

Does Decentralization Promote Citizens' Involvement and Interest in Politics?

Evidence from a Natural Experiment in small towns in Uruguay¹

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Note and disclaimer: This is a very rough draft. Please do not circulate it beyond Seminar Participants. Also, some parts are highlighted. Green means “need correction”. Yellow means “needs development”.

Abstract

This paper analyses the impact of local democratic institutions on the political attitudes of citizens living in contexts of territorial exclusion. More specifically, departing from a natural experiment design, this research seeks to establish the causal impact of mayoralties, recently created in small towns in Uruguay, on the political attitudes and involvement of their citizens. We are mostly interested in those towns that are severely affected by structural conditions. Thus, to evaluate the actual impact of political

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institutions on the political attitudes and involvement of those citizens, we analyze the consequences of this recent institutional innovation in two territorially excluded towns in Uruguay: Fray Marcos and Casupá. **NEEDS REVIEW?**

Introduction

How does the creation of democratic institutions at the local level impact on territorially excluded citizens' attitudes and involvement in politics? Are structural conditions, i.e. socio-economic conditions, an insurmountable obstacle to modify citizens' relationship with politics? The potential consequences of decentralization reforms have been a subject of substantive consideration in the discipline. Moreover, the relationship between inequality, poverty and individuals' involvement in politics has also gained attention². In this study, we take advantage of a natural experiment research design in order to isolate the effect of the creation of local political institutions on the political behavior and citizens' attitudes living in previously disregarded small locations. With this study, we aim to contribute on the debate about the actual impact of decentralization reforms and, more specifically, we assess how these types of reforms affect the relationship between inequality—here expressed in terms of territorial exclusion—and citizens' interest and involvement in politics.

The analyses on the causal impact of decentralization reforms reached very dissimilar results (Eaton and Connerley 2010) and it has been contaminated with normative

² This has been the case since several scholars have opened the black box of the relationship between modernization and democracy (**REFERENCES**).

preferences. Moreover, after an initial excitement with the potential benefits of decentralization reforms, scholars have become more neutral about their results (Grindle 2007, 6). To make matters worse, it is even less clear how this type of reforms actually impact on specific contexts (e.g. in contexts of unequal income distribution).

Our analysis has been conducted in two extremely similar small towns of Uruguay: Fray Marcos and Casupá. In 2009 Uruguay implemented a decentralization reform. Mayoralties were created across the country. The law stipulated a first stage in which only some towns would create elected mayoralties. The procedure generated an as-if-random assignment, in which one town (in this study, Casupá) received the treatment (i.e. the creation of local representative institutions) and the other (Fray Marcos) became the control group—see below for further details, [section X](#)—. ³ We present this kind of design precisely to generate new empirical evidence and to test the existence of a causal relationship between institutional innovation at the local level and changes on individuals' political attitudes. The very strength of a natural experiment research design is given by its internal validity and thus provides a great opportunity to evaluate a causal argument.

The article proceeds as follows: First, we present the theoretical argument. Second, we introduce the methodological considerations, including a justification of the natural experiment research design. Third, we introduce the data and the results. The paper ends with a discussion and a conclusion.

The Theory

³ On the empirical side of the story, no natural experiment research design has been applied for this purpose (Dunning 2008a).

For many decades, policymakers, international financial institutions, politicians and scholars have widely promoted decentralization as a tool to deepen democracy. It was believed that, by adding layers of participation, democratic quality would be improved (Campbell 1993, Diamond and Tsalik 1999). The widespread application of this kind of reforms motivated some authors to talk about a “decentralization revolution” (Grindle, 2007).

Decentralization was conceived as a reform to overcome unresolved and increasing tensions of classic models of representative democracy in fiscal, administrative and political spheres.⁴ After the implementation of various models of decentralization reforms (through devolution, deconcentration and/or delegation) the scholarly debate centered on the actual impact of decentralization. The evaluation involved topics as diverse as the impact on policies’ efficiency or local development (Huther and Shah 1999, Johnson 2001), on party systems (Sabatini 2003, Ryan 2004, Harbers 2010, Morgan 2012) on their impact on democratic governance (Grindle 2007) or, on citizen’s democratic attitudes and beliefs (Meguid, 2007; Hiskey, 2010; Eaton and Connerley, 2010). Nonetheless, there is no consensus on the subject. The main reason behind this lack of consensus lies in the empirical work of different studies and, more substantively,

⁴In this review we put aside the theoretical discussions on federalism which is sometimes referred as closely related to decentralization. Also, there is an interesting strand in the literature that seeks to answer when central governments decide to implement these types of reforms which also exceeds the purposes of our research (O’Neill 2003, Willis et al. 1999 and Falletti 2005).

on the different emphasis on different aspects of decentralization (whether it is efficacy in terms of policy or its value as a democratic enhancer).⁵

The lack of firm empirical grounds has contributed to an increasing polarization between promoters and skeptics of decentralization (Meguid, 2007; Faletti 2010). This deficit is particularly troublesome in Latin America, where decentralization reforms have been implemented throughout the region, especially since the third wave of democratization (Faletti 2010).

