Secessionism and the Quality of Government: Evidence from a Sample of OECD Countries

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1 April 2015

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ABSTRACT. In this article we test the hypothesis that secessionism reduces government quality because secessionist threats elicit a response from central governments concerned with the territorial integrity of the state and this, in turn, channels attention and resources away from necessary governance reforms. We consider the link between secessionism and government quality based on an original data-set that reflects the electoral success of secessionist parties in national elections. Our empirical results, drawn from a sample of twenty-two OECD countries over the period from 1980 to 2007, support the expectation that secessionism will tend to reduce the quality of government even after controlling for the influence potentially confounding variables and the possibility that government quality may itself affect the electoral fate of secessionist parties.

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INTRODUCTION

A significant theoretical and empirical scholarship has established the fundamental importance of government quality for the path of economic development (for example, NORTH and THOMAS, 1973; NORTH, 1990; HALL and JONES, 1999; ACEMOGLU *et al.*, 2001, 2005; RODRIK *et al.*, 2004). Poor governance, in the guise of insecure property rights, over-regulation, corruption or an inefficient public administration, acts as a drag on socially beneficial economic activity.

Because good governance matters for the wealth of nations, a fast-growing social science literature has tried to explain the existence of significant cross-country differences in the quality of government (see, KYRIACOU, 2014, for a recent review). In this context, ALESINA and ZHURAVSKAYA (2011) have put forward secessionism as a potentially important determinant of government quality. Specifically, they argue that in response to secessionist threats, central government may repress or financially appease seceding regions thus crowding out resources which could otherwise have been employed towards improving government performance. This is a potentially important argument considering that secessionist movements, aiming at the creation of new states or the union of the seceding territory with a neighbouring state, are salient phenomena across the world. At the time of writing, (mostly) peaceful secessionist movements are present in economically developed democracies such as Spain, Belgium, Italy, Canada and the United Kingdom, while others manifest themselves, sometimes violently, in developing countries whose democratic experience is more limited or nonexistent (China, Somalia, Sri Lanka, the Ukraine and the former Yugoslavia).

In this article we will consider the link between secessionism and government quality based on an original dataset which reflects the electoral success of secessionist parties in national elections. Our empirical results, drawn from a sample of twenty-two

OECD countries over the period from 1980 to 2007, provides strong support for the basic intuition that secessionism tends to reduce the quality of government.

The work undertaken here is part of a broader and ongoing research project conducted by the authors (at times in collaboration with others) empirically exploring the links between governance, politics, and regional diversity. Thus, KYRIACOU (2012), KYRIACOU and ROCA-SAGALÉS (2014) and KYRIACOU et al. (2014) have focused on the relationship between regional income disparities and the quality of government. KYRIACOU and ROCA-SAGALÉS (2011) have considered the impact of fiscal and political decentralization on governance. Finally, KYRIACOU and MORRAL-PALACÍN (2014) have examined the impact of regional inequalities on the electoral success of regional parties – both those with and those without a secessionist agenda.

This article is structured as follows. First, we review work which has either directly or indirectly explored the possible incidence of secessionism on governance in an effort to better understand the underlying mechanisms. Second, we present our data and explain our choice of empirical method. Third, we present and discuss our main results and pursue their robustness. Finally, we conclude the article with the main findings and suggestions for future research.

HOW SECESSIONISM CAN AFFECT GOVERNMENT QUALITY

Beyond work exploring the legal and philosophical rights and wrongs of secessionism (BUCHANAN, 1997; SUSTEIN, 1991), scholars have mostly tried to understand what determines the emergence and success of secessionist movements. Secessionism has been found to be stronger in regions with a distinct ethnic or linguistic identity, in relatively poor or wealthy regions which feel aggrieved about the territorial distribution of resources, and in larger regions or ones more open to international trade and investment since these are more likely to be economically viable as independent states

(see, for example, HECHTER and LEVI, 1979; HOROWITZ, 1981; GORDIN, 1991; SORENS, 2005).

Turning next to the consequences of secessionist movements, scholars have explained how secessionism can increase the degree of decentralization of the state, undermine political stability and lead to social conflict. HELLER (2002) describes how secessionist political parties can advance their decentralization agendas in exchange for supporting the main parties at the national or central level. BRANCATI (2005) agrees that regional parties tend to demand greater autonomy and argues that such demands are likely to shorten the life-spans of governments where regional parties are present. Finally, BRANCATI (2006) provides cross-country empirical evidence that links regional movements with anti-regime rebellion and inter-communal conflict.

Decentralization, political stability and social conflict are indirect channels through which secessionism can affect government quality. The extent of decentralization has been related to governance. Fiscal decentralization tends to improve government quality, probably because of the disciplining effect of inter-jurisdictional competition while political decentralization or sub-national elections tend to reduce it, perhaps by facilitating the capture of sub-national politicians by special interests (see KYRIACOU and ROCA-SAGALÉS, 2011 for a review of the relevant literature and results). Political instability may be inimical to improvements in governance because it reduces the ability of government to undertake institutional reforms which require longer time-horizons (RODRIK, 1996). And social conflict may have a negative impact on governance since it represents a negative shock on a country's institutional capacity (WORLD DEVELOPMENT REPORT, 2011).

A more direct link between secessionism and government quality has been advanced by ALESINA and ZHURAVSKAYA (2011) in an article exploring the impact of

territorially segregated ethnic groups on governance. In their account, ethnic or linguistic segregation can reduce the quality of government in three ways. First, ethnic segregation tends to reduce generalized trust, probably because the relatively limited contact between members of the different groups can play into the hands of political entrepreneurs in whose interest it may be to cultivate negative stereotypes about ''other'' groups (GLAESER, 2005). And trust has been identified as an important determinant of government quality because it can enhance cooperation among public officials, and it tends to increase the political engagement of citizens making government more responsive (LA PORTA *et al.*, 1997; KNACK, 2002; ROTHSTEIN and USLANER, 2005). Second, the geographic concentration of ethnic groups may exacerbate a tendency to vote for politicians because of their ethnicity rather than competence to the detriment of governance (c.f. BANERJEE and PANDE, 2007).

Finally and importantly for our purposes here, ethnic or linguistic segregation can reduce government quality because it may facilitate secession threats, leading central governments to financially appease secessionist regions or repress them by force thus diverting resources away from productive public goods and governance. While the authors do not elaborate on which strategy – appeasement or repression – will be followed by governments in an effort to shore up the territorial integrity of the state, it seems reasonable to expect advanced democracies to choose the former, while weaker democracies or autocracies may resort to either, depending on the relative costs of each. Beyond the specific response adopted by central governments in the face of secessionist pressures, the more general point is that the need to react in some way is likely to distract central governments from necessary institutional reforms.

