Do decentralization reforms make countries more democratic?

Research Seminar

Team Literature Review

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## **Abstract**

The influence of decentralization (devolution) on democratization has been an important question for decades by now. Most theoretical papers say that decentralized countries tend to be more democratic. However, the empirical data is pretty controversial. We have analyzed several cases of devolution in this paper and they do not show a clear causal relationship between decentralization and democratization. Decentralization might be successful as in Scotland, or lead to the competition for budget money between the centre and regions resulting in corruption as in Argentina, or not be able to guarantee democracy in the long run as in India.

## **Introduction**

The huge global enthusiasm towards decentralization reforms (which Campbell once called “the quiet revolution” (Faguet 2014, 1) encouraged research in the field of reasons for their implementation and final outcomes. One of the areas touched upon by scholars is democratization which supposedly follows the introduction of such policies. In this respect, Pateman saw locality as “a cradle of democracy” (Kulipossa 2004, 769). Indeed, there are plenty of solid theoretical arguments which support the initial hypothesis that decentralization brings about the processes of democratic building and facilitates the development of self-government. From the empirical perspective, some difficulties arise: there is no clear comparative research with a wide sample of states which would prove the presence of causation between decentralization and democracy. What we have is a great number of case studies, which focus both on the countries where democratization accompanied decentralization and those who failed in this regard. To approach the link between decentralization and democratization more thoroughly, we have highlighted several variables which are the most frequently studied in the scientific literature in relation to democracy and, at the same time, can be enhanced by decentralization. In the following review we will cover the following ones: **accountability, trust, political participation, political competition, representation** **and the separation of power**. Studying the effects of decentralization on each of these parameters, we will conclude with a general assumption whether there exists any consensus between scholars on the nature of democratization-decentralization interdependence or not.

## **Accountability**

Many scholars associate decentralization with the higher levels of public accountability. It is argued that devolution of power, by “bringing government back to the people”, makes policy-makers more responsive to the will of citizens and results in a greater consistency between political decisions and popular demands (Wolman 1990, 32). This idea stems from the assumption that decentralization, by establishing local elections, re-orients the politicians’ incentives towards responding to voters’ needs: «“Local” officials become local officials, whose tenure and career prospects are in the hands of the citizens they serve, who elect them» (Faguet 2014, 5). Prud’homme made an attempt to challenge the role of local elections as a mere reflection of citizen’s preferences: he argues that results mostly depend on partisanship and personal or tribal loyalties; moreover, local elections repeat national ones and do not say little about popular demands. In other words, “No formal electoral mechanism exists to ensure adaptation to local needs” (Prud’homme 1995, 208–9).

Addressing this issue, the empirical data suggests many cases of improved public accountability in decentralized states. For example, Participatory Budgeting in Brazilian municipalities (an alternative budgeting process that makes it possible for citizens to influence budget priorities directly) numbering about 30 percent of the total population of the country. It was proved “that PB reduces the informational asymmetries between policy makers and citizens” (Faguet 2014, 8), thus, strengthening the accountability mechanism.

However, there is a risk of erosion of this model because of local elites which become less accountable to the broader community and more responsive to the narrow ends of various interest groups (Martinez-Vazquez and Mcnab 1997, 25; Wolman 1990, 33; Kulipossa 2004, 770; Turner and Hulme 1997, 158; Prud’homme 1995, 211). This behavioral pattern applied by elite circles “pushes democracy towards aristocracy” (Faguet 2014, 6).

In this regard, we can observe the situation which took place in Argentina (Faguet 2014; Ardanaz, Leiras, and Tommasi 2014). Here decentralization policies resulted in the trade-offs between the provincial governors, competing for fiscal transfers, and the President, who sought the support for national policies by local decision-makers. Such transactions seriously undermined the pattern of accountability and made the Congress an acclamation body. Thus, the devolution of power, being ill-designed, can distort the motivations of policy-makers on the subnational level and open the road for self-interested politicians to corrupt democratic institutions.

However, this counterargument is not universally applicable and can be disputed for several reasons: first, centralized state can also encourage elite-based local governments through patronage and clientelism; second, domination of local elites can be outweighed by different mechanisms; third, greater political participation can lower the probability of elites capturing power (Martinez-Vazquez and Mcnab 1997, 26).

## **Trust**

The next variable we should analyze is trust. Politicians’ proximity, which appears as a result of the devolution, turns into greater visibility, thus, reinforcing faith in government. Transparency becomes inevitable and all-encompassing, ensuring that “improprieties will not go unnoticed, the logic being that such schemes would be occurring in one’s own backyard” (Meguid 2011, 6). Recalling R. Putman’s theory of social capital, one can realize that the decentralized system of government encourages accumulation of bridging social capital which occurs in heterogeneous communities, has an inclusive nature and cultivates mutual tolerance and trust towards fellow citizens and officials. Jean-Paul Faguetnotes that researchers are skeptical that this type of social capital can be developed within centralized states inclined towards homogeneity where bonding capital is mostly developed (Faguet, Fox, and Pöschl 2015, 69). Furthermore, for decentralization based on transparency and mutual consent to thrive there is a need for independent media, which become concerned with covering local agenda. However, as Prud’homme points out, the significance of this institution can be overestimated in the context of strengthening trust since “the pressure of the media …[would] be a greater disincentive at the national than at the local level” (Prud’homme 1995, 211). Another monitoring institution is an open access civic association (“open access” implies that it can be created voluntarily by an individual or an entity). Being numerous, these non-governmental organizations create strong incentives for public officials to respond to the citizen’s demands (Faguet 2014, 7). Despite the theoretical observations, there is also empirical evidence from polls and surveys that decentralized governance is approved by citizens and that people seem to trust local governments more than central governments (Psacharopoulos et al. 1995).

