

REPRESENTING RURAL INTERESTS: POVERTY, POLICY CHOICE, AND
INSTITUTIONAL INCENTIVES IN LATIN AMERICA

A Thesis
to the Faculty of
California State University, Chico

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of the Requirements for the Degree
Master of Arts
in
Political Science

by
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Spring 2016

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Georgia Anderson-Nilsson

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DEDICATION

I would like to dedicate this thesis to my mentor and chair, Professor Jennifer R. Wilking, in appreciation for the time, effort, and tremendous care she has dedicated to me over the past several years. When I first enrolled in her courses as an aimless but enthusiastic undergraduate, I could not have imagined the impact she would have on my life. Professor Wilking has generously guided me not only through the writing of this thesis, but through the process of developing a career in political science. For the past several years, her support and mentorship has been an indescribably important aspect of my progress, both as a scholar and as a human being. I am profoundly grateful, and hope to emulate her truly exceptional example as best I can throughout my doctoral studies and career.

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I would also like to thank Interim Dean of Graduate Studies, Dr. Sharon Barrios. Professor Barrios is a paradigm of strong, flexible and creative leadership and teaching. Her support, proclivity for good ideas, and model of critical thinking have been a source of inspiration throughout my graduate studies. I would also like to express my genuine gratitude to Dr. Matthew Thomas, for the ominous sense of accountability his daily presence added to the drafting of this thesis. On a more serious note, I would like to thank him sincerely for his sage guidance throughout my graduate studies at Chico State.

I would like to thank my parents, Taylor, and Lilly, for their understanding through this busy year, and for listening patiently about such scintillating subjects as farm equipment subsidies, electoral rules, and the World Bank's data archive. To Matt, thank you for your stability and patience, and for always knowing just when and how to provide a dose of levity.

TABLE OF CONTENTS

	PAGE
Publication Rights	iii
Dedication	iv
Acknowledgements	v
List of Tables	viii
Abstract	ix
CHAPTER I	
I. Introduction	1
Background	1
Motivating Puzzle	5
Purpose of the Research.....	11
Statement of the Research Question	13
CHAPTER II	
II. Theory: Institutions, Policy Choice, and Poverty	14
Introduction	14
Collectivistic Versus Particularistic Policies	15
Institutions: Incentives, and Policy Choice	18
Representing Rural Interests	24
Decentralization	26
Electoral Systems	32
Conclusion	43
CHAPTER III	
III. Cross-National Quantitative Analysis: Methodology and Results	45
Introduction	45

	Hypotheses	46
	Data, Methods, and Results.....	48
	Conclusion	102
CHAPTER IV		
IV.	Case Studies: Using Qualitative Analysis to Investigate Causality	106
	Introduction	106
	Case Studies: The Presence of Absence of Closed-Lists in Proportional Representation	109
	Case Studies: District Magnitude	119
	Case Studies: Decentralization	122
	Discussion	130
	The Distribution of Political Power and the Choice to Pursue Collectivistic or Particularistic Rural Policies	133
	Conclusion	139
CHAPTER V		
V.	Conclusion	141
	Summary	141
	Conclusions	142
	Limitations	148
	Future Research	149
	References	152
	Appendix	185

LIST OF TABLES

TABLE	PAGE
CHAPTER III	
1. The Impact of Decentralization, 2009-2013	54
2. The Impact of Decentralization, 1994-2000	55
3. FHI Score	58
3a. “Free” and “Partly Free” Countries	58
3b. Control Variables by “Free” and “Partly Free”	59
3c. FHI Score, Independent and Control Variable Correlations	59
3d. Control Variable Correlations by “Free” and “Partly Free”	60
4. Population and Rural Population Size	62
4a. Decentralization by Rural Population Size	63
4b. Control Variables by Rural Population Size	63
4c. Rural Population Size and Independent Variables	64
4d. Independent and Control Variable Correlations by Rural Population Size	64
5. Control of Corruption	69
5a. Control of Corruption, Independent Variables, and Control Variables	70
6. Gini Index Score	72
7. GDP Growth	73

8. The Effects of Closed-List PR, 2009-2013	79
9. Closed-List PR by Rural Population Size.....	80
9a. Closed-List PR and Control Variables.....	80
9b. Closed-List PR and Control Variables	
by Rural Population	81
10. Closed-List PR, “Free” and “Partly Free” Countries	82
10a. Control Variable Correlations	
by “Free” and “Partly Free”	83
11. Average District Magnitude, 2009-2013	88
12. Average District Magnitude, 1994-2000	88
13. District Magnitude, Year, and Poverty Rates	90
14. Closed-List PR High	92
15. Closed-List PR Low	92
16. District Magnitude and Decentralization, 2009-2013	94
17. District Magnitude and Decentralization, 1994-2000	95
18. Closed-List PR and District Magnitude	97
19. Independent Variable Correlations, 2009-2013	98
20. Averages, Independent Variables	
by District Magnitude, 2009-2013	98
21. Averages, District Magnitude, 1994-2000	99
22. Control Variable Correlations, 2009-2013	99

23. Control Variable Correlations, 1994-2000	100
24. Averages by Rural Population, 2009-2013	101
25. District Magnitude Control Variable Correlations by Rural Population, 2009-2013	102
26. District Magnitude Independent Variable Correlations, 2009-2013	102
 CHAPTER IV	
1. Proportion of Legislators Elected via Closed-List PR and Any Form of PR, 2009-2013	111
2. District Magnitudes, 2009-2013 and 1994-2000	120
3. Electoral Volatility in Peru and Uruguay	121
4. Rural Poverty Rates and Rural Expenditures, 1994-2000 and 2007-2013	137
 APPENDIX	
1. Executive Electoral Systems	185
2. Recoding Methods, Rural Population Size	185

LIST OF FIGURES

FIGURE	PAGE
CHAPTER I	
1. Rural Poverty Rates and GDP Growth, 1992-2000	7
2. Rural Poverty Rates and GDP Growth, 2009-2013	8
3. Agricultural Expenditure and Rural Poverty Rates in Latin America	9
CHAPTER II	
1. Institutions, Policy Choice, Poverty Rates	24
CHAPTER III	
1. Small Rural Population, Fiscal Decentralization, Rural Poverty Rates 2009-2013	66
2. Medium Rural Population, Administrative Decentralization Urban-Rural Poverty, 2009-2013	67
3. Gini Index Score and Urban-Rural Poverty Gap by Country, 1994-2000	72
4. GDP Growth and Rural Poverty Rates by Country, 1994-2000	74
CHAPTER IV	
1. Fiscal Decentralization and Rural Poverty Rates, 2009-2013	123
2. Administrative Decentralization	

and Rural Poverty Rates, 2009-2013	123
3. Political Decentralization and Rural Poverty Rates, 2009-2013	124
4. Overall Decentralization and Rural Poverty Rates, 2009-2013	124
5. Political Decentralization, FHI Scores, and Rural Poverty Rates in Latin America, 2009-2013.....	132

ABSTRACT

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Public investment in collectivistic goods in rural areas in the developing world has been shown to be far more effective than particularistic investment in private goods for rural poverty alleviation. However, governments in Latin America generally prioritize private goods. Given that political institutions create varying incentives for democratically elected political actors to cater to the interests of different constituencies, this thesis asks whether the choice to pursue particularistic rather than public policies in rural areas can be systematically explained by political institutions. Specifically, I perform quantitative, cross-national tests to determine whether variance in decentralization, in the use of closed-list proportional representation, and in mean district magnitude correlate with lower levels of rural poverty and urban-rural poverty disparity. I provide qualitative case studies of Uruguay and Peru, to illustrate the ways in which political institutions create incentives for rural investment. I find that different aspects of decentralization and closed-list proportional representation impact rural poverty in different ways

across different democratic and demographic contexts. The results of this analysis also suggest that the interactive effects of these institutional variables mediate their impact on the representation of rural interests in government.

CHAPTER I

INTRODUCTION

Background

The nature of rural poverty presents unique challenges for governments in countries throughout the developing world. Rural poverty is unique for a variety of reasons: it is far more prevalent and enduring than urban poverty, with fully 75% of global poverty occurring in rural areas (Fan et al. 2015; Byerlee et al. 2009). Furthermore, unlike urban dwellers, the majority of rural populations depend primarily on some form of agricultural production for their livelihoods (Food and Agriculture Organization¹ 2015). In developing countries, the vast majority of agricultural production is composed of smallholder family farms; indeed, more than 90% of the world's farms are small family farms (Fan et al. 2015; FAO 2015). And yet, smallholder farmers tend to be the most impoverished and least food secure demographic: The United Nations' Food and Agriculture Organization estimates that half of the world's hungry are small family farmers (The World Bank 2016). Additionally, despite comprising the majority of farms worldwide, family farms only comprise 12% of global farmland (Ibid.).

As a region, Latin America presents a clear example of these trends. Despite a decline in overall poverty rates over the past several decades, rural poverty has consistently remained higher than urban poverty, and in 2013, rates of extreme poverty in the region were nearly three times higher in rural areas than in urban areas² (Statistics of

¹ Hereafter referred to as FAO.

² The World Bank defines poverty as the percentage of the population living below \$2.5 per day, and extreme poverty as below \$1.25 per day.

Latin America and the Caribbean 2015³). Moreover, as a whole, the share of the workforce in the agricultural sector in Latin America has declined significantly since 1991, even as output growth for the agricultural sector has grown consistently over the same period (CEPALSTAT 2015; International Food Policy Research Institute⁴ 2015; Ludena 2010). Latin America is also the most unequal region in the world; on average, countries in the region have inequality rates significantly higher than the world average (Lustig 2015).

The relative prevalence of rural poverty alongside economic growth in Latin America may be attributed to the underrepresentation of rural interests in government. Relative to wealthier, typically urban groups, rural interests are not inherently well-positioned to engage in political activity or to lobby for policies and goods (Gordillo and Andersson 2004; Olson 1985). Rural populations tend to be more widely dispersed, a condition which, when combined with poverty, tends to render rural voters politically weak as they do not have the resources or ability to organize as easily as their urban counterparts (Bates and Block 2013). Hence, democratically elected leaders have few incentives to serve the interests of rural populations, particularly compared to more compact and organized elite, urban interests. The relative political advantage of elites and urban groups can be exacerbated by conditions of growing economic inequality, which is often a byproduct of the rapid economic growth many developing economies experience (Cornia and Court 2001).

³ Hereafter referred to as CEPALSTAT.

⁴ Hereafter referred to as IFPRI.

The case of coffee growers in Uganda, Kenya, and Colombia serves to illustrate the ways in which variance in the electoral importance of rural voters can impact the representation of rural interests. In the 1970s and 1980s, scholar Robert Bates sought to explain why the productivity of coffee growers in Uganda and Kenya had been lower than expected, and why variation in productivity had been observed over time, despite similar environmental and economic conditions in both between countries and over time (Bates 1997, 178). Challenging cultural explanations for lackluster productivity, Bates instead proposed that farmers were acting rationally within the incentives generated by their political context. He found that when authoritarian leadership in Kenya shifted from a president friendly to coffee-growing regions to a president who was not, the productivity of coffee-growers declined (Ibid., 178-180). Farmers, he found, expected that higher productivity would simply result in higher taxes under a regime unfriendly to their interests, and had no incentives to raise productivity (Ibid.).

Hoping to strengthen the external validity of his findings, Bates turned to Colombia to examine “the politics of policy making rather than...the economics of farming” (Ibid., 180). He found that the prosperous and productive Colombian coffee farmers enjoyed low taxes and high-quality services, proffered by a government friendly to their interests (Ibid., 181). Bates argued that the variance in the productivity of coffee farmers in Uganda and Kenya relative to Colombia was because Colombian coffee farmers constituted a large, and thus electorally valuable demographic. Their demographic mattered immensely in a democratic setting in which two major institutionalized political parties competed, because the coffee farmers’ vote could make or break an election for one party or the other (Ibid.) In Uganda and Kenya, the interests

of coffee farmers fluctuated with the preferences of authoritarian regimes with a propensity to expropriate resources, but in Colombia, not only democratic political competition but also the specific nature of the party system, in the sense that coffee farmers were electorally crucial to both parties, aligned the interests of farmers with those of the political leadership (Ibid.) Simply put, because the political leadership consistently needed the support of farmers, they made policy choices that facilitated a prosperous coffee industry. That is, Colombian policymakers served the interests of these constituents.

Drawing on the theoretical expectations relating to the political value of rural populations generated by Bates' work, in this thesis I argue that specific formal political institutions which align the interests of politicians more closely with those of agrarian rural populations can effect lower rural poverty rates in Latin America, as well as shrink the historically wide gap between urban and rural poverty rates. The argument that formal institutional incentives can influence rural poverty rates pivots on evidence that rural poverty alleviation depends on the nature of public investment in rural areas, regardless of economic growth. A wide body of research indicates that government expenditures on collectivistic, publicly owned goods such as research, education, and infrastructure have far greater social and economic returns than expenditures on particularistic, privately owned goods such as subsidies targeted towards fertilizer and farm equipment (FAO 2012a).

Empirical analyses show that when governments devote a greater percentage of rural expenditures to collectivistic relative to private goods in rural areas, poverty rates are lower and agricultural GDP is higher (Allcott et al. 2006; López and Galinato 2007).

The impact of spending is strong regardless of other potentially significant factors such as trade policy openness, non-agricultural GDP, the value of farmer assets, agricultural land, and international shocks.⁵ (López and Galinato 2007, 1080). Because the differential impacts of spending patterns are so strong, I assert that when the structure of government, and the features of the electoral system are such that policymakers are truly representative of, and accountable to the interests of impoverished rural populations, they will be more likely to direct expenditures towards collectivistic goods that satisfy the needs of the voters to whom they answer. In such settings, I expect that rural poverty rates will be lower than where these conditions are not present.

Motivating Puzzle

Inconsistency in Growth, Poverty, and Policy

As a region, Latin America presents an excellent arena in which to study the determinants of rural poverty, because variation in both the extent and type of poverty is so high cross-nationally, despite consistent regional economic conditions in terms of growth and trade (Pribble et al. 2009). In 2013, the percentage of the rural population living in poverty varied from lows of 2% in Uruguay and 7% in Chile, to highs of nearly 50% in Peru, El Salvador, and Guatemala (CEPALSTAT 2015). The gap between rural and urban poverty rates also varied immensely, while Uruguay's rural poverty rates were nearly 5 percentage points lower than urban poverty rates in 2009, and Peru's were over 45 percentage points higher (Ibid.).

⁵ López and Galinato also include a random country disturbance or fixed country effect variable to capture and control for additional, unobserved country characteristics (López and Galinato 2007, 1080).

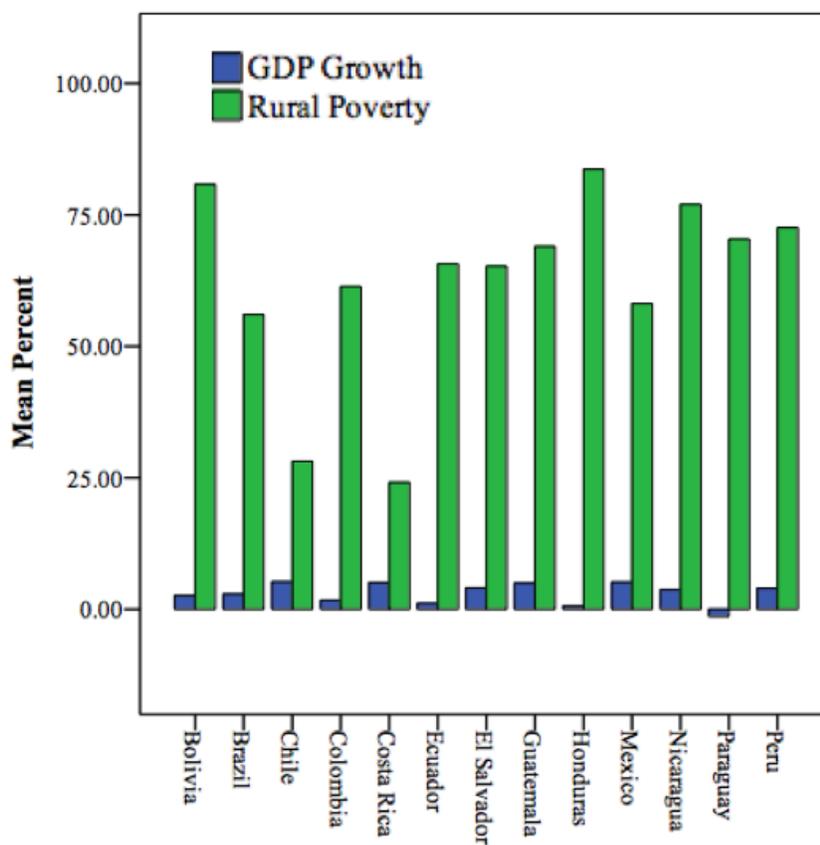
The incidence of rural poverty can be understood within the context of wider economic development. While scholars agree that economic growth is certainly necessary to reduce rural poverty, growth alone does not appear to be sufficient to address chronic poverty or to close the gap between rural and urban poverty (Vakis et al. 2015; Food and Agriculture Organization, 2012). This may be because the agricultural sector typically shrinks as countries move towards industrialization (Byerlee et al. 2009). Over the past several decades, a consistent global trend has been the structural transformation of growing economies: as per capita income rises, the agricultural sector's share of employment and GDP declines (Ibid.). Alongside this pattern, urban poverty rates have remained consistently, significantly lower than rural poverty rates (The World Bank 2008).

These patterns defy the theory commonly espoused by the neoliberal theorists of the 1970s and 1980s, who posited that poverty in Latin America was simply a result of slow economic growth (Pribble et al. 2009). The concomitant expectation that the proverbial rising tide of economic growth would lift all boats was flummoxed when the 1990s brought significant economic growth to the region without a consistent, negative effect on poverty rates (Ibid.; Stein et al 2006; Baker 2003). Indeed, to this day, a full 20% of Latin Americans continue to live in chronic poverty (CEPALSTAT, 2015; Rigolini and Vakis 2015).

While the structural transformation of economies may explain why rural poverty has generally remained relatively high alongside economic growth, this does not explain the counter-examples: countries that have instead experienced reduced rural poverty.

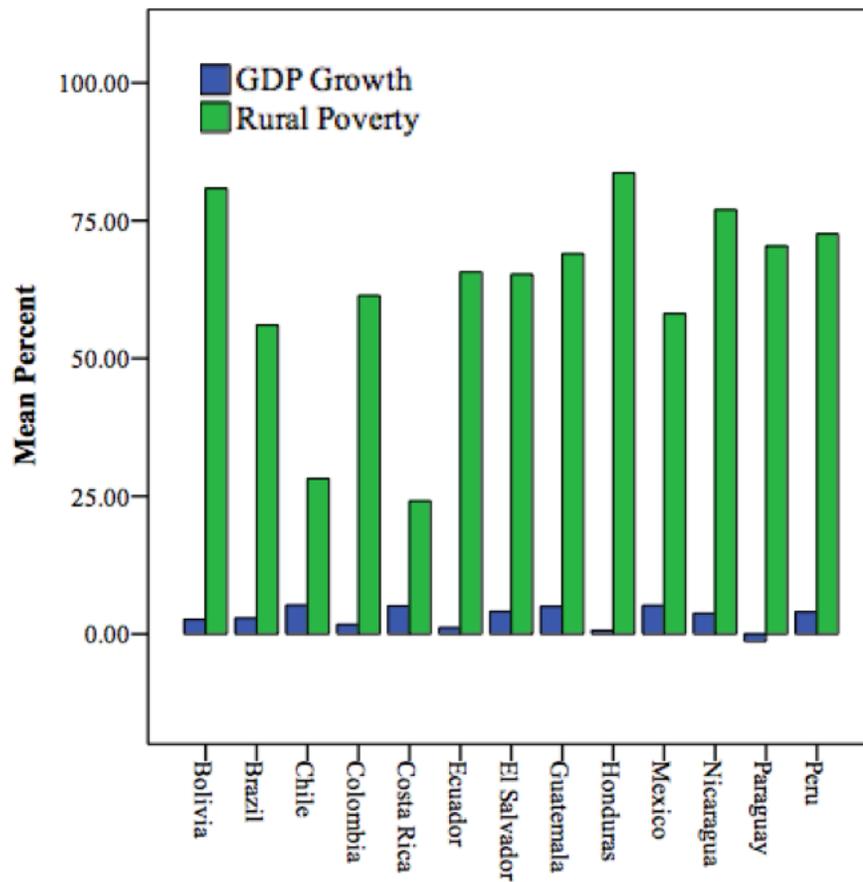
Figures 1 and 2 capture this inconsistency: as we can see, in Latin America, countries with similar growth rates experience great variation in rural poverty rates.

Figure 1: Rural Poverty Rates and GDP Growth, 1994-2000



Sources: World Development Indicators 2016; CEPALSTAT 2015.

Figure 2: Rural Poverty Rates and GDP Growth, 2009-2012

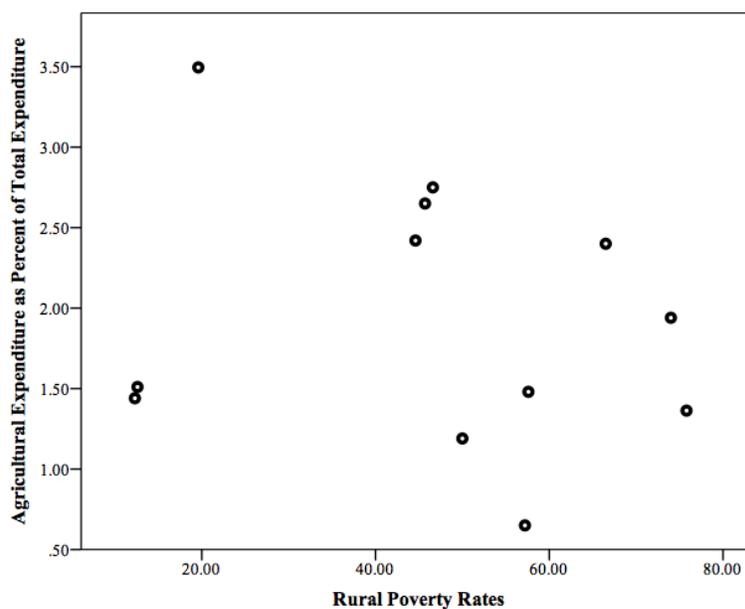


Sources: World Development Indicators 2016; CEPALSTAT 2015.

An intuitive explanation for this mismatch might be that countries with lower rural poverty rates invest more in the agricultural sector, but this is not borne out by the evidence. Figure 3 there is no systematic relationship on a cross-national basis between the amount that governments spend on agriculture as a percentage of their total budgets and rural poverty rates.

The inconsistent impact of growth and spending on poverty can be explained by the fact that it is not simply the amount of government investment that matters for

Figure 3: Agricultural Expenditure and Rural Poverty Rates in Latin America, 2007



poverty reduction, but the composition of expenditures. As discussed, the fact that agricultural spending does not always improve rural welfare “suggests that the ‘how’ of agricultural spending can be as important as the ‘how much’ (Fan et al. 2009, 2). In settings in which governments have chosen to invest in goods that can be widely accessed such as infrastructure, education, and market information, rural poverty rates are consistently lower (Allcott et al. 2006).

Spending patterns favoring public investments not only alleviate poverty, but also drive wider economic growth. Despite the general persistence of rural poverty, when broad economic growth does occur in the agricultural sector, it has been found to benefit the most impoverished sectors more than any other sector of the economy (Ligon and Sadoulet 2007; Christiaensen et al. 2010; World Bank 2008; Townsend et al 2013). When agricultural productivity grows, farmers promote the growth of local economies by

spending favorably on other goods, expanding rural labor markets and often lowering food prices (Haggblade, Hazell and Reardon 2008; World Bank, 2013; Christiaensen et al. 2010). The ability of farmers to purchase goods and services promotes the growth of rural economies in non-agricultural sectors, spurring wider development (International Fund for Agricultural Research and Development 2014⁶). Indeed, in Latin America, countries with the highest rates of rural poverty experienced the slowest economic growth, providing further indication that poverty alleviation, perhaps somewhat paradoxically, is a necessary component of economic growth (Rigolini and Vakis 2015).

Why Private Investments?

Despite clear evidence that collectivistic investments in public goods result in tremendous advantages relative to private goods, governments often choose instead to make particularistic investments in rural areas (FAO 2012a). For example, many governments subsidize the growth of industrialized agriculture, which generates high-volume output and economic gains but exacerbates unemployment and damaged the lives of small-holder farmers, as the predominant result of industrialization has been the exclusion of that demographic from its economic gains (Maass Wolfensen 2013, 21). For example, from 1991-2001, Brazil doubled its cereal outputs through large-scale commercial farms, but the country saw an increase in rural poverty. During the same period, China doubled its cereal outputs through smallholder farms, and saw a 63% reduction in rural poverty (Byerlee et al. 2009a). In recent years, Bolivia and Brazil have both experienced poor rates of rural poverty reduction despite increased agricultural

⁶ Henceforth referred to as IFAD.

outputs, because growth has been “concentrated in a dynamic export-oriented sector of large capital-intensive farms, [so] agricultural employment [has] declined and shifted to higher-skilled, higher-wage workers” (World Bank 2013). This left behind small family farmers concentrated in rural areas, and rural poverty increased.

Purpose of the Research

Given that collectivistic rural investments demonstrate broad social and economic benefits relative to particularistic investments, I ask whether variance in political institutions can systematically explain the choice to make collectivistic rather than particularistic investments. As Huber (2009) asserts, “the degree of reduction of poverty and inequality achieved varies with the size of taxes and expenditures and with the structure of expenditures and services, and those in turn vary with the underlying political power distribution” (Huber 2009, 651).

Various scholars have tested institutional explanations in attempts to explain the endurance of rural poverty, particularly when economic growth failed to demonstrate a systematic impact on rural poverty (Bates 2014). In addition to the previously discussed, seminal work of Bates (1997), Huber et al. specifically examine the relationship between politics and inequality in Latin America, and find empirical support for the hypothesis that a left-leaning partisan balance of power consistently reduces inequality (2006, 959). They find that higher levels of public social spending are associated with lower levels of income inequality, but only in democratic contexts (Ibid., 958). Similarly, Pribble et al. find that in addition to a left-leaning partisan balance, a strong record of democracy is also strongly associated with lower poverty levels in Latin America (2009, 399).

Additional examples of systematic relationships between political and institutional variables, and patterns of poverty, abound. For example, in a cross-national analysis, Jusko demonstrates empirically that the larger the proportion of seats won by low-income voting blocs, the more effective the associated government's poverty relief efforts, regardless of party ideology or union strength (2008, 114). Scholars and international agencies have found that the strength and independence of the judiciary, well-institutionalized political parties, a strong legislature, and a "well-developed civil service" are strongly correlated with cooperative, effective policymaking, which in turn impacts poverty reduction (Franco Chuaire and Scartascini 2014, 8; Stein et al. 2005).

While these studies have demonstrated the salience of institutional variables in explaining national poverty and inequality, to date, no investigation has analyzed how institutional incentives systematically relate to the specific phenomenon of rural poverty in Latin America. Moreover, although a strong democratic record is associated with lower inequality and lower poverty in a general sense, democracy is an extremely varied phenomenon. Different democratic institutions generate variation both in how electorally important different portions of the citizenry are to political leaders, and thus also in the incentives for those leaders to serve different constituencies (Pribble et al. 2009; Huber et al. 2006) Hence, I examine the features of electoral systems that I think impact the variation in rural poverty rates, specifically, whether closed-list proportional representation (PR) is used; the number of representatives each district elects, or district magnitude ; and the extent to which central governments have decentralized fiscally, administratively, and politically. Hence, this thesis seeks to answer the following questions:

CHAPTER I

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The relative prevalence of rural poverty alongside economic growth in Latin America may be attributed to the underrepresentation of rural interests in government. Relative to wealthier, typically urban groups, rural interests are not inherently well-positioned to engage in political activity or to lobby for policies and goods (Gordillo and Andersson 2004; Olson 1985). Rural populations tend to be more widely dispersed, a condition which, when combined with poverty, tends to render rural voters politically weak as they do not have the resources or ability to organize as easily as their urban counterparts (Bates and Block 2013). Hence, democratically elected leaders have few incentives to serve the interests of rural populations, particularly compared to more compact and organized elite, urban interests. The relative political advantage of elites and urban groups can be exacerbated by conditions of growing economic inequality, which is often a byproduct of the rapid economic growth many developing economies experience (Cornia and Court 2001).

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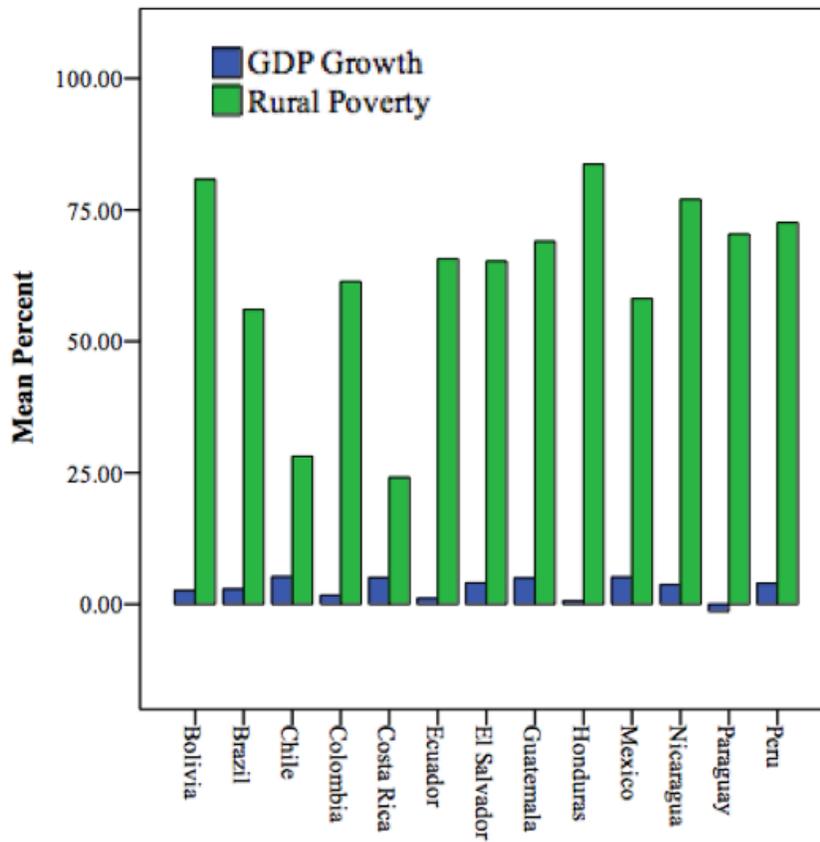
The incidence of rural poverty can be understood within the context of wider economic development. While scholars agree that economic growth is certainly necessary to reduce rural poverty, growth alone does not appear to be sufficient to address chronic poverty or to close the gap between rural and urban poverty (Vakis et al. 2015; Food and Agriculture Organization, 2012). This may be because the agricultural sector typically shrinks as countries move towards industrialization (Byerlee et al. 2009). Over the past several decades, a consistent global trend has been the structural transformation of growing economies: as per capita income rises, the agricultural sector's share of employment and GDP declines (Ibid.). Alongside this pattern, urban poverty rates have remained consistently, significantly lower than rural poverty rates (The World Bank 2008).

