Regionalizing Patronage?: Federal Resource Allocation and Party Politics in Spain

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**Abstract**

Does federalism enhance patronage practices? To the degree that subnational governments are responsible for significant portions of total public spending in politically decentralized systems, the study of the institutional facilitators of patronage can be fruitfully advanced by mapping out the territorial distribution of political and economic resources. Assuming that patronage relates to political jobbery as much as it stems from the distribution of public resources and the partisan-electoral arena, this paper focuses on the Spanish case, an often-cited case of patronage-driven electoral mobilization. After providing evidence that party competition is the key intervening variable governing federalism with patronage, it is shown that, unexpectedly, Spanish regions that have a regional-party dominant system do not necessarily “over-fish” patronage resources. This apparent inconsistency is explained by the fact regionalist parties are more likely to strive in economically advantaged regions, which are normally more interested in deepening fiscal co-responsibility (that makes the reliance on patronage and pork-barrelling less likely). In addition, ideologically speaking, regionalist parties prioritise demands for regional-level-policy-making authority over distributive politics, at least until full-fledged decentralization occurs.
Introduction

Does federalism induce party politicians to supply individualized or geographically specific political goods and fill bureaucratic jobs with allies? There is a longstanding debate about the extent to which the abundance of political authority and resources at the local level is causally related to a system of political appointments and pork-barrel projects. Without question, the undisputable theoretical point of departure for this subject is the theory of fiscal federalism, whose main body of scholarship shows that by institutionalizing interregional competition, federalism limits the ability of government officials to supply local goods on political grounds (Tiebout 1956, Weingast 1995). The fundamental assumptions underlying this version of federalism was brought into question by other public choice scholars who argue that federal complex institutional structures and their concomitant overlapping functions beget redundancy and excessive intricacy, making the pursuit of accountability and monitoring of politicians quite unlikely (Migué 1997). Beyond its putative deleterious effect on government responsiveness, this blurring of responsibilities not only hinders the development of polity-wide and disciplined national parties but also facilitates the entrenchment of regional forces able to manipulate the public purse and gain leverage over system level policymaking. Adding to this is the fact that decentralization and regional assertiveness are more likely to thrive in economically better-off regions (Hueglin 1986, Keating 1988), whose residents are more highly educated and richer, thus more likely to vote and more involved in politics. Borrowing from Ames (2001: 270), greater political awareness in turn magnifies politicians’ incentives to seek pork. In this vein, regions that have a regional-party dominant system may have a fertile ground to pursue rent-seeking politics.

This paper seeks to rethink this characterization and suggests that regional parties, which are more likely to strive in economically advantaged rather than transfer-dependent areas, bring regional interests to the fore prioritizing regional-level-policy-making authority over distributive politics, namely mere, short-term pork-barrel benefits. While the goals of deepening decentralization and pursuing patronage resources are not inextricably incompatible, regional parties may at times signal their commitment to federal fiscal arrangements acceptable to poorer regions, i.e. with lower levels of regional mobilization,
by refraining to exploit their political clout to lure state largesse for their jurisdictions. This thesis is examined with data on intergovernmental transfers from Spain, a rapidly federalizing polity that still retains open-ended arrangements, with vibrant regionalist parties that represent regions that are constitutionally endowed to negotiate policy authority with the national government.

**Territorial politics and regionalist parties in Spain**

The political and administrative map of Spain is now radically different from what it was less than thirty years ago. The authoritarian and centralized machinery of the Franco regime was replaced by a federal structure in which the powers of the state are shared with seventeen newly created autonomous communities (henceforth, AC), each endowed with its own president (i.e. governor), parliament and high court of justice.\(^1\) A characteristic of the devolutionary process since 1978 has been the granting to each region its own degree of autonomy adapted to its particular situation and resulting from political compromises between the national government and the regional leadership (Watts 1999: 38). Whereas the political dimension of this process has no generated significant asymmetries, this “multispeed” regional dynamics manifests itself in the creation of a hybrid intergovernmental fiscal system. One group of regional governments, including Navarra and the Basque Country\(^2\), Catalonia, Comunidad Valenciana, Andalusia, Galicia, and the Canary Islands (the so-called Article 151 AC) has a wide range of fiscal competencies, comprising regional control of education and health. A second group, which includes all other AC, (under Article 143 of the Constitution) has a more restricted range of competences but it preserved the

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\(^1\) Paradoxically, Spain is not a federation in name. Among the reasons accounting for the reluctance to include the notion of federalism explicitly in the drafting of the post-Franco 1978 Constitution is the apprehension of the Unión de Centro Democrático, (UCD) Union of the Democratic Center - namely the party that steered the democratic transition – to encourage radical nationalism in Catalonia and the Basque Country. Federalism is a highly controversial concept in the Spanish public discourse because it brings to mind some of the conflicts that triggered the Civil War in the 1930s.