## **Political participation**

Classical liberal political thinkers, including J.S. Mill and A. de Tocquiville, expressed the opinion that decentralization is a way of distributing political power directly to the citizens, which allows them to influence political life to some extent (Kulipossa 2004, 769). It can be explained by the following logic: the transfer of administrative, political or fiscal powers to subnational units increases potential benefits and costs from lower-level elections and, eventually, turns into greater voter engagement. Meguid characterizes this mechanism as a “second-order” hypothesis (Meguid 2011, 7–8), implying that “voters are expected to turn out in lower rates to [the] “second-order” elections than to the “first-order” ones” (the author borrows these concepts from Reif and Schmidtwho applied them to the national elections and those to the European Parliament) (Reif 1984). Despite its theoretical persuasiveness, the above-mentioned hypothesis does not hold when the author compares the data on voter turn-out in Wales, Scotland, France and Belgium: the described effect, he concludes, “is weaker, often much weaker, than expected” (Meguid 2011, 11–13). On the other side of the coin, other countries which had adopted decentralization policies experienced the significant increase in civic involvement: in Nigeria, for instance, “the active engagement of private, non-governmental, and community organizations in the provision of goods and services” was recorded (Olowu 2001, 30–31).

In India in 1993 several constitutional reforms empowering local political bodies were conducted. Every Indian state created them differently. For example, in Madhya Pradesh the power of local elected bodies was increased whereas in Andhra Pradesh the local bureaucratic bodies were empowered (Johnson 2003). What about political participation, nationwide turnout is always well over 50%, while on the local level, according to Crook and Manor (1988) and Krishna (2006), the reported turnout is up to 90% for instance, in West Bengal (Chhatre 2007). Scientists also concluded that more educated people participate in local politics more (Przeworski 2009). In general, local elected bodies successfully operate as places for discussion for people with different interests (Mookherjee 2014).

However, there are three main objections to this optimistic argumentation: first, such indicators as political participation cannot be precisely quantified (Turner and Hulme 1997, 169). Second, some scholars point out that “the participative quality of decentralized institutions has been especially prone to erosion” (Smith 1985; Turner and Hulme 1997, 169). In rather decentralized countries (the USA, Britain) we see that the turn-out in local elections is exceedingly low (about 30-40%), whereas in centralized states (Italy, France) it is twice higher: 85% and 70% respectively (Goldsmith and Newton 1986, 146; Wolman 1990, 34). And third, participation cannot be a direct consequence of devolution, as the case with *Karnataka*, a south-western state in India, proves: here increased level of civic engagement came as a result of a combination of favorable conditions and complementary policies which had already been in place before the decentralization was introduced (Crook and Manor 1998).

## **Political Competition and Training of Political Leaders**

During the decentralization process smaller political entities appear (e.g. municipal electoral districts). The smaller the entity the lower entering costs are. Existence of local influences political parties and creates better possibilities for interest articulation. It also contributes to the emergence of new political parties, so-called political “free market” might be created (Myerson 2006). However, not always the existence of numerous political forces is good. For instance, in states of India only states with developed political competition between two big parties (Kerala, Rajasthan, Andhra Pradesh) perform better at political articulation, while states with low political competition (West Bengal) or competition between three or more parties (Bihar, Uttar Pradesh) fail at it (Chhatre 2007). In a decentralized country political competition might also occur between different centres. In this regard, decentralization allows to build harmony inside heterogeneous societies and provides means for mitigating potential conflicts in consensus democracies like Belgium, India, Spain, and the Netherlands (Lijphart 1975; Weingast 2009, 288). That is why the political competition on the local, decentralized level increases, new political forces may form and start participating in the process of local decision-making. It is also a school for political leaders. For example, people who start with local level tend to get higher to regional and federal levels. Local political leaders show their ability to cope with problems and solve them, training skills that are necessary for bigger politics – regional or federal. And the leaders that develop in conditions of constant competition have better skills and therefore the quality of political leaders increases (Smith 1985).