ALESINA and ZHURAVSKAYA'S (2011) empirical results provide the strongest support for the mediating role of trust on governance. Insofar as the second channel is

concerned, they report that more segregation increases the likelihood of having an ethnic party and moreover that the negative correlation between segregation and government quality is stronger in democracies suggesting the role of ethnic voting. On the other hand, they find no robust support linking secessionism and government quality and attribute this to their crude measure of secession threats; a dummy variable that chooses for whether any ethnic group in a country has been engaged in an active separatist or autonomy movement in the past 25 years according to the Minority at Risk (MAR) data set.

But there is substantive support for the assertion that secession threats lead central governments to respond with "carrots" or "sticks". Chechnya, East Timor, the former Yugoslavia, Sri Lanka, Tibet and South Yemen provide contemporary examples of the violent suppression of secessionism. Moreover, empirical support for the idea that secessionism can elicit greater funding from the central government has emerged from the experience of Russia in the post-Soviet Union era (see TREISMAN, 1996 and 1998). He documents a highly politicized logic of redistribution in Russia, in which a region's receipts of net transfers from the centre was a function of protest actions, including sovereignty declarations, by the region. The pattern of redistribution deviated from the declared objective to aid regions which implemented pro-market reforms or which had greater needs: in practice the more assertive regions received larger benefits. Similarly, LECOURS and BÉLAND (2010) have explained how federal governments in Canada have, at times, used transfers strategically as a way to deactivate political support for separatist parties in Quebec.

In view of evidence that secessionist movements can elicit a reaction from central governments thus potentially distracting them from the business of government, the reconsideration of the link between secessionism and governance based on data

which capture the strength of secessionist parties in national elections seems a worthwhile enterprise and one which we will devote the rest of this article.

SAMPLE AND KEY VARIABLES

To measure secessionist pressures, we employ an indicator of secessionist party strength, based on an original dataset which differentiates between secessionist and regionalist parties. In doing so, we follow SORENS (2008) and define secessionist parties to include both unconditional secessionists who explicitly favour full political independence in the short-term, and conditional secessionists or radical autonomists who favour a right to independence but see this in a more long term perspective and would also be accommodated with a degree of autonomy amounting to de facto independence. These parties are different to regionalist parties who reject independence but favour a degree of fiscal and/or political autonomy for regions as well as some type of regional representation at the central level. Secessionism and regionalism are related since regionalism can be a reaction against secessionist mobilization elsewhere: "When high-income regions attempt to secede, low-income regions in the same country may spawn regionalist movements stressing their cultural distinctiveness, their right to their share of national resources, and the illegitimacy of secession or fiscal federalism" (SORENS, 2008, p.348).

Our measure of secessionist party strength is the vote share of secessionist parties in national parliamentary elections (Secessionist Vote). We focus on the electoral success of these parties at the national rather than the regional level since the capacity of secessionist parties to elicit a response from the central government is likely to be especially associated with the former's influence at the national level (DE WINTER, 1998; GORDIN, 2001; HELLER, 2002).[i]

Our sample is composed of a panel of OECD countries, most of which can be classified as both economically developed and democratic during the time period under examination.[ii] Focusing on democracies makes it more likely that any crowding out of governance reforms may come about because the central government responds to secessionist threats through appeasement (rather than repression). The final sample includes countries with and without secessionist movements in order to ensure that sample selection bias is not affecting the results of our empirical analysis. Due to the different years in which the elections take place, the data are introduced into the analysis taking four-year averages. This also allows us to control somewhat for the effects of the economic cycle and to focus on the structural relationship between the key variables. This strategy yields an unbalanced panel of twenty-two OECD countries over the period 1980 to 2007.[iii]

Our measure of secessionism differs significantly in our sample of countries. Specifically, seventeen out of twenty-two of the countries in our sample have values of secessionist party vote share below the mean value, which is 1.7915 per cent. Among these countries, eleven have never had secessionist party vote: Australia, Austria, Finland, Greece, Hungary, Ireland, Netherlands, New Zealand, Slovak Republic, Sweden and Switzerland. Figure 1 shows the average cross-country variation in secessionist vote in national elections over the period 1980 to 2007. Secessionist parties are stronger – in terms of the share of votes gained in national level contests – in Belgium, Canada, Spain and Italy. While figure 1 does not show the evolution of secessionism over time, we can indicate that the tendency has been for secessionist parties to gather a greater share of the votes in these four countries. Moreover, Belgium, Canada and Italy start with very small values of secessionist vote and experience large increases over time.

Figure 1. Secessionist party vote share in selected countries (mean value over the period 1980-2007)
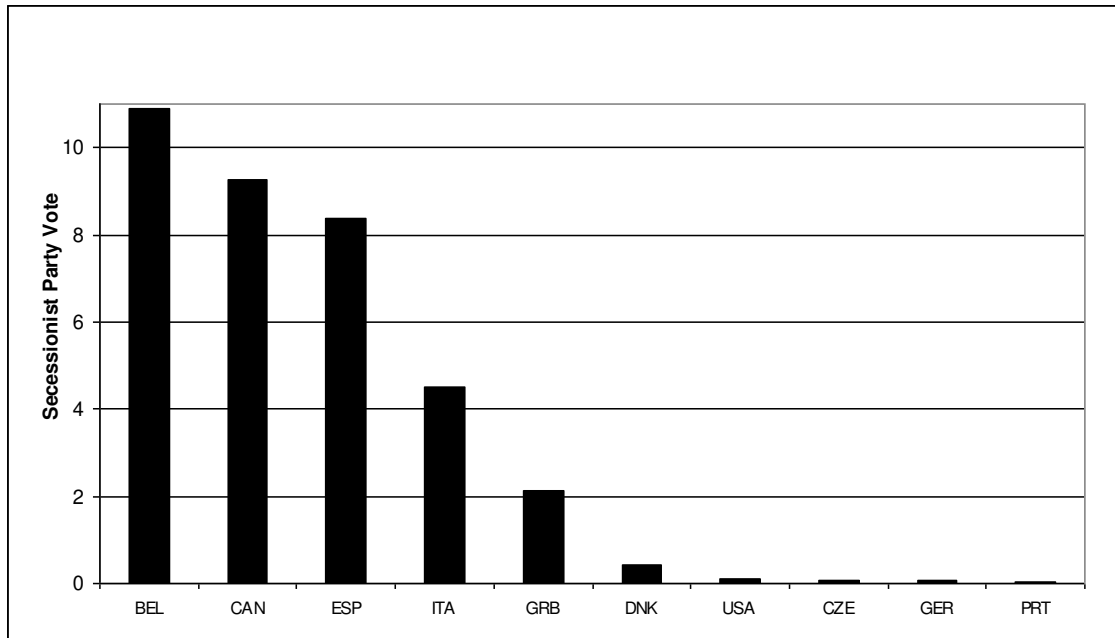
Note: Only countries with secessionist party vote for more than one period are shown.

