

## Decentralization and Local Governance: Comparing US and Global Perspectives

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The past three decades have seen much attention devoted to issues of governmental, economic and administrative reform. In some parts of the world, these reforms have been highly transformative, with many governments moving from authoritarian, one-party states to relatively democratic ones. Similarly, many countries have witnessed dramatic economic reform. Underlying many of the reforms that have captured headlines around the world has been a widespread movement towards governmental decentralization and the enhancement of local government. This movement has been driven by many forces ranging from local demands for more responsive and democratic grass-roots governance, to the efforts of major international organizations and national aid agencies to encourage the strengthening of local government in countries undergoing institutional transformation.

In most cases, decentralization efforts have been driven by a belief that the strengthening of local government is a key factor in the dispersing of political and governmental power. The reasons for these beliefs are multiple, ranging from ideas developed by political philosophers over the past three centuries to the experience of many Western democracies. In most cases, however, these efforts have been guided by a sense that strong local government has been a critical factor in sustaining democratic governance around the world and that this has been especially illustrated by the experience of the United States. In the remainder of this paper we shall examine recent developments in the area of encouraging decentralization and the strengthening of local government from a global perspective – beginning in the United States and then turning to other regions of the world.

In several respects, the United States (US) would be a highly logical place to begin in terms of examining developments in the area of decentralization and local government. This is so because the US, in all probability, has the most highly developed local government system of any country in the world. In addition to its 50 state governments, the US has approximately 85,000 local governments. About 35,000 of these are general-purpose local governments and 50,000 are special-purpose local governments. They both are independent governments with taxing authority and, in many cases, a quite high degree of autonomy within the geographic sphere in which they function. They do everything from worrying about controlling and/or eradicating mosquitos to carrying out public-education functions, to having wide-ranging and significant urban-planning authority.

To put the American case in perspective, Africa has about 15,000 local governments. If you do not count the somewhat informal village councils found in China and India, Asia has about 26,000 local governments, while Latin America has about 17,000 local governments. That is a total of about 58,000 local governments for Latin America, Asia and Africa combined, as opposed to the 85,000 for the United States. Thus, one can easily and accurately conclude that as a country, the US has been fairly preoccupied with local government and will continue to be for the foreseeable future.

Moreover, with most local governments electing between five and fifty officers and council people, it is evident that this plays a major role in dispersing political power. Indeed, the US does not just elect a lot of people to local-government offices. In addition, it has established, over the years, a number of different ways to further engage citizenry in local-government activities. For example, the government of Miami-Dade County, a large, urban county in South Florida, has approximately 200 major citizen boards that are created to facilitate public input in the many areas of public policy. These boards might have anywhere from 10 to 25 individuals serving on each of them. Some of them have relatively little long-term consequence. Several years ago, the author was appointed to one such board whose purpose was to encourage efficiency in government. Unfortunately, even after three or four years, this board did not have much impact. In contrast, another board was responsible for setting out the policy and the budget for the county hospital system which had an annual budget of a billion and a half dollars. Thus, the fifteen citizen members of this board were responsible for effectively determining and overseeing the use of a billion and a half dollars each year of county hospital-system funds. Thus, some of these citizen boards do have pretty significant consequences.

One point that some of the current research being done in areas like comparative politics has suggested is that a very significant factor in terms of explaining the prevalence of local governments in the US is simply the historical context which surrounds the emergence of it as a nation. Thus, if one wants to understand why the United States has developed so many local governments and puts so much emphasis upon them for service delivery, one must consider the fact that the US was brought together as a country from 13 individual colonies that each had relatively autonomous government structures. While they were each subject to British oversight, they were still relatively autonomous within the geographic area in which they functioned. They also basically did not trust each other. Consequently, the new US constitution which the representatives of the states created, put a great deal of emphasis on the role of sub-national units in governing the new nation. Moreover, they were rebelling against a highly centralized system of British oppression. Equally important, these colonies were in very different places with very different economies and with very different priorities. Folks from Virginia believed that people from Massachusetts were not very refined. Virginians also recognized that the New Englanders would undermine the good Virginia economy that was based on slavery. Consequently, the only way to unite these colonies was to put together a system that emphasized and encouraged decentralization and fostered local autonomy, whether the local autonomy was at the immediate sub-national level or a level beyond that.

Despite its centrality to the American system, the question remains whether decentralization is the solution to all governance problems. Obviously, the relevance of decentralization depends very much on the context, and the US provides a nice example of that. Some of the worst things to occur in the country – for example, slavery and segregation – have been facilitated through decentralization. Clearly, like any aspect, structure or institution of government, if significant oversight and meaningful accountability is not built into relevant institutional frameworks, the possibilities exist for bad practices.

Arguably, a strong case can be made that, if anything, the United States is a country that emphasizes decentralization too much, not just in governmental institutions, but in its entire political system. The US has such a decentralized system that it is often easy for relatively small groups to capture significant areas of government activity and policy.

