THE POLITICS OF DECENTRALIZATION LEVEL:
LOCAL AND REGIONAL DEVOLUTION AS SUBSTITUTES

By JOAN RICART-HUGUET and EMILY A. SELLARS

ABSTRACT

Most contemporary decentralization has occurred at the local (district) rather than the regional (provincial) level. Why? We advance a theory highlighting the political incentives of central authorities to bypass the regional tier of government in favor of decentralizing to smaller, more fragmented units. Regional decentralization can capitalize on economies of scale and scope in public service provision, but it also enables political opposition to scale more effectively. Local decentralization provides some of the benefits of regional decentralization at less political risk, making it an imperfect but attractive substitute for central authorities. Drawing on cases from Africa and Latin America, we discuss when and how strategic local decentralization can be an effective strategy to maintain political control in divided societies, why sometimes governments may instead opt for regional decentralization or (re)centralization, and how the choice of decentralization level depends on political geography and history as well as economic factors.

Federalism can bring divisions, and people want money at the district level. Local devolution of power has rather successfully suffocated the cry for federalism.


I. INTRODUCTION

In the late 1980s, the Ugandan government embarked on an ambitious decentralization program. Regional differences dating from the precolonial era led some Ugandans to demand regional decentralization or even federalism. However, the government bypassed regions and devolved authority exclusively to (lower-level) districts, many of which lacked the capacity to efficiently provide public services.

Uganda’s government is far from unique in favoring local over regional decentralization in recent decades. Political and fiscal decentralization accelerated starting in the 1980s, driven by both domestic politics and international pressure from institutions like United Nations and the World Bank. These reforms have encouraged the delegation of administrative, political, and fiscal authority to subnational governments. The power and number of local (i.e., municipal or district-level) governments has increased as a result in many contexts. However, this “decentralization wave” has often bypassed intermediate-level governments (i.e., states, regions, provinces). Many other African countries lack a regional tier of government despite important socioeconomic and cultural differences between regions. In Latin America, no country has become fully federal since the 19th century even though many states have heterogeneous populations that are regionally concentrated. In fact, only eight countries worldwide have become federal states since 1985, a period of unprecedented local decentralization.

This pattern is arguably puzzling. While some goods and services can be efficiently provided at the local level (e.g., trash collection or local parks), higher-level governments can take advantage of economies of scale and scope in policy design and service provision, spreading the cost of services with a high fixed cost (e.g., infrastructure, secondary education, or health care) over a larger population. The classic trade-off in determining the optimal size or level of government in public economics is balancing the economic benefits of aggregation against citizen heterogeneity in preferences over
taxation or public service provision. If citizen preferences across the localities of a region are very fragmented, any benefits of aggregation might be offset by the costs of high preference heterogeneity. Generally, however, cultural and economic differences between localities within the same region are smaller than differences between regions.

In fact, demands for subnational autonomy have often focused on higher-level territorial divisions, like the Buganda Kingdom (Central region) in Uganda, rather than localities or municipalities. This is especially the case when regional divisions are politically salient or conceived by inhabitants as an “imagined community” or “sub-nationalism” within the state. Despite this, many states have devolved authority largely or exclusively to lower-level governments, even in contexts where these units have become small due to “administrative unit proliferation” and performance suffers. Why?

We develop a theory to explain why the central government may choose to devolve authority to inefficiently small units for political gain. Regional decentralization may improve government performance and citizen satisfaction, but it is politically risky for central authorities. The same factors that make regional decentralization attractive—increased efficiency and the ability to address important sources of citizen heterogeneity—also enable political opposition to scale more effectively at that level. Regional elites or groups empowered by decentralization can use transferred resources to subsequently challenge central authorities through either institutional (e.g., electoral) or extra-institutional (e.g., violent) methods. Though often less efficient, local decentralization can capture some of the political benefits of regional decentralization at a lower risk to the central government. Because local governments are smaller and have a more fragmented political leadership, transferring resources at this level poses a lower threat to the center. At the same time, by devolving authority to local governments, central authorities can imperfectly address citizen demands for decentralization. As the former Ugandan Chief Justice notes in the epigraph, the devolution of authority to districts can “[suffocate] the cry for federalism” in contexts where central authorities may be reluctant to empower regional leaders.

Our work builds on Dickovick’s insight that “municipal decentralization” in Peru and other parts of Latin America has been a tool used to weaken “intermediate levels of government.” We extend this argument to highlight when and why local decentralization can be an effective tool of control and also when this “divide-and-rule” strategy would be ineffective. Local decentralization may improve citizen welfare relative to central control of spending and thus defuse regionalist demands. However, if the efficiency loss of local decentralization is too great, or if local authorities themselves pose too much of a threat to the center, the costs of local decentralization may outweigh the benefits for citizens and authorities alike. Our theory illustrates how the optimal level of devolution for central authorities depends on political as well as economic geography. Alongside the standard efficiency-heterogeneity trade-off, rulers must consider how political opposition is likely to scale given the distribution of citizen preferences and the technology of resistance.

We examine this argument using evidence from several cases. In Uganda, President Museveni perceived regional decentralization to be politically risky and was reluctant to empower regions despite citizen demands. However, continued centralism was also risky given the strength of these demands, international pressure for decentralization, and the possibility of encouraging a unified opposition. Local decentralization balanced the demands for greater subnational autonomy against the risks of empowering opposition to the central government, thus undermining political threat. Similar considerations motivated the move to empower localities at the expense of regions in other contexts, such as in Peru during the 1990s and 2000s. Drawing on the cases of Ethiopia, Argentina, and Chile, we discuss how political considerations motivated regional decentralization in these cases, despite its potential risks.

By focusing on the level at which governments choose to decentralize authority (regional vs. local), this article makes three contributions. A rich literature has studied the effects of decentralization on development, accountability and corruption, local governance, and conflict, among other
outcomes. However, much less attention has been paid to explaining why authority may be devolved to one subnational level or another. Our work provides one explanation for why local rather than regional decentralization has been more prevalent in recent decades, a trend that some have noticed empirically but few have tackled theoretically.

Second, our theory highlights some underappreciated political considerations inherent in the choice to decentralize authority, placing the tension between efficiency and political threat front and center. Most theoretical work on decentralization in public economics has focused on balancing heterogeneity, economic efficiency, and competition between political units in determining whether to decentralize spending authority. Though important, these considerations alone cannot explain why so much decentralization has occurred at inefficiently small levels of government, such as municipalities or districts. Political scientists, by contrast, have largely focused on understanding how political institutions and partisanship shape the decisions to devolve power at all. Incorporating insights from both bodies of literature, our model highlights an important political economy trade-off facing the central government: The economies of scale and scope that enable larger regional governments to produce public goods more efficiently also allow the opposition to scale at the regional level. Allowing more organized political opposition is attractive from the perspective of political accountability, but the central government may perceive it as a threat.

Third, we conceive of local and regional decentralization as substitutes rather than complements, as is often assumed. Decentralization at either level enables authorities to respond to dissatisfaction with centralized rule, at least partially. Reforms empowering one level of subnational government can thus obviate the need to empower another level. Our argument highlights how political and efficiency considerations guide the government’s choice to empower local or regional governments.