To measure government quality, we employ the International Country Risk Guide (ICRG) which assesses political, economic and financial conditions in a large cross-section of countries. Among the dimensions covered by the ICRG, there are three which are intimately related to government quality, thus making it a popular source of data in governance-related empirical work. In particular, the ICRG provides information on the extent of corruption (including bribes, patronage, nepotism, job reservations, 'favor-for-favors' and secret party funding), the level of respect for law and order (how strong and impartial is a country's legal system) and the quality of the bureaucracy or public administration (better bureaucracies are ones with greater expertise, ones with established mechanisms for recruitment and ones with greater independence from political interference). Because each individual index may suffer a degree of measurement error, we employ an average of these three dimensions in our main

analysis (see also, MAURO, 1995) and employ each individual component as a robustness check.

The ICRG data starts in 1984 and, since the values of government quality in our cross-section change slowly over time, we have extended the first available value in our sample (the average value for the period 1984-1987) back to the period 1980-1983, in order to maximize the number of observations. As can be seen in figure 2, government quality is highest in Scandinavian countries and lowest in Eastern and Southern Europe. Generally speaking, the evolution of this indicator over time (not shown) can be characterized by two clear tendencies: an increase in the quality of government and a reduction in the differences between countries during the 80s and 90s and a reversal of both these occurrences as of the twenty-first century. The quality of government falls during the whole period in fifteen of the countries in the sample, and it increases in five, four of which start from values below the average (Greece, Portugal, Ireland and Spain). Having defined our key variables, we can now begin to consider if greater secessionist vote is associated with lower quality of government. Although not accounting for the influence of omitted variables, Table 1 shows that the mean values of government quality decrease as secessionist party vote increases. This is also suggested by the simple correlation between these variables, since the corresponding correlation coefficient is -0.1531, with a p-value of zero (see the correlation matrix in Table 12 of the Appendix).

Figure 2. Government quality (ICRG) in each country (mean value over the period 1980-2007)
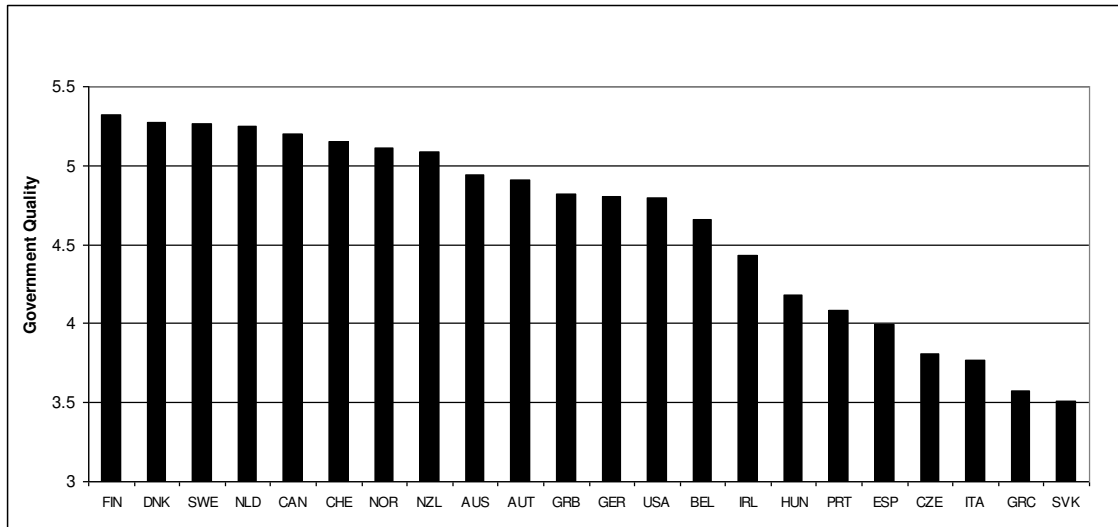

Table 1. Government quality (ICRG). Group differences by secessionist vote

Secessionist Vote	Government Quality		
	Mean	Std. Dev.	Obs.
[0, 1.79)	4.7103	0.6518	105
[1.79, 20)	4.3815	0.6373	24
All	4.6491	0.6593	129

Note: A two-sample comparison of means test leads us to reject the null hypothesis of equal means (computed t of 2.2706).

EMPIRICAL METHOD

We rely on two empirical techniques in order to estimate the relationship between secessionism and government quality. First, we employ a Feasible General Least Squares (FGLS) estimator with seemingly unrelated regression (SUR) weights (WOOLDRIDGE, 2010) and second we use OLS with panel corrected standard errors (BECK and KATZ, 1995). Because of the limited within-country variation in our government quality variables, we do not employ cross-section fixed effects.[iv]

We estimate the following base equation:

Government Quality$_{it}$ = α_i + b_1 Secessionist Vote $_{it}$ + $b_2 X_{it}$ +ε_{it} (1)

where *i* refers to countries and *t* to years, α_i is a constant, X_{it} is the vector of control variables and ε_{it} is the error term.[v] We control for the following variables: logarithm of real GDP per capita, government size, ethnic segregation, regional disparities, political decentralization, fiscal decentralization and soviet legal origin. Omitting any of these variables could potentially bias our estimates because there is a prior expectation that they can impact on both secessionism and government quality.

Thus, the need to control for GDP per capita is due to the expectation that both the demand for good government and the capacity to supply it are likely to be positively related to income (LA PORTA *et al.,* 1999; TREISMAN, 2000; ISLAM and MONTENEGRO, 2002). On the other hand, the level of development should have a negative impact on support for secessionist parties insofar as it improves education and social welfare, thus making people less vulnerable to extremist ideologies (LIPSET, 1963). We measure economic development through the log of country real GPD per capita measured in 2005 constant prices and US Dollars. Similarly, countries with larger public sectors may be better endowed to appease demands from secessionist regions. With regards to government quality, a bigger public sector implies greater corruption due to the greater possibility for rents (TANZI, 1998) but on the other hand, a larger public sector could mean that governments are better endowed with resources thereby potentially improving their performance. To measure government size, we use the government share of real GDP per capita.

The need to control for ethnic segregation is clear, given the possibility that ethnic segregation may affect government quality through several channels namely, by reducing generalized trust, increasing ethnic voting and, of course, by facilitating secessionist movements. To account for the territorial separation of ethnic or linguistic groups we draw from ALESINA and ZHURAVSKAYA (2011) and employ a population

weighted coefficient of variation which ranges from a minimum value of 0 in the total absence of the territorial segregation of groups, up to a maximum value of 1 if a country's ethnic or linguistic groups live completely segregated in ethnically or linguistically homogenous regions.

