Democracy, the Left and State Capability in Latin America*

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Introduction

A number of studies analyses the relationship between democracy and state capability both in wide-ranging geographical contexts and in particular regional settings. We summarize both, starting from the more encompassing, and place a special emphasis on our region of interest, Latin America. Adserrà et al. (2003) present evidence pertaining to a 1980–1995 panel study comprising more than 110 countries: they find that political accountability (in short, free and regular elections and the degree of information held by citizens) explain how well a government functions (i.e. its levels of corruption, bureaucratic quality, rule of law and risk of property expropriation). In general, higher political accountability lowers corruption and the risk of expropriation of property and strengthens bureaucratic quality and the rule of law. Besley and Persson (2009), in turn, provide a complete set of determinants of investments in state capacity, including level of wealth, political stability, protection of minorities and the distribution of economic and political power. Their theory predicts that the inclusiveness of political institutions, and in particular the incidence of inclusive institutions in the past, is one of the key factors shaping investments in state capacity. Accordingly, taking into account the share of years from 1800 (or independence) to 1975 that a country was democratic and a parliamentary democracy, they find that along with the historical incidence of war and other more specific variables, the historical incidence of parliamentary democracy is a remarkably stable predictor of both the legal and fiscal capacity of the state. Finally, Schmitter, Wagemann and Obydenkova (2005: 8), claim that regimes with regular elections and other political freedoms will eventually produce stronger (or, more accurately, better funded) states. The role of democracy, however, is still controversial as, historically, developmental states in Asia existed under authoritarian regimes (for instance in Taiwan and South Korea).

Others point at a non-linear relationship: for instance, Charrón and Lapuente (2010) predict that the association between democracy and quality of government (taken to mean the capacity a state has to perform its activities in an efficient way and without corruption) is conditional, based on economic development. They test this hypothesis using pooled time series and spatial models for over 125 countries: their main empirical finding is that poorer countries have higher quality of government under authoritarian rule while moderate-to-wealthier countries perform better under democratic rule. Using panel data, Bäck and Hadenius (2008) likewise argue that the relationship between level of democratization and “administrative capacity” changes: it is significant and negative at low levels of democratization, but significant and positive at high levels. They explain their finding by suggesting that administrative capacity is the result of directing and control from above (for which dictatorial regimes are better equipped on account of their hierarchical structure and repressive capacity) and from below (which democracies develop owing to a more pervasive press freedom and electoral participation). Therefore, fragile democracies are in a critical position: they have lost the control capacities of authoritarian regimes, while not possessing yet the institutions enabling bottom up control (e.g. active voters, free media). Keefer and Vlaicu (2007) and Keefer (2007) focus on democratic experience. In their view, the key is the ability of politicians to make credible pre-

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1 They notice, however, that: “Democratization and state capacity are closely associated even in the relatively short run….. What … [we do not know], however, is what we really want to know, namely, the direction of causation. … Indeed, the correlation between the two is so high that it leads us to suspect both the conceptualisation of the variables and the devices used to measure them” (Schmitter et al. 2005:11).

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electoral commitments to voters: building reputations as providers of good public policies is costly and time-consuming. Thus, while in older democracies politicians may be in conditions to achieve it, in younger democracies they often prefer to rely on patrons and their clients. The result is that younger democracies will tend to over-provide clientelistic policies, including corrupt practices, instead of public goods.

Proceeding to analyze regional studies, Bratton (2008:1-2) finds that in Africa democracy and governance appear to be empirically connected: “the more democratic the regime, the better its record at governance” (Bratton, 2008:3), particularly with such components of governance as rule of law, control of corruption, and effectiveness, legitimacy and accountability of governments. Slater (2008), in turn, looks at three Asian countries (Malaysia, Indonesia and the Philippines) to show that competitive elections promote state-building by fostering mass mobilization. He concludes that competitive elections have facilitated state-building in the region when they stimulated the formation of stronger mass political parties; or a more vigorous state commitment to citizen registration; or the imposition of centralized authority over societal strongmen.

The impact of democracy on the capacity of Latin American states has received scant attention. In this region democracy has been analyzed mostly as an outcome of state weakness: weak states undermine democratic performance which will be trapped into diminished and deficient forms. In fact, democracy does not even appear in major accounts of determinants of state capacity: Centeno (2009), for instance, suggests that the main determinants of state capacity have been specific historical legacies (Spanish rule; the triumph of the liberal dogma during the first century of independence; relative international peace and its possible effect on the need to build strong states); (non-state) institutional quality, as the degree of confidence in public and private institutions, both weak; economic and social inequality (between city and the countryside; rich and poor, etc.) that weakened state capacity by imposing a quantity of services that exceeded its clout; and globalization, since economic infrastructure needed to sell raw materials is less intensive and comprehensive than that required by a balanced commercial trade.

On the other hand, Cardenas (2010) analyzes four factors that potentially explain the exceptionally low state capacity in Latin America: economic inequality, interstate conflict, civil war and, critically, political inequality. He tests this hypothesis with cross-country data and finds that democracy’s impact on state capacity is quite positive, as is frequency of external wars. In addition, he explains why Latin America has failed to strengthen its state, despite improvements in the various measures of democracy: both the theoretical model and the empirical evidence suggest that the effects of democracy are undermined in the presence of high economic inequality. In their analysis of the determinants of welfare states in a series of world regions that include Latin America, Haggard and Kaufmann (2008) argue that, ceteris paribus, democracy promotes more progressive social welfare states, thus strengthening the nature and scope of a crucial state capacity: providing citizens with fundamental social services. Democratic rule provides incentives for politicians to reach the poor and those more exposed to risk and opportunities for the latter to organize. The power of the poor also depends on the formation of cross-class coalitions with other groups and organizations with an interest in equity and social justice: while the ability to forge such coalitions is not guaranteed by democracy, they are more likely under democracy than under authoritarian regimes (Ibid: 362-63).

