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The Effects of Decentralization on Minority Inclusion and Democratic Values in Latin America

By Karleen Jones West
West Virginia University
kawest@mail.wvu.edu

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Abstract

Decentralization has been considered a tool of democracy promotion because of its ability to improve citizen participation and government accountability, and increase equity by allocating resources to long neglected populations and regions. In fact, given these goals, indigenous movements were amongst the strongest supporters of decentralization across Latin America. This project examines whether decentralization has improved participation and equality by focusing specifically on its effects for marginalized populations such as indigenous and Afro-American individuals in 16 Latin American countries. Using LAPOP survey data, I first assess if decentralization has increased equity by examining whether both political and fiscal decentralization significantly enhance minority individuals' inclusion and access to local governments. I then analyze how citizens' accessibility to local government affects values that are considered crucial for democratic consolidation, such as support for democracy and satisfaction with governance. The findings of this analysis demonstrate the limits of the effectiveness of decentralizing reforms. Minority citizens' inclusion and access to local governments does not appear to be significantly enhanced by decentralization. This finding is important, given the other significant finding of this study: that local-level inclusiveness is a determining factor increasing minority individuals' adoption of key democratic values.

Starting in the 1980's, Latin American governments began adopting decentralization as a solution to various economic and political ailments. In addition to its ability to improve public services and balance budgets (Tiebout 1956; Oates 1972), decentralization was considered a significant advancement toward the consolidation or deepening of democracy. For scholars and policy experts alike, decentralization had the potential to improve the quality of democracy by bringing the government closer to the people, thereby encouraging greater participation, enhancing representation and increasing accountability (e.g. Fox 1994; Diamond 1999; and World Bank 2000). Furthermore, decentralization was thought to promote democratic stability by improving representation for previously neglected minority groups, and thus reducing the motivations for ethnic mobilization against the state (Tsebelis 1990; Kaufman 1996; Gurr 2000).

As a result of these arguments, support for decentralization in Latin America was widespread. Political elites approved reforms to gain political benefits (e.g. Escobar-Lemmon 2003; Mardones Z. 2007). At the grassroots level, indigenous movements embraced decentralization as a partial solution to many of their grievances, including the desire for autonomy, land reform and the protection of natural resource rights (Van Cott 2000). By the late 1990's, nearly every Latin American country had experimented with decentralization in one form or another.

Despite the popularity of decentralization across the region, research on its effects generates cause for concern about the universality of decentralization's effectiveness. Echoing Prud'homme's (1995) fears about the persistence of subnational income inequalities, scholars have found that decentralization in certain sectors often "leads to a reinforcement of existing inequalities and power relations" (Willis and Khan 2009, 1002). Furthermore, decentralization of education "has resulted in serious inequities in funding and quality," such that poorer communities often fail to obtain higher levels of academic achievement (Meade and Gershberg 2008, 317) or perform worse because they are unprepared to handle the new responsibilities delegated to them (Galiani et al 2005). Finally, when it comes to democratic representation, scholars have found that decentralization can generate incentives that lead elected officials to betray citizen interests (Yilmaz et al 2010). The desire to win local elections may encourage the

persistence of clientelism and corruption (Tanzi 1994), or cause political officials to enact policies that are fiscally beneficial but go against voter preferences (Eaton 2010).

These findings, though focused on narrow policy areas, suggest that a further examination of the effects of decentralization is worthwhile. Although there is evidence that income inequalities may be exacerbated by decentralization, little research has examined how decentralization has affected Latin American ethnic or minority group inequalities, specifically. Studies that do examine decentralization confirm that it has had mixed results in its ability to enhance minority representation at the local level (O'Neill 2006; Van Cott 2008). No research has, however, demonstrated whether minority inclusion at the subnational level ultimately affects citizen perceptions of democracy and the adoption of crucial democratic values. Yet understanding how decentralization has affected minority group inclusion and democratic values has important implications for normative and practical prescriptions for improving democratic governance.

This paper is a first step at examining the relationship between decentralization, minority group participation and equality, and democratic values in Latin America. In the remaining sections of this proposal, I first highlight my expectations with regards to decentralization, minority inclusion and democratic values. I then turn to a discussion of the research design and methodology that I use for my analysis. My results largely confirm the skeptical view of decentralization, finding that political decentralization, in particular, does not appear to increase minority inclusion at the subnational level of government. Furthermore, I find that the probability of adopting democratic values are indeed significantly enhanced among minority populations when they have greater access to local governments, further stressing the need for improved inclusion and access at the subnational level. In the final section, I discuss the conclusions and implications of these findings in more detail.

Decentralization, Minority Inclusion and Democratic Values in Latin America

Among the many proposed benefits of decentralization is its ability to incorporate long neglected populations into the political process, and ultimately enhance the representation of such groups' interests. The causal mechanism behind this argument is straightforward. Local

level political institutions can facilitate the expression of local grievances and are more capable of articulating immediate responses to collective needs (Hirschmann 1970). Furthermore, local institutions can allow for levels of minority representation that would be impossible at higher ranks of government, especially if minorities are geographically concentrated (Birnir 2004). Finally, local governments are closer to citizens and more capable of knowing their preferences (Hayek 1945) leading to more inclusive and representative policies. Taken together, these arguments within the literature lead to the first hypothesis in the project:

Minority Inclusion Hypothesis: Minority individuals living in decentralized states should enjoy greater inclusion and access to subnational politics than minority individuals living in more centralized states.