\(^2\) Known as *Fuero* (i.e. forum) AC, the Basque Country and Navarra were set apart from all other regions in that they could collect most taxes in exchange for payment of an annual percentage (the *cupo*) to the national government. This system of finance allows to restore some historical charters of the two AC.
constitutional right to assume further responsibilities. This open-endedness allowed all
AC to expand their policymaking authority and resources over time. For instance, the
share of AC of total national spending increased from 0.1 in 1979 to 23.9 percent in
1997, while in the same period of time the central government moved down from 88 to
63.8 percent (Dirección General de Coordinación con las Haciendas Autonómicas 1999).
Likewise, as a result of “autonomous pacts” between the two major political parties, the
Partido Socialista Obrero Español, Spanish Socialist Workers Party (PSOE) and the
Partido Popular, Popular Party (PP), in the 1990’s additional powers have been
transferred to all AC so that they are almost on a par with the “fast-track” group.

The history of the Spanish national party system since the transition looms large as a
gradual evolution to a balanced two-party system, with a Center-Left and Center-Right
alternative, but with a conspicuous territorial element. The salience of the regional
cleavage becomes apparent in the extent to which regionalism interacts with party
politics. In fact, no European region, apart from the singular exception of Northern
Ireland, has levels of support to regionalist forces superior to those of Spain (Lago Peña
2003: 6). However, it should be noted that regionalist options are particularly decisive in
Catalonia and the Basque Country, where they account for almost three-fourths of the
voters and members of the autonomous parliaments of all the regionalist forces in Spain.
But, in contrast to regional parties that had enjoyed patronage privileges in the allocation
of state resources following their participation in government such as the Volskunie and
Rassemblemet Wallon in Belgium (Newman 1994: 34), Catalan, and to a lesser extent,
Basque regionalists have negotiated not principally over pork-barreling but over the
allocation of state authority. Specifically, they have bargained by offering their support to
different parties in minority national government in exchange for further decentralization
in favor of their regions.

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3 This level of expenditure decentralization is much higher than that we can find in
federal countries with similar economic and political set-up like Belgium (about 12
percent), matching Austria, and slightly bellow Germany and the United States (Watts
1999: 47).
However, there is little doubt that regional party successes stem primarily from the dynamics of coalition politics in Spain. Their strong bargaining power due to their intermediate position or, perhaps, pivotal position regarding traditional parties of the Right and Left enhances the prospects of particularistic benefits. So what account for the fact that regionalist forces in Spain have favored leverage in expanding fiscal autonomy over allegedly more tempting particularistic and targeted benefits? The sorting out of this apparent puzzle takes in center stage in the subsequent section.

**The Empirical Analysis**

The general thrust of this part is to estimate the impact of political factors at the subnational level by regressing efficiency/equity and electoral/institutional variables on federal transfers. These transfers deserve independent study because regional resource devolution is central to the success and viability of autonomous subnational governments and have the potential to become patronage resources. Accordingly, we will zoom in on the evolution of the other two conditional (i.e. earmarked) transfer programs, which are based on discretionary determination and thus susceptible to political manipulation. The first is *Subvenciones Gestionadas*, Subsidies (SG), which is funding provided by the central government for various policy goals mainly aimed at financing welfare schemes by the regional Ministries of Labor and Social Security. On average, this sector, combined with Education and Science, captures nearly 99 percent of the total amount of subsidies, enhancing its fiscal and political significance (Ministerio de Economía y Hacienda 1995: 84-85). In practical terms, this type of assistance is intended to support deficit-ridden regional administrations, but in principle is open to all AC. The second, known as *Convenios de Inversión*, Joint Investment Agreements (CI), is mainly used to increase the stock of capital necessary for the provision of public services with spillover effects, but also to compensate for deficiencies in certain services transferred to the regions. While smaller than the above-mentioned transfer programs, the latter two have experienced an increase of almost a 30 percent during the 1990s (Banco de España 1999),

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4 For instance, these include environment, housing, agriculture, public safety, and tourism.
experiencing greater increases than comparable federal transfer programs and thus becoming potential havens of patronage politics.

We have chosen to test the hypotheses using pooled time-series regression analysis, which is the most appropriate technique for capturing variation across and within panels (Wonnacot and Wonnacot 1979) while using an estimator that recognizes the potential errors attributable to panels of subnational financial data. Chief among them is the statistical problem of serial correlation because budget allocations for one year are only incrementally different from previous years, so that the independence of observations requirement does not hold. Further, considering the data used in this analysis are unbalanced (i.e. a small numbers of years are missing), we use STATA software, which provides a command (“xtpcse”) that employs an algorithm to estimate unbalanced data. An additional advantage of using regression models with panel-corrected standard errors is that they prevent cross-sectional heteroskedasticity without substantially diminishing degrees of freedom. Last, given the reasonably large number of cross-section units (24 provinces), it is not necessary to include a matrix of case dummies. As we use pooled data, the unit of analysis is AC/year.

