

Political Determinants of State Capacity in Latin America

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Summary. — In this article, we argue that both democracy and governments' partisanship have a bearing on state capacity in Latin America. We also maintain that state capacity is a condition rooted in history and society: it can be built or purposefully undermined. In particular, in Latin America parties of the left have frequently operated to reallocate social and political clout in favor of underprivileged groups: the inclusion of the latter in the political process helped states to thwart pressures from dominant elites opposing redistribution and tax increases. These mobilized groups have also pushed for universal public services, as high-quality education, health care or public housing, which required well-functioning administrations and an adequate institutional capacity, thus contributing to consolidate stateness in the area. Whereas previous qualitative studies analyzed the mechanisms that relate democracy and political partisanship to state capacity, we test this hypothesis quantitatively. To this end, we estimate the effect over time of democracy, political parties and other socio-demographic factors on a composite measure of stateness, obtaining supportive evidence: in particular, we find that higher democracy levels and left-leaning governments favored the growth of state strength in the area during 1975–2009 and discuss these findings with reference to the political experience of Latin America.

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1. INTRODUCTION

In this article we argue that both democracy and governments' partisanship have a bearing on state capacity in Latin America: in particular, we find that higher democracy levels and left-leaning governments favored the growth of state strength in the area during 1975–2009. Whereas previous qualitative studies have analyzed the mechanisms that relate democracy and political partisanship to state capacity, we test this hypothesis quantitatively, obtaining supportive evidence. Our work is organized as follows: in the next section, we discuss the relevant literature, then define our main dependent, independent and control variables, paying special attention to the thorny concept of state capacity. Subsequently, we submit our main hypotheses and summarize the mechanisms at work. Finally, we estimate the effect over time of democracy, political parties and other socio-demographic factors on a composite measure of stateness; discuss these findings with reference to the political experience of Latin America; and underline our contribution to the ongoing debate. Conclusions, as usual, wind up the analysis.

Social science literature has mostly considered democracy and stateness as causally independent or it has taken the latter to be a precondition for the former (Wang & Xu, 2015). The rare works analyzing the bearing of democracy on state capacity generally underscore a positive association: the superior political accountability of democracy lowers corruption and the risk of property expropriation and strengthens bureaucratic quality and the rule of law, thus improving overall state capacity (Adserà, Boix, & Payne, 2003). As a result of vigorous political competition, for instance, various non-partisan state organs and policy reforms aimed at increasing government efficiency were implemented in Hungary, Lithuania, Poland, and Slovenia after their democratic transitions (Grzymala-Busse, 2007). In Africa, as well, democracy has been empirically associated with several components of state capacity as rule of law, effectiveness, accountability and control of corruption (Bratton, 2008). In Malaysia, Indonesia, and the Philippines, competitive elections have facilitated

state-building by stimulating the formation of stronger political parties; a more vigorous state commitment to voters' registration; and the imposition of centralized authority over societal strongmen (Slater, 2008). In short, the historical influence of parliamentary democracy has been considered to be an unusually stable predictor of both the legal and fiscal capacities of the state (Besley & Persson, 2009): democracy strengthens stateness by enhancing government responsiveness to citizens; by facilitating the diffusion of information between policy-makers and voters (Buono de Mesquita, Downs, Smith, & Cherif, 2015); and by increasing political contestation (Wang & Xu, 2015).

The influence of democracy, however, is still controversial as strong developmental states have existed under authoritarian regimes in Asia (for instance in Taiwan and South Korea). In addition, the assertion that democracy strengthens the consolidation of state institutions must confront the sensible objection that democracy can subsist only after a minimally functional state is already in place (Carbone & Memoli, 2015). Thus, analyzing African regimes in the early 1990s, Bates (2008) claims that electoral competition and state failure go together since, during democratic openings, incumbents are less secure about their tenure and rewards from predation multiply, encouraging domestic conflicts and state collapse. In new democracies, in addition, objectionable politicians might emerge who view the new democratic politics as a "one-time opportunity to get rich" (Svolik, 2012). Others, finally, point at a non-linear relationship: Charrón and Lapuente (2010) claim that deprived countries enjoy higher "administrative capacity" under despotic rule, while richer countries perform better under democracy. Bäck and Hadenius (2008) similarly contend that the association between level of democratization and "administrative capacity" is negative at low levels of democratization, but positive at higher levels. Administrative capacity declines initially as the political system opens and a plurality of social and

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political actors undermine authoritarian controls from above: however, as mature and more stabilized democratic regimes develop, bottom-up mechanisms of policy control emerge that help attain the highest levels of administrative capacity.

In Latin America, democracy has not been typically studied as a determinant of state capacity, but rather as one of its outcomes: thus, poor democratic conditions are often explained as a consequence of local states weakness. Accordingly, among the key determinants of state capacity scholars mention particular historical heritages; features such as the amount of trust in public and private institutions; economic and social inequalities; and globalization (Centeno, 2009). Cárdenas, however, singles out political inequality as one of the factors that possibly account for the extraordinarily low state capacity in the region, in conjunction with economic inequality, regional struggles, and civil war (2010). Others maintain that democratic rule strengthens the capacity of the state to provide citizens with fundamental social services, by encouraging politicians to reach the poor and those more exposed to risk, and these latter to organize (Haggard & Kaufman, 2008).

