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**PARTY NATIONALIZATION, AND LEGISLATIVE  
DE/CENTRALIZATION IN FEDERAL DEMOCRACIES**

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*A **Joel** y **Laura**, que les debo todo lo que soy,  
que seguro jamás les pagaré.*

*A **Hazel**, por su paciencia, amor y compañía.*

*A **Laura Fernanda** por inspirarme a seguir adelante  
aún a kilómetros de distancia.*

*A mis **amigas** y **amigos** del CIDE,  
por el café, las comidas y la amistad.*

# Party Nationalization and Legislative De/centralization in Federal Democracies

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## ABSTRACT

Federal systems have centralized at a rapid pace since the second half of the twentieth century. Legislative faculties have been transferred to the federal legislature through constitutional amendments or enactment of laws. This is due to the involvement of nationalized parties in the federal legislature. Regional and decentralized parties benefit from preventing centralization, while national and centralized ones benefit from centralization. I test this argument with data on federal elections and federal De/centralization between 1945 and 2010 in 11 countries. I use a Two-way fixed-effects strategy and find a non-monotonic correlation between party system nationalization and legislative decentralization mediated by party centralization. Decentralized party structures prevent parties from implementing centralizing reforms. I test the mechanism behind this through a Multilevel Linear Model and corroborate that nationalized parties only centralize successfully when centralized. Regional parties and decentralized party structures act as federal safeguards preventing centralization.

## KEYWORDS

Federalism; Legislatures; Party systems; Decentralization

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## 1. Introduction

Federal systems have centralized at a rapid pace since the second half of the twentieth century. Legislative faculties have been transferred to the federal legislature through constitutional amendments or enactment of laws. This is due to the involvement of nationalized parties in the federal legislature. Regional and decentralized parties benefit from preventing centralization, while national and centralized ones benefit from centralization. I test this argument with data on federal elections and federal De/centralization between 1945 and 2010 in 11 countries. I use a Two-way fixed-effects strategy and find a non-monotonic correlation between party system nationalization and legislative decentralization mediated by party centralization. Decentralized party structures prevent parties from implementing centralizing reforms. I test the mechanism behind this through a Multilevel Linear Model and corroborate that nationalized parties only centralize successfully when centralized. Regional parties and decentralized party structures act as federal safeguards preventing centralization.

Federal systems or federations are constitutional arrangements that distribute political faculties among several constitutionally autonomous governments in a multilevel manner (Schnabel and Fenna 2023). Legislative and administrative faculties and the resources needed for policy implementation are subject to intergovernmental bargaining between the federal government and the Constituent Units based on territorial or subnational interests (Dardanelli 2021; Dardanelli et al. 2019). Thus, the formal and informal distribution of faculties is not permanent, as stated in the original federal constitutional pact; it is dynamic and shifts via constitutional reforms, legal reforms and intergovernmental agreements (Bolleyer 2010; Bolleyer and Thorlakson 2012; Poirier 2001; Poirier 2002).

In the face of the democratization processes of the late twentieth century, a parallel decentralization process was expected to occur in federal democracies. Newly empowered subnational governments were expected to demand political, administrative and fiscal decentralization to operate a wider agenda, and Central governments were expected to pass on faculties to regional and local governments (Falleti 2005). Nonetheless, recent evidence shows this might not be the case, federal democracies have tended to centralize over time even after wide-encompassing decentralizing experiences as the drafting of a new constitution (Niedzwiecki et al. 2021; Falleti 2005; Falleti 2010; Dardanelli et al. 2023). Considering this apparent puzzle, this work posits the following question: Why have democratic federations tended to centralize their legislative faculties in the federal legislature over time?

Legislative De/centralization —the centralization of legislative faculties from subnational legislatures towards the federal one— depends on constitutional and legal amendments to the federal constitution. Therefore, it seems reasonable to argue that most of what can account for legal de/Centralization relates to decision-making dynamics within national legislatures in federal systems. I argue that Party System Nationalization —the competitive presence of parties across all or most Constituent units— and Centralization — the vertical allocation of candidacies to legislative jobs within the parties— explain most of the variation in de/centralization levels within federations. Hence, I argue that the current trends of federal centralization can be attributed to nationalizing party systems and centralizing internal decision-making processes.

I argue that the degree of party nationalization is the main factor driving the centralization of legislative faculties in federal democracies. Less nationalized party systems —regionalized party systems— lead not only to more fractionalized federal legislatures, which raises transaction and bargaining legislative costs involved in the constitutional reform process by increasing the number of players (Heller 2002; Lago-Peñas and Lago-Peñas 2009; North 1990; Tsebelis 1995; Tsebelis and Alemán 2005) but also introduces players with normative or pragmatic interests in preserving policy at the national or subnational level looking to optimize electoral returns. Hence, parties seek not perfect centralization or decentralization but an electoral optimal. I also argue that this correlation is non-monotonic as It depends on the degree of party centralization. The centralizing effects of nationalized parties on the legislative faculties are only present when intra-party decision-making is centralized. This is possibly due to decentralized parties not being interested nor able to centralize due to electoral pressures and incentives at the subnational level.

The mechanism behind this correlation between party system nationalization and legislative centralization lies at the party level. Nationalized parties are likely to prefer a policy agenda oriented towards national problems or designed for a "national voter", general solutions, and standardization across Constituent Units (C.U.s, e.g. States, *Länder*, or Provinces). This type of agenda is likely to yield better electoral benefits across regions. On the contrary, parties with limited presence across C.U.s —or *Regional*— will likely prefer targetable policies which favour their constituency, favouring a "regional voter". The latter can be achieved by keeping policy-making decentralized so that subnational legislatures can tailor policy to local needs and tastes. Therefore, the presence of nationalized parties will foster legislative centralization, while the presence of regional parties will likely prevent it. Moreover, this is once again mediated by the parties' degree of centralization, as I have mentioned above.



I test this claim on data produced by the De/centralization dataset (Dardanelli et al. 2019; Dardanelli et al. 2015)—which includes Australia, Canada, Germany, India, Switzerland and the United States— and latter employments of their methodology for younger federal systems—Argentina, Brazil, Mexico, Nigeria, and Pakistan— between 1945 and 2010 (Olmeda and Armesto 2017; Schlegel 2022; Suberu 2022; Moscovich and Lacroix Eussler 2023; Adeney and Boni 2022) in order to provide a sample which allows for greater generalization than the traditional sample for comparative federalism studies, which only includes developed economies and stable constitutional systems. I discuss the trade-off between internal and external validity in the sample section.

Most of the literature on federalism, specifically that on centralization and decentralization focuses on specific causes and consequences of the centralization of specific policy matters or tracks centralization dynamics in a specific country or set of countries over time (Riker 1964; Riker 1975; Falleti 2010; Falleti 2005). As far as the a literature review allows, there is a lack of relatively large N cross-country comparative studies looking at the systemic causes of federal de/centralization and specifically for legislative de/centralization. Proof of this being the case is that the argument being made here can be found in previous works looking at centripetal forces on driving faculties to the central level in federations (Duchacek 1970; Elazar 1987), as well as works differentiating this phenomenon between its administrative, legislative, and fiscal dimensions (Watts 2006; Bednar 2008).

However, no work looks at systemic-level determinants of decentralization across federal democracies. This work partially addresses this gap by analyzing the relation between party-system conditions and federal de/centralization. Moreover, most large N studies on comparative federalism and de/centralization do not look into policy responsibility distribution but focus on the fiscal dimension (Pommerehne 1977; Erk and Koning 2010; Stein 1999; Liberati and Sacchi 2013; Grossman and West 1994; Grossman 1989; Golem 2010; Cassette and Paty 2010; Herwartz and Theilen 2017; Rodden 2003). Thus, these studies equate fiscal capacity to fund policy to formal responsibility over policy matters.

Differentiating responsibility to legislate from the capacity to fund allows us to identify patterns of unilateral federalism as encroachment into the faculties of subnational governments or the creation of unfunded mandates (Falleti 2005). This study, therefore, covers a gap in the literature regarding the determinants of the migration of legislative faculties in federal systems at the systemic level.

Even if, as Fenna (2019) stated, the study of federalism is the study of how, why, and to what extent authority has “migrated,” much of the work done so far falls within one of two large categories: “Constitutional federalism” and “Fiscal federalism” and leaves transference of faculties as a secondary matter. Contrary to Fenna (2019), I propose that there is hope for extensive N studies in comparative federalism. However, they depend on the quality and specificity of measurements of those variables that are important for federalism studies, such as the vertical division of powers and responsibilities.

By using a Two-Way Fixed-Effects (2WFE) design —using the `plm` package in R (Croissant & Millo 2008)— on imputed unbalanced panel data from 11 federal democracies, I offer evidence of party nationalization being a crucial determinant of legislative federal centralization in federal democracies. My results indicate a robust, yet non-monotonic, relation between Party System Nationalization and Legislative De/centralization across federal systems. This indicates that nationalized parties played a crucial role in centralizing legislative powers in federal democracies between 1945 and 2010, which was only displayed when nationalized parties were also centralized.

I test the mechanism behind this relation by implementing a Multilevel Random-Effects Linear Model with data on party-level centralization and nationalization, with results further supporting my claims. The results presented are robust to a battery of controls and alternative explanations for the legislative centralization of federal democracies. Party nationalization is negatively correlated with de/centralization, while party-level decentralization supports legislative decentralization.

