

# Defining and Measuring Decentralization: A Global Perspective

As scores of countries have introduced plans to devolve powers and resources from central to subnational governments in recent decades, the causes and consequences of political decentralization have caught the interest of political economists. This paper attempts to provide some conceptual foundations and to survey some data useful for exploring these topics. I propose basic terminology for talking about the vertical structure of states, and define six conceptions of decentralization. I use a newly assembled data set that includes up to 166 countries to examine how these six types of decentralization varied across countries in the mid-1990s. I then investigate how these forms of decentralization correlate with various country characteristics—their size, level of ethnolinguistic division, colonial history, economic development, and degree of democracy. Finally, I consider the relationship between federalism and decentralization.

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*“Centralization” is now a word constantly repeated but is one that, generally speaking, no one tries to define accurately.*

Alexis de Tocqueville, *Democracy in America*, Vol.1, Part 1, ch.5.

Tocqueville’s complaint remains apt today.<sup>1</sup> In countries around the world, central and subnational governments have been renegotiating their relationships in recent years, reconsidering the division of authority and resources between levels of the state. In response, political economists have devoted increasing attention to the causes and consequences of “centralization” and “decentralization”. Yet scholarship is littered with so many different usages of these words that is often unclear just what they mean, if indeed they still mean anything at all. This paper attempts to construct a more systematic way of thinking about the vertical structure of states.<sup>2</sup> I define and distinguish six types of decentralization that have interested political scholars in the past. I then discuss a newly assembled data set containing measures of these various types of decentralization for up to 166 countries. While some measures correlate cross-nationally, they certainly do not coincide. I use these data to survey briefly how different types of decentralization vary across regions of the world. Finally, I explore how different types of decentralization correlate with several historical, economic, social, and political factors.

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<sup>1</sup> He did not help much himself. Tocqueville’s distinction between “administrative” centralization—the concentration of control over interests that are “of special concern to certain parts of the nation”—and “governmental” centralization—the concentration of control over “interests... common to all parts of the nation” does not give much guidance to those who wonder just what these common and special interests are.

<sup>2</sup> It is certainly not the only way one could systematize usages, and is meant only as one potentially useful alternative. Another approach is suggested by Hutchcroft (2001).

# 1 Defining Decentralization

## 1.1 Terminology

How might one think systematically about the meaning of “decentralization”? A first ambiguity is that “decentralization” can have either a static or dynamic interpretation. It can signify the state of being decentralized or the process of becoming so. In this paper, I use it in the static sense.

Second, some usages imply that systems are either “centralized” or “decentralized”. I contend that it is generally more useful to consider “decentralization” continuous than dichotomous. A system’s “centralization” or “decentralization” is, in this paper, a matter of degree.

The degree of decentralization is a characteristic of a system. A system is “an assemblage or combination of things or parts forming a complex or unitary whole”.<sup>3</sup> Thus, to describe a system one must describe the parts and the way they are organized. In a governmental system, the parts are the legislative, executive, and judicial bodies that together accomplish the task of governing. I refer to these collectively as “governmental bodies”.

Each of these bodies has a jurisdiction. A jurisdiction can be defined either in terms of population or territory. It is a set of individuals or points in space. The latter usage is more common, and I will generally assume territorial jurisdictions, but decentralization can equally well apply to either. A legislature’s jurisdiction consists of the set of points in space within which the laws that it passes have legitimate force. An executive body’s jurisdiction consists of the set of points in which it has the right to implement and enforce laws. A court’s jurisdiction consists of the set of points within which cases that originate are heard by it. (What it means for a case to originate at a certain point in space must itself be defined by law.)

Jurisdictions, like other sets, may contain each other. Consider first the jurisdictions of legislative bodies. If the jurisdiction of legislature *a* is contained by the jurisdiction of legislature

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<sup>3</sup> *Webster’s Encyclopedic Unabridged Dictionary of the English Language.*

*b*, I say that legislature *b* is of a higher tier and that legislature *a* is of a lower tier. I call the legislature of the highest tier—i.e., the only legislature whose jurisdiction is not a subset of any other legislature’s jurisdiction within the state’s borders—the “first tier” legislature.<sup>4</sup> The set of all legislatures with jurisdictions that are proper subsets of the jurisdiction of the first tier legislature but not of any other are “second tier” legislatures. In general, a legislature whose jurisdiction is a subset of the jurisdiction of a legislature of the *n*th tier but not of any jurisdiction smaller than that of this *n*th tier legislature is a legislature of the *n + 1* tier.

Tiers are defined for executive and judicial bodies in analogous fashion. Note that the jurisdiction of an *n*th tier legislature may not correspond to those of *n*th tier judicial or executive bodies. For instance, in the US the second tier legislatures are state legislatures, but the second tier of the federal judiciary is composed of 13 courts of appeal, most of which have jurisdictions containing more than one state. I call the units at a given tier “primary units” if these are not subdivided into smaller units. The lowest tier consists of primary units.<sup>5</sup>

I call a system that consists of more than one tier “compound”.<sup>6</sup> The terms “centralization” and “decentralization” refer to characteristics of compound systems. The legislative, executive, and judicial branches each constitute a separate compound system, and the degree of centralization of each within a given state need not be the same. To avoid confusion, I refer to centralization within the judicial branch as “judicial centralization”; that within the

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<sup>4</sup> In the case of certain confederations, in which there is no central legislature and all laws are contracts between sovereign units of the confederation, there will not be a first tier legislature. I do not believe any currently existing states are organized in this way.

<sup>5</sup> Not all primary units need be of the lowest tier if the lowest tier units only exist in certain parts of the state—e.g., if some municipalities, but not others, are divided into wards.

<sup>6</sup> Madison used the term “compound republic” to refer to a system in which “the power surrendered by the people is first divided between two distinct governments [federal and state], and then the portion allotted to each subdivided among distinct and separate departments” (Federalist No.51, in Rossiter, ed., 1961, p.323). This usage implies that each tier of government has a certain autonomy, which is not something I mean to assume. I use “compound” to include also multi-tiered administrative systems, in which all final decisionmaking authority is held by the highest tier. For other discussions of the term, see Ostrom (1971) and Breton (1996).

legislative branch as “legislative centralization”; and that within the executive branch as “executive” or “governmental centralization”.

Within a compound political system, various attributes are distributed across the different tiers. I focus on five attributes—decisionmaking authority, appointment authority, elections, fiscal resources, and government personnel. We now have the ingredients to specify six distinct concepts of decentralization. The first concerns the number of tiers in the system; the next five focus on how different attributes are distributed among the tiers. The discussion below is not intended to be comprehensive, elucidating all possible meanings of decentralization, but rather to focus on a few that come up commonly in political arguments and that are useful for political research.

## 1.2 Six conceptions

### 1.2.1 *Vertical decentralization*

One way the word “decentralized” is used in political discourse is to describe systems in which government or administration is divided among many tiers. I define the *vertical decentralization* of a system to mean simply the number of tiers it contains. A state such as China in which governments exist at five levels (central; provincial; prefectural; county; town or village) has a more vertically decentralized governmental system than one which has only a single tier of government (Singapore), or just a central government and municipalities (e.g., Slovenia).

Vertical decentralization is close to what Thomas Jefferson had in mind when he called on Americans to divide and subdivide their republic into smaller units.

It is by dividing and subdividing these republics from the great national one down through all its subordinations, until it ends in the administration of every man’s farm by himself; by placing under every one what his own eye may superintend, that all will be done for the best...<sup>7</sup>

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<sup>7</sup> Jefferson letter to Joseph C. Cabell, February 2, 1816, in Appleby and Ball (1999, p.205).

By increasing the degree of vertical decentralization, Jefferson hoped to divide and constrain the potentially abusive power of central government and to ensure that each decision was made at the level at which officials had the appropriate competences.

I constructed data for 154 countries on the number of tiers of government as of the mid-1990s. I coded a tier as a “tier of government” if there existed a political executive at that tier which met three conditions: (1) it was funded from the public budget, (2) it had authority to administer a range of public services,<sup>8</sup> and (3) it had a territorial jurisdiction. This definition includes both bodies with decisionmaking autonomy and those that are essentially administrative agents of higher level governments. Some scholars have, quite reasonably, distinguished increases in the number of tiers with locally accountable governments (“decentralization”) from increases in the number of tiers of central administrative agents (“deconcentration”).<sup>9</sup> Jefferson, in the quote above, clearly had in mind the former. My goal, however, was to begin from very broad concepts and then to narrow down. Decisionmaking autonomy is central to the second conception, discussed below, and electoral accountability to the fourth. In some contexts, it is useful to have a concept measuring the number of levels at which general purpose executives exist, regardless of their degree of autonomy or accountability.