The article proceeds as follows. Section II provides background on the prevalence of local over regional decentralization. Section III presents our theory highlighting the political and economic trade-offs between centralism, regional decentralization, and local decentralization. In Section IV, we draw on case-study evidence to provide empirical support for our argument. Section V discusses the scope conditions of our theory, and Section 6 concludes.

II. LOCAL VS. REGIONAL DECENTRALIZATION

Much has been written about the global “decentralization wave” over the last 40 years. Subnational governments have been empowered in a wide range of contexts, from developed democracies to semi- and even non-democratic countries, though the timing, type, and extent of decentralization differ, as do the names of subnational governments (Table 1). The fact that this modern decentralization wave has been concentrated in lower-tier subnational governments (municipalities, counties, or local districts) is less well known, and the reasons for this phenomenon are not well understood. Of the 178 countries in the Database of Political Indicators, the percentage of countries where regions have been granted authority or autonomy has remained largely stable since the mid-1970s (Figure 1). Only eight countries have become federal states since 1985, a time of unprecedented local decentralization. Focusing on the narrower question of whether subnational governments are popularly elected—a measure that does not necessarily capture fiscal authority or policy autonomy, as our case studies illustrate—data from the Varieties of Democracy Project illustrate that growth in political decentralization to local governments has outstripped that to regional governments (Figure 2).

In Table 2, we provide additional evidence on these patterns, focusing on a sample of countries in Africa and Latin America where subnational fiscal data are available. The top half of the table records the number of countries in the sample that held elections at the local and regional levels before the...
decentralization wave (1970s) and after (2010s), which we construct using the V-Dem dataset and other sources. The number before the slash in each cell is the total count of countries in the sample that regularly held local or regional elections in each decade. The number after the slash excludes personalist, single-party, and other consolidated authoritarian regimes where de facto subnational autonomy would have been limited. We believe that the second number is most appropriate to compare across time given that subnational elections have a different meaning in consolidated dictatorships.

In the bottom half of Table 2, we examine economic decentralization, recording the number of countries where local and regional government spending met or exceeded 10% of total government expenditure. As the table illustrates, decentralization has become more prevalent since the 1970s in both regions, and this shift has occurred disproportionately at the local level. All of the sample countries in Latin America and over three-quarters of those in Africa now hold regular elections at the local level, but less than half of those in Latin America and only a fifth of those in Africa hold such elections at the regional level.

Why has the recent wave of decentralization unfolded disproportionately at the local level? We argue that the government faces an important trade-off between balancing citizen demands for autonomy and the political risk of empowering opposition groups. By delegating authority and spending to local rather than regional governments, central authorities can partially satisfy the demand for decentralization without empowering regional elites or political movements who may represent more of a threat. Less efficient local decentralization can thus act as an imperfect substitute for politically riskier regional decentralization.

We discuss the rationale for strategically “inefficient” decentralization and the conditions under which it may be an attractive strategy for the central government in the next section. Our focus is on the devolution of political and spending authority to subnational units, but our theory could apply to other aspects of decentralization, as we discuss in Section V. As the case studies illustrate, the strategic interactions we consider range from bargaining over annual budgets to constitutional reforms during critical junctures.

III. THEORY

Our model builds on work in public economics highlighting the incentives for decentralization and the optimal size of political jurisdictions. We model the strategic interaction between a central government (G) and the citizenry (C) of a region or a district/locality. The central government is endowed with revenue S from taxation or other sources. Central authorities have three choices for allocating this money: they can maintain central or national control of spending (Dn), devolve decision-making and spending decisions to regional governments (Dr), or further devolve these decisions to local governments (Dl), where n, r, and l respectively index national, regional, and local decentralization. For simplicity, we conceive of these three options as discrete and mutually exclusive though, in practice, regional decentralization may be accompanied or followed by lower-level local decentralization (See Section IV and Appendix C).

Adapting the utility function of Alesina and Spolaore, we assume that utility for citizen i is given by $u_i = g(1 - l_i)$, where g represents the effective size of spending by the government and $l_i$ represents the preference distance (or “loss”) from an individual to the level of government that provided the funds. One way to think about this is that citizen utility is a function of the amount of goods provided (g) and of the match between those goods and their preferences (1 - $l_i$). Let $l_n$, $l_r$, and $l_l$ represent citizen preference distance under local, regional, and central control. Following Alesina and Spolaore, we assume that $l_l$ is lower for lower levels of government (i.e., $l_l < l_r < l_n$) or that “individuals who are close to each other in preferences are also close to each other geographically.” This assumption could be motivated by an intrinsic preference for more decentralization for economic or identity-related
factors, such as a desire for more targeted public services or the psychological value of seeing one’s in-
group members wield power.xxx

Devolving authority to lower levels of government is costly, however. We assume that each new
subnational government costs $k$ to maintain, leaving less revenue for funding public services. This
captures any reduction in the economies of scale and scope in the production of public goods,xxxii as well
as efficiency losses due to a “leaky pipeline” of corruption, the reduced technical capacity of lower-level
governments, or an increase in transaction costs. As others have noted, and as we discuss below, the
size of $k$ should depend both on context and the type of public service.

We denote the number of regions in the country as $N_r$ and the number of localities embedded in
these regions as $N_l$. Adapting Alesina and Spolaore, we assume that, out of total government
expenditure $S$, only $S - kN_r$ can be used for public spending under regional decentralization and $S -
kN_l$ for local decentralization due to the fixed cost of maintaining sub-national governments.

**BENCHMARK MODEL**

What is the optimal level of decentralization? As Alesina and Spolaore explain, the key trade-off is
balancing “the benefits of large jurisdictions and the costs of heterogeneity of large and diverse
populations.”xxxiii In other words, “each public good and service should be provided by the jurisdiction
that would most fully internalize its benefits and costs.”xxxiii The choice of whether to maintain central
control of resources ($D_n$), decentralize to regional governments ($D_r$), or decentralize further to local
governments ($D_l$) in the baseline model depends on balancing the benefits of better targeting (i.e., a
lower loss $l_i$ for citizens) and the efficiency loss of greater political fragmentation ($k$ times the number
of units $N_r$ or $N_l$). If the gains from decentralization are low ($l_n$ is not much larger than $l_r$ or $l_l$) or the
losses high ($kN_r$ and $kN_l$ are large), citizens may be better off under centralized rule. Conversely, if the
efficiency loss from devolving authority is low or the potential gains high (for example, because citizens
have fragmented preferences within regions), they may be better off under local decentralization.

This insight can explain some decentralization patterns. The lack of decentralization in small
countries, such as Iceland or Lichtenstein, may be explained by homogeneous preferences (the
preference distance of a citizen to the national decision-maker $l_n$ is about the same as that to a local
decision-maker $l_l$). The same logic insight can account for federalism in large and diverse countries
like Nigeria or Mexico.