The process of minority inclusion in democracies has also recently been treated as a key component of democratic quality, regime stability, and ultimately consolidation. Formal models of democratic consolidation have taken into account participatory and social dimensions of a regime (Huber et al 1997) as well as perceptions of inequality (Acemoglu and Robinson 2006) when determining what fosters democratic stability. In addition, scholars of normative democratic theory have recognized the significance of minority inclusion in democratic contexts, given its ability to improve the quality of policy deliberation and increase state loyalty among members of the group (Mansbridge 1999). Finally, scholars have emphasized the importance of minority inclusion for increasing democratic legitimacy and decreasing the tendency for citizens to support extralegal forms of political control, such as populist/authoritarian regimes or military coups (Holmes and Piñeres 2006). Because decentralization is often the primary means by which minority groups gain access to political office and obtain a voice in policy discussions, it follows that political inclusion and responsiveness at the subnational level may be one of the most important determinants of support for democracy among minority populations. Furthermore, minority individuals may be particularly responsive to decentralized decision-making, given their history of being excluded from the political process. Based on these arguments, the next hypothesis in the project is as follows:

Democratic Values Hypothesis: Minority individuals that enjoy greater inclusion and access to subnational politics should have more positive perceptions of democracy than those that are excluded from subnational politics.

Data and Variables

In order to test the above hypotheses, I use individual-level survey data to capture citizen perceptions of inclusion in subnational politics, as well as their democratic values. The AmericasBarometer surveys conducted by the Latin American Public Opinion Project (LAPOP) provide a wealth of data that can be used to measure these concepts. LAPOP has conducted surveys assessing attitudes in 27 countries in Latin America, in some cases covering a time span of over 30 years. The benefit of these surveys is that many of the same questions have been asked in every country, allowing for cross-national comparisons of citizen attitudes. Cross-national comparison is essential for analyzing how country-level factors, such as decentralization, impact public opinion. In this section, I outline how I use AmericasBarometer survey data to compile measures of key independent and dependent variables that can then be used to evaluate both the minority inclusion and the democratic values hypotheses.

The minority inclusion hypothesis outlined above suggests that minority individuals should experience greater inclusion and access to subnational politics in states where the decentralization process is more advanced. For the purposes of this study, minority individuals are those who self-identify as belonging to a historically disadvantaged group in Latin America – primarily indigenous, Afro-Latino (black) or mulatto identities. Because most survey sample populations include only limited numbers of minority individuals, I use a binary variable to indicate whether or not an individual identified themselves with any one of these groups.¹ Those who considered themselves white or *mestizo* were coded as 0, while those who identified as indigenous, black or mulatto were coded as 1.² Those who self-identified as “other” were

¹ For example, in the 2010 round of surveys, the largest sample of indigenous individuals was in Guatemala, where 492 out of 1410 (35%) identified as indigenous, and the largest sample of Afro-Americans was in Colombia, where 100 out of 1423 (7%) identified as black. Across countries in 2010, on average the samples consisted of 6% indigenous and 4.7% black and mulatto individuals.

² In Bolivia, *cholos* were coded as *mestizos* and *originarios* were coded as indigenous. In Brazil, *pardo* (brown) is coded as a majority group, so only *preto* (black) and *indígena* (indigenous) are coded as

dropped from the analysis, since “other” is a category that can encapsulate privileged individuals, such as those of European decent. Please see the appendix for the survey question used to create this variable, and all of the variables outlined hereafter.

The second key explanatory variable necessary to test the minority inclusion hypothesis is a measure of decentralization itself. As the process by which national governments give power and authority to subnational governments, decentralization is a fairly complex activity, and its measurement can be equally complex. However, decentralization has been generally conceptualized throughout the literature along two broad categories: political decentralization and fiscal decentralization. Most work on decentralization makes an effort to distinguish between the two, since each consists of different, yet important, aspects of the decentralization process. Here, political decentralization is measured by a binary variable indicating whether or not subnational legislatures and executives are directly elected. Data for this measure was obtained from the World Bank’s Database of Political Institutions (Beck et al 2001), and was compiled and updated by Harbers (2010).

In order to measure fiscal decentralization, I follow Schneider (2003) and Harbers (2010) and use a scale composed of four items: subnational revenue as a percentage of gross domestic product, subnational expenditure as a percentage of gross domestic product, subnational revenue as a percentage of total government revenue, and subnational expenditure as a percentage of total government expenditure. Taken together, these figures indicate the extent to which subnational governments have access to resources. These data are available from the *Government Finance Statistics* shared by the World Bank and the International Monetary Fund, and were compiled for around 14 Latin American countries by Harbers (2010). Data were updated to include more recent years using government finance statistics compiled in *CEPALSTAT*, the statistical database maintained by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). In addition, ECLAC’s *Statistical Yearbook for Latin America and the Caribbean* (2008, 2009) provided key information on government revenues and expenditures. The fiscal decentralization scale was constructed as a moving average of 3

minority groups. Though these designations are not perfect, they are the best approximations and allowed those observations to be retained for the analysis.

years (2 years prior to the survey and the year of the survey itself) in order to account for the influence of changes in decentralization over time. The scale ranges from 1.19 in El Salvador to 45.52 in Argentina, with an average of 18.98 and standard deviation of 11.42.

In order to complete the test of the minority inclusion hypothesis, there must be a measure of inclusion and access to subnational governments, the dependent variable. There are four elements of the survey instruments that allow me to develop measures of inclusion and representation at the local level. First, there is *Local Assistance*, based on a question that asks whether individuals have requested help from a local official (mayor, municipal council, etc). A negative response is coded a zero; an affirmative response is coded a 1, and should indicate that individuals experience greater access and inclusion in local level politics. Second is *Town Meetings*, based on a question about whether an individual has attended town meetings, coded again as a binary variable where an affirmative response is a 1 and indicates greater inclusion in subnational politics. Third is *Local Trust* based on a question about the amount of trust a citizen has in local government. Responses are coded on an ordinal scale, where a 0 represents when individuals have no trust, and a 6 indicates when individuals have the highest level of trust. The final indicator is *Local Services*, another ordinal scale where 0 indicates the worst evaluation of services, and 4 indicates the best. I have used these four indicators to create an *Inclusion Index*, an ordinal scale where 0 represents that individuals have virtually no access to or trust in local government, and 12 indicates that citizens have a high level of access to and appreciation for local government. In sum, inclusion is measured by investigating how individuals, themselves, view the accessibility and responsiveness of local governments.