Whether or how democracy affects state capacity in the area, however, remains an open question. Among others, Acemoglu and Robinson (2008) notice that, in spite of an

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2 The term “state governance” is occasionally used to refer to state capacity. In this sense, ‘governance’ usually reflects: "a substantial and enduring change in how states operate in the contemporary policy environment and, hence, how we have to assess their capacity to perform functions/tasks" (Schmitter et al., 2005:16)

3 O’Donnell, for instance, underlines the critical situation of state capacity in the region (especially its inability to enforce legality) as a leading cause of the "delegative" nature of its democracy. Thus, a state that is unable to enforce its legality supports a democracy of low intensity citizenship (1993).

4 In a similar vein, Acemoglu, Johnson and Robinson (2000) show that modern-day countries with high rates of settler mortality, urbanization and population density around the year 1500, and with a lower fraction of the population living under temperate climate, have a higher likelihood of developing weak state institutions.
unambiguous trend toward greater democracy, state capacity has remained particularly low. Their explanation points at the persistence of de facto powers. Even if de jure institutions (political rights, elections and checks on the executive) are established, the political balance may not change. De facto political power may mirror economic power, through instruments such as campaign contributions and media control. A similar conclusion is reached by Cheibub for whom, over the period from 1970 to 1990, the causal impact of political regimes on taxes was negligible: the government’s extractive capacity was not much stronger in democracies than in authoritarian regimes (1998: 372-373). There are, in sum, several counterarguments to the notion that democracy benefits stateness and a Weberian civil service. Democratization and polarized competition can destabilize a state and democratic petitions may overload and weaken political institutions. Thus, the adoption of formally democratic institutions may actually leave neopatrimonial, corrupt and clientelistic practices unchanged, or even promote them, when such practices remain useful to people in government (Hagopian and Mainwaring, 2005; van de Walle, 2001). Especially young democracies, suffering from insufficient checks and balances and lack of transparency, may provide greater opportunities for corruption, without making the corrupt acts of privates and officials open to public scrutiny (Rock, 2007). Rather than contributing to legitimizing state institutions and improving their effectiveness, therefore, democracy may actually produce a deterioration of state authority and public services.

An often overlooked premise to these reflections is that most states that eventually proved successful in achieving a robust stateness did not have the necessary capacities to do so at first. Rather, these capacities were built over time through focused leadership and the formation of strategic ties with citizens. For instance, states that have been effective in promoting growth and structural change that reduce poverty do not generally inherit the right capacities or bureaucracies for development: they build them (Unrisd, 2010: 259). A political leadership committed to fast growth and equality must usually reach a political settlement with domestic actors to define the direction of public policy and then create a developmental and welfare-enhancing bureaucracy to support it (Haggard and Kaufmann (2008). Thus, states with a broad power base, well-organized ruling parties, competent bureaucracies and an activist citizenry were more effective in implementing redistributive policies. In a similar way, state capacity may be purposely undermined: the weak state capacity of Latin America (to levy taxes, in particular) may be due to the presence of powerful social groups that in some countries successfully opposed increases in the tax burden (Huber and Stephens, 2012: 41).

In short, authors underline the importance of redistributing social and political power in favor of subaltern groups in order to build bureaucratic capacities that support both growth and redistribution: the active inclusion of such groups in the political process enables states to frustrate pressures from dominant elites, which oppose redistribution and tax revenue increases. Mobilized subaltern groups press for an expansion of public provisions and the institutional capacity necessary to deliver administratively demanding universal public services such as public housing and high-quality education and health care. Thus, while limited forms of electoral clientelism can typically be undertaken even by weak states, the implementation of redistribution reforms demands a considerable strengthening of state capacity.

This is why party ideology is critical: left parties are committed to lifting people out of poverty, reducing inequality, and providing quality public services, particularly education and health. In order to be able to do this, they have to increase tax collection, which is one of our indicators of state capacity. They also want to get away from clientelism, because their competitors on the right are usually quite good at getting voters by these means, so they prefer an effective, non-corrupt bureaucracy, that treats people impartially, as citizens with rights, not as supplicants who are asking for a favor and can be asked for something (like a vote) in return. And they certainly want to avoid capture of the state by elites and private interests, because this

5 The study of stateness in Latin America, finally, relies largely on indirect measures of state strength. Some measures are based on observed policy outcomes and/or from expert judgments on the capabilities of the states to perform functions such as ensuring the rule of law or implementing regulatory frameworks. Others measures, such the Bertelsmann Transformation Index, the World Bank’s Worldwide Governance Indicators, and the Economic Forum, combine subjective and objective indirect measures (World Economic Forum, 2011; Bertelsmann, 2012; World Bank, 2012 ).
will derail their program of providing quality services for all citizens, from law enforcement to child care. One major implication of these theses is that mass left parties have a self-interest in extending the state’s reach for the benefit of the bulk of the population, not just raiding state resources for the benefit of narrow clientelist networks (Slater, 2008: 259). In this sense, democracy may not be enough to strengthen state capacity since, even if de jure institutions are introduced, the political equilibrium may not change given the prevalence of de facto political and social power.

Our paper, which focalizes in a diachronic way on stateness in Latin America, is organized as follows: in the next pages, we will define our main dependent, independent and control variables. In the following paragraph, we will submit our major hypotheses and outline the mechanisms by which our variables are related. Next, we will make use of an original dataset to estimate the effect over time of democracy, political parties and other socio-demographic factors on different measures of stateness in Latin America. Finally, we will illustrate and discuss our findings, with references to the political experience of the region. Conclusions, as usual, will wrap up the analysis.

