

## **Chapter 1:**

The Political Determinants of Decentralization in Latin America:

Causes and Consequences

Alfred P. Montero and David J. Samuels

Carleton College and the University of Minnesota

Among the major political changes that have shaped Latin America since independence, decentralization of the state - the assignment of political, fiscal, and administrative duties to subnational governments - has been one of the most overlooked. Instead, scholars of the region have tended to focus more attention on what Claudio Véliz (1980) called the “centralist tradition” of Latin American politics, which asserts that highly centralized colonial-era political institutions generated a political culture that exerted a strong path-dependent effect on subsequent political evolution. Thus, political science research has focused on the evolution of the organs of the central government, in particular given the state-centered model of economic development in the 20<sup>th</sup> century along with the emergence of state “corporatist” institutions and norms that also affect state-society relations (e.g. Stepan, 1978; Wiarda, 1986; Collier and Collier, 1991; Cavarozzi, 1992). Yet, as is so often the case, the reality of Latin American politics on the ground has escaped the purview of the “centralist tradition” in scholarship. Subnational governments and politicians have played and continue to play a major role in policy-making, economic development, and democratization in the region. More recently, decentralization has been a key element of the major political transformations that Latin American states have experienced over the last two decades or so, along with regime change and the collapse of the developmentalist state. This development poses a puzzle for the “centralist tradition,” which assumes that the political, social, and economic forces that might favor decentralization are absent in Latin America. Yet the emerging empirical importance of decentralization suggests that scholars should focus their theoretical lenses on the phenomenon. Thus the major question that drives this collection: what explains decentralization in Latin America?

Subnational officials across Latin America - governors, state legislators, mayors, and city council members - now possess a historically unprecedented level of political authority and fiscal autonomy. For example, from 1980 to 1995 the number of countries in the region allowing the direct election of mayors increased from three to seventeen. In many countries, intermediate tiers of government have also emerged *de novo* or re-emerged as autonomous units. In addition, keeping pace with these political developments, subnational governments' share of total public spending expanded impressively during the 1980s and 1990s (Stein, 1999). Democratization and neo-liberal reforms have tended to reduce the role of the central government in politics as well as the market, and the growing importance of subnational governments and local or regional economies demand that scholars of Latin America turn their attention to the politics of subnational government (Ames, 1999: 232-33).

Of course, decentralization has not taken the same form or degree throughout the region or even within countries: some public policies have been decentralized, while others remain largely in the hands of the central government; some countries remain highly centralized, while others have moved in the opposite direction; subnational governments in some regions within some countries have taken control of numerous policies, while governments in other regions remain deeply dependent on their central government for both resources and policy administration. We believe that these differences are not simply a matter of different local demands for services, different local capacities to raise revenue or administer programs, or varying technocratic views of which "correct formula" for decentralization will maximize welfare, macroeconomic stability, or growth. The purpose of this book is to demonstrate that *political choices and political institutions have played a major role in explaining the variation in the form, degree, and success of decentralization in Latin America.*

Little research has concentrated on the political causes of decentralization. Although a number of studies have examined institutional and policy variations among countries that have decentralized (e.g. Nickson, 1995; Bird and Vaillancourt, 1998; Burki, Perry, and Dillinger, 2000), research has tended not to *explain* the patterns of decentralization, but has instead focused more on policy design (“getting the rules right”) and fiscal issues. This book concentrates on the *political determinants* of variation in the patterns of decentralization in Latin America, and we hope that the collection sparks further research.<sup>1</sup>

This book covers six significant cases of decentralization in Latin America: Argentina, Bolivia, Brazil, Chile, Mexico, and Venezuela. Additionally, some of our contributors include shorter analyses of Uruguay and Peru. This selection includes cases of two-tier subnational government (Argentina, Brazil, Mexico, and Venezuela) as well as one-tier cases (Bolivia and Chile). The former cases are also the major federal states of the region while the latter two are unitary. Table 1.1 summarizes the major characteristics of our cases.

### **Table 1.1 Here**

### **Definitional Issues**

Let us first address the question of identifying our object of study. Decentralization is, like many social-science concepts, not easily and precisely defined. We view decentralization as a multidimensional process: it may have political, fiscal, and administrative dynamics. We examine these aspects of decentralization before exploring the causes and consequences of this process in Latin America.

*Political* decentralization refers to direct elections of state/provincial<sup>2</sup> and/or local political office. This dimension of decentralization addresses the arena that Stepan (1988) calls “political society” - executive and legislative offices that *politicians* occupy as opposed to those

spaces that appointed executives, bureaucrats, and other civil servants occupy. The extent and timing of political decentralization in Latin America - a move towards expanded formal electoral competition at the subnational level - has varied. For example, our survey includes polities that have had direct elections for governor and state legislature and/or mayor and city councils since the 19<sup>th</sup> century. Yet other cases such as Bolivia, Mexico, and Venezuela have only more recently moved toward direct democratic election of subnational officials.

Political decentralization implies that subnational elections gain importance for both political actors as well as for citizens. However, this book finds a corollary to the democratization literature's rejection of the "electoralist fallacy," which supposes that elections constitute democracy.<sup>3</sup> That is, the direct election of subnational officials does not necessarily mean that the country in question is highly decentralized, politically or otherwise. Political decentralization is only *one* significant dimension of the broader process of decentralization. If subnational government controls few resources and has no policy autonomy, subnational elections might be fairly meaningless. Thus, decentralization of fiscal resources and policy authorities are also necessary to empower subnational government.

*Fiscal* decentralization has two main dimensions: revenue decentralization and expenditure decentralization.<sup>4</sup> Revenue decentralization is the relative degree to which subnational governments come to control the sources of their revenues, usually taxes and/or national government transfers. Expenditure decentralization refers to the degree to which subnational governments may autonomously decide how to spend their revenues, and how much of their revenues to spend, independently of central-government guidelines or earmarking. In practice fiscal decentralization may occur on both of these dimensions and to distinct degrees in the same country and over time.

Fiscal decentralization is, for obvious reasons, intimately related to the third dimension of decentralization, *administrative* or *policy* decentralization. Policy decentralization is the

relative authority or responsibility that state/provincial and local governments have to set goals, muster resources, and administer and implement public policy, and may result from either an actual transfer of policy responsibility from one level of government to another or from the assumption of responsibility for public policy in an area where central-government coverage is lacking by an “entrepreneurial” public official. Thus, this kind of subnational autonomy has both *de jure* and *de facto* dimensions. Subnational policy autonomy varies *de jure* in terms of the categories of policies that are *assigned* (constitutionally or through legislation) to subnational government and also in terms of the conditions (earmarking or mandates) that national governments place on the use of fiscal resources or on the range of policy choice. Policy autonomy varies *de facto* by the capacity that subnational governments have to be “policy entrepreneurs,” which requires not only fiscal resources but also a capable subnational bureaucracy, which is sometimes not the case.

