THE DECENTRALIZATION POLITICS AND POLICIES*

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Decentralization, the Appeal of a Concept

Throughout most of this century, the general tendencies have been to invest increasing decision-making responsibility in the public sector, and --during the first decades-- to expand the centralization in the national government. But, after the 1950s, the federal government’s share of total government expenditures has declined, mainly in relation of local governments; nevertheless the network of grants or subsidies from higher levels of government to lower has made the situation more complex. (Olson 1969; Oates ed.1977:299-308). Proposals to shrink the scope of governmental activity have emerged in two broad ways: calls for decentralization and calls for privatization. The call for decentralizing responsibility promotes the shifting of power from the national government to the cities and states, shrinking the scope of governmental activity by putting decision-making responsibility in the hands of smaller units of government. Advocates of privatization go farther, arguing that governmental authority should be reduced in the aggregate, not simply shifted among levels. (Henig 1985).

With the 1970’s reversal in economic fortunes, the critics of government became more numerous and their tone more strident. In the intellectual arena, the most potent were Hayek and Friedman, both of whom were economists that had a grand vision for society. Hayek raised the issue about the centralized nature of socialism (collectivism, planning) as against the decentralized nature of the competitive market process. The fundamental point made by Hayek with regard to availability of economic information is its dispersion (1). Hayek --who was perhaps the first to describe the competitive process as decentralized-- believed that central planning was both politically dangerous and economically inefficient. It was politically dangerous because it reduced individual liberty, increased the power of the state, weakened the role of Parliament and undermined the rule of law by investing government officials with considerable discretion. Planning was economically inefficient because it dampened competition, increased the prevalence of monopolies and suffocated entrepreneurialism. Friedman argued that slow economic growth and declining productivity called for a fundamental reassessment of the role of government in economic activity, and that the continued governmental intervention at the expense of market competition threatened not only to destroy economic prosperity but also to reduce human freedom (Hurwicz 1969; Zifcak 1994).

Partly by fiscal concerns, partly by a strategy of conflict displacement, the configuration of subsystems (regions, Länder, states, departments, municipalities, etc.) and national government has attracted research attention, since the reallocation of tasks, financial resources and political power between center and subsystems became a political issue. In this respect, parallelism in decentralization policies can be found between New Federalism in the US as well as decentralization policies in unitary states like France, stressing both modernization goals and regional resistance as determinants of "changes in the vertical configuration"; New Federalism policies of the 1980s redefined relationships between federal and local governments, including less national funding and a greater emphasis on local resources to meet the local needs; the number of services privatized in local governments increased sharply (Derlien 1992; Pouder 1996).
Prud’homme (1994) attempted to give operational content to the concept of decentralization: "an ambiguous concept, its border not well defined; perhaps this ambiguity contributes to the appeal of the concept". *Spatial decentralization*, commonly called regional policy, is defined as a process of diffusing urban population and activities geographically away from large agglomerations. *Market decentralization*, or economic liberalization, is defined as a process of creating conditions in which goods and services are provided by market mechanisms rather than by government decision. *Administrative decentralization* is defined as the transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations area-wide, regional or functional authorities or nongovernmental private or voluntary organization, etc. (Prud’homme 1994). On the other hand, administrative decentralization have taken a number of forms: *deconcentration* of functions within different offices of the central bureaucracy, *delegation* of semiautonomous or quasi public corporations, *devolution* to local governments, and the transfer of functions to nongovernment organizations. Even decentralization may be implicit in the concept of *debureaucratization*, that is decisions are allowed to be made through political processes that involve larger numbers of special interest groups, rather than exclusively or primarily by governments through legislation, executive decree or administrative regulation. (Rondinelli, Nellis and Cheema 1984)

As Bennet (1994) pointed out, decentralization as a common theme cross-cuts a wide variety of more specific processes. Chiefly, two different topics are included: i) decentralization of government and ii) decentralization of decision processes to market and quasi-market solutions. These two subjects outline a twofold conceptualization of decentralization processes.

Decentralization in both market and government terms means grasping the opportunities of reform for all levels. Although not all services can be decentralized in administration, or charged for, or removed from local political decision, there is considerably greater scope in most countries than is used at present. It could be defined rather as a complex mix of private and public-private relationships that do not need representation (or government) in a formal sense, but instead to focus on customer choices (Bennet 1994) (2). It is becoming clear that the greater the extent of decentralization to the market, the less need is for complex governmental and representative structures. Generally, the higher the degree of market decentralization, the fewer the tiers that are required and the more government at local level can be consolidated into functions that can be performed by individual (unitary) local authorities. For example, this underlies the move in the UK towards unitary councils. It can be further encouraged by removing the finance of some functions to central government (especially education), giving other functions to districts, and allowing the market a greater role in others (Bennet 1994).