### *1.2.2 Decisionmaking decentralization*

A second concept—*decisionmaking decentralization*—focuses on how the authority to make political decisions is distributed among different tiers. As Richard Bird puts it: “The central question with respect to political decentralization is... ‘who decides’” (Bird 2000, p.135). If authority to decide all questions belongs to the central government, the system is maximally

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<sup>8</sup> This excluded mere local health associations or public waste management corporations.

<sup>9</sup> For example, Bird (2000). The use of “deconcentration” for such administrative decentralization follows a longstanding French usage (see Fesler 1968).

centralized in this sense; if the lowest-tier governments have all decision-making rights, it is maximally decentralized.

This seems clear enough in the abstract. But attempts to apply the definition present immediate difficulties. Some difficulties concern how rights to decide on specific questions are distributed among tiers, others how decisionmaking takes place on a given question. To start with the latter, on many questions the right to decide is not assigned to one tier in toto, but shared between actors from several tiers. Various constitutions—those of India and Malaysia, for instance—contain a “concurrent” list of policy areas on which both central and subnational authorities have the right to legislate. In other cases, one tier has the primary responsibility to legislate on a given subject, but its laws may be overturned by another tier. In such cases, the constitution does not allocate different policy areas to different tiers; rather, it allocates to them roles and procedural rights in the decisionmaking process.

Even if decisionmaking rights on different questions were assigned entirely to one tier of government or another, it would not be clear how to add up and compare the rights assigned to each to arrive at a composite measure of decentralization.<sup>10</sup> Is a system in which local governments make all decisions on education and central government makes all decisions on healthcare more or less decentralized than one in which the assignments are reversed? It is common to talk of the “scope of questions” on which different governments have autonomy. But is the scope of questions on national defense greater or smaller than the scope of questions on economic policy?

A similar problem relates to vertical aggregation. As with many other types of decentralization, ambiguities arise when the state comprises more than two tiers. Even if one could quantify the degree of decisionmaking autonomy at each tier of a multi-tier system, it is not clear how to turn this into a single measure. One might say that decentralization is greatest when

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<sup>10</sup> Cf. Riker (1964, p.7): “There is no mechanical means of totting up the numbers and importance of areas of action in which either kind of government is independent of the other.”

the allocation of authority across all tiers has a lower “center of gravity”.<sup>11</sup> However, this would equate some quite different-looking distributions. A three-tier system in which the middle tier had all decisionmaking rights on all questions would be rated the same as one in which the central and lowest tiers each had exclusive rights on half of the questions.<sup>12</sup>

Finally, the decisionmaking decentralization criterion refers to the formal division of authority, as defined in constitutions and laws. The rules that operate in practice may be quite different. In the Stalin Constitution of 1936, governments of the Soviet republics had significant decisionmaking rights (to approve the republic’s economic plan and amend the republic’s constitution). These were a fiction useful for propoganda. While the irrelevance of formal rules is clear in extreme cases, in other settings it is much harder to determine the extent to which constitutional restrictions “bite”. My methodological preference is to use formal criteria as a source of data and to control in any analysis for factors that might weaken the force of such formal rules—for instance, the dominance of a single party or a communist legal system. Others may have other preferences.

The problems defining and measuring decisionmaking decentralization are so daunting that, were decisionmaking not the crucial question in debates over decentralization, it would be tempting to abandon the concept. Given its importance, the challenge is to devise at least some imperfect but defensible measures. One strategy is to try to pick out polar cases. I say a subnational legislature has “residual authority” if the constitution assigns to it the exclusive right to legislate on issues that it does not specifically assign to one level of government. The Argentine constitution, for instance, states in Section 121 that: “The provinces reserve to themselves all the powers not delegated to the Federal Government by this Constitution”. Second, I say a subnational legislature has “autonomy” on a given question if the constitution reserves

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<sup>11</sup> The center of gravity is the point—or, in this case, tier—such that half the total decisionmaking authority is located above and half below.

<sup>12</sup> Oates (1972 p.196) notes this problem.



decisionmaking on that question exclusively to it (except, perhaps, for review of decisions' constitutionality by judicial authorities.) I say a subnational tier of government has "weak autonomy" if it has autonomy on at least one set of policy questions and/or it has "residual authority".<sup>13</sup> (Being assigned residual authority entails autonomy on at least one policy area, unless *all* areas have been assigned to the center, which the inherent incompleteness of constitutions implies will never be the case.) Thus, "residual authority" is a subset of "weak autonomy".

Decisionmaking decentralization is not just a matter of subnational autonomy. It is also enhanced if subnational actors have the right to shape central decisions. Various constitutions explicitly entrench such rights. Usually, this occurs by means of an upper house of parliament that represents subnational governments or electorates. The German Bundesrat, composed of representatives of the Land governments, has authority to veto certain bills. The Russian Council of Federation, which between 1996 and 2001 comprised the leaders of regional governments and legislatures, could require a supermajority in the lower house on some legislation. Thus, a third indicator of decisionmaking decentralization is whether a regionally-chosen upper house of parliament exists with the power to block legislation. I refer to this power as that of "subnational veto". Different types of legislation may be subject to different procedures for passage. (For instance, in many systems the upper house's veto is more restricted on financial than on non-financial bills.)<sup>14</sup>

As should be obvious, the right of subnational actors to interfere in central legislative decisions will not necessarily coincide with their autonomy from central interference. So it makes

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<sup>13</sup> This is an element in one well-known definition of federalism: in federal states, the second-tier units have final decisionmaking power on at least some questions (Riker 1964); see below. The "weak" in "weak autonomy" points to the fact that just one, perhaps quite insignificant, area of decisionmaking autonomy is required to meet the criterion.

<sup>14</sup> One might distinguish between systems in which deputies to the central upper house are chosen by regional governments and those in which they are elected on a regional basis. Here, I include both as "regionally-chosen".

more sense to use these different types of indicator separately than to combine them.

### 1.2.3 *Appointment decentralization*

A third concept—*appointment decentralization*—concerns the level at which officials at different tiers are selected and dismissed. If a first tier body appoints the executive at the second tier, this is more centralized than if second tier actors select—or second tier voters elect—their executive independently. The more appointments are made “from above”, the lower is appointment decentralization.

Although the degree of appointment decentralization is related to whether or not the system is democratic, these are not the same thing. A system in which all officials are appointed by elites at the same level has the same degree of appointment decentralization as one in which all officials are elected. What matters is the hierarchical location of the appointers rather than the manner of appointment. Local self-government does not always mean local democracy. In Britain, the charters of incorporation that the king granted to boroughs “definitely placed power and responsibility in the hands of the governing clique, and narrowed or even eliminated popular control” (Cam 1951, pp.919-22). The liberties of the towns were almost everywhere eroded as the crown helped local oligarchies to take power.

Existing constitutions contain many gradations and nuances on this score. As with other types of decisionmaking, actors at more than one level often participate in appointments and dismissals. In some systems, central actors appoint local executives, but from a locally-provided shortlist.<sup>15</sup> Sometimes authority to appoint is not congruent with authority to dismiss. Central executives may have the right to fire locally-elected executives under certain conditions, as for instance in Argentina where the president can intervene and remove a regional governor in emergencies. A second complication is that in some systems more than one executive may exist

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<sup>15</sup> For instance, in the Comoros, island governors are appointed by the President of the Republic from a list of three nominated by the island legislature (1996 Constitution of the Comoros, Article 60).

at a given subnational tier. The local legislature or electorate may choose an executive; at the same time, the central government may appoint its own agent—a prefect, commissioner, *fylkesmann*, etc.—to supervise local government and administer central programs.

Comparing complex arrangements systematically is difficult. Still, several summary statistics may pick out broad differences. In Section 2, I discuss a cross-national index of appointment centralization.

#### *1.2.4 Electoral decentralization*

Within democratic systems, local officials may be either popularly elected or appointed by higher-level elected officials. Requiring the election of local officials is sometimes viewed as a type of decentralization. I define *electoral decentralization* to mean the proportion of tiers at which direct elections are held to pick executives (or the legislators who then chose an executive from their number). Comparing two systems with the same number of tiers, the one in which officeholders at more tiers are selected in direct elections is the more electorally decentralized one.

This might seem merely another way of measuring the degree of democracy, but it is not. A system in which a national electorate elects central officeholders who then administer via two tiers of appointed agents is not necessarily less democratic than one in which three tiers of government are directly elected. Nor is it the same as appointment decentralization, as already noted, although the two concepts overlap. Whereas appointment decentralization refers to the *level* at which executives are chosen, electoral decentralization refers to the *manner* in which they are selected.

