



Decentralizing for a Deeper Democracy and a More Supple State

Jean-Paul Faguet^{1,2}
Ashley M. Fox³
Caroline Pöschl⁴

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Abstract

Well-designed d

Can decentralization strengthen democracy, or is it

A key component of state strength is the ability to exert authority over a territory and its population. Many developing states were born out of international agreements, often with arbitrarily defined borders based on colonial partition more than social or political characteristics, with little to hold them together beyond guarantees by the international system. They exist *de jure* but, unlike European states in which power over a territory and its population generally came first and sovereignty and international recognition followed, many developing countries have not been able to consolidate power in order to achieve the internal consent or territorial reach necessary to exert authority over the entire state.⁶

Many developing countries are instead made up of different ethnic groups spread over sometimes vast geographic areas, each with its own customs, language, and culture. A consciousness of common nationality is often lacking. Citizens do not feel represented by the government, and perceive that leaders cater mainly to people of their own tribe or region, rather than to all citizens equally. In addition, parallel or rival forms of authority (e.g. traditional chiefs, religious leaders, or drug lords) may supersede the authority of the state. For these reasons many states suffer from disunity within, sometimes resulting in violent conflict or secession.

How does decentralization affect national unity? By dispersing power from the center to many subnational units, decentralization may deepen divides between groups by reinforcing local cultural or ethnic identities, undermining efforts to build a single, national identity. Decentralization can also increase the need to mobilize the local population and demand more political power from the center, thereby raising secessionist tensions. Beyond funding political parties and campaigns, this may well extend to supporting armed insurgencies and investing in the sorts of violence against civilians that peace talks cannot later reconcile. The recent history of the Balkans richly and sadly illustrates this dynamic.

Decentralization may also lead fractious groups to demand ever more autonomy. With more power and independence, and with subnational leaders more experienced in governing, decentralized areas may realize they can manage their affairs better on their own. For such reasons, former British Prime Minister John Major refused to devolve powers to Scotland, the Trojan horse that would lead to friction and eventually

⁶ Leuqup. "T" cpf "Tqudgt i." E0" *3 ; : 8+0" öUqxgtgki pv { "cpf" Wpfg rdevelopment: Juridical Statehood and the African Etkuku. ö" *Journal of Modern African Studies*, 24(1): 1-31.

demands for full independence.⁷ The Labour government that followed did devolve p

divisions and place authority and resources in the hands of those with most to gain from national breakup. Decentralizing to the local level, by contrast, will create many units of any given ethnicity, and most likely others that are mixed. No level of government will be associated with any particular ethnicity, nor with ethnicity per se. Comparisons across local governments will tend to focus more on issues of competence in service provision than identity, revindication, or pride. Nigeria is a good example of the benefits of drawing boundaries in this way.

Complementary reforms that promote a single internal market for goods and services nationwide can also help by preventing the development of elites with regionally-specific economic interests who might gain from national schism. These would instead be substituted by elites whose assets or historical bases might be in a particular region, but whose economic interests are multiregional, and who therefore have a strong interest in national integrity and growth. Specific measures such as improved infrastructure and transport links can help bring this about, in addition to facilitating the flow of people and ideas across an economy, so binding it together from the bottom up.

By empowering a new set of players, decentralization has a strong tendency to shift the intrastate balance of power. This can be dangerous. Power shifts and disruptions in political settlements can cause conflict. And conflict can be stoked with a view to shifting the balance of power, as discussed above. On the other hand, power shifts can also be used to diffuse conflict. Where conflict already exists, decentralization can be designed in ways that mitigate or inflame violence. The diffeu3.35 Td [(na)4e or inflame viole i8en

To combat this, decentralization should be designed with strong local accountability o ge j cpku o u"vj cv"cnk i p"nqecn"ngc fgtuø"kpegpvkxgu" y kv j"vj g" y knn"qh"nqecn"ekvk | gpu, and allow voters to hold politicians responsible for their decisions. Additionally, central government should enact strong safeguards of minority rights nationwide, to which individuals and groups can appeal in any locality.