What determines the demand for centralization or decentralization of the governmental service and policy complex in different countries? The dimension in which a decentralization of the governmental complex is desired seems to be determined basically by the following conditions. 1) The larger the population: the smaller will be the demand for centralization. 2) The degree of centralization varies inversely with the geographical extension of a country. 3) The higher the wealth of a country measured in per capita income, the more likely is a marked decentralization. 4) The higher the degree of income inequality, the stronger the demand for
decentralized choice. Finally, 5) Political and institutional constraints are factors in the sense that the lesser a demand for decentralization is be expected insofar autonomous groups are integrated or accepted in the political arena. (Oates, ed.1977: 299-308)

The Centralization-Decentralization Continuum

Decentralization represents both a reaction from below, to a previously strong political control from the center, and a quest from above, to advance the privatization of the economy and to alleviate the intricate fiscal situation of the central government. How services and goods are provided by various levels of government and who pays for them, are questions that have an impact throughout the economy. Thus, political decentralization has been paralleled by decentralization of fiscal responsibilities. The basic underlying idea is obviously an attempt to free local governments from the central control based on the hypothesis that this would promote local democracy, and make for a more efficient local government. From that perspective, one of the main objectives of decentralization is increased efficiency and effectiveness of economic and social development programs. Technical arguments in favor of decentralization normally emphasize such benefits as reduction of overload and congestion in the channels of administration and communications; timely reaction to unanticipated problems that inevitably arise during implementation; improved technical capacity to deliver services at field levels; and improved administrative and managerial capacity. Decentralization is seen as well as a potential to improve the efficiency of local government by subjecting its actions to the scrutiny of the local electorate (3), by both the articulation of demands and responses for public services (Bird and Wallich 1994; Silverman 1992).

But increased efficiency is only one reason behind the demand. In some countries, decentralization may be part of the political strategy of ruling elites to keep most of their power by resigning some of it. For instance, free elections were held at the local level before they were held at the national level in an attempt by new political forces to consolidate a still fragile power (Prud’homme 1994). In Poland and Hungary, for instance, the local governments were established in their present form in 1990, in Romania, Bulgaria and Russia in 1991, and in Albania in 1992. Although the extent to which real decentralization now taking place in the transitional countries of eastern and central Europe differs from country to country, the process of political and fiscal decentralization affects almost all of the crucial aims of reform, including macroeconomic stabilization, the effectiveness of the social safety net, private sector development, and --as in the case of Russia-- even nation building (Bird and Wallich 1994).

How taxing, spending and regulatory functions are allocated among governments and how intergovernmental transfers are structured, are questions of fundamental importance to the efficient and equitable provision of public goods (Shah 1994). It seems to be a consensus (the New Fiscal Federalism (4) ) on the proposition that the primary responsibility for macroeconomic stabilization policies and for the redistribution of income and wealth must rest with the central government (5); decentralization makes redistributive policies, whether interpersonal or interjurisdictional, more difficult if not impossible. The federal (6) government should concentrate on a particular set of missions, including interaction with the rest of the world, strengthening social insurance, and contributing to national saving by running a surplus in the unified federal budget. States should have much clearer responsibility for most kinds of public investment, especially for improving the skills of the labor force and upgrading public infrastructure. This line of reasoning suggests devolution to the states of federal spending
programs for education, housing, training and most other types of investment --a move that clarify which level of government is accountable for performance in these areas and make a federal surplus easier to achieve (Rivlin 1991). The presumption in favor of the federal solution --i.e., the decentralized provision of public services in response to local demands (not uniform among different communities)--, is based on two necessary conditions: the absence of spillover effects and of any economies of scale (Oates 1977).

The Tiebout model, in contrast to Samuelson’s allegations concerning the inefficiencies resulting from decentralized choice for public goods, showed that, for a particular class of public goods (those whose consumption is restricted to a specific geographical area), individual choice can, at least in principle, generate an efficient outcome. "The economic rationale for a federal system is to be found in the capacity of decentralized government units to improve resource allocation in the public sector through the diversification of public outputs in accordance with local tastes" (Oates 1977). On the contrary, a unitary form of government (i.e., a single or multitiered government in which effective control of government functions rests with the central government) facilitates centralized decision-making to further national unity objectives. It places greater premium on uniformity and equal access to public services. In China during the 1980s, subnational governments secured a significant degree of autonomy from the central government; as a result China maintains the legal structure of a unitary form of government but is considered a decentralized federation (Shah 1994; Kuo 1994).