Moreover, on the specific issue of interest for our research, most of the literature concerned with political citizen's engagement does not offer neither strong evidence regarding the general impact, nor about the direction of the causal relationship between decentralization reforms and political engagement (Ove, 2001; + REFERENCES).

As argued above, in Latin America decentralization was first conceived as a way to advance democratic consolidation. In this line, Fox (1994) argues that decentralization enables the rupture of authoritarian enclaves. Thus, as the argument goes, democracy at the local level enhances democracy at the national level from below. Later, scholars realized that decentralization comes in many forms and it is applied in very different contexts, leading to very dissimilar results regarding its property as an enhancer of democratic quality (Rodden 2004, Bardhan y Mookherjee 2006). Goldfrank (2006) provides an interesting comparative account on different experiences with local level participation and sets some conditions that increase the probability of having a healthy

⁵ Schneider (2003) made a significant contribution in terms of concept and measurement by proposing a clear-cut definition and measures.

decentralization mechanism. In this line, Schönleitner (2006) and Greaves (2004) highlight conditions under which local level mechanisms might result in pernicious results in terms of democratic quality. Samuels (2003) also mentions that decentralization might increase clientelism.

In more general terms, there is another strand of the scholarly research that has paid attention to the effects of poverty and inequality and citizens' involvement in politics. For the last few decades, scholars have tried to open the black box in the relationship between modernization and democratization (Rueschmeyer, Stephens, and Stephens 1992, Boix 2003, Acemoglu and Robinson 2006, among many others). However, there are scant analyses of the impact of inequality and political interest and involvement in general, and its impact at the local level, in particular.

Solt (2008) conducted the first empirical analysis on the effect of inequality on political attitudes. The author divides the debate on the impact of inequality on citizens' involvement in politics into three groups (relative power, conflict, and resource theory). He tests these three different approaches in upper-middle income democracies. His research concludes that results are only consistent with the *relative power theory*. In a nutshell, lower quintiles of income have less political involvement. In his own words: "Declining political interest, discussion of politics, and participation in elections among poorer citizens with rising inequality attest to the increased ability of relatively wealthy individuals to make politics meaningless for those with lower incomes in such circumstances." (Solt, 2008: 58). With our research, we try to provide some empirical evidence on the effects of institutions—democratic institutions at the local level— as an

intervening variable between inequality—tested in small and territorially excluded towns— and political attitudes.⁶

Thus, we assess the effective impact of the creation of mayoralties on citizens' behavior and political attitudes in two Uruguayan small towns located in the countryside that, with the implementation of a decentralization reform in 2009⁷, provide an unusual and particularly rich standard natural experiment environment.

The Uruguayan case is interesting in many ways. As every Latin American country, Uruguay has a segmented society.⁸ This trait is expressed in territorial terms. However, its institutions of democratic representation have not undergone the significant challenges described in the literature on Latin America in the last two decades (Hagopian and Mainwaring 2005, Mainwaring et al. 2006); democratic consolidation has undergone relatively smoothly. Thus, there is no reason to expect a causal relationship between weak central institutions and decentralization. Even though the aforementioned reform is the first relevant step on this direction in a country that, as Eaton (2004) points out, has one of the most centralized states in Latin America, it was not a desperate answer to a legitimacy crisis. Hence, there is no reason to expect that decentralization will reinforce a hypothetical vicious cycle—which is sometimes regarded as an unintended consequence of decentralization in fragile democracies (REFERENCE).

⁶ See Piñeiro and Rosenblatt (2011) for an analysis of political agency as another intervening variable on this relationship.

⁷ Schneider (2003) claims that local elections is an indicator of political decentralization. This reform stipulated elections at the local level, concurrently with the election of *intendentes*. The first was celebrated in May, 2010.

⁸ See Luna (*forthcoming*) for an analysis of the political implications of segmented societies in Chile and Uruguay.