This paper provides evidence in favour of long-lasting but unsupported arguments about systemic institutional characteristics being a key driver in the trajectory of the vertical distribution of powers in federal democracies. This contribution is not constrained to a single federal system but includes a wide and heterogeneous collection of federal systems, thus strengthening claims for the external validity of my results. As the sample I use includes economically and socially diverse countries, the findings of this paper are applicable to democratic federations as a whole. Lastly, results are not constrained to the systemic level but also provide insights into the intra-party dynamics of multiple or competing principals to which legislators are subject, which has been observed in several federal countries.

## **2. Division of powers and De/centralization in federal countries; who does what?**

How has the vertical distribution of legislative power changed overall in federal democracies? Federal democracies have slowly tended to centralization over time, as I will further explain in the following sections, contracting policymaking capacity into the federal legislature and leaving little for state legislatures to do. This limits some of the main potential benefits of federalism as policy tailoring to local needs and tastes. To provide evidence of these centralizing patterns, I take advantage of the De/centralization Dataset developed by Dardanelli et al. (2019) and posterior implementations of their methodology (Schlegel 2022; Suberu 2022; Olmeda 2023; Moscovich and Lacroix Eussler 2023; Adeney and Boni 2022) in order to create a wide gamut of federal systems for this paper.

This dataset measures the legislative and executive degree of centralization across 22 policy matters, as well as five measures of fiscal centralization, all on a scale from 1 to 7 —1 being absolute centralization and 7 being absolute decentralization—. Thus, I focus on the legislative dimension of policymaking by averaging the scores of centralization across policy matters for legislative faculties only. In the following sections, I present some evidence of federations centralizing their legislative capacity over time based on the data mentioned.

### **2.1. Faculty to legislate over what?**

The vertical division of powers in federal systems has been regarded as beneficial in solving the allocation problem in geographically extensive or ethnically diverse countries (Stein 1999) as a decentralized decision maker might be better suited to tailor goods and services provision to population preferences (Oates 1985, 1989; Treisman 1999) conditional on subnational state capacities and government responsiveness (Pommerehne and Schneider 1980). Policy decentralization is also negatively correlated with total government size, conditional on revenues being collected by the subnational governments and electorates being sensitive to public indebtedness. The reasoning behind this is that state revenues coming from transfers instead of self-raised prevents subnational actors —both voters and officials— from internalizing the real costs of goods provision and taxation (Golem 2010; Marlow 1988; Garman, Haggard, and Willis 2001). Political decentralization —or regional democratization— can also create “checks from below” against less than democratic central governments, conditional on the regions being democratic themselves (Weingast 1995).

A consistent branch of literature correlates political decentralization with subnational rentiers' conditional public expenditure being decentralized without revenue raising following the same path. The argument behind this correlation goes along the lines of federal vertical transfers working as unearned income and saving subnational governments from the need to legitimize themselves democratically (Stein 1999; Díaz-Cayeros 2004). Developing federations had higher inflation than unitary developing countries over the second half of the twentieth century due to a lack of vertical coordination, especially where no ceiling to subnational debt or restriction to its creditors had been established, mostly due to subnational governments borrowing from banks owned by the subnational government. Macroeconomic stabilization may become more difficult to enforce too, particularly if C.U.s can retain taxes from the centre (Treisman 1999).

Thus, I make no normative statements on federal de/centralization, rather, I focus on the determinants for legislative centralization in the face of varied theoretical expectations. As federations democratized, subnational leaders were expected to strive for greater policymaking capacities, especially in electoral rewarding areas, and to forgo costly or potentially embarrassing policy areas for the central government to take care of. This has been different from the general trend. If federations are vertical arrangements of autonomous power for the subnational government to design, implement, and fund policy within the subnational unit (Schnabel and Fenna 2023), what accounts for the vertical distribution of specific powers at any given time? And specifically, what accounts for the transfer of these faculties to the central government during the twentieth century in federal democracies?

This vertical distribution of powers begs the question of what to tailor to local preferences and what is better left as national. Simply put, What should be decentralized, and what should be retained by the federal government? The data provided by the De/centralization dataset allows us to look into policy-matter specifics as it differentiates between 22 policy matters: Agriculture, Citizenship and Immigration, Culture, Currency and money supply, Defense, Economic Activity, Pre-tertiary education, Tertiary education, Elections and voting, Employment relations, Environmental protection, External Affairs, Finance and securities, Health care, Language, Civil law, Criminal law, Law enforcement, Media, Natural resources, Social welfare, and Transport (Dardanelli et al. 2019). Categories are self-describing. However, some overlap between topics are to be expected, as is some specificity from country to country. In the first part of this paper, I focus on average De/centralization by using the mean across policy matters.

Citizenship and Immigration, Currency, and Defense are constantly centralized across all cases as is expected for state-building purposes even though most of the sampled countries experienced a short presence of alternative regional currencies (Olmeda 2023; Moscovich and Lacroix Eussler 2023) before the sampled period, as well as local militias or local “National Guards” (Kincaid 2019). Foreign relations are also mostly centralized; however, C.U.s are more and more interested in being present on the international stage by undertaking relations with C.U.s or regions of other countries, other national governments or specific dependencies (Mendoza Gómez 2021; Lecours 2002; Oddone, Rubiolo, and Calvento 2020).

Social welfare tends to be more or less centralized at the national level across cases, as most redistribution programs are planned to be universal. Welfare programs are usually rolled out to deal with across-CU problems such as inequity or alimentary poverty, which can be localized but tend to be present in all C.U.s and need horizontal transfers from richer to poorer regions. Furthermore, these programs tend to be regarded as "social rights" and demanded by all C.U.s and their inhabitants (Echenique and Quintana 2014). Additionally, welfare policy has a high potential for electoral clientelism, which makes it attractive for the central government to be the most significant contributor.

Civil and Penal law tend to be more centralized as well, especially so in countries with a more robust French law heritage, while common law countries tend to decentralize these matters. These matters tend to be the most targeted by national parties and central party elites to become centralized as they allow for the provision of non-targeted universal goods.

No other pattern can be spotted regarding the maximum and minimum values of Legislative De/centralization across countries. The vertical allocation of power follows case-specific conditions and is to be distributed considering case-specific contexts. Education and Health can also be targeted by the national and central leaderships for partial centralization when looking to create content and guidelines but intending C.U.s to foot the bill on infrastructure and wages. Thus, there is no clear distinction on which matters are convenient to centralize other than easily capitalizable faculties, as the welfare and utility of each matter depend on the context.

Overall, as Figure 1 shows, federal systems have tended for centralization over time. Even after the democratization waves of the late twentieth century brought about spurs of decentralization, particularly in Latin America (Falleti 2005; Bolleyer and Thorlakson 2012; Stein 1999), centralized federal democracies tend to remain centralized and originally decentralized

federations have tended to centralize over the twentieth century. Figure 1 shows the average centralization pattern for all sampled federations between 1945 and 2010 in a continuous line. Dashed lines represent patterns for each federal system.

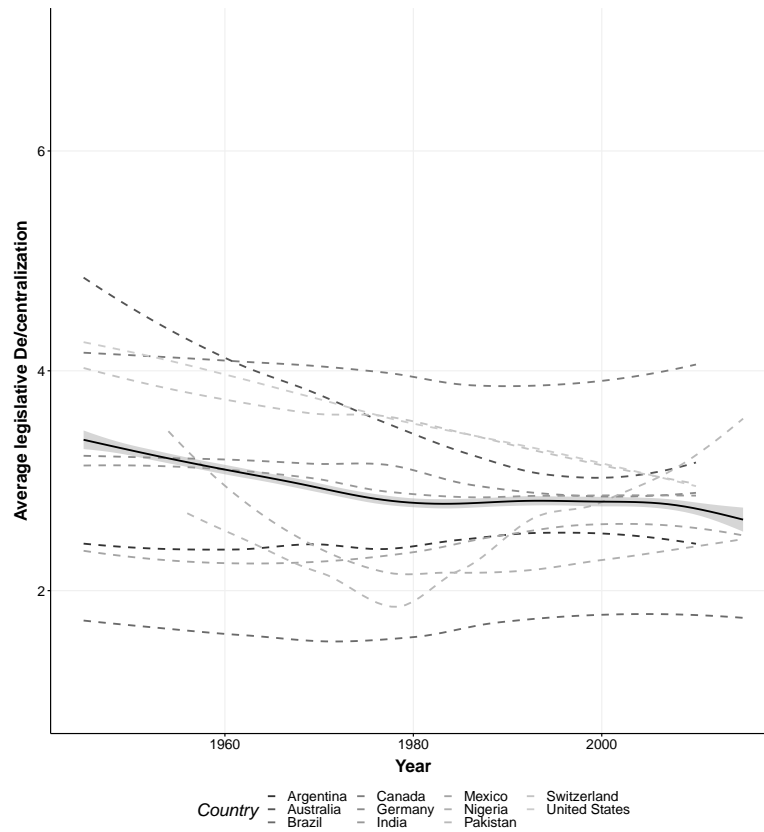


Figure 1. Legislative De/centralization between 1960 and 2010 in 11 federal systems. Data from: Dardanelli et al. 2019; Schlegel 2022; Suberu 2022; Olmeda 2023; Moscovich and Lacroix Eussler 2023; Adeney and Boni 2022.