By noting the differences between political, fiscal, and policy decentralization, we hope to draw attention to the fact that decentralization is a *multidimensional* process that may have a variety of combinations that may occur simultaneously or not. For example, policy decentralization may occur along some dimensions but not others. Or, policy decentralization can occur without direct elections for subnational office. Policy responsibilities can also be decentralized (as they were in Carlos Menem’s Argentina) in the absence of sufficient financing (“unfunded mandates” or “centralization via decentralization,” as Wibbels (this volume) calls it). Finally, fiscal resources may be “decentralized” to subnational governments but be distributed according to central government priorities. The chapters in this volume attest to these multiple combinations. Research must pay careful attention to the particulars of each country’s laws and

political processes in order to reveal how and to what extent decentralization results in greater or reduced political autonomy for different levels of government.

The multidimensionality of the decentralization process has led some scholars to refer to certain aspects of decentralization with other terms: “deconcentration,” “devolution,” “delegation,” etc.<sup>5</sup> The number of empirical combinations exceeds the availability of distinct monikers. Rather than confuse the research program with a proliferation of terms, we prefer to speak of these as different dimensions of one decentralizing dynamic, and we therefore focus on the political logic that explains why certain policies are *relatively more or less* decentralized both across and within countries. This approach obviates the necessity to invent terms.

By claiming that decentralization is a political *process*, we mean three things. First, that the concept encompasses relatively long historical periods. Second, that decentralization involves *political choices* and is not inevitable. And third, that decentralization is not irreversible. These points are particularly important to keep in mind: although the degree of decentralization in Latin America has recently become unprecedented, countries across the region have all experienced swings along the centralization/decentralization continuum. For example, Getúlio Vargas’ corporatist *Estado Novo* in Brazil and the centralized party regime of Chile in the 1935-70 period are early examples of *centralization* of previously less-centralized regimes (see Eaton, this volume). These two examples also imply (and some of our contributors also confirm) that there is no necessary link between democracy and decentralization (see below). Thus, a process definition leaves open the possibility that decentralization can be reversed. The advent of re-centralizing reforms along some dimensions of policy in Argentina, Brazil, Venezuela, and Chile in the 1990s already constitutes empirical evidence for that outcome. Of course, these re-centralized cases may one day decentralize again.

It may be too soon to claim that decentralization may have a “pendular” or even “regular” symmetry that can be mapped out according to general trends in Latin American history. But given the fact that some re-centralization has already occurred within a broader process of political decentralization, we ought to accept decentralization as a *process* without a clear *telos* lying at either end of the re-centralization/decentralization spectrum. With these definitional issues and caveats in mind, in the next section we consider some of the major hypotheses that seek to explain the political determinants of decentralization. We then offer observations concerning consequences for policy-making before concluding.

### **Assessing the Political Determinants of Decentralization in Latin America**

We ought not limit the consideration of the causal dynamics of decentralization to inductively compiling a set of independent variables and weighing their importance in country case studies. It is also not enough to understand how decentralization occurred in any one country or time period. Following much of the comparative scholarship on economic reform and democratization in Latin America, we seek to discover general patterns and to offer generalizable hypotheses concerning decentralization. Before discussing the hypotheses we have identified in the debates surrounding decentralization, we discuss three methodological issues that appear in the literature. This serves to describe the approach that the contributors to this volume take to identifying the causes of decentralization.



### *Methodological Issues*

Scholars often characterize their arguments as either a “top-down” or a “bottom-up” approach. Of course, one is often tempted to comment that “both matter.” When are top-down decisions more important than bottom-up pressures and vice versa? For our purposes, “Top-down” arguments refer to *national* (elected and/or appointed) *policy-makers*’ decision calculus, particularly why they might possess incentives to decentralize. For example, democratically elected presidents and legislators may favor decentralization under conditions that enhance their continued political survival (e.g., when decentralization enhances the probability of re-election or the persistence of their partisan majority). In newly democratized regimes, national political elites might also advocate decentralization to extirpate authoritarian enclaves. These actors may also cultivate the support of subnational constituencies and local politicians by decentralizing. On the other hand, other national-level political actors may resist decentralization because it would constrict their future control over policy-making.

The top-down logic applies in authoritarian regimes as well. Authoritarian executives and bureaucrats at the national level may embrace decentralization after *appointing* subnational executives and bureaucrats, as a means for further tightening their control over the apparatus of government at all levels. Or, in authoritarian regimes that retain at least some direct elections for subnational office, decentralization may also favor those who control the national government by strengthening the political elites who provide the regime with its base of support at the local level. On the other hand, “decentralization under dictatorship” might spin out of a regime’s control and hinder its plans for political consolidation.

In short, central-government actors face a tradeoff in that decentralization may advance some political goals but impede others. The cost of decentralization may vary according to the

degree of authority central-government authorities retain over the collection and spending of tax revenues and the extent to which the control of *subnational* office strengthens government leaders at the *national* level (whether democratic or not).

In contrast to “top-down” approaches, for our purposes “bottom-up” analyses highlight the importance of *subnational policy-makers’* incentives, goals, and decisions for an explanation of decentralization. For example, in democracies and authoritarian regimes with local elections, subnational elites might embrace decentralization of responsibilities and resources to enhance their own autonomy from the central government and to build up political capital through policy-making accomplishments and/or patronage. Under democracy, subnational political elites may possess tremendous leverage over national elites, as some of our cases studies show. In these cases, the incentives for decentralization to proceed in particular ways are relatively greater. Under authoritarian rule, subnational political elites possess relatively less leverage over national policy-makers, but their ability to command a reservoir of democratic legitimacy might still make them formidable constituencies that authoritarian leaders must satisfy.

Subnational political elites also face a series of trade-offs in terms of decentralization. For example, decentralization may advance a goal of limiting the central government’s authority, but it also means tremendous responsibility for newly-empowered subnational officials. If voters are aware of decentralization, they will consequently demand much more of subnational officials. The strategies of subnational elites therefore are a function of their evaluation of decentralization’s potential political risks and gains.

In cross-national perspective, we believe that neither “top-down” or “bottom-up” approaches alone work better.<sup>6</sup> Instead, it is the *interaction* between national and subnational political elites in both democratic and authoritarian regimes that is critical to understanding the

incentives for decentralization. We return to this point below regarding the particular role of democratization.

It is useful to ask here whether the identity of the relevant decision-makers may be broader than we have just suggested, in particular for the “bottom-up” approach. Actors outside the government such as economic classes, non-governmental organizations, labor unions, firms, and associations may exert important bottom-up pressures for decentralization. Or, less-organized but forceful voter pressure could even be important. For example, in the Bolivian case, regional Civic Committees of businessmen campaigned for decentralization during the early 1990s (O’Neill, this volume). However, a fuller examination of the cases indicates that these actors have only rarely played a prominent role in the promotion and implementation of decentralization and that these extra-governmental actors tend to rely on politicians and their parties as interlocutors. Thus, excepting some policy-specific areas (Murillo, 1999), we suggest that *actors in political society and the state have played the primary role in initiating, implementing, and shaping decentralization* (Manor, 1999; Willis et al., 1999). *Why* this is the case is a question beyond the scope of this volume, but it points to the importance of positing an explicitly *political* logic of decentralization.