Figure 1 displays the variation exhibited for one measure of local inclusion: average trust in local government. This figure illustrates two things of interest. First, minority and majority populations often exhibit different levels of trust in local government. In some countries, average trust is higher amongst minority groups (i.e. El Salvador and Uruguay) whereas in most countries, average trust is higher amongst the white and *mestizo* population. Second, average trust varies substantially by country. Some cases exhibit very low levels of trust in local government, such as Peru, while others have rather high levels of trust in local government, such as Chile. The analysis should help elucidate just how much of this variation

both between minority and majority groups, as well as between countries over time, is attributed to the decentralization process.

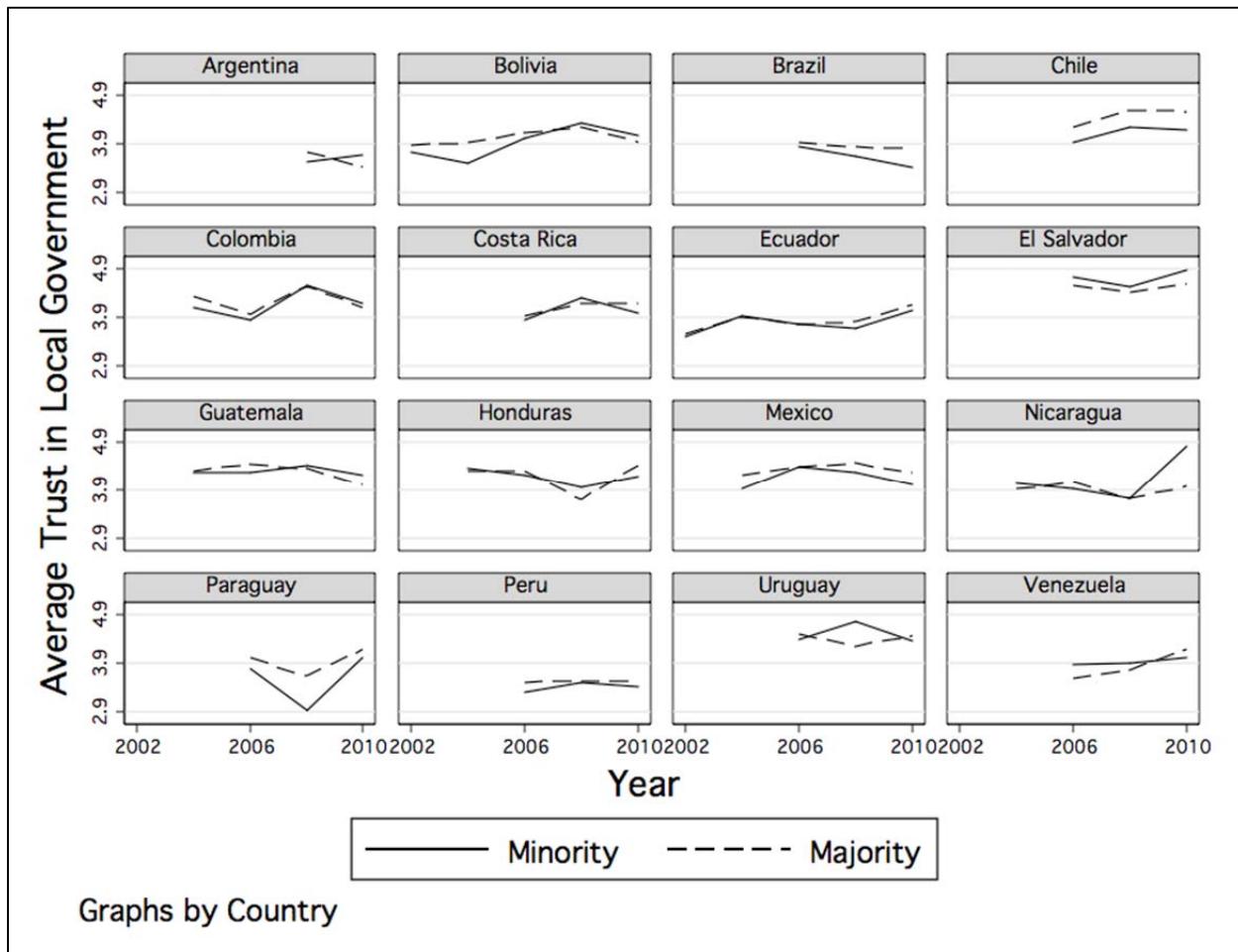


Figure 1. Average Trust in Local Government for Minority Versus Majority Individuals

The literature on minority political participation indicates that a number of control variables should be taken into account when assessing what encourages minority individuals to become politically active (e.g. Tate 1991; Barreto et al 2004). Higher values of basic demographic variables, such as education, age and income, should all lead to higher levels of political involvement. In addition, social capital, or membership in civic associations, has also been thought to increase both trust in government and political participation (Putnam 2000; van Londen et al 2007). I combined five indicators of civic participation (attendance at the meetings of religious organizations, parent/teacher associations, community improvement committees,

professional organizations and political movements or parties) to generate a *Social Capital Index*. The index ranges from 0 (no participation in meetings) to 5 (participation in a variety of organizations). On average, individuals in the survey samples were involved with 1.63 organizations. In addition, individuals with greater political knowledge are often more inclined to both be aware of political opportunities, as well as to take advantage of them. Hence, I used two general knowledge questions focused on domestic politics (how many districts/departments are in a country and how long the presidential term is within a country) to create a *Political Knowledge Index*. On average, about 50.65% of the sample knew the correct answer to both of these questions. Finally, I also control for residency in an urban (coded as 1) versus rural (coded as 0) environment, a factor that could influence local government access (Bledsoe et al 1995). On average, about 28.46% of the sample lived in rural areas.