These patterns defy the theory commonly espoused by the neoliberal theorists of the 1970s and 1980s, who posited that poverty in Latin America was simply a result of slow economic growth (Pribble et al. 2009). The concomitant expectation that the proverbial rising tide of economic growth would lift all boats was flummoxed when the 1990s brought significant economic growth to the region without a consistent, negative effect on poverty rates (Ibid.; Stein et al 2006; Baker 2003). Indeed, to this day, a full 20% of Latin Americans continue to live in chronic poverty (CEPALSTAT, 2015; Rigolini and Vakis 2015).

While the structural transformation of economies may explain why rural poverty has generally remained relatively high alongside economic growth, this does not explain the counter-examples: countries that have instead experienced reduced rural poverty.

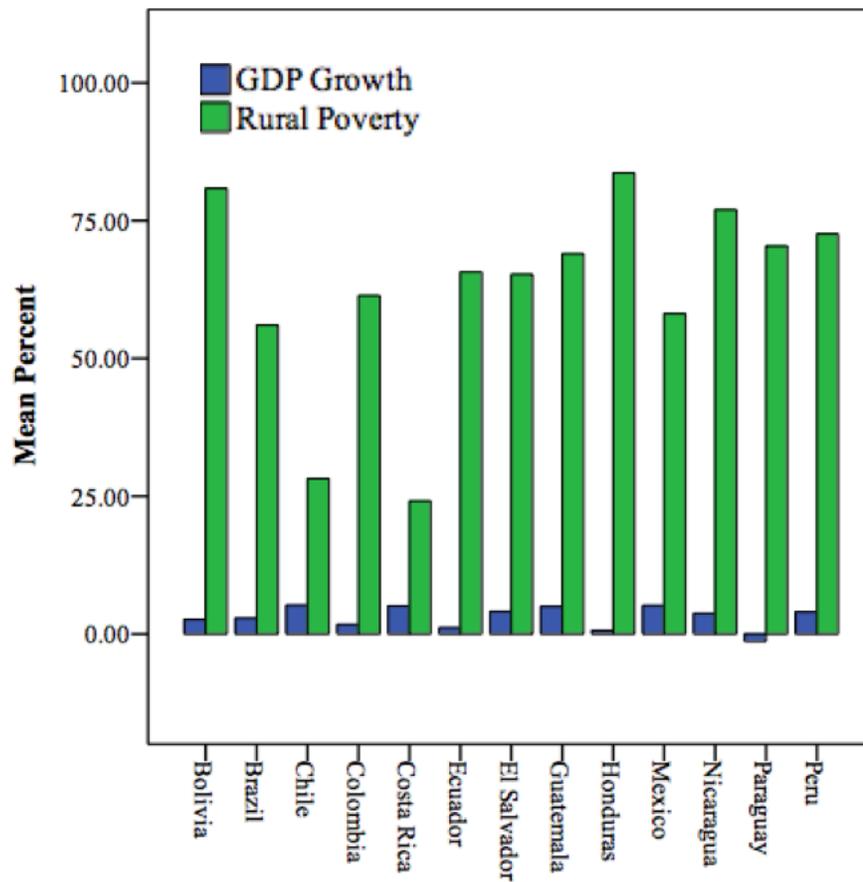
Figures 1 and 2 capture this inconsistency: as we can see, in Latin America, countries with similar growth rates experience great variation in rural poverty rates.

Figure 1: Rural Poverty Rates and GDP Growth, 1994-2000



Sources: World Development Indicators 2016; CEPALSTAT 2015.

Figure 2: Rural Poverty Rates and GDP Growth, 2009-2012

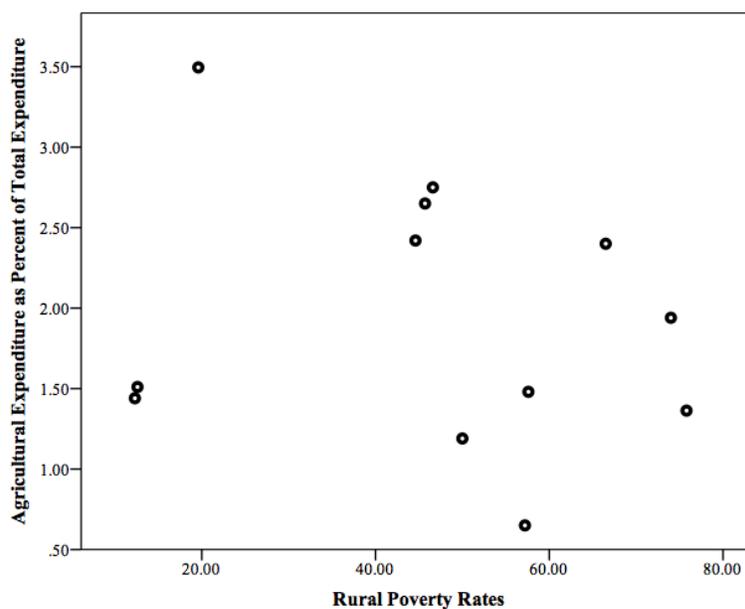


Sources: World Development Indicators 2016; CEPALSTAT 2015.

An intuitive explanation for this mismatch might be that countries with lower rural poverty rates invest more in the agricultural sector, but this is not borne out by the evidence. Figure 3 there is no systematic relationship on a cross-national basis between the amount that governments spend on agriculture as a percentage of their total budgets and rural poverty rates.

The inconsistent impact of growth and spending on poverty can be explained by the fact that it is not simply the amount of government investment that matters for

Figure 3: Agricultural Expenditure and Rural Poverty Rates in Latin America, 2007



poverty reduction, but the composition of expenditures. As discussed, the fact that agricultural spending does not always improve rural welfare “suggests that the ‘how’ of agricultural spending can be as important as the ‘how much’ (Fan et al. 2009, 2). In settings in which governments have chosen to invest in goods that can be widely accessed such as infrastructure, education, and market information, rural poverty rates are consistently lower (Allcott et al. 2006).

Spending patterns favoring public investments not only alleviate poverty, but also drive wider economic growth. Despite the general persistence of rural poverty, when broad economic growth does occur in the agricultural sector, it has been found to benefit the most impoverished sectors more than any other sector of the economy (Ligon and Sadoulet 2007; Christiaensen et al. 2010; World Bank 2008; Townsend et al 2013). When agricultural productivity grows, farmers promote the growth of local economies by

spending favorably on other goods, expanding rural labor markets and often lowering food prices (Haggblade, Hazell and Reardon 2008; World Bank, 2013; Christiaensen et al. 2010). The ability of farmers to purchase goods and services promotes the growth of rural economies in non-agricultural sectors, spurring wider development (International Fund for Agricultural Research and Development 2014⁶). Indeed, in Latin America, countries with the highest rates of rural poverty experienced the slowest economic growth, providing further indication that poverty alleviation, perhaps somewhat paradoxically, is a necessary component of economic growth (Rigolini and Vakis 2015).

Why Private Investments?

Despite clear evidence that collectivistic investments in public goods result in tremendous advantages relative to private goods, governments often choose instead to make particularistic investments in rural areas (FAO 2012a). For example, many governments subsidize the growth of industrialized agriculture, which generates high-volume output and economic gains but exacerbates unemployment and damaged the lives of small-holder farmers, as the predominant result of industrialization has been the exclusion of that demographic from its economic gains (Maass Wolfensen 2013, 21). For example, from 1991-2001, Brazil doubled its cereal outputs through large-scale commercial farms, but the country saw an increase in rural poverty. During the same period, China doubled its cereal outputs through smallholder farms, and saw a 63% reduction in rural poverty (Byerlee et al. 2009a). In recent years, Bolivia and Brazil have both experienced poor rates of rural poverty reduction despite increased agricultural

⁶ Henceforth referred to as IFAD.

outputs, because growth has been “concentrated in a dynamic export-oriented sector of large capital-intensive farms, [so] agricultural employment [has] declined and shifted to higher-skilled, higher-wage workers” (World Bank 2013). This left behind small family farmers concentrated in rural areas, and rural poverty increased.

Purpose of the Research

Given that collectivistic rural investments demonstrate broad social and economic benefits relative to particularistic investments, I ask whether variance in political institutions can systematically explain the choice to make collectivistic rather than particularistic investments. As Huber (2009) asserts, “the degree of reduction of poverty and inequality achieved varies with the size of taxes and expenditures and with the structure of expenditures and services, and those in turn vary with the underlying political power distribution” (Huber 2009, 651).

Various scholars have tested institutional explanations in attempts to explain the endurance of rural poverty, particularly when economic growth failed to demonstrate a systematic impact on rural poverty (Bates 2014). In addition to the previously discussed, seminal work of Bates (1997), Huber et al. specifically examine the relationship between politics and inequality in Latin America, and find empirical support for the hypothesis that a left-leaning partisan balance of power consistently reduces inequality (2006, 959). They find that higher levels of public social spending are associated with lower levels of income inequality, but only in democratic contexts (Ibid., 958). Similarly, Pribble et al. find that in addition to a left-leaning partisan balance, a strong record of democracy is also strongly associated with lower poverty levels in Latin America (2009, 399).

Additional examples of systematic relationships between political and institutional variables, and patterns of poverty, abound. For example, in a cross-national analysis, Jusko demonstrates empirically that the larger the proportion of seats won by low-income voting blocs, the more effective the associated government's poverty relief efforts, regardless of party ideology or union strength (2008, 114). Scholars and international agencies have found that the strength and independence of the judiciary, well-institutionalized political parties, a strong legislature, and a "well-developed civil service" are strongly correlated with cooperative, effective policymaking, which in turn impacts poverty reduction (Franco Chuaire and Scartascini 2014, 8; Stein et al. 2005).

While these studies have demonstrated the salience of institutional variables in explaining national poverty and inequality, to date, no investigation has analyzed how institutional incentives systematically relate to the specific phenomenon of rural poverty in Latin America. Moreover, although a strong democratic record is associated with lower inequality and lower poverty in a general sense, democracy is an extremely varied phenomenon. Different democratic institutions generate variation both in how electorally important different portions of the citizenry are to political leaders, and thus also in the incentives for those leaders to serve different constituencies (Pribble et al. 2009; Huber et al. 2006) Hence, I examine the features of electoral systems that I think impact the variation in rural poverty rates, specifically, whether closed-list proportional representation (PR) is used; the number of representatives each district elects, or district magnitude ; and the extent to which central governments have decentralized fiscally, administratively, and politically. Hence, this thesis seeks to answer the following questions:

1. Can decentralized government improve the representation of rural interests, through improved policy choices in rural areas?
2. Can specific features of electoral formulas create incentives for legislators to substantively represent rural interests?

While scholars have investigated the emergence of proportional representation and the causes of increasing decentralization,⁷ to the best of my knowledge, no study to date has systematically analyzed outcomes relating to poverty associated with electoral systems, district magnitude, and decentralization in the region. Furthermore, no study to date has specifically tested institutional explanations for rural poverty in Latin America. I endeavor to fill that gap by testing the relationship between these institutional variables and rural poverty cross-nationally in Latin America.

In Chapter 2, building primarily upon the work of Bates (1997), Jusko (2008), and Huber et al. (2006), I present the theoretical and empirical justification for the ways in which decentralization, closed-list proportional representation, and low-district magnitude proportional representation may result in lower levels of rural poverty. In Chapter 3, I conduct a cross-national quantitative analysis of Latin American countries, presenting methods, empirical data, and results. In Chapter 4, I present two case studies, Peru and Uruguay, in order to provide a qualitative account of the causal variables. In Chapter 5, I conclude with a discussion of results and implications for future research.

⁷ For example, Falletti (2005) seeks to construct a theory to explain decentralization processes in Latin America; González (2008) explores the causes of decentralization in the region, and Willis-Ortero (2009) seeks to explain the adoption of proportional representation in Latin America.

CHAPTER II

THEORY: INSTITUTIONS, POLICY CHOICE, AND POVERTY

Introduction

As discussed in the previous chapter, rural poverty alleviation depends upon the specific types of agricultural policies that are selected and implemented. Given the different effects on rural poverty of either particularistic or collectivistic rural policies, this thesis asks: Which institutions best incentivize politicians to make policies that most effectively reduce rural poverty? I posit that institutions that enhance the accountability of policymakers to rural populations will be more likely to relieve rural poverty. There are close links between political institutions, policymaking, and policy outcomes. These links mean that political institutions play a primary role in poverty alleviation for a multitude of reasons: they determine the quality of representation and hence the extent to which impoverished voices are heard, they deliver key services, and enforce laws and regulations protecting essential rights (Vakis et al, 2015). Moreover, government institutions determine in large part how resources are distributed – critical, as poverty at its root is a matter of unequal distribution of resources. Variance in the type and quality of institutions therefore affects variance in quality of representation and policy choice, leading to a wide range of outcomes that contribute in direct and indirect ways to conditions of poverty.

Political institutions include formal arrangements ranging from legislative, executive and bureaucratic structures, to electoral rules, judicial systems, and market structure, which determine how authority is exercised in a country. Institutions are

generally understood in extremely broad terms, as “formal and informal rules and regulations governing economic activity, including tax laws, legal regulations, political freedoms...and infrastructure [such as] democracy [or] authoritarianism” (Casson et al. 2010, 137). In short, institutions determine the rules of the game; they are the “constraints that human beings impose on themselves” (North 1990, pp). This thesis will consider the impact of formal institutional variables determining the structure of elections, including how legislative seats are won and allocated, and the formal extent of government decentralization in fiscal, administrative, and political terms.

This chapter will explore how specific institutions may provide a systematic explanation for rural poverty. I will argue that institutions affect poverty via the policy choices selected – either collectivist or particularistic policies. For this reason, I begin this chapter by discussing the effects of these policy choices on rural poverty. I then use the literature on the causal relationship between institutions and development broadly to inform hypotheses regarding the effects of institutions on rural poverty, specifically.

Collectivistic Versus Particularistic Policies

As discussed, rural poverty rates in developing countries tend to be higher, more extreme, and more enduring than in other areas (Kharas et al 2015, 7). Approximately three quarters of the nearly 800 million hungry people on the planet live in rural areas, and many of these are small farmers, whose livelihoods feed approximately 2.5 billion people (Ibid). The rural poor tend to spend large portions of their incomes on food, and are extremely vulnerable to natural and economic shocks (FAO 2015, 12-14).

Government investment in agriculture is not a straightforward panacea for rural poverty and development. By fostering inclusive economic growth, government

expenditures on public, collectivistic goods such as research, education, and infrastructure have far greater social and economic returns than expenditures on private goods such as subsidies (FAO 2012a; World Bank, 2013). Conversely, government expenditures on private, particularistic goods tend to be associated with higher levels of poverty and unsustainable, unpredictable market distortions (López and Galinato 2007; Pinstруп-Andersen and Watson 2011). Public, or collectivistic goods can be broadly accessed, and include collectively owned infrastructure, such as village water supplies, rural roads, and marketplaces, as well as intangible goods such as agricultural research, information sharing, and financial services (IFAD 2015, 9). Private goods, on the other hand, are owned and accessed exclusively by specific groups, and include export subsidies and internal commercialization support (Ibid; Allcott et al 2006). These include subsidies and specific agricultural inputs such as farm equipment and fertilizers (Ibid).⁸

Collectivistic policies relieve poverty in a variety of ways. Investments in public goods such as rural roads, social networks, and the dissemination of market information reduce input costs for small farmers and increase demand for their products, which has a positive, synergistic effect on conditions in rural areas (Pinstруп-Andersen and Watson 2011, 202). Public goods contribute to poverty reduction by correcting market failures and inefficiencies that negatively impact rural farmers (López and Galinato 2007). For example, in Peru, when the Inter-American Development Bank provided smallholder farmers with cell phones that allowed them access to market information on crop prices, farmers sold their produce at 13% higher prices, avoiding the common problem of lost

⁸ Pork-barrel projects are particularistic to regions, but pork can be spent on collectivistic goods within regions (Hilgers 2012, 197).

earnings (IADB 2014, 44). The provision of socially structured financial and other support services, such as producer groups or insurance schemes, also makes small farmers more likely to invest in new technologies that enhance productivity and profits (DFID 2005, 22; Vakis et al, 2015). This is because these services make farmers less wary of the risks of unforeseen shocks, which are major contributors to chronic poverty, as they often deplete or even completely eliminate the resources of the poor (Ibid.)

Conversely, particularistic investments in private goods tend to have negative or, at best, mixed impacts on rural poverty. Expenditures on private goods such as subsidies are generally less effective than public goods in terms of poverty alleviation and economic growth (Poulton 2014, 104; Allcott et al 2006). Government expenditures on private subsidies can actually have negative impacts on efficiency and growth, and can stymie investment rather than promote it (López and Galinato 2007, 1076). Additionally, expenditures on private goods crowd out expenditures on public goods (Ibid.). This is because the benefits associated with private goods tend to go to wealthy, well-organized groups, skewing wealth away from impoverished farmers (Mogues et al. 2012). Indeed, in Africa and Asia, growth in the agricultural sector led to drops in poverty ranging from 1-6% from 1970-1990, while growth in the manufacturing sectors had no measurable impact on poverty (Pinstrup-Andersen and Watson 2011, 177).

The markedly different consequences of private versus public investments can help explain the unique endurance of poverty in rural areas. In an econometric analysis of government expenditures in rural areas in Latin America, López and Galinato (2007) demonstrate that investment in private subsidies results in lower per capita incomes for the rural poor, while investment in public goods have a significant, positive impact rural

per capita income (1091). Similarly, Allcott et al (2006) find that the greater the share of rural government expenditures on private goods in Latin America, the lower agricultural GDP tends to be (3). Moreover, a recent report analyzing rural hunger on a cross-national, global basis found that stronger policies are strongly correlated with lower food and nutrition security needs, even controlling for region and income (Kharas et al. 2015, 9). The study's authors highlight Nigeria and Vietnam because of their similar rural population sizes and GDP per capita, but starkly different food and nutrition needs rates. Vietnam's food and nutrition security needs are much lower than Nigeria's, they argue, because Vietnam's policies are significantly stronger (Ibid, 59-60). This example illustrates the central point that the extent to which governments strategically prioritize collective? Public? (your point is the type of investment matters, so does this need to be more specific?) agricultural investment is strongly correlated with lower food and nutrition security needs, or lower rural poverty (Ibid, 42).

Institutions: Incentives and Policy Choice

As previously discussed, governments in developing countries have typically prioritized policies that invest in private goods, favoring "industrial, urban and service sectors at the expense of agricultural and other rural sector development" (Anríquez and Stamoulis 2007, 6). In fact, in low and middle income countries, small farmers invest four times more capital in their farms than their governments in the agricultural sector (FAO, 2012a). Given the clear advantage collectivistic policies hold over particularistic policies, this thesis asks why policymakers choose to make particularistic investments in rural areas. I approach this puzzle through the lens of political economy, exploring the idea that political institutions which tie legislators more closely to impoverished voters

rather than to elite or narrow groups may account for the choice to make public investments, resulting in more effective poverty relief. I assume that when policymakers stand to gain or lose based on how well they represent rural interests, they are more likely to strive to do so by choosing collectivistic policies. This intuitive notion aligns with the widely held assumption that political leaders in democratic settings are primarily motivated by electoral concerns (Allcott et al 2006, 6).

In general, the incentives generated by formal institutions can determine whether leaders are motivated to invest in collectivistic policies which distribute broad benefits, rather than in particularistic policies that benefit only select, influential groups (Hankla 2010). When government actors make policy choices, “they likely have their own, conflicting goals and objectives” which may or may not align with policy choices that would maximize public welfare (Pinstrip-Andersen and Watson 2011, 34). Because virtually any policy choice presents an opportunity for the government to choose how to distribute resources, policymaking inevitably also presents an opportunity for groups to lobby for a larger share of those benefits (Ibid, 35). Legislators have an incentive to target policies to groups from whom they need support, and those groups are determined by institutional contexts (Hallerberg and Marier 2004, 572). Economic and political elites are virtually always better positioned than the poor to lobby for particularistic public policies that will serve their interests, so the more dependent politicians are on the support of such narrow groups, the more public investment tends to be biased towards private goods (López and Galinato 2007, 1075; Allcott et al., 2006).

In institutional settings that give economic elites a political advantage relative to low-income demographics, particularistic policies are often prioritized at the expense of

investments that might benefit economically disadvantaged groups (Pinstруп-Andersen and Watson, 35). This is because such policies “fit readily into a political model based on patronage” (Poulton 2014, 115). This dynamic may explain why economic growth so often coincides with increased inequality (Oxfam 2012, 2). Although economic growth has been found to alleviate extreme poverty in some countries, in many others, it has instead been accompanied by increased poverty rates (McKay and Sumner 2008, 2; Dahlquist 2013, 30). In many cases, industrialization has driven massive economic growth, but with inconsistent effects on poverty, particularly in rural areas (Pinstруп-Andersen and Watson 2011, 177). For example, despite producing three quarters of Nigeria’s \$520 billion oil economy, the Niger Delta is one of the country’s poorest regions (Oxfam 2015).

Conversely, as Alence (2004) asserts, when “governments [are] more politically responsive and accountable to broader constituencies, it seems to discourage the abuse of public resources for private gain relative to the provision of welfare-enhancing public goods” (176). Public goods tend to disperse benefits more broadly and slowly than private goods, so the political motivation to invest in public goods is very different than the motivation to invest in private goods (López and Galinato 2007, 1075; Poulton 2014, 115). When the provision of public goods aligns with the goals and motivations of policymakers, we can reasonably expect that they will prioritize these types of investments.

The ways in which institutions can mitigate the potential adverse effects of economic growth highlight the relationship between institutions and public welfare. Institutions influence whether wealth is reinvested in ways that spur further development

and improve public welfare in a broad sense (Acemoglu et al 2004). For example, strong institutions which create property rights, regulatory institutions, social insurance, and conflict management all matter significantly for economic growth (Rodrik 2007). These institutions characterize what Douglas North (1981) seminally termed a “contract” state, in which government facilitates institutions that promote inclusive, wide-ranging economic transactions and provide essential protections (22). As Acemoglu and Robinson (2012) put it,

Inclusive economic institutions... are those that allow and encourage participation by the great mass of people in economic activities and that enable individuals to make the choices they wish. To be inclusive, economic institutions must feature secure private property, an unbiased system of law, and a provision of public services that provides a level playing field... (Ibid, 74-5).

In other words, when growth is facilitated by the state through strong and inclusive institutions, it can occur holistically and reach even the most impoverished demographics.

On the other hand, As Alence (2004) asserts, “weak institutions fail to improve [political] incentives' alignment with the longer-term welfare of broader constituencies” (176). In weak institutional settings, economic growth can be expected to lead to inequality and concentrated wealth as resources are traded selectively between groups, as is observable in a multitude of oligarchies (Acemoglu and Robinson 2005, 950; Cervellati et al 2008, 1356). Such states would fall into the category of what scholars have often called the “resource curse,” whereby the governments of resource-rich countries use their wealth for repression, rather than investing it in the greater well-being of citizens (Fayan et al, 5). In the absence of strong institutions, rapid economic growth can also aggravate divisions and destabilize traditional social structures (Olson 1963,

532). Additionally, when economic growth occurs through market liberalization, major policy decisions are often transferred to private entities or international markets (Kurtz 2004, 272). This dynamic can depress political participation, ultimately reducing the accountability of governments to citizens (Ibid).

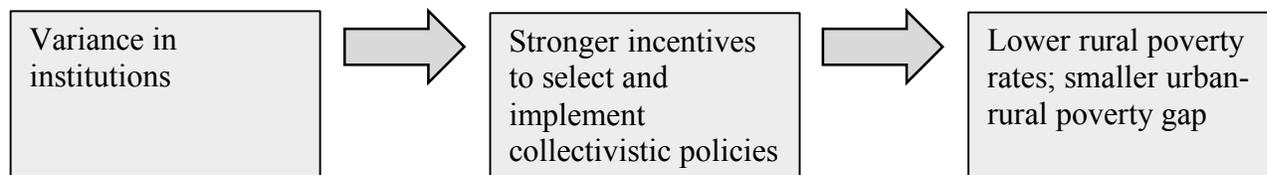
There is a wide body of empirical evidence demonstrating that strong democratic institutions can generate accountability, improving governance and driving growth in broad terms (Rodrik et al. 2002; Aron 2000; Acemoglu et al. 2001). Strong institutions, including an independent judiciary branch, strong property and contract rules, and social security systems, have been found to incentivize investment, mitigate conflicts, and improve public policy within the context of economic growth and wider development (Jutting 2003, 12, 19). In turn, strong institutional quality has been found to be strongly associated with lower poverty levels (Chong and Calderón 1999, 133; Tebaldi and Mohan 2010; Bäckman 2009). When economic liberalization has occurred under democratic conditions in Latin America, political participation has increased, whereas the opposite has occurred in authoritarian contexts (Arce and Bellinger 2007, 112). Cross-nationally, both policy coherence and public service effectiveness have been found to be significantly and positively affected by more competitive democratic contestation and formal constraints on executive authority, suggesting that institutionalized limits on unilateral or concentrated power, whether in the hands of executives or other political groups, have a positive impact on public welfare conditions. (Alence 2004, 175).

A variety of factors, including institutional variables, have been found to impact the composition of rural public expenditures. A greater degree of electoral proportionality positively impacts agricultural GDP specifically through the type of rural

public expenditure made (Allcott et al. 2006, 36, 37). Furthermore, a greater degree of inequality correlates with a greater share of private subsidies in rural public expenditure, which is in turn strongly associated with lower agricultural GDP, and a greater degree of ethno-linguistic fractionalization is associated with a 17% reduction in agricultural GDP (Ibid., 23, 24). These findings are consistent with the theoretical model which proposes that conditions of inequality distort the allocation of public resources because in such contexts, elites are better positioned to lobby for, and receive, non-social subsidies (Esteban and Ray 2006).

These findings provide strong justification for the central argument of this thesis; that the choice between public or private investment in rural areas reflects the distribution of political power, and that these in turn have clear, differential impacts on rural poverty. Due to a lack of data availability on government expenditures in rural areas in Latin America, I am unable to directly, quantitatively test the relationship between closed-list PR, district magnitude, and decentralization against collectivistic versus particularistic expenditures. However, I will illustrate this important variable in the case studies explored in Chapter 4, which will illustrate the expected impact of institutions on policy choice. The quantitative analysis will instead take rural poverty rates and urban-rural poverty disparity as a proxy for collectivistic policy choice, as the schematic in Figure 1 illustrates.

Figure 1: Institutions, Policy Choice, Poverty Rates



Representing Rural Interests

As discussed, rural demographics in developing countries face specific challenges in terms of gaining effective representation of their interests, and holding political leadership accountable. Rural populations are relatively less able to engage in collective action because citizens tend to be more widely dispersed and impoverished than urban counterparts, rendering rural voters politically weak (Olson 1985; Bates and Block 2013). As such, governments tend to be biased towards wealthier, urban groups for whom political organization is easier, especially because the problems of chronically poor rural areas can be expensive and difficult to address (Bird et al.; Olson 1985).

Simply put, political leadership may perceive rural votes as “counting for less” specifically because of their propensity to be marginalized and excluded (Bird et al., 2). In fact, López and Galinato (2007) argue that the consistent historical bias towards investment in private goods in Latin America is politically motivated, pointing out that private subsidies tend to be directed towards “wealthier segments of society,” because they are better positioned to lobby for preferred policies from than their impoverished compatriots (1072, 1075, 1092). Indeed, greater income inequality in Latin America correlates positively both with a greater share of rural expenditures on private subsidies relative to public goods, as well as with larger overall total government allocation to rural

sectors, suggesting that inequality exacerbates the tendency of economic policy to reflect the interests of elite in both urban and rural contexts (Allcott et al. 2006, 21).

Some evidence indicates that better representation of rural interests may lead to collectivistic policy choices and thus also to improvements in rural poverty. In countries with largely agrarian populations in Africa, executives chosen in open, competitive elections have been found to “intervene in markets in ways less likely to shift relative prices against farmers... spend more on agricultural research, secure higher levels of educational attainment, and pave a larger percentage of their roads,” relative to leaders in non-democratic settings. This suggests that democratic institutions that create some accountability to rural voters may indeed produce incentives for policy reforms (Bates and Block 2013). In India, when impoverished voters were newly enfranchised, resources flowed to their sectors at greater rates (Foster and Rosenzweig 2001; Pande 2003).

Which institutional arrangements more closely tie political leaders to rural voters? Like democracy itself, institutions are an extremely broad category, and there is some disagreement over the relative importance of different institutions for different outcomes (Jutting 2004, 19). Because the central focus of this thesis is on the endurance of rural poverty, this analysis will consider institutions that may be expected to enhance the political importance of rural populations. I will consider the following: I begin with decentralization, arguing that political institutions that decentralize governance to rural areas will make policymakers more likely to represent rural interests, as decision-makers are closer to rural populations. I then consider the theoretical and empirical implications of various electoral systems, including the potential implications of closed- versus open-

list and low versus high district magnitude proportional representation, as opposed to majoritarian systems. I argue that because specific features of electoral formulas enhance the representation, the electoral power, and the electoral importance, of rural voters, elected officials in these contexts will be more likely to choose policies that alleviate rural poverty.

