

Chapter 7

Federalism and decentralization

Parliamentary republics and proportional electoral systems generate horizontal checks and balances in the core institutions of state. By contrast, federalism and decentralization lead towards *vertical* power-sharing among multiple layers of government. Contemporary debates about decentralized governance have arisen in many plural democracies, notably among the Francophone majority living in Quebec, the Basques in Spain, and the Scots in the UK. These arguments have been particularly influential in fragile multinational states afflicted with deep-rooted civil wars where decentralization has been advocated as a potential constitutional solution aiming to reduce conflict, build peace, and protect the interests of marginalized communities. In Sri Lanka, for example, federalism has been proposed in a peace-agreement designed to settle the long-running tensions between the majority Buddhist Sinhalese community and the mainly-Hindu Tamils in the north-east. In Sudan the 2005 peace-settlement proposed a high degree of federal autonomy for the south and a constitutionally-guaranteed regional division of oil revenues, in the attempt to bind-together a country afflicted for two-decades by a bloody civil war between the mainly Muslim north and the Animist and Christian south.¹ Federal arrangements have also been advocated, more controversially, in Iraq as a mechanism seeking to stem violence among Shia and Sunni Muslims, as well as to provide some degree of autonomy for the Kurds in the north.²

This chapter focuses on one of the most influential claims made by consociational theory, namely that the adoption of decentralized forms of governance - notably federal constitutions - facilitates social stability and democratic consolidation in multinational states. As illustrated in Figure 7.1, several distinct and diverse institutional mechanisms can be used for decentralization, understood as the devolution of power and responsibilities from the national to the sub-national level. Federal constitutions which strengthen state's rights and regional autonomy represent some of the most important strategies, as these safeguard some guaranteed areas of self-government for geographically-concentrated minorities. Other common approaches include devolution of powers to elected and non-elected regional and local government bodies; shrinking the state through the privatization of public assets, private-public partnerships, and the contracting out of services to the non-profit and private sectors; delegation of central departmental responsibilities and decision-making to local managers in field offices; and the use of traditional village councils or urban communities for consultation and planning processes.

[Figure 7.1 about here]

Encouraged by international agencies, many industrialized and developing societies have been experimenting with these strategies.³ For example, the World Bank reports that in 1980, sub-national governments around the world collected on average 15% of revenues and spent 20% of expenditures. By the late-1990s, those figures had risen to 19% and 25%, respectively, and had even doubled in some regions and countries.⁴ A comparison of trends in West European government during the last three decades noted a widespread shift from direct control and intervention by central government to more indirect control exercised primarily through regulation.⁵ OECD data suggests that fiscal decentralization has expanded among most industrialized nations during the last three decades, notably with growing regional autonomy controlling taxation revenue and public expenditure in Spain and Belgium, but also in other nations such as France, Italy and Denmark.⁶ Proponents argue that decentralization has many potential advantages for bringing decisions closer to the community, for policy flexibility, innovation, and experimentation, and for ensuring government responsiveness to local needs.⁷ Nevertheless no consensus surrounds the impact of these reforms and the assumed benefits of this strategy have come under vigorous challenge. Skeptics charge that many of the theoretical claims advanced in favor of decentralized governance have not been sustained by careful empirical analysis.⁸ Indeed some have detected evidence of a backlash against this movement occurring in Western Europe, with some recentralization happening in the Netherlands and Sweden. Most seriously, far from maintaining stability and unity in multinational states, critics argue that federalism and decentralization strategies risk the serious dangers of rigidifying community differences, encouraging partition or even succession and thus the ultimate break-up of fragile nation-states.

To evaluate these issues, the first part of this chapter outlines the theoretical arguments surrounding the debate about decentralization, including considering the claims and counter-claims of the consequences for democratic participation and representation, for the effectiveness of government policymaking, and for the representation of minorities in multinational states, as suggested by proponents and critics. To sort out support for these arguments, the next section develops a two-dimensional matrix classifying forms of vertical power-sharing and discusses suitable measures and evidence. Much of the previous literature has drawn upon historical case-studies of particular federal systems, focused especially on the United States constitution. Yet it often remains difficult to generalize from the American experience to other types of societies and contexts; for instance, Stephan points out that strong states' rights embodied in the United States constitution represents only one type of federalism.⁹ To develop a global comparison, a classification of ideal types of vertical power-sharing is developed conceptually, based on two dimensions: the degree of fiscal, administrative and political decentralization in the public sector

and the type of constitutional rules governing the relationship between the national and sub-national tiers. Formal constitutional structures in all nations around the world are classified as 'unitary states', 'federal states', or an intermediate category of 'hybrid unions'. Each of these categories can be further sub-divided according to the degree of decentralized governance, where fiscal, administrative, and political powers and functions are transferred to provincial and local levels. As with previous chapters, regression models with cross-national time-series data help to analyze the performance of federal states on the four standard indicators of democracy which have already been employed, after applying the prior battery of controls.

The interpretations of the results is further enriched and illuminated by examining detailed paired case-studies comparing processes of historical development in India and Bangladesh. These cases were selected for comparison as South East Asian bordering states sharing a common history and culture for centuries, although one predominately Hindu while the other was predominately Muslim. Both are plural societies, with an agrarian workforce characterized by low levels of literacy and endemic poverty, although with different decentralized structures of governance and political histories. Contrasts in the vertical power-sharing arrangements used in India and Bangladesh can help to illustrate the origins of institutions, their evolution, and their consequences for processes of democratic stability and the containment and management of ethnic violence. The conclusion summarizes the results and considers their policy implications, particularly the lessons for fragile multinational states emerging from a history of conflict and civil war.

The debate about decentralized governance

From Montesquieu to Madison, classical theorists suggest that decentralized governance has many advantages, especially (i) for democratic participation, representation, and accountability; (ii) for public policy and governmental effectiveness; and (iii) for the representation and accommodation of territorially based ethnic, cultural, and linguistic differences.¹⁰

In particular, it is argued that the transfer of central decision-making to democratically elected local and regional bodies gives citizens multiple points of access, thereby enhancing opportunities for public participation, increasing the accountability and responsiveness of elected officials to local citizens, and hence providing incentives for more responsive democratic government. The capacity of this process to expand public engagement in community decision-making is illustrated by processes of participatory budget-making and deliberative policy councils, as exemplified by developments in Sao Paulo, Brazil.¹¹ Fiscal decentralization is believed to reduce corruption by strengthening the transparency of decision-making and the accountability of elected officials to local communities.¹²

Advocates believe that the proliferation of decision-making units at local and regional levels also strengthen public policymaking, though potentially encouraging creative new solutions to tough problems. This process is thought to encourage learning from social innovations and flexible experimentation, thereby reinventing governance to deal with complex challenges, for example in urban development and welfare policies.¹³ Rather than 'one size fits all', devolved government bodies may also tailor public services and regulations more efficiently and flexibly to meet the needs of each particular community.¹⁴ Privatization policies, where state industries are transferred to the free market, have been widely advocated as part of a broader package of liberalization designed to shrink the state and thereby lead towards programs which boost economic growth and sustainable human development.¹⁵ In short, decentralization efforts are widely identified with the promotion of managerial efficiency and the enhancement of public services, as well as with more open, transparent, and accountable forms of representative democracy and the qualities of good governance. For all these reasons, if these claims are valid, a strong linkage should be found between levels of government decentralization and patterns of democracy.