The ethnic or linguistic segregation of ethnic groups is not necessarily the only salient territorial based cleavage which can affect the relationship between secessionism and government quality. Another factor which may play an important role is the presence of regional income inequalities. Higher regional inequalities may engender redistributive conflicts since relatively wealthy regions will tend to resist net outflows of resources while relatively poor ones will call for greater inter-regional redistribution of resources. The resultant redistributive conflict may be politicized by both regionalist and secessionist political parties and as such may have a bearing on their electoral success (KYRIACOU and MORRAL-PALACÍN, 2014). In addition, regional disparities may feed into negative stereotypes about other regions leading to a reduction in generalized trust and ultimately in the quality of government (KYRIACOU, 2012). Moreover, analogously to secessionist conflict, the conflict over the territorial distribution of resources may focus attention away from other policy areas, most notably, policies aiming towards improvements in government quality or efficiency (KYRIACOU and ROCA-SAGALÉS, 2014). To measure regional disparities, we employ the population-weighted coefficient of variation (PW-CV) of regional incomes from the national mean.[vi]

We further control for the degree of fiscal and political decentralization. Decentralization can improve government quality to the extent that it empowers better informed governments and voters (OATES, 1972; BRENNAN and BUCHANAN, 1980; SEABRIGHT, 1996) or it can worsen governance to the extent that it facilitates the

capture of politicians by special interests (BARDHAN, 2002; PRUD'HOMME, 1995).

Moreover, a large literature in political science has debated on whether decentralization

increases or reduces secessionist conflict. On the one hand, to the extent that it grants

regions control over their political, social and economic affairs, decentralization is seen

as a conflict resolution mechanism (TRANCHANT, 2008; SORENS, 2009). On the other

hand, decentralization may fan secessionism because political decentralization in the

guise of sub-national elections opens the way for secessionist parties, and fiscal

decentralization increases the resources available to them (BAKKE and WIBBELS, 2006;

BRANCATI, 2007).[vii] We measure fiscal decentralization using data from the OECD

General Government Accounts which control for inter-governmental transfers or grants

to and from central government respectively (GEMMELL *et al.*, 2013). To measure

political decentralization, we employ the Representation variable compiled by HOOGHE

et al. (2008) that measures the extent to which regional governments are endowed with

an independent legislature and executive.

We further employ a dummy variable choosing for transition economies which,

in our OECD sample, basically selects for a history of membership of the Soviet Union.

There are two reasons for doing this. First, a Soviet legal tradition may, by virtue of

path dependence, act as a drag on governance since it reflects a tradition of an

overbearing and inefficient state (LA PORTA *et al.*, 1999). Second, the transition process

includes the evolution away from single party rule towards democracy and this is bound

to affect the capacity of secessionist parties to mobilize and project their strength.

Other potentially confounding factors like government instability (BRANCATI,

2005) and conflict (BRANCATI, 2006) are not introduced as controls in the analysis

basically because of data limitations. By way of illustration, the MAR project measures

the intensity of ethnic conflict and secessionism in countries but lacks data on half of

the countries of our sample. Moreover, insofar as conflict is concerned, this could be reflected somewhat by our variable of secessionist vote. To this effect, BRANCATI (2006) reveals that most forms of rebellion in a sample similar to ours involve demands for more autonomy or independence.

Our empirical strategy also strives to account for the possibility of reverse causality. While secessionism can be inimical to government quality in the way we describe in this article, it could be also the case that voters in countries with low or deteriorating government quality may be more responsive to secessionist platforms that identify bad governance with nationwide parties and which provide secession as a solution. In this vein, MYRDAL (1989, p.953) has argued that "corruption counteracts the strivings for national consolidation, decreases respect for and allegiance to the government, and endangers political stability". In other words, while it may be that secessionism can potentially crowd-out good government, it could also be the case that government quality may affect the electoral success of secessionist parties. In that case, not accounting for this possibility is likely to bias the estimated impact of secessionism on government quality towards zero (since higher government quality should reduce secessionist vote). We strive to address this issue by instrumenting secessionist vote with its lagged values and estimating in two stages (for the use of lagged values of the explanatory variables as instruments see, notably, BARRO, 2000).[viii]

RESULTS

Table 2 presents the estimates of the impact of secessionism on government quality. Models 1 to 4 are our base equations employing FGLS and OLS with PCSE while models 5 to 8 apply two stage FGLS and two stage least squares with PCSE. The results obtained show that a significant proportion of the difference in the quality of government across countries is explained, with adjusted R^2 numbers of up to 0.60. Our

results support the expectation that governments that are better endowed with resources (larger public sectors) are likely to out-perform poorly endowed ones (see also, MONTINOLA and JACKMAN, 2002). Fiscal decentralization tends to improve government quality, a finding which has received wide support in previous work (for example, FISMAN and GATTI, 2002; FAN *et al.*, 2009).[ix] We also find that the ex-soviet countries tend to have lower levels of government quality.

Contrary to the results obtained by ALESINA and ZHURAVSKAYA (2011), we do not find that ethnic segregation has a clear impact on government quality. This could be simply because of the different samples: their base sample consists of ninety-seven countries and from this they extract a sub-sample of seventy-seven democracies. Another explanation is that the impact of segregation on government quality is transmitted through secessionism, just as they suggest. In fact, ethnic segregation is positively and statistically significantly associated with secessionist vote in our sample (simple correlation of 0.5947 and a p-value of 0). If secessionism were mediating the impact of ethnic segregation on government quality in our estimates however, then dropping secessionism from the regressions should increase both the estimated impact and statistical significance of segregation on governance. The fact that this does not happen when we omit secessionist vote suggests that differences in the estimated impact of segregation in our results and those reported by ALESINA and ZHURAVSKAYA (2011) are probably driven by differences in the samples employed.

