-economic cleavages, which will be extremely useful in testing some of these intuitions about the importance of preference heterogeneity
regions. Similarly, Sorens (2003) argues that “in modern democracies the state redistributes from high-income to the low-income; thus, in modern democracies higher-income regions are likely to be more inclined to support secession” (Sorens 2003: 6). Finally, Sambanis argues that inter-regional income differences are associated with inter-regional transfers from richer to poor regions (Sambanis 2004: 24). Figure 3 helps illustrate the empirical origin of these claims. In addition to electoral data aggregated at the regional level, I am also collecting regional GDP/capita for all the countries and years in Table 1 so as to match the electoral data. The density graphs of regional GDP/capita expressed as a share of regional average GDP/capita. All distributions are from data in the year 2000.

**Figure 2.** Distribution of regional GDP/capita as a share of average regional GDP/capita

As we can see from Figure 3, the regional distribution of income in most federations tends to be right-skewed, which makes it likely that there is a pressure to redistribute from rich regions to poor regions. If this is the case, wealthier regions are potential net-transfer givers and thus are bearing most of the costs of heterogeneity in the union (at least in economic terms). Whereas poor regions are net-recievers that will benefit from risk-sharing and redistribution. I argue that this particular distribution of regional income (and the pressure of redistribution) has an effect on

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6I am following Rodden’s presentation of regional income distributions in his paper “Federalism and Inter-regional Redistribution” (2008), but I am using my own data in the calculations.
voter’s decisions to vote for national or regional parties, and that these decisions will be slightly
different for voters living in a rich region as opposed to voters living in more “average income” and
poor regions.

4.2. **On the costs and benefits of voting for national and regional parties.** The choice
between voting for a regional party and voting for a national party can be thought of in terms of
a trade-off between economies of scale and heterogeneity of preferences presented in the work of
Alesina and Spolare and Bolton and Roland\(^7\). National parties tend to be large and thus are more
likely to capture the national government and influence policy-making. Being included in their
coalition can be extremely beneficial if they end up governing the country. The flip side of voting
for a national party is that they have a more diverse constituency and thus they have a harder time
addressing every regions’ concerns. As regional inequalities increase in a country and the pressure
for redistribution increases, the costs of voting for a national party for rich regions also increases.
In contrast, regional parties are smaller and have more homogeneous constituencies which is an
advantage in defending a region’s specific interests. However, voting for a regional party does not
come without costs. Because regional parties tend to be small parties they are less likely to capture
(or influence) the national government. As regional inequalities increase, the costs derived from
voting for a national party will outweigh the risk of voting for a regional party, and we should
observe voters in rich regions voting regional parties as a way to obtain some compensations in the
face of redistributive pressures.

But what happens in the rest of regions? Not many theories address this question. As ex-
plained above, under a democratic form of government and given the regional distribution of income
in many federations, we should expect poorer regions to benefit from progressive redistribution. This
means that under conditions of high regional inequalities, the choice to vote for a national party
is less controversial since only national parties can empower a large low-income coalition that will
favor redistribution (Rodden). However, if regional inequalities increase sufficiently poorer regions
will become more and more dissimilar (notice wider distributions of Argentina and India in Figure
3), which will make it harder for them to coordinate under a common label.

Figure 4 presents in very simple form what I expect party systems to look like under low
regional inequalities (a) and high regional inequalities (b). I conceive of the outcome as a combina-
tion of decisions made by two actors: a rich region and the group representing the rest of regions.
The rich region can cooperate (and vote for the national party) or it can defect (and vote for a
regional party). The rest of regions can either coordinate (and all vote for the national party) or
some of them can defect (and vote for a regional party). Under low regional inequalities it is likely
that poor regions will invariably coordinate and vote for a national label, and the rich region will