The advantages of decentralization should be particular evident in deeply-divided plural societies. Different institutional forms of decentralization, notably federal constitutions, have long been recommended as the preferred mode of democratic governance designed to maintain stability within multinational states. Lijphart theorizes that if political boundaries for sub-national governments reflect social boundaries, diverse plural societies can become homogeneous within their regions, thereby reducing communal violence, promoting political stability, and facilitating the accommodation of diverse interests within the boundaries of a single state.¹⁶ Plural societies are characterized by the existence of multiple groups, whether demarcated by class, linguistic, religious, racial, tribal, or caste-based identities. Federalism and decentralization are thought to be particularly important strategies for plural societies where groups live in geographically-concentrated communities and where the administrative boundaries for political units reflect the distribution of these groups. These arrangements allow spatially-concentrated groups a considerable degree of self-determination to manage their own affairs and to protect their own cultural, social, and economic interests within their own communities, for example to control religious teachings in school curriculums, to determine levels of local taxation and expenditure for poorer marginalized areas which have lost out to development, to administer internal security forces and justice systems, and to establish language policy regulating public broadcasting and official documents.

Federal constitutions represent only one form of decentralization and similar claims can be advanced for other related institutions. In plural societies, where ethnic groups are

geographically dispersed, Lijphart theorizes that administrative and political decentralization also helps to promote accommodation, for example allowing minorities to elect local representatives who could manage policies towards culturally sensitive issues such as education. Local forms of decision-making can be regarded as particularly important for the management of tensions among specific ethnic communities living within particular areas, by facilitating the inclusion of leaders drawn from ethnic minorities through municipal and state elections. In England, for example, municipal councils facilitate the election of representatives drawn from the Bangladeshi, Pakistani, Indian, and Afro-Caribbean communities in the inner-city areas of Birmingham, Bradford, Leeds, and London, where minority populations are concentrated. Through decentralization, ethnic communities can protect their rights and defend their interests in specific local areas, even within unitary states.

Lijphart is far from alone in emphasizing the importance of decentralization for stability, peace-building and democratic consolidation in fragile multinational states. For example, when comparing data from the Minorities at Risk project, Bermeo concludes that armed rebellions are three times more common among groups living in unitary than in federal states, while these groups also experience lower levels of discrimination and grievances.¹⁷ Stephan is also a strong proponent of this form of government, suggesting that plural societies such as the Russian Federation, Indonesia, and Burma/Myanmar will never become consolidated democracies without workable federal systems. All stable contemporary multinational democracies are federal, including Switzerland, Canada, Belgium, Spain and India. At the same time he warns that federal arrangements pose serious risks for the emergence of ethnic nationalist parties in transitional states emerging from autocracy where regional elections are held prior to nation-wide contests.¹⁸ Elsewhere, Gurr has also advocated power-sharing arrangements and group autonomy as a solution to deep-rooted ethnic conflict and civil wars¹⁹. Hechter also suggests that plural states such as India and Nigeria would probably not have survived without some form of decentralized governance.²⁰

And potential criticisms

Skeptics, however, challenge the assumptions and cast doubt on the evidence supporting these predictions about the benefits of decentralized governance. In terms of administrative efficiency, critics charge that, compared with a unitary state, decentralization may encourage overly-complex, duplicative, and wasteful forms of government, structures which are slow to respond to major challenges due to the existence of multiple veto points, and uneven development and inequality across constituency units.²¹ By generating another layer of government bureaucracy, some studies suggest that decentralization may generate increased

costs, poorer service efficiency, worse coordination, greater inequality among administrative areas, and macroeconomic instability.²² By contrast, centralized government is thought to enhance integration, decisiveness, uniformity, economies of scale, and cost efficiency.²³ The claims concerning participation and representation have also been challenged, in particular decentralization may encourage the fragmentation of party systems due to the growth of regional parties. Multilevel governance may also reduce clear channels of electoral accountability, due to overlapping functions and roles across national, regional and local governments. By contrast centralized governments have a clearer definition of responsibilities for 'where the buck stops' in decision-making processes. Corruption may also expand in decentralized governance due to the spread of clientelistic relationships and 'elite capture' which links local politicians, public officials, and business leaders.

In particular, the benefit of decentralization for accommodating political stability in multinational states has come under strong challenge. Critics highlight certain federations which illustrate the most serious risks associated with these arrangements, including the cases of persistent violence and continued conflict in the Russian Federation (in Chechnya), in the Basque region of Spain, in India (in Kashmir), Nigeria, and Sudan (in Darfur). Federations which disintegrated, whether peacefully or violently, include the West Indies (1962), Pakistan (1971), Czechoslovakia (1993), the USSR (1991), most of the constituent units in the Federal Republic of Yugoslavia (1991), and the expulsion of Singapore from Malaysia (1965). Federalism has had a checkered record in much of Africa, the Middle East, and Asia.²⁴ Critics argue that the creation of federal structures may encourage a dynamic unraveling and break-up of the nation-state, in which accession to demands for increased autonomy fuels the flames which lead eventually towards instability, partition, and even outright succession.²⁵

A number of reasons have been suggested for the apparent failure of federal arrangements in cases such as Pakistan, Czechoslovakia, and the Federal Republic of Yugoslavia. Watts argues that extreme disparities in the population, size, or wealth of constituent federal units contribute towards stress, along with the special problems facing bi-communal two-unit federations (such as Bangladesh's succession from Pakistan in 1971) and the peaceful 'velvet revolution' divorcing Slovakia and the Czech Republic. Moreover many cases of failed federations occurred where democratic institutions were weak or lacking, so that these cannot be regarded as genuine tests of the consociational claim. Watts argues that there have not yet been any cases of 'genuinely' democratic federations which have failed.²⁶ Hale suggests that where federal borders are drawn along ethnic lines, this encourages local politicians to 'play the ethnic card' when seeking popularity. This process, he argues, heightens and reinforces ethnic identities in the electorate, generating stronger intra-ethnic rivalries, and destabilizing fledgling

democracies, rather than rewarding politicians who seek to resolve or accommodate group differences.²⁷ Cross-cutting cleavages, by contrast, moderate the sharpness of internal divisions, exemplified by Switzerland. Federal states which possess a single core region which enjoys dramatic superiority in population, such as in Nigeria and Russia, are regarded as particularly vulnerable to collapse.²⁸ Nordlinger also excludes federalism from his recommended conflict-regulating practices in divided societies, fearing that it may result in the break up of the state²⁹. Some researchers attribute the dramatic collapse of the USSR, Yugoslavia, and Czechoslovakia, at least in part, to federal arrangements, on the grounds that new post-Communist democracies with federal structures are more vulnerable to secessionist pressures.³⁰ Mozaffar and Scarritt have argued that in Africa, due to the dispersion and intermingling of diverse multiethnic communities, territorial autonomy does not work well as a way of managing ethnic conflict.³¹ In this perspective, institutional arrangements which facilitate territorial autonomy in states or provinces may reinforce ethnic differences and provide resources for leaders who play the 'nationalist' card, for example by providing access to media coverage and a public platform in the legislature, thereby promoting incentives for ethnic intolerance, and even in extreme cases nationalist succession, partition, or state failure.³² Yet Brancati argues that much of the debate has been based on faulty premises, since it is the existence of regional parties competing in only one part of a country which is responsible for the negative effects of decentralization, not federalism per se.³³

Classifying types of vertical power-sharing

How can we evaluate the evidence concerning this debate, focusing particularly on understanding the consequences of decentralization for consolidating democracy in multinational states? One difficulty is that many distinct types of reforms, structures and agencies can all be regarded legitimately as part of the decentralization process, making the core concepts excessively vague and imprecise. As a result, not surprisingly, it becomes difficult to evaluate the effects of this process. As discussed earlier, decentralization takes multiple institutional forms, as the general principle refers to the process of dispersing political, administrative and/or fiscal powers from the central state to sub-national agencies or authorities. What matters is the negative transfer of functions and responsibilities *away* from the central organs in the nation-state, but the principle is silent about the flow of powers in a positive direction. Privatization to corporations, devolution to elected local authorities, and fiscal federalism to the regions are all policies broadly designed to shrink the role and responsibilities of the central government, but nevertheless the impact of these changes on democratic values can all be expected to differ and some important trade-offs among values may occur, for example in terms of government accountability, public participation, and service efficiency.