Moreover, we are not only able to evaluate the impact of the decentralization reform on its own but we can also do so in context of historically territorially excluded locations. We compare two small towns territorially excluded from the dynamic cities (Montevideo, Salto). Hence, in theoretical terms we are dealing with a crucial case to evaluate decentralization in its own terms, and its potential impact on citizens' attitudes and involvement. In methodological terms, it is a unique opportunity since the reform implementation provided a natural experiment situation.

The main goal of our research is to assess the impact of institution building—that brings political institutions closer citizens—on attitudes and political behavior. In this sense, can democratic institutional building overcome unfavorable structural conditions? Are institutions a way to foster political interest and involvement among social-territorially excluded citizens? Does the creation of mayoralties at the local level in previously disregarded Uruguayan towns change their citizens' relationship towards politics? For this purpose, we measured citizens' political interest and participation in both towns, i.e. the treatment (Casupá) and the control (Fray Marcos).

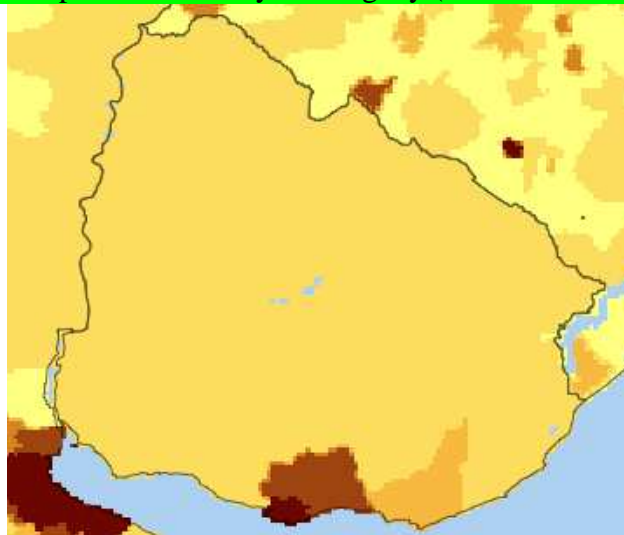
The Natural Experiment

As Dunning (2008a) points out, the use of natural experiments in social science has sharply increased in the last decade. This kind of research design has two main advantages. First, it allows researchers to solve some of the most common problems with conventional observational studies, i.e. the fundamental problem of causal inference (Holland, 1986). In this sense, it permits to make more valid causal

inferences. Secondly, natural experiments have the virtues of mix-methods research, which take advantage of the strengths of both qualitative and quantitative methods (Dunning, 2010). In this section, we will justify the natural experiment setting in which we survey the causal argument. For this purpose, we will answer the following questions: is there a treatment and a control group? In this sense, is it possible to claim that the assignment followed an as-if-random procedure? Is the intervention relevant for a theoretical argument? (based on Dunning IQMR 2012)

Uruguay is a small and highly centralized country. About half of its population lives in Montevideo, the capital city (see Map 1 below). Moreover, it concentrates the most relevant political institutions and services. Although there is an extended network of welfare state institutions throughout the country, a vast percentage of citizens who live outside Montevideo—and some of the other main cities—have an infrequent access to decision-making institutions and do not have institutions attentive to their local needs.

Map 1. Population Density in Uruguay (estimation for 2005)



Source: <http://sedac.ciesin.columbia.edu>

The first leftist government (led by Tabaré Vázquez⁹) implemented an institutional reform in 2009 (Law 18.567 of decentralization and citizen participation) with the purpose of decentralizing and stimulating local participation. Among its main aspirations, the law creates mayoralties with the aim of “... providing efficient state services aiming to bring closer State management to all its inhabitants” and to promote “citizen participation”¹⁰ (art. 3). These expectations are in line with the expectations of the promoters of political institutions at the local level (Bardhan and Mookherjee 2006; Grindle 2007).

The 18567 Law of 2009 stipulated that for the first phase (until 2015) mayoralties were going to be established in towns of at least 5000 inhabitants among each *departamento*.¹¹ Since most of the *departamentos* do not comply with the threshold, the law stipulated that at least two mayoralties had to be created in the two most populated towns of each *departamento*. For that purpose, each *Intendente* would base its decision on the 2004 census. This ensured that the creation of mayoralties was not contaminated by political calculus or spurious criteria.¹² Thus, the decision to create mayoralties in some towns but not in others generated an as-if-random assignment of the treatment

⁹Tabaré Vázquez was elected as president representing the left-of-center Broad Front (*Frente Amplio*) party. The *Frente Amplio* won the 2004 presidential election and it gained the subsequent election in 2009. By the end of Vázquez’s administration, the reform became law.