The baseline model also illustrates how losses from decentralization (e.g., the fixed costs of setting
up a government) shape incentives. Citizens may be better off under regional decentralization or even
centralism if there are important economies of scale and scope in public service provision ($kN_r$ and $kN_l$
are large) or if lower-level governments lack the capacity to provide services. Some empirical work on
multilevel service provision has documented decentralization patterns consistent with this efficiency-
heterogeneity trade-off.xxxiv

Does the efficiency vs. heterogeneity trade-off explain why local decentralization has been more
prevalent? If preferences varied widely across localities within each region, the benefits of local
decentralization could outweigh any losses from the “leaky pipeline” of corruption or lost economies of
scale and scope in the production of public goods. However, we are skeptical that the patterns in
Section II can be explained by high within-region heterogeneity alone. In Appendix B, we use
individual-level ethnicity data to proxy for heterogeneity of policy preferences within and across the
regions of 16 African and Latin American countries.xxxv We find that for most countries—7 out of 8
in the African sample and 6 out of 8 in the Latin America sample—heterogeneity in ethnic
composition is markedly higher between regions than within regions. Moreover, there is no apparent
relationship between the spatial distribution of heterogeneity and the observed choice of
decentralization level across countries. For example, within-region heterogeneity in Uganda, Malawi,
and Benin is very low compared between-region heterogeneity, and yet each of these countries lacks a
regional tier of government, opting instead to empower smaller local governments (see Appendix E).
As we discuss for the case of Uganda, this is true despite the political salience of regional identity and evidence of citizen demand for greater regional autonomy.

It is also unlikely that the prevalence of local over regional decentralization in Section II can be explained by a low efficiency loss of local decentralization. Several scholars of African politics have documented that decentralization of spending decisions to smaller and more fragmented localities often comes at a high cost. In Peru, many municipalities lack the capacity to spend the federal transfers that they receive, limiting government performance. Recent work on Brazil exploiting a reform in the number of municipalities documents important losses of economies of scale with the move to smaller units in that context. The size of this efficiency loss should vary by context and by type of public service (see Section V), but this variation does not seem to explain the choice of local vs. regional decentralization in many contexts. Efficiency losses are likely to be greater in developing countries where local government capacity is low, yet, as Table 2 illustrates, many of these countries have nonetheless chosen to devolve authority to weak localities over larger-scale (and potentially more capable) regional governments. In Uganda, there is evidence that even government officials are aware of the efficiency losses of local decentralization (Section IV).

If the standard trade-off between heterogeneity and efficiency does not explain the reliance on local rather than regional decentralization, what does? In the next subsection, we extend the model to introduce political contestation between the citizenry and the central government and describe how this may alter decentralization choice.

**POLITICAL CONTESTATION AND DECENTRALIZATION**

Existing theories have highlighted how political considerations influence decentralization decisions, calling attention to a country’s institutional design or party system, among other factors. These works largely focus on the extent of political or fiscal decentralization. We focus here on the question of when and why decentralization occurs at the local rather than the regional level.

We build from the baseline model described above. Citizens value the amount of public services provided and the match between the services provided and their preferences \(u_i = g(1 - l_i)\). We assume that the central authority is primarily office-seeking (receiving rent \(ω\) if he remains in office, and 0 otherwise) but cares about citizen welfare insofar as it helps him to remain in office. We allow for the ruler to place a small positive weight \(γ\) on citizen welfare as a “tie-breaker” between different decentralization choices that enable him to remain in power.

We model the strategic interaction between the citizenry and the central government as an extensive-form game. In the first period, the central ruler chooses the decentralization regime from the same three options: maintain national control \((D_n)\), decentralize to regional governments \((D_r)\), or decentralize further to local governments \((D_l)\). In the next period, upon seeing the government’s decentralization decision, the citizenry faces the choice of whether to back \((B)\) or challenge \((C)\) central authorities. If citizens back the government, they receive payoffs based on the decentralization level offered by the central government, and the government maintains power. If they choose to challenge central authorities, they invest in a costly action that may remove the central government from office.

We are agnostic about the precise form of citizen challenge. As our case studies illustrate, this could vary from regular electoral competition to civil war. Our model also abstracts away from which actors in particular—opposition politicians, traditional authorities, economic elites, or existing rebel groups—pose a political threat to the center. The relevant political actors differ by context and may even differ by decentralization choice. One reason that decentralization is thought to improve political accountability is that devolution can empower new political actors and give them a chance to demonstrate competence. We discuss this idea further below.

We assume that challenging the central government is costly for both parties due to the diversion of funds toward political competition or conflict, denoting the costs to the government and citizens as \(κ_G\) and \(κ_C\) respectively. If the challenge succeeds, citizens receive an exogenous benefit \(β\). This could either
represent the value of having the opposition win office or having a region successfully create its own government. If the challenge fails and the government survives, citizens receive utility based on the government’s decentralization decision, and the government receives the value of holding office, \( \omega \), net the cost of challenge. The government receives 0 if the citizen challenge succeeds and it does not survive.

We model the probability of success as a function of two factors: whether any devolution of authority has taken place (\( \theta = 1 \) if \( D_x = D_r \) or \( D_l \) and 0 otherwise) and the amount of resources or goods \( g \) available to the citizens (\( f(g) = f(S - kN_r) \), where \( S \), \( k \), and \( N_x \) are defined as above). The parameter \( \theta \) captures the advantage of political autonomy itself (e.g., the symbolic value of controlling a subnational government, the ability to divert government funds, the political platform that a subnational office provides, etc.), where the function \( f \) represents how easily opposition scales at different levels of government. Specifically, let the probability of success be \( p(D_x) = \theta \mathbf{1}(D_x = D_r \text{ or } D_x = D_l) + f(g_x) \) so that \( p_n = f(S) \), \( p_r = \theta + f(S - kN_r) \), and \( p_l = \theta + f(S - kN_l) \), where \( n \), \( l \), and \( r \) represent national, local, and regional control.xlii

We assume that \( f(\cdot) > 0 \) and \( f'(\cdot) > 0 \), so that there are benefits of aggregation in political opposition as well as in the production of public goods. This implies that \( p_l < p_r \) because \( S - kN_l < S - kN_r \). This assumption can be motivated by a resource model of political competition (those with more resources at their disposal are more likely to succeed). Additionally, the same factors that enable the provision of public services to scale more effectively at the regional level (economics of scale or scope, greater capacity) also enable opposition to scale more effectively. Regional are larger and control more territory and population, so it may be easier to organize the opposition and to facilitate cross-region collective action due to the smaller number of units. A final motivation for this assumption can be found in the literature on ethnic politics, which argues that, in some cases, regional governments can have symbolic meaning, constituting an alternative “imagined community” that can coordinate citizen action around specific goals or claims.xliii This is why some have argued that ethnofederalism can be destabilizing.xliiv By contrast, a local government controls fewer resources, has lower capacity, and typically has lower symbolic importance, all of which make a successful challenge more difficult. However, the model could be amended to allow for the threat of opposition to be greater at the local level if this were appropriate for the context. As we discuss below, our key trade-off concerns balancing efficiency considerations against political threat, which depends on features of political geography.