[Figure 7.2 about here]

To clarify the conceptual assumptions, this study focuses upon the central pillar of transfers of power from the central government to sub-national tiers within the public sector, thereby excluding an analysis of the impact of broader dimensions of decentralization, such as privatization and engagement of the non-profit sector. Figure 7.2 illustrates the two-dimensional matrix of vertical power-sharing arrangements used in this study. The vertical dimension refers to the degree of decentralization within the public sector, which in turn falls into three categories – administrative, fiscal and political.³⁴ The horizontal dimension represents the classification of the constitutional arrangements determining relations between the national and sub-national units of government.

Classifying types of decentralization

Administrative decentralization transfers bureaucratic decision-making authority and managerial responsibilities for the delivery and regulation of public services and for raising revenues from the central government to sub-national tiers. This is the most basic form of decentralization, for example where ministerial departments based in the national capital transfer administrative functions to provincial administrative bureaus and local field offices responsible for implementing central directives, regulating local areas, and running public health services, community planning, and schools. More radical options involve delegating responsibilities from the public sector to non-profit bodies, such as public enterprises or corporations, housing authorities, transportation authorities, school districts, regional development corporations, or special project implementation units, as well as ‘contracting-out’ services to the private sector.

Fiscal decentralization transfers some forms of resource allocation, usually by giving sub-national units authority over local taxes and spending. The prime emphasis has been to locate decisions about resources (revenues and expenditures) closest to the equivalent level of government. An extensive literature in political economy has examined the causes and consequences of fiscal decentralization and this process has been widely advocated as it is theorized to generate conditions most conducive to economic stability, allocative efficiency and distributive equity, thus maximizing social welfare.³⁵ The share of sub-national government expenditure in consolidated general government expenditure is widely used as a proxy measure of the degree of fiscal decentralization in the public sector, for example by the World Bank. Nevertheless this measure may systematically exaggerate the political distribution of localized decision-making; in Austria and Germany, for example, sub-national governments collect local taxes but they have relatively little autonomy or discretion in determining taxation policy.³⁶ By

contrast, Canadian and Swedish local governments have considerable control over their own tax revenues.

Lastly, from the perspective of the democratization process the most radical type of vertical power-sharing involves *political decentralization* which transfers authority and responsibility from the central government to public bodies at sub-national level, such as village assemblies, city mayors and state governors, and elected municipal councils. The prime motivation of political decentralization has been to strengthen opportunities for local control over public services and to expand opportunities for electoral accountability, political representation, and civil society engagement. The aim has been to give citizens, or their representatives, more voice in the formulation and implementation of local policies. The most common practices involve expanding elections for representative office from the national to the local, municipal or state levels. Some of the most innovative strategies designed to broaden public deliberation have been through innovative mechanisms, such as participatory budgeting and community planning, where citizens have a direct say in local decision-making.³⁷

Classifying types of constitution

Building upon this foundation, a few simple rules can be used to classify the formal constitutional arrangements governing the relationship between the national and sub-national units of government into three major types, including unitary states, federal states, and hybrid unions. In simple binary classifications, federalism is sometimes assumed to be equated automatically with decentralized decision-making while unitary states are regarded as most centralized.³⁸ In reality, the situation is more complex, however; as important variations can be observed.³⁹ Federal states differ, for instance, in whether state/provincial or the central government have primary decision-making authority over public sector services and functions such as safety and public order, economic and social planning, control of natural resources, educational policy, public health care, and taxation. Federal constitutions also differ in whether a strong upper house represents and defends state's rights in a bicameral national legislature. Unitary states also vary in the devolution of administrative, fiscal and political decision-making at regional and local levels. Accordingly, given this understanding, all the basic types of unitary and federal constitutions can be further sub-divided into centralized and decentralized variants. We can then consider suitable measures and sources of evidence to operationalize the conceptual framework and compare the distribution of vertical power-sharing arrangements in countries worldwide.

Federal constitutions

Given a long tradition of philosophical debate there are, of course, multiple ways to understand the related concepts of ‘federalism’, ‘federations’ and ‘confederations’.⁴⁰ *Federal constitutions* are understood in the conceptual framework used in this study as those which distinguish between the national and sub-national tiers of government, where each tier has certain specified areas of autonomy.⁴¹ This understanding draws upon Riker’s well-known definition, where a federal state is defined by two rules: (i) it must have (at least) two levels of government; and (ii) each level must have at least one area of action in which it is autonomous. The latter requirement must be formally guaranteed, most commonly in a written constitution where disputes between tiers are usually resolved by an independent court.⁴² As well as sub-national tiers of government, including state or provincial legislatures and executives, most (although not all) federations have bicameral legislatures where the second chamber includes representatives drawn from territorial provinces or states.⁴³ There may also be mutual veto-points, for example where supra-majorities are required in the legislature to alter the balance of powers among tiers. The sub-national constituent units in a federal system are usually territorially-defined geographic regions, such as Nigerian states, German *Länder*, or Canadian provinces. But the sub-national units may also be non-territorial bodies, for example the tripartite cultural councils in Belgium.

Decentralized federal constitutions are characterized by fairly autonomous provinces and a weak central authority in the powers granted to the executive and national parliament. The Brazilian and American versions both exemplify cases with strong regional states and a relatively weak central government. In the American model, when coming together states voluntarily pooled their sovereignty and designed a constitution to protect their rights against encroachments by the central government, and hence to limited majority rule.⁴⁴ In the US Senate, each state is equally weighted, with two members per state, whether California or Nebraska, irrespective of the size of their electorate. The powers of the US Senate are also roughly counterbalanced by the House of Representatives. The US-model of federalism therefore limits the powers of the executive and the popular branch of the legislature. The Brazilian constitution also illustrates this model with a political system combining a fragmented multiparty system with personalistic and undisciplined parties, the separation of executive-legislative powers, and vigorous state federalism.⁴⁵ As a result of divided government and the weaknesses of parties, Brazilian democracy has frequently experienced legislative-executive stalemate and policymaking logjams, generating what has been termed ‘deadlocked democracy’, or a crisis of governability.⁴⁶

By contrast, *centralized federal constitutions* grant only limited autonomy to states and allocate the predominant power and authority to the central government, whether the president and executive branch or the prime minister representing the largest party in the lower house of

parliament. These cases are closer to the unitary model. In Austria, Belgium, and India, for example, the number of state representatives sitting in the upper chamber is weighted by the size of the electorate within each state, and the lower house retains greater powers than the upper. Moreover in cases of asymmetrical federalism, such as in India and Canada, some rights are limited to specific linguistic or cultural minorities, such as those granted to Francophones in Quebec or to Muslim family courts in India, rather than being universal. The Indian and Belgian constitutions retained greater powers for the central state, with some concessions made to states' rights in order to contain pressures for succession. In Malaysia, power is shared among a few main regions, with restricted political or fiscal decision-making among lower tiers of government.⁴⁷ The Malaysian constitution grants the central government strong formal powers over an extensive list of functions, including over civil and criminal law, state and federal elections, finance, trade and commerce, taxation, education, health and social security, with federal law taking precedence over state laws. The Senate includes two members from each state, but the remaining two thirds of all Senators are appointed based on their loyalty to the ruling party, and hence this body has served to rubber-stamp the government's policies rather than protecting states' rights. As all major taxing powers reside with the central government, state and local authorities rely for their revenues upon transfers. An even clearer example concerns federalism during the period of Communist control in the USSR, where power was highly centralized within the Politburo, and there were strong asymmetries of federal power due to the predominance of Russia, despite the formal constitutional provisions for federal territories.⁴⁸ During the early-1990s, powerful ethnically-based republics challenged the central authorities in the Russian Federation on key reforms, and a weak federal government appeared unable to counter their claims to sovereignty.⁴⁹ The interpretation of recent developments remains a matter of dispute, with some observers seeing Russia persisting as a weak federation, while others suggest that regional prerogatives have been substantially curtailed since the election of 2000, with Moscow reasserting central control.⁵⁰

Unitary constitutions

Unitary constitutions are defined as those states with national and sub-national tiers, where the national government is defined as sovereign over all its territorial units. The national government retains the authority and legitimacy to control the activities of sub-national units even though some roles and administrative functions can still be devolved to lower tiers of government, such as to regional, local or village assemblies, governors and mayors, or departmental agencies at local level. In the case of any conflict, however, the national government remains constitutionally sovereign so that executive decisions and laws passed by the national legislature cannot be overruled by lower units.