While there is evidence of the varying consequences of different electoral systems and forms of decentralization, the ways in which these institutions affect rural poverty specifically has not been well explored. The quality of institutional context is unequivocally fundamental for reducing rural poverty (United Nations 2015). With the notable exception of Allcott et al. (2006), to date, very little research has analyzed whether the formal institutional rules that structure governance relate systematically to rates of rural poverty.⁹ This thesis expands upon the work of Allcott et al. (2006), further testing the relationship between political institutions and agricultural investment patterns, arguing that the incentives generated by institutional arrangements make governments more likely to make collectivistic agricultural investments that result in lower poverty rates, and a smaller gap between rural and urban poverty rates.

Decentralization

Decentralized government is a multifaceted concept; it can take a variety of forms and types (Harbers 2010). For the purpose of this research, I examine processes of decentralization which are commonly categorized as fiscal, administrative, and political. Fiscal decentralization refers most often in the literature to the amount of subnational

⁹ A variety of accounts, however, approach institutional explanations for poverty in a general sense, as well as explanations for rural poverty. See for example Sindzingre 2005, Rupasingha and Goetz 2007, Biggs 2008, Weber and Jensen 2004, and Brady 2003.

government expenditure relative to national expenditure, though in recent years, scholars have added to the definition the extent to which subnational government revenues are sourced locally as well (Rodden 2004; Rodriguez 2008). Administrative decentralization refers to the extent to which subnational governments operate autonomously, particularly in terms of decision-making and veto power (Rodden 2004). Political decentralization refers to whether various tiers and branches of subnational governments are elected rather than appointed by the central government (Schneider 2003; Rodden 2004; Rodriguez 2008).

Because decentralization can empower and incentivize local leaders to make policy decisions and allocate funds according to needs, we may expect that countries with a higher degree of decentralization may see officials pursue more collectivistic agricultural policy agendas in rural areas. Indeed, many scholars have touted decentralization as an important tool for successful rural development because it can create stronger and more autonomous subnational governments, which may consequently be equipped to manage issues pivotal to rural development such as agricultural policies and resource management (Gonzales 2012; Oates 1977; Lai and Cistelli 2005). When executed effectively, “the local autonomy that decentralization generates should increase citizen voice and participation in public decision-making, thereby improving the accountability, and hence responsiveness, of governments to the governed” (Faguet 2014, 53). For these reasons, decentralization is often pointed to as a tool to achieve important development goals, including enhancing community participation and developing techniques aimed at improving the sustainable, profitable use of local resources (Ahmad and Talib 2015).

Theoretically, decentralization may impact rural poverty by enhancing opportunities for the poor to participate in the political process, drawing much-needed government attention and resources to neglected areas. Increased participation should also enhance accountability by ensuring that local governments make policy choices that accurately address local conditions, because when citizens have better opportunities to express preferences, politicians have stronger and more immediate incentives to satisfy local needs (Jutting et al 2005; Blair 2000; Grindle 2007). Scholars and practitioners have argued that because decentralized governments also increase opportunities for involvement in decision-making processes, they can be expected to enhance inclusive representation, ultimately fostering equitable, collaborative development (Willis and Khan 2009; Kakumba 2010, 174; Montalvo 2011).

In addition to generating better policy choices, the accountability generated by decentralization may improve the delivery of public services that alleviate rural poverty. Various scholars have argued that decentralized governance improves efficiency in service delivery because strong local governments can more effectively address the heterogeneous needs and preferences of various constituencies than more uniform centralized governments (Tiebout 1956; Oates 1977, Musgrave 1959). This is particularly true for rural services, as centralized governments are less likely to be familiar with the specific contexts of far-flung districts (Bashaasha et al 2011). Localized leadership is more likely to have both the firsthand information and the immediacy to address needs efficiently (West, 2015; von Braun and Grote 2000). Furthermore, citizens have greater opportunity and motivation to demand improved goods and services when the officials providing those services operate locally (Campbell

2003). Additionally, scholars have argued that because smaller local governments are easier to monitor than centralized governments, corruption is less likely to occur (Fisman and Gatti 1999). Combined, these factors can reasonably be expected to lead to a more targeted, need-based, and efficient allocation of funds (Sepulveda and Martinez-Vazquez 2010). In sum, by “bringing government closer to the people,” responsiveness to local needs can be significantly improved (Faguet 2009, 208).

In keeping with the proposition that institutions can generate broader accountability, a wide body of evidence lends support to the assertion that strong local governments can drive collective benefits. For example, Habibi (2003) finds that stronger subnational governments in Argentina are associated with lower infant mortality rates. Heredia-Ortiz’s (2007) cross-national analysis indicates that the decentralization of education expenditures is associated with improved dropout and completion rates and test scores at the primary level. Decentralization has also significantly improved educational outcomes in Indonesia (Simatupang 2009).

Several studies have demonstrated that decentralization benefits the poor. Von Braun and Grote (2000) perform a cross-national analysis of the impact of decentralization on poverty alleviation, concluding that generally, decentralization does benefit the poor. Additionally, Lindaman and Thurmaier (2002) find that decentralized governments are associated with higher Human Development Index scores, indicating that more fiscally decentralized governments are better equipped to meet basic needs. Voigt and Blume (2012) parse out various independent institutional aspects of decentralization to analyze separately, finding that several positively impact the

dependent variables of government effectiveness, fiscal policy, economic productivity, and happiness.

Decentralization may be particularly important for rural areas. Faguet and Sanchez (2007) found that when Colombia and Bolivia pursued decentralization reforms, impoverished rural districts acted as the drivers of significant, positive changes to education outcomes. In Bolivia, resources were increasingly allocated to poorer, rural districts where needs were greatest, and in Colombia, school enrollment increased in districts where educational finance and policy were under local control (Ibid). In both cases, impoverished rural districts were more affected by decentralization than other districts, (Ibid., 17). In Bolivia, this was because rural districts had previously been largely ignored by central governments, so the precipitous rise in the the distribution of resources to rural districts was quite dramatic in Bolivia. In Colombia, this was because resources had previously been distributed relatively equally between districts regardless of need, and decentralization allowed resources to be allocated based on need, leading to a less dramatic but still significant increase in resources allocated to rural districts (Ibid., 38-39).

Depending on the form of decentralization and the context in which it occurs, different forms of decentralization can have very different consequences for poverty alleviation, as well as for governance (Deolalikar et al 2002, 55-6). Central governments can transfer significant responsibilities to subnational governments without transferring decision-making or fiscal powers, so that subnational governments “basically remain under the hierarchical authority of central state authorities and have no distinct legal existence from the central state” (Jutting et al 2005, 628). For example, in Chile in 1975,

the central government gave local elites autonomy, decentralizing in order to build its power base without expanding accountability (Deolalikar et al. 2002, 42). In a similar vein, Denmark is one of the most fiscally decentralized countries in the world purely in terms of expenditure levels, but its central government maintains tight control over the types of expenditures made by subnational units (Rodden 2004). For this reason, many scholars have argued that decentralization must be considered together in fiscal, political, and administrative terms, because different forms and combinations of types of decentralization can actually take power away from subnational governments (Falleti 2005).

However, there is also a strong case for considering the specific effects of fiscal decentralization. Escobar-Lemmon (2001) argues that fiscal decentralization should be analyzed separately from other forms, because “the power of the purse can make or break subnational government, affecting quality of representation” (24). Indeed, Escobar-Lemmon and Ross (2014) find that administrative and fiscal decentralization improve citizens’ perceptions of accountability in Colombia, whereas political decentralization does not (pp).

Given the theoretical expectations as well as the empirical evidence regarding the effects of decentralization on poverty in broad terms, as well as the effects of fiscal decentralization specifically, I will test the following hypothesis:

H1: As overall levels of decentralization increases, rural poverty rates and the gap between rural and urban poverty will decrease.

- a. As disaggregated levels of fiscal, political, and administrative decentralization increases, rural poverty rates and the gap between rural and urban poverty will decrease.***

While it is generally understood that decentralization can have significant impacts on broader welfare, there is far less evidence regarding the specific effects of decentralized governance on rural poverty. While some studies suggest that fiscal decentralization is associated with increases in rural poverty (see Gunatilaka 2001), others suggest that decentralization has instead benefitted the rural poor (Deolalikar et al 2002, 41). Hence, this thesis seeks to contribute new evidence to the literature on decentralization and rural poverty by systematically testing the specific relationship between various forms of decentralization and rural poverty rates.

Electoral Systems

“The broader the constituency to which politicians are accountable, the stronger the incentives to provide broad public goods.” (Hicken and Simmons 2008, 111)

In general, elections are considered to be the most powerful tool to ensure political accountability. Elections create incentives for politicians to act in the interests of voters, and they give voters the chance to aggregate and express preferences (Persson and Tabellini 2000). The timing and design of elections has clear implications for policy choice and effectiveness: in Brazil, a program aimed at reducing primary dropout rates was 36% stronger in districts with mayors facing reelection (De Jainvry, Finan, and Sadoulet 2010) In fact, as a general rule, governments chosen in open, competitive elections tend to invest more in primary education (Stasavage 2005). During financial crises, Latin American countries are more likely to implement reforms which increase taxes, except during electoral periods (Hallerberg and Scartascini 2015).

A growing body of literature lends support to the idea that variance between electoral settings has varying consequences for policy outcomes, as well as for

accountability in a broader sense (Menocal 2011, 2). Elections incentivize politicians to act in the interests of their constituents “when the threat of not being re-elected serves as motivation” (Aidt and Svets 2012, 1). However, the nature of this threat varies depending on the electoral system at play: depending on the electoral formula, politicians depend on different groups for re-election (Menocal 2011, pp). Because the size and nature of the support candidates need for election depends largely on the electoral formula, we may expect that the incentives produced by these rules lead to different policy outcomes and allocation of resources (Carey and Shugart 1999, 434).

Electoral rules can be expected to factor strongly into how impoverished populations are represented, and how well they are served by policy choices, because they determine whether and how badly legislators need the support of those constituencies to secure election. Because electoral systems determine which groups are electorally important, systems that broaden the political arena may relieve poverty because groups can use political channels to push for policies that enhance their welfare (Birchfield and Crepaz 1998, 76). In a cross-national analysis, Jusko (2008) finds that “an increase in the share of seats secured by a low-income voting bloc is associated with an increase in levels of income support provided to low-income citizens” (115). In this analysis, Jusko confirms the basic intuition that politicians have incentives to serve the constituencies upon whom they depend electorally, demonstrating that this does include low-income constituencies.

This thesis extends this intuition specifically to the demographic of impoverished rural voters. As discussed, rural, impoverished constituencies are often underserved in democratic contexts (Bird et al 2-3). However, as Bates and Block (2013) put it,

Where representation is achieved through electoral channels and where rural dwellers constitute a large segment of the voting population, then politicians have an incentive to bear the costs of political organization and to cater to the interests of farmers.

If policymakers are accountable to rural constituencies, then the value of targeted poverty reduction policies for which they can claim credit via personal appeals increases.

Electoral systems are extremely broad institutions with a vast array of features. This thesis will focus specifically on the features of electoral systems that both enhance the representation of rural voters, and give them the power to hold politicians accountable.

Strengthening Representation: Closed-List PR

As a rule, proportional representation (PR) electoral systems generally are thought to be more inclusive of broader interests, and more accurately representative of a country's population than majoritarian systems (Lijphart 1984, pp). Because legislative seats are assigned more or less proportionately, fewer votes are "wasted," and citizens tend to feel more included (Norris 1997, 7). Furthermore, PR systems tend to accurately and proportionately represent voters (Lijphart 2004). On the other hand, majoritarian systems have been widely criticized for producing disproportionate representation, and for representing the will of a majority or a plurality at the expense of other groups, reducing representativeness (Carey and Hix 2008, 384). Furthermore, voter turnout tends to be higher in PR systems than in majoritarian systems, likely because the value of voting is higher to both voters and parties when fewer votes are wasted (Cox, 1999; Jusko 2011, 2).

A wide body of empirical evidence indicates that more inclusive representation tends to correlate with improved social welfare. Overall, institutions which are broadly

inclusive such as PR systems, “tend to increase welfare expenditures and decommodification, while majoritarian systems and institutions with competitive veto points decrease them” (Birchfield and Crepaz 1998, 76). In fact, social spending generally correlates positively with the degree of proportionality in the electoral system (Iversen and Soskice 2006). Furthermore, income inequality levels are generally lower in more proportional systems (Verardi 2005). In Latin America, the larger the size of the minimum winning coalition leaders need to win, the more likely they are to emphasize effective public policies (Bueno de Mesquita et al. 2002, 574).

Beyond the dichotomous distinction between PR and majoritarian systems, additional details of electoral rules impact how leaders represent constituencies because they determine whether elections are candidate-centric or party-centric. Specifically, the way voters cast ballots determines whether candidates must make personalistic or programmatic appeals to voters to gain a legislative seat, both during campaigns and during tenure in office (Carey and Shugart 1995). The nature of the appeals candidates must make reflect the value of cultivating a personal reputation, or seeking a “personal vote,” relative to building a reputation based on a party’s platform (Carey and Shugart 1995; Hallerberg and Marier 2004, 572; Carey and Shugart 1999, 418).

Electoral systems which cultivate personalistic versus programmatic incentives can be conceptualized along a simplified continuum:



As the diagram depicts, closed-list proportional representation maximizes the value of programmatic appeals (Carey and Shugart 1995). This is because when voters cast a ballot, they vote not for candidates but for parties (Ibid.). Under open-list PR and in majoritarian systems, voters cast ballots directly for candidates. For this reason, elections under closed-list PR tend to be more party-centric, while open-list PR, single-member, and majoritarian elections tend to be more candidate-centered and personalistic.

Systems in which the value of personal appeals is high are candidate-centric and tend to result in personalistic policies. Under open-list PR and majoritarian elections, politicians have greater incentives to provide localized or particularistic benefits because they can personally claim credit for these policy choices (Katz 1986; Carey and Shugart 1995, 433; Heller and Mershon 2009; Crisp et al 2004; Hicken and Simmons 2008; Wright 2010). Furthermore, in candidate-centric systems, politicians have strong incentives to build personal reputations based on appeals to particular groups from whom they need support, either to garner campaign funds, or to mobilize particular voters (Wright 2010, 5). This further encourages the targeted provision of particularistic goods to narrow groups as an electoral strategy (Hallerberg and Marier 2004, 572; Bueno de Mesquita et al 2002, 572). In systems in which a smaller number of extremely narrow interests are electorally important, legislators may also be more likely to compete for the support of those interests, leading to gridlock and to less effective policymaking on a broader scale (Wallack et al 2003, 134).

On the other hand, when the value of programmatic or party-based appeals increases relative to personal appeals, elections are more party-centered than candidate-

centered (Carey and Shugart 1995; Reynolds 2005). Candidates appeal to parties in order to gain ballot access, and parties appeal to voters through programmatic policy platforms (Ibid). Hence, where “party reputation matters more, policymaking should be more ‘efficient,’ [because] voters vote on the basis of broad policy options rather than on the basis of promised particularistic benefits” (Carey and Shugart 1999, 433). Programmatic appeals may result in stronger and more broadly beneficial policies, because politicians are encouraged to build the party’s reputation along with their own (Lederman et al 2005, 117). This may be especially relevant because the benefits associated with public goods often take longer than individual politicians’ tenure in office to manifest, so when party reputation matters more, public goods investments may be more valuable over time (Poulton 2014, 115).

Most electoral systems in Latin America employ mixed electoral systems for different legislative chambers and levels of government. The proportion of legislators elected in closed-list PR in the region ranges from 0 to 100% (Political Database of the Americas 2010). Because the electoral value of programmatic appeals and effective policymaking is maximized in closed-list, parliamentary PR systems, and because of the considerable variation in the extent of closed-list PR in Latin America, a testable hypothesis emerges:

H2: Relative to open list PR systems and majoritarian systems, countries with a greater proportion of legislators elected in closed-list, proportional representation systems will exhibit lower rates of rural poverty.

A wide body of evidence supports the proposition that legislators who have strong incentives to seek personal votes place greater emphasis on policies for which they can claim credit (Hicken and Simmons 2008, 111). For example, in Brazil’s open-list

proportional system, strong pressures from local constituencies have resulted in high amounts of pork-barrel spending at the expense of attention to national issues (Ames 1995). In a comprehensive analysis of 21 OECD countries, Chang demonstrates that district-specific spending is higher in single-member district majoritarian systems, and social welfare spending is higher under PR (2008, 1095). Wright finds that in developing countries with high levels of personalistic politics, foreign aid increases the tendency to spend on particularistic goods, whereas the opposite is true of countries with lower levels of personalism (2010, 16).

Incentives to cultivate a personal rather than a programmatic vote have also been associated with reduced quality of governance. For example, Chang and Golden (2007) find that closed-list PR systems are strongly associated with lower levels of corruption.¹⁰ Additionally, incentives to cultivate a personal vote in majoritarian systems have been found to reduce the efficacy of public spending: education spending aimed at reducing illiteracy, whereas party-centered systems display greater illiteracy reduction with similar spending levels (Hicken and Simmons 2008, 119). Furthermore, Rupasingha and Goetz (2007) find that in the United States, counties with the greatest “pork barrel” allocations from federal grants actually exhibited the highest levels of poverty (668).

Enhancing Accountability: District Magnitude

While a strong case can be made that the inclusive features of PR systems make them more representative than majoritarian systems, scholars have often thought of the choice between majoritarian and PR systems as presenting a trade-off between

¹⁰ This finding holds only when controlling for district magnitude, which I will explore in the next section.

representation and accountability (Carey and Hix 2009). Majoritarian systems are generally viewed to produce stronger accountability, because they produce party systems which present voters with a clear choice between relatively few parties or candidates (Ibid., 384). On the other hand, PR systems can produce highly fragmented party systems, leading to complex coalition governments (Ibid.). Fragmented systems can make it difficult for voters to know how their votes will translate into representation, and complex coalitions can obscure to which party voters should assign blame or credit (Strom 1990; Ibid.). Scholars have demonstrated empirically that greater the number of parties in a governing coalition, the more difficult it is for voters to vote prospectively and retrospectively (Hellwig and Samuels 2007). Importantly, scholars have also found that when PR systems have a greater number of parties in government, targeted subsidies and transfers comprise a greater percentage of public spending relative to public goods, although public goods spending in PR systems remains higher relative to majoritarian systems overall (Scartascini and Crain 2002).

When PR systems have a high number of parties, additional challenges may emerge. In coalition governments, there are a greater number of veto players and a greater number of interests to satisfy, so parties are often forced to bargain to pass policies (Lijphart 1994; Béjar and Mukherjee 2011; Pereira and Mueller 2004). This can result in higher deficits alongside higher social spending, as the use of public resources is often leveraged to resolve political conflicts (Persson and Tabellini 2003; Pereira and Mueller 2004, 782-3). Assembling an effective governing majority in the legislature can also be prohibitively difficult, and resulting coalitions can be unstable (Pereira and Mueller 2004; Menocal 2011, 5; Cho 2012; Lijphart 1994; Cox 1997). On the other hand,

complex coalitions can undermine a government's ability to formulate or change policies at all, particularly policies that respond efficiently to problems (Tsebelis 2002). This type of gridlock may explain why PR systems are usually, but not always, associated with higher levels of social spending (Jusko 2014, 270).

In majoritarian systems, leaders are able to act more unilaterally, which may result in quicker policy responses and action. This is one reason scholars point to for why majoritarian democracies experience far more volatile economic growth than PR democracies, as dominant parties increase government spending during election years to gain reelection, creating uncertainty for investors (Béjar and Mukherjee 2011, 471, 461). This is especially true for pork-barrel expenditures (Ibid, 461). The same principle may apply to open-list PR; for example, Hallerberg and Marier (2004) find that in Latin America, when legislators have incentives to seek a personal vote, empowering executives with budgetary authority is highly effective in balancing budgets, whereas in party-centered settings, executive budget authority has no effect on balancing the budget. This is likely because when personalistic incentives are strong, the use of public resources to garner support is an attractive way to garner electoral support.

In sum, in PR systems, government may be more representative but less accountable to voters, whereas in majoritarian systems government may be more accountable but less representative. Carey and Hix (2009) argue that this central tension can be resolved in PR systems by low district magnitude. By reducing party system fragmentation and simplifying governing coalitions, low-district magnitude can maximize the trade-off between representation and accountability (Carey and Hix 2009, 395). In fact, they demonstrate empirically that as median district magnitude rises in PR

systems, representation improves but accountability deteriorates (Ibid., 393). However, at a district magnitude of approximately four to eight, PR systems are both representative and accountable (Ibid., 395). In fact, they find that increasing district magnitude from one to five reduces disproportionality in representation by three-quarters and creates incentives for more medium-sized parties to coalesce, usually resulting in governing coalitions of two or three parties (Ibid.).

Because low-magnitude PR produces a system that theoretically maximizes both representation and accountability, these countries may display lower levels of rural poverty. This discussion produces a second testable hypothesis, derived largely from the findings of Carey and Hix (2009):

H3: Relative to other systems, PR systems with district magnitudes ranging from 4 to 8 will display lower rates of rural poverty.

Empirically, district magnitude has been found to impact the various consequences associated with PR systems. For example, Chang and Golden (2007) find that higher district magnitude is associated with higher levels of corruption in open-list PR, and lower levels of corruption in closed-list PR (117). Additionally, Portmann et al. find that legislators elected from districts with lower district magnitudes are more likely than their counterparts from high-district magnitude districts to act in line with their district's preferences (2012, 602).

Interactive Variables

The features of decentralization and of electoral systems discussed generate good reasons to expect they may correlate with lower levels of rural poverty. However, as promising as the theoretical benefits of decentralization may be, a significant body of

research associates decentralization with negative outcomes as often as positive outcomes (Faguet 2007). The mixed empirical results may also be due to inaccurate or over-generalized measurement of decentralization, which I endeavor to address by examining both disaggregated and composite measures of decentralization (Voigt and Blume 2012; Sharma 2006). However, the mixed results may also be due to the exclusion of other potentially relevant variables.

Many scholars have pointed out that elections may provide the accountability necessary to ensure that the targeted policies decentralization ostensibly produces are actually carried out (Hankla 2010; Boex et al. 2006, 15). Enikolopov and Shuravskaya's (2006) cross-national analysis of the results of fiscal decentralization demonstrates this dynamic nicely; they find that appointing rather than electing local officials does not improve the benefits of decentralization, whereas strong political party systems do. Studies have also found that the presence of municipal elections in decentralized settings is especially significant in terms of promoting poverty alleviation (Voigt and Blume 2012; Von Braun and Grote 2000).

Electoral systems may also mitigate the risk of elite capture in decentralized settings, a common concern among critics of decentralization. Although decentralization has strengthened democracy in many ways in Latin America, it has also been found to have "reinforced and revived authoritarian regional and local power structures" (Tulchin and Selee 2004, 4). Bardhan and Mookherjee (2006) argue that in order for the poor to participate in decision-making, the structure and distribution of decentralized authority must be equipped to protect against this type of elite capture. Because the value of elite-

support is diminished under closed-list PR, the presence of closed-list PR in decentralized settings may produce strengthen the benefits of decentralization.

Given these propositions, this research will also test whether decentralization and electoral formulas produce interactive effects on rural poverty. This discussion derives another testable hypothesis:

H4: *Under closed-list proportional representation, where fiscal, administrative, and political decentralization is higher, rural poverty rates will be lower, and the gap between urban and rural poverty rates will be smaller.*

- a. *In PR systems with district magnitudes between 4 and 8, higher levels of fiscal, administrative, and political decentralization, poverty rates will be lower and the gap between urban and rural poverty rates will be lower.*

Carey and Hix (2008) argue that a relatively low median district magnitude under PR systems will maximize the tradeoff between representation and accountability.

Consistent with this proposition, Shugart et al. (2005) find that legislators are less likely to make personalistic appeals as district magnitude decreases under closed-list PR, and more likely to make personalistic appeals as district magnitude increases, when lists are open. However, Chang and Golden find that as district magnitude increases above 15 under closed-list PR, perceived levels of corruption decrease (2007, 134). They find that district magnitude has the opposite effect under open-list PR. Given the conflicting evidence between theory and evidence, I test an additional interactive hypothesis:

H5: *As district magnitude increases under Closed-List PR, rural poverty rates will be lower and the gap between urban and rural poverty rates will be smaller.*

Conclusion

This chapter has presented the theoretical and empirical literature surrounding the impacts of decentralization, closed-list proportional representation, and low district magnitude. From these, I have derived five specific, testable hypotheses. In Chapter 3, I

will use quantitative analyses to test these hypotheses. In Chapter 4, I will employ case studies of Uruguay and Peru in order to illustrate some of the causal mechanisms discussed above.

CHAPTER III
CROSS-NATIONAL QUANTITATIVE ANALYSIS:
METHODOLOGY AND RESULTS

Introduction

In this chapter, I present a cross-national, quantitative analysis, testing the relationships between the independent variables discussed in Chapter 2 and the dependent variables of rural poverty rates and the gap between urban and rural poverty rates. I examine available data from each year during two time periods: 1994-2000 and 2009-2013, for 16 countries.¹¹ In this cross-national analysis, I aim to test whether there are significant relationships between the variables hypothesized in Chapter 2 through a correlational analysis. Although this analysis does not attempt to establish causality, my aim is to provide a quantitative foundation for understanding whether, and under what conditions, decentralization, district magnitude, and closed-list PR may matter for rural poverty and urban-rural poverty disparity.

Cross-national statistical analyses are a useful method for testing hypotheses for a variety of reasons. Cross-national statistical analyses can be useful in developing “probabilistic generalizations about the causal relationships (or lack thereof) between variables” (Jackman 1985, 166). Additionally, large-N studies tend to be more reliable in terms of generalizability than case studies, particularly for testing theories (Gerring 2007, 100). Though often criticized for over-simplifying the complexities of reality, without

¹¹ Countries and years were included based on availability of data on rural poverty rates. Countries included: Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay. Time periods were selected based on availability of data on decentralization.

some simplification, the number of potential variables would make interpretation virtually impossible (Jackman 1985, 166.) The simplification inherent to cross-national analyses makes them useful for evaluating ideas about causality in a general sense; essentially, they reveal regularities that allow scholars to interpret causal inference about observations (Ibid., 170; 172). In addition to providing a useful method for testing theories, the relationships revealed by cross-case analyses can provide a basis for formulating questions for future research.

Hypotheses

I expect that a higher overall degree of decentralization will result in lower rural poverty rates, as well as a smaller gap between rural and urban poverty rates. As previously discussed, this expectation can be imputed to both the theoretically proposed and empirically tested effects of each disaggregated form of decentralization. Political decentralization enhances the ability of for citizens to participate in the political process, and to hold legislators accountable for policy choices. Administrative decentralization augments the ability of local governments to make decisions about policy which have been tailored more accurately to the preferences and needs of their districts. Finally, fiscal decentralization gives local governments the proverbial power of the purse, allowing them to actually implement and substantively carry out policy choices. As discussed, there is some debate over whether the benefits of any form of decentralization can be realized without the other forms. I expect that the effect of each measure of decentralization will be strongest when combined, but also expect to observe independent effects of each on both measures of rural poverty.

From this discussion, I have derived the following testable hypothesis:

H1: *Taken together, the greater the extent of fiscal, political, and administrative decentralization, the smaller the gap between rates of rural and urban poverty will be.*

a. *The greater the extent of fiscal, administrative, and political decentralization, the lower the rates of rural poverty will be.*

As discussed, I expect that varying political institutions generate different incentive structures, within which political actors make strategic decisions. I specifically examine two features of electoral systems: closed-list PR and district magnitude. I expect that because closed-list PR generates stronger programmatic rather than personalistic incentives for democratically elected policymakers, these systems will generate higher-quality representation, making legislators more likely to make collectivistic policy choices and thus also exhibit relative improvement in both measures of rural poverty. Similarly, I argue that because lower district magnitudes tend to generate less complex governments, this institutional condition will enhance accountability by making it easier for rural voters to punish and reward legislators for policy choices. Hence, legislators in low district magnitude settings who are motivated by reelection will be more likely to make collectivistic policy choices, leading to lower rural poverty rates.

The following hypotheses emerge from this discussion:

H2: *Relative to open list PR systems and majoritarian systems, countries with a greater proportion of legislators elected in closed-list, proportional representation systems will exhibit lower rates of rural poverty.*

H3: *Relative to other systems, PR systems with average district magnitudes ranging from 4 to 8 will display lower rates of rural poverty.*

Additionally, I expect that the combination of closed-list PR and decentralization will further align the interests of political leadership with those of rural populations, generating the interactive hypothesis:

H4: *Under closed-list proportional representation, where levels of fiscal, administrative, and political decentralization are higher, rural poverty rates will be lower, and the gap between urban and rural poverty rates will be smaller.*

b. Where district magnitude is between 3.5 and 9, under higher levels of fiscal, administrative, and political decentralization, poverty rates will be lower and the gap between urban and rural poverty rates will be smaller.

Furthermore, because scholars have found that the interaction of district magnitude and Closed-List PR has differential impacts on levels of corruption, I test the following interactive hypothesis:

H5: *As district magnitude increases under Closed-List PR, rural poverty rates will be lower and the gap between urban and rural poverty rates will be smaller.*

Data, Methods, and Results

Rural Poverty

This analysis takes rural poverty rates and the gap between urban and rural rates as dependent variables. To measure rural poverty rates from 1994-2000 and 2009-2014, I used data from The United Nations' Economic Commission of Latin America and the Caribbean's (hereafter referred to as CEPALSTAT) Database of the Americas, from each available year during that time period, for each country.¹² CEPALSTAT estimates the percentage of the population living in poverty and extreme poverty for urban areas and rural areas, as well as at the national level. CEPALSTAT estimated the cost of a food

¹² For information on which countries were measured using which year, please contact author. All control variables were recoded for disaggregated analyses. Recoding methods are available in the Appendix.

basket, consumption habits, food availability, prices, and regional price differences, from national household-budget surveys and other sources, in order to establish the indigence line (United Nations, 2016). The poverty line was then derived from the indigence line by multiplying it by 2 for urban areas and 1.75 for rural areas (Ibid.). The same methods were used for urban poverty rates. To calculate the urban-rural poverty gap, I simply subtracted the urban poverty rate from the rural poverty rate. Poverty rates were recoded into low, medium, high, and extremely high where appropriate.