## 2.2. A changing distribution of power

De/centralization is no new topic. Much literature on central and federal systems has discussed the causes and consequences of policy decentralization. Nonetheless, as far as the author knows, no study has dealt with the determinants of centralization and decentralization across federations and policy matters. This work offers insights into the leading causes behind changes in vertical power distribution and the role of party system nationalization and party centralization as the main drivers behind legislative centralization in federal countries.

Extant literature on comparative federalism contains some plausible answers to the question of why faculties shift between orders of government or why de/Centralization happens. The

original federative bargaining process (Riker 1964), the number of constituent units (Watts 2008), the constitutional conditions of the relationship between orders of government (Mueller and Fenna 2022; Hueglin and Fenna 2005), democratization or authoritarianism (Sawer 1969; Falleti 2005), the ideology of the political actors involved (Watts 2008; Dardanelli et al. 2015; Döring and Schnellenbach 2011) and the interaction of political institutions at the federal level (Chhibber and Kollman 2008) can be identified as competing explanations. Moreover, the presence of ethnolinguistic cleavages (Stoll 2008; Amorim Neto and Cox 1997; Lublin 2017; Lazar, Telford, and Watts 2003) and demographic growth seem to spur centralization (Sandalow and Stein 1982). Lastly, economic and technological development, as well as the growth of economic inequality, are positively related to legislative centralization (Pommerehne 1977; Bowman and Krause 2003).

However, only a handful of research has focused on providing arguments for the centralization that most federal systems have undergone, especially regarding legislative faculties. Most academic work on federalism is developed from a fiscal and legal perspective. Thus, it centres around constitutional dispositions or fiscal federalism. I discuss the relation between political dynamics inside federal legislatures and the allocation of legislative faculties, who gets to create laws on which topics, and why. I argue that the greatest predictors of centralization lie in the political-institutional context of the federal system, mainly party system nationalization and party centralization.

In arguing that the centralization of federations is due mostly to party nationalization and centralization I constrain this analysis to democratic federal countries. The party-level incentives and legislative democratic processes upon which my argument lies only apply to democratic contexts. Political actors in non-democratic contexts are subjected to different cost-benefit structures. In the context of lacking democracy, election results and party-level incentives do not play such an important role in the legislative process, neither do they work on the same channels (Magaloni 2008; Dincecco and Wang 2021; Eaton 2006).

### *2.2.1. Some trends of De/centralization*

Federations have historically appeared as solutions to a problem of vertically nested communities with shared and dissenting interests. However, the federal solution has been implemented in modern history at different periods, which can be roughly summarised into two waves: The first liberal wave between the end of the 18th century and the first two decades of the 19th

century and a second wave during the decolonization process after 1945. Figure 2 shows the trends in de/centralization in the sampled federations between 1945 and 2010. As noted by the De/centralization dataset, de/centralization ranges from 1 to 7, 1 being total centralization and 7 being total decentralization. The figure shows sustained trends of centralization in all federations but Pakistan and Nigeria, which have undergone highly decentralizing constitutional redesign processes since the 1980s. Brazil also underwent a constitutional redesign process; however, its impact was much more nuanced.

Federations originated during the first period—Argentina, Brazil, Mexico, Switzerland, and the United States—tend to be presidential as they follow more strictly the liberal-republican design for the division of powers characteristic of the American Revolution (Hueglin and Fenna 2005). These federations are also mostly come-together (Stepan 1999) as they unite a collection of polities with the intention of forming a single state. On the contrary, post-World War II federations tend to inherit institutions from their colonial metropolis. As the United Kingdom tends to be the colonizer of most of these systems—Canada, India, Nigeria and Pakistan—the Westminster system is passed on as system of government. A colonial state usually predates these federations, which is fractionalized after independence; therefore, we can characterize them as holding together federations (Stepan 1999). The German case is singular in this case as it has a parliamentary system that is not quite similar to the British system, with a second chamber made up of representations of the Constituent Units—*The Bundesrat*. This system endured after the reunification in 1991 by expanding the number of seats at the *Bundesrat* as well as the *Bundestag* (Kaiser and Vogel 2019).

It is important to note, too, that post-WWII federations were often implemented as a solution to the problem of ethnic richness and conflict. Two interesting cases are India (Singh 2018) and Nigeria (Suberu 2022), where linguistic and ethnic differences correspondingly led to the creation of states within a previously unitary colony. The “sudden” creation of a multilevel state structure could be related to weak subnational institutions and problems of subnational state capacity if there are no strong institutional precedents to accompany the creation of the new bureaucratic structures. On the contrary, older, more developed, and especially come-together federations, more often than not, already counted with a set of subnational institutions, which in turn, had to yield authority to a previously non-existent central bureaucracy.

Argentina, Brazil, Mexico, Pakistan, and Nigeria show greater variation between the greatest levels of centralization and decentralization across policy matters than the rest of the sampled



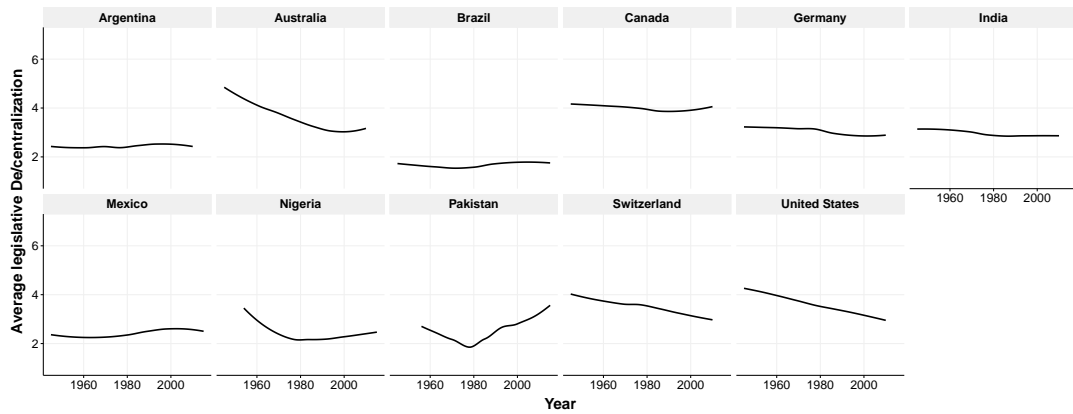


Figure 2. Federal Legislative De/centralization between 1945 and 2010 across 11 federal systems. Data from: Dardanelli et al. 2019; Schlegel 2022; Suberu 2022; Olmeda 2023; Moscovich and Lacroix Eussler 2023; Adeney and Boni 2022.

countries. Literature on this case attributes this wide-ranging variation to authoritative periods and constant constitutional change (Tsebelis 2022; Suberu 2022; Adeney and Boni 2022). These federations also show lower values of de/centralization, representing greater centralization at some point between 1945 and 2010. This increased variation can also be a result of state-building processes as Nigeria, Pakistan, and India come to independence during the sample period and constitutional variation is to be expected during the first decades of independent life. The case of India's low variance may be an effect of institutional inheritance and path dependence as the colonial legal framework was preserved after independence, unlike the Pakistani and Nigerian cases where new institutions had to be created (Singh 2018; Suberu 2022; Adeney and Boni 2022).

### **3. The role of nationalized and centralized parties on the vertical distribution of legislative faculties**

As federations are composed of nested constituencies, a differentiated demand for policy at the national and regional levels is likely to arise. Regional parties usually meet this policy demand if they exist. However, parties can adapt their decision-making structures to better capture political returns and allocate more efficiently to each of these levels by decentralizing or centralizing decision-making. I argue that a nationalized party system can lead to legislative centralization, conditional on the degree of centralization of parties, up to an optimal degree where parties can reap the benefits of having certain matters centralized while devolving others, driving the average centralization upwards. The arena where legislative centralization occurs is the federal legislature, as legislative centralization happens via legislative amendments and reforms, which are enacted most often by the central legislature at the expense of subnational ones. Before moving into the specifics of my argument, I discuss party nationalization and centralization.

#### **3.1. *Party Nationalization and Legislative De/centralization***

Nationalization can be understood as a function of voter agency and preferences, cleavage-specific conditions, party agency and institutional capacities, and electoral institutions, as well as the interactions between these factors (Cox, Fiva, and Smith 2016; Amorim Neto and Cox 1997; Caramani 2005; Bochslers 2010, 2011; Tavits and Letki 2013; Franzese and Nooruddin 2004). Thus, a party system is highly nationalized when most or all parties receive votes across most or all constituencies (Jones and Mainwaring 2003; Morgenstern, Swindle, and Castagnola 2009; Moenius and Kasuya 2004).

Not all parties seek to be competitive at all C.U.s. Parties centered around identity cleavages may not be interested in being present across all constituencies but only in those where electoral support is strong, especially if district size approaches one as in first-past-the-post systems. Literature suggests regional and cleavage-specific parties are better off in less proportional systems where they can capitalize on identity-based solid votes in specific districts. Furthermore, there is strong evidence that more proportional systems foster the appearance of new parties; however, it has no impact on their survival over time (Ordeshook and Shvetsova 1994; Lublin 2012; Stoll 2008; Heller 2002; Montabes Pereira, Ortega Villodres, and Perez Nieto 2006; Harmel and Robertson 1985; Mylonas and Roussias 2008; Birnir 2004).