Important variations are also evident within this category. *Decentralized unitary constitutions* are defined as those unitary regimes with considerable devolution of administrative, fiscal and political powers among sub-national levels, such as to county, provincial, local, urban and municipal governments. This category includes unitary states where locally-elected legislatures and executive bodies plan, finance, and manage issues such as levels of local property taxes, the administration of schools, or related issues of community development.⁵¹ In Norway, for example, the national parliament in Oslo (*Storting*) remains sovereign, although local government is run through 19 counties (*fylke*) and 432 municipalities (*kommune*). The latter are responsible for a wide range of functions, such as primary and lower secondary education, social services, municipal roads, water and sewerage and zoning regulation, raising revenues through local taxation, fees and local business management, as well as from allocations from the central authorities. A prefecture system (with bureaucrats drawn from central government ministries but working at sub-national levels) supervises, regulates and standardizes administrative and legal processes across different regions and areas. Countries and municipalities are responsible for spending about one third of all government expenditure in Norway, a higher share than is spent at sub-national level in some federal states, such as Malaysia. This type of regime is also exemplified by the UK. The Westminster system exemplifies a strong unitary state, with the major party in government controlling parliament. Yet the UK now has a multi-tier system which has become increasingly complex, with elections at supra-national level (for the European parliament) and at the sub-national levels of regions (Scottish parliament, Welsh Assembly, and the Greater London Authority and Mayor), as well as for local councils in counties, unitary authorities, metropolitan districts, London boroughs, districts, wards and local parishes. In recent decades broader processes of decentralization have also reduced the size of the state sector, notably privatization of industry and utilities, and contracting out of services such as social services, the prison service, and health care. The power-sharing agreement in Northern Ireland, endorsed in April 1998, has also contributed towards decentralization within the UK through the NI Assembly, the multiparty Executive, and the consultative Civic Forum.

By contrast, *centralized unitary constitutions* exercise most functions from the national legislature and executive, with administrative decisions implemented at provincial and local levels, although with minimal political or fiscal decentralization. Less democratic regimes are often characterized by a 'command-and-control' structure with limited local autonomy or decision-making outside of the ruling party, the core leadership elites, and the executive bureaucracy. In Singapore, for example, the country is administered as a unified city-state, with local government bodies abolished and absorbed in 1959 by departments of the central government. These arrangements are part of the reason why the predominant party, the PAP, has exerted power for

almost six decades, as discussed in chapter 4.⁵² The centralized state makes it impossible for opposition parties to develop a grassroots base of local leaders could then challenge the governing party more effectively in parliamentary elections. Another example of a centralized unitary state is Syria, where there are 13 provinces and the City of Damascus for administrative purposes. Each province is headed by a centrally-appointed governor who acts in conjunction with a partially-elected Provincial Council. Real power is centralized in the hands of the President and People's Assembly, however, controlled by the Baath party in a coalition as the National Progressive Front. Provincial governments are therefore used as agencies extending popular control by the state outside of Damascus, rather than as decentralized bodies exercising genuine autonomy.

Hybrid Unions

Classifications and typologies of vertical power-sharing arrangements have therefore commonly drawn a clean conceptual line in the sand between federations and unitary constitutions. Nevertheless another variant can be distinguished in the form of *hybrid unions* with constitutions which lie somewhere between these polar extremes.⁵³ Hybrid unions are defined as states where the common organs of the national government remain sovereign but where some independent powers are constitutionally recognized for certain constituent territorial units. This form of vertical-power-sharing is exemplified by the United Kingdom, constituting Wales, Scotland, England, and Northern Ireland, as well as five self-governing islands (including Jersey, Guernsey, and the Isle of Man). Devolution in the UK has strengthened the political influence of the Celtic regions, through the creation in 1999 of the Scottish Parliament and Welsh Assembly. Nevertheless these bodies have limited powers and autonomy, for example the Scottish Parliament can adjust taxes but only within certain limits, while the Westminster parliament retains sovereignty and thus the formal right to legislate on devolved matters. The new devolved bodies gained powers unavailable to the English regions, a process designed to dampen the pressures for Scottish independence and thus prevent the break-up of the United Kingdom.⁵⁴ Other hybrid arrangements can also be identified worldwide, such as *associated statehood* (found in Andorra, France-Monaco, India-Bhutan), a few special cases of *federacies* where unitary states develop a federal relationship with particular dependent territories (such as Denmark's relationship with Greenland and Finland with the Aaland Islands), and also *confederations* (such as the Benelux Union, a social union among citizens in Belgium, The Netherlands and Luxembourg).⁵⁵ Hybrid unions are therefore in themselves a fairly diverse category but in their performance can be expected to fall roughly between the full unitary and federal ideal types. This category can also be sub-divided further into relatively centralized and decentralized versions.

Classifying and measuring vertical forms of power-sharing

Given this understanding, how can we best operationalize and apply the matrix? Some studies opt for the clarity and parsimony of binary categories dividing federal v. unitary states, based on a few key logical rules for classification. Others prefer gradations of the degree of decentralization using continuous scales which try to capture more subtle variations of roles and responsibilities which occur within and across each category.⁵⁶ Rather than arbitrarily opting for one or the other, it seems preferable to combine both approaches, thereby generating greater confidence if the results of the analysis remain robust and reliable independently of the specific measurement employed.

For the major types of federal, hybrid, and unitary constitutions, based on these definitions, the formal arrangements the national and sub-national tiers of government were categorized for 191 countries worldwide based on information provided by standard reference handbooks, with information cross-checked against four independent sources (Elazar, Watts, Griffiths, and Banks).⁵⁷ These categories were then compared against the degree of decentralized power-sharing in each state, based on measures developed by Schneider, which are derived from Government Finance Statistics gathered by the IMF/World Bank.⁵⁸ This scale gauges the transfer of authority and responsibility for public functions from the national government to sub-national tiers in the public sector, distinguishing three main types: political, administrative and fiscal decentralization. Political decentralization is measured by the existence of municipal and state elections, as monitored by Schneider. Fiscal decentralization is measured by the level of sub-national expenditures and revenues as a proportion of total government expenditure, with data estimates provided by the IMF/World Bank. Administrative decentralization is gauged here according to levels of taxation as a percentage of sub-national grants and revenues, again using IMF/World Bank data. The data on decentralization was collected for 68 nations in 1996. The Schneider measures for each scale are factor scores based on confirmatory factor analysis which are standardized to range from 0 to 1.0.

Does decentralized governance strengthen democracy?

Drawing upon this conceptual framework, we can first compare the worldwide distribution of the different constitutional types and examine how this relates to the degree of decentralization. The comparison of 191 contemporary nation states worldwide showed that only 25 (13%) could be identified as having federal constitutions, according to this definition. Despite

this, some of the most geographically-largest and the most populous societies are federations -- including the United States, Canada, Germany, Nigeria, Brazil, India, and Russia – hence about 41% of the world's population currently lives under this system of government. Federal constitutions are found in many global regions (see Table 7.1 and Figure 7.2), particularly in North America and Western Europe, although none are in Scandinavia and only one is found in the Middle East (the United Arab Emirates). In the comparison, another 22 constitutions could be classified in the intermediate category as hybrid unions, with this form of government particularly common in the Western European and Asia-Pacific regions. Lastly, three-quarters of all contemporary states (144 out of 191 nations) were classified as having unitary constitutions, where the central government was sovereign although with sub-national tiers.