Under our assumptions, the ranking between \( p_n \) and \( p_r \) or \( p_l \) depends on the value of greater subnational autonomy (\( \theta \)). The opposition may be more likely to remain united when the government maintains central control of resources, which perhaps increases the potential success of a challenge. However, centralized control also deprives the opposition of resources and an independent platform from which to challenge the regime. Decentralization entails the transfer of resources to newly empowered political actors, providing them with an opportunity to showcase their skills and claim credit and thus potentially undermine central authorities.xliv Funds to subnational governments could also be transferred toward political ends that threaten central authorities, for example by expanding opposition clientelist networks or even subsidizing civil unrest or insurgency. In addition, newly constituted regional or local governments can serve to coordinate citizen collective action effectively through government institutions and serve as a “government in waiting” for those unhappy with the central government.

The relative benefits of these cross-cutting effects depend on context. In our analysis below, we consider both possibilities (i.e., a high or a low \( \theta \)) and highlight the interaction between these political considerations and the heterogeneity-efficiency trade-off of the baseline model. Even if decentralization carries some political risk, we show that a central government may nonetheless prefer to devolve authority to subnational governments to address citizen discontent, thereby reducing the risk of conflict.
To summarize, the sequence of play is as follows:

- **Period 1**: The central government determines whether to maintain central control, to decentralize to the regional government, or to decentralize to the local government.
- **Period 2**: The citizenry decides whether to challenge or back the central government.
- **Game end**: If citizens choose to back the government, the government survives with certainty and citizens receive their payoff based on the choice of decentralization regime made in period 1. If citizens choose to challenge, the success or failure of the challenge is realized and both actors receive their payoffs. The challenge succeeds with probability $p_x$, where $x$ depends on the decentralization choice. If the challenge succeeds, citizens receive a benefit $\beta$ and the government loses control of office. If the challenge fails, citizens receive their status quo payoff net the challenge cost ($\kappa_C$) and the government receives the benefit of holding office net the challenge cost ($\omega - \kappa_G$).

We summarize expected payoffs in Table 3.

[Table 3 placeholder]

**STRATEGIC “INEFFICIENT” DECENTRALIZATION**

In Appendix A, we solve for the optimal choice of decentralization for the central government given the citizens’ best responses to challenge or back the regime under different parameter values. In this section, we provide the intuition behind our main results, focusing on the following question: When might the central government choose to “inefficiently” decentralize authority, meaning choose a decentralization level that delivers worse results for citizens than other possibilities?

When citizens cannot profitably challenge the central government—when the cost of challenge for citizens ($\kappa_C$) is high, the potential benefits ($\beta$) are low, and the probability of success under any decentralization choice ($p_n$, $p_r$, and $p_l$) are low—the ruler will be indifferent between maintaining centralized control, devolving to regional governments, or devolving to local governments. As long as there is no threat of citizen challenge, he will continue to remain in power regardless of his choice. If we assume that the ruler puts a small, positive weight ($\gamma$) on citizen welfare, the ruler would simply choose the optimal decentralization choice balancing heterogeneity and efficiency as in the benchmark case.

More relevant to our discussion are situations where the government faces a threat of citizen challenge under some conditions. We can separate this category into two types. First, for some parameter values, citizens will always challenge the center, regardless of the decentralization decision. This happens when the cost of challenge ($\kappa_C$) is low, the potential benefits ($\beta$) are high, and the probability of success under any decentralization choice ($p_n$, $p_r$, and $p_l$) are high relative to the utility provided under any decentralization option ($S(1 - l_n)$, $(S - kN_r)(1 - l_r)$, and $(S - kN_l)(1 - l_l)$). This might be because the citizenry is inherently opposed to the ruler or the state is weak. If a citizen challenge cannot be avoided, the government will choose the decentralization choice that minimizes the risk of citizen challenge. In cases where autonomy is very important (i.e., $\theta$ is high), the government will choose to maintain central control, regardless of what is the most preferred option for the citizenry. In cases where autonomy is less important (where $\theta$ is small relative to the efficiency loss of decentralization), local decentralization is a useful “divide-and-rule” strategy for the central government, undermining the probability of a successful challenge.

The second type are cases where a citizen challenge can be avoided under some decentralization strategies but not others. Two components factor into the citizenry’s decision to challenge: their payoff under the ruler’s decentralization choice (a higher payoff reduces the relative benefit of challenge) and the likelihood that the challenge will succeed (a higher probability of success raises the expected benefit of challenge). Even a purely or primarily office-seeking central ruler is often better off selecting the decentralization option that maximizes citizen welfare because this reduces the attractiveness of challenging the regime. Because the decision to challenge the government also depends on the
likelihood of success, however, there are situations where the citizens will choose to challenge under their preferred choice of decentralization level but not under a less preferred alternative.

Consider regional decentralization. As discussed earlier in this section, regional decentralization may provide an optimal balance between heterogeneity and efficiency in many contexts. However, the expected benefit of challenging the government under regional decentralization may be higher than under local decentralization ($p_r > p_l$). This may be especially true if regional divisions map closely with political cleavages (ethnicity, language, etc.), which facilitates the mobilization of citizens around these identity categories as illustrated by the literature on “ethnofederalism.” The increased capacity to scale opposition can make regional decentralization unstable and risky for central authorities. Even when it is the option most preferred and demanded by the citizenry, the expected return to challenging the government is higher. One response to this risk is to maintain centralized control of spending if the welfare costs of this choice and the political threat of centralism are not too high. Another is to rely on the imperfect substitute of local decentralization to defuse the threat of challenge.

Why might “inefficient” decentralization to local governments be an attractive strategy for the government? Centralized governments tend to be unpopular in heterogeneous or divided societies. If there are large differences in preferences between regions ($l_l$ is very high relative to $l_r$), the welfare gains from decentralization at any level are large relative to any loss in efficiency. While it may not be the first choice of citizens, local decentralization can provide some of these benefits (increased local autonomy, better targeting of public services, in-group political representation) at less risk than regional decentralization. Further, the higher number of local governments complicates coordination should the opposition decide to challenge the government. The partial benefits of local decentralization, coupled with the lower expected benefit of citizen challenge, might be enough to prevent a challenge, even when citizens’ welfare would be higher under regional governments.

The discussion suggests one explanation for the observed preeminence of local over regional decentralization. In highly heterogeneous societies where local governments have the capacity to efficiently provide public services, citizens might favor local decentralization, as suggested by the benchmark model. However, we might also see local decentralization in cases where there are strong pressures to devolve authority to regions, either internal or external, but where this move would be politically risky for the central government because regional governments can scale opposition more effectively. This may explain the limited number of new federations in the modern decentralization wave.

Importantly, the model also illustrates the limits of inefficient local decentralization as a strategy. When the demands for regional autonomy are sufficiently high, local decentralization may not provide enough of a substitute to satisfy citizen demands. In other cases, the political costs of decentralization in general might outweigh the benefits. In the next section, we assess the predictions of the model by examining the decision-making behind the level of decentralization in several Latin American and African countries.

IV. THE POLITICS OF DECENTRALIZATION LEVEL

The purpose of our case studies is twofold. First, we seek to provide evidence on the mechanisms linking political threat and decentralization choice that are suggested by the model, particularly related to the calculus of central authorities to devolve autonomy to the local vs. the regional level. Second, we use the model to help us understand why seemingly similar countries have chosen to empower subnational governments at different levels.