The dependent variable: State capacity

Investigating the relations between democracy and state capacity requires first that we clarify what we mean by these terms. We agree with Hendrix (2010: 283) that any single variable is unlikely to adequately capture the multidimensional concept of state capacity. However, many composite indexes of state capacity also include potential causes (as the lack of democracy) and predicted consequences (such as humanitarian disasters) into their definitions (Gutiérrez, 2011: 24). The ideal measure of state capacity, in short, should consist of an index with a multiple but limited number of indicators. As for the meaning of state capacity, we accept Mann’s definition as: “an infrastructural power” i.e. “the institutional capacity of a central state, despotic or not, to penetrate its territories and logistically implement decisions” (Mann 2008). Central to his concept, then, is “the question of the state’s authority over territory”, as well as “whether governments can implement policies, including the provision of public goods” (Fortin, 2010: 656). Following Carbone and Memoli (2012:8), we captured these key dimensions through a “stateness” criterion, or the degree to which “there is clarity about the nation’s existence as a state with adequately established and differentiated power structures”.

A first index concerns political order, whereas the second has to do with administrative capacity: the political order variable comprises a conflict and a rule of law indicator, while the administrative capacity variable comprises a basic administrative capacity, a control of corruption and a tax raising capacity indicators. Data on conflict is derived from the UCDP-PRIO data set (Harbom, Melander & Wallensteen, 2008) 8, while rule of law indicators have been extracted from World Bank (2012). Basic administrative capacity is measured thorough a bureaucratic quality index: bureaucratic quality is higher if the bureaucracy tends to be somewhat autonomous from political pressure and to have an established mechanism for recruitment and training (PRS Group, 2012). Data from tax extraction capacity and control of

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6 Personal communication with Evelyne Huber, July 2013.
7 Slater’s argument is that more conservative parties may also be forced to improve their grassroots infrastructure in response to leftist electoral competition and may participate in state strengthening. Thus, state capacity to provide broad-based public goods could emerge through Malaysia-style defeats of the radical left, not just Kerala-style leftist victories. Irrespective of a possible convergence of these parties in public policy outputs, stimulated by intense electoral competition, we will argue that there are robust theoretical reasons to believe that differences among left and right parties in this respect might still be significant and it is therefore meaningful to set out to test them empirically.
8 We have considered the following conflicts: Internal armed conflict that occur between the government of a state and one or more internal opposition group(s) without intervention from other states and internationalized internal armed conflict that occur between the government of a state and one or more internal opposition group(s) with intervention from other states (secondary parties) on one or both sides.
9 This measure captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence (World Bank, 2012).
10 The rationale is that countries that lack the cushioning effect of a strong bureaucracy receive low points because a change in government tends to be traumatic in terms of policy formulation and day-to-day administrative functions.
Corruption are from the World Bank (2012): they are measured as tax revenues as a percentage of GDP, and the perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as the “capture” of the state by elites and private interests, respectively.

Compared to other multidimensional approaches, such as Bäck and Hadenius’s (2008), we account for the multidimensionality of the state, while also introducing the key dimension of “political order”, which they disregarded. Since we assume that both political order and administrative capacity are essential to a functioning state, we aggregate our two indicators by multiplying them. As pointed out, we consider our approach to be a significant first improvement on existing literature, as our measure is parsimonious – thus correcting the main flaw of the best known state indexes – while at the same time accounting for both key dimensions of the state.

In the following graph we illustrate the evolution of our composite index of stateness for Latin America between 1996 and 2010 (check). As reported by Filgueira (2008), in the second part of 1990’s the evolution of public policies has balanced between an exclusive technocratic model and populist approaches producing a broader social awareness of the “inevitability” of the State. As shown, at the end of last century stateness levels increased noticeably: with the new millennium growth has continued, although characterized by a fluctuating trend.

Graph 1
The evolution of state capacity in LA (1996-2010)

Source: ICG, World Bank, PRIO.
The independent variables: Democracy and the left

With democracy we refer to a political regime characterised by universal suffrage, the protection of key civil and political rights (including the presence of alternative sources of information) and free, transparent and competitive elections. In addition, formal democratic institutions must be sovereign (Dahl 1989). Thus, an analysis of democracies should exclude hybrid or “electoral authoritarian” regimes, since they do not hold free and fair elections, an essential requirement of this type of government (Diamond 2002; Levitsky and Way 2002). Democracies, however, may also be incomplete and partial: “defective” democracies offer only limited guarantees for political rights (Merkel 2001); “illiberal” democracies provide inadequate protection for civil rights and the rule of law (Zakaria 1997); in “delegative” democracies, finally, elected officials are scarcely responsive to citizen preferences, inadequately constrained by other agencies of government and insufficiently respectful of the rule of law (O'Donnell 1993). In some historical and geographical contexts, on the other hand, democracies have achieved a certain level of maturity. In particular, there is a fuller and less transient protection of the main political and civil rights, especially of opinion, association and movement; the legal system disciplines the relations among citizens and solves in relatively fair and effective ways the controversies that may arise; participation in public affairs is sustained and the military are firmly subject to elected authorities. Civil society is pluralist and offers different avenues for participation that allow both values and interests to be expressed freely. Likewise, governments react responsibly to requests from voters and social organisations and endeavour to represent the interests of all, including marginal and weaker groups, as well as ethnic, cultural and religious minorities. In these cases, we can legitimately speak of “liberal democracies”. While the preceding typologies capture essential dimensions of democracy, they tend to highlight either the specific differences between this form of government and authoritarianism or the various degrees of democraticness within democratic governments. We resolved to use both factors, by clearly identifying democratic and authoritarian governments, one the one hand, and differentiating between full democracies and semi-democratic regimes on the other.

Our indicator of democracy was created following Carbone and Memoli (2012). This measure is based on the Polity IV data. We took the Polity2 variable from Polity IV and dropped those components that relate to conflict (that is, lack of political order), to avoid endogeneity difficulties. The resulting scale runs between -6 (full autocracy) and +7 (full democracy). Beside the level of democracy, we also consider the amount of time a country has been democratic: using our Polity2 “revised” variable we established as democratic every year for which a country reaches a democratic threshold (i.e. ≥ 5 on our -6 to +7 scale, equivalent to the ≥ 7 threshold of the -10 to +10 Polity2 index). Then, starting from 1900, we counted the number of years since the transition year: such indicator assumes a value of 0 for every year for which a country’s politics was deemed undemocratic and 1 if it was deemed democratic.