[Figure 7.2 and Table 7.1 about here]

To see how far the constitutional typology reflected the indicators of vertical decentralization, in Table 7.2 the mean scores for each category was estimated for the measures of fiscal, administrative and political decentralization developed by Schneider, available for 68 states. As expected, fiscal and political decentralization was significantly higher in countries with federal rather than unitary constitutions, for example the fiscal decentralization measure proved twice as strong in federal than unitary states. Nevertheless the overall mean showed considerable variations among countries governed by federal constitutions. The distribution of nations across the fiscal and political decentralization scales is illustrated in the scatter-plot shown in Figure 7.3. Countries such as Canada and Switzerland exemplify the most decentralized forms of federalism on both these dimensions, and indeed most of the states with federal constitutions can be found in the top right quadrant, representing those with the highest levels of fiscal and political decentralization. At the same time there are some clear outliers, notably Malaysia and Belgium, both with federal constitutions but which fail to conform to this pattern. Moreover there are a number of unitary states which still have a considerable degree of political and fiscal decentralization, including Sweden, Norway and Denmark. These Scandinavian states have unitary states yet they are also highly decentralized, as discussed earlier. The plot also displays a widely distributed scatter, suggesting only a poor fit between levels of political and fiscal decentralization; some countries such as the Philippines and Panama elect local representatives but nevertheless the central government continues to exert considerable fiscal control through tightly regulating levels of local government expenditure. Elsewhere, such as in some of the post-Communist states, sub-national units absorb a relatively high proportion of total government expenditure but they have little political decentralization of power. Therefore the assumption that federal constitutions are automatically always the most decentralized states can be questioned; most states with federal constitutions do fit this

expectation, but there are some notable outliers, while some other states with unitary constitutions can also be highly decentralized in terms of fiscal and political measures. Watts also found that as a proportion of total government expenditures (after transfers), the federal government share varied from 96% in Malaysia and 69% in Austria down to 40% in Canada and 37% in Switzerland.⁵⁹

[Figure 7.3 and Table 7.2 about here]

The key issues to be analyzed is whether systematic variations are evident in the democratic performance of federal states, hybrid unions, and unitary states, even after controlling for the standards battery of factors established in previous chapters as being closely linked to patterns of democracy. In analyzing the impact of these arrangements on democracy we face similar analytical challenges to those addressed earlier, particularly questions concerning institutional endogeneity. As with other institutional explanations, plausible arguments about the impact of multilevel forms of governance also need to consider carefully whether the causes and consequences are mixed up. Did processes of democratization in plural societies lead towards the adoption of federal constitutions? Or did the adoption of such constitutional arrangements in plural societies lead towards more stable consolidated democracies? Studies also need to consider other possible underlying historical forces or social characteristics which could have led towards both the adoption of federal constitutions and also levels of democracy, such as the colonial legacy inherited by newly-independent states, patterns of ethnic fractionalization, and the dynamics of economic development. As with the study of electoral systems, in principle evidence for the impact of institutional change should often be easiest to discern in classic 'before' and 'after' natural experiments when states have experienced a major constitutional reform, such as the processes of devolution which occurred in Belgium (1970), in Spain (1978), in Nigeria (1999), and in the UK (1999). In practice, however, when states adopt sweeping constitutional revisions it often becomes difficult to isolate the distinct effects of federalism from other simultaneous institutional reforms, for example following the introduction of the new constitution in post-apartheid South Africa. The impact is often also difficult to discern in countries where patterns of fiscal or political decentralization evolve incrementally through a series of small steps, for example where there are multiple revisions to the exact roles and boundaries of local government bodies. Recent decades have seen few cases of countries which have directly switched across directly from unitary or hybrid to federal constitutions.

[Figure 7.4 and Figure 7.5 about here]

One alternative strategy is to compare the mean levels of democracy associated with federal, hybrid unions and unitary constitutions, using the cross-sectional time-series data,

without any prior controls. The results in Figure 7.4 show substantial and significant contrasts between unitary and federal constitutions across all four standard indicators of democracy; in the Polity IV 100-point index of democracy, for example, federal constitutions scored 69 percentage points on average, 25 points higher unitary constitutions. Hybrid unions were located between these scores. Moreover the thirty-year trends in the Freedom House scale, illustrated in Figure 7.5, show that federal constitutions have consistently displayed a better record of democracy than unitary states, with hybrid unions falling in between these polar extremes, as expected. The differences between types which are apparent are not just the result of one or two years but instead appear to be a robust and consistent pattern which persists despite the major changes in levels of democracy occurring during the third wave era. The period since the end of the Cold War sees a slight closing of the contrasts between constitutional types but not a reversal of these persistent patterns.

[Table 7.3 about here]

Nevertheless many other factors may be generated these differences, above and beyond the type of regimes, for example if federal constitutions are more common among nations which have affluent industrialized economies or in more homogeneous societies. To control for other potentially confounding factors, the cross-sectional time-series models used Ordinary Least Squares linear regression with Panel Corrected Standard Errors to measure the impact of federalism on levels of democratization in each nation-year, while simultaneously controlling for other variables associated with democracy. The results of the analysis presented in Table 7.3 show that the type of vertical power-sharing was significantly associated with the four indicators of democracy, even after applying the series of controls for socioeconomic development, colonial origins, regional patterns of democratic diffusion, ethnic fractionalization, area size, and the other institutional arrangements which we have already identified as related to levels of democracy (proportional representation electoral systems for the lower house and parliamentary monarchies for the type of executive). Even with this battery of controls, federalism proved to be positively linked to democracy, across each of the four models using different measures, as consociational theory argued. The models explained a substantial amount of variance in levels of democracy (between 45 to 66 percent). Unfortunately it is not possible to monitor the impact of decentralization on democracy by replicating similar time-series models by using the Schneider scales of fiscal, administrative and political decentralization since these are only available for the mid-1990s in 68 nations. Moreover there are problems in using this data for a broader cross-national comparison, since detailed levels of sub-national government expenditure were often not reported in many autocratic states. Accordingly further research is required to see whether the

conclusions drawn here about the impact of different types of constitution on democracy also hold for broader patterns of administrative, fiscal and political decentralization.

Case studies of constitutional change: India and Bangladesh

To understand the impact of federal and decentralized arrangements in greater depth, we can turn to the paired case-study comparisons contrasting historical developments which occurred in India and Bangladesh. These bordering states were selected as they shared a common history and colonial government for many centuries, as well as displaying many similar social and economic characteristics (see Table 7.4). With a population of over 1.1 billion spread over 3.3 million square kilometers, Indian society is divided among multiple ethnic identities, languages, religions and cultures. Hindi is the national language and primary tongue of a third of the people, but there are more than a dozen other official languages. About 80% of the population is Hindu but India also contains sizeable minorities of Muslims (13%), Christians (2%) and Sikhs (2%). According to World Bank estimates, one quarter of the Indian population live below the poverty level (\$1 a day), with 59% literacy. Despite the immense challenges of governing such a vast, poor, and diverse society, Indian democracy has persisted and deepened since independence was achieved in 1947. This endurance is a remarkable achievement, given the odds, despite the fact that Indian democracy has been flawed by intermittent ethnic violence in many states, persistent conflict in Kashmir, a major suspension of civil liberties under Mrs. Gandhi's emergency rule for 19 months in 1975-77, rising economic inequalities, and sporadic crisis from political assassinations.⁶⁰