Following the guidance of Lorentzen, Fravel and Paine on qualitative analysis of theoretical models, we seek to document that the cases presented fit the key assumptions of our framework, that the pattern of decentralization differs from what would be predicted in the standard public economics framework of our baseline model, and that there is direct evidence of the mechanisms suggested by the model related to the political strategy of decentralization level. We therefore focus our discussion on
countries where regional decentralization should be attractive given contextual and structural factors and show that political considerations have led to regional decentralization in some cases but to local decentralization in others.

“INEFFICIENT” LOCAL DECENTRALIZATION IN UGANDA

We begin with the case of Uganda, building on existing work.\textsuperscript{xlvi} As a poor country that was highly centralized prior to the 1990s, Uganda is a classic case of late 20th-century decentralization. Like other hybrid regimes, the country’s government has engaged in “far-reaching” local decentralization in the last 30 years.\textsuperscript{1} However, despite a strong economic and political case for regional decentralization, and despite citizen demands for increased regional autonomy,\textsuperscript{ii} a regional tier of government has not existed in Uganda, even for purely administrative purposes, since 1966. We trace the historical sequence of decentralization to explain why local decentralization has served as an effective political strategy for central authorities in this context.

HISTORICAL BACKGROUND

Much of present-day Uganda was governed by five pre-colonial kingdoms (Figure 3), the borders of which remain politically, culturally, and economically salient today.\textsuperscript{lii} Under colonial rule, the British divided the protectorate into four regions (Central, Eastern, Northern, and Western Uganda) and 15 districts that roughly coincided with the main ethnic groups. The regions differed in both colonial and pre-colonial political institutions. During colonization, the British signed a series of treaties with the pre-colonial kingdoms of Buganda (the largest and most powerful), Ankole, Bunyoro, Toro, and Busoga. These agreements subordinated the kingdoms but also formally recognized their political importance. The remainder of the territory, the North and most of the East, was composed of acephalous societies or small chiefdoms prior to British rule.

Federations with one core ethnic region or with few units (e.g., Belgium or Yugoslavia) tend to be unstable compared to those with more units (e.g., Mexico or Argentina).\textsuperscript{liii} Uganda proved to be no exception. Its first Prime Minister, Northerner Milton Obote, desired greater political centralization to “modernize” Uganda, clashing with Buganda leaders and eventually using military force to attack the palace of the King of Buganda in 1966 and sending him into exile. The 1966 Constitution removed all special rights enjoyed by the Buganda Kingdom and the 1967 Constitution eliminated all kingdoms and turned Uganda into a unitary country. Though regional governments ceased to exist, the constituent regions remain politically salient, as we discuss below.

Centralization made it more difficult to challenge the central government, but it did not adequately address profound regional cleavages. The late 1960s and the 1970s saw a series of unsuccessful challenges against the government, first to Obote’s centralization of power and then to Idi Amin’s military rule (1971–1979). Popular discontent with autocratic rule and hyper-centralization led to a full-scale civil war in 1981.

LOCAL DECENTRALIZATION (1986–)

In 1986, the National Resistance Army (NRA), led by Yoweri Museveni, won the Ugandan Civil War (1981–1986). President Museveni and the NRA, renamed National Resistance Movement (NRM), have ruled Uganda since 1986, first as a single-party regime and since 2005 as a multi-party competitive authoritarian regime.
The NRM government revisited the design of political institutions because it was aware of the challenge of creating stability in a post-conflict society. In 1988, the Government established a Constitutional Commission to revise the 1967 Constitution. Two of the most prominent legal minds in Uganda led the commission, lawyer Frederick Ssempebwa and judge Benjamin Odoki, who would later become the Chief Justice of the Supreme Court. Discussions around the country made them aware of widespread support for regional autonomy and even federalism. However, the Museveni-led government ignored the Commission’s recommendations for regional decentralization, and Uganda remained a unitary regime without a regional tier of government in the 1995 Constitution. However, the Government passed the Local Government Act just two years later to increase the revenue and expenditure capacity of local governments, formalizing and extending a decentralization process that had begun in the late 1980s.

Why did Museveni’s regime decentralize authority at all and, given that it did, why only at the local level? A return to highly centralized rule was risky given the recent history of violent conflict around over-centralization. It would have also antagonized international agencies and donors, as well as subnational elites in the new regime who had experienced decentralized decision-making during the civil war. However, regional decentralization would have allowed Museveni to respond to these pressures while also addressing long-standing cleavages across ethnoregional groups, capturing economies of scale and scope in the production of public goods, and responding to citizen demands. A recent survey found that about two-thirds of respondents across regions in Uganda favor increased regional autonomy, and there is significant support for federalizing reforms in some areas (around 40% of respondents in the Central region and nearly 30% in the Northern region). Despite widespread popular support and potential welfare gains, regional governments remain conspicuously absent.

Local decentralization, we and others argue, has acted as a less efficient but also less risky substitute. As Green writes, “the Museveni government’s main interest in the LC [local government] system has not been to provide good public services but instead to maintain the ruling NRM’s network of power at the local level.” This effort has proved effective in that NRM has maintained political control in more than half of districts since decentralization began. We emphasize two dimensions of Green’s argument that relate to our theory. First, there is evidence that local decentralization has indeed come at a significant cost to efficiency in Uganda. Because of the large number of local districts ($N_l > 120$), local governments tend to lack capacity, and are burdened by the high fixed costs of providing services. This inefficiency has been denounced even within the NRM ruling coalition. The Speaker of Parliament noted that “the creation of districts, constituencies and other political units is creating a burden to the treasury” as “more political units increase government expenditure to pay salaries and allowances to numerous officials who occupy the new offices.”

Second, there is evidence that local decentralization has indeed undercut the push for regional autonomy. While a majority of Ugandans favor some regional autonomy, the political opposition has largely focused on the shortcomings and corruption of local governments, as regularly reported by the main independent newspaper (Appendix Figures A.4 and A.5), as opposed to pushing for regional devolution as an alternative. Criticism of local decentralization may reduce support for the government, but it shifts the debate away from the question of regional devolution. This may explain why Chief Justice Odoki argued that local devolution of power enabled the regime to “suffocate the cry for federalism.”

Our theory explains why local decentralization has served as a useful tool for Museveni’s government: though it does not fully satisfy the popular demand for regional decentralization, it devolves some political authority without empowering regional elites. This explanation is consistent with other work showing that strategic local decentralization has been electorally beneficial for Museveni. The considerations that we highlight may also help to explain the move toward greater local political fragmentation. The number of local districts has increased from 33 in 1986 to 127 in 2018.
“extreme government fragmentation” has hindered local capacity\textsuperscript{\textsuperscript{iii}} but also made it difficult for the opposition to coordinate.\textsuperscript{\textsuperscript{iii}}

**INEFFICIENT** LOCAL DECENTRALIZATION BEYOND UGANDA

Uganda illustrates how local decentralization can be an attractive strategy where popular pressures for decentralization are strong but the risks of regionalism for the central government are high. This logic features in many other settings as well, which may help to explain the contemporary prevalence of local over regional decentralization.