Another methodological issue to consider is the connection between “distal” and “proximal” causes. The prominent study by Willis et al. (1999) as well as the vast majority of the policy-oriented literature on decentralization have focused almost exclusively on the most recent period of decentralization, i.e. on “proximal” causes of decentralization. Yet there are no necessary reasons for limiting the research program to recent times, and in fact we see a danger in doing so. Such a time-bound approach focuses attention only on more recent potential causes of decentralization such as the debt crisis, the latest wave of neoliberal reform, and

democratization. Not only does this neglect the role of important “distal” factors such as patterns of urbanization, economic change, and persistent path-dependent institutional and social legacies, it also constrains the testing of general hypotheses to those based on these potentially time-bound proximal causes. For example, it is highly possible that evidence allegedly demonstrating a close correlation between democratization and decentralization during the 1980s and 1990s is just that: a correlation. We cannot move from correlation to a discussion of causation if we cannot control for variables endemic to the most recent time period. A focus on recent times implicitly and arbitrarily rejects distal factors. Several of the contributions to this volume considerably broaden the research program on decentralization by pursuing longitudinal comparisons and by considering both distal and proximal factors.

A final methodological issue is the link between “macro” and micro” factors. By favoring recent events, the “presentist” bias in some of the literature focuses too much on elite decision-making, to the exclusion of socio-structural factors.<sup>7</sup> We believe that scholars ought to understand how demographic and economic change shape the range of elite choices, and how existing social and economic structures shape the possible limits of decentralization both across and within countries. In addition, although institutional configurations - electoral rules, bureaucratic structures, fiscal patterns, etc., - constrain elite choice at the time the decision to decentralize occurs, these rules are themselves the product of broader socio-economic and institutional legacies. Therefore, analyses that employ a “micro” logic to understand decisions to decentralize should couple their explanation to a “macro” logic, the broader contextual factors that “set up” the micro logics that explain politicians’ actual decisions. Indeed, decentralization in several of the countries in this study would not have been possible but for “macro” processes

such as demographic, institutional, and economic change that determined the range of choices at the time that national and/or subnational elites opted for decentralization.<sup>8</sup>

In short, the contributors to this volume are not wedded to one particular methodological approach. The analyses here adopt neither a broad “macrofoundational” approach nor do they rely on a purely “microfoundational” approach to politics. Research on decentralization could hardly adopt a traditional “state-centered” approach, since the object of study is not “The State” but is the evolving dynamic between the *states*, the central government, and municipalities too. On the other hand, although decentralization focuses attention on the actions of elected national and subnational politicians and thus on the “micro” incentives that such politicians face, we believe that path-dependent economic and political legacies are too important to ignore.

### **Specific Hypotheses**

In this section we assess the major hypotheses regarding the political determinants of decentralization in Latin America. To be sure, our list is not exhaustive and each category needs further unpacking. Still, this section addresses the major economic, ideational, political-institutional, and macro factors present in the literature on decentralization.

#### *Decentralization as a Neoliberal Reform*

Arguments under this rubric hold that decentralization follows a particular political-economic logic, and that it emerges primarily in countries undergoing a weakening of state-led development models and the emergence of more market-oriented strategies. Several observers have connected the most recent wave of decentralization reforms in Latin America to the crisis and erosion of what Marcelo Cavarozzi (1992) has called the “state-centered matrix”; a model of

development based on import-substitution and extensive state intervention and regulation of markets. According to this view, the constraints produced by structural adjustments in response to the macroeconomic disequilibria produced by the debt crisis of the 1980s compelled national authorities to decentralize the provision of major public goods and services to subnational government (e.g., Rondinelli, 1989).

Before considering this line of argument further, it is useful to ask if decentralization has historically been *uniformly* associated with *any* particular political-economic framework. The answer is clearly that it has not. Quite simply, both “developmentalist” and “neoliberal” governments have historically decentralized *and* re-centralized. The developmentalist regimes of Juan Perón in Argentina and Juscelino Kubitschek in Brazil utilized decentralization, as did their neoliberal successors decades later during the 1980s and 1990s. Vargas’ *Estado Novo* and the *Processo* governments of Argentina re-centralized, *but their economic policies were mirror opposites*. While these examples do not eliminate “decentralization as neoliberal reform” from consideration, they sharply delimit the scope of this approach in explaining decentralization.

It is plausible that decentralization *in the recent neoliberal period* in Latin America is a specific response to pervasive fiscal deficits. Bresser Pereira (1993) and others have argued that the fiscal crisis of Latin American economies was the most salient factor strengthening the “Washington Consensus” reforms that swept the region in the 1980s and 1990s. Decentralization fits into that logic since devolution of policy responsibilities may free up resources at the national level (Bird and Vaillancourt, 1998: 4). Decentralization also reduces the costs of government by tapping into “allocative efficiencies” produced through a more rational division of labor among government levels. By following the “subsidiarity principle,” a concept central to the study of fiscal federalism, decentralization may minimize the information asymmetries that

commonly afflict centralized micro management of policies in areas such as education, health care, and housing that require specific local knowledge (Oates, 1972; Musgrave, 1983).

Moreover, inter-jurisdictional competition in service delivery may enhance the provision of government services by providing incentives for policy-makers to attract consumer-voters and businesses across subnational boundaries (Dye, 1990).<sup>9</sup> Fiscal federalism, therefore, enhances the efficiency of both national and subnational governments. That it emerges now throughout a region suffering from fiscal crisis should thus not be surprising.

As much as the fiscal federalist logic appeals to the international financial agencies (e.g., IDB, 1997; Campbell, Peterson, and Brakarz, 1991), we find little evidence that promoting efficiency in public policy in response to fiscal constraints has been a primary *motive* behind decentralization efforts in Latin America. Some cases decentralized under conditions of fiscal stability (Bolivia) while others *re-centralized* in the face of fiscal crisis (Argentina; Brazil in the late 1990s). In fact, Wibbels (this volume) finds that the “economic efficiency” logic for decentralization often conflicts with decentralizers’ political motives: as the Menem administration attempted to stabilize the economy, many provincial governments’ expansive fiscal policy foiled repeated attempts to consolidate reform at the national level (Remmer and Wibbels, 2000). The consequent intergovernmental conflict compelled Menem to re-centralize fiscal authority and resources in ways that ultimately undercut the theorized economic and political advantages of decentralization. Increasingly, as they have become more concerned with the effects of decentralization on macroeconomic reform and structural adjustment, both international financial institutions (IFIs) and scholars have paid attention to this conflict between the economic and political logics for decentralization (Dillinger, Perry, and Webb, 1999; Prud’homme, 1995; Ter-Minassian, 1997; Tanzi, 1995; Treisman, 1999, Wibbels, 2001). In

short, although we agree that the principles of efficiency, equity, and stability that inspire the policy literature are important, *these ideas are not the chief motivating factors behind decentralization as it is conceived and practiced in Latin America.*

### *Decentralization as the Result of International Factors*

While neoliberal reforms have not made decentralization necessary, a number of the international factors that have accompanied the shift to market-oriented policies in the region might be more directly responsible for decentralization. The most prominent we consider include the increased openness of Latin America's markets to foreign investors, the transnationalization of production, and the advice of international financial institutions on macroeconomic reform and structural adjustment.