Table 2. Secessionist party vote and government quality

	Dependent Variable: Government Quality							
	FGLS		OLS with PCSE		TS-FGLS		TSLS with PCSE	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Secessionist Vote	-0.3030***		-0.4205***		-0.5425***		-0.5332***	
	(0.0814)		(0.1173)		(0.2064)		(0.1535)	
Regionalist Vote		0.0382		0.2187		0.7146		0.3243
		(0.1422)		(0.2717)		(0.4875)		(0.3657)
GDP per capita (logs)	0.2756	0.2661	0.3431	0.4517	0.0287	0.2682	0.1620	0.4249
	(0.1572)*	(0.1825)	(0.2442)	(0.2839)	(0.2165)	(0.2390)	(0.2723)	(0.3069)
Public Sector Size	0.0497***	0.0464***	0.0659***	0.0609***	0.0614***	0.0547***	0.0670***	0.0613***
	(0.0108)	(0.0119)	(0.0158)	(0.0181)	(0.0137)	(0.0136)	(0.0165)	(0.0184)
Ethnic Segregation	0.6630	-0.5984	1.5271	-0.4390	0.9291	-2.5258*	1.4179	-0.8987
	(0.7888)	(0.8289)	(1.0310)	(1.2487)	(1.0482)	(1.5187)	(1.0983)	(1.4171)
Regional Disparities	-0.4215	-0.8532	0.3210	-0.3715	0.5343	-0.7645	0.9869	-0.2458
	(0.5185)	(0.5584)	(0.8877)	(0.9715)	(0.9221)	(0.8314)	(1.0674)	(1.1059)
Political Decentralization	-0.0137	-0.0298	-0.0138	-0.0545	0.0078	-0.0593**	-0.0102	-0.0751*
	(0.0210)	(0.0233)	(0.0325)	(0.0360)	(0.0303)	(0.0267)	(0.0362)	(0.0380)
Fiscal Decentralization	0.0163***	0.0147***	0.0250***	0.0226***	0.0231***	0.0172***	0.0290***	0.0234***
	(0.0031)	(0.0035)	(0.0052)	(0.0058)	(0.0048)	(0.0045)	(0.0060)	(0.0064)
Transition Economy	-0.8971***	-0.8086***	-1.0156***	-0.7961**	-1.3904***	-0.8289***	-1.3342***	-0.8763**
	(0.1968)	(0.2182)	(0.2951)	(0.3317)	(0.3184)	(0.2865)	(0.3622)	(0.3801)
C	1.2703	1.2159	-0.0111	-1.4365	3.4129	0.3063	1.6885	-1.2742
	(1.5916)	(1.8724)	(2.4394)	(2.8734)	(2.1708)	(2.5223)	(2.6939)	(3.1206)
Adjusted R^2	0.57	0.48	0.60	0.55	0.46	0.36	0.59	0.55
Periods	7	7	7	7	6	6	6	6
Number of countries	22	22	22	22	21	21	21	21
Number of observations	129	129	129	129	107	107	107	107

Notes: Standard Errors in parentheses. *. **. *** measure statistical significance at the 10. 5 and 1% levels respectively. All the variables are defined in the text. Ethnic Segregation is a time constant variable. FGLS employs Period SUR weights. OLS and TSLS are Period Sur (Panel Corrected Standard Errors). Two stage regressions employ one period lags of secessionist party vote and regionalist party vote.

Turning now to the relationship between secessionist vote and government quality, the results clearly indicate a negative association, which is robust to the use of the different estimation methods. Alternatively, when we use the indicator of regionalist vote the results indicate a positive but statistically insignificant effect. This would suggest that it is secessionist political movements rather than regionalist ones that strain central government resources and, ultimately, reduce government quality. This, in turn, echoes ALBERT HIRSCHMAN'S (1970) intuition such that firms, organizations or states will be more likely to respond to calls for change in policies (the use of the voice option) if,

those making the demands also threaten to exit unless their demands are met. Putting it in another way, while central government must respond to secessionist movements which threaten the very existence of the state, they are less likely to be distracted by calls for more resources or self-government coming from regionalist parties which by definition have no secessionist agenda.

While models 1 to 4 indicate a negative correlation between secessionist vote and government quality in the presence of potentially important covariates, they do not address the issue of reverse causality. This is done in columns 5 to 8 which instruments secessionist vote with one period (four year) lagged values of this variable. The estimated impact of secessionist vote on government quality is marginally higher than that which emerges from the FGLS and OLS with PCSE estimates, indicating that the non-instrumented estimates may indeed be downward biased due to the influence of reverse causality. Moreover, we pursue the issue further by taking longer lags of secessionist party vote as instruments (we lag this variable up to twelve years), since longer lags should help reduce any correlation between the instrument and the disturbances. The results are displayed and Table 3 and support the expected negative impact of secessionism on governance.[x]

Table 3. Using longer lags of secessionist party vote as instruments

	Dependent Variable: Government Quality			
	TS-FGLS		TSLS with PCSE	
Instrument ▶	(1) Two period lags	(2) Three period lags	(3) Two period lags	(4) Three period lags
Secessionist Vote	-0.8776*** (0.2021)	-1.0174** (0.3964)	-0.7939*** (0.2561)	-0.7909** (0.3337)
Adjusted R^2	0.55	0.28	0.50	0.46
Periods	5	4	5	4
Number of countries	21	19	21	19
Number of observations	86	65	86	65

Notes: Standard Errors in parentheses. *. **. *** measure statistical significance at the 10, 5 and 1% levels respectively. TS-FGLS employs Period SUR weights. TSLS are Period Sur (Panel Corrected Standard Errors). The regressions employ the specified lags of the secessionist party vote variable as instruments. All regressions include a constant and the full set of control variables.

As a further robustness check, we consider if the findings are also stable to the use of different components of the ICRG indicator of government quality the simple correlations among which range from 0.5484 to 0.6939. As can be appreciated in table 4, secessionist vote strength tends to be inimical to law and order, cleaner government and bureaucratic quality although the results tend to be less robust in the case of the latter.

Table 4. Using different components of government quality

Government Quality variable ▶	FGLS			OLS with PSCE		
	(1) ICRG LAWORDER	(2) ICRG CORRUP	(3) ICRG BURO QUALITY	(4) ICRG LAWORDER	(5) ICRG CORRUP	(6) ICRG BURO QUALITY
Secessionist Vote	-0.2330**	-0.4593***	-0.1085	-0.4019***	-0.6502***	-0.2093*
	(0.1110)	(0.1210)	(0.0729)	(0.1527)	(0.1980)	(0.1167)
GDP per capita (logs)	0.6720***	-0.3958*	0.4461***	0.8142**	-0.5751	0.7901***
	(0.1998)	(0.2208)	(0.1495)	(0.3326)	(0.3785)	(0.2278)
Public Sector Size	0.0360***	0.0798***	0.0275**	0.0541***	0.0999***	0.0436***
	(0.0130)	(0.0179)	(0.0107)	(0.0198)	(0.0255)	(0.0163)
Ethnic Segregation	0.4913	1.7359	0.6181	0.5351	2.7285	1.3176
	(0.9051)	(1.2836)	(0.8009)	(1.2400)	(1.6741)	(1.0523)
Regional Disparities	0.4826	-1.2427	-0.5168	1.9716*	-0.7358	-0.2727
	(0.6426)	(0.7755)	(0.4860)	(1.1310)	(1.4052)	(0.8783)
Political Decentralization	-0.0344	-0.0653**	0.0218	-0.0160	-0.0457	0.0202
	(0.0270)	(0.0310)	(0.0196)	(0.0421)	(0.0515)	(0.0322)
Fiscal Decentralization	0.0171***	0.0218***	0.0093***	0.0257***	0.0343***	0.0150***
	(0.0040)	(0.0048)	(0.0030)	(0.0065)	(0.0082)	(0.0051)
Transition Economy	-0.5101**	-1.9832***	-0.3191*	-0.8176**	-2.0833***	-0.1459
	(0.2371)	(0.3053)	(0.1921)	(0.3756)	(0.4704)	(0.2945)
C	-1.9398	8.1835***	-1.3024	-4.1242	9.3097**	-5.2189**
	(2.0401)	(2.2471)	(1.5310)	(3.3303)	(3.7829)	(2.2893)
Adjusted R^2	0.44	0.56	0.40	0.44	0.58	0.58
Periods	7	7	7	7	7	7
Number of countries	22	22	22	22	22	22
Number of observations	129	129	129	129	129	129

Notes: Standard Errors in parentheses. *. **. *** measure statistical significance at the 10, 5 and 1% levels respectively. All the variables are fully defined in the text. Ethnic Segregation is a time constant variable. FGLS employs Period SUR weights. OLS are Period Sur (Panel Corrected Standard Errors).