To test the democratic values hypothesis, it is necessary to conceptualize citizens' perceptions of democracy (the dependent variable). I rely on two measures standard within the literature on democratization. The first is *Democracy Support*, based on a question that asks the extent to which citizens agree that democracy is the best form of government. This is coded on an ordinal scale, in which 0 represents when citizens strongly disagree, and 6 represents when they strongly agree. The average rating is 4.17, with 67.31% of the sample population agreeing with the statement at a level of 4 or higher. The second is *Satisfaction with Democracy*, based on a question that asks how satisfied individuals are with democracy in their country. Another ordinal scale, this measure is coded 0 for those very unsatisfied, and 3 for those very satisfied. On average, about 46.18% of the sample population is dissatisfied with democracy in their country to some extent, and the average evaluation of democracy falls between the 1 "dissatisfied" and 2 "satisfied" rankings (mean of 1.53).

There are an additional number of variables that the literature suggests may affect perceptions of democracy, which I therefore control for in the analysis. Studies of democratization have emphasized that support for democracy is often largely determined by individuals' trust in and support for formal political institutions, such as the courts, the electoral council, and the Congress (Norris 1999; Karp et al 2003). I create a measure of *Institutional Support* from four questions regarding the credibility of the justice system, trust in all political

institutions, trust in the electoral council and trust in Congress. The result is an ordinal scale where 0 indicates low levels of institutional support, and 24 indicates high levels of institutional support. On average, individuals had a ranking of 11.67 on this variable, with 53.18% of the sample population evaluating political institutions at a level of 12 or above, and about 10% of the population supporting institutions at a level of 18 or above. The protection of *Civil Liberties* has also been shown to be a determinant of support for democracy (Kornberg and Clarke 1992). I include an ordinal measure of citizens' agreement that their political system protects basic rights, where 0 indicates strong disagreement and 6 indicates strong agreement that civil liberties are respected. The average level of agreement was a 2.73, with only 34.9% of the sample population agreeing at a level of 4 or above. A large amount of literature also suggests that evaluations of economic performance influence political behavior (e.g. Lewis-Beck 1988), including satisfaction with and support of democracy (Bishin et al 2006). The *Economy* variable is a measure of individuals' evaluations of the state of their country's economy, ranging from 0 (very bad) to 4 (very good). The average ranking is a 1.56, and 86.86% of the sample evaluated their country's economy at a 2 (not good nor bad, regular) or below. Finally, overall *Life Satisfaction* may color a citizens' view of their political system. When people are generally satisfied with their life, they may tend to view their government more favorably. Only about 3.46% of the sample said they were very unsatisfied (ranking of 0) with their lives, versus 37.83% who claimed to be very satisfied with their lives (ranking of 4). The average ranking was 2.18 (between satisfied and very satisfied).

There are 16 Latin American countries where values on at least one of the decentralization measures are available to be tested against LAPOP data: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Uruguay and Venezuela. See Table 1 for a summary of the survey years and number of observations included in the analysis for each country.

Table 1. Countries, Survey Years and Number of Observations

Country	Survey Years (N)*
Argentina	2008 (1411); 2010 (1352)
Bolivia	2002 (2934); 2004 (2681); 2006 (2842); 2008 (2846); 2010 (2899)
Brazil	2006 (1149); 2008 (1427); 2010 (2340)
Chile	2006 (1494); 2008 (1474); 2010 (1942)
Colombia	2004 (1476); 2006 (1458); 2008 (1433); 2010 (1423)
Costa Rica	2006 (1412); 2008 (2848); 2010 (1395)
Ecuador	2002 (4456); 2004 (2925); 2006 (2887); 2008 (2946); 2010 (2964)
El Salvador	2006 (1481); 2008 (1434); 2010 (1312)
Guatemala	2004 (1582); 2006 (1462); 2008 (1479); 2010 (1410)
Honduras	2004 (1423); 2006 (1573); 2008 (1477); 2010 (1594)
Mexico	2004 (1482); 2006 (1443); 2008 (1419); 2010 (1427)
Nicaragua	2004 (1435); 2006 (1762); 2008 (1446); 2010 (1505)
Paraguay	2006 (1134); 2008 (1044); 2010 (1309)
Peru	2006 (1437); 2008 (1423); 2010 (1449)
Uruguay	2006 (1166); 2008 (1448); 2010 (1443)
Venezuela	2006 (1442); 2008 (1459); 2010 (1352)

*N is the number of observations in the survey year that include the necessary data on ethnic identity.

Methods and Results

The structure of the data presents a number of econometric challenges. The unit of observation in the dataset is the individual, nested in countries, across years. However, because individuals are randomly sampled each year, there is little chance of serial correlation between individuals across years. There is the chance, however, for the errors within each country to be correlated, regardless of year. This is especially true since variation between countries is more than twice as large as variation within countries over time. For each model, then, I use estimation techniques that account for the non-independence of the error terms at the country level. I describe these in more detail below.