#### *1.2.5 Fiscal decentralization*

*Fiscal decentralization* concerns the way tax revenues and public expenditures are distributed among the different tiers. Tax revenue decentralization is greater, the larger the share of total tax

revenues that subnational tiers receive. Expenditure decentralization increases with the share of total public expenditures funded from subnational budgets.

These definitions admit a myriad of nuances. Do subnational governments have rights over specific taxes, over defined shares of specific taxes, over shares of total tax revenues; or do they just receive a given sum at the discretion of the central government? Are their tax rights defined by the constitution or by federal law? If they have rights over specific taxes, are these only property rights over the revenues or do they also have the right to define the tax's base and set its rate? Do they collect the taxes themselves, or are taxes collected by federal bodies and then distributed to them? The nuances may be crucial for answering specific questions about incentives. But as an overall indicator, the share of subnational governments in total tax revenues picks out some broad differences.<sup>16</sup> On the expenditure side, it seems less problematic simply to consider what share of total government expenditures are made by subnational governments. This will not correlate perfectly with decisionmaking decentralization if central government mandates predetermine how subnational revenues will be spent. But that is just one of many reasons for distinguishing the two concepts.

The meaning of fiscal decentralization—like that of decisionmaking decentralization and personnel decentralization (see below)—is unclear when the state contains more than two tiers. Again, some rule for translating the distribution across tiers into a summary statistic of decentralization is needed. One might weight all subnational tiers equally and simply use the subnational share of tax revenues or expenditures. Or one might measure the center of gravity of revenues or expenditures. The appropriate choice will depend on the particular theory and research question.

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<sup>16</sup> This is essentially the indicator of decentralization chosen by Lijphart (1984, p.177). It has been used in numerous other studies.

### 1.2.6 *Personnel decentralization*

A final conception also focuses on how administrative resources are distributed across tiers of government. The greater the share of administrative personnel employed at lower tiers, the greater is *personnel decentralization*. Again, an aggregation rule is needed to define how to calculate the degree of decentralization if more than two tiers exist.

The distribution of manpower can become as politically charged as the distribution of decisionmaking authority. In the debates over the draft US constitution, the Antifederalists feared that a well-staffed central government might overawe the state governments. Madison, in Federalist No.45, reassured readers that the US would remain decentralized in this sense. “The number of individuals employed under the Constitution of the United States will be much smaller than the number employed under the particular States. There will consequently be less of personal influence on the side of the former than of the latter” (Rossiter, p.291). Judging by current statistics, he was right. The share of subnational public administration employees in the US in the 1990s was 72.5 percent, the third highest in the OECD (after Germany and Finland) (Schiavo-Campo et al. 1997). This contrasts with the Netherlands, for instance, where three quarters of public administration personnel were *central* government employees.

Table 1 summarizes the six definitions presented in this section.

## 2 Measuring decentralization

How do existing states differ on the six dimensions of decentralization defined in the previous section? I now review patterns in data that I collected on 166 countries as of the mid-1990s. The data came from a wide variety of sources, including some 130 constitutions and more than 200 publications on the structure of local governments. The data will soon be made available on the author’s web site.

Vertical decentralization is not difficult to operationalize, although collecting data was challenging. Using the definition already given, I collected data from more than 200 sources on

**Table 1: Six conceptions of decentralization**

<b>1. Vertical decentralization</b>	Number of tiers.
<b>2. Decisionmaking decentralization</b>	Extent to which subnational actors have right to make political decisions. a) “ <i>Weak autonomy</i> ”—constitution reserves exclusive right to legislate on at least one specific policy area to subnational legislatures, or subnational legislatures have “residual authority”. b) “ <i>Residual authority</i> ”—constitution gives subnational legislatures exclusive right to legislate on policy areas not specifically assigned in constitution. c) “ <i>Subnational veto</i> ”—regionally-chosen upper house of parliament has constitutional right to block legislation.
<b>3. Appointment decentralization</b>	Extent to which executive appointments are made by actors at same (or lower) tier, rather than from above.
<b>4. Electoral decentralization</b>	Extent to which subnational officials are elected.
<b>5. Fiscal decentralization</b>	Share of subnational governments in total tax revenues or public expenditures.
<b>6. Personnel decentralization</b>	Share of subnational governments in total government administration employees.

the number of tiers in 154 countries as of the mid-1990s. The number of tiers ranged from one in Singapore to six in Cameroon, Gabon, and Uganda. The mean number of tiers was 3.6, and the median was 4. The mean was highest in Sub-Saharan Africa and lowest in Latin America, Eastern Europe and the former Soviet Union.

Decisionmaking decentralization is, as noted, much harder to operationalize. First, I constructed measures of : (1) whether at least one tier of subnational government had “weak autonomy”; and (2) whether one tier of subnational government had “residual powers”. These were constructed from the constitutions in force as of the mid-1990s. Coding for “weak autonomy” required some nuanced judgments that another observer might make differently. Some constitutions listed functional responsibilities of local or state governments, but added elsewhere that the local or state governments could legislate in these areas only within the limits of

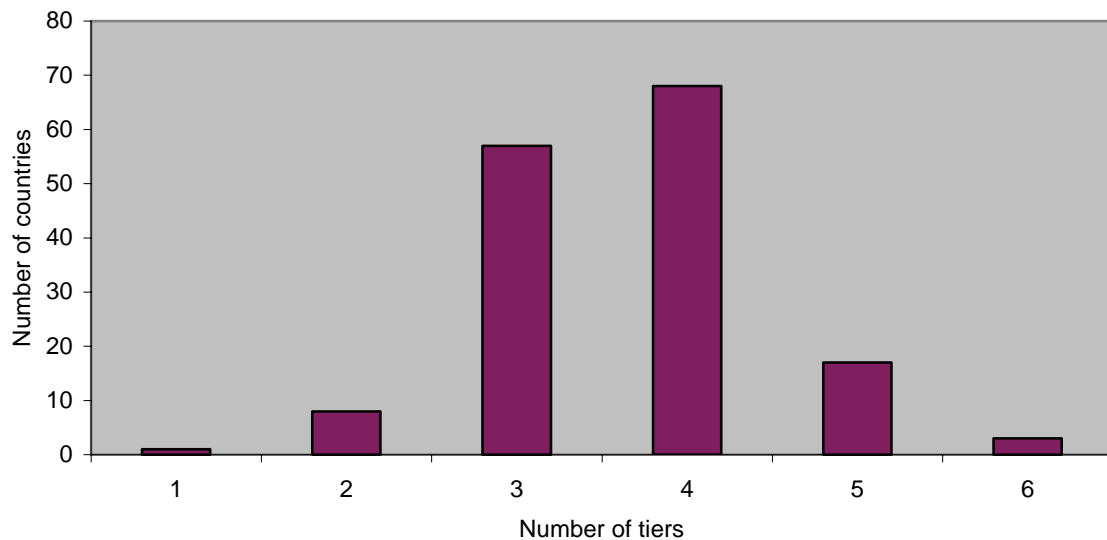
(centrally-enacted) laws. I did not code such cases as ones of autonomy. If subnational responsibilities were explicitly enumerated, and no clause indicated the supremacy of central law,

**Table 2: Vertical decentralization: mean number of tiers of government, mid-1990s**

	Sub-Saharan Africa	Asia	Latin America	Middle East and North Africa	E. Europe and Former USSR	W. Europe and North America
<b>Mean</b>	4.1	3.7	3.3	3.5	3.3	3.6

Source: data compiled by author from more than 200 sources. N = 154.