Moreover, in order to fathom whether the results are being driven by one particular country in our sample, we repeat our regressions after removing each of the countries with higher secessionist party vote (Belgium, Canada, Italy, Spain and the UK), one at a

time (Table 5). The results are stable, indicating that no single country is driving them, and confirming the negative impact of secessionist party vote on government quality.

Table 5. Robustness analysis by country

	(1) Belgium	(2) Canada	(3) Italy	(4) Spain	(5) UK
Dependent Variable: Government Quality					
	FGLS				
Secessionist Vote	-0.2771***	-0.5726***	-0.2203**	-0.2917***	-0.3082***
	(0.0867)	(0.0993)	(0.0873)	(0.0802)	(0.0796)
	OLS with PCSE				
	-0.3360***	-0.6715***	-0.3855***	-0.3750***	-0.4678***
	(0.1270)	(0.1433)	(0.1261)	(0.1158)	(0.1186)
Periods	7	7	7	7	7
Number of countries	21	21	21	21	21
Number of observations	122	124	122	122	122

Notes: Standard Errors in parentheses. *. **. *** measure statistical significance at the 10, 5 and 1% levels respectively. FGLS employs Period SUR weights. OLS are Period Sur (Panel Corrected Standard Errors). Each country displayed is dropped from the relevant regression. All regressions include a constant and the full set of control variables.

Table 6. Secessionist party vote and government quality with period fixed effects

	OLS with PCSE	TSLS with PCSE		
Dependent Variable: Government Quality				
Instrument ▶		One period lag	Two period lags	Three period lags
Secessionist Vote	-0.3500***	-0.3547**	-0.4712**	-0.4468
	(0.1221)	(0.1482)	(0.2120)	(0.2702)
Adjusted R^2	0.69	0.71	0.68	0.68
Periods	7	6	5	4
Number of countries	22	21	21	19
Number of observations	129	107	86	65

Notes: Standard Errors in parentheses. *. **. *** measure statistical significance at the 10. 5 and 1% levels respectively. All the variables are defined in the text. Ethnic Segregation is a time constant variable. OLS and TSLS are Period Sur (Panel Corrected Standard Errors). Two stage regressions employ lags of secessionist party vote as indicated. All regressions include period fixed effects, a constant and the full set of control variables.

Finally, to account for the impact of factors common to all countries over time we also employ time-fixed effects in the context of our OLS with PCSE regressions. One such factor could be the process of globalization which some authors have related to our key variables. Thus, it has been argued that globalization makes smaller states, and political movements calling for them, more viable (BOLTON and ROLAND, 1997; ALESINA and SPOLAORE, 2003; SORENS, 2004). Moreover, the competitive pressures which are inherent to economic globalization may help reduce government inefficiencies (ADES

and DI TELLA, 1999; EZCURRA, 2012). As can be seen in Table 6, when we control for such common processes through period fixed effects our results are maintained.[xi]

CONCLUSION

ALESINA and ZHURAVSKAYA (2011) propose that ethnic segregation reduces the quality of government through three different channels namely trust, ethnic voting and secessionist threats. Their empirical results provide support for the first two channels, but they do not report robust evidence of the impact of secessionist threats on the quality of government, something which they attribute to data limitations. In this article we reconsider the link between secessionism and government quality based on data that reflects the electoral success of secessionist parties in national elections. Our empirical results, drawn from a sample of twenty-two OECD countries over the period extending from 1980 to 2007 and controlling for potentially confounding covariates, provide strong support for the idea that secessionism will tend to reduce the quality of government.

Our empirical analysis indicates the possibility of a feedback effect from governance towards secessionist party vote. One important avenue for future work is to systematically consider the extent to which government quality itself may affect the electoral success of secessionist parties. Secessionist political platforms may be more successful if voters associate poor governance with the central government. Empirical evidence to this effect has been provided by ALONSO (2008, p.101), who shows that parties aligned from left to right on the ideological spectrum are more severely punished than ethno-nationalist parties when they fail in the pursuit of citizens' interests. She argues that this is because parties aligned from left to right are held accountable for government performance, whereas ethno-nationalist parties are judged according to their defense of the ethno-nationalist programme. Therefore, it could be that in the

context of poor government quality, ethno-nationalist or secessionist parties may have a competitive advantage over class-based ones.

In this same vein and data availability permitting, future cross-country empirical work should explore additional causal mechanisms through which secessionism may affect government quality. Several questions may be pertinent here. Does secessionism reduce generalized trust thereby making effective government more difficult? Does it contribute towards greater government instability at the central level to the detriment of governance? Future work could also expand on the causal relationships between secessionism, the degree of decentralization of the state and government quality. Finally, some authors have identified constitutional checks and balances such as a territorially based senate or a constitutional court with regional representation as potentially useful for the survival of multi-ethnic or plurinational states (LIJPHART, 1999; ALESINA and SPOLAORE, 2003). From the perspective afforded here, an interesting question could be how such institutional arrangements can mediate the impact of secessionism on the quality of government.