By the opposite, the need for centralization, based on the economic and administrative rationales, has been emphasized more often in the case of Korea than in other countries, because the Korean government has stressed national security and economic growth as ultimate national goals. To achieve national security and economic growth effectively it has been argued that it is necessary to centralize the direction of the economy and coordinate at the national level the development of extremely scarce resources, especially capital technology and skilled personnel. Thus, the greater the involvement of the national government in the economy and in security the less the decentralization in Korea (7). Jung (1991)

From Unitary to Decentralized State --and viceversa

Decentralization is both a process by which organizations move power from the center to subunits, and an attribute which shows the degree of autonomy exercised by the subunits. Decentralization describes the process of change from a former to a new decentralized (or a more decentralized) system of government and refers also to the state that results from this process (Pru’dhomme 1994; Bennet 1994).

The political interest in the issue of decentralization (as against centralization) entered the eighteenth century debate concerning laissez faire versus state imposed restrictions, as well as the nineteenth century controversies concerning the feasibility and desirability of socialism. (Hurwicz 1966). An increasing centralization results from the extension of the spatial limits for costs and benefits of public activities, the growing demand for a more active redistribution policy, especially in economically more developed countries, the mandate (often a constitutional mandate) for the central government, to guarantee the provision of certain goods and services all over the country (Oates, ed.1977 299-308). "Centralization goes on in a spirit of progress over the putative recalcitrance, corruption, and prejudice of the traditional local authorities". Changes in this spirit are often designed to maximize legitimation problems;
they are accompanied by bureaucratic regulation designed to conflict with other levels of authority. For example, American centralization in recent decades has been built around the assumption that local authorities have exercised their authority illegitimately to mistreat minorities and the poor (in education, employment, social services, police administration, and so on), to succumb to illicit special interest (in air and water pollution), to ignore the collective good in a host of ways, and to display general incompetence (Meyer and Scott 1983). Central government’s involvement is justified to ensure horizontal equity and minimum standards of service (health, education, social insurance) in all jurisdictions (Shah 1994).

Ideological opposition to regional government has come historically from a variety of sources. One of the most ubiquitous, the jacobin philosophy, a French invention, a “nineteenth century caricature of the spirit of the revolution” based on the idea that democracy far from demanding decentralization requires centralized government. Diversity and pluralism are seen as corroding the national sovereignty. From a universalistic perspective of citizenship, the provinces have been seen as bastions of archaic social order (Keating 1988).

The recent regional devolution process in France (1981-1986) transferred executive powers to locally-elected representatives; reduced those of the prefects (since the time of Napoleon Bonaparte); and abolished referral procedures for Paris approval of local decisions (8). Mayors and other regional authorities were empowered to commit funds and make policy (Claisse 1989). According to Fortin, as a result of decentralization the French administrative system appears very complex, even overloaded. There are a cumbersome multi-layered administrative systems: the central administration, their field services, the prefectures, the regions, the departments and the communes and each of them has a head with his own powers. "The proliferation of new de jure and de facto powers sometimes savors of a new feudal system". Furthermore, experience shows that by emphasizing the elective nature of local leaders, decentralization has accentuated the politicization of career officials.

In fact, distinction between federalism and regional devolution is of little more than formal significance since regional government serves to create a new locus of political power. Moreover, in both federalism and regional devolution, the independent exercise of constitutionally separated functions have brought about interdependence, collaboration and conflict patterns.

Whereas other countries in Western Europe respond to the turbulence of the environment since the mid-1970s by decentralization --as in France, Spain and Italy--, the United Kingdom experienced centralization. In effect, the central-local network began to deteriorate in the political context of economic and fiscal pressures. The 1979 Conservative Government (9) centralization policy towards local government has emerged partly as the unintended by-product to control public expenditure, and the result of a succession of measures seeking to curb local government spending and other resistance from local government --i.e., to shift the boundaries between public and private, to promote market processes over planning techniques, and to assert the principle of consumer sovereignty. The collective character of local services was seen as an obstacle to the government’s objective of expanding the sphere of market relations. Thus, the status of local government in the British polity has deeply changed by the central government increased power over local governments' expenditures and taxation, the elimination of elections and of councils, the transference of local government functions and their reallocation either to appointed boards or even better to the market (10). "What was new was the government’s interpretation of the
meaning of the term unitary state. It changed its meaning to governmental supremacy not parliamentary". Parliament has traditionally viewed local government as a policy-making institution and not as an executive agent of central government. But conventional precepts and practices (‘folk-law’) were supplanted by positive law (‘jurist-law’); a process of juridification associated with a shift towards redefining the central-local government relationship has restructured central-local relationship as being a formal rule-determined relationship of superior and inferior. (Jones 1988; Loughlin 1996)