The primary reason parties seek to reallocate legislative faculties is to maximize electoral returns while optimizing resources by providing policy benefits at the level at which they are most competitive. National parties aim to provide non-targetable goods to garner votes across the entire country, while regional parties focus on targeted goods to maximize electoral success within their strongholds (Martin 2004; Cain, Ferejohn, and Fiorina 1984; Bolleyer 2017, 2010; Dardanelli et al. 2019). As regional parties are present, only in specific regions and not the national arena, where they would need to appeal to a universal constituency; they are likely to oppose centralization and favor decentralization of goods provision over which they can claim credit easily (Lublin 2012; Heller 2002; Brancati 2008; Morgenstern, Swindle, and Castagnola 2009; Golosov 2017). This is particularly true in fiscally significant policy areas such as education, welfare, health, civil law, and penal law (Dardanelli et al. 2019).

In sum, interest in centralization or decentralization is not a given but possibly a byproduct of the evolution of territorial party interests. Moreover, as parties succeed increasingly in more regions, shifting their focus from the regional constituency to the national one, the leadership will change strategies in the legislature to provide for their new effective constituency by reallocating faculties. Although a party may not have normative commitments to decentralization or federalism, expressing an interest in preventing centralization at the outset can work to retain a provision of certain goods at the regional level. Preventing centralization allows for electoral clientelistic use of targetable goods. Thus, even if regional parties may initially focus on regional issues and prevent nationalization, as the party grows beyond its original stronghold, its constituency of interest may grow towards the "universal constituency". Then, centralizing policy can become an attractive plan. Thus, policy centralization is a response to provide for a changing constituency over time and between parties with differing levels of competitiveness across C.U.s.

At the same time, fractionalized legislatures suppose higher legislative transaction and bargaining costs (Golosov 2017; Lago-Peñas and Lago-Peñas 2009; North 1990) because the presence of more political actors whose acquiescence is necessary for policy votes to be carried increases transaction and bargaining costs (Milgrom and Roberts 1990; Tsebelis 1999). Concurrently, an increasing amount of players tends to give balance-tipping power to smaller parties.

Fractionalization brought about by the presence of regional parties does not increase legislative bargaining costs just by increasing the number of actors but by introducing players normatively

or pragmatically invested in preventing centralization; even if it might be just to signal their electorate. This situation is usually taken advantage of by regional parties which are willing to concur with national policy programs in exchange for pork-barreling as asymmetrical fiscal transfers, taxing capacities or policymaking and implementing capacities (Castañeda-Angarita 2013; Heller 2002).

Thus, the mechanism through which nationalized parties affect legislative centralization is twofold: First, regionalized party systems will burden the federal legislatures with increased bargaining costs when centralizing efforts are made while highly nationalized party systems will present lower bargaining costs when this happens and may be associated with centralizing bills being presented more often. Second, parties' degree of nationalization and centralization will change between elections as competitiveness across C.U.s grows or shrinks.

However, the centralizing effort of national parties is not linear, nor does it seek to centralize policy matters in the same way. Likewise, not all decentralized party structures or regional parties seek to keep all policy decentralized. The decentralization of health in Argentina is a good example. National parties may consider it the best strategy to decentralize policy matters if electoral support is lacking in specific C.U.s, and regional parties may coalesce with centralization if they find certain policy matters to carry high costs and low rewards.

The Argentinian federal government decentralized health services to the provinces between the 1980s and the 1990s when under a *Unión Cívica Radical* federal administration. This decentralization was opposed by *radicalista* governors and regional party structures as it increased the fiscal deficits of the provinces and their dependence on top-down fiscal transfers. Responsibilities were transferred with no additional funding, creating an unfunded mandate. Governors, as de-facto regional party leaders, tried to coordinate with their legislators at the federal congress to prevent decentralization without financial support with little success; instead, they obtained greater access to credit from regional banks, possibly adding to a fledging inflationary crisis (Garman, Haggard, and Willis 2001; Benton 2008).

### **3.2. Party Centralization: constraints from within?**

Nationalization and centralization do not necessarily correspond to each other as parties can be nationalized and not centralized or regionalized and centralize the candidacy allocation mechanisms. The more centralized the parties are, the easier it is for party leaders at the national level to push their agendas. Nationalized parties have less opposition from within

when proposing a centralizing agenda. On the contrary, decentralized parties, even if highly nationalized, have less capacity and, perhaps, interest in centralizing policy matters as regional leadership might benefit from decentralization. Thus, I argue that the degree of centralization of parties mediates the effect of party nationalization on legislative de/centralization.

When referring to party centralization, I follow the definition used by the V-Dem project and refer to the degree to which legislative candidate selection is a prerogative of the central leadership or is decentralized to regional leaderships or even to voters through primary elections (Coppedge et al. 2023; Pemstein et al. 2023). It's clear that nominations are not the only decision-making process within parties, however, they are among their primary concerns and strongest incentives for legislators. Assuming parties are self-interested, maximizing institutions, earning votes is the key step into earning offices and resources, despite how strong the party label may be, selecting candidates sensibly is an important decision. Likewise, nominations are at the top of the list of what parties can offer to legislators and politicians, in general as rational maximizing politicians, have an interest in continuing their careers by being reelected or moving on to better-paying roles.

Legislators are obliged to pay attention to the regional level interests if the allocation of slots in the ballots are assigned at the subnational level, as in Brazil (Desposato 2004; Cheibub, Figueiredo, and Limongi 2009; Carey 2007) or the United States (Jones and Hwang 2005), or by the regional leadership, as in Argentina (Clerici 2020; Kikuchi, Hirokazu Kikuchi, and Lodola 2014). On the contrary, systems where candidate selection is performed by the national party leadership or a federal pool of electors, are likely to have universal agendas which favour universal policies, Mexico being a case in point (Cantú and Desposato 2012) even after parties decentralized slightly between 1997 and 2006 (Langston 2010).

Party decentralization can also be regarded as the institutional capacity of parties to respond to regional or national voters with distinct proposals even when nationalized (Lee, Moretti, and Butler 2004). Decentralization allows enough flexibility for parties in federal systems to adapt to subnational demand, given that they may differ considerably between states or regions. Likewise, decentralized arrangements may lower the costs associated with capturing political returns at the regional level. On the downside, coordination becomes increasingly difficult as leadership regionalizes within the party, increasing intrapartisan costs for bill support as legislators face competing principals at the federal and regional level (Desposato 2003; Desposato 2004 ; Jones et al. 2002; Clerici 2020).

Consider two scenarios where party centralization is the highest and the lowest, respectively. As a centralized party is more successful across C.U.s, centralizing certain policy matters becomes more attractive as its constituency evolves from regional to universal. Said party is likely to face little coordination problems with its legislators as all intrapartisan incentives are dealt by the national leadership and principal conflict is minimized. Therefore, if this party has an interest in centralizing policy matters —lets say Social Welfare in order to reap the profits of offering a certain cash transfer— it is not likely to have strong opposition from within the party in presenting a bill on this matter or supporting one presented by others at the legislature.

On the other hand, a highly decentralized party, may not have this advantage in making file and rank legislators "fall into line" as it becomes national. This is due to decentralization allowing regional leadership to present incentives to legislators like future jobs or support for nominations and campaigning which they may favor against national incentives. Therefore, regional leaders may signal legislators to retrieve support for centralizing initiatives of the national leadership in the legislature in order to leverage better gains at the regional level or to prevent centralization altogether. Likewise, intrapartisan competition for nominations or slots in party lists may decrease legislative discipline as legislators may try to stand out and signal specific constituencies. Lastly, consider that decentralized parties may not have an interest in centralizing legislative faculties as decentralization may allow them to claim credit at the subnational level for goods provision either by the regional leadership or by specific candidates in primaries.

In the same way if parties centralize or decentralize over time, due to external shocks or internal pushes for reform, legislators are likely to update their performance to approach the preferences of new job dealers. The Mexican example illustrates this sort of mechanism too. The Institutional Revolutionary Party —*Partido Revolucionario Institucional, PRI* — approved an internal reform in the late nineteenth century to decentralize its internal decision-making procedures to state and municipal level leaderships while also forbidding people never elected for public office to run for high-level executive offices as governorships and the presidency. This reform incited legislators to work closely with governors as they are either informal party leaders at the state level or closely related to the leadership (Langston 2010).

Taking what has been said into consideration, it is reasonable to argue that:

*H1: In democratic federal systems, nationalized parties centralize legislative faculties conditional on Party Centralization such that the centralizing effect strengthens when parties are*

*centralized but reverses when these are decentralized.*

## 4. Data and empirical strategy

### 4.1. *Sample, cases and operationalization: is there randomness under systemic inequity?*

The sampled countries for this work were not selected at random. They include all federal countries for which data is available on the De/centralization Dataset and later reproductions of the same methodology. This is carried out using information made available by the study of 11 federations where the first subset —Australia, Canada, Germany, Switzerland, and the United States— is comprised of only "constitutionally stable and economically developed federations" (Dardanelli 2021). The second subset is comprised of "developing federations" —Argentina, Brazil, Mexico, Nigeria and Pakistan— which have been established in the literature in more recent years (Dardanelli et al. 2023). Therefore, the sample for this work includes Argentina, Australia, Brazil, Canada, India, Germany, Switzerland, Mexico, Nigeria, Pakistan and the United States between 1945 and 2010.