Whether and how in Latin America state capacity has been shaped by democratic rule, however, remains an open question. Acemoglu and Robinson (2008), for instance, notice that the trend toward greater democracy in the area has not been accompanied by a similar change in state capacity, which has remained especially low. They argue that, even if *de jure* democratic institutions have been established (political rights, voting and checks on the executive), the political balance has not changed for the presence of crucial *de facto* powers, as dominant social groups. Likewise, Cheibub (1998) underlines that, from 1970 to 1990, governments' extractive capacity has not been much stronger in democracies than in authoritarian regimes. Grassi and Memoli (2016), finally, find that during 1995–2009 democracy has weakened the negative effects of autocracy on state capacity, but it has been insufficient, by itself, to promote its strengthening. There are, in short, several objections to the view that democracy always advances statehood: antagonistic electoral competition can undermine a state and democratic petitions may overburden and deteriorate political institutions (Hagopian & Mainwaring, 2005). Rather than contributing to reinforce state institutions and increase their effectiveness, therefore, the acceptance of formally democratic institutions may actually corrode or disintegrate state authority and public services.

State capacity, on the other hand, is a condition rooted in history and society: it can be built or purposefully undermined (Fiszbein, 1997; Grassi & Memoli, 2016). In most instances, states that achieved vigorous statehood in time did not have the necessary ability nor the right bureaucracies to do so in the beginning: where a political leadership committed to growth and equality had reached a settlement with domestic actors to define a common policy framework, a developmental and welfare-improving bureaucracy was typically created to support it (Haggard & Kaufman, 2008). In other cases, a weaker state capacity (the limited power to levy taxes, for instance) was the result of the veto power exercised by powerful social groups that successfully resisted increases in the tax load (Huber & Stephens, 2012, 41). Parties of the left generally operate to reallocate social and political clout in favor of underprivileged groups: the inclusion of the latter in the political process helps states to thwart pressures from dominant elites opposing redistribution and tax increases. These mobilized groups push for administratively challenging universal public services, as high-quality education, health care or public housing, and the institutional capacity necessary to provide

them, thus contributing to consolidate statehood. Parties of the right, in turn, often advocate order and legality, since crime and violence jeopardize business investments and growth and are usually aimed at affluent individuals. A stronger state, in addition, allows for an effective enforcement of property rights, duly supported by smoothly functioning legal institutions, and contributes to restrain widespread corruption. Where established safeguards of this kind are absent, insecurity and unpredictability arise, which endanger new investments, the creation of jobs and the development of business (Fukuyama, 2007).

Finally, electoral competition crucially interacts with ideological preference. When election results are uncertain, regardless of ideological orientation, parties may be driven to embark on policies that they might otherwise ignore, for the sole purpose of gaining or retaining power (Haggard & Kaufman, 2008, 360). Policies may be endorsed to capture the independent voter at the center and will be more moderate, or reformist, than the ideological position of each party implies. Consequently, left-wing and right-wing executives may become more similar: the former cannot support their favorite policy of welfare state extension because of budget limitations; the latter cannot adopt their favorite policy of cutbacks because their constituencies have become attached to welfare state programs (Schumacher & Vis, 2009). To sum up, the contribution of political partisanship to the construction of state capacity in Latin America is a question that demands an empirical answer.

2. STATE CAPACITY

State capacity is a thorny concept, arduous to define and operationalize: in fact, there is greater scholarly agreement on key features of the state than on how to operationalize such features or the concept of the state itself (Carbone, 2013, 6). In the last few years, however, political scientists and sociologists have engaged in an extensive and critical debate: while failing to yield a common position, the ongoing discussion suggests points of convergence (see the special issues of *Studies in Comparative International Development*, 2008; and *Revista de Ciencia Política*, 2012).¹ Definitions of state capacity often rest on the ability of state institutions to effectively implement official goals (Sikkink, 1991). This approach solves a first significant problem, namely the normative definition of what the state ought to do or how it ought to do it, and underlines the fact that capable states may organize the economy and society in different ways. Thus, in the aftermath of the neoliberal cutbacks in state intervention and bureaucracy in Latin America, one should be able to avoid confounding minimal but capable states as Chile with essentially weaker states. A second recurring theme has to do with Mann's (2008) "infrastructural power" concept, that is "the institutional capacity of a central state, despotic or not, to penetrate its territories and logistically implement decisions". Mann's contribution underlines "the question of the state's authority over territory" and "whether governments can implement policies, including the provision of public goods" (Fortin, 2010, 656). In short, the infrastructural power of the state may be read as the ability to translate policy choices into outcomes. In addition, many authors also typically indicate state capacity through at least one of three constituent elements: the ability of a state to impose a degree of internal political order, by way of an exclusive control over the means of coercion; the proper workings of a basic administrative apparatus; and the capacity to extract revenue from its citizens.²

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