For example, Eaton\textsuperscript{\textsuperscript{\textsuperscript{iii}}} highlights an interesting puzzle about Latin America's modern wave of decentralization: "While the region has been home to some of most innovative, comprehensive and radical experiments with decentralization anywhere in the world, the number of countries that define themselves as federal has not changed in more than a century." This is surprising because many Latin American countries exhibit a high degree of interregional inequality in ethnic composition and economic structure, suggesting a high potential benefit of decentralizing some policy-making to the regional level. Several now-unitary states in Latin American underwent periods of federal rule after independence, but the modern push for decentralization has centered on lower levels of government (i.e., districts and municipalities) and on reforms that fall short of granting federal autonomy to regions. Our theory offers one explanation. By bypassing more powerful states and regions, local decentralization has enabled central governments to keep subnational governments weak and dependent on the center while simultaneously seeming responsive to domestic and international pressure for devolution.

We analyze the politics of decentralization in Peru in Appendix C.1, building on the work of Dickovick.\textsuperscript{\textsuperscript{\textsuperscript{\textsuperscript{iv}}}} As in Uganda, the Peruvian case illustrates the effectiveness of local decentralization as a strategic substitute for regional decentralization in cases where the latter might be politically risky. This pattern of undermining regionalism through advancing local decentralization has been observed even in federal and quasi-federal countries such as Brazil, Bolivia, and South Africa.\textsuperscript{\textsuperscript{\textsuperscript{\textsuperscript{iv}}}}

THE PUZZLE OF REGIONAL DECENTRALIZATION

Although local devolution has been more common, there have been important cases of regional decentralization and federalizing reforms since the 1970s. These include post-conflict countries, such as Ethiopia and Nepal, where ethnoregional political cleavages should make regional devolution especially risky, and countries where political authorities have advocated for regional decentralization while rejecting the local decentralization favored by the opposition.

Our theory helps to explain this variation. The benefits of “inefficient” local decentralization in our model depend on whether it can effectively serve to weaken the risk of a challenge. If the benefits of local decentralization are not high enough to satisfy citizen demands, authorities may turn to regional decentralization as a response. Alternatively, there are cases where regional devolution, rather than local devolution or centralism, might be the most effective strategy to undercut political opposition. As our model indicates, the preferred decentralization strategy for central authorities depends on the economic costs and benefits of devolution and on the nature of the political threat to the center.

LOCAL DECENTRALIZATION AS AN INSUFFICIENT CONCESSION

When the demands for regional autonomy are very strong, as might be true in some post-conflict countries, local decentralization might be a poor substitute for regional autonomy. In these cases, meaningful regional decentralization might be the only way to avoid civil conflict. This related to the idea behind peace-preserving or holding-together federalism, where “power is devolved from the center to the periphery in order to prevent the breakup of a country.”\textsuperscript{\textsuperscript{\textsuperscript{\textsuperscript{v}}}}

The recent history of Ethiopia provides one such example. After the civil war ended with the military victory of the Tigray People’s Liberation Front (TPLF) in 1991, the new government inherited a country sharply divided along ethno-regional lines. Efforts to fully centralize authority were unlikely
to succeed. Ethiopians had ousted two non-democratic centralized regimes in recent times: the monarchy of Haile Selassie in 1974 and the USSR-backed Provisional Military Administrative Council (better known as Derg in Amharic) in 1991. Federalism provided a strategy to appease ethnic groups that had been excluded from power under earlier governments. As Abbink writes, imperfect reforms that fell short of meaningful federalism would have been seen with suspicion given recent history. The 1995 Constitution thus set up a federal system along ethnoregional lines.

Unlike in Uganda, local decentralization did not serve as a substitute for regional political devolution but rather came later in a complementary set of reforms. Because of the recent history of conflict and the ongoing salience of ethnopolitical divides, federalism was arguably the only option to keep the country united. The outbreak of conflict in 2020 between the government and the Tigray region suggests that even this arrangement was fragile. We discuss this case further in Appendix C.

REGIONAL DECENTRALIZATION FOR POLITICAL ADVANTAGE

Regional decentralization is often risky in that it provides a platform for scaling political opposition at a level higher than districts. However, there may be situations where aggregating opposition at this level is advantageous to central authorities. This may be because regions effectively divide opposition that scales best at the national level or because the political geography of regional boundaries favors the center. In these cases, a central government may opt for regional decentralization because it maximizes its chances to remain in power, not because it performs particularly well for citizens or because of specific bottom-up pressures.

The modern decentralization experience of Argentina provides an interesting illustration. Argentina has been a federal state since the mid-19th century, but effective political control was highly centralized under authoritarian rule. Much has been written about the politics and sequencing of decentralizing reforms in Argentina, which has become one of the most decentralized federations in the world as measured by subnational government expenditure. As Eaton notes, the roots of the modern decentralization wave began under the military rule under the Revolución Argentina and the Proceso in the 1970s and early 1980s. These governments undertook a series of “contradictory” reforms that resulted in granting unprecedented revenue and responsibility to provincial governments. Though the trajectory of decentralization eventually evolved in unpredictable ways alongside democratization, these reforms were initially undertaken not because of bottom-up pressure for additional devolution to provinces but rather as a strategy to advance the agenda of the national-level political leadership. Through selectively delegating revenue and spending authority to provincial governments, the military government was able to temporarily strengthen its position by undercutting national-level political opposition from teachers’ unions and by weakening the capacity of the state to resist unpopular neoliberal reforms. In other words, provincial decentralization provided a useful “divide-and-rule” tool to defuse political threat.

Why did the government choose to empower provinces and not smaller municipalities or districts as in Uganda or Peru? A clear reason in this case is the long history of federalism in Argentina, dating back to the initial period of state formation in the 19th century. This history both provided a convenient institutional channel to empower regional governments and served as a focal point for negotiations over decentralization. In other cases, regional decentralization has been used to effectively counterbalance opposition at both national and local levels. Eaton, for example, studies the case of Chile. Although the country remains relatively centralized, the political right demanded that regional governments be strengthened during the negotiations ending authoritarian rule and not just municipal governments, as was favored by the left. As Eaton notes, the right had reason to believe that they would be uniquely successful at contesting regional elections given the geographic distribution of preferences in Chile. Similar political calculations motivated the shifting power of regional- and local-level governments in Peru (Appendix C.1).
In these cases, political fights over the appropriate level of devolution had little to do with assessing the right balance between efficiency and preference heterogeneity and much to do with assessing likely political threat and advantage, as our theory emphasizes. In addition, these examples further illustrate how regional and local decentralization can act as substitutes rather than complements for central authorities under pressure to decentralize. By choosing to decentralize to one level of government, central authorities can balance against political interests that scale best at other levels.