Measuring the gap between rural and urban-poverty may be more salient for variables relating to electoral systems than for decentralization. As previously discussed, urban voters tend to be better positioned than rural voters to lobby for political benefits, as they are not as widely dispersed and tend to be significantly wealthier. In fact, Young (2013) finds that across 65 countries, 40% of mean inequality can be accounted for by the large gap between urban and rural incomes. In electoral systems which make politicians dependent on smaller, better-organized particularistic groups of voters, it stands to reason that this inequality of income would be reflected in political inequality as well.

Rural and urban poverty rates varied significantly across countries included in the analysis. In 1994, rural poverty rates ranged from 22.3 to 86.3 percent of the rural population living in poverty, with a standard deviation of 19.7, and the urban-rural poverty gap ranged from 4 to 39.1 with a standard deviation of 9.9 (CEPALSTAT 2015). From 2009-2013, this range was 2 to 79.5 for rural poverty rates, with a standard deviation of 19.7, and -4.8 to 45.4 for the urban-rural poverty gap, with a standard deviation of 12.5 (Ibid.). Across all cases but Uruguay, urban poverty rates were

consistently lower than rural poverty rates (Ibid.). I investigate a variety of possible explanations for this variation in poverty rates.

The Extent of Decentralization

To measure the extent of decentralization from 2009-2014, I use data from the dataset “How Close Is Your Government to its People?” (Ivanya and Shah 2014), which measures the extent of local autonomy in fiscal, political, and administrative terms. The dataset provides an index score for the three components of decentralization, as well as a composite index which includes all three. The fiscal index captures taxation autonomy, expenditure autonomy, intergovernmental transfers, borrowing, and the dependency of local on national governments (Ivanya and Shah 2014, 6). The administrative measure captures whether local governments can hire and fire employees, contract, and regulate local activities autonomously; while the political measure captures whether and the extent to which various aspects of local governments are directly elected (Ibid., 5-6). They also create a composite index value including all three measures. For each measure, a higher value indicates a greater degree of decentralization.

Due to limited data availability, I used a different dataset to measure decentralization for the time periods 1994-2000. I use data on decentralization in the dataset “Decentralization” (Abdelhak et al. 2012). The dataset compiles information on decentralization from a variety of multilateral agencies. These data provide average values for the years 1994-2000, including the percentage of the national GDP constituted by subnational government revenues, as well as the subnational share of subnational government expenditures, the proportion of subnational government employment relative

to total government employment, the number of tiers, or levels of government, and whether leaders are directly elected at the bottom and second-lowest tier of government.

To measure fiscal decentralization for 1994-2000, I create a composite measure which simply represents an average of subnational expenditures and revenues.¹³ A higher value reflects a higher percentage of subnational expenditure and revenue, or a higher degree of fiscal decentralization, while a lower value represents the reverse. To measure administrative decentralization from 1994-2000, I use the values provided in the dataset for the subnational government employment share, or the proportion of non-central government employment. Although this is a rough estimate of administrative decentralization, it does provide some insight. To calculate political decentralization from 1994-2000, I use the same dataset's variables measuring a country's number of tiers (ranging from 2-4), and whether the executive at the lowest and the second-lowest tiers are directly elected (these receive a value of 1) or are chosen by a directly elected legislative body (these receive a value of .5). I create a measure based on these three variables. For example, Bolivia has four tiers, with executives chosen by directly elected bodies at the lowest 2 tiers. Because I am measuring the extent of political decentralization, I weight the bottom tier more heavily than the second lowest tier, so that Bolivia receives a $1/2$ for the bottom tier and a $.5/1$ for the second-lowest tier, for a total of $1.5/3$, or $.5$. One country, Uruguay, has only 2 tiers, so it receives a full score of 1 for having it's the executive of the lowest level of government directly elected.

¹³ Excepting Honduras, for which the value provided only reflects proportion of subnational expenditure due to lack of data on revenue.

Traditionally, many studies of decentralization have used levels of fiscal decentralization, as “measured by the total share of expenditures at the sub-national level in relation to the total expenditures of the government” (Gonzales 2008, 223). However, because decentralization is a multidimensional concept, measures of fiscal decentralization alone can be analytically blunt. Including measures of subnational revenue autonomy in measurements of fiscal decentralization can provide some additional nuance, but this measurement still encounters problems, because central governments can maintain tight control over tax structures just as they can over spending patterns (Rodden 2004). Furthermore, although revenue autonomy may be indicative of stronger local power in some cases, in impoverished districts, it may also weaken local governments due to a limited tax base (Bashaasha et al 2011). Hence, measures of administrative and political decentralization can be useful both alongside and in conjunction with fiscal decentralization. This method was also developed and utilized by Gonzales (2008, 228) who measured decentralization by examining both fiscal measures as well as a constructed composite of fiscal and administrative decentralization.

However, as discussed in the previous chapter, there is also reason to test each form of decentralization separately. Fiscal decentralization may have its own independent consequences because the “power of the purse” is uniquely equipped to “make or break” governments (Escobar-Lemmon 2001, 24). Similarly, because political and administrative decentralization relate specifically to decision-making, policy choices, and local accountability, each measure could also have independent effects. Indeed, Smith (2010) tests the differential effects of fiscal, administrative, and political decentralization across municipalities in Latin America, finding that political autonomy is

more influential in terms of attracting new businesses (16). Because there are theoretical and empirical reasons to expect that fiscal, administrative, and political decentralization may have effects both independently and when taken together, I measure both the composite measure of decentralization provided for 2009-2013, as well as the disaggregated measures of each component.

In recent decades, decentralization has been an increasing global trend. The vast majority of developing countries have pursued decentralization policies as a rural development strategy (Lai and Cistulli 2005). This trend has been especially strong in Latin America, where decentralization has been especially dramatic (Ponce-Rodriguez et al 2012; González 2008). In fact, subnational public expenditure in Latin America rose from 5.3% of total public expenditure from 1996-2000, to 21.1% from 2006-2008 (Ter-Minassian and Jimenez 2011). This predominant trend has occurred in the region since the 1980s, occurring alongside a wider trend of democratization (Bossuyt 2013; Faust 2006; Ter-Minassian and Jimenez 2011; Escobar-Lemmon, 2001). The variation over time allows us to observe the differential impacts of various aspects of decentralization.

Moreover, despite an overarching trend towards decentralization in the region, there is significant variation in the extent and structure of decentralization between Latin American countries, which also allows us to observe differential consequences (Garman et al. 2001; Montero and Samuels 2004; Tulchin and Selee 2004). Administrative decentralization varies perhaps most strikingly: for example, in Venezuela, states can request responsibility for functions from the national government, in Argentina, subnational units share educational functions with the national government but health remains highly centralized (Tulchin and Selee 2004). In Brazil and Argentina, governors

have veto power at the federal level (Moscovich 2014). Argentina, Brazil, Mexico, and Venezuela also are formally federally structured, though Brazil is the only country to have fully granted subnational tax autonomy (Lora 2007, 27).

Because decentralization has increased in the region in recent decades, and because of the considerable variation in extent and type it has taken, we can observe its differential effects on rural poverty, testing the specific hypothesis:

H1: *Taken together, the greater the extent of fiscal, political, and administrative decentralization, the smaller the gap between rates of rural and urban poverty will be.*

a. *The greater the extent of fiscal, administrative, and political decentralization, the lower the rates of rural poverty will be.*

To test this hypothesis, I ran correlations between of all three measures of decentralization as well as the composite measure with rural poverty rates and the urban-rural poverty gap for all countries for 2009-2013. For 1994-2000, I ran all three measures of decentralization, but due to limited data availability, was not able to run a composite score. The results can be observed in Tables 1 and 2.

Table 1: The Impact of Decentralization, 2009 - 2013

	Rural Poverty	Rural-Urban Poverty Gap
Fiscal	-.475**	-.250
N	57	56
Administrative	.192	.365**
N	57	56
Political	-.014	.046
N	57	56
Overall	-.044	.138
N	57	56

* $p < .05$; ** $p < .01$

Table 2: The Impact of Decentralization, 1994-2000

	Rural Poverty	Rural-Urban Poverty Gap
Fiscal	.267	.406*
N	34	33
Administrative	-.326	-.187
N	14	14
Political	-.231	-.116
N	33	32

* $p < .05$; ** $p < .01$

Consistent with the hypothesized relationship, Tables 1 and 2 show that from 2009-2013, fiscal decentralization correlates significantly with lower rural poverty rates. However, interestingly, this relationship is different from 1994-2000: the only measure of decentralization that correlates significantly is the relationship between fiscal decentralization and a higher urban-rural poverty gap, which runs counter to the hypothesized relationship.¹⁴ Counter to the hypothesized relationship, a higher degree of administrative decentralization was significantly correlated with a larger gap, and no significant correlation between political and overall decentralization and either dependent variable resulted from the correlation analysis. Also counter to the hypothesized relationship, neither overall nor political decentralization correlate significantly with either dependent variable.

The correlation of administrative decentralization with worse poverty outcomes may be attributable to elite capture; where there are more positions of authority available, local elites have greater opportunity to capture those positions. This is consistent with some findings of the literature on decentralization: in Uganda, decentralization has led to

¹⁴ This may also be due to differences in measurement of the independent variable for these time periods.

the capture of local governments by elites, reducing accountability rather than enhancing it (Bahigwa et al. 2005; Francis and James 2003). In Indonesia, decentralization has distorted incentives to protect forests by creating bureaucratic positions that can benefit from excessive logging (Casson and Obidzinski 2002). However, this does not appear to have been the case in the region as a whole.

Just as elite capture may be a factor mitigating the benefits of decentralization for urban-rural poverty disparities, a variety of other conditions may also be significant. As previously discussed, and consistent with the findings in Tables 1 and 2, research investigating the impacts of decentralization has produced mixed results. Most scholars of political science and economics view decentralization as an effective governance strategy, but not without significant caveats (Ponce-Rodriguez et al 2012; Jutting et al. 2005). Strong local governments have experienced improved living conditions and promoted economic development in many parts of Latin America, but stronger local governments have also negatively impacted conditions in other areas when coordination problems among levels of government have led to high levels of subnational debt (Faust 2006, 164-5).

The effects of decentralization may be impacted by the variables captured by the Freedom House's "Freedom in the World" Index score (FHI) relating to a country's quality of democracy, and more specifically to political freedom and civil liberties. For example, the measure of civil liberties captures the independence of the judiciary, which Stein et al (2006) find factors in to poverty alleviation and high quality public policies. It also captures the strength of property rights, which may matter for rural poverty rates (Meinzen-Dick 2009). Additionally, in a review of the literature on the impacts of

decentralization on poverty, Boex et al. (2006) find that virtually all countries in which decentralization positively impacted poverty were classified as free in the FHI, which provides good reason to expect that the indicators captured by the FHI may mediate the impacts of decentralization.

To measure this variable, I simply used the Freedom House's (2016) country index scores for each year. I created a composite measure of political freedom and civil liberties simply by adding the the FHI scores for political rights and civil liberties for each year. Freedom House assigns each country a score ranging from 1-7 for both categories, with 1 representing the greatest degree of freedom and 7 the least (Freedom House 2016a). The measurement of political rights takes into account the presence and quality of free, fair, and competitive elections, fair representation of the interests of minorities, and the degree of repression of political opposition (Ibid.). The measurement of civil liberties accounts for freedoms of expression, religion, education, and association; strong rule of law, including an independent judiciary and protection of property rights; independent media; and equality of opportunity (Ibid.). A lower value reflects a better FHI score or a higher quality of democracy, whereas a higher value reflects a worse score or a lower quality of democracy, with the lowest possible being 2 and the highest possible being 14. I ran correlations between the FHI Score, henceforth referred to as quality of democracy, and both dependent variables. The results are presented in Table 3.

Table 3: FHI Score

	Rural Poverty	Rural-Urban Poverty Gap
2009-2013		
FHI Score	.834**	.464**
N	57	56
1994-2000		
FHI Score	.474**	.459**
N	35	34

* $p < .05$; ** $p < .01$

Because the higher quality of democracy captured by the FHI score showed statistically significant correlations, I categorized the countries into “free” and “partly free,” and ran correlations between independent and dependent variables for 2009-2013. Table 3a shows these results. I also tested other potentially relevant control variables (i.e., control of corruption and rural population size)¹⁵ within these contexts, in Table 3b.

Table 3a: “Free” and “Partly Free Countries 2009-2013

	Rural Poverty Rate	Urban-Rural Poverty Gap
“Free”		
Fiscal Decentralization	-.520**	-.270
N	35	34
Administrative Decentralization	.040	.368*
N	35	34
“Partly Free”		
Fiscal Decentralization	-.629**	-.120
N	22	21
Political Decentralization	-.602**	-.309
N	22	21

* $p < .05$; ** $p < .01$

¹⁵ These control variables discussed in more depth below.

Table 3b: Control Variables by “Free” and “Partly Free”

	Rural Poverty Rate	Urban-Rural Poverty Gap
“Free”		
Rural Population Size	.710**	.453**
N	35	35
Control of Corruption	-.880**	-.603**
N	21	21
FHI Index	.912**	.681**
N	35	35
“Partly Free”		
Rural Population Size	.671**	.161
N	22	21
FHI Index	.482*	.224
N	22	21

* $p < .05$; ** $p < .01$

To further control for potential co-variation, I test the extent to which quality of democracy is correlated with other control variables as well as independent variables. This helps to address potential problems of endogeneity, and may also help to create a clearer understanding of causality. These correlations are presented in Table 3c, and disaggregated by “free” versus “partly free” in Table 3d.

Table 3c: FHI Score, Independent and Control Variable Correlations

	Fiscal Decent.	Admin. Decent.	Polit. Decent.	Overall Decent.	Control of Corruption	Rural Population	Total Population	GDP Growth	Gini Index
2009-2013									
FHI Score	-.244*	-.005	.104	-.043	-.766**	-.424**	.020	.149	-.128
N	95	95	80	80	57	57	57	57	42
1994-2000									
FHI Score	.302**	.540**	.214*	-	-.552**	-.701**	.080	.223	-.252
N	105	42	98	-	46	46	46	46	32

* $p < .05$; ** $p < .01$

Table 3d: Control Variable Correlations by “Free” and “Partly Free”

	Control of Corruption	FHI Score	GDP Growth	Rural Population	Population	Gini Index
“Free”						
Fiscal Decent.	.613**	-.304	-.191	-.643**	.656**	.178
N	25	41	41	41	41	37
Admin	.248	.097	.025	-.556**	.616**	.283
N	25	41	41	41	41	37
Polit	.064	.212	-.074	-.696**	.557**	-.212
N	25	41	41	41	41	37
Overall	.112	.073	-.063	-.454**	.935**	.459**
N	25	41	41	41	41	37
“Partly Free”						
Fiscal Decent.	.352	-.626**	.177	-.792**	.408**	.088
N	23	39	39	39	39	28
Admin	.263	-.678**	.208	-.346*	-.064	-.027
N	23	39	39	39	39	28
Political	.175	-.440**	.165	-.749**	.433**	-.582**
N	23	39	39	39	39	28
Overall	.433*	-.278	.138	-.608**	.067	.202
N	23	39	39	39	39	28

* $p < .05$; ** $p < .01$

When disaggregating by “free” versus “partly free” countries in Table 3a, fiscal decentralization correlates significantly with lower rural poverty rates in both “free” and “partly free” countries, which is consistent with the hypothesized relationship. Although political decentralization shows no significance in Tables 1 and 2, when disaggregating by FHI index, it correlates significantly with lower rural poverty rates in “partly free” countries. However, this relationship is made spurious by the significant correlations of rural population size and quality of democracy.

Additionally, the disaggregated correlation reveals that the relationship between administrative decentralization and a larger urban-rural poverty gap is driven by “free” countries. However, to test whether an outlying case may be causing skew, I removed Peru from the quantitative correlation. When Peru is excluded from the analysis, the

statistical significance between administrative decentralization and the urban-rural poverty gap disappears, dropping to .189, $n=51$ for all cases. Similarly, when Peru is excluded from the category of “free” countries, it drops to -.048, $n =30$.

The relative size of a country’s rural population and its total population may also have independent impacts on rural poverty rates. A country’s size may impact the effects of decentralization and electoral systems on rural poverty rates for a variety of reasons. The challenges of alleviating poverty are often extremely different in large countries and small countries, and the effects of decentralization may be more acute in larger countries (Boex et al. 2006, 12). Indeed, decentralization in small states can lead to macroeconomic instability (Sharma 2006, 55). This may be why small countries, as a rule, tend to perform better than larger ones in terms of poverty alleviation (Von Braun and Grote 2000). Taken together, this discussion shows why controlling for population size may lend insight to this analysis.

Similarly, a relatively larger rural population may present more difficult as well as greater number of challenges relating to rural poverty. For this reason, I also ran correlations between rural population size and total population and dependent variables. Data on a country’s total population and the percentage of the population living in rural areas are taken from the World Bank’s Poverty and Equity Database (2016). According to the World Bank, “rural population refers to people living in rural areas as defined by national statistical offices...calculated as the difference between total population and urban population” (World Bank 2016b). I ran correlations between these variables. The statistically significant correlations are presented in Table 4.

Table 4: Population and Rural Population Size

	Rural Poverty Rates	Urban-Rural Poverty Gap
2009-2013		
Rural Population Size	.779**	.391**
N	57	56
1994-2000		
Rural Population Size	.449**	.047
N	35	34

* $p < .05$; ** $p < .01$

Because rural population size significantly correlated with measures of poverty, I disaggregated this variable into small, medium, and large rural population size and ran correlations for each measure of decentralization in each context for 2009-2013, shown in Table 4a. Table 4b shows the correlations between control variables in each of these categories as well¹⁶. As an additional control, as in the tests of FHI Score, I tested the relationship of rural population size with each control and independent variable, as well as the correlations between independent and control variables disaggregated by rural population size. These relationships are shown in Table 4c and 4d.

¹⁶ Stronger control of corruption also correlates significantly with dependent variables, however, only 9 cases had high- to medium- control of corruption, and the remaining 28 cases for which data was available displayed no significance on any variable. These correlations are available upon request.

Table 4a: Decentralization by Rural Population Size

	Rural Poverty Rate	Urban-Rural Poverty Gap
Small		
Fiscal	.987**	.993**
N	12	12
Administrative	.772**	.771**
N	12	12
Overall	.987**	.993**
N	12	12
Rural Population Size	.908**	.897**
N	12	12
Medium		
Administrative	.757**	.894**
N	24	23
Political	.880**	.682**
N	24	23
Overall	.434*	.351
N	24	23
Large		
Fiscal	-.087	-.630**
N	21	21
Political	.113	-.494*
N	21	21

* $p < .05$; ** $p < .01$

Table 4b: Control Variables by Rural Population Size

	Rural Poverty Rate	Urban-Rural Poverty Gap
Small		
Rural Population Size	.908**	.897**
N	12	12
Control of Corruption	-.958**	-.959**
N	7	7
FHI Score	.978**	.985**
N	12	12
Rural Population	-.690*	.897**
N	12	12
Medium		
Control of Corruption	-.715**	-.224
N	15	14
FHI Score	.747**	.471*
N	24	23
Large		
FHI Score	.662**	-.362
N	21	21
Rural Population	.785**	-.001
N	21	21

* $p < .05$; ** $p < .01$

Table 4c: Rural Population Size and Independent Variables

	Fiscal Decent.	Admin. Decent.	Polit. Decent.	Overall Decent.	FHI Score	Control of Corruption	Total Population	GDP Growth	Gini Index
2009-2013									
Rural Population	-.720**	-.137	-.464**	-.411**	-.766**	-.424**	-.375**	-.070	.385**
N	95	95	80	80	57	57	95	95	70
1994-2000									
Rural Population	-.301**	-.421**	-.197	-	.205*	-.701**	-.419**	.008	-.096
N	105	42	98	-	112	46	112	112	69

* $p < .05$; ** $p < .01$

Table 4d: Independent and Control Variable Correlations by Rural Population Size

	Control of Corruption	FHI Score	GDP Growth	Population	Gini Index
Large					
Fiscal Decent.	-.248	-.074	-.074	.183	-.468*
N	22	36	36	36	28
Admin. Decent.	-.474*	.339*	.004	.548**	.231
N	22	36	36	36	28
Polit. Decent.	-.477*	.339*	.004	.020	-.250
N	22	36	36	36	28
Overall Decent.	-.297	-.001	.024	.416*	-.054
N	22	36	36	36	28
Medium					
Fiscal Decent.	.595*	.220	-.039	.245	.633**
N	17	29	29	29	25
Admin. Decent.	-.256	.724**	.278	.141	.112
N	17	29	29	29	25
Polit. Decent.	-.680**	.818**	.024	.661**	-.103
N	17	29	29	29	25
Overall Decent.	-.188	.725**	.209	-.060	.657**
N	17	29	29	20	25
Small					
Fiscal Decent.	-.962**	.994**	-.297	.999**	.765**
N	9	15	15	15	12
Admin. Decent.	-.496	.613*	-.314	.661**	.955**
N	9	15	15	15	12
Polit. Decent.	-.609	.500	.500	.445	-.311
N	9	15	15	15	12
Overall Decent.	.959**	.993**	-.298	.998**	.770**
N	9	15	15	15	12

* $p < .05$; ** $p < .01$

In support of the hypothesized relationship, in countries with a relatively large rural population, fiscal decentralization is significantly correlated with a smaller urban-rural poverty gap, as Table 4a shows. Additionally, no control variable displayed any significance with the urban-rural poverty gap for these countries. Furthermore, as in the case of lower quality of democracy, the disaggregated analysis of rural population size reveals that although political decentralization showed no significance in Tables 1 and 2, in countries with large rural populations, it correlates significantly with smaller urban-rural poverty gaps. This is also consistent with the hypothesized relationship. This may suggest that in places where the quality of democracy is already low, and where rural populations are relatively high, direct democratic elections at a lower level can improve governance.

However, as in the case of administrative decentralization, in countries with medium and small rural populations, political and overall decentralization are instead significantly associated with higher values of both dependent variables. Because political decentralization had exhibited a negative relationship with rural poverty for countries large rural populations, I tested whether administrative and political decentralization were significantly correlated in countries with large and medium of rural population sizes. Indeed, administrative and political decentralization are significantly correlated at the .01¹⁷ level for these countries with medium rural populations, but for countries with large rural populations, the correlation is not as strong, at the .05 level.¹⁸ Additionally, because the correlation for overall decentralization is not as strong as it is for administrative and

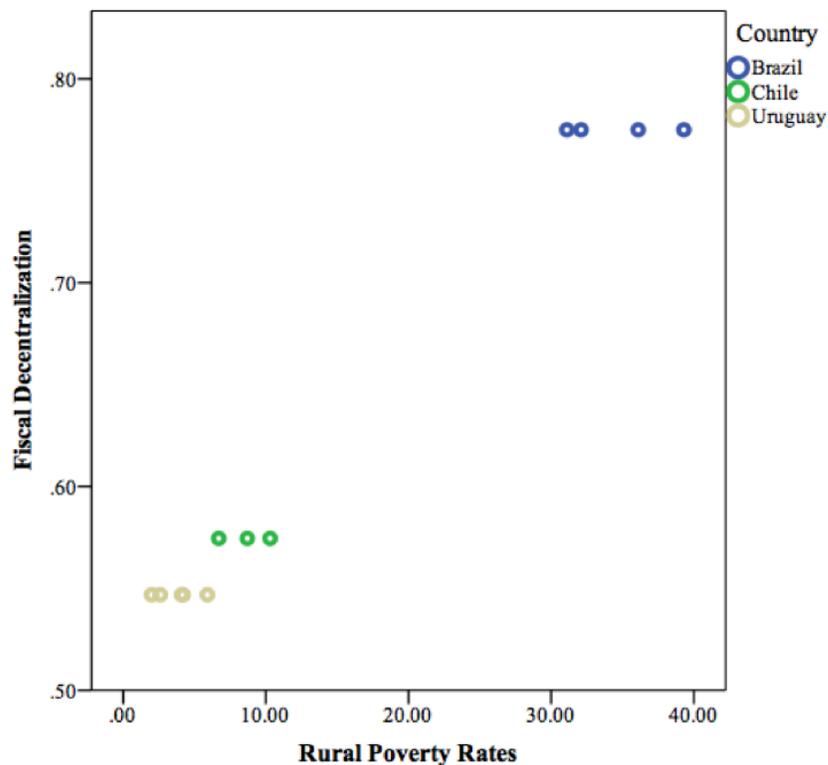
¹⁷ .657**, n=29.

¹⁸ .392*, n=36.

political decentralization, we can speculate that perhaps the inclusion of fiscal decentralization in the measure of overall decentralization balances the negative impacts associated with administrative decentralization, thus reducing the impact of overall relative to administrative decentralization on rural poverty rates.

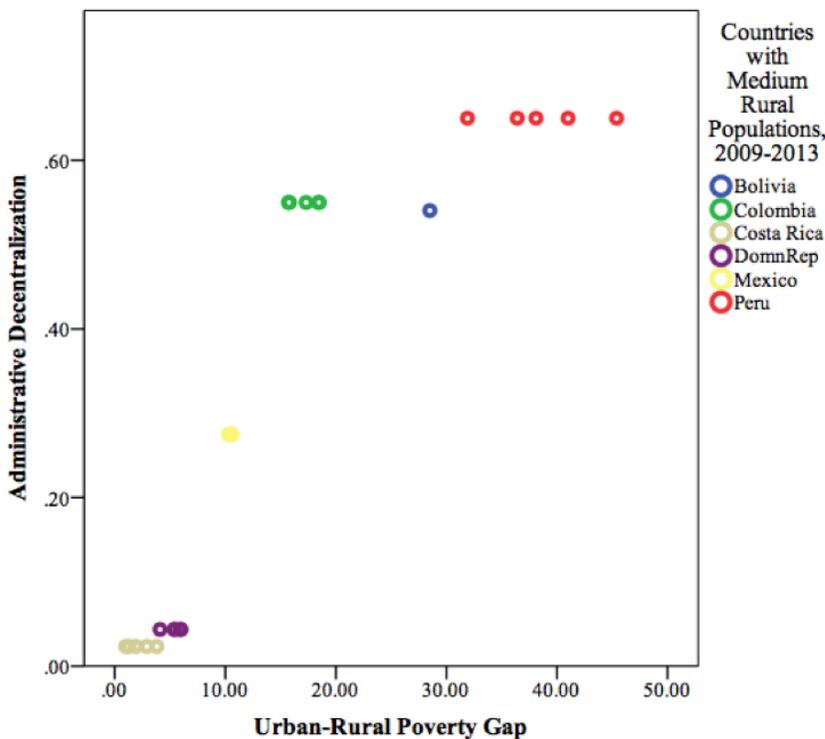
Taken together, this may indicate that the negative effects of administrative decentralization outweigh the potential positive effects of political decentralization in countries with medium rural populations. This is more likely considering that when we take a closer look at this analysis, the positive relationship between fiscal decentralization and rural poverty rates in countries with small rural populations is in fact driven entirely by Brazil. There are only 12 cases, including 3 countries in this category. Figure 1 depicts this skew.

Figure 1: Small Rural Population, Fiscal Decentralization, Rural Poverty Rates 2009-2013



However, as Figure 2 shows, for countries with medium rural populations there is no skew, even with the inclusion of Peru in this category. Administrative decentralization correlates with a higher rural poverty rates and larger urban-rural poverty gaps at the .01 level for these cases. This is especially salient for the urban-rural poverty gap, because only a lower quality of democracy is significantly correlated with a larger urban-rural poverty gap, and the relationship is weaker.¹⁹ Additionally, as Table 4d shows, administrative decentralization also correlates significantly with lower quality of democracy, although it is not possible with this data to determine causality between these

Figure 2: Medium Rural Population, Administrative Decentralization, and Urban-Rural Poverty Gap, 2009-2013



¹⁹ Worse control of corruption and lower quality of democracy correlate at the .01 level with higher rural poverty rates.

two variables. In sum, either administrative decentralization or lower quality of democracy appears to be the variable driving the positive correlation between political decentralization and rural poverty rates in countries with medium rural populations.

It is true that as countries develop economically, the proportion of the population employed in agriculture tends to decline, and populations tend to move to urban areas (Byerlee et al. 2009). Given the consistently significant correlation between a relatively larger rural population and higher rural poverty rates, it may be true that countries with higher levels of economic growth simply have lower rural populations and thus also lower rural poverty rates.²⁰ However, this explanation does not appear to hold in these cases, as the relationship between rural population size and GDP growth is not statistically significant as Table 4c shows.

Corruption is also a common concern cited by critics of decentralization. Scholars have argued that decentralized governance opens up opportunities for corruption by local officials (Treisman 2000, 2007; Tanzi 2002). There is evidence supporting this claim; for example, Herrera et al (2007) surveyed citizens in the region of Arequipa in Peru before and after the implementation of decentralization policies. They found that despite citizens' high expectations of decentralization, after its implementation, their evaluations were overwhelmingly negative due to perceived abuses by local authorities (Ibid, 92). As such, the presence of corruption may be an important factor that potentially mitigates the beneficial impacts of decentralization.

²⁰ To be clear, this is not to say that rural population size directly impacts rural poverty rates, but instead that because the challenges of rural poverty are more difficult and more expensive to address than problems of urban poverty (Bird et al., 3) having a larger number of rural citizens may exacerbate these problems simply by creating a greater number of them.

To estimate corruption for each year, I used the variable capturing the extent to which a country has control of corruption, in the dataset “Worldwide Governance Indicators” by Kaufmann, Kraay, and Mastruzzi (2013a). A higher score reflects better control of corruption. Scores are measured in an aggregated survey taken from a variety of citizens, experts, and enterprises in each country, and they reflect “the perceptions of the extent to which public power is exercised for private gain” (Kaufman et al. 2013, 8). I ran pair-wise correlations between control of corruption, rural poverty rates, and the rural-urban poverty gap for each country and each year that data was available. The results are shown in Table 5.

As in the case of FHI scores and rural population size, to control for co-variation, I test the extent to which control of corruption is correlated with other control variables as well as independent variables. Table 5a depicts these results.