The minority inclusion hypothesis focuses on the effect that decentralization has for disadvantaged groups' inclusion and access to local politics. Specifically, the hypothesis suggests that the effect that being a minority individual has on political inclusion is *conditional* upon the level of decentralization in a country. In other words, higher levels of decentralization should lead to higher levels of local political inclusion especially for minority citizens. This

conditional relationship between minority identity and decentralization can be modeled using an interaction term between the minority indicator variable and the measures of fiscal and political decentralization. Based on the minority inclusion hypothesis, the value of the interaction term should always be positive; that is, as decentralization increases, so too should the likelihood that minority individuals feel included in local level politics.

As I outlined above, I use a variety of measures to conceptualize inclusion in local politics – such as requesting assistance from local government, attending town meetings, trust in local government and evaluation of local government. Two of these variables are binary variables – *Local Assistance* and *Town Meetings* – while three are ordinal variables – *Local Trust*, *Local Services* and *Inclusion Index*. For the two binary dependent variables, I estimate logit models with random effects at the country-level. I do so for two reasons: first, estimates of random effects models empty of independent variables demonstrate that a significant proportion of the variance in each model is attributable to the country-level (i.e. the estimated variance of the country-level random intercepts is significant). Second, because I have included only two country-level variables in my analysis (political decentralization and fiscal decentralization), it is unlikely that all of the country-level variance would be accounted for in a fixed effects specification. Therefore, I use a simple random effects model in order to recognize that the impact of each independent variable may vary between countries.

The results of the models for *Local Assistance* and *Town Meetings* are presented in Tables 2 and 3, respectively. For ease of interpretation, I estimated separate models to assess the impact of political versus fiscal decentralization, though the results are the same when both measures are included in the same model. When evaluating *Local Assistance*, or whether or not individuals asked a local political official for help or cooperation on a problem, several important findings emerge. First, and perhaps most interestingly, political decentralization appears to have a negative effect on minority individuals asking local officials for assistance, given the negative sign of the interaction term for both the simple and full models. Second, fiscal decentralization appears to have no significant effect on minority individuals seeking local assistance. In fact, the positive coefficient for *Minority* suggests that minority individuals are more apt to ask for assistance than white or *mestizo* individuals, even at low levels of fiscal

decentralization. Together, these findings fail to confirm the minority inclusion hypothesis. Not only does fiscal decentralization have no significant effect on whether indigenous, black or mulatto citizens request local assistance, but political decentralization actually appears to have the *opposite* effect, decreasing the likelihood that traditionally disadvantaged groups seek out their local officials for help. These findings are echoed in the analysis of whether individuals attend town meetings. Again, political decentralization appears to decrease the likelihood that minority individuals attend town meetings. Fiscal decentralization has a slightly significant positive impact on minority individuals' likelihood to participate in local government, but that significance is lost in the more fully specified model.

Table 2. Random Effects Logit of Local Assistance

	<i>Local Assistance</i>			
<i>Minority</i>	0.408*** (0.033)	0.287*** (0.039)	0.245** (0.062)	0.214* (0.093)
<i>Political Decentralization</i>	-0.044 (0.148)	0.070 (0.140)		
<i>Minority*PoliticalDecentralization</i>	-0.198*** (0.053)	-0.182** (0.072)		
<i>Fiscal Decentralization</i>			-0.016* (0.006)	-0.010 (0.007)
<i>Minority*FiscalDecentralization</i>			0.001 (0.003)	-0.000 (0.004)
<i>Social Capital Index</i>		0.440*** (0.009)		0.441** (0.011)
<i>Political Knowledge Index</i>		-0.004 (0.018)		-0.012 (0.022)
<i>Urban</i>		-0.241*** (0.027)		-0.271** (0.035)
<i>Education</i>		0.011*** (0.003)		0.015** (0.004)
<i>Age</i>		0.005*** (0.001)		0.005** (0.001)
<i>Income</i>		-0.058*** (0.006)		-0.062** (0.008)
Constant	-1.776*** (0.105)	-2.439*** (0.110)	-1.462** (0.169)	-2.139** (0.171)
Observations	95268	65421	66163	42393
Number of Countries	16	16	11	11

Standard errors in parentheses

* significant at 10%; **significant at 5%; *** significant at 1%

Table 3. Random Effects Logit of Town Meetings

	<i>Town Meetings</i>			
<i>Minority</i>	0.413*** (0.036)	0.353*** (0.044)	0.095 (0.076)	0.274** (0.111)
<i>Political Decentralization</i>	-0.198 (0.143)	-0.141 (0.129)		
<i>Minority*Political Decentralization</i>	-0.108* (0.059)	-0.026 (0.081)		
<i>Fiscal Decentralization</i>			-0.068*** (0.007)	-0.042*** (0.013)
<i>Minority*Fiscal Decentralization</i>			0.013*** (0.003)	0.006 (0.005)
<i>Social Capital Index</i>		0.584*** (0.010)		0.555*** (0.013)
<i>Political Knowledge Index</i>		0.011 (0.020)		0.047 (0.030)
<i>Urban</i>		-0.281*** (0.031)		-0.388*** (0.042)
<i>Education</i>		0.030*** (0.003)		0.038*** (0.004)
<i>Age</i>		0.007*** (0.001)		0.008*** (0.001)
<i>Income</i>		-0.003 (0.007)		-0.001 (0.009)
Constant	-2.117*** (0.101)	-3.597*** (0.108)	-1.081** (0.318)	-3.063*** (0.304)
Observations	94560	65526	67263	44107
Number of Countries	16	16	11	11

Standard errors in parentheses

* significant at 10%; **significant at 5%; *** significant at 1%

For the three ordinal variables – *Local Trust*, *Local Services* and *Inclusion Index* – I estimate multinomial logit models with robust standard errors clustered by country. Though each of these dependent variables consists of clearly ordered responses, multinomial logit is preferred to ordered logit given its flexibility in estimating the varying significance and impact of variables for the range of values of the dependent variable. Clustering the standard errors by country corrects for the underestimation of the standard errors resulting from the correlation of observations within countries. The results of the multinomial logit models are presented in Tables 4, 5 and 6. I do not report the results for the coefficients for all categories of the

dependent variable. Instead, I focus on those categories where at least one of the key independent variables (minority, decentralization or the interaction term) are significant. Most often, these are the most extreme categories.