**The Subsidiarity Principle**

Federalism has been historically a centralizing measure to draw together different territories and not the shifting away from a central government. In the case of UE members, based upon the principle of subsidiarity, the assignment of responsibilities --taxing, spending and regulatory functions-- should be exercised by lower levels of government unless a convincing case can be made for assigning these to higher levels of government. Subsidiarity is controversial because it strikes not only at the hearth of the most pressing, intricate and interrelated issues and dilemmas of cooperation between political and administrative institutions of local, national and supranational governments, but also pertains to perceptions of the relationship between political authority and civil society. The concept of subsidiarity is linked to important debates in political theory dealing with the relationship between the state and the individual, between different levels of government and between state and society. (Shah 1994, Blichner and Sangolt 1994).

The concept of subsidiarity comes at least from three main roots (Blichner and Sangolt 1994). First, in Catholic social doctrine, Pius XI in the early 1930s defined subsidiarity as the state delegation of social functions inside a perfect structured hierarchical polity (*Quadragesimo Anno*, 1931 (11). As early as 1891, Leo XIII (*Rerum Novarum*) had given the first indications of a Catholic approach to subsidiarity, against the background of both a "threatening socialism and rampant economic liberalism"; furthermore, "though social philosophy and natural law both condemn as false these basic principles of liberalism, this should not lead us", Leo XIII wrote, "into the opposite error defining society as part of the state and letting the state submerge society". Subsidiarity as a key concept in a continental and Catholic model of the welfare state is at odds with a Scandinavian conception of the welfare state. (Blichner and Saingolt 1994)

Second, in a wider European utilization the concept has been deconfessionalized and also related to the discussion of federalism. British Conservative members have seen the principle of subsidiarity as a way of avoiding detailed and unnecessary EC regulations. The basic argument is that at any level of government, centralization should only take place if a task cannot be accomplished by lower levels.

Third, neoconservatives have used the concept of subsidiarity in their critique of the welfare state (12). From this perspective the concept of subsidiarity is connected to liberal philosophy accentuating individual freedom and minimal state intervention. The state should only act in situations where the market fails because of the core argument that state provision of welfare intrudes on and suffocates the institutions of civil society. The charge that unresponsive government bureaucracies displace the mutual-aid activities of families and communities has long been a favorite of conservatives. However, the problem of intrusive and aggrandizing state bureaucracy has moved to the forefront of left concerns as well. And a
"sloganized problem has produced a sloganized solution": decentralization of programs and incorporation of schemes of community participation in their administration. (Fox Piven 1993)

**New Federalism as a Conservative Panacea**

The subsidiarity strategy has been the fiscal counterpart of the fundamental conservative opposition and hostility to the redistributive policies. Based on skepticism about governmental activism, it basically leaves to private initiative all the functions that individuals can perform privately, and only adversely turns to the level of government closest to the community --localities and states-- to address public needs, with federal action as a last resource; Federal Government should be reserved for those needed functions that only the national government can undertake.

But federalism and decentralization reform agendas could be very different in both their aims and their political outcomes. A crescendo path in state retrenchment could be found from the Eisenhower to the Bush administration --who coined the "confusing banner of empowerment to increase local participation" (Fox Piven 1993). The Eisenhower’s sorting out strategy consisted of the decentralization shift to state and local governments of certain functions along with the resources to finance them. Nixon viewed his federalism approach as a means of improving and strengthening government, especially at the state and local levels. It was a shifting course of conservative ideology, a decentralizing approach, but not an intended antigovernment path toward dismantling it. By the Nixon consolidation (blocking) fiscal policy, resources would remain centralized, but would be used to finance decentralized functions. The notion was to have the federal government do what it does best (levy taxes) and to have state and local governments do what they do best (administer local spending). New Federalism reforms were needed to "close the gap between promise and performance". Yet if the goal of improved performance required nationalizing certain shared or local functions such as welfare or environmental regulation in order to rationalize the financing and delivery of public services, Nixon accepted that conclusion. (Beer 1988; Conlan 1988).