Decentralization can be a key component of a power-sharing arrangement that settles power struggles between different groups in society. Political decentralization creates new fora for political competition, and hence new prizes over which opposing parties can compete. This solves the winner-takes-all problem inherent to centralization, where parties in government wield huge resources and reap huge rewards, and opposition parties are left to wither. In a federal system, by contrast, opposition parties can still win power over states and

But in other cases, decentralization may merely shift conflict downward rather than implemented a decentralization program in 1986 in order to reduce national-level conflict. While successful in this regard, the ultimate effect was arguably to replace conflict at the top with conflict at the local level.¹¹

How can decentralization be designed in ways that promote power-sharing? A properly operating decentralized system should naturally lead to the sharing of powers that have been

political institutions ó e.g., constitutions, electoral rules ó are often altered or ignored in practice. If vjg"ötwngu"qh"vjg"ic o gö"ejcpig"htgswgpvn{"vjk"ku"uckf"vq"wpfgt o kpg"eqphkfgpeg"kp" the state and its ability to make credible commitments, in turn undermining its ability to generate shared behavioral expectations that shape and strengthen political structures.

or even overturned by the actions of regional and local authorities, as recent evidence from India, Bolivia and Colombia shows.¹²

A better way of framing the key trade-off in question is between the strength of the leader and the strength of the state as institution. To the extent that the leader has more discretion, her power increases and she can effect greater, faster changes to public policy and organizations. The leader is stronger at the expense of the state. But where her discretion is circumscribed by rules, procedure, and the need to agree decisions with other independent actors in order to proceed, then the state is stronger and more stable at the expense of the leader. By increasing the number of independent actors and requiring a measure of consensus amongst them for policy-making to proceed, decentralization weakens central leaders and creates or empowers subnational leaders, thus increasing the strength of the state by strengthening it institutionally.

But local governments may be more vulnerable to interest group capture of the local political process, and to distortions of political representation in small electoral environments. Where these phenomena exist, interest groups can gain a decisive influence over local government, and decentralization will tend to favor these small local groups disproportionately. Local elites are often too weak to oppose them and may even internalize elite priorities as their own. In such a context, policy autonomy is lost, as decentralization produces weak local governments that are cowed and captured by local elites. In Indonesia, for instance, old predatory interests in North Sumatra reconstituted themselves to capture local politics after decentralization, while corruption thrives throughout the country as authoritarian local elites collude with political bosses to capture local governments and resources.¹³

While the local capture argument has much merit, it underplays the comparative threat that elite capture poses at the national level. The much greater rewards from distorting national policy-making lead the richest interest groups to invest enormous sums in capturing national government. When successful, this gives such interests powers and privileges

¹² Muralidharan. "Moral Hazard in the State: A Theory of the Size of Government." NBER Working Paper 19440, <http://www.nber.org/papers/w19440>; Faguet, J.P. (2012). *Decentralization and Popular Democracy: Governance from Below in Bolivia*. Ann Arbor: University of Michigan Press; Faguet, J.P. (2012). "The State and the Market: A Theory of the Size of Government." *Public Choice*, 160(1-2): 227-249. DOI 10.1007/s11127-013-0077-7.

¹³ Aspinall, E. and G. Fealy. 2003. *Local Power and Politics in Indonesia: Decentralisation and Democratisation*. Singapore: Institute of Southeast Asian Studies; Aspinall, E. (2003). "The State and the Market: A Theory of the Size of Government." *Journal of Democracy*, 21(2): 20-34.

enormously greater than anything available through local capture, with potentially deleterious effects for an entire nation. Elite capture is a real threat. But it is a threat for all kinds and levels of government. Central policymaking is not necessarily autonomous policymaking. The question is how to combat elite capture both nationally and locally. The answer lies in the accountability and transparency measures described above. But achieving transparent, ac

stable local bureaucracy, and the services they provide have clearly strengthened the state in

Another marker of a strong state is the ability to carry out efficient policies that are responsive to public needs. Providing basic services to the population is regarded as a basic function of the state. States that do so well may be regarded as more legitimate and authoritative, in turn building state strength further.