The relevance of left parties is crucial for welfare state development and more generally for state capacity. Left ideology refers to ideal worldviews and the instruments deemed necessary to accomplish them: in Latin America, as in more advanced industrial countries, parties may be classified based on a left/center-left versus right/center-right dichotomy. Left oriented policies are identified by the commitment to use state resources to promote social solidarity, reduce inequality and serve the underprivileged, as opposed to promoting growth, endorsing individualism and furthering the interests of the privileged (Coppedge, 1997; Huber, Nielsen, Pribble and Stephens, 2006: 949). While in the more advanced industrial countries large welfare states were promoted and consolidated by both left and right parties, the former endorsed policies that benefitted particularly lower income earners to a greater extent than did right leaning parties. Similar conclusions apply to recent developments in Latin America (Huber, Nielsen, Pribble and Stephens, 2006). We measure the partisan orientation of political parties in Latin America through Huber, Stephens, Mustillo and Pribble (2012), by looking at seat shares held by party bloc in each lower house legislative session, during periods of

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15 We eliminated “regulation of participation” (PARREG) and “competitiveness of participation” (PARCOMP), both of which include references to factional violence and civil war, while maintaining the three remaining components of the index, i.e. “competitiveness of executive recruitment” (XRCOMP), “executive constraints” (XCONST), and “openness of executive recruitment” (XROPEN).
democratic rule (variable PART). When PART increases, the share of seats held in the lower house by left or center-left parties also increases.\(^\text{16}\)

Finally, a set of standard control variables, both economic and social, has been added to our model. Economic development is indicated by GDP per capita at constant US$, is derived from the World Bank, as well as the size of each country and oil rents; ethnic fractionalization is measured by using the data presented in the article Fractionalization by Alesina et al., (2003).

**Hypotheses**

Our first overall hypotheses are that more complete and mature democratic governments, irrespective of duration, will improve state capacity (Hypothesis 1) while more enduring democratic governments, irrespective of quality, will have a similar effect (Hypothesis 2). In short, each of these dimensions should contribute to ameliorate state capacity in the region when compared to previous authoritarian governments, since political accountability will force even conservative parties to do more than their authoritarian counterparts, both in terms of social redistribution and security policies favorable to the poor.\(^\text{17}\) Democracy is thought to reduce violent conflict by providing institutionalized channels of communication with political opponents, by offering to incorporate them into the political debate and by conceding to at least some of their political and social demands.\(^\text{18}\) The rationale for this strategy, over and above the intrinsic desirability of democracy, is that by making the government more accountable, citizens have less cause for violent opposition. Accordingly, people will be more likely to identify with democracy and the state and accept its legitimacy. In turn, more legitimate states tend to be more effective, further increasing their strength. Effective states establish (and enforce) domestic political order throughout a national territory and will penetrate it with their structures and agencies. In such states, an independent judiciary will usually operate and there will be legal or political penalties for office holders who abuse their positions, while civil rights will be guaranteed and protected and citizens may seek redress for violations of their liberties.

Thus, to the extent that the democratic process reinforces the legitimacy of state institutions, it arguably contributes to strengthening the latter’s effectiveness too. This is especially true when it comes to improving the revenue-raising capacity of tax bureaucracies and thus the material basis of a state. If citizens’ acceptance of public authorities rises, so should their compliance to the decisions and policies adopted by such authorities. Democratic governments should therefore face the least resistance (i.e. reduced costs of compliance) in their efforts at imposing direct forms of taxation upon their citizenry: if people are to cooperate with anybody who aims at picking from their pockets, this will most likely be a government that enjoys a popular mandate (Melo and Barreto Campelo de, 2007). Opening up a closed media will also allow greater public scrutiny of poorly performing areas of state function. Creating

\(^{16}\) Another measure of partisan orientation is the orientation of the party of the executive (presidency or prime minister in the case of parliamentary systems of the former British colonies: EXECPART), which has been constructed in a similar way. This variable is remarkable since it is often argued that the composition of the legislature does not matter much for policy in Latin America, given the presence of overpowering executives.

\(^{17}\) In our definition of democracy, we separate duration from quality, and consider the two features as discrete conditions affecting state capacity. The assumption is that the effects of democracy derive from both the quality of democratic performance and their prolonged action over time: a democracy enduring 50 years implies a more satisfactory state capacity than a 1 year old democracy, all else (including the quality of the performance) being equal. Conversely, when two democracies endure for an identical time span, their better or worse performance will have a different impact on our dependent variable, all else being equal. Both conditions (democratic quality and endurance) should be used in the analysis.

\(^{18}\) At least above certain levels of income (2,750 USD), long standing and relatively sound democracy has been associated with a lessening of internal conflict and a reduced chance of the use of political violence, since it improves political participation and facilitates a peaceful resolution of disputes (Collier and Rohner 2008). Mansfield and Snyder (2005), however, argue that countries taking early steps on the journey from dictatorship toward electoral politics are especially prone to civil war, violent revolution, and ethnic and sectarian bloodshed. For Hegre et al. (2001), on the other hand, the relationship between democratic levels and the incidence of civil strife takes, over time, an inverted U shape. Democracy favours peace by keeping the avenues of participation open, and dictatorship prevents grievances from exploding through intense repression. Thus, semi-democracies appear to be more prone to civil strife: in these regimes the combination of both grievances and the opportunity to rebel is at its peak.
space for independent civil society permits advocacy groups to monitor and critique state performance and work together with the state to offer new policy ideas. Finally, by making politicians and, at least indirectly, also administrators accountable, democratic procedures and sanctions help control arbitrary power and the diffusion of corruption. In sum, unlike with autocracies, there is no basic underlying tension between an effective state and a successful democratic government.