As for the political variables, it is important to point out that there are important institutional differences in the functioning of the Spanish legislature and those of other politically decentralized systems. Among this is the weak role of the Spanish Senate that is more often regarded as an “institutional courtesy” than a body where subnational representatives have a meaningful say in national policymaking (Colomer 2002: 199; Roller 2002). Further, it is important to point out that decentralization of public powers occurred only after the 1978 Spanish Constitution was put in effect. In turn, the creation of the seventeen AC took five years to materialize, as the last Autonomy Statutes were passed in 1983. As a result, longitudinal data to examine the politics of fiscal

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5 Regression analysis is biased when all the error processes do not have the same variance (i.e. heteroskedasticity).
6 Commonly used to analyze pooled time-series data, least squares dummy variable (LSDV) regression is useful only when cross-temporal variances and covariances significantly exceed cross-spatial ones (Hicks 1994: 179).
decentralization in Spain are more limited in the amount of years that can be used in time-series analysis. That said, pooling these data allows us to overcome that limitation so that statistical analysis can still be carried out.

**Dependent Variable**

The approach to identify our measure of federal allocations will be the yearly changes in the evolution of SG and CI transfers from 1986 to 1998, which are the only years available for consistent and systematic analysis. Again, these two transfers programs are chosen because they are the largest pieces of sharable resources available in Spain, in which discretionary criteria plays a significant role. To control for the impact of inflation, we have converted all years to 1992 Pesetas. Albeit moderate, inflation still affects levels of apportionment to a large extent. Our explanatory models, however, do not focus on monetary effects on fiscal decentralization, but inflation effects must still be controlled for.

**Independent Variables**

While there is a relatively significant concentration of the national population in only a few AC, Spain does not have a significantly skewed inter-regional population distribution. Further, regions enjoying high levels of economic development do not belong to a single population category, as the largest population shares are those of Andalusia and Catalonia, being the former a poor AC and the latter very rich. Still, population-related issues have been controversial. For instance, when the financing arrangements for 1987-1991 were debated, it was proposed that subsidies for education would be based on population distributions that would exclude individuals older than 22 years. This factor favored the rapidly demographically-growing Andalusia but it was prejudicial to Catalonia. Given that the latter was a necessary coalition partner for the then ruling PSOE, whereas the former was a “safe constituency” and that Catalonia plays strategic role in Spain’s economy accounting for about the 16 percent of the national

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7 Spain’s inter-regional disparities in population density do not deviate from those in EU countries of comparable size (Castells 2001).
GDP, the central government decided to adopt a formulae that includes the total population. Thus, population has been high in the discussions about fiscal decentralization in Spain. We will also hypothesize in this case study a positive relationship between population shares and the amount of SG and CI transfers to AC. This variable is measured using population figures based on available census data.

Since the 1970s the Spanish economy has probed unable to create employment at a fast rate enough to bring more than temporary reductions in the unemployment rate. In turn, Spain experienced an increase in unemployment levels from 2.5 percent in 1973 to 22.7 percent in 1993 (Hamann 1997: 120). The PSOE’s labor market policies not only attracted opprobrium from the unions but they also increased conflict among AC. García-Mila and McGuire (2001) argue that the central government has resorted to development funds such as the FCI to tone down unemployment tensions. However, they found that transfers did not improve but rather deteriorated job creation in recipient AC. This datum notwithstanding, and changing the direction of causality, it is also important to examine the extent to which counter-cyclical pressures are play in Spain in the determination of federal transfers. Therefore, we will conjecture that AC with higher unemployment rates will attract higher transfers of SG and CI. Unemployment is measured as the AC unemployment rate in percentages.

Geographical GDP may affect the allocation of intergovernmental transfers. There are important differences in terms of GDP across AC, largely reflecting the high concentration of economic activity in two AC, Catalonia and Madrid, which jointly represent more than 35 percent of the total GDP produced in Spain. That said, Castells (2001: 191) claims that “comparison with other European countries shows that Spain is not a country with strong regional imbalances; on the contrary, it has smaller imbalance indexes than most of the other large European countries”. In turn, we expect that geographical GDP will be negatively correlated in the case of SG because of its considerable welfare module, but not for CI, where the public infrastructure component is more prominent. Geographical GDP is measured as the per capita AC GDP converted into Pesetas, 1992.
Turning to the political variables, partisan disharmony between the executive of the central and subnational governments stands out as a potentially important factor to explain intergovernmental fiscal relations in Spain. Pacts among elites were commonplace in Spanish transition to democracy (Gunther and Higley 1990; Karl and Schmitter 1991), facilitating a gradual and stable democratization but, more decisively from the standpoint of this section, bolstering decision making from “above”. This attempt to accommodate intergovernmental relations is a perennial one among federation and it essentially consists of relations between elected and appointed first-rank officials of the two levels of government. Table 1, however, shows that throughout the last two decades, the party elected to government in most of the AC has been the same party elected to national government. More precisely, for the period 1983-1999, on average, only 38 percent of the seventeen AC presidents belonged to the opposition party. This suggests that Spanish Prime Ministers could benefit from ample majorities in high-level meeting forums such as the *Consejo de Política Fiscal y Financiera de las Comunidades Autónomas*, (CPFF) Council for Fiscal and Financial Planning, where negotiations on SG and CI allocations take place. As a result, we do not anticipate any significant effect of the partisan disharmony on the distribution of these funds.