Reagan, in a different way, has conceived New Federalism as part of a broader strategy to cut the federal budget and to reduce the role of government in society at every level. The major focus of this retrenchment program, of course, has been the federal government, and his eloquence on this purpose has often been extreme. By the devolution (turnbacks) strategy of Reagan, functions would be discontinued and in that sense decentralized, but would not get federal financial assistance. The reduced role for the federal government would by itself mean an enhanced role for state and local government. The Reagan administration gave concrete expression to the emerging theory of "competitive federalism" being developed by conservative "public choice" economists, a theory that applauds interjurisdictional competition in a federal system as an instrument for controlling governmental activism. This vision though heavily localistic, lacks a strong role for government of any kind. This quest for community emphasize "voluntarism, the mobilization of private groupings to deal with our social ills".(Conlan 1988)

According to Massey (1993), the sub-national governmental reformation in the UK and US was based on the creed that the private sector is intrinsically dynamic, superior to public institutions for the delivery of goods and services, and that market efficiency is the appropriate principle of social performance in practically all spheres of community activity). President Reagan and an administration opposed to government per se began an era of "new"
federalism. The President sought to give back to the states "matters best left" to them and his budget proposal for the fiscal year 1982 included federal programs cuts, limiting the central government intervention in the subnational issues. In the UK the election of Mrs. Thatcher meant a concerted effort to transform the culture of local government through the concept of leverage (imported from America).

Thus public-private partnership, local capacity building, citizen empowerment, deregulation, etc., are concepts that were carried out across from the US to Britain, and others countries. The policy borrowing process may be sometimes not more than the borrowing of a general idea, not the specific design (Wolman 1992). Yet, in contrast to the US --although an analogue decentralization discourse-- there was in Britain a centralization of control (13). The different approaches partly reflected the different political cultures; not similar America's separation of powers and the federal principle have equivalent dimensions in Britain, where the move to centralization and executive dominance are part of a political reflex of the policy-making elites (Massey 1993). Liberalization reforms took place upon the subnational governments giving the central government powers to order local authorities to sell land and property, forcing through a major policy of privatization. Political arguments were based on the importance of consumers' empowerment, free business as a remedy against unnecessary bureaucracy, and the promotion of greater accountability onto subnational governments. The Conservative policy panoplia reduced the "role and importance of the state as the guardian of community interests" (Barnekov et al. 1989).

Decentralization Wave in Public Administration

Decentralization is one of the recurrent notions in the New Public Management discussions and it covers at least three different types of transfer of authority and power. There are basically two types of vertical decentralization: 1) hierarchical decentralization (deconcentration) implies the passing of decision making down to lower levels, and 2) the process of devolution or delegation, both "more radical" insofar the decisional authority is given --respectively-- to a separate and previously subordinate or an independent agency. On the other hand, 3) horizontal decentralization is defined as "the extent to which non-managers --professionals, clerks, and even customers-- control decision processes" (14) (Prud'honne 1994; Pollit 1995). In addition, 4) functional decentralization, a more complex administrative reform process, implies the splitting of different functions into core services, support services and commercial services, and the delegation of certain functions to the private sector, or ad hoc boards, or NGO's, etc. It brings about delegating budgetary control, responsibility, and accountability down the organizational hierarchy.

Since bureaucratic rigidity and inefficiency are often attributed to excessive centralization, decentralization reforms in the public sector have become a world-wide instrumental trend in both developed and developing countries for liberating managerial potential. They have taken place for a decade in the United Kingdom after the election of the Conservative government to power in 1979. Thus, delegation was one of the topics of the British program of Financial Management Initiative, though decentralization in government is a difficult task because "administrators at top levels fear a loss of control"; they perceive conflicts between the implications of increased delegation of authority and the requirements of public accountability (15). The publication of Improving Management in Government: The Next Steps in 1988 and Beyond Next Steps: A Civil Service for the 21st Century in 1993 indicated the determination of the British government to persist in the purpose. In the United
States, the move to decentralize the public service originated from the legislation of the 1978 *Civil Service Reform Act*. The most extensive devolution of human resource management has occurred in New Zealand (*State Sector Act* in 1988 and the *Public Finance Act* in 1989) and Sweden, where the policies are to minimize the involvement of central management bodies in the human resource management activities of departments and agencies. Nevertheless there has also been substantial devolution in Australia, where more central control has been retained (over pay and conditions of service, employment structures, etc.) than in the cases of New Zealand and of Sweden, and keeping basically the same personnel management principles across the Australian public service. Significant devolution has also taken place in Denmark, the Netherlands and the United Kingdom. Elsewhere, decentralization and devolution are more limited, and for several other OECD countries (e.g., Japan), these reforms do not appear to be a priority. (Metcalfe and Richards 1990; Lam 1996; OECD 1996)