Our second set of hypotheses concerns the role of partisanship in democratic governments. We suppose that when the left and center left share of seats in the lower House increases, state capacity in Latin America will also increase (Hypothesis 3). While comparative historical evidence indicates that incumbency of left parties is crucial for welfare state development (Huber and Stephens, 2001), more specific studies have established a strong relationship linking robust mass mobilization and leftist-party rule to the development of an infrastructurally capable welfare state (Slater, 2008). In Latin America, the recent Left governments, consistent with their major political objectives, have made efforts towards deepening democracy and citizens’ rights, rebuilding state capacity, freeing while regulating markets, and creating an adequate technical and political environment for competent policymaking (Bresser-Pereira, 2001). The critical point is that the active inclusion of subaltern groups in the political process can empower states to overcome pressures from dominant groups, which often resist policies that are oriented towards redistribution or more intense tax extraction: these policies in turn stimulate a strengthening of state structures.

Thus, we surmise that, in Latin America, mass Left parties have influenced the emergence and evolution of more robust welfare states through policy orientations, aimed at income redistribution, supported by broad social coalitions; improved the capacity to levy taxes by limiting the power of conservative social elites, and contributed to reduce the impact of corruption by opening the political systems to the scrutiny of media and citizens. The impact on political order was also favored by increased participation, which is likely to reduce individual, local or communal resistances to the social and territorial penetration of state structures, facilitating the establishment and enforcement of domestic political order throughout a national territory (Carbone and Memoli, 2012: 5). Another mechanism may have been the redistribution of income towards the least powerful and the reduction of poverty: left governments may have favored social peace and political order through the social and political incorporation of violent outsiders, whose historical claims have typically been the redress of acute social injustices and political marginalization. For analogous reasons, we hypothesize that center and right parties should be associated with the opposite outcome: to maintain the relative exclusion of subaltern groups and the privileges of restricted social elites, they rely on mostly clientelistic networks that are compatible with weaker state structures.

In short, we submit the following basic hypotheses:

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19 However, in poor countries, the effect of democracy may actually be negative, rather than positive since voters in least developed countries will likely over-value short-term distributions for immediate consumption, such as patronage distributions, rather than the costly and long-term investments that are required to improve the quality of bureaucracies and thus a state’s administrative capacity. Political reforms, in other words, provoke disorder (Bates 2008: 26; 108ff.).

20 Conversely, increases in right and center seats shares should have a lesser (neutral or negative) effect on our measure of state strength.

21 For instance, in the Indian state of Kerala.

22 Evidence shows that democracies have been able to regulate distributional conflicts and promote favorable macroeconomic and welfare outcomes when the workforce is highly unionized, collective bargaining agreements cover large sections of the working population, and bargaining takes place at the national level (Unrisd, 2010: chapter 11). In more agrarian developmental democracies, such as Costa Rica, political capacities for development and welfare promotion were nurtured through active citizenship, the crafting of political parties that were strongly oriented towards equality, the self-organization of subaltern groups and alliances, strong party–social movement ties and electoral competitiveness that gave value to the votes of the poor.

23 However, this relationship is less clear, as political violence may also be fed by atypical opportunities to fund rebel organizations, such as the ready availability of natural resources (coca leaves, for instance), that could easily be transformed into financial resources to keep the conflict running. For a detailed analysis of political violence in Latin America, and its connections with democracy, see Grassi (forthcoming).
HP1 (degree of democracy). The higher the quality of a democratic government, irrespective of duration, the stronger will state capacity be.

HP2 (duration of democracy). The longer the duration of a democratic government, irrespective of quality, the stronger will state capacity be.

HP3 (legislative partisan balance) The higher the share of seats occupied by left or center left parties in the lower House of parliament, the stronger state capacity will be.

We finally add a number of standard control variables, which are necessary to explain in a more complete way the process of strengthening state capacity. First, an economic development variable, introduced to test a possible spurious relationship between our main variables: in fact, both democratic governments and state capacity might be the product of economic development over time. For Schmitter et al. (2005: 7): “the richer and more developed the country, the more it will spend on public goods provided by its state”. In general, the literature on quality of government has found that the level of economic development has a positive effect on state capacity, although several studies have pointed out very diverse theoretical mechanisms. Income increases may foster state capacity because richer countries can be expected to afford better institutions and administrative structures and many variables correlated with income, such as schooling levels or urbanization, may decrease the social tolerance of corruption (Pellegrini and Gerlagh 2008: 255). For Montinola and Jackman (2002) economic development is a proxy for the level of public sector wages. Since one may expect poorly-paid government officials to perform poorly and be more prone to complement their salaries with bribes, the higher the public sector wages, the lower corruption one should see. The positive impact of income would thus be simply capturing the effects of public wages. All these mechanisms imply an independent effect of the level of economic development on state capacity. Thus, we insert a specific hypothesis (Hypothesis 4).

Second, we add a land size variable. Excessively large territories, for example, may prove hard to establish institutionalised rule on. Thus, we expect larger countries to be associated with lower state capacity (Hypothesis 5). Ethnic fractionalization is associated with a challenging environment for institutions in balance between inclusion of minority groups and preservation of governing effectiveness and efficiency (Ben-Meier 2006). In countries where fractionalization is high, citizens have low confidence in political institutions (Sojo 2011) and the democratic process is less likely to take hold. Accordingly, it is possible to hypothesize that where fractionalization is high, it will be negatively related to stateness (Hypothesis 6).

Finally, excessive dependence on oil exports weakens state capacity by loosening the tie between tax burden and the right to political representation (Hypothesis 7). Two at least the mechanisms connecting oil rents (a state’s proportion of earnings from oil exports out of total revenues) and state capacity: first, large oil rents (when both the state and democracy are not yet mature) weakens state capacity because it exempts the state from building an efficient tax extraction system. Thus, they are unusually detached from and unaccountable to the general population, and their populations, in turn, are less likely to demand accountability from and representation in government.