### TABLE 1: PARTIES IN CENTRAL AND AC GOVERNMENTS 1983-1999

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<tbody>
<tr>
<td>AC governments of the same party as that in CG</td>
<td>12</td>
<td>9</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>AC governments of the main opposition party (OP)</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
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</table>

*Percentage of AC presidents of the OP whose party is not in central government*

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<tbody>
<tr>
<td>Percentage</td>
<td>25</td>
<td>47</td>
<td>47</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Own elaboration based on Grau I Creus (2000).
While the PSOE held a majority of seats in the national parliament from 1982 to 1993, allowing the then Prime Minister Felipe Gonzales to govern freely, in 1989 it lost a recount challenge to Izquierda Unida, IU, United Left (formerly the Spanish Communist Party), losing half of its seats and thus facing a minority government until 1996. Additionally, considering the fact that, following the transition to democracy, no single party enjoyed an absolute majority of seats in the parliament, legislative party power has been diffused and open to bargain. Borrowing from Peters (1997: 69), “this need to bargain and form a coalition means that, in essence, the coalition is a form of divided government”. Thus, “minority governments are the unambiguous parliamentary equivalent of divided governments in presidential regimes” (Elgie 2001: 6). As a result, the weaker the central government’s party position in parliament, the more pressed it is to include a broader group of parties. This need to reach out political opponents is boosted by staggered regional elections in the Basque Country, Catalonia, Galicia, and Andalusia, where opposition parties, mainly regionally-based, have greater opportunities to introduce new issues onto the political agenda. And because the party controlling the majority of seats in the regional legislature appoints the AC president, the prime minister must pay serious heed to these subnational elections. Hence, we expect a positive relationship between divided government and transfers allocation. Divided government is measured at the subnational level, as the percentage of deputies who do not belong to the Prime Minister’s party. Since all AC have unicameral legislatures, the codification of data is simple and straightforward.

Considering that the transition to democracy in Spain is inseparably linked to territorial decentralization, regionalist parties\(^8\) benefited from a significant opportunity structure to attract an increasing amount of attention (Pallares, Montero, and Llera 1997). In turn, regionalist parties have had an important impact on political developments in Spain, not

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\(^8\) Some scholars claim that regionalist parties in Spain should be classified as non state-wide parties wide because these parties circumscribe their activities over a territory smaller than the national territory (Pallarés and Keating 2003). Others prefer the most general notion of nationalist (Hernandez Bravo 1989). Elsewhere, I argue that these parties should be identified as ethnoregionalist because their demands for regional-level policy making authority stem from, and are articulated through, ethnic and identity factors (Gordin 2001)
just at the autonomy level, but also at the center. In a party system subject to a high level of electoral volatility, these parties have attained hegemonic status in some AC (Convergència i Unió, CiU, in Catalonia, Partido Nacionalista Vasco, PNV, in the Basque Country) and decisively important in others (Coalición Canaria, CC, in the Canary Islands, Bloque Nacionalista Galego, BNG, in Galicia). Further, regionalist parties profit from their strategic intermediate ideological position in the left-right continuum; in fact, mainstream parties prefer to negotiate support for national policy outcomes (i.e. budgets) with regionalist parties more than with other national parties, because regionalist party leaders are willing to support national policies with minimal amendment in exchange for transfers of policy-making authority to the AC governments (Heller 2002). This king-maker role may endow regionalist parties with considerable opportunities to tilt the allocation of federal transfers to their jurisdictions, so we will assume a positive relationship between regionalist party control of an AC and the corresponding share of SG and CI transfers. This variable is measured using a dummy variable indicating whether the AC executive is controlled by a regionalist party.

9 Flying in the face of the highly influential freezing (i.e. stabilization) thesis about electoral realignments in Western Europe espoused by Stein Rokkan, the ruling UCD “suffered perhaps the most important electoral defeat ever experienced by a political force in Western Europe; indeed, its vote share decreased from 35 to 7% and its representation in Congress went from 168 seats to a mere dozen” (Gunther, Sani and Shabad in Montabes 1994: 15). Hopkin (1999) provides a very vivid account of the meteoric rise and fall of the UCD in the 1980s.