Table 4. Multinomial Logit of Trust in Local Government

	A Lot vs None			
<i>Minority</i>	0.192*	-0.011	-0.634***	-0.370*
	(0.110)	(0.082)	(0.219)	(0.229)
<i>Political Decentralization</i>	-0.201	-0.208		
	(0.211)	(0.198)		
<i>Minority*PoliticalDecent</i>	-0.299**	-0.255**		
	(0.134)	(0.139)		
<i>Fiscal Decentralization</i>			0.001	-0.001
			(0.123)	(0.012)
<i>Minority*FiscalDecent</i>			0.015	0.008
			(0.012)	(0.011)
<i>Social Capital Index</i>		0.103***		0.103***
		(0.027)		(0.032)
<i>Political Knowledge Index</i>		0.134*		0.001
		(0.079)		(0.099)
<i>Urban</i>		-0.073		-0.020
		(0.119)		(0.081)
<i>Education</i>		0.003		0.005
		(0.008)		(0.012)
<i>Age</i>		-0.001		-0.001
		(0.003)		(0.004)
<i>Income</i>		0.023		0.040
		(0.025)		(0.031)
Constant	-0.155	-0.151	0.048	-0.205
	(0.128)	(0.027)	(0.256)	(0.341)
Observations	96776	66785	68285	44096
Number of Countries	16	16	11	11

Robust standard errors clustered around country are in parentheses

* significant at 10%; **significant at 5%; *** significant at 1%

Table 5. Multinomial Logit of the Evaluation of Local Government Services

	Excellent vs Worst	Excellent vs Worst	Good vs Worst	Good vs Worst
<i>Minority</i>	-0.252 (0.170)	-0.212 (0.217)	-0.367** (0.159)	-0.348** (0.180)
<i>Political Decentralization</i>	0.278 (0.331)	0.057 (0.338)		
<i>Minority*PoliticalDecent</i>	0.082 (0.250)	0.396 (0.267)		
<i>Fiscal Decentralization</i>			0.012 (0.122)	0.016 (0.012)
<i>Minority*FiscalDecent</i>			-0.003 (0.006)	0.003 (0.005)
<i>Social Capital Index</i>		0.046 (0.052)		-0.066* (0.035)
<i>Political Knowledge Index</i>		0.172 (0.146)		0.123 (0.128)
<i>Urban</i>		0.152 (0.212)		-0.036 (0.138)
<i>Education</i>		-0.023 (0.025)		-0.012 (0.023)
<i>Age</i>		-0.004 (0.003)		-0.006 (0.004)
<i>Income</i>		0.103** (0.004)		0.097*** (0.036)
Constant	-0.803 (0.237)	-1.260 (0.323)	1.386*** (0.311)	1.175*** (0.397)
Observations	93760	64801	68285	43148
Number of Countries	16	16	11	11

Robust standard errors clustered around country are in parentheses

* significant at 10%; **significant at 5%; *** significant at 1%

Table 6. Multinomial Logit of Local Inclusion Index (0=None, 12=High)

	10 vs None	10 vs None	7 vs None	7 vs None
<i>Minority</i>	0.384 (0.252)	0.198 (0.225)	-0.675*** (0.249)	-0.633* (0.337)
<i>Political Decentralization</i>	0.004 (0.292)	0.096 (0.365)		
<i>Minority*PoliticalDecent</i>	-0.513* (0.295)	-0.051 (0.494)		
<i>Fiscal Decentralization</i>			0.022 (0.118)	0.018 (0.016)
<i>Minority*FiscalDecent</i>			0.020 (0.014)	0.037* (0.023)
<i>Social Capital Index</i>		0.496*** (0.053)		0.244*** (0.057)
<i>Political Knowledge Index</i>		0.108 (0.155)		-0.030 (0.128)
<i>Urban</i>		-0.013 (0.249)		0.136 (0.181)
<i>Education</i>		-0.043*** (0.016)		0.006 (0.021)
<i>Age</i>		0.001 (0.003)		-0.004 (0.005)
<i>Income</i>		0.049 (0.039)		0.059* (0.036)
Constant	0.343 (0.222)	-0.517*** (0.299)	1.718*** (0.340)	1.204*** (0.497)
Observations	85675	64801	61077	40260
Number of Countries	16	16	11	11

Robust standard errors clustered around country are in parentheses

* significant at 10%; **significant at 5%; *** significant at 1%

The finding that decentralization has little effect on minority inclusion is especially important given the results of the tests of the democratic values hypothesis. The two measures that I use to assess democratic values – *Democracy Support* and *Satisfaction with Democracy* – are both ordinal, therefore I again use multinomial logit with robust standard errors clustered around country to estimate the models. The first important finding is that local inclusion increases the likelihood that individuals have positive evaluations of democracy (i.e. the coefficients on the single term for *Local Inclusion* are positive and significant in all of the models). This partially supports the democracy values hypothesis, which suggests that

increased local inclusion should lead to more favorable perceptions of democracy-at-large. To confirm the entire democratic values hypothesis, however, we must take into consideration the conditional effects of local inclusion on minority populations. A closer examination of the analysis shows that the coefficient on the interaction term between minority and local inclusion is significant and positive in the model of democratic satisfaction, indicating that while minority individuals are less likely to be very satisfied with democracy (i.e. the coefficient on the single term for *Minority* is negative and significant), that reductive effect decreases as minority individuals experience more access to and inclusiveness in their local government. This finding largely confirms the democratic values hypothesis. Although indigenous, Afro-Latino and mulatto individuals are less likely to be very satisfied with democratic governance overall, that dissatisfaction *decreases* as disadvantaged groups experience more access to and inclusion in local politics.