Oil wealth also produces greater spending on patronage, which, in turn, weakens existing pressures for representation and accountability. In effect, popular acquiescence is achieved through the political distribution of rents (Karl, 2004:668-69). Finally, if this distribution is patently unequal, it exacerbates problems of legitimacy. This perspective is informed by the literature on rentier states (Chaudhry, 1989; Karl, 1999; Ross, 1999), which addresses the political and institutional effects of state dependence on the export of certain mined commodities. Oil-producing countries tend to have weaker state apparatuses than their income levels would predict, because rulers have less need to invest in the bureaucratic capacity to collect taxes. Qualitatively, Moore (1998) has argued that countries which rely on a greater proportion of ‘unearned’ income will tend to be less democratic and have less effective institutional mechanisms and accountability. Simply put, the actions of such governments typically indicate they do not have to worry as much about maintaining legitimacy because they do not collect revenues from their own population. We coded as 0 those countries where oil rents are less than 10 per cent of GDP; and as 1countries where oil rents are superior to 10 per cent of GDP.
Thus our final hypotheses:
HP4 (level of economic development). The higher the level of economic development, the stronger state capacity will be.
HP5 (land size) The larger a country, the more problematic for the state to develop political order and basic administrative capacities, and the weaker state capacity.
HP6 (ethnic fractionalization) The more ethnically diverse a country, the weaker its state capacity.
HP7 (oil rents) The more dependent a country from oil rents, the weaker its state capacity will be.

Data, methods, findings illustration and discussion
Our analysis comprises all Latin American countries with population above 2,000,000, observed over the 1995-2010 period: we consider 22 countries in total, 11 belonging to Central America and 11 to South America. Missing data problems forced us to exclude four of them from our final report.24

Since we rely on a short series of observations obtained from many countries over time, we adopted a pooled cross-sectional time-series.25 The advantage of longitudinal panel information, compared to cross sectional information, consists in its potential for an analysis of social, political and economic dynamics at different levels. More precisely, we employed a random effects longitudinal regression model on a long unbalanced panel dataset, using the software STATA.26 As we found some heteroskedasticity and serial correlation, we employ cluster-robust standard errors, which yield a consistent VCE estimator (Arellano, 2003; Stock and Watson, 2008; Wooldridge 2009).

To explore the impact and effects of our independent variables on stateness we developed 4 models (tab. 1). In the first two, we focus separately on levels and duration of democracy and the impact of parties. Subsequently, we estimate the aggregate impact of these variables on the dependent variable. In the last model we control our results using socio-economic variables. More precisely, in the first model we regressed our indicator of state capacity against our level and endurance of democracy index (see table 1). Results are remarkable and suggest that there is a clear positive impact of democracy on state capacity in the region during the period of observation (Rsq = 14.5%).27 A similar effect is obtained when we regress legislative party balance against state capacity, as outlined in model 2 (see table 1). The impact, as expected, is positive: increasing the presence of left parties’ seats also increases state capacity (Rsq: 14.1%) In our third model, we run both democratic and partisan balance variables. All our variables build up stateness, nourishing the idea that when the democratic process tends to consolidate and left parties receive greater acceptance and therefore more seats, the state gains in strength. Our hypothesis is therefore confirmed (Rsq = 14.4).28 In model 4, finally, we incorporate a series of control variables: GDP per capita (at constant 2,000 US $), which represents the impact of economic well-being; the size of the country, which illustrates the potential difficulty of administratively penetrating the territory; the proportion of ethnic population, which suggests the problem of ruling an ethnically diverse population; and the proportion of oil in the economy, which indicates the degree to which rents characterize the economy (see table 1). After inserting these controls, democracy and left parties are still

24 Namely Cuba, Ecuador, Guyana and Haiti.
25 The countries considered are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.
26 The Hausman test confirms that the random effects model is appropriate.
27 Since there was evidence of substantial skew in the dependent variable, we have transformed it using inverse square roots, which give as the best transformation in terms of normalization.
28 If we substitute PART with EXECPART in our final model, we get similar results. When the party of the Chief Executive is left-oriented, state capacity tends to increase. However, we decided to discard this variable and use PART instead, since EXECPART drastically reduces the number of available observations (from 146 to only 30), without substantially changing our findings. The only appreciable difference is that, when EXECPART is used in our final model, democratic duration turns insignificant. This suggests that when democracy reaches maturity and the chief executive party is left oriented the positive effects on state capacity are independent of democratic age.
significant and positive. Left parties, as well as GDP per capita, appreciably increase state capacity \( (b = 0.175 \text{ and } 0.097, \text{ respectively}) \), while the proportion of oil in the economy has the opposite effect. Country size is positive but not significant, while ethnic diversity is negative but also fails to reach significance.

In sum, between 1995 and 2010, the effects of our political variables on state capacity have been significant and positive. We find that the competitiveness and openness of executive recruitment, and executive constraints, on the one hand, and the duration of democratic rule, on the other, explain how well a state functions: the higher the competitiveness and openness of executive recruitment; and the more substantial the constraints on the chief executive, the stronger state capacity (political order and administrative capacity) tends to be. Likewise, this outcome is favored by longer periods of democratic rule. In short, both the degree and duration of democratic rule are key variables in explaining advancement towards state consolidation, through the mechanisms we have outlined above. Our study confirms a series of regional and global investigations on state capacity that acknowledge a strict relationship with political equality and accountability; the inclusiveness of political institutions, including the incidence of competitive institutions in the past; the level and duration of democratic systems and competitive political elections (Carbone and Memoli, 2012; Cardenas, 2010; Besley and Persson, 2009; Haggard and Kaufmann, 2008; Slater, 2008; Bratton, 2008; Adserá et al., 2003; Diamond, 1999). The existence of a robust relationship with democracy is also supported by additional studies that adopt more specific dimensions of state capacity, as the establishment of a welfare apparatus and the effective provision of welfare services or a more effective control of corrupt practices (Grassi, forthcoming; Bohara et al., 2004; Treisman, 2000).