[Table 7.4 about here]

The neighboring state of Bangladesh, by contrast, is far smaller in area and population, as well as more ethnically homogeneous as a predominant Muslim state. The population is 98% Bengali and 83% Muslim, with a sizeable Hindu minority (16%), and the main languages are Bangla and English. These structural characteristics should make it easier to govern than India, but in fact it has had a checkered history of democracy and continued instability, conflict, and confrontation. Bangladesh came into being in 1971 following a civil war with West Pakistan, and the years since independence have been marred by political turmoil and violence, symbolized by two presidential assassinations, thirteen heads of government, three military coups and 19 failed coup attempts. After independence, the next fifteen years were governed under military rule. In 1991 civilian rule was restored, with elections which were regarded as meeting international standards, but subsequent elections have been troubled and marred by violence. Throughout 2006, there were signs that the forthcoming electoral process would face difficulties, due to high

levels of political violence and major cities facing paralyzing street actions. The opposition Awami League declared a boycott of the elections due in 2007 and called for their supporters to take direct action. The country appeared to be descending into chaos, with riots, strikes, transport blockades and business instability adding to an already strong sense of tension. In January 2007, a state of emergency was declared and the military-backed caretaker government banned all political activities, while the security forces have arrested many political leaders. Deep tensions and antagonisms persist between the leaders of the major parties, the Bangladesh Nationalist Party and the Awami League, and their minor party alliances, with attacks on opposition rallies and public meetings, and hundreds of people have been killed by political violence in recent years. Rather than a process of bargaining and compromise, during periods in power each major party seeks to monopolize politics in a zero-sum game, as if the other did not have a right to exist. Leadership has been dynastic and bitterly personal, based on patronage placement for supporters in bureaucratic positions, rather than developing institutionalized and programmatic party organizations.⁶¹ The caretaker government has sought to stamp out corruption, by arresting and detaining many political leaders since the state of emergency was first declared.⁶² Some estimates suggest that more than 50,000 people have been arrested since the announcement of the state of emergency in January 2007, many of whom have not been charged. The Emergency Power Ordinance gave the caretaker government sweeping powers to ban all political activities, suspend fundamental civil rights, and to detain and arrest high ranking party leaders on charges of corruption and crime. According to the Fund for Peace's global comparison in 2006, based on indicators of instability such as suspension of the rule of law, inter-communal violence, and delegitimization of the state, Bangladesh was ranked as the 19th most vulnerable out of 148 nations worldwide to becoming a 'failed state'.⁶³

What explains these contrasts? Both countries have similar First-Past-the-Post (single member district) electoral systems for parliament, but the federal-unitary constitutional arrangements, the degree of decentralization, and the contemporary structures of local governance present striking contrasts between both states.

India has had a two-tier federal constitution since independence, with decision-making divided among 28 states. The form of power-sharing has been regarded as asymmetrical federalism, with Kashmir being given special provisions, although this view has been challenged.⁶⁴ The states vary greatly in population size, the ratio between the population of the largest and smallest states is 307 to 1, and there are also significant inequalities among states in levels of economic growth and economic development.⁶⁵ Under the constitution, India's form of federalism has been described as relatively centralized, with state powers circumscribed in several important regards and the central government having overriding powers.⁶⁶ Nevertheless

the constitutional arrangements have had certain important consequences. Most importantly, for such a divided society, since the breakdown of Congress Party dominance in 1967, federalism has facilitated the proliferation of a range of state-based political parties, aggregating varied regional interests based on region, language, caste, class, or views on secularism. This, in turn, has had an impact on the complex mosaic of parliamentary national elections. Reflecting Duverger's Law, the single member simple plurality electoral system (First-past-the-post) in use for the lower house of parliament, where voting support is spread relatively evenly geographically, can usually be expected to generate a two-party system. After the general elections of 1999, however, more than twenty parties provided a stable national coalition government, transforming the political process. A national multiparty coalition again formed the government following the elections of 2004. Federalism therefore facilitates multiparty competition and the politics of coalition-building, as smaller parties can gain credibility and expand electoral support within each state.⁶⁷ India's federal structure has also facilitated a remarkable capacity for innovation, for example in terms of diverse strategies of economic policy or in language policy. The federal structure is also reflected in the bicameral national parliament (Sansad) which includes the Council of States, with not more than 250 members with most chosen by elected members of state and territorial assemblies plus a dozen selected by the president. The federal state has allowed flexibility in the containment and management of ethnic conflict, for example through the creation of the separate federal state of Nagaland in 1963, Tripura in 1972, Mizoram in 1986, and an autonomous Bodo council was created in 2003 following negotiations with a rebel group. Intermittent fighting and sporadic conflict continues with Assamese, Tripuras and Acehnese communities, along with ongoing violence with Kashmiri Muslims, but nevertheless the federal structure of the state has allowed some important inter-communal conflicts to be settled.⁶⁸

Since 1993, the Indian state has been radically decentralized into a three-tier structure.⁶⁹ Reformers sought to challenge the existing structure of power exerted primarily through land ownership, patriarchy and the caste system. Political decentralization through local government aimed to eliminate rural poverty and to expand human development. Today India's government is divided into 28 states, seven union territories, and a complex system of local government in 600,000 villages and towns. The 73rd and 74th Constitutional Amendments of 1993 introduced radically new institutions through several significant innovations, including reservations of seats for marginal groups, women, Dalits, and Adivasis; creation of a decentralized planning mechanisms; establishment of state election commissions to oversee local elections and state finance commissions to prepare a blueprint for sharing of state revenues; and institutionalization of the direct-participation village assembly (gram sabha).⁷⁰ Urban areas are governed by Municipal Corporations, Municipal Councils, Town Area Committees and Notified Area

Committees. Rural areas have a three-tier structure consisting of 474 *District legislative bodies (Zilla parishads)*, at the top, 5,906 block councils (*Panchayats samitis*), and 227,698 Village councils (*Gram Panchayats*) at the base. Together these institutions have added approximately three million elected local offices to the 5000 state representatives and the 500 or more members of Parliament. Among the new local offices, one third or about a million are women. Nearly 700,000 are drawn from the Scheduled Castes and Scheduled Tribal communities (the Dalits and Adivasis). The expansion in representatives has considerably increased the density of the political system, drawing literally millions into elected office for the first time. Moreover the inclusion of women as council leaders through reserved seats is not just of symbolic importance, this has also been found to influence public policy. In particular, a study which examined Village Councils reported that women leaders invested more in public goods which were more closely related to women's concerns, such as drinking water, while by contrast male leaders invested more heavily in education.⁷¹ The village assemblies were institutionalized in the new structure, with direct forms of decision-making among all members of the village. The assembly was designed to function as a watchdog over the workings of the village council.⁷²

By contrast, the Bangladesh state has always centralized power. The national parliament (Jatiya Sangsad) is a unicameral body where 300 members are popularly elected from single territorial constituencies. Many parties are registered to stand for parliamentary elections but the single member plurality electoral system concentrates seats in just four parties: the Awami League, the Bangladesh Nationalist Party, the Jatiya Party and the Jamaat-i-Islami Bangladesh. The two major parties remain in confrontational mode under dynastic leaders, gaining power from patron-clientalistic relationships which protect and reward their supporters. Intolerance, corruption and malfeasance are rife. Distinctive regional parties have been unable to break the hold of the major players without a state legislature to develop an electoral base. Moreover local government also remains serious under-developed. During the 1980s, the military government introduced some wide-ranging structural reforms in local government, partly in the attempt to create a rural power base and to increase their legitimacy. Contrary to expectations, however, the country has not moved further towards decentralization since the early-1990s, when democracy was restored, and indeed in some cases there have been significant attempts at recentralization.⁷³ In short, the multiparty diversity characteristic of contemporary India could never have developed in this country, in part due to the vertical centralization of power within the Bangladeshi state, coupled with the majoritarian electoral system for parliament. With more significant forms of vertical power-sharing, the Bangladeshi party system could have developed more checks and balances, breaking the feudal hold of dynastic leadership which has encouraged kleptocracy and the destabilization of the state.