Table 5: Control of Corruption

	Rural Poverty	Rural-Urban Poverty Gap
2009-2013		
Control of Corruption	-.854**	-.512**
N	37	36
1994-2000		
Control of Corruption	-.909**	-.552
N	14	13

* $p < .05$; ** $p < .01$

Table 5a: Control of Corruption, Independent Variables, and Control Variables

	Fiscal Decent.	Admin. Decent.	Polit. Decent.	Overall Decent.	FHI Score	Rural Population	Total Population	GDP Growth	Gini Index
2009-2013									
Control of Corruption	.446**	.112	-.006	.135	-.766**	-.424**	.020	.149	-.128
N	57	57	48	48	57	57	57	57	42
1994-2000									
Control of Corruption	-.004	.131	.167	-	-.552**	-.701**	.080	.223	-.252
N	43	16	0	-	46	46	46	46	32

* $p < .05$; ** $p < .01$

The strong and significant correlation between better control of corruption and lower rural poverty rates makes the significance of decentralization for those variables spurious. However, the correlations presented in Table 3a do lend some interesting insights. Because one of the principal concerns of critics of decentralization is the possibility of corruption, the strong positive relationship between fiscal decentralization and stronger control of corruption from 2009-2013 does point to an interesting finding. It appears that instead of fiscal decentralization lending itself to corruption, fiscal decentralization is instead associated with stronger control of corruption, especially since this relationship was non-existent from 1994-2000. In fact, stronger control of corruption was not significantly correlated with any measure of decentralization during that time. This may be an indication that the impacts of decentralization take time to materialize.

However, a significant caveat is that this positive relationship between fiscal decentralization and control of corruption appears to be driven by countries with relatively small and medium rural populations, as Table 4d shows. In countries with

large rural populations, fiscal decentralization has no relationship with stronger control of corruption, while administrative and political decentralization both correlate significantly with worse control of corruption. However, when each measure is taken together as overall decentralization, there is a negative but not significant relationship with control of corruption. Taken together with the fact that in the same countries, fiscal and political decentralization correlate significantly with a smaller urban-rural poverty gap, this may indicate that in these cases it is indeed, as Rodden (2004) argued, a combination of fiscal, political, and administrative decentralization helps to combat corruption, and thus also poverty disparities.

Inequality may also impact the potential benefits of decentralization because the distribution of wealth may condition the impact of political institutions on government policies, even under similar political institutions (Allcott et al. 2006, 6). In fact, Lupu and Pontusson (2011) find that the distribution of income in a given society can be nearly as salient as electoral rules impacting proportionality in predicting redistributive policies. For this reason, controlling for the impact of inequality may be important. To do so, I simply run a correlation between the Gini Index score for each country, for each year, and dependent variables. The Gini Index is a “measurement of the extent to which the distribution of income...within an economy deviates from a perfectly equal distribution” (The World Bank 2016a). A higher score reflects a greater degree of inequality, while a lower score reflects greater equality. The Gini Index Score is taken from the World Bank’s World Development Indicators Databank (World Bank 2016a). I correlated the Gini index score with the dependent variables, and present the statistically significant results in Table 6.

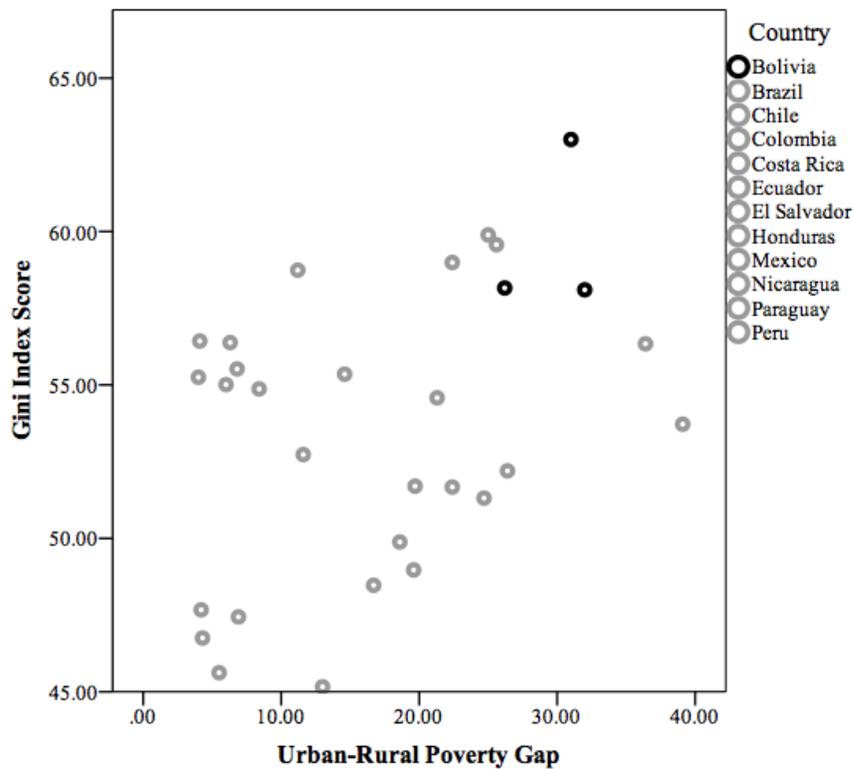
Table 6: Gini Index Score

	Rural Poverty Rates	Urban-Rural Poverty Gap
1994-2000		
Gini Index Score	.358	.396*
N	30	30

* $p < .05$; ** $p < .01$

As Table 5 shows, a higher degree of inequality correlates significantly with a larger urban-rural gap only from 1994-2000. However, a more detailed examination reveals that this significance is driven entirely by Bolivia, as Figure 3 demonstrates. Removing Bolivia from the correlation eliminates the significance.²¹

Figure 3: Gini Index Score and Urban-Rural Poverty Gap by Country, 1994-2000



²¹ .261, n=31.

Additionally, both decentralization and poverty alleviation could be driven by economic growth. Hence, controlling for economic growth addresses some of the potential endogeneity problems inherent in this type of comparative analysis (Boex et al 2006, 7). Fiscal decentralization has actually been associated with worse poverty outcomes and higher levels of income inequality, except when government budgets exceed 20% of GDP, which may be because these countries have greater wealth (Sepulveda and Martinez-Vazquez 2010). For this reason, I also control for economic growth by running a correlation between the GDP% growth for each year and dependent variables. I used the GDP % growth from the World Bank's World Development Indicators databank from 1994-2000 and 2009-2014 (2016a). The statistically significant results can be observed in Table 7:

Table 7: GDP Growth

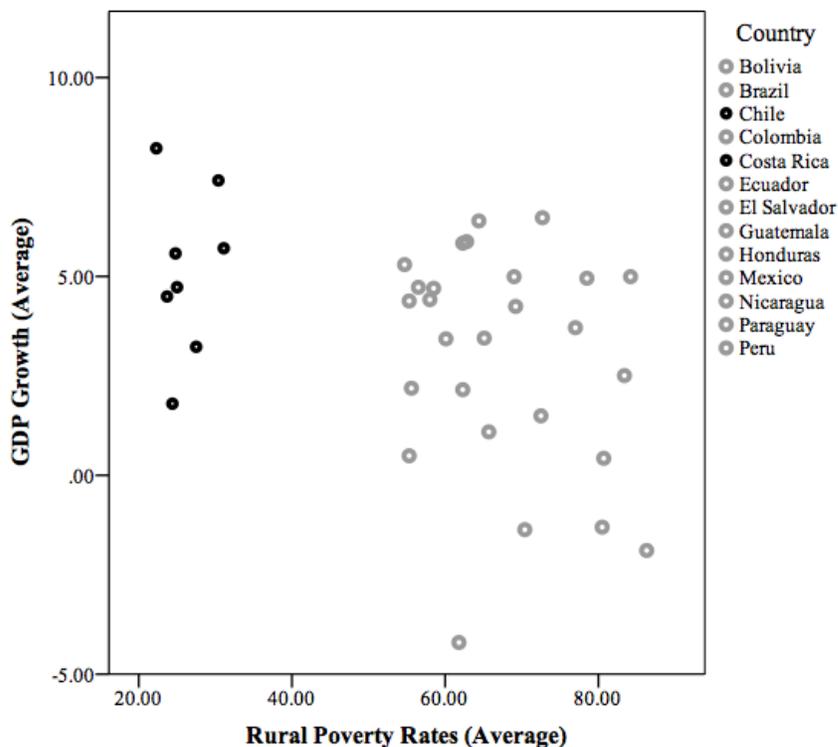
	Rural Poverty	Rural-Urban Poverty Gap
1994-2000		
GDP Growth	-.391*	-.073
N	35	34

* $p < .05$; ** $p < .01$

Although economic growth did show a significant impact on lower rural poverty rates, economic growth was also at its highest rates during the 1990s. Additionally, as in the case of inequality, a more detailed examination shows that this significance is driven

by Chile and Costa Rica, as Figure 4 shows. When the two countries are excluded from the analysis, the statistical significance vanishes.²²

Figure 4: GDP Growth and Rural Poverty Rates by Country, 1994-2000



Overall, the relationship between fiscal decentralization and lower rural poverty rates is spurious for 2009-2013 when we consider the significant impact of control variables. A better Freedom House score, better control of corruption, and a larger rural population all have stronger relationships with both measures of rural poverty. These variables also correlate significantly with fiscal decentralization itself: from 2009-2013,

²² -.239, n=27.

countries with a lower rural population, a better FHI score, better control of corruption, and a larger population all have both higher levels of fiscal decentralization, and (with the exception of population size) lower poverty rates and smaller gaps between rural and urban poverty rates.²³

In sum, the correlations that emerge in the analyses which are disaggregated by important control variables allow us to conclude that the impacts of decentralization are at least significantly conditioned by the context in which they occur. Most importantly, this analysis has indicated that for countries with large rural populations, fiscal and political decentralization may be important institutional arrangements for reducing disparity in poverty rates between urban and rural areas. This is especially true when we consider that these countries are actually relatively less likely to be fiscally or politically decentralized.²⁴

Another important takeaway of this analysis is that administrative and political decentralization are significantly correlated with higher levels of rural poverty in countries with medium rural populations. This may be attributable to the fact that administrative and political decentralization are also associated with worse control of corruption and lower quality of democracy. On the other hand, fiscal decentralization is significantly correlated with stronger control of corruption in these countries. This may indicate that the negative outcomes associated with administrative decentralization may

²³ The same is true for 1994, but excluding corruption; additionally, countries with a higher degree of fiscal decentralization were correlated at the .05 level with a higher Gini Index score.

²⁴ Fiscal decentralization is significantly associated with a relatively smaller rural population, and political decentralization has a slight but not significant negative correlation with a smaller rural population. Table 26 shows that average levels of fiscal and political decentralization are lowest for countries with relatively large rural populations.

outweigh the benefits observed in other contexts²⁵ of of fiscal decentralization. However, it is difficult to say whether administrative decentralization causes corruption and a lower quality of democracy, or the other way around.

The observed correlations between fiscal decentralization, rural poverty, and urban-rural poverty disparity is not simply a function of the tendency of countries with larger populations to decentralize. Although countries with larger populations are significantly more likely to have higher levels of overall decentralization and fiscal decentralization, as Table 21 shows, overall decentralization has no significant relationship with either measure of poverty (Table 1), while fiscal decentralization does. Similarly, for 1994-2000, a larger total population correlates significantly with higher levels of fiscal and administrative decentralization as Table 21 displays, but only fiscal decentralization has any significant relationship with a dependent variable.

An additional salient observation is that fiscal decentralization may have some impact on corruption and quality of democracy over time. From 1994-2000, countries with stronger control of corruption and a better FHI score were no more likely to be fiscally decentralized, as they were from 2009-2008. Although the spuriousness of the relationships makes it difficult to determine conclusively how the fiscal decentralization relates to rural poverty and urban-rural poverty disparity, this may be an indication that the benefits of fiscal decentralization take time to manifest.

²⁵ Specifically, fiscal and political decentralization have positive impacts on urban-rural poverty disparity for countries with large rural populations,

Independent Variables: The Presence of Closed-List PR

To measure closed-list PR, I measure the proportion of legislators elected via closed-list PR from 2009-2013. To my knowledge, no study to date has operationalized the proportion of legislators elected via closed-list PR as an independent variable. I compiled information from Georgetown's Political Database of the Americas, except for Nicaragua, for which data is sourced from the Inter-Parliamentary Union website. I calculate the proportion of legislators elected via closed-list PR compared to the total amount of seats in all houses of the legislature. A higher value reflects a higher proportion of legislators elected via closed-list PR. To test disaggregated measures of closed-list PR, I recoded the proportion of legislators elected via closed-list PR into low, medium, and high. No data was available specifically on whether closed-list PR was used from 1994-2000, so I was unable to test this variable during that time period.

Measurement of proportionally representative electoral systems has been approached in the literature in various ways. For example, to determine how the degree of proportionality in a given system impacts redistributive spending, Iversen and Soskice (2006) use data from Lijphart (1994), which includes Lijphart's measure of the effective threshold of representation as well as a measure of disproportionality between votes and seats developed by Gallagher (1992). To determine how the interaction of closed- versus open- list PR and district magnitude impact corruption, Chang and Golden (2007) simply determine whether a system which employs PR is closed- or open-list. As aforementioned, to my knowledge, no analysis to date has employed the measurement of closed-list PR I employ here. However, particularly in mixed-member systems, it makes

sense that when a greater number of legislators operate under programmatic incentives, the associated policy outcomes would vary.

As discussed in Chapter 2, relative to open-list PR and majoritarian systems, closed-list PR maximizes the incentives of politicians to make programmatic appeals, both to voters and to their parties (Carey and Shugart 1995). Because the value of personalistic appeals is reduced under closed-list PR, politicians have fewer incentives to cater to particularistic interests, and stronger incentives to build the reputation of the party (Ibid.). Additionally, incentives to cultivate a personal vote may reduce the efficiency of public spending and lead to relatively worse policy outcomes (Hicken and Simmons 2008). Furthermore, in developing democracies with high levels of personalistic politics, politicians are more predisposed to corruption and to the use of government resources for personal gain (Wright 2010).

Based on both the theoretical expectations and the empirical results the literature has derived surrounding the effects of closed-list PR, I have derived a testable hypothesis:

H2: Relative to open list PR systems and majoritarian systems, countries with a greater proportion of legislators elected in closed-list, proportional representation systems will exhibit lower rates of rural poverty.

To test this hypothesis, I ran correlations between the proportion of legislators elected via closed-list PR, rural poverty rates, and the urban-rural poverty gap for 2009-2013 to see whether there was any significant correlation.²⁶ The results are observable in Table 8.

²⁶ No data was available for closed-list PR for 1994-2000, so I was unable to perform an analysis for that time period.

Table 8: The Effects of Closed-List PR, 2009 – 2013

	Rural Poverty	Urban-Rural Poverty Gap
Proportion of Legislators Elected via Closed-List PR	-.127	-.323*
N	57	56

* $p < .05$; ** $p < .01$

The initial results indicate that the higher the number of legislators elected via closed-list PR, the smaller the gap between urban and rural poverty rates tends to be. However, referring back to the results presented for the first hypothesis, we already know that control of corruption, FHI score, and rural population size all correlate significantly with both dependent variables during the time period 2009-2013. There is reason to believe that these variables may interfere with the theoretical impacts of closed-list proportional representation. For example, as discussed, Lupu and Pontusson (2011) find that the distribution of wealth in a society accounts for some of the effects on redistributive policies previously attributed to the proportionality of electoral rules, indicating that conditions outside of formal institutions in a given society may eclipse or at least mitigate the impacts of electoral rules. Alesina, Glaeser and Sacerdote (2001) argue that PR encourages redistributive spending, but only in advanced democracies; whereas in incipient democracies little evidence of this tendency is found, indicating that the variables captured by the FHI index may condition the impacts of closed-list PR. Additionally, perceptions of corruption can destabilize political systems, damaging citizens' trust in government and corroding accountability, especially in incipient democracies (Philip 2001). Additionally, because this analysis focuses on closed-list PR because it theoretically maximizes inclusive representation and programmatic incentives,

the presence of corruption can be expected decrease programmatic incentives because corruption is inherently particularistic and non-inclusive (Warren 2004, 333).

Hence, as in the case of decentralization, I disaggregated by rural population size²⁷ and ran the correlations between closed-list PR and the dependent variables in these contexts. The results are shown in Table 9. I also test the extent to which closed-list PR is correlated with control variables, presented in Table 9a and in 9b, disaggregated by rural population size.

Table 9: Closed-List PR by Rural Population Size

	Rural Poverty Rates	Rural-Urban Poverty Gap
Small Rural Population, 12 cases		
Closed-List PR	-.693*	-.690*
N	12	12
Medium Rural Population, 29 cases		
Closed-List PR	-.634**	-.792**
N	24	23
Large Rural Population,		
Closed-List PR	.142	.205
N	21	21

* $p < .05$; ** $p < .01$

Table 9a: Closed-List PR and Control Variables

	FHI Score	Control of Corruption	Rural Population	Population	GDP Growth	Gini Index
Closed-List PR	-.030	.036	-.053	-.321**	-.008	-.233
N	95	57	95	95	80	65

* $p < .05$; ** $p < .01$

²⁷ For an explanation of why rural population size may impact rural poverty rates, see page 11.

Table 9b: Closed-List PR and Control Variable Correlations by Rural Population

	Control of Corruption	FHI Score	GDP Growth	Population	Gini Index
Large					
Closed-List PR	.551**	-.116	.033	-.419*	-.436*
N	22	36	36	36	38
Medium					
Closed-List PR	.291	-.289	-.104	-.373*	.653**
N	17	29	29	29	25
Small					
Closed-List PR	.374	-.500	.296	-.553*	-.942**
N	9	15	15	15	12

* $p < .05$; ** $p < .01$

It appears that the correlation between closed-list PR and lower rural poverty rates and a smaller urban-rural poverty gap is driven by countries with relatively lower rural populations. However, it is noteworthy that closed-list PR may account for some of the improvement in the representation of rural interests relative to urban interests where rural poverty is relatively less pervasive, as a larger rural population is strongly correlated with a larger urban-rural poverty gap. However, we can be certain that in cases in which rural poverty is relatively higher, other variables are more salient.

At first glance, closed-list PR does not correlate significantly with lower rural poverty rates in countries with large rural populations; however, this may not be the whole story. Table 4d shows us that in countries with large rural populations, a greater number of legislators elected via closed-list PR is significantly correlated with stronger control of corruption and a higher degree of equality as indicated by the Gini Index score.²⁸ This is not true of countries with medium or large rural populations; in fact the

²⁸ The same appears to be true of countries with small rural populations, but with so few cases, the significance is once again driven entirely by the inclusion of Brazil.

reverse appears to be true of inequality for countries with medium rural populations. Perhaps it is possible that in countries with large rural populations, closed-list PR does improve representation in some sense. Since we already know that the effects of decentralization have gained significance over time and that their impacts are mediated by the relative size of the rural population (see Tables 1, 2, and 5), it is also possible that for countries with relatively large rural populations, the effects of closed-list PR have not yet manifested in collectivistic policy choices in rural areas.

I also disaggregated the FHI score into “free” and “partly free” countries and ran the correlation between closed-list PR, rural poverty rates, and the urban-rural poverty gap. These results are observable in Table 10.²⁹ Table 10a also presents the extent to which closed-list PR is correlated with control variables disaggregated by FHI Score.

Table 10: Closed List PR, “Free” and “Partly Free” Countries

	Rural Poverty Rates	Rural-Urban Poverty Gap
Countries Classified as “Free”		
Closed-List PR	-.237	-.540**
N	35	35
Countries Classified as “Partly Free”		
Closed-List PR	.113	.312
N	22	21

* $p < .05$; ** $p < .01$

²⁹ Correlations for control variables are observable in Tables 7 and 8.

Table 10a: Control Variable Correlations by “Free” and “Partly Free”

	Control of Corruption	FHI Score	GDP Growth	Rural Population	Population	Gini Index
“Free”						
Closed-List PR	-.039	-.196	-.064	.327*	-.575**	-.468**
N	25	41	41	41	41	37
“Partly Free”						
Closed-List PR	.405	.205	.053	.024	-.135	.151
N	23	39	39	39	39	28

* $p < .05$; ** $p < .01$

Although the initial results presented in Table 8 indicate a significant relationship between closed-list PR and the urban-rural poverty gap, the disaggregated results suggest that this correlation is driven by countries considered “free.” Since we know from the correlations presented in Table 3c in the previous section that countries with larger rural populations tend to have lower quality of democracy, these results are consistent.

However, as Table 3b in the previous section shows, in “free” countries, stronger control of corruption, a smaller rural population, and a better FHI score are all strongly correlated with a smaller urban-rural poverty gap. Indeed, the countries within this category with the lowest proportion of legislators elected via closed-list PR and the highest urban-rural poverty gaps were Mexico and Peru, which also had the worst FHI scores of the group. This makes the significance of closed-list PR for the urban-rural gap spurious for these cases, as we cannot determine whether the variables captured by the FHI index matter more than closed-list PR for reducing the urban-rural poverty gap.

District Magnitude

District magnitude is defined simply as the number of representatives that a district elects to a legislature. As discussed in Chapter 2, a lower district magnitude may maximize the theoretical trade-off between representation and accountability (Carey and

Hix 2009). In PR systems, governing coalitions can be difficult to form, when there are many parties elected, and highly complex and unstable when formed (Pereira and Mueller 2004; Menocal 2011, 5; Cho 2012; Lijphart 1994; Cox 1997). This can reduce accountability because voters may be unable to assign blame or responsibility for policy choices. Because a lower district magnitude reduces the number of parties in government, governing coalitions are less complex, and theoretically, voters will be better able to hold politicians accountable for their performance in office (Carey and Hix 2009, 395). Carey and Hix find that a median district magnitude of between approximately 4 and 8 leads to a smaller distance between voters and government, as well as a degree of proportionality nearly on par with purely proportional systems (2009, 394-5). Hence, a relatively lower district magnitude in PR systems achieves the ideal balance between representation and accountability.

Measures of district magnitude can be problematic, as they are limited in what they can capture, because the populations of electoral districts can vary greatly within a given country. The variation in district magnitude between districts within a country can have important consequences, as Carey and Hix have demonstrated, allowing for lower district magnitudes in certain districts reduces the distance between voters and government in a general sense, while still allowing for enough representatives so that disproportionality is minimized (Carey and Hix 2009). Theoretically, this should lower party system fragmentation and allow voters to hold government accountable more easily. However, measures of median and mean district magnitudes fail to capture the variation that may exist, within a country where some districts have larger populations

and also more representatives, and others have smaller populations and fewer representatives.

Typically, there are a fewer urban than rural districts, so the median district value for the entire country may fail to capture the high district magnitude of urban districts. For example, in Peru, district magnitudes vary from 1 to 36 over 25 districts, but the average district magnitude is 5.2 (Lupu 2011; Dahlberg et al. 2016). On the other hand, in countries where districts have more equal populations or seats are not allocated by population, such as in Chile, the measure of mean or median district magnitude has a different meaning. This could mean that urban voters have more representation in Congress, but may be less able to hold elected officials accountable if their district has a much higher district magnitude than the average.

Thus, median or mean district magnitude may be more descriptive of reality in some countries than in others, particularly those with a more even distribution of population between districts. Ideally, a measure of district magnitude would take the potential distortions caused by varying district populations into account. However, to my knowledge, such a measurement has not been calculated. Additionally, even when legislative seats are allocated proportionately by population, the lower district magnitudes bringing the value of the mean district magnitude down are those of the more numerous rural districts. Hence, because this research focuses on the ability of rural voters to hold government accountable for policy choices, the measure of mean district magnitude is an appropriate, albeit far from perfect measure.

In this analysis, I operationalize district magnitude using the mean district magnitude for all legislators. Although Carey and Hix use median district magnitude, I

use the mean district magnitude rather than the median because it is more representative of reality (2009, 386). For example, in Uruguay's Chamber of Representatives, the districts of Montevideo and Canelones have 41 and 15 seats respectively, while the other 17 districts have an average district magnitude of 2.5 (Political Database of the Americas 2011). While the mean district magnitude of 11.34 is not especially representative of reality, the median district magnitude would be around 2.5, making it even less so. Most data sets that capture district magnitude use a measure of mean weighted district magnitude, "where the weight on each district magnitude in a country is the share of the legislators running in districts of that size" (Persson and Tabellini 2003, 92).

A variety of scholars have operationalized mean district magnitude as an independent variable to explain outcomes. Chang and Golden (2007) use measures of both mean and median to test the impacts of increasing district magnitudes on corruption under closed-list proportional representation. To investigate why the number of parties in Indonesia has grown precipitously in recent years, Choi simply examines two time periods in Indonesia: one with higher average district magnitudes, and one with lower district magnitudes after electoral redistricting created new districts and dispersed legislative seats (2009, 664). Stein, Talvi, and Grisanti (1999) find that as average district magnitude increases, budget discipline in Latin America decreases.

To acquire measures of district magnitude from 2009-2013, I used data from the "Quality of Government Basic Dataset" (Dahlberg et al. 2016) where available, and where not available, I used the average district magnitude provided by the Georgetown Political Database of the Americas, or calculated it using the information this database provided. To measure district magnitudes from 1994-2000, I used data from the dataset

“Electoral Systems and the Personal Vote” (Johnson and Wallack 2012). In the variable, I include the average district magnitude for the only house of unicameral countries, and the average district magnitude of both houses of bicameral countries. To calculate this number, Johnson and Wallack take the weighted average district magnitude for each house of congress. Similarly, I calculated the average district magnitude for both houses of bicameral countries by taking the average district magnitudes for members of each legislative house and weighting them by their proportion of seats in the legislature as a whole.

From 2009-2013, mean district magnitudes in all cases ranged from 1.78 to 83.22, with a standard deviation of 19.6, allowing great variation. From 1994-2000, the range was even larger, from 1.82 to 120, with a standard deviation of 26.7. Moreover, several countries have undertaken significant changes to district magnitude over the time periods considered. For instance, in 1994, Bolivia’s average district magnitude was 12.3, in 2000 it was 3.5, and in 2010 it was 6. Similarly, Ecuador went from a district magnitude of 3.56 to 7.36 from 1994 to 2000, and dropped to 4.3 for 2009-2013, and Mexico’s average district magnitude of 14.01 in 2000 jumped to 83.22 in 2013. This variation allows us to examine differential correlations with dependent and control variables.

The changes in district magnitude over time, as the significant differences between countries, allows sufficient variation to test the following theoretically derived hypothesis:

H3: Relative to other systems, PR systems with average district magnitudes ranging from 4 to 8 will display lower rates of rural poverty.

To test this hypothesis, I divided countries into four categories of district magnitudes: 1-3, 3-9, 9-20, and 20+ and calculated the mean rural poverty rate and the mean rural-urban poverty gap for each district magnitude for 1994-2000 and 2009-2013, as well as the mean values for each control. These results are shown in Tables 11 and 12.

Table 11: Average District Magnitude, 2009 - 2013

	Rural Poverty (Mean)	Rural-Urban Poverty Gap (Mean)
All	41.9 (19.7)	14 (12.5)
N	57	56
1 - 3.5	25.9 (19.1)	13.5 (15.8)
N	6	6
3.5 - 9	50.3 (17.3)	15.7 (14.2)
N	19	18
9 - 20	34.6 (24.5)	11.0 (10.4)
N	10	10
20+	48.5 (5)	15.5 (3.5)
N	4	4

Standard deviations in parentheses.

Table 12: Average District Magnitude, 1994-2000

	Rural Poverty (Mean)	Rural-Urban Poverty Gap (Mean)
All	58.1 (19.7)	17.4 (9.9)
N	35	34
1-3.5	50.8 (28.3)	16.1 (13)
N	7	7
3.5 - 9	58.6 (23.8)	12.2 (8.2)
N	14	14
9-20	58.6 (5.1)	21.6 (2.9)
N	9	8
20+	65.9 (6.2)	23.7 (13)
N	5	5

Standard deviations in parentheses.

The results presented in Tables 11 and 12 do not support the hypothesized relationship. Cases with an average district magnitude of 3.5-9 actually display the highest average poverty rates of all categories of district magnitudes for 2009-2014, and the second-highest for 1994-2000. Instead, cases with district magnitudes ranging from 1-3.5 have the lowest poverty rates. However, when we take a closer look at the data, this category only includes Chile and Panama. Chile's rural poverty rates are at their lowest at 6.7 in 2013, whereas Panama's were at 44.6 in 2013. Additionally, Chile's electoral system is quite different from any other system in Latin America, making it difficult to derive any significance from this category. The average values would seem to indicate that district magnitudes of 3.5-9 are actually associated with the worst poverty outcomes.

Many of the reductions in rural poverty that occurred alongside significant changes to district magnitudes are impossible to differentiate in this analysis from the consistent reduction in poverty rates taking place across the region over time. For example, Peru reduced its average district magnitude from 120 in 1997 to around 5.2 in 2011, and saw a 34% reduction in rural poverty rates over the same time period. On the other hand, Mexico increased average district magnitude from 14.01 in 2000 to 83.22 in 2011, and saw a 22% drop in rural poverty in the same period. Although some countries have certainly made greater strides in terms of reducing rural poverty and disparity between urban and rural poverty rates, all countries in the region have seen an average of reduction in poverty overall: average national poverty rates were 32%% lower from 2009-2013 than from 1994-2000. Saliently urban poverty rates were 34% lower than rural poverty rates both from 1994-2000 as well as 2009-2013.

To gain additional insight into the suspicion that the passage of time was a stronger explanation for rural poverty reduction than changes or variation in district magnitude, I ran a pair wise correlation between average district magnitude, rural poverty rates, and the urban-rural gap that included values for all years and all countries. The results are presented in Table 13.

Table 13: District Magnitude, Year and Poverty Rates

	Rural Poverty Rates	Urban-Rural Poverty Gap
Average District Magnitude	.174	.276*
N	76	74
Year	-.395**	-.117
N	94	92

* $p < .05$; ** $p < .01$

Initially, it appears as though a higher district magnitude is significantly correlated with a larger urban-rural poverty gap. However, when Peru is excluded from the analysis, the correlation is only .089, $n=69$ for the urban-rural poverty gap and .070, $n=71$ for rural poverty rates. Compared to any change in district magnitude, time is a much stronger predictor of whether rural poverty rates are reduced. Overall, the results indicate that average district magnitude has had no significant impact on rural poverty rates or on the urban-rural poverty gap. Particularly compared to the effects of decentralization and closed-list PR, average district magnitude achieves virtually no significance. These findings are inconsistent with the literature on district magnitude, as scholars have demonstrated that elected officials in districts with lower district magnitudes tend to act more in line with the preferences of their districts (Portmann et al. 2012).