A classic example of this can be seen if one looks at US policy toward Cuba. The reality is, in the absence of the opposition and the embargo of the United States, the Castro regime would have fallen from its own weight two decades ago. US opposition to the Cuban regime has served to mobilize Latin-American support for the regime. However, because of the emphasis on decentralization of political power in the US, a relatively small group of people are often able to capture policy areas that do not attract popular attention and this has been the case with American policy about Cuba.

Another example of over-decentralization is reflected in the country's political party system. When people are asked how many major political parties there are in the United States they usually answer: two. However, that is not really the case. In reality, there are a hundred and two major political parties because, essentially, the states establish the rules for political parties within their individual state. Currently, in addition to the two national parties, there are 50 sets of state rules for the state Democratic Parties and 50 sets of state rules for the state Republican Parties. In fact, on occasion, the state party will oppose the national party on particular issues, and the state party almost always wins when it comes down to it because the local level is where the most fundamental political power resides.

Nevertheless, decentralization is still a very important issue around the world in spite of how it may sometimes be abused or unsuccessfully practiced in the US. One major reason for this is the general disillusionment that has developed with centralized governments and centralized governmental systems. This can be seen in the collapse of the Soviet empire and the Soviet Union with its centralized planning system. Even prior to the decline of the Soviet Union, decentralization was helping to reshape Latin America. Most Latin American countries during the 1960s developed highly authoritarian and, in many cases, highly centralized dictatorships that began to collapse of their own weight in the late 1970s or early 1980s. And, certainly, that gave rise to opposition toward centralized governments both within individual countries and among the international community. Of particular note have been organizations like the World Bank, the United Nations, the United Nations Development Program, the Swedish International Development Agency and the United States Agency for International Development, which all have been promoting and encouraging decentralization.

In addition, decentralization has a long intellectual history and tradition. Rousseau spoke about the importance of the Swiss cantons in terms of the decentralized Swiss system with its democracy and economic development. The British commentator Lord Acton implicitly encouraged decentralization when he noted that power corrupts, and absolute power corrupts absolutely. This is clearly an argument which supports decentralization and encourages the dispersion of political power and certainly has driven many individuals within many countries and within various of the international organizations to encourage decentralization and the development of local government and some means of dispersing political power.

The decentralization movement has been especially active in the past four decades all around the world. Approximately forty years ago, less than ten of the 45 largest countries in the world had elected local government officials. Today, most of them do. In Latin America, if you go back 30 years, only three governments had elected local officials. Today, all of them do except Cuba.

Nevertheless, there are some parts of the world where the movement toward decentralization and local governments has not had a huge impact. Most notably, in this regard, is the Middle East and Central Asia where, certainly, there have been some decentralization movements in a few instances, but certainly not the kind of significant developments that have occurred in other parts of the world.

The question of why decentralization has occurred in the past several decades can be answered in many ways. Certainly, in part, there has been the desire for greater democracy and more citizen participation. However, there are other reasons, as well. The notion of improving service delivery has come about more recently and subsequently that of reducing inequality. Most recently, the explanation for encouraging decentralization has to do with its significant role in the promotion of economic development.

The results of the decentralization movement over the course of the past 30 years have been somewhat different in different places and different times. It has not been, obviously, a steady progression. While by and large there has been significant movement toward decentralization and stronger local governments around the world that does not mean that there has not been, in some instances, movement backwards. One country that stands out especially in this regard is Russia, particularly in terms of the moving back from decentralization that has occurred during President and Prime Minister Putin's leadership there. However, Russia is not alone in this tendency. In Colombia, in the past decade, there have been significant efforts to recentralize governmental authority and power. South Africa is another case where significant decentralization has been a characteristic of the government, but recentralization has been making a comeback in recent years.

If one looks at how decentralization has occurred around the world, one will see different experiences and results. In terms of democracy and citizen participation, a number of institutional arrangements in many different places have been undertaken beyond just the establishment of elective local officials. These include the development of participatory budgeting, public involvement in strategic planning activities, open-records laws, etc. Unfortunately, these approaches have not been widely adopted in many places. In Latin America, perhaps thirty or forty cities have experimented with these approaches to decentralized citizen participation. In terms of

electoral participation, the reality is that there has been a pattern in Latin America and in many parts of the world where initially, local elections attracted significant attention on the part of the citizens, but, more recently, there have been declining numbers in terms of electoral turnout participation.

Bolivia has been extremely successful in its attempts at decentralization. It is a country that has for hundreds of years been dominated by a small ethnic European elite that has had hereditary influence and has monopolized the country's political power and wealth. In fact, the elite have exploited the indigenous people in many cases by treating them essentially like peasants and servants and denying them fundamental human and political rights. In 1994, Bolivia, under a conservative government, established the Popular Participation Law. That law did two different things: number one, it provided substantial resources to local government for the first time; 20% of the national budget was to be turned over to local governments for their use. Second, and even more significantly, it created, for the first time, an institutional arrangement for the participation of the majority of the Bolivian population.