10 An additional effect of the territorialization of politics in Spain after the death of Franco has been that the strong presence of regionalist parties has blocked the emergence of other contenders in the party system. For instance, green parties and right-wing neopopulist parties, increasingly popular in other West European nations, are insignificant players in the Spanish party system.
TABLE 2: DETERMINANTS OF SUBVENCIONES GESTIONADAS: PANEL-CORRECTED REGRESSION RESULTS

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>z</th>
<th>p&lt;.05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>1.98</td>
<td>0.048</td>
</tr>
<tr>
<td>Population</td>
<td>2.62</td>
<td>0.009</td>
</tr>
<tr>
<td>Unemployment</td>
<td>2.51</td>
<td>0.012</td>
</tr>
<tr>
<td>Geographical GDP</td>
<td>7.76</td>
<td>0.000</td>
</tr>
<tr>
<td>Regionalist Party President</td>
<td>2.73</td>
<td>0.006</td>
</tr>
<tr>
<td>Divided Government</td>
<td>-3.21</td>
<td>0.001</td>
</tr>
<tr>
<td>Partisan Disharmony</td>
<td>-0.90</td>
<td>0.366</td>
</tr>
</tbody>
</table>

Note: N = 167. The dependent variable is yearly changes in the evolution of Subvenciones Gestionadas transfers to AC from 1986-1998. $R^2 = 0.64$. Wald Chi2 = 115.27 (prob > chi2 = 0.000). Entries are panel-corrected standardized coefficients.

TABLE 3: DETERMINANTS OF CONVENIOS DE INVERSION: PANEL-CORRECTED REGRESSION RESULTS

<table>
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<tr>
<th>Independent Variables</th>
<th>z</th>
<th>p&lt;.05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>2.08</td>
<td>0.037</td>
</tr>
<tr>
<td>Population</td>
<td>8.12</td>
<td>0.000</td>
</tr>
<tr>
<td>Unemployment</td>
<td>-0.41</td>
<td>0.680</td>
</tr>
<tr>
<td>Geographical GDP</td>
<td>-0.75</td>
<td>0.455</td>
</tr>
<tr>
<td>Regionalist Party President</td>
<td>1.67</td>
<td>0.095</td>
</tr>
<tr>
<td>Divided Government</td>
<td>-1.15</td>
<td>0.251</td>
</tr>
<tr>
<td>Partisan Disharmony</td>
<td>-0.87</td>
<td>0.384</td>
</tr>
</tbody>
</table>

Note: N = 200. The dependent variable is yearly changes in the evolution of Convenios de Inversión transfers to AC from 1986-1998. $R^2 = 0.30$. Wald Chi2 = 89.06 (prob > chi2 = 0.000). Entries are panel-corrected standardized coefficients.

Tables 2 and 3 display the results for the SG and CI models. It seems that in most respects, both models perform reasonably well. It appears, however, that political variables have not much to offer in understanding intergovernmental fiscal relations in Spain. Except for the regionalist party president variable, partisan-institutional
parameters do a poor job in predicting transfer allocations because partisan disharmony is not statistically significant in both models and divided government is only significant in the SG model but carrying the opposite sign. At first glance, these findings suggest that, other things equal, the build up of legislative support is not been undertaken successfully. Albeit contradicting the hypothesized effect, the negative sign of the divided government factor should be interpreted at the light of certain legislative and electoral dynamics that affect the distributional strategies of the main national parties differently. While the PSOE’s parliamentary party turnover has been relatively normal, the rate of PP turnover has been higher because many of its MPs had gone to take part in regional bureaucracies. Furthermore, partisan control of both legislative houses by the PSOE from 1982 to 1993 has not been related to decentralizing trends. Boix (1998) study of public investment in the ACs made by the PSOE convincingly shows that state spending was territorially biased toward Andalusia and Extremadura, which were the AC where the PSOE had its strongest electoral support. Put differently, coalition interests subsided to partisan interests, diminishing the explanatory power of the divided government variable.

Conversely, according to our data, regionalist party presidencies are consistently successful in luring federal transfers to their AC. However, it is important to keep in mind that regionalist parties have rarely controlled autonomic presidencies, mainly in Catalonia and the Basque Country. Hence, the significance of this coefficient may overestimate the salience of this variable as a systemic factor. While pork-barreling is inherently intertwined, in regional parties’ voters mind, with regionally defined appeals to increase spending powers, preliminary evidence on this topic suggests that pork-barreling appeals depend more on the structure of party competition than on the control

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11 Personal communication with a Diputado PP (Comunidad Valenciana, February 10, 2002.
12 In this regard, Hopkin (2001: 128) argues that "the most emblematic example of this was the establishment of Spain’s first high-speed rail link (the AVE) between Madrid and the Socialist bastion Sevilla (Andalusia’s most populated province and capital, note in parenthesis is not in original), rather than the more obvious link between the capital and Barcelona".

of the presidency by a regionalist party.\textsuperscript{13} It remains to be seen, therefore, what factors make these parties more successful in some AC than others, which is an issue we will address in the next section of this paper.