The liberalization of Latin America's financial markets during the 1990s created new opportunities for state and local governments to finance their expenditures and attract investors. State and even some municipal governments have sold notes and cajoled investors with catchy ads in newspapers and international magazines such as *The Economist*. The privatization wave during the 1990s added to the trend by creating incentives for state and municipal managers of subnational public firms and regions dependent upon the national public sector to form ties to interested investors. While these changes have, in some places, involved subnational governments in their national and local economies in new ways, the proposition that these trends are a primary cause of decentralization in the region is untenable. Financial liberalization did not clearly accompany pre-1990 episodes of decentralization and in some cases such as Argentina and Brazil, deregulation *followed* political and fiscal decentralization.



By contrast, foreign direct investors enjoy a longer history in the region. Globalization of production has created new opportunities for subnational governments to attract major components of expanding “commodity chains” by offering tax abatements, skilled labor, and infrastructure (Willis, 1996). Inter-jurisdictional competition for foreign investment has added to the pressure on subnational governments to implement “industrial policies.” The case of new automotive investments in Brazil where competing tax abatement schemes have produced a “fiscal war” among the states illustrates this trend.<sup>10</sup> This dynamic, however, has not taken the same form in all countries. Mexico, which faces even greater pressures than Brazil to integrate production globally and especially across the border with the U.S., has relied largely on *federal* policies such as the regulations governing the *maquiladora* or in-bond manufacturing sector. Moreover, there is little evidence that the incentives created by more dynamic export sectors and foreign investment to develop subnational forms of public goods provision explain decentralization. Beer (this volume) tests the importance of the growth of the *maquiladora* sector in Mexico but finds that this factor is statistically insignificant, although the incentives for states to develop their own revenue sources are stronger than the incentives to simply spend on public goods.

As liberalization of financial and production markets has become the chief constraint on both macroeconomic and structural adjustment policies in the region, the advice and public support of the international financial institutions, and particularly the International Monetary Fund, have emerged as valuable resources for signaling investors and enhancing domestic business confidence. This advice has included recommendations for decentralization that, as some scholars see it, are part of a neoliberal global discourse (Schuurman, 1998; Nickson, 1995: 24-25). Yet in her insightful survey of IMF, World Bank, and Inter-American Development

Bank discourse, Falleti (1999) found little evidence that the IFIs recommended fiscal decentralization as part of the slate of structural reforms that composed the initial formulation of the “Washington Consensus.” Decentralization emerged as a major theme in the IFI discourse in the region only *after* 1988 and it did not mature until the middle of the 1990s, well after political, fiscal, and administration decentralization were under way in the cases under study here.<sup>11</sup> In other words, IFIs have joined the pro-decentralization chorus quite late, and we can discount their role as primary causal agents or forces that initially promoted decentralization.

### *Decentralization as a Result of Democratization*

Scholars moved quickly to associate democratization, which swept across Latin America in the 1980s and 1990s, with decentralization. The “democratization promotes decentralization” hypothesis is intimately linked to the claim that democratization opens up “bottom-up” pressures for decentralization by creating new political spaces and providing for direct elections at the subnational level (e.g., Beer, this volume). By being “closer to the people,” subnational governments are said to be more accountable to their constituencies. Thus, several scholars have suggested that as democratization progressed, pressures for decentralization followed close behind as citizens expressed a demand for more responsive government (Bird and Vaillancourt, 1998; World Bank, 1997; IDB, 1997; Nickson, 1995: 20-21; Souza, 1997).

Yet correlation is insufficient to establish causation, and in many cases there is little evidence that democratization *caused* decentralization. Moreover, in these studies the causal mechanism is never clearly elaborated, and several of our contributors present evidence that actually confounds this hypothesis. For example, O’Neill’s study of Bolivia finds little support for the democratization hypothesis. Although Bolivia had been holding democratic elections for

some years, local leaders did not demand autonomy or resources prior to the 1994 Popular Participation Law (*Ley de Participación Popular* - LPP), which was not enacted *because* Bolivia was democratizing but as part of a broader political-partisan dynamic.

A longitudinal, cross-national case comparison also provides only mixed support for the democratization hypothesis. In his four-country comparison of Argentina, Brazil, Chile and Uruguay, Eaton's study in this volume tests the hypothesis that local elections generate pressures to decentralize fiscal resources. He finds some support for the proposition in Argentina and Brazil but contradictory evidence in Chile and Uruguay. For example, the Chilean Municipal Law that followed the Civil War between Congress and the Presidency in 1891 decentralized political authority and fiscal resources to municipalities *in the absence of* significant subnational (i.e. "bottom-up") pressures to do so. Decentralization at that time served the interests of congressional elites who sought to limit the powers of the presidency. Moreover, in the more recent transition to democracy in Chile, Bland finds that decentralization to municipalities was conceived "top-down" through agreements involving right and center-left political forces. Yet he also argues that decentralization was an integral part of elite-based negotiations for democratic transition and consolidation. Bland's treatment of the Chilean case and Beer's work on the role of more competitive subnational elections in Mexico in driving the decentralization process there, provide the most compelling evidence in the volume for the decentralization-democratization link. However, systemic evidence for the proposition *across the Latin American* cases is hard to find.

For example, further consideration of the Argentine and Brazilian cases weakens the democratization-decentralization hypothesis. The Argentine experience suggests that scholars should not assume that decentralization is solely the product of democratic actors or pressures.

Eaton notes that Alejandro Lanusse's outgoing military regime in 1973 decentralized revenue shares in favor of the provinces to constrain the incoming Peronist administration. That is, motivated by knowledge of their inevitable defeat, authoritarian elites have incentives to make institutional changes that *preempt* and *constrain* democratic elites and in some circumstances institutionalize authoritarian prerogatives (Boylan, 1998; Snyder, 1999). Decentralization may be shaped in ways that produce these same effects, making it a useful tool for anti-democrats. Building on earlier research on the Brazilian case, Samuels' chapter in this volume confirms that a similar process worked in Brazil, where military leaders implemented decentralizing reforms as part of their effort to bolster their support base. That is, decentralization was associated with the *abertura* of the regime, but it did not *follow* from democratization itself. It is important to note that these studies do not deny that democratization matters for the form and degree to which policy authorities and resources are decentralized. Rather they suggest that we require more nuanced hypotheses to tease out the complex linkages between regime change and decentralization.