\(^7\)This group of scholars explains the size of nations as resulting from a basic tradeoff between the benefits of large
jurisdictions and the costs of heterogeneity. An increase in size (that is an expansion of a state’s borders) brings
about a benefit and a cost. The benefit derives from economies of scale such as common defense, lower per-capita
cost of non-rival public goods and internal free trade. The cost derives fundamentally from diversity and the difficulty
of satisfying very different policy preferences. If the levels of heterogeneity are sufficiently high (and assuming that
heterogeneity is regionally concentrated), we should observe demands for secession from regions that have preferences
that are “far” from those of the central government. These regions will prefer “to form a smaller more homogenous
political unit when they perceive that such heterogeneity costs are higher than the scale economies associated with
larger size” (Spolaore 2008: 11)
either cooperate and vote for a national label or defect (and vote for a regional party). This means that under low inequalities we should observe fairly nationalized party systems, with perhaps one or two regional parties. As inequalities increase however, wealthy regions will for sure vote for regional parties and we might observe some poor regions defecting to a regional party as well. So under high regional income inequalities we should observe more regionalized party systems. [this formalization is still underdeveloped, sorry]

Figure 3

(a) Low inequalities

(b) High inequalities

5. Data and Exploratory Analyses

5.1. Data. The most straightforward and simple implication of my theory is that there is a relationship between regional income disparities in a country and the extent of party system regionalization. I use this section as a first exploration of this relationship with the data that I have collected so far. The dependent variable is the measure of party system regionalization defined in section 2, where a score of 0 means highly nationalized party system and a score of 1 means highly regionalized party system. The independent variable is the degree of regional income disparities in a country. I have collected regional GDP and regional population for every country and for as many time periods as possible to match the electoral data. The literature offers a variety of regional disparity measures (Shankar and Shah; Lessman) that are suitable to calculate the level of regional income disparities
in a country and I have chosen two: coefficient of variation and weighted coefficient of variation. The coefficient of variation is calculated the following way:

\[ CV_u = \sqrt{\frac{\sum_{i} \left| y_i - Y_u \right|^2}{N}} \]

Where \( y_i \) is regional GDP/capita of region \( i \), \( Y_u \) is the average of regional GDP/capita and \( N \) is the number of regions. Given that this measure is sensitive to the number of regions, it is not very appropriate for cross-country comparisons so I have also calculated the weighted version of the coefficient of variation where each regional deviation is weighted by its share in the national population. It is calculated as follows where \( p_i \) is the population share of each region:

\[ CV_w = \sqrt{\frac{\sum_{i} \left| y_i - Y_u \right|^2 p_i}{Y_u}} \] 

5.2. Bivariate Analysis: Party System Regionalization and Regional Inequalities. Table 1 presents correlation coefficients between the party system regionalization measure and the regional inequality measure. The correlations are in the expected direction (positive correlation) and quite large. Note that the correlation with the weighted covariance measure is much lower than with the non-weighted measure and that the lagged correlations are much higher than the non-lagged.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation n-r</td>
<td>0.7064</td>
<td>0.4439</td>
<td>0.8310</td>
<td>0.5713</td>
</tr>
</tbody>
</table>

Figure 4 presents the same relationship graphically. In both graphs the Y-axis is the inflation measure (averaged across the period 1995-2000), and the X-axis is the lagged regional inequality measure (averaged across the period 1985-1995). The only difference between the two graphs is that in the top one, the regional inequality measure is non-weighted, whereas in the bottom one the regional inequality measure is weighted. Both graphs show a positive relationship between the two variables. There is a group of countries in the lower-left quadrant that have low levels of regional income inequalities and low levels of party system regionalization. Whereas the upper-right hand quadrant is compromised of countries with high levels of regional inequalities and high party system regionalization. The two graphs produce somewhat different patterns (which is something I am still trying to investigate), but the general positive is robust.