The failure of district magnitude to display any significant effects may be due to the problems inherent to measuring average district magnitude. For example, although legislators elected from rural districts with low district magnitudes may indeed act in the interests of their constituents, the power of other electoral districts may prevent them from allocating resources or implementing policies. This may be especially true if there are representatives from rural districts with low district magnitudes competing for resources against each other as well as against the more numerous legislators from urban districts.

Interactive Effects: Electoral Formulas and Decentralization

As discussed, it is possible that the theoretical impacts of closed-list PR, decentralization, and district magnitude may be strengthened when these variables interact. For example, it is possible that the benefits of a relatively low district magnitude are only realized when politicians also operate within the programmatic incentive structure generated by the presence of closed-list PR. Elections may provide the accountability required to ensure the benefits of decentralization are realized (Hankla 2010; Boex et al. 2006, 15). Indeed, electing rather than appointing officials has been found to strengthen the benefits of decentralization (Enikolopov and Shuravskaya 2006). In the same vein, the reduced dependence of legislators on elites under closed-list PR may mitigate the risks of elite capture and corruption which are problems commonly associated with decentralization.

This discussion has generated a testable hypothesis:

H4: Under closed-list proportional representation, where levels of fiscal, administrative, and political decentralization are higher, rural poverty rates will be lower, and the gap between urban and rural poverty rates will be smaller.

- a. *Where district magnitude is between 3.5 and 9, under higher levels of fiscal, administrative, and political decentralization, poverty rates will be lower and the gap between urban and rural poverty rates will be smaller.*

To test these hypotheses, I divided cases into high (60%+) and low (0-45%) proportions of legislators elected via closed-list PR. I also included control variables, as well as the proportion of legislators elected via closed-list PR. The statistically significant results are observable in Tables 14 and 15.

Table 14: Closed-List PR High (60%+)

	Rural Poverty Rates	Urban-Rural Poverty Gap
Fiscal Decentralization	-.465**	-.347*
N	34	34
Administrative Decent.	.346*	.299
N	34	34
Closed List PR	-.141	-.461**
N	34	34
Rural Population	.847**	.720**
N	34	34
FHI Index	.823**	.544**
N	34	34
Control of Corruption	-.899**	-.561**
N	21	21

* $p < .05$; ** $p < .01$

Table 15: Closed-List PR Low (0-45%)

	Rural Poverty Rates	Urban-Rural Poverty Gap
Fiscal Decentralization	-.658**	-.388
N	23	22
Rural Population	.723**	.129
N	23	22
FHI Index	.852**	.319
N	23	22
Control of Corruption	-.792**	-.375
N	16	15
Population	-.255	-.077
N	23	22

* $p < .05$; ** $p < .01$

The results presented in Tables 14 and 15 do not lend much support to the hypothesis. As we can see, there is actually a stronger relationship between greater fiscal decentralization and lower rural poverty rates in countries with a low degree of closed-list PR, which runs counter to the relationship proposed in Hypothesis 4. However, in countries with a higher degree of closed-list PR, fiscal decentralization correlates significantly with both dependent variables, whereas no measure of decentralization impacts the urban-rural poverty gap in countries with a low degree of closed-list PR, lending some support to the hypothesized relationship. However, a lower rural population, better control of corruption, and a better FHI score all correlate with lower rural poverty rates in both cases, though not with a smaller urban-rural gap for countries with a lower degree of closed-list PR. Interestingly where the degree of closed-list PR is already high, increasing the number of legislators elected via closed-list PR reduces the urban-rural poverty gap. While this does not lend support to the hypothesized relationship, it does indicate that marginal increases in the number of legislators operating under the incentives of closed-list PR have a significant impact on urban-rural poverty disparity.

Interestingly where the degree of closed-list PR is already high, increasing the number of legislators elected via closed-list PR reduces the urban-rural poverty gap. While this does not lend support to the hypothesized relationship, it does indicate that marginal increases in the number of legislators operating under the incentives of closed-list PR may have a significant impact on urban-rural poverty disparity.

To test whether the effects of decentralization are stronger under relatively low district magnitude, I divided cases into district magnitudes of 1-3.5, 3.5-9.0, 9.0-20, and 20+, and tested the effects of fiscal, political, administrative, and overall decentralization on poverty for each of these categories. The statistically significant results are shown in Tables 16 and 17.

Table 16: District Magnitude and Decentralization, 2009-2013

	Rural Poverty Rates	Urban-Rural Poverty Gap
District Magnitude 1-3.5		
Fiscal	-.996**	-.993**
N	6	6
Administrative	-.996**	-.993**
N	6	6
Political	-.996**	-.993**
N	6	6
Overall	-.996**	-.993**
N	6	6
District Magnitude 3.5-9		
Administrative	.391	.716**
N	19	18
Political	.410	.522*
N	19	18
Overall	.188	.526*
N	19	18
District Magnitude 9-20		
Administrative	.659*	.929**
N	10	10
Political	-.837**	-.495
N	10	10

* $p < .05$; ** $p < .01$

Table 17: District Magnitude and Decentralization, 1994-2000

	Rural Poverty Rates	Urban-Rural Poverty Gap
District Magnitude 1-3.5		
Fiscal	.995**	.984**
N	7	7
Administrative	-.995**	-.984**
N	7	7
Political	-.995**	-.984**
N	7	7
District Magnitude 3.5-9		
Fiscal	.611*	-.191
N	13	12
Administrative	-.966*	-.528
N	4	4
Political	-.716**	-.294
N	12	12
District Magnitude 9-20		
Fiscal	-.848**	.441
N	9	8
Administrative	-	-
N	-	-
Political	.469	-.773*
N	9	8
District Magnitude 20+		
Fiscal	.991**	.985**
N	5	5
Administrative	-	-
N	-	-
Political	-	-
N	-	-

* $p < .05$; ** $p < .01$

Tables 17 and 18 display similarly inconsistent results. For 1994-2000, there are so few cases in each category that any significant correlation cannot be given much credence. For 2009-2013, administrative, political, and overall decentralization are each significantly correlated with larger urban-rural poverty gaps. Although this result runs counter to the hypothesized relationship, it is consistent with the findings associated with administrative and political discussed above. For district magnitudes ranging between 9

and 20, administrative decentralization also increases the urban-rural poverty gap, as well as rural poverty rates, though political decentralization is correlated with lower rural poverty rates. However, this category only includes Brazil, Paraguay, and Uruguay. The category 1-3.5 includes only Chile and Panama, while the category 20+ includes only Colombia and Mexico, making significant correlations impossible to determine with this data for these categories.

There is also reason to test the differential effect of closed-list PR on increasing district magnitude. As discussed in Chapter 2, Shugart et al. (2005) find that as district magnitude decreases in closed-list PR systems, legislators are less likely to make personalistic appeals. On the other hand, Chang and Golden find that perceptions of corruption decrease as district magnitude increases above 15 under closed-list PR. These findings generate competing expectations about the interactive effects of closed-list PR and district magnitude. To test these effects, I derive a specific hypothesis:

H5: As district magnitude increases under Closed-List PR, rural poverty rates will be lower and the gap between urban and rural poverty rates will be smaller.

To test this hypothesis, I simply divided the cases into high and low proportions of Closed-List PR and tested the effect of increasing average district magnitude on rural poverty rates and the urban-rural poverty gap. I also included correlations between average district magnitude control of corruption, and FHI Score. These results are observable in Table 18.

Table 18: Closed-List PR and District Magnitude

	Rural Poverty Rates	Urban-Rural Poverty Gap	Control of Corruption	FHI Score
High Proportion of Closed-List PR				
District Magnitude	.201	.127	.016	.265
N	21	21	27	27
Low Proportion of Closed-List PR				
District Magnitude	-.006	-.079	-.130	.157
N	18	17	20	26

* $p < .05$; ** $p < .01$

As Table 18 shows, no significant relationship emerges to support Hypothesis 5, which proposes that a higher district magnitude will lead to lower rates of rural poverty and a smaller urban-rural poverty gap under closed-list PR. Additionally, in neither context does increasing district magnitude exhibit any consistent significant impact on control of corruption or FHI Score. These findings run counter to previous empirical analyses discussed above.

Controlling for Co-variation

As aforementioned, testing the relationships between independent and control variables helps to address endogeneity by testing whether, for example, more decentralized countries may be more likely to choose closed-list PR. I test the extent to which the independent variables closed-list PR, district magnitude, and decentralization are correlated with each other, as well as with the included control variables to control for this type of co-variation. To do this, I simply ran pair wise correlations between closed-list PR and each measure of decentralization. These results are observable in Table 19.

Table 19: Independent Variable Correlations, 2009-2013

	Fiscal Decent.	Admin. Decent.	Political Decent.	Overall Decent.
Closed-List PR	-.134	-.517**	-.204	-.319**
N	95	95	80	80

* $p < .05$; ** $p < .01$

The negative correlation between closed-list PR and administrative decentralization is certainly interesting, considering that we have seen that administrative decentralization tends to correlate with higher rural poverty rates and a larger urban-rural poverty gap. This may indicate that the incentives of closed-list PR translate to the nature of decentralization that occurs as well.

To control for co-variation for district magnitude, I calculate average values for each category. These values are observable in Tables 20 and 21.

Table 20: Averages, Independent Variables by District Magnitude 2009-2013

	Closed-List PR	Fiscal Decent.	Admin. Decent.	Political Decent.	Overall Decent.
All	55.2 (43.4)	.4 (.2)	.3 (.2)	.6 (.2)	1.6 (2.2)
N	80	80	80	80	80
1 - 3.5	23.8 (32.8)	.4 (.2)	.4 (.3)	.4 (.1)	1.3 (1)
N	8	8	8	8	8
3.5 - 9.0	54.3 (43.4)	.3 (.1)	.3 (.2)	.6 (.2)	.9 (1.3)
N	28	28	28	28	28
9.0 - 20.0	54.5 (52.2)	.6 (.2)	.5 (.23)	.8 (.1)	4.2 (3.7)
N	11	11	11	11	11
20.0+	62 (40.5)	.5 (.1)	.4 (.2)	.8 (.1)	2.8 (2.7)
N	6	6	6	6	6

Standard deviations in parentheses.

Table 21: Averages, District Magnitude 1994-2000

	Fiscal Decent.	Admin. Decent.	Political Decent.
All	7.4 (6.2)	31.9 (24.1)	.7 (.3)
N	105	42	98
1 - 3.5	5.2 (4.2)	24.5	.4 (.3)
N	18	13	20
3.5 - 9.0	5 (3.7)	22 (9.7)	.7 (.3)
N	49	19	40
9.0 - 20.0	4 (8.3)	11.8	.7 (.3)
N	24	3	24
20.0+	7.9 (2.1)	81.3	1.0 (0)
N	13	7	13

Standard deviations in parentheses.

Additionally, I run correlations between each control variable. These results are presented in Tables 22 and 23. I also provide the average values for each variable for different rural population sizes in Table 24. Tables 25 and 26 provide the correlations between district magnitude and between independent and control variables disaggregated by rural population and by FHI Index for 2009-2013.

Table 22: Control Variable Correlations, 2009-2013

	FHI Score	Percent Rural	Population	GDP Growth	Gini Index Score
Control of Corruption	-.766**	-.424**	.020	.149	-.128
N	57	57	57	57	42
FHI Score		.296**	-.001	-.158	.347**
N		95	95	95	70
Percent Rural			-.375**	-.070	.385**
N			95	95	70
Population				-.092	.249*
N				95	70
GDP Growth					-.001
N					70

* $p < .05$; ** $p < .01$

Table 23: Control Variable Correlations, 1994-2000

	FHI Score	Percent Rural	Population	GDP Growth	Gini Index Score
Control of Corruption	-.552**	-.701**	.080	.223	-.252
N	46	46	46	46	32
FHI Score		.205*	.284**	-.063	.004
N		112	112	112	69
Percent Rural			-.419**	.008	-.096
N			112	112	69
Population				-.084	.230
N				112	69
GDP Growth					-.191
N					69

* $p < .05$; ** $p < .01$

Table 24: Averages by Rural Population, 2009-2013

	All Values ³⁰	Small Rural Population (n=25)	Medium Rural Population (n = 29)	High Rural Population (n=41)
Rural Poverty Rates	41.6 (19.7)	15.3 (14.6)	43.6 (13.9)	54.4 (12.4)
Rural-Urban Poverty Gap	13.9 (12.5)	3.74 (9.64)	15.9 (14.15)	17.7 (8.8)
Fiscal Decent.	.4 (.2)	.6 (.10)	.4 (.10)	.3 (.10)
Administrative Decent.	.3 (.2)	.5 (.2)	.3 (.3)	.3 (.2)
Political Decent.	.6 (.2)	.7 (.16)	.6 (.2)	.5 (.2)
Overall Decent.	1.6 (2.2)	3.8 (3.2)	1.7 (2)	.5 (.7)
Closed-List PR	53.4 (43.4)	33.3 (48.8)	57.24 (39.6)	54.9 (44.6)
GDP Growth	3.74 (3.4)	4.1 (2.5)	4.02 (2.7)	3.6 (3.9)
Control of Corruption	-.25 (.7)	.9 (.7)	-.25 (.5)	-.54 (.3)
FHI Index	5.2 (2.2)	2.7 (.9)	4.9 (1.7)	5.9 (1.9)
Population	73.7 (93)	58.4 (7.4)	37.8 (41)	7.6 (4.9)
Gini Index	48.7 (3.9)	47.18 (4.6)	48.8 (3.2)	49.6 (4.0)

Standard deviations in parentheses.

³⁰ Countries included per category: Low: Brazil, Chile, Uruguay; Medium: Bolivia, Colombia, Costa Rica, Dominican Republic, Mexico, Peru; High: High: Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay.

Table 25: District Magnitude Control Variable Correlations by Rural Population, 2009-2013

	Control of Corruption	FHI Score	GDP Growth	Population	Gini Index
Large Rural Population					
District Magnitude	-.073	.156	.032	-.086	.237
N	21	21	21	21	17
Medium Rural Population					
District Magnitude	-.123	.399	-.327	.966**	.523*
N	17	19	19	19	16
Small Rural Population					
District Magnitude	-.853**	.841**	-.107	.808**	.176
N	9	13	13	13	10

* $p < .05$; ** $p < .01$

Table 26: District Magnitude Independent Variable Correlations by Rural Population, 2009-2013

	Fiscal Decent.	Admin. Decent.	Polit. Decent.	Overall Decent.	Closed-List PR
Large					
District Magnitude	.383	.673**	.358	.304	.252
N	21	21	21	21	21
Medium					
Closed-List PR	.193	-.542**	-.731**	.148	
N	29	29	29	29	
District Magnitude	.345	-.014	.483*	-.028	-.095
N	19	19	19	19	19
Small					
District Magnitude	.781**	.948**	.776**	-.853**	.124
N	13	13	13	9	13

* $p < .05$; ** $p < .01$

Conclusion

This chapter has presented a quantitative analysis to test the extent to which decentralization, the use of closed-lists, and lower district magnitude correlate with reduced rates of rural poverty and smaller gaps between rural and urban poverty. A chief lesson of this analysis has been that the effects of institutional variables are highly

conditioned by the context in which they occur. For this reason, I have found mixed support for the proposed hypotheses. The main qualifications to emerge are that stronger control of corruption, higher quality of democracy, and a smaller rural population size consistently correlate with lower rates of rural poverty and lower levels of urban-rural poverty disparity.

In this analysis, the most significant finding to emerge is the positive effects of fiscal decentralization for poverty outcomes. Both fiscal and political decentralization are significantly correlated with smaller gaps between urban and rural poverty rates in countries with large rural populations. In countries with relatively smaller rural populations, fiscal decentralization appears to have no impact. In fact, counter to expectations, administrative decentralization is significantly associated with higher rates of rural poverty and a larger urban-rural poverty in these contexts. However, in these contexts, poorer quality of democracy and worse control over corruption could also explain these poverty outcomes. Additionally, although in these countries fiscal decentralization does not correlate significantly with lower rural poverty rates, it does correlate significantly with stronger control of corruption.

This analysis lends support to the idea that rather than enhancing strong decision-making at lower levels of government, a higher degree of administrative decentralization instead provides opportunities for corruption. Indeed, a higher degree of administrative decentralization associates with lower control of corruption most strongly in countries with large rural populations. Administrative decentralization is also associated with higher levels of inequality across all cases, though not significantly. Furthermore, in

countries with medium rural populations, administrative decentralization is associated with a significantly worse quality of democracy.

Similarly, I have found mixed support for the hypothesis that a larger number of legislators elected under closed party lists will result in lower rural poverty rates and poverty disparity. In countries with relatively smaller rural populations, a larger number of legislators elected via closed-list PR does correlate significantly with a smaller urban-rural poverty gap, but this also could be attributable to stronger control of corruption and higher quality of democracy, making the direction of causality opaque. Moreover, closed-list PR only achieves significant impact on rural poverty rates in countries with a higher quality of democracy. However, this could also be attributable to stronger control of corruption and high quality of democracy in the first place. Despite the spuriousness of these relationships, it is notable that a higher degree of closed-list PR correlates significantly with stronger control of corruption in countries with larger rural populations and in those considered as well as with lower levels of inequality in the same cases and in countries with higher quality of democracy. This is likely because the programmatic incentives generated by closed-list PR are not as susceptible to clientelism as the personalistic incentives engendered by open lists.

I have found no support for the hypothesis that a lower district magnitude will correlate with improved poverty outcomes, nor for the hypothesis that decentralization will strengthen the relationship of closed-list PR and low district magnitude with poverty outcomes. However, this may be because the limited availability of data limited the number of cases available for inclusion. Additionally, the results of these correlations have indicated that where closed-list PR is already high, a marginally higher proportion

of legislators and a higher degree of fiscal decentralization both correlate with lower urban-rural poverty disparity. However, while this does provide some support for the hypothesis, it again may be attributable to higher quality of democracy, stronger control of corruption, and a smaller rural population.

In Chapter 4, I employ two case studies in order to provide qualitative insight into how – and whether – causal mechanisms between variables manifest in individual cases, as well as the ways in which these may be conditioned by factors such as corruption and quality of democracy. As Bates (1997) argues, a combination of quantitative and qualitative approaches can complement each other, filling in the respective gaps in understanding that may be left by each (174). I will use case studies to get at the causality I suspect is at play, specifically by highlighting the intervening variable which I argue impacts rural poverty rates: the relationship between political institutions and the composition of rural expenditures.

CHAPTER IV

CASE STUDIES: USING QUALITATIVE ANALYSIS TO INVESTIGATE CAUSALITY

Introduction

In this chapter I present a comparative, qualitative exploration of the respective electoral systems, decentralization processes, and the composition of rural public expenditures within the context of Peru and Uruguay. These case studies will help to illustrate the ways in which these institutional variables impact the nature and distribution of political power. Additionally, this exploration will examine in greater depth how the distribution of political power impacts the composition of rural public expenditure and the nature of rural poverty. Specifically, I will explore in detail how decentralization has taken place in each setting, how electoral rules influence whether political leaders make programmatic or personalistic appeals, as well as the ways in which the number of representatives in each district impacts political accountability.

A case study is “the intensive study of a single case for the purpose of understanding a larger class of cases” (Gerring 2007, 95). A case study takes a different approach than cross-case study to explaining a larger population of cases (Ibid., 96). Case studies can be useful for generating new hypotheses, for serving as the “first line of evidence” for exploratory research (Ibid., 98, 99). However, most importantly for the purposes of this analysis, case studies can present qualitative analysis of the causal mechanisms at work in quantitative analyses (Ibid., 92). Small-N case studies are

generally better suited to establish internal validity, while large-N cross-case analyses generally enhance external validity (Ibid., 100-102).

Case studies can be a useful supplement to quantitative cross-case statistical analysis because they provide a way to address many of the concerns associated with cross-case statistical analyses. A variety of scholars have argued that the validity of cross-national comparative analyses often suffers from the possibility of interacting covariates, the difficulty in treating extreme cases, disparity in data measurement, and especially in making causal inferences (Gerring 2007, 91; Jackman 1985, 162, 171). This is often due to the problem of having many control variables with relatively few cases, or to the oversimplification of many variables, as discussed in Chapter 3 (Jackman 1985, 164). For this reason, in recent decades, social scientists have increasingly utilized case studies as a method of investigating causality (Gerring 2007, 92).

Robert Bates' approach illustrates the complementary nature of case studies and cross-case statistical analyses nicely. As discussed in Chapter I, Robert Bates used case studies to uncover the salience of political institutions in determining the electoral importance of coffee growers, and thus also the productivity of their industry. Bates' then extended his analysis, performing a statistical analysis to quantitatively assess the relationship between the structure of political competition and the percentage of tax rebates given to coffee producers (Bates 1997, 182). By using a large-N statistical analysis to complement case studies, Bates was able to empirically demonstrate the link between political institutions and agricultural policies through his finding that governments chosen through party competition in Colombia increased rebates by over 12 percentage points relative to military governments (Ibid.) As Bates puts it, the

combination of approaches allowed him to “impart greater credibility to [his] account” by testing and revealing relationships in different ways (Ibid., 184).

Selection

Case studies, however, can also jeopardize the validity of the research, depending on the purpose of the analysis and the method of selection. The selection method depends largely on the goal of the researcher. For example, when seeking to determine whether a given independent variable impacts a given dependent variable, selecting cases on the basis of the dependent variable can bias conclusions (Geddes 1990, 149). This method of selection can muddle whether the causes of the dependent variable may also be present in cases without the dependent variable, jeopardizing the study’s validity (Ibid.). In such instances, cases selected on the basis of the independent variable produce more robust and valid conclusions because they naturally control for this problem (Ibid.)

For researchers interested in probing causality between independent and depending variables, selecting case studies on the dependent variable can be a useful methodology. Indeed, case studies selected in this manner provide an ideal method “for digging into the details of how phenomena come about and for developing insights, [because] they identify plausible causal variables” (Ibid.). For the purposes of this research, the case studies in this chapter will serve to elucidate potential causal mechanisms. Hence, I have chosen to select Peru and Uruguay as case studies on the basis of both the independent and dependent variables. These two cases display sufficient variation over time, as well as clear contrast with each other. As Geddes asserts, this selection method is useful for the goal of this thesis, because these cases will provide insight into the causal mechanisms I suspect are at play.

Case Studies: The Presence and Absence of Closed Lists in Proportional Representation

As discussed in Chapter 2, electoral rules generate varying incentives for the candidates and parties operating within them. Under closed-list proportional representation, voters cast votes for parties, not for individual candidates. For this reason, the programmatic incentives of politicians are maximized under closed-list PR relative to open-list PR and majoritarian elections (Carey and Shugart 1995). By contrast, under open-list PR, because voters cast votes for individual candidates as well as for parties, personalistic incentives are stronger (Ibid.). Additionally, under closed-list PR candidates have stronger incentives to behave in ways that serve the party's programmatic agenda. This is because parties control ballot access and order, and because the candidates know that if a party's reputation is strong, any given candidate's chances of gaining office are improved.

Programmatic versus Personalistic Linkages

The nature of the appeals candidates and parties make to win elections shape the character of electoral linkages. Hence, programmatic appeals result in programmatic linkages, where “citizens develop loyalties to a party that are based on ideological or general programmatic commitments” (Roberts 2002, 18). In these settings, parties must maintain consistent, distinguishable ideological positions to gain the electoral support of citizens with similarly consistent ideological positions (Ibid.)³¹ Conversely, personalistic appeals result in personalistic linkages. In Latin America, these have tended to be based

³¹ Programmatic linkages can be superimposed onto existing social cleavages within society, making them more identity-based than ideologically-based. However, this has not generally been the case in Latin America (Roberts 2002, 18).

on charismatic, dominant personalities (Ibid.). To garner votes, candidates can distinguish themselves on the basis of individual characteristics.

As discussed in Chapter 2, the differences between programmatic and personalistic linkages matters because representation varies depending on how elected officials view their constituents (Crisp and Ingall 2002). A legislator who views him or herself as representing a specific, parochial constituency will make policy choices to serve those interests, whereas a legislator who views him or herself as pursuing a broader programmatic agenda will make policy choices towards that end (Pitkin 1967). What characterizes programmatic parties is the emphasis on policies, rather than the personal qualities of candidates, emotional ties, descriptive representation, or patronage (Kitchelt and Wang 2014, 44)

In Latin America, “programmatic representation is the exception, not the rule.” (Luna 2014, 9). However, in this chapter I will explore the ways in which Uruguay presents an extremely clear exception to this rule, while Peru presents a more typical case of personalistic representation. Uruguay’s programmatic linkages have only grown stronger since the 1990s (Luna 2006, iii). By contrast, Peruvian politics have become hyper-personalized since the 1990s, with voters tending to support candidates rather than parties (McNulty 2011). Hence, these are extremely useful case studies through which to highlight the differential impacts of electoral rules.

I have selected Peru and Uruguay in part because these cases display important variation on the independent variable, the number of legislators elected via closed-lists. In this section, I will describe the details of these electoral systems, and then present an assessment of their consequences for political behavior. While both employ proportional

representation, in Peru, all legislators are elected via open lists, while in Uruguay, all legislators are elected via closed party lists, as Tables 1 shows. Hence, these case studies allow us to examine whether the theoretical expectation that open-list PR will incentivize personalistic appeals, and closed-list PR will encourage programmatic appeals, in these cases. Furthermore, additional institutional details within the general categories of closed and open-list PR in Uruguay and Peru create further incentives to employ programmatic or personalistic appeals as an electoral strategy.

Table 1 presents a summary of the proportion of legislators elected via closed-list PR and any form of PR, from 2009-2013.

Table 1: Proportion of Legislators Elected via Closed-List PR and Any Form of PR, 2009-2013

Country	Prop Closed-List PR	Prop Any PR
Bolivia	35	35
Brazil	16.81	16.81
Chile	0	0
Colombia	99	99
Costa Rica	100	100
Domn. Rep.	80	80
Ecuador	0	95
El Salvador	100	100
Guatemala	80	80
Honduras	0	100
Mexico	25	40
Nicaragua	100	100
Panama	63.4	63.4
Paraguay	100	100
Peru	0	100
Uruguay	100	100

Peru: Personalistic Politics in a Volatile Party System

Peru's unicameral legislature consists of 130 members, elected from 25 districts to which seats are assigned proportionately according to population (Lupu 2011, 621). The

number of seats allocated to districts ranges from 1 to 36 (Ibid.). Every five years, the entire legislature is renewed (Ibid.) Voters rank candidates within open party lists (Political Database of the Americas 2011). In 2003, in an attempt to stabilize the party system, Peru passed a law requiring a 5% vote threshold for political parties to gain seats in the legislature (Green and Morgenstern 2009). Until 2001, Peru employed a single, nation-wide electoral district from which 120 legislators were elected and seats were assigned proportionately (Dickovick 2011, 53). In 2001, in an attempt to decentralize, President Toledo implemented reforms that created district-based constituencies instead (Ibid.)

After military rule lasting from 1968-1980, democratic governance was reinstated in Peru, and throughout the 1980s four major parties competed for legislative seats (Dietz and Myers 2007, 67). These parties were organized along a liberal-conservative ideological spectrum, and exhibited programmatic tendencies representing pluralistic interests in society (Tanaka 2010, 173-174). However, during this time, Peru also experienced a series of economic crises, consistent political violence, and severely high poverty levels which resulted in high levels of electoral volatility (Dietz and Myers 2007, 67; Tanaka 2010, 174). By the 1990s, all four previously major parties had lost credibility (Dietz and Myers 2007, 73). This led to the complete collapse of the relatively stable party system of the 1980s, and ushered in the election as president of outsider Alberto Fujimori (Tanaka 2010, 174). Fujimori took measures to consolidate power and eliminate political opposition, revising the constitution and holding new congressional elections. Fujimori enjoyed popular support, however, as early neoliberal reforms spurred precipitous economic growth during the early 1990s (Ibid.) However, in 1998, GDP

growth dropped to -.5%, and remained anemic for the next several years (Bury 2004, 223). In 2001, the Fujimori regime collapsed under major corruption scandals (Ibid.)

In the intervening years, Peru's party system has remained highly unstable (Lupu 2011, 621). Elections have become increasingly personalistic in Peru since the 1990s (Dietz and Myers 2007, 74, 77, 78). New parties are frequently formed to suit individual candidates' campaigns; and parties emerge and disappear with relative ease (Ibid., 67). Peruvian voters tend to be dissatisfied and disillusioned with political parties, and are consequently more apt to support campaigns based around charismatic individuals who present a clear alternative to the status quo (Seawright 2012, 88; Cohen 2016). This volatility has been consistently evident in recent Peruvian elections: political outsiders from relatively newly formed political parties won the presidency in 1990, 2001, and 2011 (Dietz and Myers 2007, 67; Oblitas 2011, 22). In 2011, 11 different parties presented candidates for president, and yet when surveyed, more than 55% of Peruvian voters indicated dissatisfaction with the available options in that election (Cohen 2016). Additionally, of the 11 parties that participated that year, only two had previously participated in elections (Bejar 2011).

Because Peruvian candidates cannot rely on programmatic, well-institutionalized parties, they make highly personalistic, clientelistic appeals to garner voter support (Muñoz 2014). In fact, electoral clientelism³² is widely considered not only normal, but in fact is seen as paramount to successful political campaigning (Muñoz 2014, 79). In the absence of party support, clientelism gives candidates a way to get voters to attend rallies

³² Electoral clientelism is defined as "a strategy of electoral mobilization that involves a politician offering private benefits (e.g., money, goods) to individuals during campaigns contingent on their electoral support" (Muñoz 2014, 79).

and media events so that their candidacy attracts the attention of donors, media, and ultimately voters at the polls (Ibid., 80-81).