Table 7. Multinomial Logit of Democratic Values

	<i>Democracy is Best Form of Government</i>		<i>Satisfaction with Democracy</i>	
	Strong Agree v. Strong Disagree	Strong Agree v. Strong Disagree	Very Satisfied v. Very Dissatisfied	Very Satisfied v. Very Dissatisfied
<i>Minority</i>	-0.477* (0.280)	-0.530* (0.302)	-0.379 (0.409)	-0.616*** (0.230)
<i>Local Inclusion Index</i>	0.124*** (0.021)	0.053*** (0.018)	0.311*** (0.026)	0.093*** (0.020)
<i>Minority*LocalIncl</i>	-0.019 (0.018)	0.004 (0.270)	-0.005 (0.024)	0.056** (0.026)
<i>Institutional Support</i>		0.087*** (0.011)		0.136*** (0.019)
<i>Civil Liberties</i>		0.102*** (0.029)		0.279*** (0.025)
<i>Economy</i>		0.301*** (0.063)		0.907*** (0.108)
<i>Urban</i>		-0.215* (0.130)		-0.085 (0.131)
<i>Education</i>		0.050*** (0.007)		-0.048*** (0.016)
<i>Age</i>		0.014*** (0.004)		0.007*** (0.003)
<i>Income</i>		0.047 (0.049)		-0.059 (0.039)
<i>Life Satisfaction</i>				0.617*** (0.065)
Constant	0.983*** (0.199)	-2.151*** (0.255)	-2.040*** (0.228)	-6.011*** (0.522)
Observations	82024	64801	78461	59621
N of Countries	16	16	16	16

Robust standard errors clustered around country are in parentheses

* significant at 10%; **significant at 5%; *** significant at 1%

Conclusions and Implications

As numerous scholars of decentralization have suspected (e.g. Prud'homme 1995; Eaton 2010), the process of allocating power and resources to subnational governments appears to have mixed results – and some unintended consequences – particularly when dealing with population inequalities. In theory, decentralization should lead to more inclusive representation and access to government services for groups that have previously been

neglected at higher levels of governance (Hayek 1945; Hirschmann 1970; Diamond 1999). These optimistic tenets formed the foundation of the minority inclusion hypothesis outlined above, which posited that higher levels of decentralization lead to access to local government for indigenous, Afro-Latino and mulatto individuals.

However, analyses of survey results from 16 countries across 8 years of decentralization reforms in Latin America prove otherwise. Decentralization measures rarely had a significant impact on minority individuals' sense of inclusion in local governance. When they did have an impact, it was generally the *opposite* of what the minority inclusion hypothesis posited; in particular, political decentralization appeared to *decrease* the likelihood that minority individuals ask for local assistance, attend town meetings, or place "a lot" of trust in their local officials. Fiscal decentralization rarely had a significant effect on minorities' sense of inclusion, but when it did, it echoed the trend exhibited by political decentralization (except in the case of attending town meetings, where fiscal decentralization appears to give minority individuals a small boost in the likelihood that they participate).

Why is it that decentralization fails to increase – or in the case of political decentralization, actually dampens – the likelihood that disadvantaged groups achieve increased access to local government? The answer potentially lies in the historic foundations of power relationships that exist across Latin America. Though governments in the region have been quite centralized, political elites have frequently focused on maintaining their local bases of authority, usually through the exchange of patronage. As a result, localizing politics has often meant greater opportunities for non-minority elites to assert control over local regions, to the continued exclusion of indigenous or Afro-Latino individuals (O'Neill 2006). Even when disadvantaged groups are given a voice through the creation of new local institutions – such as oversight committees composed of territorially-based communities in Bolivia – these groups often lack the training and resources to perform their jobs effectively (Yashar 2006, 270). The resulting effect is one of disillusionment within disadvantaged groups about the ability for members of their community to be leaders, and to achieve legitimate incorporation into the formal political system. In addition, access to power can often lead to divisions within historically marginalized groups, where those left out of politics view their co-ethnic officials as

being distanced from, or betraying, the interests of the community. All told, the rosy picture of decentralization as a process that “provides additional channels of access to power for historically marginalized groups...thus improv[ing] the representativeness of democracy” (Diamond and Tsalik 1999, 121-122) does not appear to coincide with minority individuals’ perceptions of access to and trust in local government in decentralized systems.

This finding is particularly important given the support demonstrated here for the democracy values hypothesis. Greater support for democracy as the “best” form of government and higher satisfaction with democracy are both more likely when individuals have favorable experiences with local-level governments. And although minority individuals tend to have less favorable evaluations of democracy in general, inclusion in local governance can *reduce* that tendency, improving the likelihood that minority individuals have greater satisfaction with democracy, specifically.

Combining these two results – the rejection of the minority inclusion hypothesis and the confirmation of the democratic values hypothesis – has some important implications for the configuration of democratic governance in the region. First, it suggests that whatever decentralization has accomplished thus far, it has not improved inclusion in or trust of local government institutions, and particularly not among historically advantaged groups. Closer examinations of the decentralization process and its effects are needed to discover why transfers of power and resources to the local-level continue to marginalize indigenous, Afro-Latino and mulatto individuals. Second, analyses of local-level inclusion seem to indicate that one measure consistently improves individuals’ willingness to access, participate and trust in local government: social capital. Citizens’ participation in a variety of civic organizations not only increases the likelihood that they attend town meetings, but it also increases the chance that they ask for assistance from local officials, and have greater trust in local governments, as well. Providing an environment where civic organizations can thrive is therefore crucial for increasing local inclusion, and ultimately enhancing individuals’ respect for and satisfaction with democracy.