RETURNING TO THE PUZZLE OF EXCESS LOCAL DECENTRALIZATION

In the online Appendix, we build on this discussion to examine the political incentives behind continued centralism as well and to provide additional documentation of the mechanisms proposed by the theory (Appendix C). In each case we consider, the choice of decentralization level—local, regional, or central—depended jointly on the standard efficiency-heterogeneity trade-off, as emphasized by the economics literature, and on the anticipated political costs and benefits, as emphasized by the literature in political science. Through merging these logics, our theory explains why governments decentralize at different levels in seemingly similar countries.

To what extent can our argument explain the prevalence of local over regional decentralization documented in Section II? Our benchmark model shows that local decentralization is optimal in contexts where there is a lot of within-region heterogeneity in preferences and where the efficiency loss of devolution is moderate. However, the prevalence of local over regional decentralization cannot be explained by this logic alone, as we discuss in Section III. Local decentralization may be a politically advantageous “second-best option” for central authorities in other contexts when two conditions are met: 1) there is a high political risk to regional relative to local decentralization; and 2) local decentralization provides enough of a benefit to reduce citizens’ regionalist demands. These conditions seem to be met in a number of African and Latin American countries (Appendix E).

V. DISCUSSION

What are the scope conditions for our theory? Our model assumes that central authorities have direct discretion over the choice of decentralization regime. This condition is more likely to be met in regimes with few constraints on executive power, in transitions and other critical junctures during which acting authorities design institutions, where democratic representation is limited, and when domestic rather than external actors are empowered to make decentralization choices. Importantly, this assumption also requires that central authorities be empowered over regional or local elites in the negotiation of these new political institutions. This is more likely to hold in contexts that are more politically centralized ex ante, as were most developing countries prior to the 1980s (Table 2 and Appendix E).

The politics of decentralization level differ in states with strong institutions where decentralization decisions are made in a more balanced fashion between political actors. Hooghe and Marks show that in democracies, where strong institutions constrain the executive, the pattern of local and regional devolution of authority mirrors what would be expected from the benchmark model: goods that can be efficiently provided by local governments are provided by localities or districts, while those that entail a large fixed cost or can provided only at scale are the responsibility of regions. Though multi-level governance along these lines is prevalent in democracies, the pattern looks very different elsewhere, perhaps most notably among the countries of Central America and East and West Africa where there is little recognition of regional governments (Section 2 and Appendix E).

An additional important scope condition for our argument is that relevant political, socioeconomic, or ethnic differences be geographically concentrated so that citizens living nearby one another are closer in preferences to those living far away. This appear to be true of many countries, as we demonstrate in Appendix B. However, the trade-offs between economic efficiency, preference heterogeneity, and political threat may differ from the ones we propose in places where the urban-rural cleavage dominates (arguably true of the contemporary United States).
It is also important to note that decentralization is a broad concept that encompasses a variety of processes. As Falleti demonstrates, the sequencing of different types of decentralization involves important considerations that lie beyond the scope of our theory. Our discussion focuses most directly on the decentralization of spending and public service provision (to highlight the tension between preference heterogeneity and efficiency) and on political decentralization (to highlight the risks of political autonomy). However, the mechanisms that we identify should apply wherever demands for increased sub-national autonomy have to balance against capacity issues of lower-level governments and wherever devolution of authority entails political risks for the central government.

Finally, we recognize that there may be complementary explanations for the prevalence of local over regional decentralization. The World Bank and other international organizations have long exerted pressure on developing countries to decentralize, often at the local level, as a way of bringing services closer to the people. Ultimately, however, pressure from external actors alone cannot explain observed decentralization patterns. The case of Peru, for example, illustrates that central authorities acted to empower and disempower subnational actors at different levels as political winds shifted (Appendix C.1).

VI. CONCLUSION

We develop a theory to explain the politics of decentralization level: why governments have acted to empower local vs. regional authorities and why the decentralization wave of the last few decades has been concentrated at the local level. When public services can be provided efficiently at the local level or when within-region heterogeneity is very high, local decentralization might be the optimal choice for citizens and the government. However, the government may also have an incentive to devolve authority to local governments in cases when citizens might be better off under regional decentralization. The same economies of scale and scope that enable governments to provide high-cost public services more efficiently at the regional level can also enable political opposition to scale more effectively. Local decentralization may be less efficient, but can often imperfectly address citizen demands for regional autonomy. Local decentralization can thus be a useful tool to undermine the political opposition, even in cases where citizens might prefer a regional government or federalism for economic, cultural, or social reasons.

We provide evidence consistent with our theory by examining the strategic use of “inefficient” decentralization in Uganda and complementary evidence from a series of other cases. Under strong domestic and international pressure to devolve authority to subnational governments, local decentralization in Uganda provided a way of imperfectly addressing the demand for decentralization without incurring the political risk of empowering regional opposition. We provide evidence that these political considerations—and not merely the balance between efficiency and heterogeneity of preferences, as might be suggested by the literature in public economics—were central to authorities’ decision-making in this and the other cases considered. Authorities in the cases we discuss were aware that the level and not just the amount of decentralization could be manipulated for political gain. We show that the optimal strategy—local decentralization, regional decentralization, or centralism—depends on the interaction between these economic fundamentals and the political environment.

By focusing on the level at which decentralization occurs, rather than the type or extent of authority granted to sub-national units, we highlight an important component of decentralization decisions that is often overlooked. The political consequences of decentralization depend not only on how much authority or which responsibilities are devolved to subnational governments, but also on which subnational governments are empowered with funding and political representation. Devolution to one level or another changes political contestation and the type and quality of public services, as emphasized by literature on decentralization and the optimal size of government in political science and economics.
Our observation that regionalism or federalism might be especially destabilizing in places with strong regional identity cleavages is consistent with important work in the literature on ethnic politics, federalism, and political autonomy. Our work also builds on scholarship on the potential political advantage of fragmenting the opposition into smaller and more numerous subnational units in Latin America and sub-Saharan Africa. Most directly, our model formalizes and extends Dickovick’s theory about why greater municipalization was a useful strategy of de facto centralization in Peru, Brazil, and South Africa. Further, our model also provides insight about the conditions under which governments may opt for regional decentralization or continued centralism instead.

Our stylized model raises several questions for future research. We consider a relatively simple political environment where the central government bargains directly with citizens over decentralization. In many contexts, other actors—such as regional elites, existing subnational governments, or domestic and international organizations—may play an important role. Incorporating these possibly competing political interests could shed further light on decentralization patterns. To focus on the level of decentralization, we also abstract away from the type of decentralization (political vs. economic vs. administrative), though that sequence can affect the balance of power between central and subnational governments and in turn change subsequent decentralization decisions. A systematic consideration of how our argument relates to work on civil and ethnic conflict or peacekeeping would also be interesting. For example, extending Brancati’s logic, has strategic inefficient decentralization to local governments “fueled the fire or dampened the flames of subnational ethnic conflict” in unitary states?