As the universe of federal countries is of 28, a sample of 11 federations over 50 years should have considerable external validity. At the same time, I do not assume inclusion in this dataset and posterior reproductions to be at random. Data availability and inclusion are likely to be a function of economic performance, academic resources, the age of the federal system and constitutional stability, among other measures of academic interest and academic institutional strength.

The sampled period goes from 1945 to 2010. Nonetheless, as the mechanism involves electoral and political factors, it is only logical to observe exclusively democratic periods. Thus, only country-years with a score higher than 0 on the Polity index are considered (Marshall and Robert 2024). In autocratic scenarios, all decision-making capacities are centralized in non-democratically elected actors, and electoral-incentive mechanisms would be absurd. Future research may focus on competitive-authoritarian or decentralized authoritarian regimes and the functioning of pseudo-electoral mechanisms.

On the other hand, scholarship on federalism and federal countries has persistent selection biases towards "established federations" and to the detriment of emerging" or "quasi-federations". I partially address this problem by including later works that reproduce the methodology on Latin American, African, and Asian cases. Given all of the above, I regress the assignment to the sample of this paper as a dummy on a series of socioeconomic predictors using panel data on all 28 federal systems enumerated by Hueglin and Fenna (2005) and find selection bias is



present —results available in annexe A. Richer federations are underrepresented in the sample, as well as African federations. On the other hand, most populated and urbanized federations appear to be overrepresented. I control for these variables on all estimations. Even then, these results do provide some evidence in favour of the external validity of my sample.

Nonetheless, the inclusion of a wider gamut of federal systems with differing degrees of economic and democratic development may raise questions regarding the internal validity of this paper. I address this comparability problem by constraining the analysis to democratic periods in the sampled countries. I also alleviate this issue by controlling for economic inequality, economic growth, quality of democracy, population size, as well as international factors such as Regional Block membership and the presence of wars. Moreover, in the empirical section, I further explain how I manage unobservables, which may bias the estimations due to the comparability of the countries included.

The original sample is only measured every decade. As the data generated by the Dardanelli et al. (2019) project has significant non-random missingness, estimates are likely to be biased. This problem can be addressed by moving forward with the last observation or list-wise deleting observations which present missing data. However, this creates problems of its own, such as lack of variation and inaccuracy in the timing of variation. This can be partially solved by implementing Multiple Imputation, controlling for selection and coding biases caused by data availability by making imputation dependent on observed values as well as on covariates. While list-wise deletion or repetition further increases the bias problem, multivariate imputation anchors imputed data on observed data.

This missingness is handled by imputing data with a bootstrapping-based Multivariate Imputation Method (Lall 2017; King et al. 2001; Honaker and King 2010) producing ten imputed datasets as further expanding the imputation size produce diminishing returns on computational resources and processing time (Schafer and Olsen 1998; Schafer and Graham 2002; Schafer and Yucel 2002). This method allows simulating the missing data, assuming multivariate normalcy, which the original dataset holds.

Cross-national studies are usually subject to data missingness problems, especially when developing countries are included, as data collecting is costly and usually not a priority when governments face economic hardship (Graham 2009). Moreover, missing socioeconomic data can be expected in non-democratic and low-income countries (Lall 2017). Thus, I include measures of democracy and income in the imputation process and on every model, as the

imputation mechanisms consider covariates when estimating missing values. Even if data is not missing completely at random, including predictors of missingness alleviates the bias problem when imputing. Simply omitting data missingness further increases this problem by creating a developed economy-advanced democracy bias, which attributes effects found in cases where more data is available to cases where less or no data is at hand by over-weighting the mean of a non-random missingness-biased sample.

#### 4.2. *Independent variables*

Nationalization of the party system, understood as the presence of the same parties across constituencies, has been measured with a plethora of indexes that shift from the number of votes attained in each CU (Caramani 2005) to inequality of the vote between parties in all CUs (Bochsler 2010), or the more traditionally used Number of Effective Parties per CU (Jones and Mainwaring 2003; Laakso and Taagepera 1979). I find the weighted Party System Nationalization Score to be the best measure as it has a high percentage of data availability for the sample at hand while also performing better than other gini-based measures of electoral success across C.U.s (Bochsler 2010; Caramani and Kollman 2017). This measure weighs the vote received by each party  $p$  in each C.U.  $d$  by the total  $v$  voters from each C.U. Thus, this measure considers the vote received by parties across C.U.s while also taking into consideration the size of each unit of the federal system. The formula is as follows.

$$PNS_w = 2 \cdot \frac{\sum_{i=1}^d \left( v_i \cdot \left( \sum_{j=1}^i p_j - \frac{p_i}{2} \right) \right)}{\sum_{i=1}^d v_i \cdot \sum_{i=1}^d p_i} \quad (1)$$

As for Party Centralization, I use the Candidate Selection variable from the V-Dem dataset (Lindberg et al. 2014; Coppedge et al. 2023; Pemstein et al. 2023), which is an ordinal index estimated with expert answers to the question: "How centralized is legislative candidate selection within the parties?" The lowest level of 0 indicates complete centralization at the national level, while the highest level of 5 indicates complete decentralization through primaries or constituency groups. The intermediate levels show bargaining dynamics between local and national leadership within the parties.

### 4.3. Model, controls and alternative explanations

I implement an Ordinary Least Squares model with Two-Way Fixed Effects on an unbalanced panel. This strategy leads to the estimation for each country being taken as independent panels and intra-case variation being the leading source of variation. It also allows for controlling for unobserved or unobservable variables and reducing possible omitted variable bias. *Two-way fixed effects* are the standard suggested by the literature when dealing with cross-country panel data. Decentralization is known to benefit regional parties. Likewise, federalism is known to affect party system nationalization via the strength of subnational gatekeepers to political jobs; thus, we can assume the existence of inverse causality (Castañeda-Angarita 2013; Brancati 2008; Heller 2002). I address this by lagging the variables of interest by one period.

$$\begin{aligned} \text{LegDe/centralization}_{c,y} = & \alpha + \beta_1 \text{PartyNationalization}_{c,y-1} \cdot \text{PartyCentralization}_{c,y-1} \\ & + \beta_2 \text{PartyNationalization}_{c,y-1} + \beta_3 \text{PartyCentralization}_{c,y-1} + \sum \chi_{c,y} + \delta_c + \eta_y + \epsilon_{c,y} \end{aligned} \quad (2)$$

Where  $\sum \chi_{c,y}$  is a vector of covariates which include economic, demographic and institutional controls derived from extant theoretical literature, as some of these factors may work as alternate explanations for federal legislative De/centralization (Dardanelli et al. 2019; Hooghe et al. 2016). Economic growth, measured using GDP per capita data from the World Bank, might foster decentralization as entrepreneurs will ask for decreased government incursion into the marketplace, which can be sustained via decentralization of services and taxation (Qian and Weingast 1997; Weingast 1995). I also control for population size and share of the population living in urban areas, using data from the same source. Population size and urbanization are likely to spur decentralization as larger countries will demand for a wider range of goods and services being provided to them, which can be more easily attained through the decentralized provision (Dardanelli 2021), likewise, the growth of cities across countries can increase the demand for decentralization to fit goods provision to regional taste.

I also control for democracy levels (Lake and Baum 2001) using the Polity V index as policy decentralization is theoretically expected to follow or accompany subnational democratization while also, in democratically challenged regimes, decentralization can work as a survival technique for weaker autocrats (Falleti 2005; Willis, Garman, and Haggard 1999; Dardanelli et al. 2023). I add a dummy variable for presidential systems as those are expected to suffer less

legislative centralization due to the presence of more veto players (Bednar 2011; Tsebelis 1995; Tsebelis 2002), while governors in presidential systems tend to have larger pools of resources to interfere in national lawmaking to prevent centralization (Cameron and Falleti 2005; Rosas and Langston 2011; Aguilar Rodríguez 2021; Aguilar Rodríguez 2019).

On the international side, the presence of wars correlates to centralization, as the central government gathers for itself most of the legislative and executive capacities necessary for the state's survival (Dardanelli 2021; Kincaid 2019). This is operationalized via a dummy variable constructed with data from the *Correlates of War* database. Lastly, state participation in International and regional organizations, such as the European Union, is related to federal centralization, as most of these require central governments to control inflation, debt, and unemployment levels while also centralizing tariffs and international trade faculties. Therefore, participation in regional organisms is operationalized as a dummy variable for the European Union and the United States-Mexico-Canada Agreement (previously NAFTA), The Southern Common Market, Mercosur, and the African Union. The reason for not considering these as a single variable is that not all regions necessitate the same level of centralization from their members (Dardanelli 2021).