This new law created something called vigilance committees. These local committees were composed of elected local representatives who began to function in communities where traditionally local government was appointed by the national government. They had the authority to plan the expenditures of funds from the national budget. The Popular Participation Law, in many respects, served as the political foundation upon which Evo Morales emerged as the first indigenous president in Bolivia and the first indigenous person to really have any major political role in the country. The Popular Participation Law brought the indigenous population for the first time into the political process of Bolivia and, thus, provided the kind of political base necessary to bring about significant change.

Similarly, there exist other situations in other countries. Again, citing Latin America, there are many instances of emerging local governments that serve as the vehicles through which opposition political parties organize themselves and begin to seriously compete for the presidency of the country. This has been done in several countries, in some instances successfully, in other instances, not successfully, but nevertheless this development has changed the entire dynamic of the political situation in those countries. Similarly, the local government movement has provided opportunities for other organizations to develop, especially non-governmental organizations, civil society and the like. This means consistent and profound consequences for democracy within these communities. There probably would not have been an end to the Pinochet dictatorship, a very brutal dictatorship, if it had not been for the emergence of Chilean civil society and, in particular, the importance of non-governmental organizations like Participa. This locally based and internationally supported organization played a very major role in not only mobilizing civil society, but also in creating an environment which legitimized, in many respects, opposition to the regime.

The second major issue in the decentralization movement is the question of improving service delivery. Here the results are a little bit more unclear. How much has decentralization actually improved service delivery? In some cases, it clearly has. In most cases, the big problem is that in many parts of the world where decentralization has taken place, there has been political decentralization in the sense of

elections of mayors and local council people and the mobilization of civil society, but there has not been adequate development of financial resource capacity.

This is true in many parts of the world where there have been decentralization efforts. Even when there have been substantial resources made available to the local governments, these resources often have been in the form of the transfer funds from national governments. Local governments have had only very limited control over these funds. In some cases, national governments simply do not provide the funding that the law requires.

In many instances in Western democracies, local governments have a lot of autonomy with regard to the capacity to levy taxes, raise taxes, issue bonds and the like. That, obviously, is very central to the ability of local governments to deliver services effectively. However, in a number of cases, people have argued that the quality of services has declined with decentralization. This is often because the actual revenue being devoted to the service has been reduced substantially because of decreased national-government allocation.

Reducing inequality has recently been a major focus of the decentralization support of some of the development banks. The results of this have been mixed and unclear. Certainly, there have been some places like Brazil, which has focused on basic income for families, and other countries where there has been some new movement in the area of education and education reform, which perhaps has produced some movement toward reducing inequality. On the other hand, one can argue that in China the emergence of decentralized government, which has produced major economic development in the country, has actually produced an increasing degree of inequality as the urban populations have become very wealthy and left the rural populations behind.

Finally, the fourth point, decentralization and economic development, has not been adequately explored and adequately understood. The research has produced no clear conclusions. Some people have done quantitative analyses using the World Bank data and other types of data – and concluded that increasing emphasis on local government and decentralization produces positive economic results. Other people have done studies and concluded just the opposite. However, there is some very basic evidence of the positive effect which decentralization has on economic development. The wealthier the region of the world, the more it depends on its subnational and local governments.

If one analyzes the wealthy countries in the world, one of their most significant characteristics is the extent to which they have emphasized their sub-national governments. One can see a remarkably clear pattern. The more emphasis on sub-national governments, the greater the proportion of national-government expenditures that go to sub-national governments, the greater the proportion of public employees that work at the sub-national level, the wealthier the countries are. The US, Canada, Western Europe and Japan are all countries that have massive commitments to sub-national governments in terms of amounts of money expended and the number of employees. These are clearly the countries that are doing the best.

The pattern continues with the East Asian countries that have the next highest commitment in terms of numbers of staff at the sub-national level and the amounts of government funding there. And then if you go down to the next level of countries,



Latin American countries, where about 20% of personnel and 20% of expenditures are at the sub-national level. At the bottom level, unfortunately and tragically, is Africa, where 10% of governmental employees and 10% of public expenditures are at the sub-national level, in contrast to the Western developed economies where 50-60% of the public employees and expenditures are at the sub-national level.

China is also a case of point. If one looks at the history of China beginning with the early 1970s and into the 1980s, one can observe major efforts at decentralizing governmental authority and decentralizing economic resources, and also institutions turning over economic resources to the local governments. One of the interesting things in China today is that 80% of the state-owned industries of China are in fact owned by local governments and not by national governments. The resource capacity of those industries has been turned over to the local governments with the result being a massive flourishing of China's economy. Thus, while there has certainly been a mixed record, especially in the area of democratic development, the past three decades of the decentralization effort have produced some very, very positive results.

## **Conclusion**

The encouragement of decentralization and the building and strengthening of local government has become a worldwide phenomenon over the course of the last several decades. While the United States remains one of the most governmentally decentralized countries in the world, other countries have begun to take significant steps in decentralizing their governments through the introduction of elected local government officials and the strengthening of municipal institutions. Driving much of these developments is an underlying belief that the dispersing of political power and the strengthening of local service delivery are both important steps in the building and strengthening of democratic institutions. More recently, it has been suggested that strong local governments are also a significant factor in a nation's economic development.

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