Based on different authors (Massey, Overman and Boyd, Pollitt, Dunleavy and Hood, Hughes, Osborne and Gaebler, etc.) Lam (1996) summarized the most significant aspects of reforms in public administration in the following items. 1) Reforms have to be analyzed as the expressions of a turning point in the paradigm of public administration from a classical Weberian to a "post-bureaucratic model". 2) The traditional spirit of public service has been replaced by a suggestive managerialism. 3) The post-bureaucratic paradigm of public administration consist of "entrepreneurial, customer driven, market oriented; supported on managerial rather than political leadership; results directed, strategic and anticipatory". 4) Thus, "administration" has transformed into management in the public sector. 5) A set of similar administrative doctrines dominate the agenda of public administration in many countries and introduce innovations coming from practice and from the private sector, through a consultant --and practitioner-driven movement". 6) The essential components of *New Public Management (NPM)* innovations include the reduction of bureaucratic hierarchies and rules, the identification of the costs of inputs and outputs, the use of contracts for the provision of public services, the introduction of purchaser/provider distinctions through desegregating organizations and their functions, the increase of provider competition and the increase of consumer power through enhanced scope for exit and redress.

Decentralization in public administration is an important issue under the *NPM*. And "it is not only an administrative matter but a political issue as well" (Lam 1996). On the one hand, it involves more empowerment of subunits of the government or subgovernment levels--regional, state, or municipal devolution--, or delegation to other agencies outside the government (deregulation, privatization, contracting out, etc.). On the other, the elected government members are expected to exercise closer scrutiny and to exert greater political pressure (i.e., politization) over the administration.

As the principle of delegation of authority means more power and autonomy to be given to subunits (territorial or functional), it might imply lesser control and lesser responsibility assumed by the central government (Lam 1996). But, according to Peters and Savoie (1995) "while several ideological and theoretical forces appear to be thrusting government organizations toward greater autonomy and diminished control from the center, others at the same time appear to be demanding a reassertion of that control". The "coordination and empowerment conundrum" refers to the two alternative and conflictive dimensions of administrative reform: 1) the "new public management" propents to the fragmentation and decentralization of the ministerial structures into smaller agencies, and the lower-echelon employees empowerment --a "deregulated" government (16), while 2) the
increasing fiscal problems press for much more central control and coordination of public policies and programs across a diversity of ministries and agencies (17)

Final Comments on Decentralization; the Case of Latin American Countries

In contemporary territorial politics the relations between the national and sub-national governments can no longer be seen in terms of hierarchical subordination (as in an absolute unitary setting), or indifference (as in a "pure" federal system); rather they must be understood as reciprocal exchange of possibilities for action, just as in functional politics (18). Centralization and decentralization in organizational design can be mixed in ways that do not require a rigid division between policy on the one hand and operations on the other, with the former centralized and the latter decentralized. Rather there can be a "tight-loose configuration" whereby mutual adjustment constitute the norm for decision making and thus organizational coordination (Aucoin and Bakvis 1988).

But in fact, a mixed-motive game based on both conflict and cooperation develops within intergovernmental interactions; negotiating and compromising therefore becomes the only possible *modus vivendi* (Parri 1990). As Sbragia (1996) pointed out for the federal system, in a decentralized setting "roles and responsibilities can never be completely fixed or defined. They are constantly being challenged by one governmental unit or another. The options available to any single government are typically unclear enough so that officials from any unit may find it worthwhile to push against the boundaries". Decentralization goes on in a spirit of suspicion and delegitimation of the center. In the long run, such processes are certainly absorbed in routinized institutionalization. In the short run, they originate large numbers of legitimation conflicts (Meyer and Scott 1983). Decentralization as federalism, "far from being a static property, packages the conflict between governments. Governments *qua* institutions must be thought of as political actors --as politicians-- . Territorial units rather than functionally organized interests are central to the analysis". (Sbragia 1996)

By the late 1970s, decentralization gained widespread support around the world as the proposed solution to long-standing problems of public sector efficiency and equity. Throughout Latin America there have been numerous experiences of decentralized government giving specific meaning to the phrase "closer to the people" (Peterson 1997). In effect, the World Bank has been engaged in the decentralization movement based on the widely held assumption that bringing government decision-making closer to the citizenry increases public sector accountability and therefore effectiveness (Prud'homme 1994). "This influential approach considers decentralization to be the appropriate mechanism for reforming the provision of public goods such as health, education, and targeted poverty reduction programs".

The move towards decentralization of government responsibilities as well as resources through fiscal transfers to provincial and local governments has not been restricted to countries such as Argentina and Brazil, which operate under a federal structures. Chile and Colombia, unitarian structures, have also pursued decentralization programs. The objective is to strengthen service delivery at the local level, and to increase participation in the development process. (Rowat 1996): since benefits accrue mainly to residents of separate jurisdictions, such services would be better provided by subnational governments (Shah 1994) (20).
"The wave of enthusiasm for decentralization has been encouraged by its conceptual compatibility with decentralized mechanisms of productive resource allocation associated with free markets". However, just as many kinds of market failure can inhibit the private sector's productive efficiency, authoritarian and (or) bureaucratic concentrations of power at local and state levels can hamper decentralization from accomplishing increased public sector efficiency and accountability.