### *Socio-Structural Causes of Decentralization*

Scholars have often associated socio-structural ("distal" and "macro") factors with decentralization. The most important of these variables has been political-economic development itself. On average, the Latin American states (and developing countries in general) are not as decentralized as the more advanced capitalist states. The average subnational share of total government spending in the latter is more than twice the size of the Latin American average (Stein, 1999: 117). Bahl and Nath (1986, 1994) have found that this gap has held from the 1960s to the 1990s. Their studies also demonstrate that per capita GNP and urbanization are associated

with subnational shares of total public expenditures. To be sure, other factors such as country size influence the findings, but these studies confirm what several authors in this text observe, that *urbanization and socio-economic development strengthen the tendency to decentralize over time*.

In particular, high urbanization rates since the 1960s help to explain the most recent explosion of decentralizing reforms in the region, which greatly strengthened municipal governments. Diamond (1999: 120) notes that the growth of urban centers has increased the costs of centralized provision of services. With urban populations in lesser developed countries growing from 22 to 52 percent in the 1960-90 period, this helps us understand the subsequent process of decentralization. Nevertheless, we currently lack a clear understanding of precisely how these factors affected decentralization in Latin America because most studies have focused upon micro factors such as elite decision-making and ignored how longer-term structural changes might have affected these micro considerations. Thus, in an attempt to build our understanding of the role of demographic forces, Samuels' contribution to this volume explains how urbanization altered municipal leaders' political incentives under the military regime (they continued to be directly elected despite military rule) and encouraged an unprecedented process of *municipalitization* as democratization proceeded.

On the other hand, socio-structural factors also help us understand the *limits* to decentralization. Economic development has only proceeded so far. Urban governments – in both the developed and less-developed world – cannot provide all public services, so the effect of urbanization can also only go so far. Moreover, extreme regional inequalities persist within most Latin American nations. Decentralizing revenue-raising authority obviously cannot help poorer regions if there is little revenue to be raised. In countries with dramatic regional

disparities, decentralization might actually exacerbate regional inequalities. Thus, national as well as subnational leaders may face contradictory incentives: subnational leaders might desire the autonomy that decentralization promises, but they dare not bite the hand that feeds them by limiting the central-government's capacity to address pressing public needs. Or, national politicians from different regions (even those within the same party) may face opposing pressures to decentralize or not.

In sum, we believe that the recent salience of decentralization in the region should not blind scholars to the potentially critical importance of underlying structural factors that have path-dependent consequences. As several of our chapters reveal, political, social and economic legacies, sometimes going back to the late 19<sup>th</sup> and early 20<sup>th</sup> century, have shaped the politics of centralization and decentralization in more recent years.

### *Political-Institutional or "Electoralist" Approaches*

We believe that to understand decentralization, one must understand the incentives politicians at all levels of government face and the resulting political relationships between national and subnational politicians. These incentives arise from electoral institutions, the internal structure of political parties, and most importantly, politicians' strategic competition that aims at "political survival" (Ames, 1987). Because decentralization involves shifting power and resources vertically between branches of government, institutional and electoral explanations of decentralization should therefore focus on the way in which subnational politicians are linked to or claim leverage over national politicians and parties. More specifically, this approach supposes that politicians' incentives to decentralize will be a function of the competitiveness of electoral contests, the relative importance politicians ascribe to subnational (state and/or municipal)

versus national elections, their relative dependence on national versus subnational government resources for career advancement or party growth, and the relative importance of national versus subnational “power brokers” within political parties. These approaches both assume that existing political hierarchies exert a path-dependent effect on politicians’ choices *and* that politicians are strategic and forward-looking and may attempt to *redesign* existing institutions to serve an expected future political goal (compare Eaton, Beer, Samuels, Penfold-Becerra, and O’Neill in this volume).

This approach takes several specific forms in the literature. One variant is exemplified by Willis et al. (1999), Haggard and Webb (this volume), and Eaton (this volume). These authors start from a “comparative statics” analysis and argue that decentralization varies in degree and form as a function of the interests and location of the “party brokers” - the political leaders who exert the most influence over political careers. For example, these authors suggest that the relative degree to which subnational political elites (such as governors) influence candidate selection for and elections to the *national* legislature helps explain the differences between the more decentralized cases (Argentina and Brazil) and the less decentralized cases (Chile, Mexico, Venezuela and Uruguay). Two contrasting hypotheses that emerge from these studies are 1) *where party brokers are national, subnational elites have incentives to satisfy national interests. Thus decentralization will occur if it serves the interests of national party elites*; and 2) *where party elites are subnational, national elites have incentives to satisfy subnational interests by decentralizing resources and authority, if decentralization serves the interests of those subnational party elites*.<sup>12</sup>

Although arguments that highlight the importance of electoral institutions and party system structures greatly inspired our contributors, we believe that this framework cannot offer a

complete explanation for decentralization. For example, O'Neill finds in her study of Bolivia that the presence of closed-list PR, an electoral configuration that Willis et al. might have predicted would favor national party control over subnational actors, did not prevent significant decentralization. Other factors proved more important. Elsewhere, Montero (2001) compared a "strong" versus a "weak" national party system (Spain versus Brazil, respectively) and found that - contrary to what one might predict - subnational governments succeeded in decentralizing in the former and central elites (the presidency in particular) were able to re-centralize in the latter over the course of the 1990s. This points to the need to explain a greater range of variation in decentralization, particularly over time.

Thus a variation on this political-institutional theme emphasizes the *dynamically changing* expectations of national or subnational party elites. For example, Kathleen O'Neill argues in this volume that *where national party elites believe their copartisans have good chances to win power at the subnational level, they will preemptively (re)distribute authority and resources to those arenas*. In contrast, under more uncertain electoral circumstances, national party elites will discount the expected "political efficiency" gains of decentralization and opt not to devolve scarce resources. The Bolivian case fits this hypothesis well: the national party in power (*Movimiento Nacional Revolucionario* - MNR) opted to decentralize when its electoral support at the national level was weakening while at the same time its subnational (i.e. regional) support was increasing. O'Neill's argument also explains the *form* decentralization took in Bolivia. While there was substantial discussion of decentralization to regional governments, which are based in the departmental capitals, the MNR gained more votes from municipalities *outside* the departmental capitals. Therefore, the MNR shaped decentralization as *municipalization* rather than *departmentalization*.