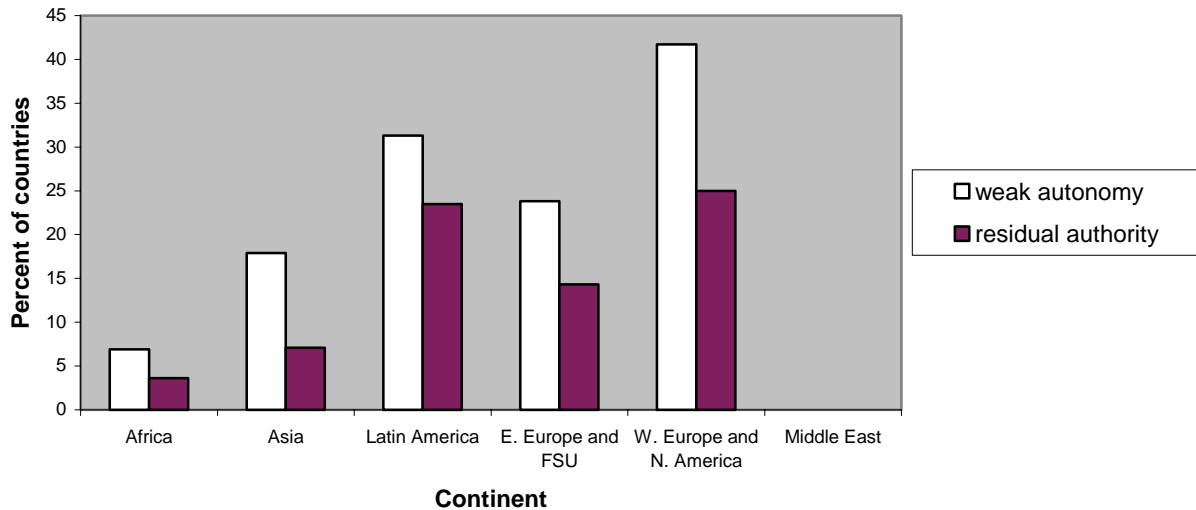
Figure 1: Vertical Decentralization (number of tiers of government)



I did consider this indicative of weak autonomy. Australia posed the greatest difficulty in determining codings on “residual powers”. Section 107 of its constitution assigns to the states any powers that they held under their pre-federation, colonial constitutions, so long as these powers were not constitutionally withdrawn or entrusted to the federal parliament. The powers of the federal parliament are explicitly enumerated in a number of sections (in particular, 51-2). This means that residual powers belong to the states, so long as these had been asserted in their pre-

federation constitutions. I coded Australia as having subnational residual powers.<sup>17</sup>

**Figure 2: Percentage of countries in which subnational legislatures have "weak autonomy" and "residual authority"**



Note: A legislature has "weak autonomy" if there is at least one topic on which the constitution assigns it an exclusive right to legislate (or the constitution assigns it residual powers over topics not explicitly assigned). It has "residual authority" if the constitution assigns to it authority over matters not explicitly assigned.

Of a total 133 countries whose constitutions I reviewed, 27 gave “weak autonomy” to subnational legislatures. This type of decentralization was most common in Western Europe and North America, where subnational legislatures had “weak autonomy” in 42 percent of countries. It was rarest in the Middle East, where there were no cases of weak subnational autonomy among the 15 countries whose constitutions I read.<sup>18</sup> Seventeen countries had constitutions that assigned residual powers to state or local governments (Argentina, Australia, Austria, Belgium, Bosnia and Herzegovina, Brazil, Ethiopia, Germany, Malaysia, Mexico, Pakistan, Russia, Spain, Switzerland, USA, Venezuela, and Yugoslavia). The odds of this were much higher in Latin America and

<sup>17</sup> For discussions of this, see Zines (1989, pp.16-19), Sawyer (1967, pp.16-17).

<sup>18</sup> The United Arab Emirates might prove an exception. I did not manage to obtain a translation of its constitution.



Western Europe plus North America, where respectively 24 and 25 percent of the countries investigated had such constitutional features.

Next, I considered the ability of subnational actors to veto central decisions. Using data compiled by Tsebelis and Money (1997), I constructed a measure of whether a country had an upper house of parliament, filled on the basis of regional representation, that had the ability to block bills proposed by the lower house. I focused on cases in which the veto was absolute, not just requiring a delay or a supermajority in the lower house. And, since procedures sometimes differ for bills that involve budgeting and finance, I constructed separate variables for “money bills” and “non-financial” legislation. Not surprisingly, these were highly correlated (at .85).

Such subnational blocking power turned out to be almost exclusively a West European, North American, and Latin American phenomenon. Twenty-one percent of the West European and North American countries had a regionally-chosen upper house that could block both financial and non-financial legislation. This was true for about 7 percent of the Latin American countries on financial bills and 15 percent on non-financial legislation. There were no cases of veto power on either type of bill among the Asian, Middle Eastern, and Eastern European countries. Some 2 percent of Sub-Saharan African countries had a subnational veto over financial bills, and some 5 percent had the same over non-financial bills.

To give a sense of how countries differ on appointment centralization, I created an index in the following way. I considered how the top executive official—governor, regional commissioner, mayor—at each tier of subnational government was chosen. For each appointment that was made by an actor at a higher tier, I assigned one point for each tier that the appointer was above the appointee. For instance, if the regional governor was appointed by the central president, I added one point to the index; if municipal mayors (in a country with three tiers) were also appointed by the president, I added two points. In some countries, some tiers of government have both a locally-selected executive and a centrally appointed official—a prefect, commissioner, etc. In such cases, I assigned half a point—instead of a whole point—for each tier that the appointer

of the appointed official was above the appointee. Finally, I normalized by dividing by the total number of tiers. To illustrate, the Netherlands had two subnational tiers—provinces and municipalities. The municipalities had elected councils, which chose their own executive; the Crown also appointed a municipal mayor ( $0.5 \times 2$  for the two tiers between Crown and municipality = +1). The provinces also had elected councils, which chose their own executives; and the Crown also appointed a provincial commissioner (+0.5). This yields a total of 1.5, which divided by the total number of tiers, 3, gives an appointment centralization index of 0.5.

The readings on this index for the 154 countries for which I had data ranged from 0 to 2.00, for Rwanda and Zaire (high values indicate greater appointment *centralization*). As can be seen in Table 3, appointment centralization was greatest in the Middle East and North Africa, and lowest in Latin America. Europe—both West and East—came in the middle.

**Table 3: Mean index of appointment centralization, mid-1990s**

	Sub-Saharan Africa	Asia	Latin America	Middle East and North Africa	E. Europe and Former USSR	W. Europe and North America
<b>Mean</b>	.47	.52	.20	.69	.31	.30

Source: data compiled by author from more than 200 sources. N = 154. Index as defined in text.

To measure electoral decentralization, I calculated the percentage of subnational tiers at which the executive was chosen by direct election or selected by a directly elected legislature. This is a formal criterion that does not distinguish genuinely competitive elections from those ritualistically staged by ruling parties. Even so, the differences between continents are fairly striking. On average, executives were elected at almost three quarters of the subnational tiers in Western European and North American countries in the mid-1990s. In the Middle East and North Africa, the average was only 8 percent of tiers.

**Table 4: Average proportion of subnational tiers at which executive elected, mid-1990s, (%)**

	Sub-Saharan Africa	Asia	Latin America	Middle East and North Africa	E. Europe and Former USSR	W. Europe and North America
<b>Mean</b>	29.3	49.7	70.4	8.3	70.2	72.0

Source: data compiled by author from more than 200 sources. N = 117.

For fiscal decentralization, I used the subnational share of total state expenditures, averaged for 1993-5 where possible and for a year as close as possible to 1994 where not. Most data came from the IMF's *Government Finance Statistics Yearbooks*, as presented in a dataset compiled by the World Bank. I supplemented this with a few specific country sources to expand coverage. In all, I found data for 67 countries—a far lower total than for other indicators, so generalizations should be made with caution. To measure personnel decentralization, I calculated the share of general civilian government administration employment that was in non-central government bodies as of the early 1990s. Data on this came from a World Bank international statistical study (Schiavo-Campo et al. 1997).

The data revealed much crossnational variation. The subnational expenditure share ranged from zero in Singapore to 57 percent in Canada. Expenditure decentralization was greatest on average in Western Europe and North America, and lowest in the Middle East. Personnel decentralization showed a slightly different pattern. As with public expenditure, Western Europe and North America topped the list, with 52 percent of total personnel employed at subnational levels in the average country. However, Middle Eastern countries had a surprisingly high subnational proportion of public administration employment—33.7 percent, on average—given the relatively small part of their budgets going toward subnational governments.

**Table 5: Average share of subnational governments in total state expenditures and personnel, early 1990s (%)**

	Sub-Saharan Africa	Asia	Latin America	Middle East and North Africa	E. Europe and Former USSR	W. Europe and North America
<b>Subnational expenditure share: mean</b>	11.0	21.6	14.9	8.4	21.9	29.7
<b>Subnational share of public employment: mean</b>	24.4	44.4	28.9	33.7	37.1	51.8

Source: IMF, *Government Finance Statistics Yearbooks* (as in World Bank database) for expenditures; Schiavo-Campo et al. 1997 for employment. N = 67 for expenditures, N = 91 for personnel.

How do these measures of different types of decentralization relate to each other empirically? The simplest way to judge this is by examining the correlations, which I show in Table 6. Some interesting differences emerge.

First, vertical decentralization—the number of tiers of government—was not closely related to any of the other decentralization indicators. Countries with more subnational tiers of government are not more likely to decentralize decisionmaking power, financial or personnel resources, or to elect local officials. On the contrary, vertical decentralization was actually weakly correlated with appointment *centralization*: the more tiers of government, the larger the proportion of subnational officials who were appointed from above.