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APPENDIX

Table 7. Country and election years

Country	Election Year
Austria	1983, 1986, 1990, 1994, 1995, 1999, 2002, 2006
Australia	1980, 1983, 1984, 1987, 1990, 1993, 1996, 1998, 2001, 2004, 2007
Belgium	1981, 1985, 1987, 1991, 1995, 1999, 2003, 2007
Canada	1980, 1984, 1988, 1993, 1997, 2000, 2004, 2006
Czech Republic	1996, 1998, 2002, 2006
Denmark	1990, 1994, 1998, 2001, 2005, 2007
Finland	1983, 1987, 1991, 1995, 1999, 2003, 2007
Germany	1990, 1994, 1998, 2002, 2005
Greece	1981, 1985, 1989 (jun), 1989 (nov), 1990, 1993, 1996, 2000, 2004, 2007
Hungary	1990, 1994, 1998, 2002, 2006
Ireland	1981, 1982(feb), 1982(nov), 1987, 1989, 1992, 2002, 2007
Italy	1983, 1987, 1992, 1994, 1996, 2001, 2006
Netherlands	1981, 1982, 1986, 1989, 1994, 1998, 2002, 2003, 2006
New Zealand	1981, 1984, 1987, 1990, 1993, 1996, 1999, 2002, 2005
Norway	1981, 1985, 1989, 1993, 1997, 2001, 2005
Portugal	1980, 1983, 1985, 1987, 1991, 1995, 1999, 2002, 2005
Slovak Republic	1994, 1998, 2002, 2006
Spain	1982, 1986, 1989, 1993, 1996, 2000, 2004
Sweden	1982, 1985, 1988, 1991, 1994, 1998, 2002, 2006
Switzerland	1983, 1987, 1991, 1995, 1999, 2003, 2007
United Kingdom	1983, 1987, 1992, 1997, 2001, 2005
United States	1980, 1982, 1984, 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2002, 2004, 2006

Notes: In the Czech Republic and the Slovak Republic, the elections held in 1996 and 1994 respectively, are the first elections after the Velvet Revolution that didn't take place within the context of Czechoslovakia. 1990 is the first election year for which we have disaggregated results for Greenland and the Faroe Islands in Denmark. 1990 is the first free and universal election in all of Germany since 1932 and the first free election to be held in Hungary since 1945. Finally, in Italy a new electoral system was introduced in 1993 and in 2005.

Table 8. List of secessionist parties

BELGIUM

Region	Party	Election Year
Flanders	Volksunie	1981, 1985, 1987, 1991, 1995, 1999
Flanders	Vlaams Blok / Vlaams Belang	1987, 1991, 1995, 1999, 2003, 2007
Flanders	New Vlaams Alliante	2003, 2007
Flanders	Spirit	2003, 2007

CANADA

Region	Party	Election Year
Quebec	Union Populaire	1980
Quebec	Parti nationaliste du Québec	1984
Quebec	Bloc Quebecois	1993, 1997, 2000, 2004, 2006
British Columbia, Alberta, Saskatchewan, Manitoba,	Western Independence Party	1988
British Columbia, Alberta, Saskatchewan, Manitoba	Western Block Party	2006

CZECH REPUBLIC

Region	Party	Election Year
Moravia (South Moravia, Zin Region, and parties of Moravia-Silesia, Olomouc, Pardubice, Vyscocina and South Bohemia)	Moravian National Party (different nomenclatures)	2006

DENMARK

Region	Party	Election Year
Faroe Islands	Fólkaflokkurin	1990, 1994, 1998, 2001, 2005
Faroe Islands	Sjálvstyrisflokkurin	1990, 1994, 1998, 2001, 2005
Faroe Islands	Tjodveldisflokkurin	1990, 1994, 1998, 2001, 2005
Greenland	Inuit Ataqatigiit	1990, 1994, 1998, 2001, 2005

GERMANY

Region	Party	Election Year
Bavaria	Bayernpartei	1987, 1990, 1994, 1998, 2002, 2005

ITALY

Region	Party	Election Year
Northern Italy (Padania)	Lega Nord, including Lega Veneta and Lega Lomabarda and other autonomists lega nord breakaways	1983, 1987, 1992, 1994, 1996, 2001, 2006
Sardinia	Partidu Independentistu Sardu and variations	1987, 1992, 1994
Sardinia	Sardignia Natzione	1996, 2001, 2006
Sardinia	Partido Sardo d'Azione	1983, 1987, 1992, 1994, 1996, 2001
Sicily	Noi Siciliani – FNS	1996, 2001, 2006
Veneto	Liga Fronte Veneto	2001, 2006

PORTUGAL

Region	Party	Election Year
Azores and Madeira	Partido Democratico do Atlantico	1980, 1983, 1991, 1995 1999, 2005

SPAIN

Region	Party	Election Year
Balearic Islands	PSM-Entesa de l'Esquerra de Menorca	1982, 1986, 1989, 1993, 1996, 2000, 2004
Canary Islands	Unión del Pueblo Canario	1982
Catalonia	Convergencia i Unió	1982, 1986, 1989, 1993, 1996, 2000, 2004
Catalonia	Esquerra Republicana de Catalunya	1982, 1986, 1993, 1996, 2000, 2004
Galicia	Bloque Nacionalista Gallego	1986, 1989
Basque Country and Navarra	Partido Nacionalista Basco	1982, 1986, 1989, 1993, 1996, 2000, 2004
Basque Country and Navarra	Euskadiko Ezkerra	1982, 1986, 1989
Basque Country and Navarra	Eusko Alkartasuna	1993, 1996, 2000, 2004
Basque Country and Navarra	Herri Batasuna	1982, 1986, 1989, 1993, 1996
Basque Country	Aralar	2004
Navarra	Nafarroa Bai	2004
Valencia	Unitat del Poble Valencià / Bloc Nacionalista Valencià	1986, 1989, 1993, 1996, 2000, 2004

UK

Region	Party	Election Year
Scotland	Scottish National Party	1983, 1987, 1992, 1997, 2001, 2005
Scotland	Scottish Green Party	1997, 2005
Scotland	Scottish Militant Labour/ Scottish Socialist Alliance	1992, 1997
Scotland	Scottish Socialist Party	2001, 2005
Scotland	Free Scotland	2005
Wales	Plaid Cymru	1983, 1987, 1992, 1997, 2001, 2005

USA

Region	Party	Election Year
Puerto Rico	Partido Independentista Puertoriqueño	1980-2006
Alaska	Libertarian Party of Alaska	1986, 2000, 2002, 2004, 2006
Alaska	Alaska Independent Party	1992, 1996, 2000,

Table 9. Election data sources

Cross-country election sources

Dataset	Information	Web site
Dataset of constituency-level election results from Dawn Brancati	Dataset of constituency-level elections results around the world. It includes election results for over 1000 elections, which have occurred in more than 60 countries between 1944-2007.	http://cle.wustl.edu/
Election Resources on Internet	Website which provides detailed national and local election statistics, around the World.	http://electionresources.org/
European Election Database	The database publishes regional results (according to the Nomenclature of Territorial Units for Statistics (NUTS), level 1 to 3) for parliamentary elections presidential elections, EP elections and EU-related referendums since 1990.	http://www.nsd.uib.no/european_election_database/index.html
Adam Carr's Election Archive	Archive of electoral information with election statistics from 176 countries.	http://psephos.adam-carr.net/