Caroline Beer's treatment of Mexico uses a similar "dynamic expectations" approach, but she focuses on the incentives facing *subnational* elites to mobilize for additional fiscal transfers from the center. Her argument is that distinct levels of political competition across the Mexican states produced a diverse national pattern of fiscal decentralization. Like O'Neill, Beer's work explains the form decentralization took in an otherwise fiscally centralized Mexico by highlighting its heterogeneity. In the process, she also provides a more nuanced hypothesis concerning the link between democratization and decentralization by demonstrating that uneven patterns of democratization across the Mexican states produced a more patch-work pattern of fiscal decentralization.<sup>13</sup>

Still other approaches in the volume mix a "party brokers" and a "dynamic expectations" approach. For example, Samuels (this volume) argues that both the location of party brokers as well as the *change* in political career patterns in Brazil help explain the particular form that decentralization took in the 1980s (see also Penfold-Becerra, this volume). Regardless of the specific form electoralist arguments take, they offer a common insight into the political logic of decentralization: *the linkages between national and subnational politicians affect the relative leverage of both, and this balance of power subsequently affects the scope and form decentralization takes*. Thus, subnational politicians cannot influence national elites if there is a relatively large degree of political separation between national and subnational politicians, even those of the same party. Penfold-Becerra's examination of the Venezuelan case in this volume illustrates this point. Although the decomposition of the Venezuelan party system and the erosion of central authority created opportunities for subnational political elites to escape the confining spaces of the old party system in the late 1980s and 1990s, they were unable to expand *fiscal* decentralization in a manner proportional to the degree of *political* freedom they attained.

Thus, the weakness of linkages across levels in the Venezuelan party system short-circuited the mechanisms of leverage that might otherwise have predicted more substantial decentralization. Similarly, in the Uruguayan case that Eaton analyzes, as democratization advanced the two-party system remained highly organized but subnational interests (i.e. departmental governments) never emerged as important influences within either the Colorado or Blanco parties. This kept the country fiscally centralized, a condition that only reinforced the weakness of departmental government interests within the parties.

How can scholars identify these “linkages” across levels within political parties? One of our most important findings is that political career patterns are excellent tools for understanding these patterns of intergovernmental leverage. Political career paths – whether careers are made within national party organizations, within the national legislature, or in subnational offices – point to where the “peaks” of the pyramids of power lie in a given country, and thus reveal whether national or subnational politicians have relatively more or less leverage. For example, the two most decentralized cases in Latin America - Argentina and Brazil - have also tended to have the most powerful subnational elites in the region, despite episodes of re-centralization and authoritarian rule. State and provincial party bosses’ historic power to influence the political careers of national legislators in these two countries sets them apart from more recent cases of decentralization such as Venezuela and Chile, for example (see Samuels, forthcoming, on Brazil; Jones et al., 2001, on Argentina). They also stand in sharp contrast to one of the most centralized systems in the region, Mexico, where careers have long been made within the national parties (see e.g. Smith 1979; Langston 1995). As Beer’s chapter illustrates, Mexican governors and mayors have only recently asserted their *political* autonomy as the regime has changed with the weakening of the PRI’s monopoly. Subnational politicians’ historical dependency on national

political leaders helps to explain why Mexico has been relatively slower to decentralize (Ward and Rodríguez, 1999).

The electoralist framework has emerged as the most powerful in the literature, and our chapters provide encouraging confirmation of its utility in explaining decentralization. Yet even when it is supplemented by an understanding of distal and macro factors, an electoralist approach is often not entirely successful in explaining all aspects of decentralization. Various contextual factors, or events that are exogenous to “political society” such as economic crises, corruption scandals, and popular protests have also encouraged decentralization at times and in places where electoral incentives did not. For example, Eaton (this volume) finds that disinterest towards decentralization cannot explain why local officials during Chile’s Parliamentary Republic failed to use their expanded taxation authority. In fact, these politicians may have had a *strong* incentive to employ expanded tax authority, but another factor overwhelmed this interest and offers a more likely explanation: windfall revenues from nitrate extraction, which produced resistance to collecting local taxes. Local politicians thus had no need to risk the prospect that increasing local tax-collection would alienate their supporters, because they were awash with funds from other sources. In the Venezuelan case, Penfold-Becerra (this volume) also refers to extra-electoral factors to explain why the dominant parties in Venezuela enacted direct elections for governor in 1989. The timing of the decision to decentralize, a move calculated to buy popular support, was clearly affected by the disruptive events of the *Caracazo* that year.

Economic and other kinds of governability crises may also trump electoral factors. Bahl and Linn (1992) hypothesize that a “crisis effect” will weaken incentives for national governments to decentralize and instead strengthen their interests in re-centralizing. Yet the role of crisis effects may well depend on the *types* of crises. Penfold-Becerra’s findings contradict

Bahl and Linn and suggest that governability crises can create incentives for central government elites to *decentralize*, not centralize,<sup>14</sup> but the opposite may be true of macroeconomic crises. For example, in recent cases of re-centralization, economic crises in Argentina and Brazil have shifted leverage back to presidents who have been able to implement neoliberal stabilization policies, including fiscal restraints on subnational governments (Burki, Perry, and Dillinger, 2000: 41-44). Profound crises of the political party system may also present causes for re-centralization. Such dilemmas, coupled with significant economic turmoil, prompted re-centralization under President Hugo Chávez in Venezuela.

In sum, we believe that arguments that focus on political institutions and electoral-partisan dynamics offer the best avenue for progress in cross-national research on decentralization. Indeed, we argue that political-institutional dynamics are necessary elements of *any* explanation of decentralization. This does not mean that scholars should ignore “non-political” factors. However, we suggest that scholars should focus on how contextual (both distal and proximate) factors filter through electoral and party institutions to shape politicians’ micro decisions, and how these dynamics help to explain change over time.

### **The Consequences of Decentralization in Latin America**

While this volume is primarily concerned with the political *determinants* of decentralization in Latin America, our observations have implications for what we view as the next phase of the research program: an evaluation of the policy *effects* of decentralization. In thinking about the consequences of decentralization, we realize that other scholars have already ventured into this area (including one of us).

The most obvious assumption that much of the policy literature brings to the table is that subnational (and particularly local) governments are more accountable to citizens and their demands. Proximity begets efficacy in this framework, and decentralization is therefore normatively a good thing. This conclusion is difficult to deny in the face of numerous studies of innovative policy-making at the subnational level in Latin America (e.g. Tandler, 1997; Evans, 1997; Abers, 2000; Montero, 2002). However, ascertaining *why* these success stories emerge in some parts of the region and not in others (or why in some parts of some countries and not in others) must be part of the next phase of the research program. A careful examination of the relationship between the political determinants of decentralization and subnational governments' subsequent policy performance ought to provide substantial insights into this question. For example, the finding that democratization, decentralization, and effective economic management may be linked under certain circumstances may help explain when and where "good subnational government" emerges. Wibbels's (this volume) and Haggard and Webb's (this volume) attention to hardening soft budget constraints is instructive in this regard. More generally, the motives of politicians in national government who seek to decentralize will continue to affect the performance of subnational governments. For example, where such decentralizers are willing to devolve policy responsibilities but not the necessary financing to cover these obligations, decentralization will be less likely to promote effective policy-making.