The first two indicators of decisionmaking decentralization—weak autonomy and residual authority—were closely correlated with each other, which is to be expected since the second is a subset of the first. Both have weak to moderate correlations with the two indicators of upper house veto power, suggesting that institutional mechanisms to entrench subnational involvement in central decisionmaking are more common in countries where the autonomy of subnational governments is constitutionally protected. (A simple cross-tabulation suggests that the odds of a regionally-representative upper house with a veto on non-financial legislation were ten times higher—30 percent compared to 3 percent—in countries with weak autonomy.) Both weak autonomy and residual authority were also moderately correlated with both fiscal and

personnel decentralization, suggesting that resources do tend to be decentralized along with decisionmaking authority.

**Table 6: Indicators of Decentralization, mid-1990s, correlation coefficients**

	Vertical decentralization	Decisionmaking decentralization				Appointment centralization	Electoral decentralization	Fiscal decentralization	Personnel decentralization
	Number of tiers	Weak autonomy	Residual powers	Regionally chosen upper house can block financial bills	Regionally chosen upper house can block non-financial bills	Index of appointment centralization	Proportion of subnational tiers with elected executive	Subnational expenditure share (1993-5)	Subnational public employment share (early 1990s)
Number of tiers	<b>1.000</b> . <i>154</i>								
Weak autonomy	<b>.062</b> .495 <i>125</i>	<b>1.000</b> . <i>133</i>							
Residual powers	<b>.076</b> .400 <i>125</i>	<b>.776**</b> .000 <i>132</i>	<b>1.000</b> . <i>133</i>						
Regionally chosen upper house can block financial bills	<b>.026</b> .747 <i>154</i>	<b>.223*</b> .010 <i>132</i>	<b>.223*</b> .010 <i>132</i>	<b>1.000</b> . <i>166</i>					
Regionally chosen upper house can block non-financial bills	<b>.024</b> .772 <i>154</i>	<b>.319**</b> .000 <i>132</i>	<b>.360**</b> .000 <i>132</i>	<b>.845**</b> .000 <i>166</i>	<b>1.000</b> . <i>166</i>				
Appointment centralization	<b>.180*</b> .025 <i>154</i>	<b>-.091</b> .315 <i>125</i>	<b>-.083</b> .358 <i>125</i>	<b>-.114</b> .158 <i>154</i>	<b>-.148</b> .067 <i>154</i>	<b>1.000</b> . <i>154</i>			
Proportion of subnational tiers with elected executive	<b>-.159</b> .087 <i>117</i>	<b>.214*</b> .033 <i>99</i>	<b>.180</b> .074 <i>99</i>	<b>.152</b> .102 <i>117</i>	<b>.183*</b> .048 <i>117</i>	<b>-.787**</b> .000 <i>117</i>	<b>1.000</b> . <i>117</i>		
Subnational expenditure share (1993-5)	<b>.132</b> .289 <i>66</i>	<b>.506**</b> .000 <i>61</i>	<b>.416**</b> .001 <i>60</i>	<b>.201</b> .103 <i>67</i>	<b>.245*</b> .045 <i>67</i>	<b>-.103</b> .411 <i>66</i>	<b>.305*</b> .021 <i>57</i>	<b>1.000</b> . <i>67</i>	
Subnational public employment share (early 1990s)	<b>.129</b> .232 <i>87</i>	<b>.349**</b> .002 <i>77</i>	<b>.298**</b> .008 <i>77</i>	<b>.217*</b> .039 <i>91</i>	<b>.217*</b> .039 <i>91</i>	<b>-.176</b> .104 <i>87</i>	<b>.419**</b> .000 <i>74</i>	<b>.718**</b> .000 <i>48</i>	<b>1.000</b> . <i>91</i>

Note: Pearson correlation in bold; two-tailed significance underneath; N in italics. \* correlation is significant at 0.05 level, two-tailed; \*\* correlation is significant at 0.01 level, two-tailed.

Weak autonomy and residual authority also correlate weakly with electoral decentralization. (The mean percentage of subnational tiers with elected executives among

countries with weak autonomy was 72 percent; the mean for countries without weak autonomy was 51 percent; the difference was significant at  $p < .05$ .) The weakness of the correlation reflects, in part, the fact that subnational executives are elected even in many countries where subnational governments lack constitutionally protected autonomy. This was true of 26 countries in this data set. But there were also some cases in which subnational legislatures had weak autonomy but executives were unelected. Malaysia is the most extreme example: the states are governed by hereditary sultans or centrally appointed governors, while the local governments have state appointed executives. Nevertheless, Article 77 of the constitution assigns residual powers to the state governments to make laws on any matter that the constitution does not assign to the national parliament.

The two subnational veto variables were highly correlated with each other. They were weakly correlated with fiscal and personnel decentralization, but the relationship was not always significant. Appointment centralization correlated negatively with electoral decentralization; this follows from the definition—the more tiers at which executives were appointed from above, the fewer tiers at which they could be elected. But appointment centralization was not significantly correlated with decisionmaking, fiscal, or personnel decentralization. Finally, fiscal and personnel decentralization were—as might be expected—highly correlated with each other. And both were moderately correlated with electoral decentralization.

### 3 Correlates of decentralization

In this section, I explore how certain historical, social, economic, or institutional factors correlate with decentralization, as captured by the different indicators I constructed. I do not attempt to make causal arguments, which would require far more than a mere presentation of correlations. The goal is rather to describe some patterns in the data, pointing out differences in the correlates

of different decentralization concepts. I start with more permanent, exogenous characteristics of countries and progress to more historically contingent institutional factors.

### 3.1 Country size

Territorially larger and more populous countries are often assumed to have more decentralized governmental systems. As Table 7 shows, this turns out to be true of some types of decentralization but not of others. Larger and more populous countries do tend to be more vertically decentralized and to have greater fiscal and personnel decentralization. There are also weak or moderate correlations between country size and subnational government autonomy and residual powers. However country size appears not to be directly related to subnational veto power, or to either appointment or electoral decentralization. Although larger countries had a greater number of subnational tiers of government, executives at these tiers were not more likely to be elected or locally appointed than in smaller countries.

**Table 7: Country size and decentralization**

	Vertical decentralization	Decisionmaking decentralization				Appointment centralization	Electoral decentralization	Fiscal decentralization	Personnel decentralization
		Weak autonomy	Residual powers	Regionally chosen upper house can block financial bills	Regionally chosen upper house can block non-financial bills				
Log 1994 population									
Correlation	<b>.422**</b>	<b>.258**</b>	<b>.310**</b>	<b>.122</b>	<b>.224**</b>	<b>.101</b>	<b>.105</b>	<b>.476**</b>	<b>.473**</b>
2-tailed sig.	.000	.003	.000	.117	.004	.214	.260	.000	.000
<i>N</i>	154	133	133	165	165	154	117	67	91
Log surface area									
Correlation	<b>.416**</b>	<b>.179*</b>	<b>.263**</b>	<b>-.003</b>	<b>.095</b>	<b>.112</b>	<b>.002</b>	<b>.558**</b>	<b>.394**</b>
2-tailed sig.	.000	.039	.002	.971	.224	.168	.983	.000	.000
<i>N</i>	154	133	133	166	166	154	117	67	91

\* correlation is significant at 0.05 level, two-tailed; \*\* correlation is significant at 0.01 level, two-tailed.

## 3.2 Ethnic divisions

Political decentralization is often viewed as a way to manage conflict in ethnically divided societies.<sup>19</sup> One might expect it to be more common in countries where such divisions are more pronounced. Finding high quality, cross-national data on ethnic divisions is extremely difficult. Serious doubts have been raised about one commonly used variable, the index of ethnolinguistic fractionalization compiled from data published in the 1960 *Atlas Narodov Mira*.<sup>20</sup> Table 8 shows correlations between decentralization indicators and a measure compiled by Gunnemark (1991) of the proportion of the population in each country that did not use the country's official language at home. This reflects only the size of the politically dominant ethnolinguistic group, and not the degree of division among speakers of non-official languages. However, the argument for political decentralization would seem to be powerful whenever the size of the dominant group is small, regardless of how the non-dominant population is divided up.

Greater ethnolinguistic division, by this measure, did correlate with a larger number of tiers of government, and this was also true controlling for country size. However, the correlation with other forms of decentralization was negative. There were significant low-to-moderate correlations between ethnolinguistic division and *lower* electoral, fiscal, and personnel decentralization (again, true also controlling for country size). In practice, it was more ethnically homogeneous countries that tended to be more decentralized on these indicators. Of the countries in which more than 30 percent did not use the official language at home, only two—India and South Africa—had subnational governments that made more than 25 percent of total state expenditures, and only two—India and Pakistan—had more than 50 percent of administrative employment in subnational governments.