The agreement of our findings with previous results upholding the positive impact of democracy on stateness, in spite of different conceptualizations and indicators, applied to diverse time periods and geographical settings, strengthens our confidence in the robustness of the observed relationship: a generalization of these results, however, beyond our specific data set, is unwarranted. For instance, the lack of significant periods of authoritarian rule in our final dataset (1995-2010), explains why no curvilinear relationship has been observed, conditional on further variables, such as economic development: to ascertain whether poorer countries may have experienced higher quality of government under authoritarian rule, depends on the existence of observations that differentiate between democratic and non-democratic periods (Bäck and Hadenius, 2008; Charrón and Lapuente, 2010).

Our investigation is one of the first to explore the potential causal link between political partisanship and stateness among Latin American countries. While others have documented the impact of left or left-leaning parties on specific socio-economic dimensions, such as social inequality (Huber et al., 2006 for Latin America), we have applied a similar approach to the study of the determinants of state capacity. In addition, while several qualitative studies have underpinned the mechanisms which relate left parties to a stronger state capacity (Kirby, 2009; Slater, 2008; Bresser-Pereira, 2001), we have tested this hypothesis empirically for Latin America and found generally supportive evidence. Our conclusions are partly in line with, and complete, those by Cardenas (2010), Haggard and Kaufmann (2008), Acemoglu and Robinson (2008) and Hagopian and Mainwaring (2005). Cardenas claims that the weakness of the state in Latin America depends on pervasive economic inequality: state weakness, however, is also a reflection of left parties’ weakness in the region, and we illustrate the political mechanisms relating these two variables. For Haggard and Kaufmann, democracy may strengthen the state by promoting more progressive social welfare systems. In Latin America more progressive social welfare systems have been usually associated with the presence of a stronger left: in spite of a recent and partial convergence of major parties towards the political center, however, there are still noticeable differences among them, on ideological and policy grounds, which are relevant in explaining variations in state strength.29 Finally, Acemoglu and Robinson and Hagopian and Mainwaring point to the gap between political and de facto powers in Latin America: they argue that, when the former only reflect the latter, democracy may be associated to a decline in state authority.

29 On the convergence towards the centre hypothesis, which we discuss below, see Haggard and Kaufmann (2008).
In Latin America, in general, left parties have been more effective than center or right parties in representing the less affluent in society and in combatting the widespread privileges of powerful socio-economic regional elites: they have more incisively promoted redistributive welfare and prevented the purposeful boycotting of crucial state powers, such as tax extraction, which encroached upon the privileges of the local elites. Thus, left parties have fostered both a deepening of democracy and a containment of social and economic privileges, which in turn have contributed to a strengthening of state capacity: it is through the crucial intermediation of these parties that the gap between political and social powers has been reduced more recently, and state strength has somehow increased in the region.

It may be useful to add that, historically, the states typically identified by the literature as the most capable in the region (see, for instance, Cardenas 2010 and Centeno 2009) have tended to overlap with the most robust democracies, as Costa Rica and Uruguay, closely followed by Chile and Argentina. In the first three countries, Left-leaning political parties bent on redistribution were preeminent in the process of welfare state building, while only in Argentina social policies were first introduced and later defended by a populist and semi-authoritarian political movement (Grassi, forthcoming, Table 2). In addition, since the 1998 election of Hugo Chavez to the presidency of Venezuela, a number of countries have been progressively ruled by left leaning political parties or coalitions. According to students of Latin American politics, this ‘new left’:

‘takes for granted the basic principles of market economics, while promoting reforms such as the implementation of welfare programs for the poorest members of society, a renewed concern for public security, a more active role for the state as regulator and mediator between capital and labor, the expansion and improvement of public services, and the introduction of a more progressive tax regime’ (Chavez, Rodriguez-Garavito, Barrett, 2008: 22).

To sum up, the political agenda of the left in the region has generally tended to develop, both historically and more recently, some of the abilities and resources usually associated with state capacity. In particular, ‘new left’ governments have strengthened the state’s role in social provision, implementing programs that are more extensive in their reach and that provide better and more complete benefits (Kirby, 2009). A few examples will illustrate the point. In Brazil, the Lula administration has extended and deepened some of the social programs of the previous Cardoso government: foremost among these the Bolsa Familia, which benefitted 47 million Brazilians, about 25 per cent of the population. Chavez’s government in Venezuela has generated an unprecedented increase in social spending (6.9 billion US dollars in 2005 alone) for social programs such as Misión Ribas (adult education), Misión Sucre (university scholarships), Misión Vuelvan Caras (economic cooperatives), Misión Guaicaipuro (indigenous land titling), Misión Barrio Adentro (community health), Misión Mercal (subsidised food markets) and Misión Milagro (eye operations). What characterizes these various policies is the political will to mold the state as a mechanism to address the huge social deficits caused by neoliberalism and, in some cases, to re-establish an institutional infrastructure to seek to ensure a more responsive, democratic and well-functioning state. Our analysis, finally, confirms that it is among the richest countries that there is a superior combination of political order and administrative capacity.