Decentralization also holds great promise for reducing regional inequalities and consolidating equity-enhancing reforms. Katzenstein (1985) and other scholars of the "democratic corporatist" and "consociational" countries of Western Europe have demonstrated the impact that central-government policies can have along these lines. In Latin America, however, decentralization has not shown the same potential to reduce regional inequalities. The

transfer of policy authority without adequate finance has been more common than adequately financed program decentralization (Bahl and Linn, 1994; Wibbels, this volume; Haggard and Webb, this volume). In countries such as Brazil with long histories of uneven regional development, fiscal decentralization has actually empowered already industrialized states with large tax bases, further widening the gap between these regions and the poorer ones (Montero, 2000). Beer (this volume) finds a similar pattern in Mexico, which is much more fiscally centralized than Brazil. In these cases poorer regions tend to rely more on transfers, which are an inefficient means to correct regional imbalances (Rezk, 1998). The fault for continuing regional disparities lies not with subnational governments but with their national counterparts, because subnational governments by themselves cannot resolve nagging regional imbalances without the credible commitments of national government (Prud'homme, 1995: 202-203). Yet national authorities are often unwilling or incapable of correcting regional inequalities even though they are best placed to redistribute across subnational boundaries. Ultimately, this problem returns to the issue of "linkage" between national and subnational officials: subnational politicians may have entrenched interests in supporting the institutional status quo, which may perversely prolong regional inequalities, because their political survival depends on these existing arrangements and because they perceive that the costs of transforming the bases of their political support networks are too high.

Moreover, national leaders' commitments to reducing regional inequalities in Latin America are likely to be muted to the degree that executive-branch economic policy-makers remain focused on macroeconomic stability and 'signaling' foreign investors. These goals often contradict the goal of making decentralization a tool of good government, because keeping prices stable has meant cutting transfers and spending while raising taxes, all the while

undercutting the ability of state and municipal governments to respond to local demands for better housing, education, health care, and infrastructure. Brazil's "Fiscal Responsibility Law" may be a good example of this unfortunate contradiction. It is doubtful that voters understand the conflicted logic that demands both inflation control at the national level and budgetary streamlining at the subnational level. Under these conditions, continued "vertical imbalances" between expenditures and revenue assignments undermine the attempt to redress the "horizontal imbalances" of cross-regional disparities. It may seem obvious to say so, but if subnational governments cannot individually address local constituents' demands (and we can expect historically poorer regions to be particularly vulnerable in this regard), then it is unlikely that decentralization will be able to correct regional inequalities.

Greater decentralization of policy authority and fiscal resources may also ameliorate some problems while creating others. Since tax revenue is finite, any decentralization of revenue reduces the importance of the national budget in correcting inter-regional inequities. Inter-jurisdictional competition for investments and the significant coordination problems involved in keeping such competition from spiraling into a "race to the bottom" also tend to aggravate extant inequalities. National government may effectively regulate this competition and thereby even out the equity effects of decentralization (Breton, 1996), but Latin American states apparently lack the political will or policy-making structure to produce the "good" fiscal-federal results seen in Europe (see Haggard and Webb, this volume).

Even if decentralization fails to improve the effectiveness and efficiency of public policy, it might favor democratization. Bland makes the strongest claim in this regard by highlighting the way that decentralization in Chile removed authoritarian enclaves (unelected subnational leaders) during the transition to democracy. Yet it bears considering whether decentralization in

a broader sense, not just during transitions to democracy, is itself democratizing.

Decentralization empowers non-governmental interests by creating multiple points of access to policy-making. This is a major reason why the theme of decentralization has become popular among non-governmental organizations in Latin America and why the social movement literature has associated decentralization with “deepening” democratization (e.g., Yashar, 1999: 86). Another factor that suggests that decentralization contributes to the “deepening of democracy” is the association between country size and survivability of democracy. Diamond (1999: 117) notes that 75 percent of states with populations smaller than 1 million were democratic in 1998 as compared with 60 percent of larger states. Since country size and scale of government are closely related (Dahl and Tufte, 1973), it may well be that decentralization, by reducing the scale of government to citizens, produces greater accountability and responsiveness.

These are *demos*-enabling qualities that decentralization *may* provide to local governments, but whether decentralization *actually* results in across-the-board “good” local government is an open empirical question. Indeed, such generally optimistic assumptions about decentralization may be unfounded. Numerous recent studies have demonstrated that decentralization can empower local “bad” local governments as much as “good” local governments, leaving the overall balance open to multiple interpretations (Fox, 1994). For example subnational populists and patrimonial political machines can utilize the proceeds from decentralization to reinforce their privileged economic and political positions (Prud’homme, 1995; Diamond, 1999: 133-134; Stepan, 2000). Snyder (1999, 2001) has demonstrated that neo-liberal decentralization in Mexico effectively took the state off the back of traditional clientelistic elites, allowing them to *extend and consolidate* their oligarchical grip on policy-



making in some states. Under these conditions, decentralization can actually undercut the likelihood of greater accountability at the local level.

Another important qualifier to the democratizing consequences of decentralization is provided by Wibbels (this volume). Even if decentralization accompanied a transition to democracy, as it did in Argentina, subsequent tensions between decentralization and market-oriented reforms may lead to a rolling-back of the *demos*-enhancing qualities of decentralization through re-centralization. In short, the greater elite accountability some associate with decentralization may not be *sustainable* in the long-term, particularly in the face of significant socio-economic crises.

The impact of decentralization on local and national democratization, and on economic growth, equity or efficiency are all areas for future research. Theorists of democracy such as John Stuart Mill, Robert Dahl, and Robert Putnam have described the “empathic understanding” that fosters collective bonds of community and “civic virtue” in local polities.<sup>15</sup> Whether these qualities are primordial and antecedent to political institutions or whether they must be “scaled up” by political statecraft<sup>16</sup> is a subject for a volume more dedicated to the decentralization-democratization link. However, the historic role played by government institutions and political leaders in organizing civil society in Latin America (Collier and Collier, 1991) suggests that the focus remain on the impact of government policy itself in this regard – whether at the local, state, or national level. That is, “social capital” may be a *consequence* of good government and not its cause (Tendler, 1997; Montero, 2002). In short, the political *consequences* of decentralization depend on the political *origins* of decentralization.

## Conclusion

Developing a single approach to the study of decentralization has been difficult, and we believe it will be so for some time. Different approaches may better explain some aspects of decentralization over others. However, some generalizations are possible based on our initial assessment. The essays in this volume find substantial common ground across regime types, historical periods, and countries. First, *historical-institutional and socio-economic legacies matter*. For example, the emergence of municipalization in Brazil in contrast to the weakness of municipal demands for decentralization in Chile are different responses to these kinds of legacies. Future research should abandon the tendency towards a “presentist bias” and explore these patterns in broader longitudinal as well as cross-sectional perspective.