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<sup>19</sup> See, for instance, Hechter (2000, pp.143-4).

<sup>20</sup> This has been criticized recently for (1) being out of date and (2) focusing on just one of many potentially salient cultural divisions, while ignoring others such as religion, caste, and tribe (Posner and Laitin 2001).



**Table 8: Ethnolinguistic division and decentralization**

	Vertical decentralization	Decisionmaking decentralization				Appointment centralization	Electoral decentralization	Fiscal decentralization	Personnel decentralization
		Weak autonomy	Residual powers	Regionally chosen upper house can block financial bills	Regionally chosen upper house can block non-financial bills				
Percent not using official language at home, 1990									
Correlation	<b>.356**</b>	<b>-.164</b>	<b>-.139</b>	<b>-.106</b>	<b>-.083</b>	<b>.116</b>	<b>-.257**</b>	<b>-.279*</b>	<b>-.323**</b>
2-tailed sig.	.000	.068	.122	.195	.310	.169	.007	.025	.002
<i>N</i>	142	125	125	152	152	142	108	65	89
controlling for log population and area									
Correlation	<b>.376**</b>	<b>-.175</b>	<b>-.169</b>	<b>-.079</b>	<b>-.064</b>	<b>.112</b>	<b>-.251**</b>	<b>-.343**</b>	<b>-.322**</b>
2-tailed sig.	.000	.053	.062	.336	.436	.187	.010	.006	.002
<i>N</i>	138	121	121	148	148	138	104	61	85

\* correlation is significant at 0.05 level, two-tailed; \*\* correlation is significant at 0.01 level, two-tailed.

### 3.3 Colonial traditions

Government and administrative structures in many countries were influenced by their experience as colonies of major powers. Such colonial experiences—and the legal systems they bequeathed—correlate with a variety of contemporary variables, from stock market size to infant mortality (La Porta et al. 1997; 1999). Some scholars have suggested that the British tended to create relatively more decentralized structures in their colonies, and several have noted the tendency of the departing British to leave behind federally structured states (Riker 1964, pp.25-33; Elazar 1987, pp.189-91). Do countries' current levels of decentralization correlate with the identity of their past colonists?

Table 9 uncovers few relationships with colonial traditions. A history of British rule did not correlate with any of the decentralization indicators. However, former French colonies and France did tend to have more tiers of government than other countries (and this was not explained by larger country size). The mean number of tiers for former French colonies was 4.3, compared

to 3.5 for other countries, and the difference was highly significant. At the same time, former French colonies were slightly less likely to have subnational governments with decisionmaking autonomy. Of 22 countries with a history of French rule, only one—Belgium—had subnational units with weak autonomy (and Belgium experienced French rule only during the Napoleonic occupation.) Among other countries, almost one in three did.<sup>21</sup> Spanish or Portuguese former colonies tended to be less fiscally decentralized than other countries, especially if one controls for country size.

### 3.4 Economic development

Do more economically developed countries tend to be more decentralized? A relationship, if it exists, might run in either direction. Economic development might stimulate political or fiscal decentralization; or decentralization might help to sustain economic development. Table 10 shows the correlations between the log of 1995 per capita GNP, in purchasing power parity terms, and the various indicators of decentralization.

The most interesting pattern in the data is the sharp divergence between vertical decentralization and the other kinds. Overall, less economically developed countries tend to have more tiers of government; the correlation is moderate (-.345) but highly significant. It remains roughly as large, and still significant, controlling for country size (measured by either the log of population or the log of surface area). However, economic development is positively correlated with the indicators of decisionmaking, electoral, appointment, and personnel decentralization, as well as with fiscal decentralization if one controls for country size.<sup>22</sup> Thus, in more developed countries, subnational units are more likely to have significant decisionmaking autonomy, to have veto power over central decisions, to have a larger share of total public administrative

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<sup>21</sup> The Pearson Chi-square for the difference was significant at  $p < .05$ .

<sup>22</sup> It is negatively correlated with appointment *centralization*.

employment and fiscal responsibilities, and to have officials who are locally elected rather than centrally appointed.

**Table 9: Colonial traditions and decentralization**

	Vertical decentralization	Decisionmaking decentralization				Appointment centralization	Electoral decentralization	Fiscal decentralization	Personnel decentralization
		Weak autonomy	Residual powers	Regionally chosen upper house can block financial bills	Regionally chosen upper house can block non-financial bills				
	Number of tiers					Index of appointment centralization	Proportion of subnational tiers with elected executive	Subnational expenditure share (1993-5)	Subnational public employment share (early 1990s)
<b>British tradition</b>									
Correlation	<b>-.083</b>	<b>.062</b>	<b>-.030</b>	<b>-.089</b>	<b>-.072</b>	<b>-.011</b>	<b>-.094</b>	<b>-.089</b>	<b>-.176</b>
2-tailed sig.	.306	.478	.728	.255	.354	.890	.311	.472	.095
N	154	133	133	166	166	154	117	67	91
<i>Controlling for country size</i>									
Correlation	<b>-.036</b>	<b>.097</b>	<b>.024</b>	<b>-.097</b>	<b>-.061</b>	<b>.004</b>	<b>-.105</b>	<b>-.061</b>	<b>-.153</b>
2-tailed sig.	.663	.273	.784	.219	.442	.958	.264	.631	.153
N	150	129	129	161	161	150	113	63	87
<b>French tradition</b>									
Correlation	<b>.372**</b>	<b>-.174*</b>	<b>-.110</b>	<b>-.026</b>	<b>-.055</b>	<b>.120</b>	<b>-.147</b>	<b>-.085</b>	<b>-.016</b>
2-tailed sig.	.000	.045	.208	.737	.479	.137	.115	.494	.881
N	154	133	133	166	166	154	117	67	91
<i>Controlling for country size</i>									
Correlation	<b>.395**</b>	<b>-.179*</b>	<b>-.122</b>	<b>-.010</b>	<b>-.046</b>	<b>.114</b>	<b>-.150</b>	<b>-.102</b>	<b>.022</b>
2-tailed sig.	.000	.041	.167	.904	.562	.162	.109	.419	.836
N	150	129	129	161	161	150	113	63	87
<b>Spanish or Portuguese tradition</b>									
Correlation	<b>-.029</b>	<b>.116</b>	<b>.205*</b>	<b>-.020</b>	<b>.085</b>	<b>-.139</b>	<b>.131</b>	<b>-.223</b>	<b>-.044</b>
2-tailed sig.	.719	.185	.018	.802	.276	.086	.158	.070	.681
N	154	133	133	166	166	154	117	67	91
<i>Controlling for country size</i>									
Correlation	<b>-.087</b>	<b>.080</b>	<b>.154</b>	<b>-.022</b>	<b>.074</b>	<b>-.154</b>	<b>.139</b>	<b>-.400**</b>	<b>-.077</b>
2-tailed sig.	.286	.362	.079	.781	.349	.058	.138	.001	.473
N	150	129	129	161	161	150	113	63	87

Country size: log 1994 population and log surface area; \* correlation is significant at 0.05 level, two-tailed; \*\* correlation is significant at 0.01 level, two-tailed.

### 3.5 Democracy

Do more democratic countries tend to be more decentralized? I was interested in relationships with both the current degree of democracy and the duration of democratic government, so I explored correlations with two alternative democracy variables. To capture the current degree of

democracy in a country, I used Freedom House’s rating of “political liberties” as of 1995-6.<sup>23</sup> To measure more long-term exposure to democracy, I used a dummy variable for whether the country had been democratic in all years from 1950 until 1995. For this, I used the definition of democracy (and data) of Przeworski et al. (2000), updated to 1995.<sup>24</sup>

**Table 10: Economic development and decentralization**

	Vertical decentralization	Decisionmaking decentralization				Appointment centralization	Electoral decentralization	Fiscal decentralization	Personnel decentralization
		Weak autonomy	Residual powers	Regionally chosen upper house can block financial bills	Regionally chosen upper house can block non-financial bills				
	Number of tiers					Index of appointment centralization	Proportion of subnational tiers with elected executive	Subnational expenditure share (1993-5)	Subnational public employment share (early 1990s)
<i>log 1995 PPP per capita GNP</i>									
Correlation	<b>-.345**</b>	<b>.272**</b>	<b>.247*</b>	<b>.206*</b>	<b>.163</b>	<b>-.277**</b>	<b>.364**</b>	<b>.177</b>	<b>.366**</b>
2-tailed sig.	.000	.004	.010	.016	.059	.002	.000	.166	.001
N	126	108	108	135	135	126	96	63	81
<i>Controlling for country size</i>									
Correlation	<b>-.342**</b>	<b>.309**</b>	<b>.296**</b>	<b>.190*</b>	<b>.165</b>	<b>-.298**</b>	<b>.413**</b>	<b>.410**</b>	<b>.431**</b>
2-tailed sig.	.000	.001	.002	.029	.057	.001	.000	.001	.000
N	122	104	104	131	131	122	92	59	77

\* correlation is significant at 0.05 level, two-tailed; \*\* correlation is significant at 0.01 level, two-tailed.