We turn now to the estimation of the efficiency/equity variables. In the SG model, these factors provide an adequate empirical explanation of the determination of transfers. Thus, the ostensible welfare goals of this transfer program are reflected in its elasticity in respect to demographic and unemployment considerations. However, we find no support for the hypothesized effect of geographical GDP, which has a positive sign, namely, that richer ACs attract higher shares of transfers. This finding is questionable because in a redistributive-oriented program availability of resources should undercut the levels of transfers relative to more economically-constrained scenarios. Table 3 shows, on the other hand, that CI transfers are less vulnerable to equalization imperatives. Both macroeconomic and counter-cyclical factors fall short of accounting for variations in this grant program. Considering that these agreements consist mostly of public works projects, “distributive” politics (Lowi 1964) calculations lessen the impact of fiscal expediency calculations, so these preliminary findings should come as no surprise. More conclusively, population looms large as the most important socio-demographic variable in both transfer programs and it is positively signed. What is more, population is the most significant and strong factor in the equation estimating CI allocations. In other words, discretionary federal transfers in Spain favor larger, i.e. more densely populated, AC.

The Limits to Redistribution: The Inter-AC Distribution of Intergovernmental Transfers in Spain

Now that the factors thrusting the determination of discretionary intergovernmental transfers have been described, it is time to examine whether transfer-dependency in Spain

\textsuperscript{13} In his study on Western Europe, Van Houten (2000) found that regionalist leaders try to claim credit for their support for fiscal autonomy. When these leaders compete against national parties, his argument goes, incentives for mobilizing broad support are large, and demanding revenue powers is unwieldy. On the other hand, if they compete against other regional parties, demanding taxing powers amounts to a “credibility ribbon” to represent regional interests.
leads also to geographically-targeted and patronage-ridden transfers. Both theoretically and empirically, the best way to assess the geographical underpinnings of these transfers is by means of a static, cross-section model. Accordingly, we will focus on the inter-AC distribution of the above-analyzed programs in 1994. This year, of course, is not chosen randomly and its selection is based on the convergence of major policy changes and significant shifts in the relationship between the central and the subnational governments. Chief among these changes are the landslide defeat of the PSOE in the general 1993 elections and its resulting (and unexpected) effect in the development of Spanish fiscal federalism. That is, the inclusion of the Catalan CiU in the PSOE-led minority government increasingly fragmented the national state’s control over fiscal policy, allowing all other AC to increase the share of autonomously collected resources, thus setting the ground for the inchoate policy of corresponsabilidad fiscal (autonomic fiscal accountability).

- “Café para todos” (coffee for everybody): The 1993 Elections, Fiscal Authority Transfer and its Demonstration Effects

The results of the general elections in 1993 ushered in a radical change in the ruling coalition makeup. Abruptly weakened and 17 seats short of a majority, the PSOE had to choose between including the former Communists or the Catalan nationalists. Albeit reluctant to unleash a dramatic federalization in Spain, the PSOE opted for the latter group because the IU opposed European integration and the liberalization of labor markets, two central pillars of the PSOE’s political agenda (Maravall 1999: 154-97). This opened a “window of opportunity” for the CiU, which eager to emulate the Basque and Navarese fuero system, succeeded in persuading the central government to cede 15 percent of the general income taxes to the Catalan government. Even with some AC opposing the implementation of this reform in their jurisdiction, this formula was

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14 For instance, Galicia and other poorer regions were aware that this reform would benefit wealthier regions, given their greater tax-generating capacity. Put coarsely, their argument was that this tax reform was a “camouflaged” transfer to the richer AC. In the case of Galicia, it is not entirely clear whether they opposed this move substantively or, rather, their PP’s controlled Xunta (autonomic government, in Galician) opposed it purely due to partisan calculations.
extended to all AC. In many respects, this development shows that while “front-runners” like the Basque Country and Catalonia sought to expand their own autonomy, and despite that regional bosses in poorer regions were interested in preserving the political benefits of “fiscal illusion”, the moves of the “front-runners” dialectically interacted with an “evening out” of competences across all autonomic administrations and thus strengthened the principle of fiscal accountability in Spain. Colomer (1999: 47) argues that “the creation of 17 autonomous communities has had the unintended consequence of promoting strong rivalry among them, even when they are governed by members of the same party. Most autonomous governments have ceaselessly requested increasing financial transfers and legal powers from the central government in order to approach the level of the Basques and the Catalans. Meanwhile, the latter governments try to maintain a distance from the rest of the communities in order to enhance their own difference. This game, usually known as ‘comparative grievance’, has produced more regional competition and much higher levels of decentralization of the Spanish state than was expected before the constitutional compromise was implemented”¹⁵

Despite the sweeping opposition of three AC with poor revenue-generating capacity (i.e. Andalusia, Castille La Mancha, and Extremadura), the tax autonomy of the regional governments was built up and a new financing system was agreed upon, leading to a reassignment of tax powers. Until the mid-90s, there were several tax assignments (wealth, gambling, stamp, etc.) whose yield was ceded to AC, but no significant decision-making powers were at play. In turn, the power to regulate tax brackets, tax rates, and some other benefits were conferred on the AC. Subsequently, the central government and the AC agreed to broaden the scope of the ceded taxes and the 15 percent share of ACs on income tax was increased to a 33 percent (Ruiz Almendral 2003). What began as a central government’s move to quench Catalonia’s aspirations of self-determination and autonomy, it soon turned into an “inductive allocation of powers” (Moreno in Agranoff and Ramos Gallarín 1997: 38) whereby all regions had both incentives and multiple

¹⁵ This amounts to something of a “bitter pill” for Catalonia and its quest for regional distinctiveness (Personal communication with a Senior Advisor, Banco de España, February 5, 2002).
opportunities to expand their fiscal policymaking authority. Uneasy as these development appeared at first to economically-backward and ostensibly looser AC, it nevertheless became more difficult for them to sabotage the pace of change.