I also exploit an existing measure contained in the V-Dem dataset called "Party Branches" as a proxy for local institutional strength. This is an ordinal measure that accounts for how many parties have permanent local branches, with 0 meaning none, one meaning fewer than half, 2 implies something close to half, 3 implies more than half, and 4 means all or nearly all parties have year-round local branches (Pemstein et al. 2023). The effect of this local institutional strength on legislative de/centralization may vary in its direction for different levels of party centralization because these local branches may act as "regional outposts" of the central elite for centralized parties or as resources of regional leaderships for decentralized parties, this, however, is beyond the scope of this paper.

Lastly, my main predictor, Party System Nationalization, is not a random variable. As I have mentioned above, identitarian fractionalization —ethnic, religious or ideological— has been identified as the main social driver behind party nationalization. Rules of the electoral system such as district size, district size, electoral thresholds for party survival and access to legislative seats, and voting mechanisms mediate the effect of this identitarian fractionalization. Therefore, to control for the causes of party system nationalization, I include the interaction between Ethnic Fractionalization and Electoral District Size as controls, as well as each independent

term. Other important variables in explaining party system nationalization are the type of government and whether countries are federal or unitary; nonetheless, these conditions are controlled for by the time-invariant fixed effects and the scope conditions of this paper.

As an additional robustness check, I implement a 2SLS design, instrumenting Party System Nationalization with an interaction term between a score of Ethnic Fractionalization and the average electoral district size on a given election. Literature provides evidence to support that the interaction between geography-based electoral rules and regional cleavages is the main factor driving party system nationalization (Goloso 2015, 2017; Lublin 2017). Results are available in the online appendix as assumptions for the instrumental variable, especially exclusion restriction, are debatable.

Literature regards social cleavage regionalization as the main social driver of party regionalization, while the institutional design is the main mediator between social fractionalization and party fractionalization (Kasuya and Moenius 2008; Goloso 2015, 2017; Amorim Neto and Cox 1997). I take advantage of this and take the measure for district size from the V-dem dataset (Coppedge et al. 2023) and the measure for fractionalization from the Historical Index for Ethnic Fractionalization (Drazanova 2020).

I test my mechanism by implementing a Linear Mixed-Effects Model or Multilevel Random Effect Model (Bates et al. 2015) using data on party-level nationalization and centralization. Suppose party-level nationalization and centralization prove to have the expected effect on centralization. In that case, it would be reasonable to state that changing party-level federal and regional incentive structures for legislators are behind the change in Average Legislative De/centralization in federal democracies.

$$\text{Leg. De/centralization}_c = \beta_0 + \beta_1 \text{PC}_{p,c,y} + \beta_2 \text{lag}(\text{PN})_{p,c,y} + \beta_3 (\text{PC}_{p,c,y} \times \text{PN}_{p,c,y}) + \sigma_{\chi_{c,y}} + \epsilon_{c,y} \quad (3)$$

## 5. Results

In Table 2, I present the average estimation of a sequence of models regressing Average Legislative Centralization on Weighted Party System Nationalization, Party Centralization, and their interactions across ten imputed datasets. All models include the aforementioned battery of controls at the country-year level, as well as Two-way Fixed effects by using the PLM function in R for "twoways" effects (Croissant & Millo 2008). All standard errors are clustered at the country level to account for possible correlation between errors at the treatment level.

I test all models for heteroskedasticity using a Breusch-Pagan test (Breusch and Pagan 1979) and reject the null hypothesis for all cases, finding no signs of heteroskedasticity. As variation may be sluggish, I test the presence of significant Random Effects is likely expected. I test for the possible presence of significant fixed effects through the Lagrange Multiplier Test, which was also proposed by Breusch and Pagan (1980). I find significant random effects, which I confirm with a Durbin-Wu-Hausman test (Hausman and Taylor 1981); thus, I present random effect estimation in Annexe B. Estimates and significance across specifications are similar to Two-way Fixed-effects.

Also, regarding the consequences of imputing missing data, I acknowledge that estimating the causes for the timing and velocity of de/centralization cannot be estimated for all countries as missingness is present in specific cases. Those countries that are included in the original De/centralization Dataset have in-decade missingness, which is absent in later reproductions for the Argentinian, Brazilian, Mexican, Nigerian, and Pakistani cases. An important caveat regarding this is that better results can only be obtained through the improvement of original data on De/centralization in federal systems. Multiple Imputation can induce additional variation on imputed variables as only certain parameters of the real distribution are observed. The results from now on shown are to be considered dependent on the quality of the imputation method, and estimates are contingent on the fact that better data should be produced in the near future. As a robustness check to address concerns about the imputation technique driving the results presented, I reproduce my analysis on a subsample of those countries with complete data for the dependent variable and find robust results supporting my hypothesis. Results are available in Appendix E.

Also as a robustness check, I instrument Party System Nationalization on the interaction between Ethnic heterogeneity (Drazanova 2020) and average electoral district size on a given

Table 1. Effect of Party System Nationalization, Centralization and Presence of Local Party Branches on Legislative De/centralization in Federal Democracies

	<i>Dependent variable:</i>					
	leg_avg					
	(1)	(2)	(3)	(4)	(5)	(6)
P.S. Nationalization	-0.642*** (0.230)	-0.907*** (0.241)	-1.747*** (0.562)	-0.572* (0.302)	-0.978*** (0.317)	-1.874*** (0.435)
Party Centralization		-0.194*** (0.058)	-0.610** (0.270)		-0.224*** (0.061)	-0.711*** (0.174)
P.S. Nationalization: Party Centralization			0.643** (0.317)			0.731*** (0.246)
Regional Branches				0.211*** (0.067)	0.289*** (0.069)	0.298*** (0.069)
Polity 2				0.036*** (0.008)	0.040*** (0.007)	0.039*** (0.007)
War				-0.092 (0.079)	-0.109 (0.078)	-0.089 (0.078)
GDP pc				-0.126* (0.074)	-0.109 (0.073)	-0.137* (0.073)
Gini				-0.012* (0.006)	-0.013** (0.006)	-0.011* (0.006)
Population				0.917*** (0.330)	0.683** (0.332)	0.470 (0.336)
Urbanization				0.017** (0.008)	0.011 (0.008)	0.012 (0.008)
Economic Crisis				0.082 (0.077)	0.022 (0.078)	0.027 (0.077)
EU				0.322** (0.139)	0.344** (0.137)	0.288** (0.137)
NAFTA				0.398*** (0.109)	0.349*** (0.108)	0.403*** (0.108)
Mercosur				0.061 (0.144)	0.046 (0.141)	0.047 (0.140)
EFindex				8.009*** (1.904)	5.318*** (2.015)	4.567** (2.011)
v2elloeldm				5.322 (3.856)	3.249 (3.840)	4.001 (3.812)
EFindex:v2elloeldm				-6.025*** (1.946)	-4.128** (1.985)	-3.571* (1.975)
Observations	552	552	552	504	504	504
R <sup>2</sup>	0.016	0.040	0.054	0.256	0.280	0.296
Adjusted R <sup>2</sup>	-0.163	-0.138	-0.123	0.079	0.106	0.123
F Statistic	7.801***	9.622***	8.878***	9.330***	9.850***	9.972***

Note:

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

Note: This table shows the relationship between Party System Nationalization and Centralization and Legislative De/centralization from 1945 to 2010. Party Nationalization in all models is operationalized by using the weighted Party System Nationalization Score. In model one, all variables are included plainly; in models 3 and 5, interaction terms are included. Right-hand side variables of interest are lagged by one period. The Fixed-Effects estimates are obtained via OLS, and errors are clustered at the country level to address error correlation at the treatment level. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01.

election to proxy for the underlying identitarian causes of the vote being processed by the electoral framework as literature states these as the main drivers of party nationalization (Ordeshook and Shvetsova 1994).

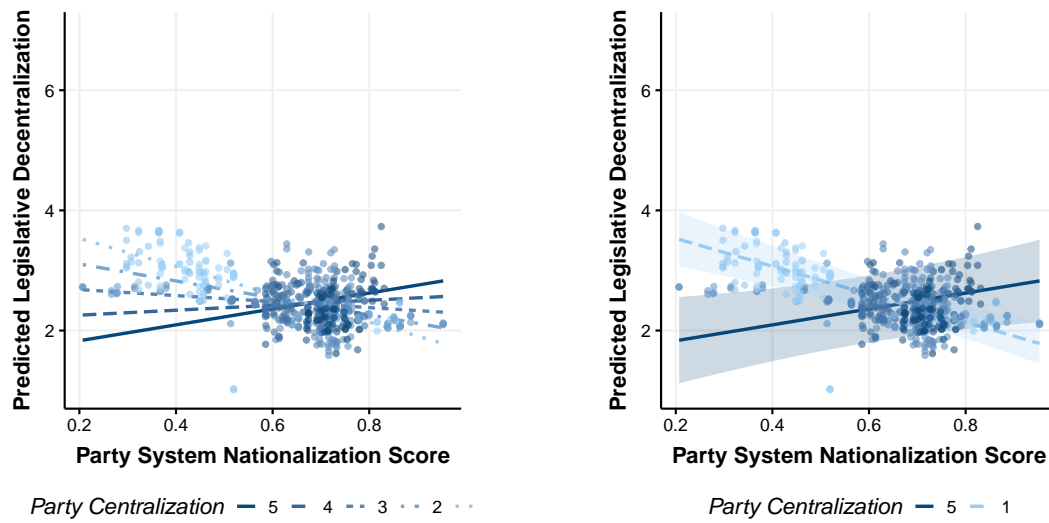
Using this instrument, I reestimate models 2 and 3. The first stage passes a Sargan test for instrument validity and overidentification; the F-statistic of the first stage proves this instrument to be strong — $F=10.7$  without controls and  $F=43.04$  with all controls — and  $R^2$  of the first stage shows my instrument to account for more than half of the variance of party system nationalization. Estimates enlarge in the 2SLS, likely due to other electoral rules mediating the relationship between social cleavages and party consolidation. Other rules tend to change rather sluggishly and, thus, are likely to be absorbed by the time-invariant fixed effects. Nonetheless, estimates are robust and significant in the same direction as the OLS estimates.