<sup>23</sup> There is some question whether these ratings are appropriate to use in this context, since some of the questions on their 10-point checklist might elicit ratings that include the subnational institutions. One question asks about “legislative representatives”, without specifying whether this means just central legislatures or also those at other levels; and one question concerns the self-determination, self-government, or autonomy of “cultural, religious, ethnic, and other minority groups”. See <http://freedomhouse.org/research/freeworld/2000/methodology2.htm>.

<sup>24</sup> In this definition, a country is democratic if: (1) the chief executive is elected, (2) the legislature (at least its lower house) is elected, (3) more than one party contests elections, and (4) during the last three elections of a chief executive there has been at least one turnover of power between parties. Note that the definition focuses exclusively on the contested election of governments. Under this definition, a country remains “democratic” even if the leader imposes a state of emergency and suspends civil and political rights (as did Indira Gandhi between 1975 and 1977) so long as that leader was elected and does not violate or change the rules on holding new elections and leaving office. The 1975 Indian state of emergency was approved by both houses of the legislature (Alvarez et al. 1996, p.32). Mrs. Gandhi did call elections in 1977, and left power constitutionally when she lost. By contrast, when a leader, e.g. President Park in Korea, unconstitutionally changes the rules for selection of political officials, then that regime is classified as not democratic.

**Table 11: Democracy and decentralization**

	Vertical decentralization	Decisionmaking decentralization				Appointment centralization	Electoral decentralization	Fiscal decentralization	Personnel decentralization
		Number of tiers	Weak autonomy	Residual powers	Regionally chosen upper house can block financial bills				
Freedom House "Political Rights", 1995-6*									
Correlation	<b>-.292**</b>	<b>.210*</b>	<b>.165</b>	<b>.114</b>	<b>.077</b>	<b>-.312**</b>	<b>.417**</b>	<b>.193</b>	<b>.195</b>
2-tailed sig.	.000	.016	.059	.147	.326	.000	.000	.117	.065
N	153	132	132	163	163	153	117	67	91
<i>Controlling for country size</i>									
Correlation	<b>-.239**</b>	<b>.257**</b>	<b>.231**</b>	<b>.120</b>	<b>.100</b>	<b>-.292**</b>	<b>.437**</b>	<b>.315*</b>	<b>.269*</b>
2-tailed sig.	.003	.003	.008	.130	.205	.000	.000	.011	.011
N	149	128	128	159	159	149	113	63	87
<i>Controlling for country size and log 1995 GNP per capita</i>									
Correlation	<b>-.091</b>	<b>.102</b>	<b>.136</b>	<b>.084</b>	<b>.038</b>	<b>-.189*</b>	<b>.389**</b>	<b>.112</b>	<b>.204</b>
2-tailed sig.	.317	.301	.168	.341	.671	.040	.000	.393	.074
N	120	103	103	129	129	120	91	58	76
Democracy in all years 1950-95 (Alvarez et al. definition)									
Correlation	<b>-.078</b>	<b>.275**</b>	<b>.181*</b>	<b>.316**</b>	<b>.243**</b>	<b>-.130</b>	<b>.245**</b>	<b>.377**</b>	<b>.399**</b>
2-tailed sig.	.338	.001	.038	.000	.002	.110	.008	.002	.000
N	153	132	132	164	164	153	116	67	91
<i>Controlling for country size</i>									
Correlation	<b>-.112</b>	<b>.268**</b>	<b>.172</b>	<b>.308**</b>	<b>.229**</b>	<b>-.125</b>	<b>.240*</b>	<b>.433**</b>	<b>.367**</b>
2-tailed sig.	.170	.002	.051	.000	.003	.128	.010	.000	.000
N	149	128	128	160	160	149	112	63	87

\* correlation is significant at 0.05 level, two-tailed; \*\* correlation is significant at 0.01 level, two-tailed.

\* adjusted so high means more democratic

### 3.6 Federalism and decentralization

What is the relationship between federalism and decentralization? To answer this, one would need to know, first, the meaning of federalism and, second, the meaning of decentralization. The previous part of this paper has suggested some possible answers to the second question. What about the first?

Defining which states are “federal” is not straightforward. One approach might be to attempt to apply some authoritative definition of the word. To be federal, in Riker’s well-known definition, a state must meet two requirements. It must (1) have (at least) two levels of government, and (2) each level must have “at least one area of action in which it is autonomous.” The latter requirement must be formally guaranteed, for instance in a constitution (Riker 1964, p.11). Robert Dahl defined federalism similarly as “a system in which some matters are exclusively *within* the competence of certain local units—cantons, states, provinces—and are constitutionally *beyond* the scope of the authority of the national government; and where certain other matters are constitutionally outside the scope of the authority of the smaller units” (Dahl 1986, quoted in Stepan 2001, p.318). This definition corresponds to what I have called “weak autonomy”. If one wished to adopt a stricter criterion, one might call federal only those states whose constitutions endow subnational governments with residual authority to decide on matters not explicitly assigned to the central government.<sup>25</sup>

A second possible way to decide which states are “federal” might be by self-ascription. One might define as federal all states whose constitution refers to it as “federal” or a “federation”. Elazar (1987, p.42), for instance, while recognizing the limitations of this approach, chooses to include “all polities that possess formally federal constitutions... on the grounds that the first test of the existence of federalism is the desire or will to be federal on the part of the polity involved. Adopting and maintaining a federal constitution is perhaps the first and foremost means of expressing that will.” Wheare would disagree: “if we are looking for examples of federal government, it is not sufficient to look at constitutions only. What matters just as much is the practice of the government” (1963, p.20). A third method might be to defer to authority and adopt the judgments of academic experts on federalism who take into account not just the strict wording of the constitution but the whole tradition of constitutional interpretations and public law.

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<sup>25</sup> Wheare argued against this criterion (1963, pp.11-12).

As Table 12 shows, these criteria do not coincide. As of the late 1990s, 27 countries had constitutions that gave weak autonomy to subnational governments.<sup>26</sup> Of these, 17 gave residual authority to subnational governments. Twenty-one had constitutions that defined the state as “federal” or a “federation”. A recent classification by one leading scholar of federalism listed 20 states as “federations” (Elazar 1995).

Thus, strictly applying the Riker definition as of the late 1990s would require one to class 27 states as federal, a group that includes “all the usual suspects” but, in addition, some quite unusual ones—among them, Taiwan, Luxembourg, Azerbaijan, and Uzbekistan. Adopting the requirement that “federal” states assign residual powers to the subnational legislatures would eliminate the unfamiliar cases, but at the cost of eliminating some that are universally viewed as federations. Neither the Canadian nor Indian constitutions give their provinces or states residual powers; in fact, such powers are vested in the national legislatures by Section 91 and Article 248 of their respective constitutions.

Simply calling federal those states that describe themselves as “federal” in their constitutions would also lead to anomalies. As Wheare observed in 1946, “the federal principle has come to mean what it does because the United States came to be what it is” (Wheare 1963, p.11). Yet, the US constitution nowhere uses the words “federal” or “federation”. Adopting this criterion would also raise doubts about India—the constitution refers to it as a “Union”, although there are references to “federal courts”—and would require excluding Spain.

There are two problems with the option of simply adopting the scholarly consensus. First, it is not clear there is a scholarly consensus. While Riker classified 18 states as federations in 1964, Wheare considered only four of these to be federal (the US, Canada, Australia, and Switzerland). Elazar singled out 19 states in 1987 and 20 in 1995. Certain borderline cases—Spain, Mexico, the Soviet Union—are particularly controversial. Some scholars would exclude

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<sup>26</sup> I exclude the United Arab Emirates from this discussion, since I was not able to obtain its constitution in English.