## **Representation**

Now we will focus our attention on the representation which manifests itself in several forms. In general, by transmitting political power to subnational or local governors, decentralization reinforces such a model of representation which is based on resemblance: public officials are selected on the principle whether they typify the group which interests they are to defend (Heywood 2013). At the same time, local representatives are more aware of their countrymen' urgent needs and, therefore, can address the demands of the electorate in a more cost-effective way (Turner and Hulme 1997, 157) and implement policies which correspond with the preferences of majority (Faguet 2014, 5). This idea has its origin from the Decentralization Theorem developed by Oates: he states that “decentralized governments can more closely tailor tax-public good packages to the preferences and incomes of voters” (Wright 1974; Martinez-Vazquez and Mcnab 1997, 23), which are now organized in smaller, more homogenous groups. Hence comes the assumption that decentralization affects equality: poor and disadvantaged have more possibilities to be heard. However, it might not necessarily be the case, especially when local elites monopolize the whole power and neglect (Turner and Hulme 1997, 170). Some scholars argue that decentralization drives the forces of secession, separation, search for ethnic identity and, therefore, can pose a threat to democratic stability (Turner and Hulme 1997, 158). Another opinion on this matter is that the devolution of power is a way “to diffuse separatist movements and to accommodate autonomic feelings of some regions without leading to secession” (Martinez-Vazquez and Mcnab 1997, 25), thus, giving opportunity for representation of ethnic minorities. It is regional or ethnically-oriented parties that usually advocate for empowering subnational authorities. As “a form of appeasement to regionalist political parties” (Meguid 2011, 3), decentralization reform was undertaken in Scotland. The partisans of the Scottish National Party were the main proponents and became the key beneficiaries of the devolution: they showed the best indicators of trust towards Scottish Parliament, political interest and efficacy and one of the highest turnout rates - 79,2%. It might be concluded, in Meguid’s words, that “decentralization brings the government back to some people more than to others” (Meguid 2011, 31, 42).

## **Separation of power**

Finally, we decided to discuss a phenomenon called "separation of power". In centralized states, there is a vertical of power, which makes it almost impossible for regions to influence the policy of the center and this may lead to a conflict between them, especially if the locals and elites lack a sense of their representation. Decentralization reforms cannot fully solve this problem yet, but in the existing systems there are many actors, representing their regions, with overlapping sources of authority. The resulting suppleness means that failings of the government (for example, due to corruption) that would have local consequences in a centralized system can be even eliminated by regional authorities in a decentralized one (Faguet, Fox, and Pöschl 2015, 66). Also, decentralized governments can implement policies more appropriate to the local needs of a heterogeneous population, thereby solving the essence of the complaints of underrepresented minorities or elites (Faguet 2014, 5). That is why post-totalitarian Austria carried out decentralization reforms for a transition to a democratic regime, and for Germany these reforms were one of the conditions for the signing of the peace treaty. And 50 years later, the South Africans also turned to decentralization, deciding that with the help of the separation of powers decentralization leads to, they will be able to heal the wounds from the apartheid (Weingast 2009, 288; Inman and Rubinfeld 1997).

One of the disadvantages of centralized states is the difficulty in controlling the activities of a leader who can discredit the principle of separation of powers by usurping all branches (Persson and Tabellini 1994, 765). Centralization affords insecure political regimes with leverage over lower governments and citizens. By making the delivery of local public goods dependent on whom citizens vote, the incumbent regime at once restricts citizens' ability to influence public policies (Weingast 2009, 289). But where the discretion of the leader is limited by procedures and necessity in order to coordinate decisions with other entities from regions, in order to act further, the state becomes more stable. By increasing the number of independent participants, enabling regional representatives to participate in the policy-making and requiring a consensus among them, decentralization expands the capabilities of subnational leaders (Faguet, Fox, and Pöschl 2015, 67). This dynamic is strengthening the state institutionally. Also, coordination of local decision-makers with the center allows people to take responsibility, organize self-help initiatives and negotiate with authorities, thereby expanding the democratic spirit (Smith 1985; Kulipossa 2004, 773).

## **Conclusion**

As we have seen, all the considered variables are more or less affected by devolution, but in reality, there should be certain preconditions that make democratization likely to appear as a direct consequence of vertical power-sharing. These so-called “favorable conditions” include: “strong enabling legal frameworks, political will, the allocation of substantial resources to local governments, a high degree of central state capacity, a well-developed civil society, a free press, a well-established multi-party system, a long experience with democracy, and high adult literacy” (Rondinelli et al. 1989, 77–78; Crook and Manor 1998, 83–84; Kulipossa 2004, 771). But even if a favorable environment and initial democratic progress are in place, positive long-term consequences are not guaranteed. In India, for example, we currently observe the general democratic decline: the index of democracy here has dramatically decreased ; the Muslim minority faces numerous difficulties; trust in legal institutions among Indians has significantly fallen (Gareth Price 2022). What is more, today some scholars reveal the tendency towards *recentralization*, a set of measures which imply the redirection the authority back to the centre in order to overcome democratic (and not only democratic) failures (this trend is relevant for Argentina, Brazil, Ethiopia, the Philippines, South Africa, Uganda, and Zimbabwe (Kulipossa 2004, 771). So, the link between democratization and decentralization policies is not as evident for the scholars as it might seem at first sight. Devolution, therefore, is perceived by researchers not as a democratic panacea, but as a “policy window” for bringing democracy to life.

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