Country election sources

Country	Website
Belgium	http://polling2007.belgium.be
Canada	http://www.quebecpolitique.com/elections-et-referendums/
Czech Republic	http://volby.cz/
Denmark	http://www.statistikbanken.dk/akva3 http://www.dst.dk/
Finland	http://www.asub.ax/
Germany	http://www.bundeswahlleiter.de/
Italy	http://www.elezioni.it
Netherlands	http://www.nlverkiezingen.com/index_en.html#PS
Norway	http://www.ssb.no
Portugal	http://eleicoes.cne.pt
Spain	http://www.elecciones-generales.es
Sweden	http://www.val.se
Switzerland	http://www.politik-stat.ch/
United Kingdom	http://www.electoralcommission.org.uk
United States	http://clerk.house.gov/member_info/electioninfo/index.aspx

Table 10. Summary statistics

Variables	Obs.	Mean	Std. Dev.	Min.	Max.
Government Quality (Total)	129	4.6491	0.6593	2.8750	5.3333
Government Quality (Law and Order)	129	5.4566	0.7787	3.0000	6.0000
Government Quality (Corruption)	129	4.8416	0.9813	2.2917	6.0000
Government Quality (Bur. Quality)	129	3.6492	0.5406	1.9792	4.0000
Secessionist Vote	129	1.7915	4.0472	0.0000	21.1200
Regionalist Vote	129	0.5742	1.5307	0.0000	10.7100
GPD Per Capita	129	24,655	7,313	10,411	46,259
Public Sector Size	129	14.7820	4.4819	6.1486	29.6459
Ethnic Segregation	129	0.0416	0.0683	0.0010	0.2440
Regional Disparities (PW-CV)	129	0.2038	0.0897	0.0506	0.4718
Political Decentralization	129	3.8451	2.0370	0.0000	8.0000
Fiscal Decentralization	129	32.8882	14.4802	4.3677	63.2450
Transition economy	129	0.0853	0.2804	0.0000	1.0000

Table 11. Data sources and description

Variable	Source	Comments
Government Quality	International Country Risk Guide developed by the Political Services Group	Time varying
Secessionist Vote	Original Dataset	Time varying (election periods)
Real GDP per capita	World Penn Tables	Time varying (annual)
Public Sector Size	World Penn Tables	Time varying (annual)
Ethnic Segregation	Alesina and Zhuravskaya (2011)	Time invarying
Regional Disparities	Cambridge Econometrics and national statistics	Time varying (annual)
Representation	Hooghe et al. (2008)	Time varying (annual)
Fiscal Decentralization	OECD General Government Accounts	Time varying (annual)
Transition Economy	La Porta *et al.* (1999)	Time invarying

Table 12. Correlation matrix

	Gov. Qual. Total	Gov. Qual. L-O	Gov. Qual. Corrup.	Gov. Qual. B-Q	Vote Sec.	Vote Reg.	RGDP per cap	Public Sector Size	Eth. Seg.	Reg. Disp. PW-CV	Pol. Dec. Repr.	Fiscal Dec.	Transition Econ.
Gov. Qual. (Total)	1.0000												
Gov. Qual. (L-O)	0.8732	1.0000											
Gov. Qual. (Corrup.)	0.8758	0.5871	1.0000										
Gov. Qual. (B-Q)	0.8172	0.6939	0.5484	1.0000									
Vote Sec.	-0.1531	-0.1091	-0.2267	0.0077	1.0000								
Vote Reg.	-0.0115	-0.0209	-0.0095	0.0051	0.2236	1.0000							
RGDP per capita	0.4132	0.4777	0.1407	0.5710	0.0950	-0.0469	1.0000						
Public Sector Size	-0.1741	0.0660	0.1387	-0.0040	-0.1349	-0.0809	-0.4599	1.0000					
Ethnic Segregation	-0.0458	-0.0782	-0.0500	0.0355	0.5947	0.6651	0.0129	-0.2052	1.0000				
Reg. Disp. (PW-CV)	-0.4778	-0.2712	-0.5448	-0.3713	0.2272	0.2508	-0.3033	0.1975	0.1615	1.0000			
Pol. Dec. (Represen.)	-0.0136	0.0675	-0.1956	0.2081	0.4840	0.3464	0.3326	-0.2808	0.3614	0.1505	1.0000		
Fiscal Dec.	0.6219	0.5549	0.4497	0.6637	0.1320	-0.0718	0.5860	-0.1741	0.0487	-0.4594	0.2503	1.0000	
Transition Econ.	-0.3559	-0.2487	-0.3819	-0.2527	-0.1352	-0.0987	-0.4445	0.5602	-0.1720	0.5631	-0.1530	-0.2643	1.0000

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[i] Our chosen measure may under-estimate the strength of secessionist movements based in regions which are smaller compared to the country as a whole. It means that the strength of secessionism in Catalonia or the Basque Country may appear weaker than, say, that in Flanders. Thus, the cross-section differences in the electoral success of secessionist movements at the national level are imperfect measures of the cross-section variation in the strength of secessionist movements. We thank an anonymous reviewer for pointing this out to us.

[ii] See the Appendix for the sample of countries and election years, the list of secessionist parties, and for the summary statistics and sources of all the variables employed in the article.

[iii] In order to maximize our sample, we maintain the secessionist party vote share of the previous period in cases where national elections did not occur during a four-year interval. Our substantive empirical findings remain unchanged if, alternatively, we treat the absence of an election as a missing value.

[iv] Applying fixed effects would help control for unobserved time-constant variables thereby potentially reducing omitted variable bias. However, fixed effects estimates rely exclusively on the within variation of the key variables: in the case of our main government quality indicator, the within and between standard deviations are, respectively, 0.2794 and 0.6239.

[v] Note that we transform our vote variable to Log (3+Secessionist Vote) because the logarithmic transformation helps smooth out the skewness of the original variable and adding three ensures that the lowest value of the variable is at least one (see also, SORENS 2004; 2005).

[vi] See, also, WILLIAMSON (1965), PETRAKOS *et al.* (2005), EZCURRA and PASCUAL (2008), LESSMANN (2009), RODRÍGUEZ-POSE and EZCURRA (2010).

[vii] Thus, fiscal and political decentralization may provide a platform for the mobilization of secessionist parties at the same time as they can diffuse secessionist demands by allowing distinct communities to decide on issues over which their preferences diverge from the majority. Recall also that the presence of secessionist parties may have an impact on the degree of decentralization (HELLER, 2002).

[viii] The suitability of this approach is supported by the significant variability of our measure of secessionism over time as attested by a within standard deviation of 2.1419 and thus a coefficient of variation of 1.1956.

[ix] When we drop fiscal decentralization from the regressions the negative point estimate of secessionism increases markedly. This is consistent with the argument that secessionism can contribute towards fiscal decentralization and vice versa.

[x] MURRAY (2006) warns that more distant lags may also be weaker instruments. The first stage regressions however confirm that all the lags employed are strong instruments since the F-statistic obtained is always well above the critical value of 10 (STAIGER and STOCK, 1997).

[xi] Nothing changes if instead we control for economic globalization by way of a standard control variable which captures the degree of openness of a country's economy to international trade.