Uruguay: Programmatic Linkages in a Stable Party System

Uruguay's bicameral legislature uses closed-list proportional representation for both houses (Altman et al. 2011). The Senate, its upper house, has 30 members who are elected from a single national district, while the 99 deputies of its lower chamber are distributed proportionately among 19 districts (Ibid.). These range from 2 to 45 members allocated per district, however, a particular electoral rule requires the use a mathematical strategy to ensure that maximum proportionality is maintained, meaning seats are sometimes transferred between districts (Ibid.). Uruguay employs the Double-Simultaneous Vote (DSV), meaning that voters cast votes for parties as well as for "a specific set of candidates within the party, [which they select] from among those presented by the rival fractions within each party" (Gonzales 1995, 146-147). Essentially, voters select closed-lists within closed-lists.

Uruguay is generally considered to have one of the most institutionalized party systems in Latin America, with the strongest programmatic party-voter linkages (Kitschelt and Wang 2014). However, this has not always been the case. Beginning with democratization in 1942, Uruguay had a relatively extremely stable two-party system for the better part of the 20th century (Luna 2007; Altman et al. 2011). The two traditionally dominant parties, the Colorado Party and the Blanco Party, were certainly ideologically divergent, but they did not employ ideology as a linkage strategy with voters (Luna 2006, 114). Instead, they appealed to voters through clientelism and patronage, creating highly partisan identities based on tradition and particularism within specific partisan

subcultures (Ibid., 114, 120).

For many years, the two-party system was deliberately preserved, achieved through a relatively high number of constitutional reforms which insulated the parties from socioeconomic change, preserving their dominance (Altman et al. 2011, 2-3).³³ In fact, the same parties that had dominated before the military dictatorship³⁴ spanning from 1973-1985 retained dominance from 1985 until 2004 (Lanzaro 2010, 205). However, like many Latin American countries, Uruguay's government pursued neoliberal reforms in the 1990s; policies that, by the end of the decade, had resulted in widespread popular discontent and economic crises that pushed poverty levels to record highs (Levitsky and Roberts 2011, 3; IMF 2015). Throughout the region, this weakened trust in predominantly center-right incumbent regimes, and created an opportunity for opposition movements to gain political traction, and many countries saw the election of leftist parties (Levitsky and Roberts 2011, 3.) Uruguay was no exception: in 2004, the leftist party *Frente Amplio* (FA) took the presidency, the first time in 176 years that one of the two major parties did not do so (Luna 2007). FA had first emerged in 1971 as a challenge to the dominant parties, but had remained relatively marginalized for decades (González 1993, 43).³⁵

The triumph of FA presents an excellent example of the successful use of programmatic electoral appeals. The FA was able to leverage the widespread

³³ Specifically, these included the use of concurrent elections and Double-Simultaneous Vote (Luna 2006).

³⁴ Uruguay's military coup d'état in 1973 occurred when the military capitalized upon the polarized political climate created by a series of urban guerrilla actions by the political group the *Tumaparos* (Lanzaro 2010, 204). Interestingly, the *Tumaparos* joined the now-dominant *Frente Amplio* party in 1992, and the FA ran the group's leader as a presidential candidate in 2009 (Ibid., 246).

³⁵ FA won 18% of the vote in 1971, virtually none in 1994 or 1999, over 50% in 2004, and nearly 50% in 2009 (Lanzaro 2010, 203; Political Database of the Americas 2011)

dissatisfaction within the electorate with neoliberalism, and the burgeoning mistrust in the traditional parties, by programmatically incorporating opposition to neoliberalism into the its party platform (Luna 2006, iv). Additionally, although FA's support was historically predominantly urban, the party managed to transition into a professionalized organization by forming programmatic linkages on an ideological basis with key groups, allowing it to expand its base of electoral support (Luna 2007, 1). The party system in Uruguay has remains highly stable and programmatic today (Luna 2014). While the two traditional parties still retain representation in Congress, the FA has constituted a plurality of seats since 2004, and electoral volatility has consistently declined (Altman and Buquet 2014).

Discussion: Contrasting Institutional Incentives

Peru and Uruguay both experienced the wave of backlash that occurred in most Latin America against the neoliberal reforms of the 1990s (Carrera 2014, 11; Luna 2007, 3). However, the consequences of this dissatisfaction were vastly different. In Uruguay, it resulted in the rise of the FA, which adapted to reflect citizen preferences and established programmatic, ideologically-driven linkages on a broad basis (Luna 2007, 3). In Peru, the Fujimori regime was ousted and democratic elections were reinstated, but personalistic politics have only intensified, as new parties formed around individuals who capitalized upon the popularity of leftist messages. The wave of anti-neoliberal sentiment the FA rode to power resulted in a vigorous reinvestment in leftist social policies over the next decade (IMF 2015). In short, the Uruguayan government delivered on their campaign promises (Luna 2007, 2). In stark contrast, the ideological campaigns in Peru have not been borne out in governance: just like Fujimori and the politicians of the 1990s,

Peruvian politicians after Fujimori's ouster continue to oppose neoliberalism during campaigns, but do little to change those policies in office (Tanaka 2010, 175; Stokes 2001). In short, Uruguay's party system became "increasingly programmatically oriented" with the wave of political changes in the 1990s, while Peru's became increasingly personalistic, with resulting changes in representation (Luna 2007, 11; McNulty 2011 in Cohen).

The vast differences between the impacts of programmatic incentives in Uruguay compared to personalistic politics in Peru are striking. In Uruguay in 2006, more than 60% of citizens supported a political party (Luna 2014, 12). In the same year, only 16.4% of Peruvians expressed trust in political parties, and this had declined to 9.9% in 2014 (Cohen 2016). Additionally, clientelism has flourished as an electoral strategy in Peru, while parties in Uruguay have become increasingly programmatic since the election of the FA (Muñoz 2014; Kitschelt et al. 2010, 140).

I contend that the divergence in the nature of electoral competition between the two countries can ultimately be traced back to the use of closed lists and DSV in Uruguay, and to the use of open lists in Peru. In Peru, the use of open-list PR allows for high levels of intra-party competition, and for the frequent emergence of new parties. This perpetuates personalistic politics specifically because voters are able to vote for candidates. Although voters do vote for candidates as part of political party lists, the instability of the parties weakens partisan attachments, even further increasing the value of personalistic appeals. Furthermore, because the success of political candidates in Peru does not depend on party performance or party approval, politicians are able to renege on campaign promises more easily. After all, in the Peruvian context, politicians are able to

shift electoral strategies, rather than being tied to a party's agenda in order to do so as they are in Uruguay. The tendency of politicians to change policy positions haphazardly is evident in Peru today, due to a lack of accountability imposed by well-institutionalized political parties (Tanaka 2010, 192). This perpetuates a general lack of political legitimacy and party instability, as officeholders frequently renege on campaign promises, making it virtually impossible for voters to ascribe policy positions to parties. (Ibid.).

The nature of the electoral rules in Uruguay has allowed parties to retain strong, programmatic linkages. Intra-party competition has typically been high in Uruguay as well (Altman et al. 2011, 5). However, because of the use of closed-lists and DSV, candidates do not have incentives to make personal appeals to voters. Instead, intra-party competition occurs along ideological lines between several party fractions³⁶ that remain unified under the party umbrellas (Luna 2007, 10). As discussed, due to the use of DSV, voters choose a party as well as a set of candidates within the party. Because sets of candidates are presented as a list from each ideologically-based fraction within the parties, linkages remain programmatic rather than personalistic (Grassi 2014).

To be clear, my central claim is that electoral rules are the primary, not the only factor influencing the nature of representation. As discussed, the anger of voters over the economic downturn suffered in the wake of neoliberal policies was the event that catalyzed the electoral success of the FA in Uruguay, and this was in no way caused by the presence of closed lists. However, the pivot to programmatic appeals would not have

³⁶ These include the Communist Party, the Socialist Party, the Movimiento de Participación Popular, and the Asamblea Uruguay, which together gained 70% of the FA's vote in 2004 (Luna 2007, 9).

been nearly as likely under different electoral rules: as we have seen, the political upheaval in Peru during the same time had vastly different results.

Case Studies: District Magnitude

The case studies of Uruguay and Peru's party systems help clarify why district magnitude did not achieve statistical significance in the quantitative analysis presented in Chapter 3. I hypothesized that because a lower district magnitude would allow voters to more easily hold political leadership accountable, leaders would have stronger incentives to serve the interests of voters and thus pursue collectivistic policies, resulting in lower poverty rates in rural areas. This was not borne out by the quantitative analysis. Furthermore, changes in district magnitude displayed no significant impact on rural poverty rates or the gap between urban and rural poverty rates when interacting with closed-list PR or with decentralization.

In this section, I use the cases of Uruguay and Peru to briefly argue that the accountability mechanisms created by district magnitude are eclipsed by the accountability mechanisms (or lack thereof) and type of representation generated by closed-list PR. Under closed-list PR and DSV in Uruguay, accountability is borne by strong political parties. In Peru under open-list PR, accountability is hindered by weak political parties. This helps to explain the insignificance of variation in district magnitude in explaining outcomes relating to political accountability. Table 2 presents a summary of district magnitudes in Latin America from 2009-2013 and 1994-2000.

Table 2: District Magnitudes, 2009-2013 and 1994-2000

Country	District Magnitude, 2009-2013		District Magnitude, 1994-2000	
	Mean	Range	Mean	Range
Bolivia	5.56		7.3	3.5-12.3
Brazil	16.81		18.78	18.61-19.02
Chile	2		2.22	
Colombia	41.46		39.91	
Costa Rica	8.14		8.14	
Domn. Rep.	5.67	5.56-5.72	3.51	
Ecuador	4.3		5.16	3.46-7.36
El Salvador	4.57		4.98	
Guatemala	5.8		7.08	6.12-7.47
Honduras	7.11		7.22	
Mexico	83.22		13.84	13.62-14.02
Nicaragua	4.12		4.11	
Panama	1.78		1.83	1.82-1.85
Paraguay	19.04		19.04	
Peru	4.93	4.8-5.2	120.00	
Uruguay	11.34		5.21	

Following the theoretical propositions discussed in Chapter 2, a median district magnitude of between approximately 4-8 should have both highly representative parliaments and a smaller number of parties in government, allowing voters to remove legislators from office where policies do not represent the interests of voters (Carey and Hix 2009, 395). Theoretically, this would lead to a higher degree of electoral volatility. However, this expectation is not supported by the statistical analysis. As Table 3 shows, Peru went from a single nation-wide district of 120 from 1994 to 2000 to a mean district magnitude of approximately 5 from 2009 to 2011, but electoral volatility did not follow suit despite consistently high poverty rates. Uruguay's jumped from 5.21 from 1994-2000 to 11.34 from 2009-2003, but electoral volatility was lower when mean district magnitude was higher. While Uruguay's low electoral volatility makes sense considering the high levels of support for political parties, and its successful poverty relief and social welfare policies, Peru's does not.

Table 3: Electoral Volatility³⁷ in Peru and Uruguay

		1994-2000	2009-2011				
	Average District Magnitude	120	4.93				
Peru	Electoral Volatility	1985-1990 50.25	1990-1995 68.99	1995-2000 41.28	2000-2001 46.40	2001-2006 44.66	2006-2011 44.49
	Average District Magnitude	1994-2000 5.21	2009-2011 11.34				
Uruguay	Electoral Volatility	1989-1994 16.97	1994-1999 10.07	1999-2004 26.75	2004-2009 7.79	2014 4.2%	
	Average District Magnitude	1994-2000 5.21		2009-2011 11.34			

Sources: Alcántara 2012; Altman and Buquet 2015; Political Database of the Americas 2011; Johnson and Wallack 2012; Dahlberg et al. 2016.

However, because the discussion in the previous section has made clear that partisan attachments are highly unstable, that parties emerge and fade away easily, and that politics are highly personalistic in Peru, it makes sense that simply having fewer candidates to choose from would not make voters better able to hold leaders accountable for choices. Furthermore, while Peru's electoral volatility did not reflect changes in district magnitude, its levels of electoral volatility are still among the highest in the region, after only Venezuela (51%) and Colombia (51%) for the most recent time period (Alcantará 2012).

These case studies have helped to demonstrate why lower district magnitude does not demonstrate any significant relationship with rural poverty outcomes. Where political party systems are weak and personalistic incentives are strong, lower district

³⁷ Electoral volatility is the percentage of legislative incumbents who lose their seats in an electoral cycle.

magnitude does not improve accountability. Although the results of the interactive hypothesis indicated no significant impact of lower or higher mean district magnitude on rural poverty outcomes, this may be because the measurement of closed-list PR fails to take into account other electoral rules that may generate or strengthen programmatic incentives, such as the structure of intra-party competition.

Case Studies: Decentralization

In this section, I will present the processes of the fiscal, administrative, and political aspects of decentralization in Peru and Uruguay. These explorations will illustrate that the nature of decentralization in these countries reflect political conditions at the national level. Hence, while Uruguay's decentralization process has constituted part of the larger trend of democratic consolidation under programmatic incentives, Peru's have only served to reinforce personalistic politics, exacerbating regional inequality.

As we have seen in Chapter 3, various aspects of decentralization have different effects on rural poverty and on the gap between rural and urban poverty rates. While fiscal decentralization has a negative correlation with rural poverty, administrative decentralization has a positive correlation with a larger urban-rural poverty gap. When disaggregating by rural population size and FHI score, political and overall levels of decentralization also have positive correlations with the dependent variables in "free" countries and in countries with relatively lower rural populations. These case studies will allow us to delve into the details of these patterns. Figures 1-4 display the relationship between fiscal, administrative, political, and overall decentralization and rural poverty rates, highlighting Peru and Uruguay's positions.

Figure 1: Fiscal Decentralization and Rural Poverty Rates, 2009-2013

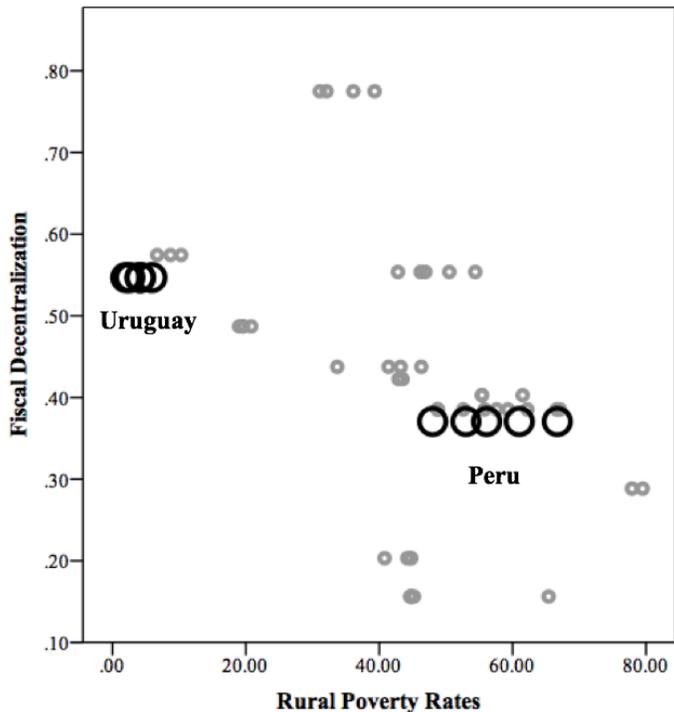


Figure 2: Administrative Decentralization and Rural Poverty Rates, 2009-2013

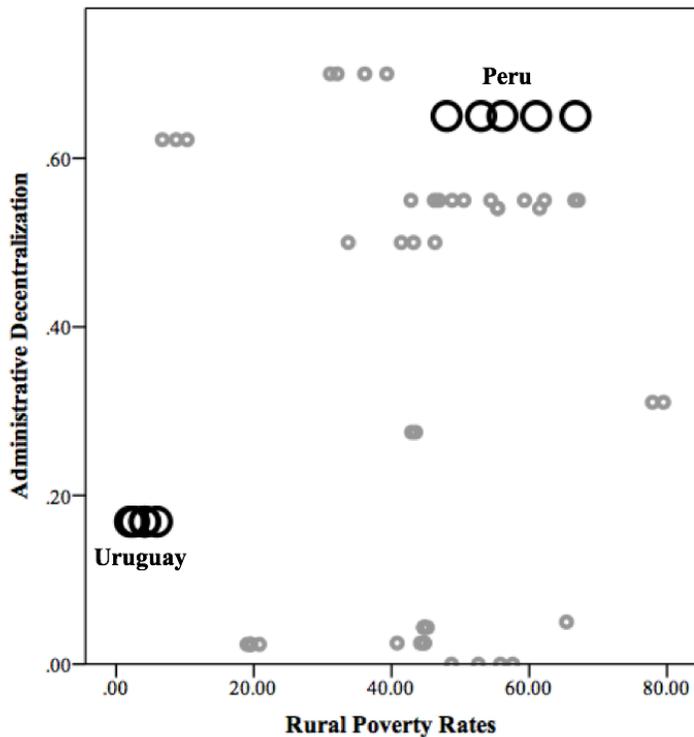


Figure 3: Political Decentralization and Rural Poverty Rates, 2009-2013

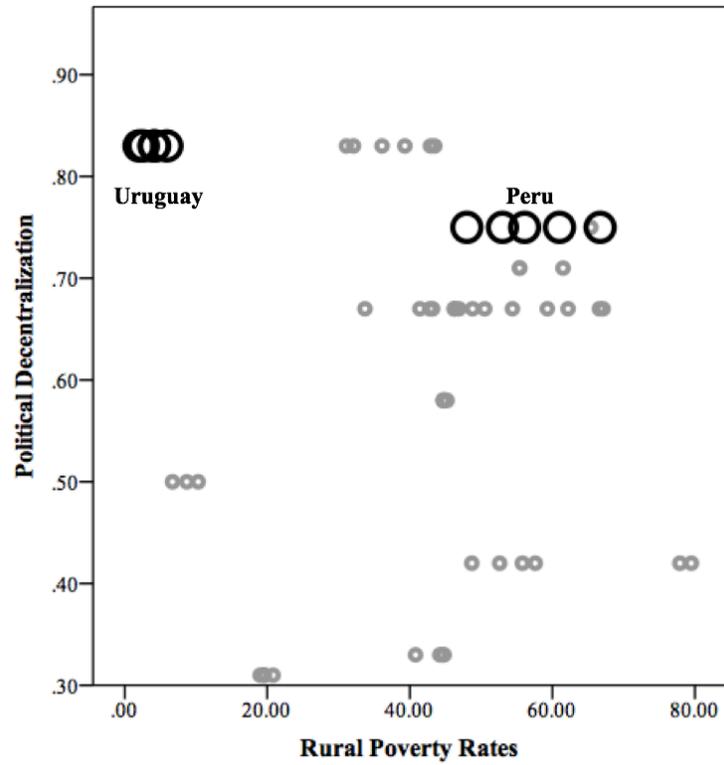
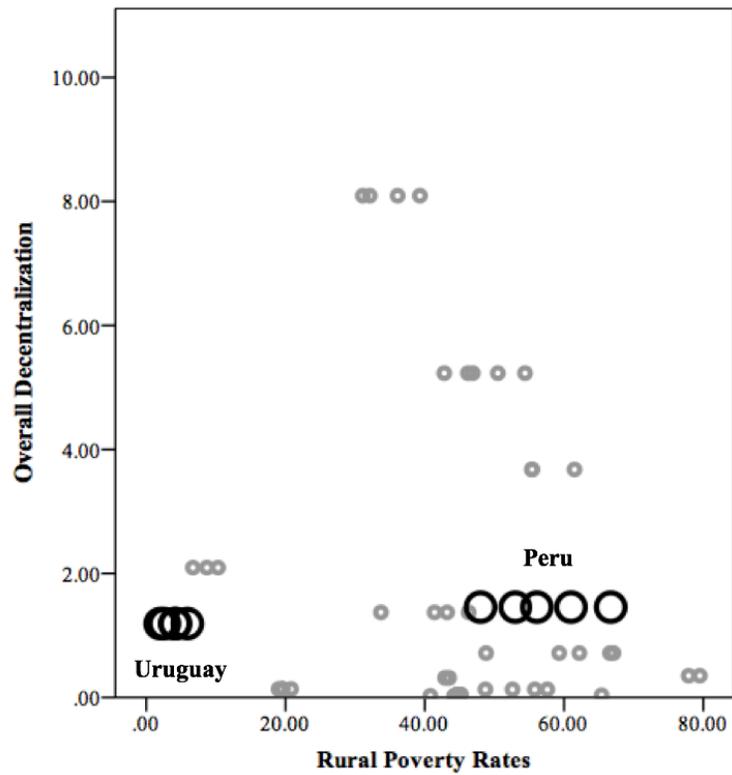


Figure 4: Overall Decentralization and Rural Poverty Rates, 2009-2013



In Peru, the process of decentralization began in the 1980s, but was blocked by the Fujimori regime in the 1990s, and then began again around 2002 after the Fujimori regime's downfall (World Bank 2009, 230). From 2002-2005, a series of laws and a major constitutional reforms promoted the creation of regional governments (Ibid., 236). Peru's government now has national, departmental, and municipal levels of government for both cities and districts (Ibid.). In Uruguay, a 1996 constitutional reform affirmed a commitment to the creation of decentralization policies to “promote regional development and social well-being” (Ibid., 237). Uruguay is divided into 19 departments, with populations significantly larger than most Latin American municipalities that also have local level councils (Ibid., 237). Uruguay's decentralization has been more gradual than both Peru's and than the regional average; it wasn't until 2009 that Uruguay implemented reforms that created municipal governments (Rosenblatt et al. 2015, 92).

Political Decentralization

The personalistic nature of politics in Peru is reflected in the character of local elections. When decentralization reforms were initiated in 2002, Peru began to consolidate regional governments by holding elections at the departmental level (World Bank 2009, 236; Martinez-Vasquez 2013, 3). This was the first step the central government's larger plan to create macro-regions above the departmental level which would encompass and oversee several departments in the next election cycle as the intermediate level of government between the central and the municipal (Martinez-Vasquez 2013, 3). However, the governors who had been elected in 2002 were strongly opposed to relinquishing their offices to leadership at the macro-regional level (Martinez-

Vasquez 2009, 3). Additionally, despite initially professing support for local elections, Presidents Toledo (2002-2006) and García (2007-2011) both changed their positions when their parties performed poorly at the municipal level (Martinez-Vasquez 2013, 2). Because the central government benefitted politically from maintaining relatively weak macro-regions, it did not push for their full consolidation (Dickovick 2007, 6). A series of referendums to finish the consolidation of macro-regions failed over the next several years (The Economist 2014). Hence, a major component of decentralized government in Peru has been left inchoate (Martinez-Vasquez 2013, 3).

Furthermore, a series of recent reforms have “made it difficult for parties in Peru to run under the same name across multiple elections,” further personalizing politics at the local level (Cohen 2016). Combined with the inchoate macro-regional government, this has also allowed for the creation of regional clientelistic networks with strong connections to the central government and further facilitated rampant corruption at the subnational level (Hershberg 2014; The Economist 2014). In 2014, “out of 25 outgoing regional presidents, 22 [were] being investigated for embezzlement” (The Economist 2014). Subnational elections are as personalistic as national elections. For example, one such regional president in jail for kickbacks continues to be seen as a political martyr in his region (Ibid.). Thus, citizens in Peru are generally highly cynical about local elections (The Economist 2014).

By contrast, decentralization in Uruguay clearly reflects the programmatic incentives at play at the national level. Uruguay’s 19 departmental leaders, *intendentes*, have been directly elected since 1966 (World Bank 2009, 237). Departmental elections are held at different times than national elections (Ibid.). When Uruguay created

municipalities in 2009, it was mandated that towns of over 5,000 would elect the mayor and four councilors that composed municipality leadership (Rosenblatt et al. 2015). In towns where citizens are able to elect local leaders in Uruguay, citizens have been found to have more positive attitudes towards political efficacy and democratic legitimacy (Ibid., 104).³⁸

The behavior of elected representatives as political decentralization has proceeded also reveals the strength of the programmatic incentives at the national level. Because electoral rules give parties and party factions so much control over legislators, the creation of subnational elections gave legislators an opportunity to advance their careers outside of party control (Chasquetti and Micozzi, 97). Indeed, as political decentralization has progressed in Uruguay, the number of deputies running for governor at the end of their terms has increased precipitously (Ibid., 95). The behavior of these legislators has shifted according to the more particularistic incentives inherent to regional executive elections, especially in districts with smaller populations (Ibid., 89, 97). Legislators in the national legislature who have ambitions to run for executive office at the departmental level tend to target policies towards their regions, in contrast to the overarching tendency of Uruguayan legislators to maintain party unity by serving party goals (Ibid.). In smaller and more rural districts in Uruguay, citizens are more likely to vote for representatives based on the work they have done for their regions, whereas in larger, urban areas, citizens are more likely to vote for representatives on the basis of

³⁸ Each department was required to have at least 2 towns with local elections, however, in the case of departments that did not have a second town meeting the threshold, the next-largest town was allowed to elect leaders (Rosenblatt et al. 2015). This creates a natural experiment, allowing comparison between towns of similar sizes with and without local elections (Ibid.).

“their commitment to national issues” (Ibid., 98).

Administrative Decentralization

The failure to consolidate macro-regions in Peru has halted other processes of decentralization throughout the country as well (Martinez-Vasquez 2013, 5). Because Peru’s municipal governance is highly fragmented, the absence of regional leadership has resulted in inefficiencies, inequities, and conflict resulting from overlapping jurisdictions and a lack of coordination between local governments (Ibid., 6-8). Moreover, subnational governments in Peru generally have a low level of administrative capacity, and are highly dependent on the central government, with little autonomy over spending decisions (Ibid., 3). Although the decentralization reforms of 2002 purported to equip regional governments with the capacity to govern, programs to do so either did not work or were never implemented, likely due to the lack of support of the central government (Ibid.) Despite the lack of capacity, responsibilities and finances have been devolved to subnational governments with little oversight or concern for their capacities (The Economist 2014). A few subnational governments have flourished, reinvesting in their communities, but many have been captured by organized crime (Ibid.) In one instance in 2014, then-President Humala went so far as to freeze the assets of a region whose governor was assassinating political enemies (Hershberg 2014).

In contrast to Peru, in Uruguay, decentralization has involved the devolution of both responsibilities and resources, as well as greater local government authority over service provision (Goldfrank 2011, 66). The central state has devolved both jurisdiction and resources to the local level to the extent that municipal governments have been able to “design meaningful participatory institutions” (Goldfrank 2007, 147). In fact, the FA

has deliberately encouraged participatory governance at the local level as a strategy for gaining electoral support (Goldfrank 2011, 9 42).

Fiscal Decentralization

Peru mandated fiscal decentralization formally in 2002 with the passage of the Fiscal Decentralization Act, that ostensibly included measures which promoted the participation of both civil society groups and lower levels of government in budgetary processes (World Bank 2009, 236-7). In fact, members of any civil society organization are legally allowed to participate in regional budgeting (Fairfield 2006, 21). On its face, fiscal decentralization has been deliberate and rapid in Peru: its sub-national public expenditures are among the highest in the region, greater than 20% of total public expenditures in 2009 (Ibid., 240-1).

The most dramatic trend in subnational expenditures has occurred through the rapid expansion of municipal expenditures, which increased 40% from 2005-2010 (Ibid., 12). However, despite the increase in subnational expenditures, regional governments remain highly dependent on central government transfers, as subnational governments collect only 1.5% of total tax revenues (Martinez-Vasquez 2013, 4; The Economist 2014). Major disparities in the distribution of central government transfers from canon sources³⁹ have also exacerbated rural-urban inequities and caused widespread inefficiencies, reducing the effectiveness of public expenditures (Martinez-Vasquez 2013, 4). In fact, most of the expenditure increases that have occurred have been concentrated in regions benefitting most from canon transfers (Ibid., 13). In some municipalities,

³⁹ Canon transfers are fiscal transfers from natural resource revenue (Martinez-Vasquez 2013)

governments spend less than a dollar per capita on public services, while in others governments spend over \$1,000 (Wright 2011, 2). Rural-urban disparities are further exacerbated by the fact that many such transfers are “earmarked for capital infrastructure projects,” so regional authorities are unable to decide autonomously how to spend those funds (Martinez-Vasquez 2013, 4).

In Uruguay, fiscal decentralization has taken a substantially different form. While subnational public expenditures were comparatively low, at around 13% of total public expenditures in 2009, transfers from the central government accounted for between only 16% and 22% of departmental budgets (World Bank 2009, 247). As aforementioned, Peru’s departments are highly dependent on central government transfers, meaning that Uruguay’s regional departments are significantly more autonomous than Peru’s.

Discussion

Decentralization has not had the hypothesized effects on poverty in Peru due to the primacy of the personalistic incentives initially engendered by the use of open-lists. The failures of decentralization in Peru are a symptom of the resulting problems of weak political parties, lack of accountability, and lack of policy coherence (The Economist 2014). The absence of strong parties has translated to the subnational level: political alliances between regional elected leaders and voters tend to be pragmatic, fleeting, and parochial (Brun and Diamond 2014, 81-82). Furthermore, the failure to fully consolidate decentralization in Peru was in part a result of the ability of Presidents García and Toledo to easily change policy positions on decentralization when their parties performed poorly in subnational elections, halting the full implementation of decentralization and crippling the ability of subnational governments to coordinate and fulfill local needs autonomously

(Martinez-Vasquez 2013, 4). These leaders were able to switch their policy positions so easily because of the lack of accountability to a political party's agenda.