¹⁰Translation by the authors.

¹¹Uruguay is administratively divided in nineteen departments (*departamentos*). Departamentos are the second level of government.

¹² Our conversation with several *intendentes* (political authority at the *departamento* level) and policy-makers of different state institutions confirm that no political calculus has contaminated the decision.

(towns were mayoralty created) and control (towns that ranked third on each *departamento* in terms of its population) groups.

We still have to answer the last question: is the intervention relevant in theoretical terms? In other words, is the estimated effect truly related to the causal effect? To answer this question we provide a new rule to evaluate the relationship between the estimated effect and the causal effect. In our view, one of the most sensitive issues regarding natural experiments is the relationship between what the researcher considers as the treatment effect and her causal argument. This is even more daunting when the researcher works with a small-n research design (as it is in our case). In this sense, there are two crucial questions to evaluate the relevance of the intervention: What is the logical distance between the treatment and the causal argument? Also, what is the temporal distance between the two? This leads to a 2 by 2 table (see Table 1).

Table 1. Rule to evaluate the relationship between treatment and causal claim

| | Long temporal distance | Short temporal distance |
|------------------------|---|------------------------------|
| Long logical distance | No natural experiment | No natural experiment |
| Short logical distance | Strong qualitative evidence should support the validation | Potential Natural experiment |

What do we mean by “logical distance”? We believe that the treatment has to be contained in the causal argument exposed by the researcher. Otherwise the risks of having confounders rise exponentially. Why the temporal distance between the treatment and the causal claim is important? Given that the researcher does not manipulate the assignment of treatment and control to her units, the more the time elapses between the treatment and the evaluation of the causal argument might contaminate the plausibility of the natural experiment.

In this sense, our rule comes to improve the objective evaluation of natural experiments regarding the relevance of the intervention. For example, Posner's (2004) paper on inter-ethnic attitudes in Zambia and Malawi does not meet the threshold according to our rule: the temporal and logical distances between the treatment and his causal argument are too far apart. In this sense, Dunning (2012 IQMR) classifies Posner's as having the least relevant intervention of a selection of natural experiment research designs.

It is worth mentioning that our criteria should be viewed as a second stage rule, i.e. it is necessary but not sufficient. The most important hoop that a potential natural experiment design has to overcome is related to: a) the very existence of two groups: treatment and control, and b) the randomness of assignment to each one (or as-if-random). Regarding our own design, we have already answered these two above.

How does our natural experiment meet our criteria? Our analysis is based on the impact of local level institutional building in small towns in Uruguay. Thus, the treatment is directly related to our causal argument (which we will develop in further detail below). Moreover, the treatment has been applied one year before we conducted our fieldwork.

Case Selection: Which towns are the most suitable for evaluation?

The similarity between the treatment and control groups is a *sine qua non* condition to conduct a natural experiment research design. For this stage of our research, we decided to analyze the best possible pair of towns (treatment and control groups). For this purpose, we chose the perfect match, trying to eliminate potential confounders (Dunning 2012). We conducted a very strict analysis on the pre-treatment equivalence of the treated and untreated units (pair of towns). To accomplish this, we proceeded

with a survey of indicators and we collected qualitative evidence to fully understand the context. We came with the best possible pair of towns.

More specifically, in order to confirm the resemblance between Casupá and Fray Marcos regarding the theoretically relevant variables we followed many steps. In the first place, we gathered secondary data. Some of the results of this research are listed above. Second, we used some qualitative techniques. We interviewed qualified informants (scholars, journalists, politicians, and policy-makers that are continuously involved with these kind of locations) and visited the towns to make some observations and to have informal interviews with inhabitants.

Casupá and Fray Marcos are small towns located in the *departamento* of Florida (center- south of Uruguay, about 120 kilometers from Montevideo). According to the 2004 census (Table 2), Casupá had a population of 2.668 and was the second most populated town in Florida (after Sarandí Grande). Fray Marcos, had 2.509, just 159 less than Casupá—which explains why Casupá chose a mayor and the local council at the municipal elections of 2010 and Fray Marcos did not. However, qualitative evidence suggests that in 2012 Fray Marcos has actually surpassed Casupá as the second most populated town in Florida.