These new developments and constraints notwithstanding, the jury is still out to determine what AC succeeded in attracting a larger share of federal transfers. To respond this question, we investigate the distribution of SG and CI transfers among AC in 1994. In turn, revenue/expenditure flexibility will be our approach to uncover the extent of peripheralization in the distribution of transfers and our main independent variable. For this purpose, we will use an indicator of AC financial capacity, which is the revenue/expenditure flexibility variable and operationalized as the AC-generated revenue as a percentage of total revenue. That said, the results of the time-series analysis do not provide robust evidence of a negative relationship between transfer dependency and grants allocations; let alone that the “all for one and one for all” dynamics portrayed above does not bode any significant maneuvering space for transfer-dependent AC to increase their shares beyond reasonable levels. Therefore, we do not expect revenue/expenditure flexibility to be a major determinant in the cross-sectional analysis. Further, the equation to estimate this model will include all the statistically-significant variables in the pooled time-series analysis, which will function as control variables.

Thus we estimate the following models:

\[
\text{Subvenciones Gestionadas} = B_0 + b_1 \text{Population} + b_2 \text{Unemployment} + b_3 \text{Revenue/Expenditure Flexibility} + b_4 \text{Geographical GDP}^{16} + b_5 \text{Divided Government} + b_6 \text{Regionalist Party Presidency} + e
\]

\[
\text{Convenios de Inversion} = B_0 + b_1 \text{Population} + b_2 \text{Revenue/Expenditure Flexibility} + b_3 \text{Regionalist Party Presidency} + e
\]

\[^{16}\text{We include geographical GDP because its Pearson correlation with the revenue/expenditure factor is not statistically significant.}\]
Table 4 and 4 display the results for the SG and CI models, respectively. First, our variable of interest, revenue/expenditure flexibility, is not significant, thus transfer-dependent AC unwilling to shoulder the political burden of having to raise taxes locally are not rewarded. Note that the only significant variable is population, and because it has positive sign there is little room to infer any important effect of political or fiscal imbalances factors. This suggests that when we control for these influences, population is the most important predictor of the inter-regional distribution of intergovernmental transfers, as transpires from our data. Considering that population is usually included to

**TABLE 4: THE DETERMINANTS OF SUBVENCIONES GESTIONADAS: RESULTS OF CROSS-SECTION ANALYSIS**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coefficient</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.899</td>
<td>.565</td>
</tr>
<tr>
<td>Population</td>
<td>1.474**</td>
<td>2.341</td>
</tr>
<tr>
<td>Geographical GDP</td>
<td>-.549</td>
<td>-.946</td>
</tr>
<tr>
<td>Unemployment</td>
<td>-.150</td>
<td>-.736</td>
</tr>
<tr>
<td>Revenue/Expenditure Flexibility</td>
<td>-.061</td>
<td>-.338</td>
</tr>
<tr>
<td>Divided Government</td>
<td>-.072</td>
<td>-.380</td>
</tr>
<tr>
<td>Regionalist Party Presidency</td>
<td>.124</td>
<td>.623</td>
</tr>
</tbody>
</table>

**Significant at the 0.04 level (2-tailed test)**

Note: N = 17. The dependent variable is the evolution of SG transfers to AC in 1994. \( R^2 = 0.78 \). Entries are standardized coefficients.

**TABLE 5: THE DETERMINANTS OF CONVENIOS DE INVERSION: RESULTS OF CROSS-SECTION ANALYSIS**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coefficient</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>.687</td>
<td>-.168</td>
</tr>
<tr>
<td>Population</td>
<td>.877**</td>
<td>6.555</td>
</tr>
<tr>
<td>Revenue/Expenditure Flexibility</td>
<td>-.013</td>
<td>-.093</td>
</tr>
<tr>
<td>Regionalist Party System</td>
<td>-.009</td>
<td>-.066</td>
</tr>
</tbody>
</table>

**Significant at the 0.00 level (2-tailed test)**

Note: N = 17. The dependent variable is the evolution of CI transfers to AC in 1994. \( R^2 = 0.76 \). Entries are standardized coefficients.
capture any scale economies in the provision of publicly supplied goods and services, our finding points to the preeminence of socio-demographic imperatives in the inter-AC distribution of transfers.¹⁷

