

# Measuring State Capacities in Latin America using an Infrastructural Approach: Earthquakes and Institutional Development, 1900-2010

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## Abstract

ABSTRACT

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## I. Multilevel Analyses

In this section I model the number of dead individuals caused by earthquakes.

The data are fitted using a Bayesian Poisson regression. The main independent variables are the proportion of national agriculture output relative to industrial output and a dummy for whether in year  $t$  the law of income tax had been implemented. I expect the yearly death tolls to be lower when the national proportion of agricultural production decreases, when the law of income taxation has been passed, and where the industry predominates at the local level. The model controls for local population, an indicator for local urban/rural, and earthquake magnitude.

Include summary stats here. Explain what's national and what's sub-national.

Since the 'treatment,' i.e. the proportion of agricultural output relative to industrial output, and the implementation of the income tax, takes place at the national level but the outcome (death tolls associated to earthquakes) is measured at the local level, I implement a multilevel model.<sup>1</sup> Particularly, I include year fixed-effects to account for unobservable/unmeasured yearly factors such as the evolution of the political system, demographic, climate and cultural changes, economic shocks (both national and international), and others. Particularly, the multilevel component of [Equation 1](#) allows the slopes of the national proportion of agriculture relative to industry ( $\beta_{1j}$ ) and the earthquake's magnitude ( $\beta_{2j}$ ) to vary by subnational sectoral predominance indexed by  $j$ . The latitude where the earthquake occurred was included to control for the proximity to the Andean mountains. This variable controls for a built-in tectonic predisposition of a higher propensity of earthquakes. Longitude controls for climate and other unobserved conditions that make agricultural development more difficult. In turn, both measurements serve as good proxies for terrain ruggedness and the difficulties the state had to face to centralize political power. [More formally, I fit the next equation,](#)

See if I included this lit. already.

$$\begin{aligned} \text{Deaths} &\sim \text{Poisson}(\lambda_i) \\ \log(\lambda_i) &= \alpha + \beta_{1j} \text{Proportion}_i + \beta_{2j} \text{Magnitude}_i + \beta_3 \text{Tax}_i + \\ &\quad \beta_4 \text{Population}_i + \beta_5 \text{Urban}_i + \\ &\quad \beta_6 \text{Latitude}_i + \beta_7 \text{Longitude}_i + \beta_{8t} \text{Year}_i \end{aligned} \tag{1}$$

where,

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<sup>1</sup>Gelman and Hill [2006, 237].

$$\begin{aligned}
 & i_{1,...,I} \text{ where } I = 91 \\
 & j_{1,...,J} \text{ where } J = 3 \\
 & t_{1,...,T} \text{ where } T = 59.
 \end{aligned} \tag{2}$$

The  $i$  indicator denotes the event (i.e. earthquake), the  $j$  index expresses the type of sub-national economic composition where the earthquake hit (agricultural, industrial, or both), and the  $t$  subscripts denotes the year when earthquake  $i$  happened. Since earthquakes can happen more than once per year, in my dataset  $i > t$ .<sup>2</sup> The estimated parameters  $\beta_k$  have uninformative normally distributed priors, while the precisions  $\tau_p$  of  $\beta_{1_j}$ ,  $\beta_{2_j}$  and  $\beta_{8_t}$  have uninformative Gamma priors, of the form,

$$\begin{aligned}
 \beta_{k,...,K} & \sim \mathcal{N}(0, 0.01) \text{ where } K = 8 \\
 \tau_{p,...,P} & \sim \mathcal{G}(0.5, 0.001) \text{ where } P = 3.
 \end{aligned} \tag{3}$$

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<sup>2</sup>For the years in which there is just one earthquake, the ‘group’ variable has only one observation. This does not endanger the robustness of the model. [Gelman and Hill \[2006, 276\]](#) explains that it “is even acceptable to have one observation in many of the groups.”

	Mean	SD	Lower	Upper	Pr.
Prop. Agr/Ind (Agr.)	-0.00	0.005	-0.01	0.00	0.79
Prop. Agr/Ind (Ind)	0.97	0.632	0.06	1.71	0.92
Prop. Agr/Ind (Mixed)	-1.14	1.303	-3.41	0.19	0.78
Income Tax	2.02	0.264	1.73	2.40	1.00
Eq. Magnitude (Agr.)	2.09	0.326	1.76	2.48	1.00
Eq. Magnitude (Ind.)	2.39	0.368	1.98	2.88	1.00
Eq. Magnitude (Mixed)	-0.78	0.725	-1.73	0.16	0.82
Urban	-0.10	0.137	-0.32	0.04	0.65

**Table 1:** *Poisson Regression: Simulations from the Joint Posterior Distribution*

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## REFERENCES

Andrew Gelman and Jennifer Hill. *Data Analysis Using Regression and Multilevel/Hierarchical Models*. Cambridge University Press, 2006.