Finally, our article also suggests the need for a large-scale data collection project on political and economic decentralization in developing countries. Data limitations make it difficult to conduct a quantitative, cross-country analysis of decentralization outcomes, particularly on the question of local vs. regional decentralization. Reliable panel data on revenues, expenditures, and fiscal transfers at different levels of subnational government are often unavailable outside of the OECD. These limitations are especially challenging for African countries, which are absent from many existing projects on decentralization, like the Regional Authority Index. Other sources, such as the IMF’s Government and Financial Statistics, rely solely on government-supplied public finance data. These are often difficult to compare across units and may be subject to manipulation. Short of constructing consistent and reliable measures of decentralization at the local vs. regional level across time and space—a major undertaking that would require considerable investment over years—we believe that the most promising path forward is through the detailed study of the politics of decentralization level in other cases that contrast or comport with our theoretical assumptions.

An important lesson of existing work on decentralization is that it is inherently difficult for a government to balance the competing priorities of efficiently providing services, addressing societal differences, and managing political threats. This paper calls attention to how these competing forces shape not only the amount but also the level of decentralization. By devolving authority to larger and more capable subnational governments, the central authority may improve government performance but in ways that can paradoxically be politically threatening, a very important consideration in weakly institutionalized or semi-democratic contexts. By empowering one level of subnational government over another, central authorities can respond to pressures for decentralization while simultaneously defusing the threat of opposition. This can be an attractive tool for maintaining political control.

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AUTHORS
Joan Ricart-Huguet, Department of Political Science, Loyola University Maryland. jricart-huguet@loyola.edu

Emily A. Sellars, Department of Political Science, Yale University. emily.sellars@yale.edu

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i Rondinelli, Nellis and Shabbir Cheema, 1983; United Nations Development Programme, 1999; Spruyt, 2002, p. 11; Decentralization is generally understood as “a shift of authority towards local [subnational] governments and away from central governments, with total government authority over society and economy imagined as fixed” (Rodden, 2004, p. 482).

ii Eaton, 2018

iii While definitions of federalism vary, the constituent units in federalism are always intermediate-level governments, as are regional governments in unitary countries.

iv Hooghe and Marks, 2009, p. 233

v E.g., Alesina and Spolaore, 1997; Besley and Coate, 2003

vi Anderson, 1983; Kasfir, 1972

vii Grossman and Lewis, 2014; Grossman, Pierskalla and Dean, 2017; Hassan and Sheely, 2017

viii Dickovick, 2006. See also Fenwick, 2010, 2015

ix Green, 2015

x Escobar-Lemmon and Ross, 2014; Fan, Lin and Treisman, 2009; Fisman and Gatti, 2002


xii Brancati, 2006, 2009; Green, 2008

xiii Alesina and Spolaore, 1997; Besley and Coate, 2003; Myerson, 2006

xiv E.g., Eaton, 2004; Garman, Haggard and Willis, 2001; Dickovick and Eaton, 2013

xv E.g., Myerson, 2006

xvi E.g., Falleti, 2005.

xvii Panel datasets on fiscal decentralization with coverage beyond the OECD do not exist, but a recent SNG-WOFI (2019, p. 1) study covering 121 countries finds that, in 2018, 25% of public expenditure and 37% of public investment was undertaken by subnational governments. There have also been some notable cases of partial re-centralization in the last decade (Eaton, 2013; Grossman and Lewis, 2014), which we return to below.

xviii Hooghe and Marks (2016) document an increase in regional authority since 1950 in advanced democracies, but this does not appear to be true everywhere, especially in sub-Saharan Africa (Appendix E). We believe that our argument is most applicable to weakly institutionalized, hybrid, semi-, and non-democratic countries.

In addition to the different substantive focus in these datasets (popular election vs. taxation/spending/legislating autonomy), another reason for the discrepancy in temporal trends is the more expansive definition of “regions” in the V-Dem dataset, encompassing “regions, provinces, states, departments, and cantons.”

See Appendix E for a description of the coding procedure.

Our coding rule drops cases where the V-Dem measure of liberal democracy falls below 0.3. This excludes most consolidated autocracies but not competitive authoritarian regimes or multi-party/hybrid regimes, which are typically between 0.3 and 0.5 on the V-Dem scale.

This can be any region or district, though the interaction will be more conflictive when the majority supports the opposition, comes from a different ethnic group than the government, or holds distinctive preferences.

We focus on the decision to decentralize control of spending but we believe that our theory applies to political decentralization that is accompanied by some amount of fiscal resources.

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We focus on the decision to decentralize control of spending but we believe that our theory applies to political decentralization that is accompanied by some amount of fiscal resources.
If leaders had intrinsic preferences over decentralization regime, this could compensate for the additional risk or reward of different decentralization strategies. However, there are many examples of officials switching stated decentralization preferences based on political expediency (e.g., advocating for regional decentralization when in the opposition but shifting course when in power or favoring centralism when in power but favoring regionalism when in opposition. We present evidence on this in the case of Peru (Appendix C).

E.g., Brancati, 2006
The World Bank, for example, has exerted pressure on many developing countries to decentralize. We discuss this in section V.

Lorentzen, Fravel and Paine, 2017
E.g., Tripp, 2010; Lambright, 2011; Green, 2008
Francis and James, 2003
Ricart-Huguet and Green, 2018
E.g., Kasir, 1972
Hale, 2004; Colomer, 2011

One of the authors interviewed them, respectively, on July 26, 2012 at Mr. Ssempebwa’s law firm and on July 24, 2012 at the Supreme Court of Uganda.

Ricart-Huguet and Green, 2018
Green, 2015, p. 494
E.g., Tripp, 2010; Grossman, Pierskalla and Dean, 2017
Daily Monitor, 2020
Green, 2010; Grossman and Lewis, 2014, p. 197-8
SNG-WOFI, 2019, p. 145
Grossman, Pierskalla and Dean, 2017

Though this is beyond the scope of our work, some have argued that administrative unit proliferation has contributed to a more recent “recentralization of power” (Grossman and Lewis, 2014, p. 213).

Eaton, 2018
Dickovick, 2006, 2011
Dickovick, 2006; Dickovick and Eaton, 2013; Fenwick, 2010, 2015, p. 35
Breen, 2017, p. 26
Abbink, 2011
Abbink, 2011; Faguet, Khan and Kanth, 2020
Faguet, Khan and Kanth, 2020, p. 85
E.g., Eaton, 2006; Falleti, 2010; Fenwick, 2015
Eaton, 2006
Eaton, 2006, p. 14–16
E.g., Eaton, 2006; Falleti, 2010
Eaton, 2006
Falleti, 2010; Eaton, 2018; Fenwick, 2015, Ch. 6. As Fenwick notes, the political status of municipalities in Argentina varies by province, making it difficult for central authorities to bypass provincial governments in policymaking as in other contexts.

Eaton, 2004

Eaton, 2004, p. 233

Hooghe and Marks, 2016, 2009, p. 233

Falleti, 2005, 2010

E.g., Escobar-Lemmon and Ross, 2014; Fan, Lin and Treisman, 2009; Mookherjee, 2015; Green, 2015

E.g., Alesina and Spolaore, 1997; Besley and Coate, 2003

Horowitz, 1985; Hale, 2004; Brancati, 2009

E.g., Eaton, 2013, 2018

E.g., Grossman and Lewis, 2014; Grossman, Pierskalla and Dean, 2017

Dickovick, 2006

Falleti, 2005, p. 330

Brancati, 2006