5.3. Multivariate Analysis: Controlling for alternative explanations. Given the theoretical importance of political and fiscal decentralization as explanatory factors in the literature, I wish to explore whether the relationship I posit above between regional income disparities and party system regionalization holds even when controlling for political and fiscal decentralization. I use the country-level data that I have to run a simple linear regression where the dependent variable is party system regionalization for each country (averaged between 1995-2000) and the main independent
Figure 4. Relationship between regional inequality and party system regionalization

(a) X-axis: non-weighted covariance

(b) X-axis: weighted covariance
variable is my lagged measure of regional inequalities (averaged across 1985-1995). For independent variables I include a dichotomous measure of federalism which takes the value of 0 if the regional level of government is not directly elected and a value of 1 if either the regional legislature or the regional executive or both are elected (based on the Database of Political Institutions). I also include a continuous measure of fiscal decentralization that measures to total sub-national expenditures as a percentage of total government expenditures based on World Bank Data.

In addition, I want to control for whether the political system is parliamentary or presidential and for the number of regions. Existing literature is unclear about the effect of presidential versus parliamentarian regimes on party systems aggregation or inflation, but it is often considered an important variable. On the one hand, presidential systems "present a large and important prize that is awarded in an essentially winner-take all fashion" (Cox 1999: 157), which would seem to encourage the formation of alliances between parties. Regional parties, which are usually smaller than national parties do not usually stand a chance to gain the executive position. On the other hand, presidential systems create a division of power at the national level (between the legislative and the executive branch), which might go against incentives to aggregate across regions. I include a control for the type of political system (0= parliamentary; 1 = mixed and = presidential). Finally, I control for the number of regions when using the non-weighted measure of regional inequalities (since it is sensitive to the number of regions). Although I have time-series data, I cannot use the it due to the invariant nature of regional economic inequalities. Table 2 presents the results of different models. Note that N is low so these are more exploratory than confirmatory results.

Table 3. Regression results: Party System Inflation is the dependent variable

<table>
<thead>
<tr>
<th></th>
<th>Model1</th>
<th>Model2</th>
<th>Model3</th>
<th>Model4</th>
<th>Model5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Disparity (wcov)</td>
<td>0.7(0.008)</td>
<td>0.75 (0.005)</td>
<td>0.76(0.006)</td>
<td>0.65 (0.033)</td>
<td>0.96 (0.009)</td>
</tr>
<tr>
<td>Fiscal Decentralization</td>
<td>0.005(0.054)</td>
<td>0.0059 (0.057)</td>
<td>0.007 (0.040)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political Decentralization</td>
<td>-0.01 (0.836)</td>
<td>-0.284 (0.627)</td>
<td>-0.037 (0.534)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political System</td>
<td>-0.01 (0.801)</td>
<td>-0.04 (0.351)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>21</td>
<td>18</td>
<td>18</td>
<td>21</td>
<td>18</td>
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</table>

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<table>
<thead>
<tr>
<th></th>
<th>Model1</th>
<th>Model2</th>
<th>Model3</th>
<th>Model4</th>
<th>Model5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Disparity (cov)</td>
<td>0.75(0.000)</td>
<td>0.75 (0.000)</td>
<td>0.81(0.000)</td>
<td>0.78 (0.000)</td>
<td>0.87 (0.000)</td>
</tr>
<tr>
<td>Fiscal Decentralization</td>
<td>0.004(0.032)</td>
<td>0.0059 (0.005)</td>
<td>0.006 (0.004)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political Decentralization</td>
<td>-0.005(0.208)</td>
<td>-0.093 (0.017)</td>
<td>-0.097 (0.015)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political System</td>
<td>0.02 (0.488)</td>
<td>-0.026 (0.303)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of regions</td>
<td>0.000 (0.976)</td>
<td>-0.000(0.467)</td>
<td>-0.001 (0.107)</td>
<td>0.000 (0.652)</td>
<td>-0.001 (0.218)</td>
</tr>
<tr>
<td>N</td>
<td>21</td>
<td>18</td>
<td>18</td>
<td>21</td>
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