Conclusions

To summarize, processes of decentralization take diverse forms. Federalism is one important mechanism but fiscal, administrative and political decentralization can also transfer power to bodies in the public sector (local government elected officials and executive bodies), as well as those in civil society (non-governmental organizations, community, philanthropic, and voluntary associations), and in the private sector (such as through privatization and contracting out of services). A wide variety of elected and non-elected authorities operate in different nations at the level of departments, prefectures, counties, municipalities, boroughs, districts, or villages, including governors and mayors, as well as administrative agencies and units representing a sub-branch of national ministries and departments. Complex structures determine how far decision-making powers, control of taxation and spending, and administrative responsibilities are dispersed among governing units at local, state, provincial, and central levels, such as roles and responsibilities over public health care, social services, and education.

Decentralization is often thought to strengthen democratic participation, representation and accountability, as well as improving government efficiency and effectiveness. Federal forms of power-sharing are commonly regarded as especially suitable for accommodating cultural diversity in fragile multinational states. Nevertheless critics argue that decentralized arrangements may fail to strengthen democracy and federalism may dilute a sense of unity and commitment to the nation-state, thereby undermining fragile multicultural states such as Iraq and Sudan.

The typology of vertical power-sharing constitutional arrangements used in this study defined *unitary* constitutions as those where the national government retains sovereignty over all sub-national tiers. In this system, the presidential executive branch, or the prime minister heading the largest party in the lower house of the national parliament, has both *de jure* and *de facto* authority to over-ride all other regulations, directives, and decisions emanating from sub-national units. Constitutions were classified as *federal* if governments had national and sub-national units, in a compound polity where each tier possesses some autonomous powers and functions. *Hybrid unions*, the intermediate category, represent those constitutions where some independent powers are granted for certain sub-national units or dependent territories, but where sovereignty remains ultimately with the central government. The results of the time-series cross-national analysis served to confirm the consociational claims that, compared with unitary states, federal arrangements were associated with a stronger performance of democracy, even after controlling for many other factors commonly linked with democratization. Lastly the illustrative cases strongly suggest that the federal and decentralized vertical forms of power-sharing are one major reason

why democracy has flourished in India, despite the odds of a vast, poor and deeply-divided society, while it has foundered in neighboring Bangladesh. More radical constitutional reforms through decentralized governance could be one way to break the stranglehold of the major parties in Bangladesh and therefore to lay the basis for more genuine and sustained multiparty competition.

Table 7.1 Type of constitution by region

	Unitary constitutions	Hybrid unions	Federal constitutions	<i>Total</i>
Sub-Saharan Africa	41	4	4	49
South America	26	2	4	32
Asia-Pacific	23	9	5	37
Central and Eastern Europe	22	2	3	27
Middle East	18	0	1	19
Western Europe	9	5	5	19
Scandinavia	5	0	0	5
North America	0	0	3	3
Total	144	22	25	191

Note: The type of constitution was classified using the definitions defined in the text according to data derived from Griffiths (2005), Watts (1999), and Banks (2004). The mean level of fiscal, administrative and political decentralization was estimated in 68 nations based on the measure developed by Schneider. The coefficient of association (η) and its significance was calculated based on the difference between means using ANOVA.

Sources: Ann L. Griffiths. 2005. Ed. *Handbook of Federal Countries, 2005*. Montreal: Forum of Federations/McGill University Press; Ronald L. Watts. 1999. *Comparing Federal Systems*. 2nd Ed. Kingston, Ontario: McGill-Queen's University Press; Aaron Schneider. 2003. 'Decentralization: Conceptualization and measurement.' *Studies in Comparative International Development* 38(3): 32-56.

Table 7.2: Typology of constitutions and the mean decentralization of power, 68 states

Type of federalism	Fiscal decentralization	Administrative decentralization	Political decentralization
Unitary constitutions (44)	.337	.575	.507
Hybrid unions (8)	.414	.431	.436
Federal constitutions (15)	.639	.537	.748
Coefficient of association	.555	.200	.391
Significance (P)	.000	N/s	.005
Total	.414	.549	.553

Note: The type of constitution was classified using the definitions defined in the text according to data derived from Griffiths (2005), Watts (1999), and Banks (2004). The mean level of fiscal, administrative and political decentralization was estimated in 68 nations based on the measure developed by Schneider. The coefficient of association (η) and its significance was calculated based on the difference between means using ANOVA.

Sources: Ann L. Griffiths. 2005. Ed. *Handbook of Federal Countries, 2005*. Montreal: Forum of Federations/McGill University Press; Ronald L. Watts. 1999. *Comparing Federal Systems*. 2nd Ed. Kingston, Ontario: McGill-Queen's University Press; Aaron Schneider. 2003. 'Decentralization: Conceptualization and measurement.' *Studies in Comparative International Development* 38(3): 32-56.

Table 7.3: Federalism and democracy, all societies worldwide

	Liberal democracy			Constitutional democracy			Participatory democracy			Contested democracy		
	Freedom House			Polity IV			Vanhanen			Przeworski et al/ Cheibub and Gandhi		
	b	pcse	p.	b	pcse.	p.	b	pcse	p	b	pcse	p
INSTITUTIONS												
PR Electoral system	4.30	(.949)	***	10.54	(.530)	***	4.72	(.401)	***	13.74	(.921)	***
Parliamentary monarchy	11.68	(.569)	***	18.74	(1.17)	***	7.87	(.848)	***	21.54	(1.83)	***
Federal constitution	.70	(.222)	***	1.60	(.204)	***	.939	(.127)	***	1.27	(.269)	***
CONTROLS												
Log GDP/Capita (US\$)	11.46	(.979)	***	7.75	(.737)	***	10.1	(.551)	***	21.0	(1.13)	***
Ex-British colony (0/1)	9.27	(.627)	***	9.66	(1.14)	***	1.65	(.596)	***	7.24	(.719)	***
Middle East (0/1)	-13.33	(1.88)	***	-16.94	(1.53)	***	-11.00	(.632)	***	-28.3	(2.44)	***
Regional diffusion of democracy	.59	(.052)	***	.621	(.039)	***	.688	(.034)	***	.307	(.045)	***
Ethnic fractionalization (0-100-pt scale)	-9.78	(.634)	***	-2.40	(1.48)	N/s	-6.12	(.776)	***	-16.7	(2.11)	***
Population size (thou)	-.000	(.001)	***	-.001	(.001)	N/s	-.001	(.001)	***	.000	(.001)	***
Area size (sq.miles)	.001	(.001)	***	.001	(.001)	***	.001	(.001)	***	.001	(.001)	***
Constant	-14.76			-7.45			-30.51			-39.9		
N. observations	5125			4221			4446			4902		
N. of countries	187			156			180			185		
Adjusted R²	.513			.560			.666			.448		

Note: Entries for Liberal Democracy, Constitutional Democracy and Participatory Democracy are unstandardized beta OLS regression coefficients (b) with panel corrected standard errors (pcse) and the significance of the coefficients (p) for the pooled time-series cross-national dataset obtained using Stata's xtpcse command. With pcse the disturbances are, by default, assumed to be heteroskedastic (each nation-state has its own variance) and contemporaneously correlated across states. Models for Contested democracy were run using logistic regression for the binary dependent variable, with the results summarized by Nagelkerke R square. For the measures of democracy, standardized to 100-point scales and lagged by one year, see Chapter 2. For details of all the variables, see Technical Appendix A. Significant at * the 0.05 level, ** the 0.01 level, and *** the 0.001 level.