One of the most frequently cited and powerful arguments in favor of decentralization is that it will have a positive impact on government responsiveness. By allowing government to tailor decisions to the specific demands of the local population, decentralization facilitates matching resources with citizen needs more precisely and cost-effectively. Additionally, competition between subnational governments for residents and investment may induce them to improve services.

Decentralization is further expected to enhance public services by improving accountability and responsiveness of the government to citizens. By bringing decision making power closer to the represented and creating popularly elected positions at the local level, incentives for accountability can be transformed. Rather than local officials being accountable mainly to their superiors in higher levels of government, they become accountable to their constituents as they become dependent on them for their votes and tax revenue. It is also generally easier for citizens to scrutinize, participate in, and make demands of nearby local administrations than of a distant central government in a far-off capital. In

Where social trust and civic organization are present, local government will have a strong tendency to respond to local needs more precisely and effectively, and work with less waste and corruption, than would otherwise be the case. This appears to have worked in northern and central Italy and many parts of Bolivia.

level. The overwhelming majority of citizens who might become participants in local governance must remain as voters, onlookers, and perhaps dues-payers where central government is concerned.

Hence the experience of participation and engagement with public decision-making abounds in government in its decentralized, but not its centralized, form. And so experience accrues and learning occurs amongst individual voters and their small-scale collectives (e.g. civic groups, local lobbies). Participation in local government leads naturally to social

The existence of small units with populations below 100,000 does not imply the abolition of larger units providing services and intermediating between citizens, localities, and the central government. Rather, it is the simple extension of our logic of decentralization to the dgxgnqrkpi"yqtnfou"ogic-cities. It makes no sense to laud the potential of decentralization to small units in, for example, rural areas, but arbitrarily limit it in urban areas to cities of several million inhabitants. In order to reap the full benefits of reform, suitable services with few economies of scale and low spillovers should be further decentralized below city level, to boroughs, local councils, and the other sub-metropolitan units that naturally occur in most countries. Examples include trash collection, street lighting, local parks, and primary education in cities like La Paz and London. City and state governments would retain dominant roles coordinating across these sub-units, and financing and managing more sophisticated services and assets, such as tertiary education and healthcare, urban transport, and most environmental services. But the fact that a citizen lived in, say, Mumbai rather than a village would not prohibit her from meaningful political participation.

How does decentralization affect five key elements of state strength: (i) National unity, (ii) Mitigating conflict, (iii) Policy autonomy, (iv) Responsive service delivery, and (v) Social learning? Theory is indeterminate on fgegpvtcnk|cvkqpou"impact on the first four components, and the fifth has been largely ignored. But a surge of evidence over the past two decades from real policy experiments provides a basis not only for settling theoretical disagreements, but hqt"tgeqpegrvwcnk|kpi"fgegpvtcnk|cvkqpou"ghhgevu"qp"vjg"uvcvg"kp"hwpcf o gpvcn"yc{u0

Where conflict and national unity are concerned, the key question is whether decentralization will stoke centripetal or centrifugal forces. We argue that a well-designed reform that decentralizes power and resources to a level below that of major social or regional cleavages is most likely to identify local government with issues of efficiency and service provision, as opposed to social identity and grievance.

Regarding policy autonomy and upholding of the law, interestingly, the literature is divided between claims that decentralization will strengthen vs. weaken the state. We argue that both perspectives are wrong because they fundamentally misundebotde lic2.024 208.58 T(a)hateprd [(ra)

concerns. It represents a move from a simpler command structure that is ultimately more brittle in the sense of being susceptible to local failure, leading to government failure, to a system based on more actors with independent sources of overlapping authority, with complex complementarities amongst them, which as a whole is more robust to failure in any of its parts, and hence more supple. Decentralization strengthens the institutions of

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We think this is a good trade-off.

Whether decentralization will increase or decrease the responsiveness and accountability of public services is another major cleavage, and another major misunderstanding. We argue that the dangers are not problems of decentralization per se, but rather of badly designed reform. They can be overcome in a technically straightforward way