**Table 12: Federalism and decentralization**

	Subnational legislatures have weak autonomy	Subnational legislatures have residual powers	Notes	State referred to as “federal” in constitution	“Federation” (Elazar 1995) <sup>a</sup>	Year of constitution
<b>Argentina</b>	Yes	Yes	Provinces have residual powers (S.121); administration of provincial justice, municipal regime, elementary education assigned to provinces (S.5)	Yes	Yes	1853
<b>Australia</b>	Yes	Yes	States retain the powers they had under pre-federation constitutions, so long as constitution does not assign these to national parliament (S.107); powers of national parliament explicitly defined (e.g., S.51-2).	Yes	Yes	1900
<b>Austria</b>	Yes	Yes	A.15 gives residual powers to Länder; A.14 assigns them certain aspects of education	Yes	Yes	1929
<b>Belgium</b>	Yes	Yes	A.35 states that federal authority only has power in matters explicitly assigned to it by constitution and constitutional laws; other matters are assigned to community and regional councils.	Yes	Yes	1970
<b>Brazil</b>	Yes	Yes	Residual powers granted to states in Art.25; explicit powers also assigned at various points.	Yes	Yes	1988
<b>Germany</b>	Yes	Yes	Residual powers given to Länder in Art.70	Yes	Yes	1949
<b>Malaysia</b>	Yes	Yes	Residual powers assigned to states, Art.77; many areas explicitly reserved to states in “State List”, Schedule 9	Yes	Yes	1957
<b>Mexico</b>	Yes	Yes	Art.124 gives states residual powers	Yes	Yes	1917
<b>Nigeria</b>	Yes	Yes	Art. 4, point 7 gives states power to legislate on any matter not explicitly assigned to federal legislature; local and state responsibilities also enumerated in Fourth and Second Schedules	Yes	Yes	1999
<b>Pakistan</b>	Yes	Yes	Residual rights in Art.142	Yes	Yes	1973
<b>Russia</b>	Yes	Yes	Residual rights, Art.73	Yes	Yes	1993
<b>Switzerland</b>	Yes	Yes	Residual powers in Art.3; various areas assigned to cantons throughout.	Yes	Yes	1874
<b>Venezuela</b>	Yes	Yes	Art.17 residual powers, and also lists various areas.	Yes	Yes	1961
<b>Yugoslavia</b>	Yes	Yes	Art.6 residual powers	Yes	Yes	1992
<b>Bosnia Herzegovina</b>	Yes	Yes	Art 3, p.3 assigns to the two constituent entities all matters not explicitly assigned to federation; Art.3, p.2 gives them right to set up police forces.	Yes	n.a.	1995
<b>Ethiopia</b>	Yes	Yes	Residual powers given to states in Art.52. Various areas, including state police and civil service, also assigned in Art.52	Yes	n.a.	1994



<b>Spain</b>	Yes	Yes	Art.149 gives autonomous communities exclusive competence over matters not assigned to state in constitution but claimed by communities in their statutes of autonomy; possible competences of a. comms. in Art.148.	No	Yes	1978
<b>USA</b>	Yes	Yes	Tenth Amendment gives residual powers to states	No	Yes	1787
<b>Canada</b>	Yes	No	Many specific areas assigned to provinces in S.92	Yes	Yes	1867
<b>Comoros</b>	Yes	No	Many specific areas assigned to competence of the islands by Art. 65.	Yes	Yes	1996
<b>Sudan</b>	Yes	No	Art.111 assigns various areas to states	Yes	n.a.	1998
<b>St Kitts and Nevis</b>	Yes	No	Schedule 5 lists areas in which Nevis legislature autonomous	Yes		1983
<b>India</b>	Yes	No	A “state list” of areas reserved to states, Art.246.	No— defined as a “Union of States”; however, references to “federal court”.	Yes	1950
<b>Cyprus</b>	Yes	No	Art.176, point c gives municipalities exclusive authority over town planning. Note island has been divided since 1974, and constitution applies only to Greek part.	No		1960
<b>Azerbaijan</b>	Yes	No	Arts. 144, 138, 139 assign areas exclusively to legislatures of municipalities and Nakhichevan Autonomous Republic.	No		1995
<b>Luxembourg</b>	Yes	No	Art.108: birth, marriage, and death certificates in exclusive competence of communal authorities	No		1868
<b>Taiwan</b>	Yes	No	Arts.109, 110 assign competences to provinces	No		1946
<b>Uzbekistan</b>	Yes	No	Ch.7 gives Karakalpak Autonomous Republic right to independently decide issues on its internal administrative system.	No		1992
<b>Italy</b>	Yes	No	Art.117 assigns many areas to regions.	No	No— “Union”	1947
<b>South Africa</b>	Yes	No	S.126 and Schedule 6 assign competences to provinces (1994) S.104 and Schedule 5 (1997)	No	No— “Union”	1994, interim constitution, 1997.
<b>UAE</b>	n.a.	n.a.	n.a.	n.a.	Yes	1971, 1996

<sup>a</sup> No entry if the constitution studied is more recent than Elazar’s article, or if country not listed in Elazar’s table of selected examples.

non-democratic states from the “federal” appellation. Alfred Stepan, for instance, argues that to be federal a state must be a constitutional democracy (2001, p.318). Others are quite happy to

include authoritarian states such as Pakistan, or semi-democracies such as Russia, in the federal category.<sup>27</sup> (One advantage of this is that it makes it possible to examine the relationship between federal constitutional provisions and democracy.) Second, even if there were a scholarly consensus about which states are “federal”, this would not be analytically useful unless one could define objectively what the word means.

The correlations between the four classifications in Table 12 are high—ranging from .76 (between constitutional self-description as “federal” and weak autonomy) to .91 (between residual powers and Elazar’s 1995 classification). In empirical applications, they will often yield similar results. Using the more explicit and objective indicators of decisionmaking decentralization—weak autonomy and residual powers—should, however, make it easier to interpret just what such results mean.

## 4 Conclusion

Empirical research could benefit from both precise definitions of different conceptions of decentralization and data on these for a large number of countries. This paper attempted to work out some conceptual starting points and survey some relevant data. It suggested some basic terminology for talking about the vertical structure of states, and defined six conceptions of decentralization. Using a newly assembled data set, I explored how decentralization—in these six conceptions—varied across countries in the mid-1990s. I then examined how these forms of decentralization correlated with various characteristics of countries—their size, level of ethnolinguistic division, colonial history, economic development, and degree of democracy. Finally, I considered the relationship between decentralization and federalism, but found a divergence between commonly accepted definitions of federalism and the judgment of scholars—or states’ own constitutions—about which states were actually federal.

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<sup>27</sup> Riker (1964, p.140) asserts that “a number of federalisms simultaneously have been dictatorships”.

In Sub-Saharan Africa, countries tend to have more tiers of government, but relatively low fiscal and personnel decentralization, and little local autonomy or local electoral accountability. Countries in Western Europe and North America, by contrast, have the highest levels of fiscal and personnel decentralization, and the greatest local autonomy and electoral accountability. They tend to have an intermediate number of tiers of government. Countries in Eastern Europe, the former Soviet Union, and Latin America have the fewest tiers of government on average, and relatively high local electoral accountability. While those in Latin America tend to have low fiscal and personnel decentralization, those in Eastern Europe and the former Soviet Union are closer on these indicators to the levels of Western countries. On the other hand, among Latin America countries, high levels of subnational legislative autonomy are almost as common as in Western Europe and North America.

Turning to the correlates of decentralization, countries with a larger area or population tend to have greater vertical, decisionmaking, fiscal and personnel decentralization. But they are not more likely to have local electoral accountability or local selection of officials. Countries in which ethnolinguistic minorities make up a large share of the population tend to have more tiers of government—but less decentralization of fiscal resources and administrative personnel and less local electoral accountability. Former French colonies tend to have more tiers of government and are less likely to have high levels of subnational autonomy than other countries. More economically developed countries tend to have fewer tiers of government, but to be more decentralized in most other ways. More democratic countries tend to have fewer tiers of subnational government at which leaders are appointed rather than elected. Democracy may also correlate with other types of decentralization, but this is hard to judge given the correlation between democracy and economic development. These statements merely point out patterns in the data, and should not be taken as implying causal relationships (which would require more evidence to substantiate).

Whatever the causes and consequences of decentralization, even a preliminary survey of world data suggests the need to distinguish carefully between types. Increasing the number of tiers of government in a state—perhaps, in the hope of providing each public good at the optimal scale, or of creating smaller, more responsive, local governments—may have quite different effects than increasing local governments' share of public expenditure. Increasing local electoral accountability may affect governance differently than merely increasing the number of local administrative personnel. The global patterns suggest also that different types of decentralization may have quite different causes. Some types are more common in some parts of the world and in some types of country than others. Future research will need to pay attention to these nuances.

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