Casupá and Fray Marcos are almost identical in every theoretically relevant variable. Both have similar demographic and socioeconomic characteristics, and they are just twelve kilometers apart (7 miles). The census data reveals that the localities are not only similar in the number of inhabitants, but also on their age and sex structures. Qualitative evidence also suggests that both towns are similar in terms of types of economic

activities. Moreover, both towns have a similar historical political behavior. Even if we consider variables which tend to be particularly unstable in Uruguay, such as turnout in primary elections (which are not mandatory), the resemblance between the towns is astonishing.

Table 2. List of Selected Variables¹³

| Variable | Casupá | Fray Marcos |
|---|---|---|
| Population (2004) ¹ | 2668 | 2509 |
| Education level (in years, 1996) ¹ | 67.09 (with none or up to 6 years of education) | 66.67 (with none or up to 6 years of education) |
| Votes cast in the last primary election (2009) ² | 1332 (54,3% of <i>habilitados</i>) | 1241 (51,2% of <i>habilitados</i>) |
| Who won the first round of the last election? (2009) ² | National Party | National Party |

¹Source: <http://observatoriosocial.mides.gub.uy/mides/portalMides/portalMides/portal.php>

²Source: Data provided by the *Corte Electoral*

The flaws of our design

Since our analysis is based on inferences at the town level we have an $n=2$. Thus, in statistical terms our research **has a problem with** standard errors. However, the purpose of this stage of our research agenda is to present tentative conclusions based on qualitative evidence. We have used a quantitative tool (see below) in order to be stricter with our conclusions on each town. **MORE DEVELOPMENT?**

As it is common with other experiments (whether they are natural or not), the main flaw of this type of research relates to its external validity. It is impossible to provide

¹³ For further references see the **online appendix**

generalizations about the phenomena under study. However, their strong research design ensures a better assessment of the causal argument. Still, we are aware of the limitations of our conclusions and we conceive this research as a first contribution to the assessment of the impact of decentralization reforms on citizens' attitudes and political involvement, particularly in contexts of socio-territorial exclusion.

The causal argument: Isolating the effect of decentralization reforms

Our research focus is in the political attitudes and behavior of citizens living in territorially excluded towns. Particularly, we want to assess if the creation of local political institutions have an impact over those variables.

More specifically, we wanted to determine if there are mean differences between our treatment and control groups in those variables relevant to define political behavior and attitudes toward politics. We measured those variables through a survey conducted in representative samples of both groups. We have surveyed the variance between the means of the clusters regarding: the attendance to political meetings and attendance to social activities, involvement in partisan activities, as well as interest in politics, confidence on a broad set of political institutions and the evaluation of different political and social organizations' performances. Hence, we evaluated the results in terms of a multi-dimensional conceptualization of legitimacy (Booth and Seligson 2009) and citizens' involvement in politics.

Regarding our hypotheses, we believe that in contexts of territorial exclusion—defined as a weak physical and productive connection with the political and economic center of

the country—the creation of political institutions at local level increase the positive attitudes and proactive behavior of citizens towards politics. We expected that the citizens of Casupá (treatment group) to exhibit more positive political attitudes towards politics than Fray Marcos' citizens (control group). As well, we expected Casupá citizens to be more engaged in politics than Fray Marcos'.

However, we departed our fieldwork being agnostic about the outcome. According to the literature, it is expected that decentralization reforms do have some type of significant impact on the population that receives these types of reforms. Hence, we were agnostic on the direction of the change. Again, the strength of the natural experiment allows the researcher to focus on the design rather than the causal argument.

Data and Analysis

We have conducted surveys in both cluster groups (Casupá and Fray Marcos). We built a probabilistic sample of 150 citizens for each town (300 citizens were polled in total) based on the National Census Phase I (2004). These two samples allowed us to detect significant differences of means above 10% between groups with a 95% of confidence.

Also, we conducted several interviews and we involved in many informal conversations in each town and with politicians and policy-makers. This was extremely important since there is scant systematic information on these types of towns in Uruguay.

According to Dunning (2011), one of the most important advantages of using natural experiments as multi-method research is their capacity to combine the simplicity and transparency of quantitative analysis with the credibility of qualitative analysis.

Following this statement, we combine a mean-comparison analysis—using the classic Neyman model (Freedman, 2006)—of the relevant variables for our two cluster groups with a qualitative analysis of the data gathered with the focus groups. As we are confident in the strength of our natural experiment research design, the mean comparison of cluster groups is a simple and transparent way to show causal effects (Angrist and Pischke, 2008).

Results

Conclusion

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