The role of the left in redistribution (and, indirectly, in favouring state capacity), both in Latin America and elsewhere, however, has been challenged on the basis of two arguments that we need to discuss briefly. First, Haggard and Kaufmann claim (2008: 360) that the logic of electoral competition may force conservative parties to take into account demands for defending social services and that, as a consequence, the welfare policies of left and right parties have tended to converge and overlap. For instance, in Uruguay, a broad social alliance backed by the left Frente coalition, was able to exercise a wide-ranging veto power against neoliberal pension

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30 These new governments have been dubbed with the term ‘new left’ governments. Its major representatives are: the Lula and Rousseff governments in Brazil (since 2003), the Kirchners governments in Argentina (since 2003), the Frente Amplio government in Uruguay (since 2004), the Morales government in Bolivia (since 2005), the Bachelet government in Chile, the Ortega government in Nicaragua and the Correa government in Ecuador (since 2006), the Lugo government in Paraguay (since 2008) and the Ollanta Humala government in Peru (since 2011).
reforms. Politicians from the traditional parties, among which the conservative Blanco party, however, fearing the loss of the pensioners, either backed the reform or did not take a position. The existing welfare system enjoyed wide political support, not only among organized stakeholders, but also within the broader electorate: politicians bent on reforming the welfare system had to reckon with both (Luna, 2006). However, this argument assumes that wide social rights have already been established and are tied to strong public expectations driving electoral preferences, which has not often been the case in Latin America. Also, the existence of a convergence of major parties towards similar social policies does not rule out the possibility that significant and empirically relevant differences in policies and outputs may remain, which may be measured and carefully assessed.

A second objection has to do with economic cycles: during economic downturns, the relationship between left and both social redistribution and state capacity may fade away. Recent developments, for instance, made it arduous for a few democratic governments and for Left leaning parties, to enact social policies advancing more progressive income distribution: cuts both in financing and in the provision of public services ended up compromising some of the basic administrative structures in the area (Huber and Stephens 2005: 22-24). However, the presence of a significant political left has had an impact on the reforms introduced in the region because of the difficult economic situation, softening most of its harshest features. For instance, in Uruguay, the traditional public pensions system, managed by the state, gave way to a mixed system that integrated private companies and a complementary capitalization arrangement for the upper income sectors: informal sectors workers continued to be excluded from the system, while powerful groups, such as the military, maintained an especially privileged condition. However, although these changes deeply transformed the old system, this remained statist and coherent with social goals abandoned by other regional governments.

In short, differences with other parties remain significant. We must acknowledge, however, that our hypothesis on the role and importance of left ideology and political parties in constructing state capacity becomes problematic when applied to other areas of the world. In countries like Korea, Taiwan and Thailand, for instance, the formidable expansion of a wide array of social entitlements, with its related impact on state capacity, has been driven, in the context of a surprisingly non-ideological party system, by centrist and even conservative parties which have used social policies, especially basic social services and particularly education, for political ends.

Conclusions

Our study adds to a topic of research, namely the impact of democracy on state capacity, which has hardly been addressed. Our definition of state capacity improves earlier ones, covering more completely and adequately the composite and complex nature of the concept: in particular we employ a notion of state that encompasses its two essential dimensions, namely political order and administrative capacity. In addition, while the impact of democracy on state capacity has been discussed and empirically analyzed by (a limited number of) previous studies, we offer a novel investigation on the role of left parties in the process. We have further outlined the mechanisms by which democracy and left ideology translates into added state capacity and measured their impact on state strength. In Latin America, in particular, Left parties have often facilitated the active political inclusion of less favored social groups, empowering states to resist pressures from dominant classes opposed to income redistribution or more intense tax extraction, thus strengthening administrative capacity and overall stateness.

31 Our argument does not imply that Left parties may not generate social injustice, as with the special tutelage of relatively privileged workers within the formal sectors of the economy, whose welfare may be maintained not only at the expense of the wealthiest, but also of the least protected social strata. This was the case even in robust democracies, such as Uruguay and Chile, following their transition from authoritarian rule.

32 On the other hand, this “anomalous” result is explained in part by the fact that conservative parties were seeking to neutralize social challenges on other salient issues, often along a democratic-authoritarian dimension (Haggard and Kaufmann, 2008: 360)

13
In short, we found that, between 1995 and 2010, democracy and left parties have significantly concurred in bolstering state capacity in Latin America. As expected, wealth also favored this outcome, while oil had the opposite effect and significantly undermined stateness. Both the size of the country and right political parties, finally, failed to reach statistical significance. While our results may not apply beyond our region of interest, they open intriguing avenues of research on the consequences of democracy in Latin America and complement similar studies on the consequences of left party power in the area (see Huber et al., 2006). In particular, our approach tackles a major criticism levied against democratization studies: too often, it is said, political scientists focus on the formal requisites of democracy and overlook the constellation of de facto social and economic power which decisively shape the political trajectories and fortunes of people in the area. Our analysis takes both aspects into account: the strategy of left parties conjugates broader political participation with more extended social and political programs for the least advantaged and with an improvement of domestic political order. State capacity is a crucial instrument by which extended political participation may translate into valuable social gains for the weakest in society. By extending the political incorporation of formerly excluded social groups and strengthening the capacity of the state to intervene in society to reduce social and economic inequalities, left parties make democracy more mature and, at the same time, constrain the factual powers that effectively restrain progressive social change, thus reducing the gap between “formal” and “substantial” democracy.

Accordingly, our analysis carries major practical implications: if state capacity may be directed and stimulated politically, developing countries may hope to strengthen at a reasonable speed their capacity to tackle the major problems they have traditionally faced, from poverty to illiteracy and from political violence to public corruption, and improve their chances to drastically advance their overall social and economic condition, while deepening the participatory and representative nature of their political regimes.
### Tab. 1 Stateness among Latin American Countries

<table>
<thead>
<tr>
<th>Model</th>
<th>Polity IV (recoded)</th>
<th>Duration of democracy</th>
<th>Legislative partisan balance (right-left; seats received)</th>
<th>Level of economic development (1994)</th>
<th>Log ethnic fractionalization</th>
<th>Land size (sq. Km)</th>
<th>Oil rents (0=&lt;10%. 1=&gt;10%)</th>
<th>Constant</th>
<th>Sigma_u</th>
<th>Sigma_e</th>
<th>Rho</th>
<th>R_sq</th>
<th>Number of obs.</th>
<th>Number of group</th>
<th>Wald chi2 (sig.)</th>
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<td>****</td>
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<td>0.141</td>
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</table>

**Notes:** *p < 0.10, **p < 0.05, ***p < 0.01, ****p < 0.001.
References