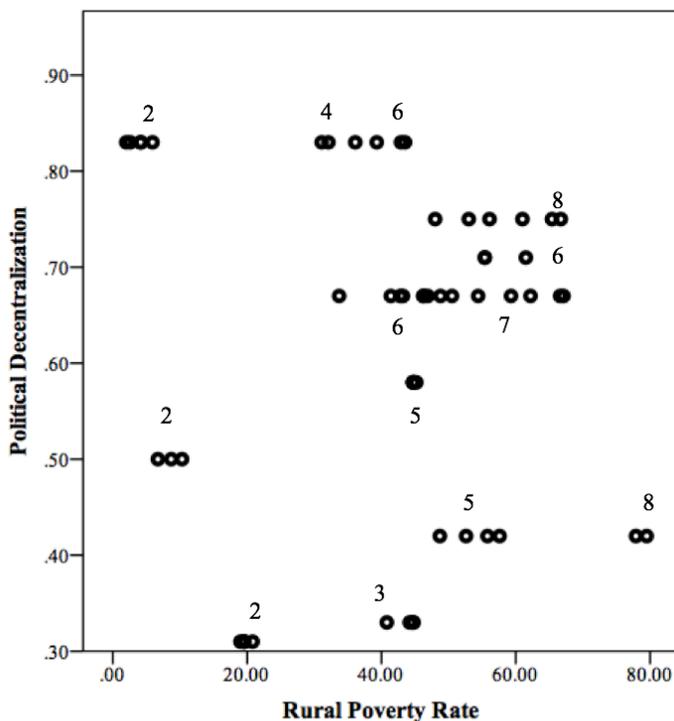
By contrast, in Uruguay, the strengthening of regional governments has been part of a larger process of deepening democracy made possible by the turn to programmatic political parties catalyzed by FA's 2004 electoral success. Due to the strength of the parties, the best strategy for legislators is generally to remain committed to party goals, even when their political ambitions for regional executive office drive more particularistic behavior (Chasquetti and Micozzi 2014). Consequently, poverty alleviation has been a result of strong social policies carried out by legislators necessarily committed to the success of their political parties. While decentralization has occurred successfully, it has not been the primary reason for poverty alleviation in Uruguay. Instead, like poverty alleviation, successful decentralization can be credited largely to coherent, well-implemented policies, formulated by strong, programmatic political parties (IMF 2015).

The nature of local politics reflects the national political context within which it is formed (Goldfrank 2007, 164). Indeed, the cases of Uruguay and Peru are consistent with the idea that decentralization can be a useful tool for rural development, but only alongside a strong and stable central government (Hershberg 2014; Jutting YEAR; Von Braun and Grote, 2000). When decentralization caused a shift to more particularistic incentives for representatives in smaller districts, this represented not a failure of decentralization, but an achievement of its ideals. Leaders with regional incentives tend to behave in ways that serve the interests of their geographical regions, allowing them to address the particular needs and preferences, but these tend to be in programmatic ways.

In Peru, the personalistic linkages between parties and citizens on the national level have translated to the subnational level, allowing for widespread corruption, targeted social spending, and profound regional inequalities.

Interestingly, these cases do not initially appear to be consistent with the statistical results presented in Chapter 3, wherein we saw that higher levels of fiscal and political decentralization actually displayed stronger negative correlations with rural poverty rates in countries considered “partly free” than in countries considered “free.” Figure 5 sheds some light on this puzzle; it shows that FHI scores (the numbers on the figure) indeed tend to become worse as both political decentralization decreases and rural poverty increases. Peru’s FHI score barely classifies it as “free,” and in fact, when Peru is excluded from the “free” countries, the statistical significance increases, and when included with “partly free” countries, the statistical significance decreases.

Figure 5: Political Decentralization, FHI Scores, and Rural Poverty Rates in Latin America, 2009-2013



The Distribution of Political Power and the Choice to Pursue Collectivistic or Particularistic Rural Policies

In this thesis, I contend that the incentive structures generated by formal institutions such as electoral rules and decentralization impact the distribution of political power, and thus also the likelihood that governments will choose to invest a greater proportion of rural public expenditures in collectivistic rather than particularistic goods. In this section, I will employ the example of Peru to illustrate the ways in which political institutions have perpetuated the underrepresentation of rural and impoverished interests in government. The case of Uruguay, by contrast, will serve to demonstrate the ways in which political institutions can generate incentives to invest in sound policies that inclusively represent the interests of rural voters.

The nature of the party system has important consequences for policy formulation processes, and the party system is in turn determined by electoral rules. Where programmatic incentives are strong such as under closed-list PR, incentives for investment in public goods are also generally strong (Stein et al. 2005). Conversely, policymaking under personalistic incentives tends to be motivated by clientelistic concerns, hence favoring targeted spending over public goods (Ibid., 33). This is because where institutions fail to create “competitive checks and mechanisms, politicians have few motivations to support egalitarian social bargains, and are more inclined to redirect social resources to personal or private goals, thus upholding or increasing political and social inequality” (Goldfrank 2007, 137). As I have described in this chapter, Uruguay’s political party system is emblematic of programmatic linkages between voters and government, while Peru’s is a clear example of personalistic policies. This has

contributed to the creation of significantly different policy agendas.

The choice to continue to direct public expenditures towards particularistic goods can be understood within the context of particularistic rather than programmatic incentives. A major consequence of Peru's non-programmatic parties is that candidates tend to arrive to office unprepared to govern, having been elected on the basis of individual characteristics rather than party reputation or demonstrated ability (Crabtree 2010, 379; Tanakla 2010, 175). With legislators ill-equipped to formulate new policies, public policies instead tend to be a matter of political inertia, as political leaders defer to "de facto powers" (Ibid., 193). This "helps to explain the continuity of market-oriented policies in Peru" despite the public's discontent with neoliberalism (Ibid., 192). Additionally, the politically motivated process of decentralization has hindered administrative capacity at the subnational level, allowing clientelistic regional networks to flourish (Hershberg 2014; Martinez-Vasquez 2013). Many of the institutional opportunities created by decentralization should have allowed rural voters to participate in democratic processes and gain representation, but in a substantive sense, these opportunities were hindered by the incomplete decentralization process and a lack of resources at the local level (Fairfield 2006). Moreover, the dependency of subnational on the central government has reduced the quality of public services, as funds are often earmarked for capital infrastructure projects (Martinez-Vasquez 2013, 21).

Conversely, the choice to invest in public goods in rural areas can be understood within the context of the strong programmatic incentives rooted in the closed lists and DSV in Uruguay, but catalyzed by the election of the FA in 2004 and the consequent turn to increasingly programmatic party linkages. As decentralization has proceeded, voters

in smaller districts have displayed a tendency to vote for their representatives on the basis of service to their departments, signaling that the policy-oriented, programmatic link between candidates and voters is strong even under the more particularistic incentives of regional elections (Chasquetti and Micozzi, 98).

Given the above discussion, the differences in public policy formulation between the two countries is unsurprising. In Peru, particularistic exchanges are a primary determinant of the nature of government service provision (Wright 2011, 3). Legislators unprepared for the task of policy formulation have generally deferred to the status quo of particularistic, market-oriented economic policies (Tanakla 2010, 175). While this has allowed for relatively stable economic growth, the lack of technical capacity and the inability of governments to balance particularistic and public interests, has hindered the development of social policies (Bertelsmann Stiftung 2008, 13; Tanakla 2010, 175, 193). Even in 2006, when President García was elected on the basis of a campaign that promised to reform social policies and alleviate poverty, his party's weakness and lack of credibility crippled these efforts (Tanakla 2010, 193). When they are implemented, social programs in Peru have generally been characterized by clientelism and corruption (Jones et al. 2008).

In stark contrast, since 2005, Uruguay has actively and successfully invested in a variety of strong social policies to reduce poverty and promote income equality (Altman and Buquet 2015, 102; IMF 2015). Public social spending has increased by 40% since 1989, up to 25% of GDP, and has included expansive reforms to health care, labor, housing, and other forms of social assistance (IMF 2015, 10). The number of civil society actors included in the formulation of policies has also grown consistently

(Quijano 2002, 75; Risley 2014). These trends reflect the highly programmatic nature of Uruguay's policy formulation processes.

The consequences of these policies have been dramatically dissimilar. Uruguay has become an example of inclusive, uniform growth, with inequality at historically low levels (World Bank 2016; IMF 2015; Altman and Buquet 2015). Peru has made little progress in addressing enduring patterns of inequality, "especially in rural areas." (Tanakla 2010, 193). Uruguay's national poverty rate dropped from over 25% in 2006 to under 10% in 2012 (World Bank 2016). Uruguay's economy has grown steadily alongside the dramatic reduction in both poverty and inequality (Altman and Buquet 2015, 102). Peru's national poverty rate remained above 25% in 2012, and Peruvians who have come out of poverty in recent years are at high risk of falling below the poverty line again, as economic growth has been unreliable and inconsistent (World Bank 2016a; Harrison and Dube 2015). In Peru, poverty is most extreme in rural areas, where food security is low and life expectancy is almost 20 years lower than in Lima (IFAD 2015a). Uruguay, by contrast, is the only country in Latin America where urban poverty rates are higher than rural poverty rates (CEPALSTAT 2015).

The nature and composition of rural public expenditures in Peru and Uruguay reflect the respective incentive structures for policymaking in each country. As Table 4 shows, From 1985-2001, Uruguay's average total rural expenditure was an average of \$275.49 million,⁴⁰ whereas Peru invested an average of \$315.96 million in rural areas. We can also see in Table 6 that from 1994-2000, Peru's rural poverty rates hovered

⁴⁰ In 1995 dollars (Allcott et al. 2006, 1083).

around 73%. Uruguay's rural poverty data from that time period are not available, however, Table 6 shows that in 2007 rural poverty rates were 12.6% in Uruguay, and then dropped to 9.4% in 2008 and continued to drop to a low of 2% in 2013.

Table 4: Rural Poverty Rates and Rural Expenditures, 1994-2000, 2007-2013

Year	Rural Poverty Rate	Urban-Rural Poverty Gap	% Rural Spending on Public Goods	% Rural Spending on Private Subsidies	Total Rural Expenditure
Peru					
1994	-	-	36.48	63.52	315.96
1995	-	-	36.48	63.52	315.96
1996	-	-	36.48	63.52	315.96
1997	72.7	39.1	36.48	63.52	315.96
1998	-	-	36.48	63.52	315.96
1999	72.5	36.4	36.48	63.52	315.96
2000	-	-	36.48	63.52	315.96
2007	74.0	43.9			
2008	68.6	43.4			
2009	66.7	45.4			
2010	61.0	41.0			
2011	56.1	38.1			
2012	53.0	36.4			
2013	48.0	31.9			
Uruguay					
1994	-	-	81.48	18.52	275.49
1995	-	-	81.48	18.52	275.49
1996	-	-	81.48	18.52	275.49
1997	-	-	81.48	18.52	275.49
1998	-	-	81.48	18.52	275.49
1999	-	-	81.48	18.52	275.49
2000	-	-	81.48	18.52	275.49
2007	12.6	-5.5			
2008	9.4	-4.6			
2009	5.9	-4.8			
2010	4.2	-4.4			
2011	4.1	-2.6			
2012	2.6	-3.5			
2013	2.0	-3.7			

Sources: López and Galinato 2007; CEPALSTAT 2015.

What is most striking about these spending patterns becomes clear when we take demographic data into consideration. Peru's rural population was 95% larger than

Uruguay's in 1994 to 2000 and 97% larger from 2007 to 2009.⁴¹ However, its total rural investment from 1985-2001 was only 12% higher. Furthermore, taking into account the differences in public goods expenditures, Uruguay spent an average of approximately \$220 million on rural public goods, while Peru spent an average of about \$114 million for a significantly larger rural population. In 2013, Peru's rural poverty rate was 48%, 67% higher than its urban poverty rate (CEPALSTAT 2015). It should come as no surprise, then, that Uruguay invests an average of \$683 per rural capita toward food and nutrition needs, while Peru invests an average of \$71 per rural capita (Ending Rural Hunger 2015). Peru's rural roads are severely underdeveloped, further exacerbating conditions of rural poverty, while on the other hand Uruguay has precipitously increased investment in agricultural research and development (Stads et al. 2008, 5; World Bank 2012).

The effectiveness of agricultural services at the local level is closely related to the degree to which decision-making processes are inclusive (Andersson et al. 2009, 7). In Uruguay, the increased inclusion of civil society actors in decision-making processes has been deliberate and wide-ranging (Risley 2014; Oujano 2002). This is consistent with the turn to programmatic linkages in Uruguay: the FA's electoral success in 2004 was marked by its forging of programmatic alliances with a variety of civil society groups (Luna 2007). Contrariwise, local governments in Peru have largely failed to facilitate this type of inclusive decision-making due to the "perverse incentives [created by] corruption [and] clientelistic networks" (Andersson et al. 2009, 8). Hence, the opportunities for participation in local politics theoretically available in rural areas in Peru have not in

⁴¹ These values were calculated by averaging total population and rural percent for each year, and calculating how many citizens lived in rural areas.

practice been inclusive (Fairfield 2006).

Peru's relatively low level of agricultural investment may be due in part to the delegation of most rural development tasks to weak local governments (Andersson et al. 2009, 37). As discussed, the administrative capacity, decision-making and fiscal autonomy of municipal governments is generally low, and clientelistic networks are pervasive. As a result, local governments do not have strong incentives to invest in agriculture, nor the autonomy to do so independently even when they do (Andersson et al. 2009, 38).

Conclusion

In this chapter I have presented the highly contrasting cases of Peru and Uruguay in order to demonstrate in greater detail the ways in which institutional incentives impact political behavior and public policies. I have argued that the predominant influences of programmatic and personalistic linkages have eclipsed the potential impacts of district magnitude and decentralization in terms of impacting public policy choice and rural poverty rates. The use of DSV and closed-lists in Uruguay allows voters to choose between parties and party factions formed along ideological lines, meaning legislators have minimal personalistic incentives. Legislators are loyal to strong, programmatic political parties that appeal to voters on the basis of ideology. Public policies in Uruguay reflect the agenda of political parties, not of parochial interests. Hence, the level of investment in public goods in rural areas is high relative to private goods. In Peru, open lists allow voters to choose among individual candidates, so personalistic politics have proliferated. Public policies are consequently particularistic in nature. Relative to public expenditures, the level expenditures on private goods in rural areas in Peru is far higher.

I do not claim that policymaking in Uruguay is perfect, nor that Peru's is completely imperfect. Uruguay's bureaucracy has been described as politically influenced, and political compromise in the long run can be a challenge with so many party factions participating (Bergara et al., 2006). Peruvian governments in the rural, impoverished Highlands region have made concerted efforts to partner with multilateral aid agencies and formulate effective policies for poverty relief (Massler 2012). Last year, Peru's Ministry of Agriculture set forth new goals for agricultural policies, chief among them social inclusion and food security (Andina 2015).

However, Allcott et al. (2007) demonstrated that what matters for rural poverty alleviation is not whether policymaking is perfect, but whether the level of investment in public goods is high relative to private goods in rural areas. By and large, the cases of Uruguay and Peru illustrate the ways in which the distribution of political power, rooted in institutions, incentivizes one type of investment or the other.

CHAPTER V

CONCLUSION

Summary

In this thesis, I have argued that institutional rules create incentives which determine the nature of political competition create incentives which impact the likelihood that elected leaders will choose collectivistic policies in rural areas. I have posited that levels of rural poverty are consistently higher and more enduring than urban poverty due to the underrepresentation of rural interests in democratic governance, especially relative to wealthy and urban interests. Hence, I proposed that institutions which enhance the representation of rural interests in government, and the accountability of elected leaders to rural voters, should demonstrate a significant relationship with lower rural poverty rates and a smaller urban-rural poverty gap. Specifically, I tested the hypotheses that greater degrees of fiscal, administrative, political, and overall decentralization; a greater number of legislators elected via closed-list proportional representation; and a relatively lower average district magnitude would correlate with lower levels of rural poverty, and smaller gaps between urban and rural poverty rates.

To be clear, I do not argue that the institutional arrangements themselves would bring down rural poverty rates. Instead, I posit that the incentives generated by these institutions would increase the likelihood that governments would pursue collectivistic policies in rural areas. The assumption that these policy choices would be reflected in by lower rural poverty rates turns on the evidence that rural poverty alleviation depends on the specific nature of the policies which are selected and implemented in rural areas. Rural expenditures devoted to public, collectivistic goods are significantly associated with lower rates of rural poverty. Conversely, a

greater proportion of rural expenditures devoted to private, particularistic goods is associated with higher rates of rural poverty. If the electoral fate of political representatives turns on whether rural voters are satisfied with their performance in government, leaders will be more likely to choose collectivistic policies which improve the welfare of the voters upon whom they depend. Given the effectiveness of investments in public goods for alleviating poverty, in such institutional settings, I hypothesized that I would find lower rural poverty rates.

I derive five specific hypotheses based on a review of the theoretical and empirical literature presented in Chapter 2, on the effects of decentralization and electoral formulas on a range of outcomes including political incentives, representativeness, accountability, policy choice, and poverty. In Chapter 3, I perform a cross-national quantitative analysis to test the extent to which these institutional variables correlate with each other. In Chapter 4, I present two qualitative case studies of Uruguay and Peru in order to more closely investigate the institutional variables I have tested.

Conclusions

The results of the quantitative analysis have produced mixed support for the hypotheses. In general, fiscal decentralization was shown to have a more positive impact on rural poverty rates, relative to administrative, political, and overall decentralization. By contrast, administrative decentralization was mostly related to worse poverty outcomes. A greater degree of closed-list PR is correlated with lower rates of urban-rural poverty disparity, although not with lower rural poverty rates. District magnitude, by contrast, produced no significant results.

By and large, I have found that the significance of institutional variables for rural poverty is made spurious by contextual factors relating to quality of democracy and governance, and the size of the rural population. In most cases, where measures of decentralization and closed-list

PR correlate significantly with improved outcomes, better control of corruption, higher quality of democracy, and a smaller rural population are also strongly correlated with improved rural poverty outcomes. However, one essential finding did emerge that was not spurious: in countries with large rural populations, both fiscal and political decentralization correlate with smaller urban-rural poverty gaps, and these are the only variables of those I examine, that explain the variation.

The significant correlations of other variables, like democracy, suggest a more complex relationship – wherein institutions and contextual factors jointly affect rural poverty. The controlled correlations performed in the disaggregated analyses of these variables constitute a central contribution to the literature on the impacts of political institutions. For example, closed-list PR is only significant in countries classified as “free” by Freedom House, and in those with relatively smaller rural populations. Moreover, fiscal decentralization is only significantly associated with improved poverty outcomes in countries with large rural populations. In general, this has prevented me from drawing conclusions about causality. Specifically, it has not been possible in this analysis to determine whether institutional variables improve control of corruption and quality of democracy and thus also improve rural poverty, or whether quality of democracy and better control of corruption account for all of the variance in rural poverty outcomes.

Specifically, I have found that the level and quality of democracy matters in different ways for the independent institutional variables operationalized here. Rather than democratic context mediating decentralization in a general sense, democratic context has differential impacts for the various measures of decentralization. For example, I have found that fiscal decentralization has a stronger relationship with lower rural poverty rates in countries considered “partly free” than

those considered “free.” Similarly, fiscal and political decentralization have stronger correlations with improved rural poverty outcomes in countries with large rural populations. It seems that the concerns of scholars surrounding decentralization in contexts with lower quality of democracy may actually pivot on the negative impacts of administrative decentralization relating to corruption and elite capture. Indeed, as discussed, the case study of Peru would seem to indicate that administrative decentralization is largely to blame for high levels of corruption and clientelistic policies at the subnational level.

The finding that institutional variables matter in different ways across rural population sizes is an additional contribution of this analysis. The impacts of each measure of decentralization are different across these contexts. In countries with medium rural populations, closed-list PR not only correlates significantly with improved rural poverty outcomes, but also with lower levels of administrative and political decentralization. Furthermore, where rural populations are relatively larger, closed-list PR is correlated with stronger control of corruption, though not with improved poverty outcomes. However, because stronger control of corruption is significantly associated with improved rural poverty outcomes across almost all cases, this may indicate that the impact of closed-list PR for improved poverty outcomes is not as spurious as the initial analysis indicates. Indeed, it may also indicate that the incentives generated by closed-list PR take more time to manifest in such contexts.

My analysis also contributes a new approach to the measurement of closed-list proportional representation to the literature on the impacts of electoral systems. To my knowledge, mine is the first study to measure closed-list proportional representation as the proportion of legislators elected via closed-list PR. The findings relating to the impact of closed-list PR are somewhat consistent with the literature proposing a connection between programmatic incentives and a

stronger emphasis on social policies, however, they are spurious in most cases. However, again, although I have not been able to attribute rural poverty outcomes specifically to closed-list proportional representation, I have been able contribute the finding that closed-list proportional representation has differential impacts in across different democratic and demographic contexts.

The hypothesis that lower district magnitude would correlate with better rural poverty outcomes was not supported by the quantitative analysis. This may be due to the problematic nature of measuring mean district magnitude. As discussed, mean district magnitude often does not account for wide variation in the number of representatives allocated to electoral districts within countries. Although a lower district magnitude in rural districts may indeed make legislators more sensitive to the specific needs of rural districts, they may not be able to pass appropriate policies when faced with the need to compromise and compete with other districts. This may be why lower district magnitude displayed no significant correlation with rural poverty rates.

In order to investigate causality more closely, Chapter IV presented two case studies of Peru and Uruguay. The use of case studies has allowed me to more closely investigate causality, by examining the details of electoral rules and decentralization in Uruguay and Peru, and the nature of political competition in those settings. Additionally, although I was unable to test institutional variables against rural expenditures due to lack of data availability, I was able to present the information on average rural expenditures from 1985-2001 provided by López and Galinato (2007). As such, by employing case studies, I was able to connect institutional variance to the intervening variable of rural expenditures, and to rural poverty rates.

The qualitative explorations of the cases of Peru and Uruguay indicated that the effects of programmatic incentives may explain variance in the impacts of decentralization. In Uruguay,

the use of closed party lists and the double simultaneous vote (DSV) organizes intra and inter-party competition along ideological lines, further reinforcing the incentives of legislators to adhere to party goals and emphasize public policy while forcing voters to vote along ideological lines. In contrast, in Peru the highly volatile party system is rooted largely in the use of open lists allowing voters to vote for individual candidates. This allows for the proliferation of particularistic incentives, and highly personalistic linkages between parties and voters. The political context within which decentralization occurred in each country reflected these incentive structures. In Peru, the central government reversed support for decentralization when the executive's party fared poorly in subnational elections, which has ultimately had the effect of reducing administrative capacity and subnational autonomy and allowing clientelism to flourish at the subnational level. In contrast, in Uruguay, decentralization has created subnational governments with greater fiscal autonomy, and political decentralization has opened up meaningful opportunities for political participation at the local level, improving the representation of local interests.

The case studies also indicated that the importance of programmatic versus particularistic incentives may explain the consistent insignificance of district magnitude. Although the problematic measurement of district magnitude may also explain this failure, it is possible that the increased accountability theoretically generated by lower district magnitude may not improve representation when political leaders are able to easily change policy positions and renege on campaign promises. As Scatarini et al. put it, "it is much more difficult for voters in weakly institutionalized party systems to hold political parties accountable than in institutionalized party systems." (2010, 21).

The qualitative examinations of Uruguay and Peru illustrated the ways in which

programmatic incentives can impact policy formulation. Where citizens are able to collectively hold government accountable through political parties, incentives to provide public goods are high (Keefer 2007a, 96). In Uruguay, a greater emphasis is placed on effective public policies and the provision of public goods due to the strength and stability of programmatic political parties. In Uruguay, over 80% of rural expenditures are devoted to public goods in rural areas (López and Galinato 2007, 1083). In contrast, in Peru, because neither legislators nor voters can rely on stable parties, incentives to provide public goods are low. This is reinforced by the absence of strong parties to recruit technically qualified candidates, often resulting in the election of candidates who lack the skills to govern and thus defer to the status quo of particularism (Tanakla 2010) This has allowed for the proliferation of personalistic politics across levels of government, and policy formulation that defers to the particularistic status quo rather than formulating new, programmatic policies. In Peru, only 36% of rural expenditures are devoted to public goods, with more going toward particularistic or private goods (López and Galinato 2007, 1083).

Although scholars have posited a variety of explanations for the nature of party systems in Peru and Uruguay, none examines how electoral rules initially set the stage for the appeals that individuals and parties employ, and how that in turn impacts the way that parties in those contexts craft policies. For example, Luna finds that ethnic fractionalization decreases party system stability by increasing the likelihood that political outsiders will succeed (2006, 101). Kitchelt and Wang (2014, 48-49) argue that programmatic parties emerge where the quality of democracy is stronger, and where a country's level of affluence is higher, while Keefer (2007) argues that a longer democratic experience allow parties to build trust and become programmatic. Luna argues that higher rates of inequality make linkage strategies targeted to

particular segments of society more attractive for political parties, as they can maintain power by gaining the support of elites, thus perpetuating inequality (2014, 10). Even Lanzaro, who credits the DSV rule with “formally ingraining pluralism” in Uruguay’s state structure, does not explore the programmatic incentives these electoral rules generate (2010, 201).

Although each of these explanations may indeed contain explanatory power, none can account for all variation between cases because none accounts for the incentives generated by electoral rules. Socioeconomic factors relating to heterogeneity ultimately fail to consistently explain the emergence of programmatic parties, as programmatic parties are equally as likely to develop in diverse and less diverse countries (Kitchelt and Wang 2014, 50). Furthermore, Uruguay’s relative affluence and higher levels of economic equality in comparison to Peru’s was not created in an institutional vacuum. As we have seen, its precipitous and sustained economic growth and reduction in income inequality has occurred in conjunction with the transition of Uruguay’s parties to programmatic appeals, not the other way around (Piñero 2015). Conversely, Peru’s sporadic growth and lack of progress on economic inequality, particularly in rural areas, has occurred alongside highly personalistic politics. Although it is certainly difficult to determine whether electoral rules improve quality of democracy, or higher quality of democracy increases the likelihood that governments will employ institutions which generate programmatic appeals, given the evidence presented here, it is certainly a question worth testing further.

Limitations

The principal limitations I have faced in this thesis have related to the measurement of data. First, no data were available on the composition of rural public expenditures in Latin America. Instead, lower rural poverty rates served as a proxy indicator for whether collectivistic expenditures were higher. While there is strong evidence of the relationship between

collectivistic expenditures and rural poverty, this remains an imperfect approach. This is particularly true because the analyses have produced results in most cases that obscure causality. As a dependent variable, rural public expenditures may be easier to isolate than rural poverty rates from other potential influences.

Moreover, different data and hence different measurements were used to measure decentralization from 1994 to 2000 and 2009 to 2013. This was due simply to the availability of sources providing data for those time periods. It is possible that the differences in measurement could result in different relationships with dependent variables. From 1994 to 2000, the only measure of decentralization that achieved significance was fiscal decentralization, and it correlated with higher levels of urban-rural poverty disparity. It is possible that measuring decentralization from 1994 to 2000 in the same way as it is measured from 2009 to 2013 could have produced different results.

Lastly, as previously discussed, the measurement of mean district magnitude may be problematic. Measuring the mean district magnitude necessarily fails to capture the variance in district magnitude between districts within countries. However, no data exist that measures district magnitude while taking into consideration district population and factors such as degree of party system fragmentation that may mitigate the theoretical effects of district magnitude.

Future Research

The case studies of Uruguay and Peru have highlighted the necessity of future research to focus on the details of electoral rules which further reinforce programmatic incentives beyond simply the presence or absence of closed-list PR. The case studies have clarified that presence or absence of closed-lists does not explain the universe of variation in policy choice. In Uruguay, the use of DSV in conjunction with closed lists has made all the difference, as it has organized

intra-party competition along ideological rather than personalistic lines. In Chapter 3, Table 1 shows us that El Salvador, Guatemala, Nicaragua, Colombia, and Paraguay all have high levels of closed-list PR, but also have relatively high levels of rural poverty on par with Peru's.⁴² However, none of these countries employs the DSV system that Uruguay uses which create ideologically based faction lists within parties for voters to choose from (Zárate 2013; Payne 2002, 100; USAID 2012, 2). In Guatemala, despite the use of closed lists, candidates can change parties any time, and there is no formal accountability for party members, resulting in highly personalistic elections (USAID 2012, 6; Pallister 2013 139-140). Additionally, although parties in Nicaragua and El Salvador are considered highly programmatic, authoritarian legacies and electoral violence have been major issues in these cases (Zárate 2013; Stein et al. 2005, 34; USAID 2012, 2). Hence, future research should investigate not simply the use or degree of closed lists, but also the nature of accountability mechanisms for party members, and additional exogenous influences that may overcome programmatic incentives.

Future research also should focus on developing a measurement of district magnitude that accounts for variation in district magnitude between districts. A more accurate measure of district magnitude that captures the institutional and demographic variables that may condition outcomes relating to accountability and representation would provide a much stronger understanding of the conditions under which district magnitude might enhance accountability.

As I continue with my academic development, I will acquire methodological training that will allow me to answer these questions in more sophisticated ways. In my doctoral studies, I plan to master hierarchical modeling methodologies that will allow me to approach these questions across different levels of government. Additionally, the use of advanced regression

⁴² In 2013, Colombia: 42.8%, El Salvador 48.7%, Paraguay 48.8%; in 2009, Nicaragua 69.5% (CEPALSTAT 2015).

analyses to test electoral rules can allow me to control for such factors as district population size, district magnitude relative to other districts, and party fragmentation.

To my knowledge, no study to date has examined the impact of decentralization and electoral rules on the specific phenomenon of the rural poverty in Latin America. Because the representation of rural interests presents distinct challenges, answering questions about how institutional variables may matter for the substantive representation of rural interests is an important endeavor, especially given the global prevalence of rural poverty. Because this thesis has shown that context matters in different ways for different institutions, as I continue to develop research questions, I can formulate precise hypotheses informed by these conclusions.

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APPENDIX

Table 1: Executive Electoral Systems

Country	Executive Electoral System
Bolivia	Plurality; 40% minimum with 10% margin of victory
Brazil	Absolute Majority
Chile	Absolute Majority
Colombia	Absolute Majority
Costa Rica	Plurality; 40% minimum with second round
Dominican Republic	Absolute Majority
Ecuador	Plurality; 40% minimum with 10% margin of victory with second round
El Salvador	Absolute Majority
Guatemala	Absolute Majority
Honduras	Plurality
Mexico	Plurality
Nicaragua	Plurality (since 2014; previously 35% minimum) ¹
Panama	Plurality
Paraguay	Plurality
Peru	Absolute Majority
Uruguay	Plurality

Source: Georgetown Political Database of the Americas 2011; Freedom House 2016a.

Table 2: Recoding Methods, Rural Population Size

Proportion of Population Living in Rural Areas, 1994-2000	Proportion of Population Living in Rural Areas, 2009-2013
Standard deviation: 14.97	Standard deviation: 14.38
Range: 7.97 – 57.56	Range: 5.02 – 55.7
1 = Low, 7.97 – 22.94	1 = Low, 5.02 – 19.4
2 = Medium, 22.94 – 37.91	2 = Medium, 19.4 – 33.78
3 = High, 37.91+	3 = High, 33.78+

¹ Freedom House, 2016a.