How to avoid heightening inter-regional inequalities as a result of decentralization, is another important question. So is ensuring that decentralization does not result in capture of benefits by local elites or in devolution with power retention by central elites. This and related political economy questions, for example, the relations of local governments to local community organization and/or NGO's--loom large in this area. (Rowat 1996; Prud’home 1994)

The international development policy mainstream increasingly accepts that governance issues must be taken into account to make development policy reforms effective. But decentralization as a framework for governance cannot ensure by itself more effective citizen participation in civil life or higher standards of public accountability. Where local administrative capacity and institutions are weak, decentralization alone cannot be expected to incorporate the voice of the citizenry, and to provide the institutional, political and economic basis for future regional growth and development. Not enough attention have received frequently the needs (and process) of strengthening institutional capacity at the local level in order to accomplish their newly devolved responsibilities; little is known about what happens if decentralization precedes the institutional changes required at state and local levels.

Decentralization in the public sector is conceived as a sign of decreasing commitment. It implies the loss of control over the subgovernments or subunits in the implementation of policy and allocation of resources. As administrative and financial autonomy is granted to subunits, the center might have lesser influence over the subunits and be less able to account for their performance. As a consequence, the problems of administrative confusion, irrational use of resources, conflicting or redundant policies, and poor coordination might arise (Lam 1996). Proliferation of government agencies has led to compartmentalization and lack of complementarity, which have further weakened the administrative capacities of local agencies.

There is still an absence of coordination between revenues and responsibilities, and countries need to explore what further efforts would be required to ensure that local governments have the resources proportionate with the new responsibilities assigned to them. Instances abound where innovative decentralization programs were centrally created but not linked to established local organizations and sources of political and financial support. Authority is commonly delegated to local organizations, but they are not given the resources to perform their new functions. Another serious problem has been the untimely and inadequate release of allocated funds. Often the funds that are allocated to local governments are not all distributed. Finally, care must be taken to avoid overlending by state banks that undermines central governments efforts at budget discipline (Rondinelli, Nellis and Cheema 1984); it turns macroeconomic stabilization more difficult to achieve because sub-national government fiscal policies can run counter to national policies.
More local is not always better (20). Insofar local structures are not indeed democratized, decentralization is one of the means for local political elites to become more powerful via patronage and clientelism. The question is to decide the most adequate level of government for social policy decentralization (regional, state, municipality, etc.), and taking into account the heterogeneity of the subgubernamental units. The case of small and rural local governments are especially difficult because of different (institutional weakness, economies of scale involved in many activities, authoritarian caciquism, etc.). (Fox and Aranda 1996)

Another crucial point is that although many observers see the need for generating vastly increased local revenues (through taxation, charges, user fees, and sales), the prospects for this seem rather uncertain, or at least long term. Some of the more common arrangements are: portions of national taxes, or the whole of certain nationally imposed and collected taxes are specified for the exclusive use of state and (or) local governments. Very frequently the central Ministry of the Interior directly subsidizes budget’s deficits of the subnational units and central ministries provide grants for local infrastructure development. Banks or quasi-bank authorities contribute with loans and grants for capital projects. Funds derived from international assistance agencies are channeled toward subnational units of greatest need or potential. The usual transfer of resources rather than the real power to self-generate resources has been the rule. (Rondinelli, Nellis and Cheema 1984)

The benefits of decentralization in allocative efficiency are not as obvious as suggested by the standard theory of fiscal federalism and might carry a cost in terms of production efficiency. Moreover, the problem is not so much whether a certain service should be provided by a central, regional, or local government; but the real challenge is how to organize the joint production of the service since it has to be cooperatively provided; the incapacity of local agencies to coordinate and integrate their activities with those of central ministries has been one of the main factors that has dramatically hindered the successful implementation of decentralization policies (Prud’homme 1994; Fox and Aranda 1996). In sum, the empirical evidence and the perspectives of LAC local governments to improve development outcomes has certainly fallen behind the enthusiasm for the decentralization credo.

Footnotes

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(1) “A simple way of visualizing this dispersion is to assume that, at least, at the beginning of the allocative process, each economic unit has perfect information concerning itself” (Hurwicz 1969).