Second, *democratization and neoliberal reform are neither necessary nor sufficient to explain decentralization*. Moreover, the literature that associates democratization or neoliberal reforms with decentralization tends to be apolitical, and thus has not made clear how, why, or to what extent these factors can truly be considered *causes* of decentralization. This is an important corrective to many of the initial assumptions of the policy literature.

Finally, we believe that *institutional and electoralist approaches, supplemented with analysis of macro and distal factors, offer the most promising avenue for research*. That is, scholars who avoid *either* the macro or the micro level are selling their research short. The research frontier for the study of decentralization should move towards a cross-national integrative approach, one that incorporates long-term factors, a micro logic, as well as events particular to each country’s context. However, this analytical apparatus must avoid the tendency to be static. It must be consistently useful for understanding *change* in the distribution of intergovernmental policy authorities and resources, particularly in the cases that demonstrate an *absence* of significant changes in demographic patterns or electoral and party systems. This

suggests that other proximate causes, perhaps some exogenous to political society such as the advent of macroeconomic and governability crises, shape decentralization.

In terms of the consequences of decentralization, the chapters in this volume confirm the view of the policy literature that decentralization is not a panacea (e.g., Rondinelli, 1989; Prudhomme, 1995), but they emphasize that *political* factors help explain why decentralization is not always a good thing. We agree that the policy outcomes of decentralization depend upon the institutional design of policy. Yet policy design is not where analysis should begin, because *political choices and institutions shape design options and policy implementation, and antecedent, distal, and macro factors shape both the range of political choices as well as these institutional constraints*. The purpose of this introduction as well as this volume more generally is to call attention to the *politics* of decentralization. By focusing on the political determinants of decentralization, scholars will be better able to assess the causes of policy success as well as policy failure in cross-subnational and cross-national perspective.

**Table 1.1 Structure, Degree, and Timing of Decentralization in the Country Cases**

	Intermediate-level	Local	Subnational Share of Total Spending <sup>a</sup>	Timing of Subnational Elections
Argentina	23 provinces	~1,100 municipalities	49	Since 1912 for provinces and since 1950s for municipalities. No provincial elections in 1930-46, 1955-58, and along with municipalities, none in 1962-63, 1966-73 and 1976-83.
Bolivia	9 departments <sup>b</sup>	308 municipalities	27	Since 1985 for municipalities.
Brazil	26 states, 1 federal district	~5,500 municipalities	46	Since 1891 for states and municipalities except 1930-46 & 1964-82 for states and 1937-46 for municipalities.
Chile	13 regions <sup>b</sup>	335 municipalities	14	Since 1891 yet limited from 1925-73 & abolished from 1973-92. Autonomous contests since 1992 for all municipalities.
Mexico	31 states, 1 federal district	2,397 municipalities	25	Since 1979 (de jure), 1982 in municipalities (de facto) and 1989 in states (de facto).
Venezuela	22 states, 1 federal district, federal dependencies	282 municipalities	20	Since 1989 for governors and municipalities (de facto).

<sup>a</sup> Source: Stein (1999).

<sup>b</sup> These entities have little autonomy.

## Notes

<sup>1</sup> Our primary influence is the work of Willis, Garman, and Haggard (1999).

<sup>2</sup> In this volume, the contributors refer to the first tier of subnational government with the names specific to their cases: states, provinces, departments, regional governments, etc. The local tier is typically municipal government.

<sup>3</sup> See Karl (1986) for the argument.

<sup>4</sup> Willis et al. (1999: 8) conflate this dimension of decentralization with subnational policy autonomy into one rubric: “functional” decentralization. We prefer to divide resources from authority to illustrate cases in which asymmetries between the two dimensions affect policy-making.

<sup>5</sup> For example, see Rondinelli (1981, 1989). Bland (this volume) employs the term “deconcentration,” but in a very specific (and useful) fashion: to describe the transfer of functions to subnational offices of the central administration during the Augusto Pinochet regime. Another conceivable example of this is Mexico’s PRONASOL social program, which was mostly administered through federal offices at the local level. Our cases do not include many instances of deconcentration, but we believe that this is a very different process from the one we call “decentralization.” Deconcentration is most often associated with changing patterns of service-provision *within the bureaucracy of the central government*, while all forms of decentralization involve a transfer of resources and/or authorities to *subnational governments and agencies that are autonomous from the central government*.

<sup>6</sup> Despite this conclusion, we believe that future research might still ask the question. Penfold-Becerra’s treatment in this volume of the Venezuelan case is the most thought-provoking in this regard. During the period that the traditional parties controlled the national government, decentralization did not occur. National leaders implemented political decentralization only when they faced a severe governability crisis during the late 1980s and early 1990s. “Bottom-up” pressures did not emerge significantly until *after* national leaders

opted to decentralize. And these pressures were not enough to deepen decentralization when the crisis of the center led to the collapse of the traditional party system. Therefore, we ask two related research questions: (1) Is bottom-up decentralization *possible* when the center is strong? (2) Can bottom-up decentralization *proceed* once the center weakens? Can it proceed if the center becomes more coherent?

<sup>7</sup> This tendency mirrors that found in democratization studies between socio-historical analyses and the “transitologists” who focus on the strategies and institutions governing regime change. See Montero (1998).

<sup>8</sup> To be sure, as Beer (this volume) argues, macro-factors do not provide *sufficient* explanations for decentralization, but their consideration is indispensable for understanding the more proximate factors that analyses such as hers favors.

<sup>9</sup> The “competitive federalist” logic is most often associated with Charles Tiebout (1956).

<sup>10</sup> For an examination of the Brazilian case, see Cavalcanti, Eduardo, and Prado (1998).

<sup>11</sup> Perhaps the first comprehensive study of decentralization in Latin America by a major IFI was IDB (1994).

<sup>12</sup> Note that this argument does not lead to simplistic hypotheses such as “federal systems will tend to be more decentralized.” As the cases of Mexico and Venezuela versus Argentina and Brazil demonstrate, a *de jure* federal constitution is much less important than the *de facto* location of the “party brokers” in these four countries.

<sup>13</sup> This conclusion for all of Mexico is strongly supported by Snyder’s (1999, 2001) analysis of re-regulation in the coffee sector.

<sup>14</sup> Another Latin American case of governability crises leading to decentralization that is not covered in this volume is Colombia. Guerrilla and paramilitary violence, drug trafficking, and the erosion of the judiciary in this case contributed strongly to decentralization through the 1991 Constitutional Reform, new revenue sharing laws during the early 1990s, and the transfer of territory (“de-militarized areas”) to the largest guerrilla organization, the FARC. We thank Kent Eaton for this point.

<sup>15</sup> See Mill (1958), Dahl (1982), and Putnam (1993).

<sup>16</sup> For a response to the “primordial social capital” argument in Latin America, see Fox (1996).