Finally, and perhaps most importantly, the results presented here serve as a reminder that minority groups’ inclusion in local politics should not be ignored, given the reductive effect

that it has on the dissatisfaction for democracy felt amongst disadvantaged populations. Disenfranchisement at any level, coupled with dissatisfaction towards regime type, have been shown to have serious effects on the adoption of democratic norms amongst minority individuals, not to mention how they may encourage ethnic group mobilization and ethnic-based violence (see Birnir 2007). If decentralization in its current form is not increasing minority inclusion in local politics – as this study suggests – then it is worthwhile considering what *does* encourage minority access and trust in local politics. Future research should investigate further how other factors such as, for example, social capital affects minority group inclusion. Furthermore, there should be a recognition that the decentralization process as it has occurred thus far is doing little to improve minority perceptions of local government, a finding that should be of interest to both politicians and policy analysts alike.

Appendix: LAPOP Survey Questions

The following are the most common codes and phrasings of the questions from the LAPOP surveys used to generate measures of the key independent and dependent variables for the current study. I have included the Spanish version of the questions, though obviously for the Brazilian surveys, the question is similarly worded in Portuguese. Question codes are not always consistent across countries and years (for example on the Bolivia 2004 questionnaire, the *Local Trust* question was coded B22 rather than B32), however I have provided here the codes that were most common.

Table A1. Variables and Corresponding LAPOP Question Codes and Wording

Variable	Question Code	Question Wording
<i>Minority</i>	ETID	<i>¿Usted se considera una persona blanca, mestiza, indígena, negra o Afro-(país), mulata u otra?</i>
<i>Local Assistance</i>	CP4A	<i>¿Para poder resolver sus problemas alguna vez ha pedido usted ayuda o cooperación a alguna autoridad local como el alcalde, municipalidad/corporación municipal concejal, alcalde auxiliar?</i>
<i>Town Meetings</i>	NP1	<i>¿Ha asistido a un cabildo abierto o una sesión municipal durante los últimos 12 meses?</i>
<i>Local Trust</i>	B32	<i>¿Hasta qué punto tiene usted confianza en su municipalidad?</i>
<i>Local Services</i>	SGL1	<i>¿Diría usted que los servicios que la municipalidad está dando a la gente son: (1) Muy buenos (2) Buenos (3) Ni buenos ni malos (regulares) (4) Malos (5) Muy malos (pésimos)?</i>
<i>Education</i>	ED	<i>¿Cuál fue el último año de educación que usted completó o aprobó?</i>
<i>Age</i>	Q2	<i>¿Cuál es su edad en años cumplidos?</i>
<i>Income</i>	Q10	<i>¿En cuál de los siguientes rangos se encuentran los ingresos familiares mensuales de este hogar, incluyendo las remesas del exterior y el ingreso de todos los adultos e hijos que trabajan?</i>
<i>Social Capital Index</i>	CP6, CP7, CP8, CP9, CP13	<i>Por favor, dígame si asiste a las reuniones de estas organizaciones: una vez a la semana, una o dos veces al mes, una o dos veces al año, o nunca. ¿Reuniones de alguna organización religiosa? ¿Reuniones de una asociación de padres de familia de la escuela o colegio? ¿Reuniones de un comité o junta de mejoras para la comunidad? ¿Reuniones de una asociación de profesionales, comerciantes, productores, y/u organizaciones campesinas? ¿Reuniones de un partido o movimiento político?</i>
<i>Political Knowledge Index</i>	GI3, GI4	<i>¿Cuántos departamentos tiene (país)? ¿Cuánto tiempo dura el período presidencial en (país)?</i>
<i>Democracy Support</i>	ING4	<i>Puede que la democracia tenga problemas, pero es mejor que cualquier otra forma de gobierno. ¿Hasta qué punto está de acuerdo o en desacuerdo con esta frase?</i>

Variable	Question Code	Question Wording
<i>Satisfaction with Democracy</i>	PN4	<i>En general, ¿usted diría que está muy satisfecho(a), satisfecho(a), insatisfecho(a) o muy insatisfecho(a) con la forma en que la democracia funciona en (país)? (1) Muy satisfecho (a) (2) Satisfecho (a) (3) Insatisfecho (a) (4) Muy insatisfecho.</i>
<i>Institutional Support</i>	B1, B2, B11, B13	<i>¿Hasta qué punto cree usted que los tribunales de justicia de (país) garantizan un juicio justo? ¿Hasta qué punto tiene usted respeto por las instituciones políticas de (país)? ¿Hasta qué punto usted tiene confianza en el Tribunal Supremo Electoral? ¿Hasta qué punto tiene usted confianza en el Congreso?</i>
<i>Civil Liberties</i>	B3	<i>¿Hasta qué punto cree usted que los derechos básicos de ciudadano están bien protegidos por el sistema político de (país)?</i>
<i>Economy</i>	SOCT1	<i>Ahora, hablando de la economía... ¿Cómo calificaría la situación económica del (país)? ¿Diría usted que es muy buena, buena, ni buena ni mala, mala o muy mala?</i>
<i>Life Satisfaction</i>	LS3	<i>Para comenzar, ¿en general, qué tan satisfecho está con su vida? ¿Usted diría que se encuentra: (1) Muy satisfecho(a) (2) Algo satisfecho(a) (3) Algo insatisfecho(a) o (4) Muy insatisfecho(a)?</i>

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