All models present robust evidence of a strong and significant negative correlation between Nationalized Party Systems and Legislative De/centralization in federal democracies, which is statistically significant, at least at the 5% level. An increase of one standard deviation in party system nationalization is associated with a decrease of 0.113 (Model 1) to 0.205 (Model 5) standard deviations, or between 0.1 and 0.205 points, in decentralization. In other words, the degree of nationalization of the party system emerges as a key determinant of the centralization of legislative faculties in federal systems. This relationship holds its significance across a number of specifications and is not dependent on the controls included in the analysis.

Interestingly, contrary to what might be expected, party centralization shows a negative relationship with legislative decentralization in several models. Specifically, an increase of one standard deviation in party centralization is associated with an increase of approximately 0.051 to 0.806 standard deviations in legislative decentralization across different specifications (Models 3 to 6). These results hold robustly across various model specifications and are independent of the control variables included in the analysis. However, this unexpected finding needs to be interpreted with a caveat as the level of most centralization refers to primary elections, which might be subject to national trends of electoral behaviour and do not necessarily allow for the multiple principal schemes presented in this paper. Nevertheless, this matter is outside of the scope of this paper as I focus on the effect of the conditional effect of Party System Nationalization on Party Centralization.

Estimates on party centralization do not follow the expectations as increasing decentralization within the parties is expected to foster legislative decentralization. By plotting the interaction





(a) Predicted values plot on the interaction between Party system nationalization and centralization

(b) Predicted values plot on the interaction between P.S. nationalization and extreme values of centralization

Figure 3. Non-monotonic relation between Party System Nationalization and Legislative De/centralization mediated by party Centralization

between party system nationalization and centralization, in Figure 3, it is easy to notice a non-monotonic correlation between them and legislative centralization. The centralizing effect of party system nationalization decreases as parties decentralize, even turning positive for the lower level of centralization: municipal leaders selecting candidates and primary elections. These results suggest that only centralized parties are able or interested in proposing and backing centralizing agendas in the federal legislature.

In annexe C, I reestimate the base specification with an ordinal variable for the national average order within the parties responsible for nominating candidates for the lower legislative chamber. Using this ordinal variable yields significant positive results for the correlation between party decentralization and legislative decentralization in systems as nomination capacity moves further away from the central elite (levels 1 through 3)— zero being the baseline where the central elite handles all nominations. In systems where nominations are under the capacity of municipal leadership or distributed through primary elections, significance dwindles, and estimates become negative.

## 6. Mechanism: down to the party level.

I have stated that incentives for centralizing are created across and within parties. National parties are likely to prefer a policy agenda designed for a "national voter"; centered around general solutions, and standardization across C.U.s. On the contrary, parties with limited presence across C.U.s —or *Regional*— will likely prefer to maintain policy matters decentralized so as to produce targetable policies which favour their constituency and a "regional voter". Thus, the mechanism presented lies at the party level and centers around parties responding to electoral incentives at different levels.

To provide evidence for this mechanism, I will use a mixed linear model or multilevel model. The expectation is that the degree of party nationalization correlates negatively with legislative de/centralization and that this effect is conditional on the degree of party centralization, as decentralized parties may not have the capacity nor the incentives to centralize legislative faculties. Using data on Party Nationalization and Centralization from V-Dem and CLEA, I interact an ordinal variable for party centralization at the party level with the Party System Nationalization Score and regress Legislative Centralization on this interaction. Party-level data allows us to overcome possible ecological fallacies caused by using systemic-level measures. Using the System level score for nationalization is not optimal as data at the party level for both predictors would be more accurate; however, such data is not available at the time. I cluster Standard Errors at the party level via a Bias Reduction linearization protocol for multilevel data (Bell and McCaffrey 2002).

I use random effects at the party and country level as heterogeneous effects are expected, possibly conditional on the institutional context. Likewise, not all party nationalization and centralization has the same effect within the same party system as parties develop specific agendas and ideological bundles, which in turn shape incentive structures and legislators' voting behaviours. In sum, even if not all centralization or nationalization is the same across parties and federations, party nationalization and centralization, are, in fact, the main drivers behind legislative centralization in federal systems. Put otherwise; regional party structures are indeed the most important federal safeguard regarding the vertical distribution of legislative power.

The lack of better data, as well as the lack of space for a more in-depth study, prevents me from making strong causal claims based on these results. However, the evidence I have presented so far does permit me to state that Party System Nationalization is a strong determinant of

Table 2. Effect of Party Nationalization and Party Centralization on Average Legislative De/centralization in Federal Democracies

	<i>Dependent variable:</i> Legislative De/centralization
Party Nationalization	-0.004*** (0.001)
Party Centralization 1	0.400*** (0.001)
Party Centralization 2	0.509*** (0.002)
Party Centralization 3	0.591*** (0.003)
Party Centralization 4	2.157*** (0.005)
Party Centralization 5	1.814*** (0.005)
Party Centralization 1: Party Nationalization	0.007** (0.003)
Party Centralization 2: Party Nationalization	0.071*** (0.004)
Party Centralization 3: Party Nationalization	-0.005 (0.004)
Party Centralization 4: Party Nationalization	-0.015*** (0.001)
Party Centralization 5: Party Nationalization	0.066*** (0.001)
Logged GDP pc	-0.157*** (0.0004)
Gini	-0.007*** (0.0001)
Logged Population	0.230*** (0.001)
EU	-0.369*** (0.0003)
NAFTA	-0.744*** (0.002)
AU	-1.152*** (0.003)
Mercosur	0.820*** (0.005)
Constant	0.666*** (0.030)
Observations	1,695
Log Likelihood	-19.039
Akaike Inf. Crit.	126.078
Bayesian Inf. Crit.	365.237

Note: \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

Note: This table shows the relationship between Party Nationalization and Centralization and Legislative De/centralization from 1945 to 2010. The dependent variable is the weighted Party System Nationalization Score. Right-hand side variables of interest are lagged by one period. Estimates are Multilevel Linear estimates, and errors are clustered at the party level to address error correlation at the treatment level. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01.

Legislative Decentralization. The evidence presented also allows to state that the effect of Party System Nationalization is mediated by the degree of centralization of each party. This is to say, as parties decentralize, the interaction term shrinks and even changes signs in the level respective to candidate selection being done at the municipal level. Interestingly, the interaction term becomes positive once more when candidates are elected via primaries. This relation demands further research for each case on the within-party dynamics and incentive structures for legislators as well as on the effect of primary elections on legislator attitudes towards federalism in general and centralization in particular.

In the meantime, the effect of primary elections or municipal allocation of candidacies on intra-party decision-making or other legislative outcomes lies beyond the scope of this research. Nonetheless, we can state that nationalized parties' capacity or willingness to centralize depends on its level of centralization, especially when decision-making is decentralized to the municipal level or to the voters. Medium levels of centralization seem to follow along with trends of centralized parties. Literature on decentralized parties in federal systems has found that party cartelization between national and regional leadership can benefit specific de/centralization patterns when beneficial for both regional and national leadership by exchanging the votes of file and rank legislators bound to the decentralized nomination mechanisms (Jones and Mainwaring 2003; Jones and Hwang 2005). More research is needed on candidate nomination mechanisms and their consequences for federal systems, especially the effect of primary elections, and possibly on intra-party competition brought by primaries, to understand this complex relationship (Desposato 2004).

## 7. Conclusions

Nationalized Parties are a strong determinant of the centralization of legislative faculties in federal democracies; however, this effect is conditional on the degree of centralization of parties, and it does not carry linearly. Evidence provided in this paper suggests that nationalized parties favour legislative centralization in the federal congress, conditional on party centralization, in order to maximize electoral returns but do not seek absolute centralization. Extant literature suggests parties may benefit from decentralizing too even if highly nationalized by shifting costs or administrative burdens to subnational governments.

This paper provides empirical evidence for a longstanding intuition about decentralization in federal systems. Decentralization is not a result of efficiency-seeking rationales but of the multilevel conditions of the party system. Even if federalism and decentralization are constitutional and policy tools to improve goods and services distribution, prevent interethnic conflict, and favour internal economic competition, the vertical distribution of legislative powers is mostly the result of multilevel bargaining within and between parties in the legislative arena. This paper stands with a pragmatic perspective on federalism being a constitutional tool, as many on the toolbox of democratic institutions. The specific vertical distribution of power of each federation does not depend merely on normative standards or efficiency on service and goods allocation but on the politico-institutional context within which federal bargaining and powers are distributed and within which ambitious politicians operate.