(2) The most common cases are refuse collection, direct building and maintenance works, public housing, college-based training, primary health care, and some fields of education and personal social services. (Bennet 1994)

(3) It might be inferred from rational choice theory that smallness in numbers would encourage participation. The political situation would have to be such as to permit the rational, calculating citizen to believe, for instance, that his vote might well break a tie or that the circle of acquaintances whom he could influence was large enough to swing an election. The evidence, however, does not support this hypothesis that smallness encourages participation.
On the contrary, the turnout for local elections is generally very low when compared with the turnout for national elections. (Beer 1977)

(4) New Fiscal Federalism is defined as the political economy of multilevel government in both its financial and nonfinancial aspects, based on the need for a separate governmental institution for every collective good with a unique boundary, so that there can be a match between those who receive the benefits of a collective good and those who pay for it (Beer 1977; FIEL 1993; López Murphy, ed. 1995).

(5) Among political economists, it is a commonplace to say that in a modern society the redistribution function must be performed by the central government. As Oates points out, an aggressive policy of income redistribution from rich to poor in a particular locality will very probably chase away the relatively few wealthy and attract the less prosperous.

(6) It should also be emphasized that the term federalism --territorial allocation of authority secured by constitutional guarantees, Beer (1988) -- is not to be understood in a narrow constitutional sense. In economic terms, all governmental systems are more or less federal; even in a formally unitary system, for example, there is typically a considerable extent of de facto fiscal discretion at decentralized levels. Instead of being dichotomously federal or nonfederal, governments vary along some multidimensional spectrum in the degree to which fiscal decision-making is decentralized. In a cooperative federalism model various levels of governmental have overlapping and shared responsibilities, and all levels are treated as equal partners in the federation; in a dual federalism, fiscal tiers are organized so that national and state governments have independent authority in their areas of responsibility and act as equal partners. (Oates 1977:4; Shah 1994)

(7) According to Jung (1991), "centralization in Korea, therefore, may be seen as a product of the coalition between the state and the emerging economic forces that benefit from expansion of the central state machine".

(8) "Ces consensus en faveur d’une decentralisation politique et administrative contraste nettement avec la situation britanique (…)" (Mazey 1994).

(9) Paradoxically, the Conservative Party has been seen as the traditional defender of decentralization --by opposition to the Labour Party focused on national priorities and central planning.

(10) From 1986 onward, local authorities were to be compelled, weather they wanted to or not, to put out to competitive tender contracts for activities usually carried out by their own employees, such as refuse collection, the cleaning of streets and buildings, catering - especially with school meals, the upkeep of public parks and vehicle maintenance, with provision for future "privatization" of architectural, engineering, surveying and computing services.

(11) Quadragesimo Anno, paragraph 80.

(12) The principle of subsidiarity was one of the premises of the neoliberal economic model of Chile’s military junta under Pinochet (1973-1990) as well as Argentina’s military process while Martinez de Hoz (1976-1980) was the minister of economy. In both cases, the concept of
subsidiarity encompassed both the Catholic and the neoconservatist background; ideological roots might likely be found in the German and the Austrian affinities to Catholic theology and social philosophy.

(13) However, Kettl (1987) pointed out that in the US "... (E)specially through Nixons’s and Reagan’s reforms, and nevertheless a powerful rhetoric advocating state and local autonomy, there has been a growing tide toward a stronger federal role, even in decisions that once were the predominance province of state and local governments".

(14) Mintzberg (1979), according to Politt 1995.

(15) British ministers are personally responsible to Parliament for what happens in their departments.

(16) Administrative reforms such as Next Steps agencies in the United Kingdom and Special Operating Agencies in Canada promote not only decentralization but the inclusion of the private sector to provide public services.

(17) "Every recent effort to enhance decentralization however has foundered in the centralization maelstrom, the turbulent whirlpool of national politics that draws power to Washington. Most often that maelstrom is fed by the irresistible lure of federal grants and the assumption, based on old prejudices, that state and local governments have neither the administrative capacity nor the political will to serve their citizens on their own". (Kettl 1987)

(18) In words of Ashford (1982), even the French subsidy system and the US categorical grant system, could not be considered the "oppressive system of an overcentralized government", "but the cement which holds the system together", allowing thorough the connected "territorial political exchange" the partial satisfaction of both the national and subnational policy desiderata.

(19) In 1922, Webb defined the "the cash nexus". (Loughlin 1996)

(20) The case of decentralization rests on the basic principles of US fiscal federalism, its institutions and its practices, which are not necessarily suitable for all developing countries; many studies (Gershberg in Mexico; Graham in West Bengal and Nepal) suggest that devolving project funding decision making to local governments is not likely by itself to promote increased accountability and efficiency. (Fox and Aranda 1996)

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