While it is tempting to equate regional party dominance with patronage politics, it is important to bear in mind that the patchwork of subnational policy regimes in Spain is becoming more uniform in those areas of fiscal policy where “front-runners” like Catalonia, and the Basque Country in some respects, have shown a greater ability to increase authority within their own regions and greater ability to use own tax revenues at the margin. The case of health policy is very illustrative insofar as joint cooperative bodies were established at the autonomic level, enhancing the influence of the pro-decentralization Basques and Catalans over their counterparts. Namely, the creation of the permanent Interterritorial Council for the National Health System denotes not only an increasing acceptance of regionalist parties in joint policy-making settings but also the institutionalization of regular interactions among regional governments (Rico 1996). This explains why other AC like Canary Islands and Valencia pursued lobby pressure on the central government to catch up with Basques, Navarese and Catalan achievements and why laggards such as Extremadura, Castille La Mancha, and, to a lesser extent, Andalusia proved unable to boycott increasing inter-AC cooperation in the area of fiscal federalism. Borrowing from Hall (1992), Spain’s open-ended institutional federal structure and its concomitant periodic bargaining over competences facilitated policy learning among regional elites and a subsequent “paradigm shift” from financial autonomy (i.e. regional spending power) to fiscal autonomy (i.e. regional revenue-generating powers).¹⁸

¹⁷ To corroborate whether these results hold when the number of observations is increased, we simulated an increase in N size by using the “weight cases” function in SPSS. This N increase is weighted by the ratio between the number of AC in Spain and the number of states in the United States. The latter case is a comparable decentralized polity that, given its relatively high number of subnational units, provides a realistic yardstick to “artificially” expand the number of observations. The sign and significance of variables remained unchanged after this simulation.

¹⁸ While other authors who drew on the policy learning approach have stressed the effect of the South European neighbors (Rico 1996) or Europeanization (Borzel 2002) on Spain’s regional decentralization, we focus on the domestic level influences.
differently, Spain gradually moved from “consumption” to “market-preserving” federalism (Weingast 1995).

Moreover, Catalonia’s CiU is perhaps the most pragmatically-oriented regionalist party in Spain. Lying somewhere between a “catch-all” and “pressure group” strategic stance, the CiU has paid lip service to Catalans’ quest for an independent state but its main approach has been to resort to nationalism as its defining element (Marcet 1994). However, far from advocating an organic conception of nationalism, CiU has resorted to Catalanism in a mostly populist fashion and as an electoral identifying badge. This is corroborated by evidence drawn from the Manifesto Research Group data, which shows that the CiU is more likely to cooperate with either the PSOE or the PP than other regionalist parties (Heller 2002: 664). Accordingly, CiU has been able to affect national policy to a larger extent than competitor regionalist forces. However, the policy learning effect may have been at play in partisan politics as well, because, except for the Basque regionalists, most other regionalist parties have articulated a more pragmatic outlook and thus contribute to political integration in a decentralized state (Pallarès, Montero and Llera 1997: 167).

A more latent yet crucial development has been the acceptance of regionalist parties as important actors not only at the legislative level but also as decisive players in joint policy-making bodies such as the CPFF, regular meetings of the national and autonomous education ministers, and the Intergovernmental Council on Health Matters. The institutionalization of regular interactions between national and regionalist parties’ leaders has led the latter to accept multilateral cooperation. In other words, while regionalist parties may resort to a wide array of strategic resources to increase their access to pork-barrel benefits, decentralization policy imperatives can at times be the decisive factor.

Gibbons (1999: 26) claims that “in terms of their broad strategies, regional and nationalist parties have tended, to some extent, to copy each other. This was illustrated during the Second Republic as, one after another, the historic nationalities sought autonomous status...’autonomy fever’ spread across the land-mass of Spain in the late 1970s and early 1980s, when regional consciousness even surfaced in areas of Spain such as Extremadura and Murcia, not known previously to have had any special claims to regional separateness”.

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Conclusion

This paper elucidates the conditions under which pork-barreling transfers are more or less likely to occur in federalizing polities. The results and the ensuing analysis provide preliminary support to the thesis that the territorialization of political authority and party competition is not necessarily conducive to a widespread use of patronage for political gain, despite the hypothesized opportunity structure in the beginning of this study. I show that wealthy AC are not decisively active in attracting a lion share of federal transfers beyond fiscal and socio-demographic considerations. The increasing accommodation of regionalist parties’ interests in joint decision-making bodies, where inchoate notions of fiscal accountability are gradually gaining more favor than economic rent-seeking, hinders the ability of economically disadvantaged yet politically relevant AC to form fiscally-regressive distributional coalitions. Accordingly, I argue that the strong presence of regionalist parties in mostly economically, prosperous AC has played an important role in preventing “over-fishing” of intergovernmental transfers by poorer AC. The combined effect of regionalist-party dominance in fiscally-competent AC, their increasing influence in the national parliament, and their concomitant acceptance in emerging joint policy-making mechanisms inhibits backward regions’ attempts to preserve the status quo (i.e. revenue centralization). Albeit not entirely keen yet “institutionally” unable to block the moves of richer regions, the latter follow suit. The resulting outcome is increasing multilateral fiscal collaboration, expanding revenue decentralization and, concomitantly, greater obstacles to dispense patronage and geographically-targeted goods.
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