Therefore, this work is a first attempt to bridge literature on federal decentralization and on comparative legislatures. Decentralization, especially legislative decentralization, is a byproduct of legislature rules and composition, as well as the interplay of principals and incentives between and within parties. As legislators are offered greater incentives at the federal or subnational level by either the party system or the party leadership, they are more or less prone to support the centralization of faculties.

Regional partisan structures are the most important federal safeguards for legislative federalism. The presence of strong regional parties or factions within national parties can prevent the centralization of policymaking and even foster decentralization. Now, decentralization is not constrained to the legislative capacity of policymaking but needs to encompass the fiscal and administrative capacity to fund and implement policy. The relation between legislative, fiscal and administrative decentralization and the effects of asymmetry between these dimensions needs to be further explored. Research on unfunded mandates, soft budget constraints, mul-

tilevel transfer dependence, subnational state capacity and faculty delegation beg for further advancement, particularly in newer and least developed federations.

On the other hand, this paper leaves room for plenty of research to be done on country and party-specific mechanisms through which the party system conditions shape legislative de/centralization in federal systems. According to the results provided, legislators in nationalized and centralized parties should produce, cosponsor, and vote for centralizing measures more often than decentralizing ones; thus, advancing research on country and party-level legislative behaviour as a function of party incentives is the next logical step on this topic.

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## 8. Annex A

Table 3. Logit and Probit models to test for sample balance

	<i>Dependent variable:</i>	
	Sampled (dummy)	
	<i>logistic</i>	<i>probit</i>
	(1)	(2)
Polity 2	−0.016 (0.070)	−0.004 (0.041)
Logged GDP pc	−2.277*** (0.633)	−1.349*** (0.371)
Logged population	3.636*** (0.587)	2.132*** (0.338)
Urbanization	0.038* (0.021)	0.022* (0.012)
EU	−0.722 (0.771)	−0.491 (0.462)
AU	−8.687*** (2.956)	−5.174*** (1.631)
Mercosur	13.597 (1,504.582)	2.952 (328.975)
NAFTA	17.201 (882.595)	6.302 (180.008)
Party centralization	5.630*** (0.828)	3.281*** (0.476)
Regional Branches	1.315*** (0.431)	0.809*** (0.255)
Interregional party competitiveness	−0.150 (0.269)	−0.066 (0.154)
Party System Nationalization	−0.613 (2.015)	−0.518 (1.182)
Year FE	Y	Y
Observations	576	576
Log Likelihood	−134.721	−133.875
Akaike Inf. Crit.	395.442	393.750
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01	

## 9. Annex B

Table 4. Random effect model for the effect of Party System Nationalization, Centralization and Presence of Local Party Branches on Legislative De/centralization in Federal Democracies

	<i>Dependent variable:</i>				
	Legislative De/centralization				
	(1)	(2)	(3)	(4)	(5)
P.S. Nationalization	-0.475** (0.225)	-0.833*** (0.230)	-1.646*** (0.373)	-0.880*** (0.234)	-1.773*** (0.348)
Party Centralization		-0.269*** (0.051)	-0.680*** (0.158)	-0.200*** (0.049)	-0.638*** (0.136)
P.S. Nationalization: Party Centralization			0.626*** (0.229)		0.659*** (0.197)
Regional Branches				0.399*** (0.048)	0.401*** (0.047)
Polity 2				0.055*** (0.006)	0.055*** (0.006)
GDP pc				-0.130*** (0.022)	-0.128*** (0.022)
Gini				-0.007* (0.004)	-0.005 (0.004)
Population				-0.152* (0.087)	-0.176* (0.091)
EU				-0.432 (0.478)	-0.360 (0.535)
Constant	3.251*** (0.271)	3.860*** (0.266)	4.336*** (0.318)	6.824*** (1.524)	7.672*** (1.620)
Observations	552	552	552	504	504
R <sup>2</sup>	0.013	0.062	0.075	0.348	0.364
Adjusted R <sup>2</sup>	0.011	0.059	0.070	0.338	0.352
F Statistic	4.463**	32.299***	40.618***	258.613***	277.973***

Note:

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

## 10. Annex C

Table 5. Effect of Party System Nationalization and Centralization on Legislative De/centralization in Federal Democracies

	<i>Dependent variable:</i>		
	leg_avg		
	(1)	(2)	(3)
P.S. Nationalization	-0.811*** (0.230)	-0.579** (0.281)	-6.427*** (1.120)
Party Centralization 1	0.698*** (0.147)	0.732*** (0.160)	-1.200* (0.614)
Party Centralization 2	0.673*** (0.227)	0.635** (0.247)	-2.843*** (0.716)
Party Centralization 3	0.975*** (0.276)	0.667** (0.296)	-2.308*** (0.820)
Party Centralization 4	-0.341 (0.264)	-0.429* (0.247)	1.783** (0.904)
P.S. Nationalization* :Party Centralization 1			4.052*** (1.315)
P.S. Nationalization* Party Centralization 2			6.100*** (1.182)
P.S. Nationalization* Party Centralization 3			5.358*** (1.339)
P.S. Nationalization* Party Centralization 4			5.563*** (1.586)
P.S. Nationalization* Party Centralization 5			8.696*** (1.325)
Controls	N	Y	Y
Observations	552	504	504
R <sup>2</sup>	0.120	0.269	0.351
F Statistic	10.452***	9.335***	10.303***

*Note:* This table shows the relationship between Party System Nationalization and Centralization and Legislative De/centralization from 1945 to 2010. The dependent variable in all models is the weighted Party System Nationalization Score. Right-hand side variables of interest are lagged by one period. The Fixed-Effects estimates are obtained via OLS and errors are clustered at the country level to address error correlation at the treatment level. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01.

## 11. Annex D

Table 6. Instrumental variable as robustness check on the effect of Party System Nationalization, Centralization and Presence of Local Party Branches on Legislative De/centralization in Federal Democracies

	<i>Dependent variable:</i>			
	Legislative De/centralization			
	(1)	(2)	(3)	(4)
P.S. Nationalization	-2.386*** (0.660)	-4.754** (1.984)	-3.618*** (1.375)	-7.071** (3.282)
Party Centralization		-0.428** (0.201)	-0.394*** (0.117)	-2.313** (0.979)
Regional Branches			0.381*** (0.134)	0.425** (0.180)
Polity 2			0.011 (0.012)	0.017 (0.011)
War			0.050 (0.102)	-0.029 (0.099)
GDP pc			-0.280*** (0.108)	-0.269*** (0.093)
Gini			-0.015* (0.009)	0.016 (0.014)
Population			-0.962*** (0.364)	-1.072* (0.560)
Urbanization			0.022** (0.009)	0.012 (0.008)
Economic Crisis			-0.046 (0.118)	-0.067 (0.118)
P.S. Nationalization: Party Centralization				2.934** (1.403)
Observations	445	445	437	437
R <sup>2</sup>	0.023	0.040	0.183	0.134
F Statistic	13.081***	29.995***	104.852***	90.931***

Note:

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01



## 12. Annex E

Table 7. Effect of Party System Nationalization, Centralization and Presence of Local Party Branches on Legislative De/centralization in Subsample of Developing Federal Democracies (Argentina, Brazil, México, Nigeria, & Pakistan)

	<i>Dependent variable:</i>				
	Legislative De/centralization				
	(1)	(2)	(3)	(4)	(5)
P.S. Nationalization	-0.642*** (0.230)	-0.907*** (0.241)	-1.747*** (0.395)	-0.915*** (0.264)	-1.801*** (0.391)
Party Centralization		-0.194*** (0.058)	-0.610*** (0.166)	-0.283*** (0.057)	-0.729*** (0.157)
P.S. Nationalization: Party Centralization			0.643*** (0.241)		0.695*** (0.228)
Regional Branches				0.374*** (0.066)	0.381*** (0.066)
Polity 2				0.045*** (0.007)	0.043*** (0.007)
War				-0.123 (0.079)	-0.103 (0.079)
GDP pc				-0.096 (0.069)	-0.143** (0.070)
Gini				-0.012** (0.005)	-0.009* (0.005)
Population				-0.188 (0.254)	-0.371 (0.258)
Urbanization				0.005 (0.005)	0.007 (0.005)
Economic Crisis				0.031 (0.076)	0.035 (0.075)
Observations	552	552	552	504	504
R <sup>2</sup>	0.016	0.040	0.054	0.242	0.259
Adjusted R <sup>2</sup>	-0.163	-0.138	-0.123	0.073	0.091
F Statistic	7.801***	9.622***	8.878***	13.151***	13.040***

Note:

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

### 13. Annex F

Table 8. Summary Statistics

Statistic	Mean	St. Dev.	Min	Max
Legislative De/centralization	2.890	0.804	1.045	5.200
Party Centralization	1.217	1.583	-2.389	4.719
Party System Nationalization	0.641	0.142	0.207	0.953
Population	137,919,957	210,891,704	5,072,700	1,304,587,179
Gini	37.478	13.457	-9.993	85.534
Ethnic Fractionalization	0.473	0.233	0.010	0.882
Polity 2	5.263	6.313	0	10
Urban Share of Population	61.184	23.143	8.506	96.849
GDP pc	8,906.583	18,816.970	29.920	270,982.200
Average District Size	0.731	0.395	0.053	1.000
Regional branches	1.638	0.837	-1.398	2.934