Table 7.4: Key indicators in India and Bangladesh

Social and economic indicators	India	Bangladesh
Area	3,287,590 sq km	144,000 sq km
Pop., 2007	1.13 bn.	150.4m
Pop below poverty line (%)	25%	45%
GDP per capita (PPP US\$), 2006	\$3,700	\$2,200
Life expectancy at birth, 2003	68 years	63 years
Human Development Index, 2003	.501	.600
Adult literacy (% of pop. 15+), 2003	59%	43%
Ethnic fractionalization, 2002 (Alesina)	.418	.045
Political indicators		
Year of independence (from)	1947 (Britain)	1971 (W. Pakistan)
Liberal Democracy (Freedom House) Index, 1973	2.5	3
Freedom House classification 1973	Free	Partly free
Liberal Democracy (Freedom House) Index, 2007	2.5	4
Freedom House classification 2007	Free	Partly free
Control of Corruption (Kaufmann) 2005	47	8
Government effectiveness (Kaufmann) 2005	52	21
Political stability (Kaufmann) 2005	22	7
Rule of Law (Kaufmann) 2005	56	20
Voice and accountability (Kaufmann) 2005	56	31
Regulatory quality (Kaufmann) 2005	41	15

Note: See the appendix for details of these indices and full sources of data. The Kaufmann indices rank each country on 0-100 point scales where high = better governance ratings.

Source: Daniel Kaufmann, A. Kraay, and M. Mastruzzi 2006: *Governance Matters V: Governance Indicators for 1996-2005*. www.worldbank.org

Figure 7.1: Model of vertical power-sharing arrangements

	Civil Society	Public sector	Private sector
Supra-national	International NGOs and global networks of activists	Multinational and regional government	International corporations
National	National interest groups, non-governmental organizations, voluntary societies	Nation-state Central organs of the national legislature, core executive and bureaucracy, and national judiciary	Privatization of state sector nationalized assets
Sub-national	Regional, local and community interest groups, non-governmental organizations, voluntary societies	Federal constitutions safeguarding state's rights and autonomy over some functions Political, fiscal and administrative decentralization to regional, local and community elected bodies	Privatization of regional and local sector assets and contracting out of services

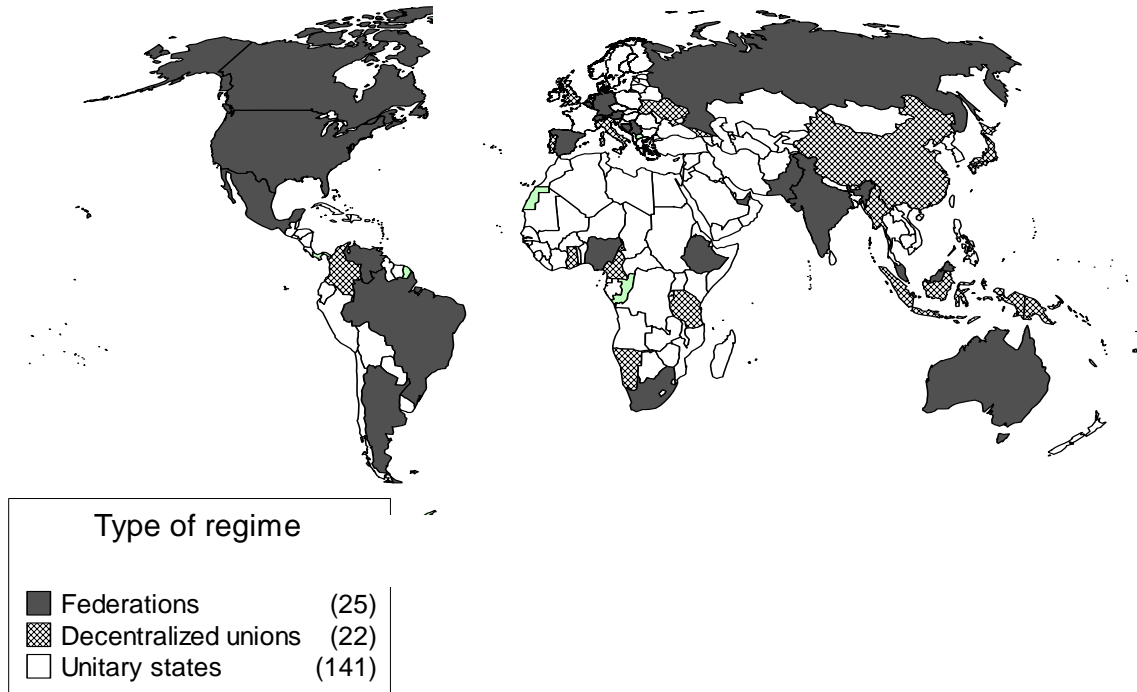
Source: Joseph Nye, Jr. and Robert Keohane. 2000. 'Introduction.' In *Governance in a Globalizing World*, Joseph Nye and John D. Donahue, editors Washington DC: Brookings Institution Press.

Figure 7.2: Matrix of vertical power-sharing arrangements

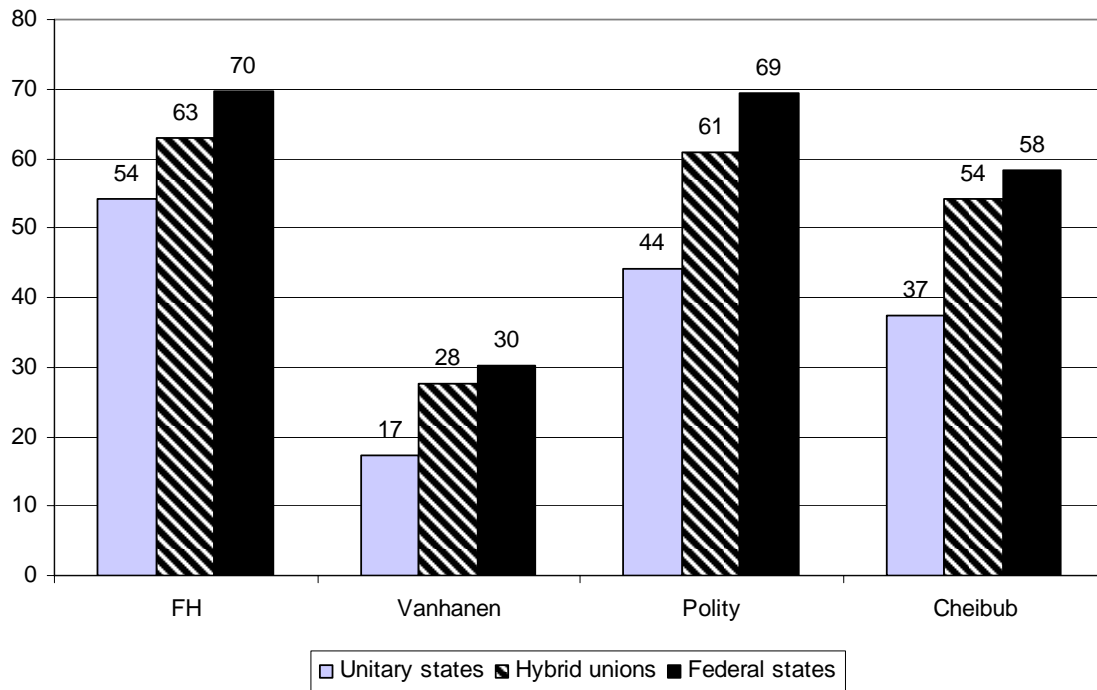
		Type of constitution		
		Unitary states (144)	Hybrid Unions (22)	Federal states (25)
Degree of administrative, fiscal and political decentralization	Centralized	Eg Kenya Zimbabwe	Eg Indonesia Azerbaijan	Eg Malaysia Belgium
	Decentralized	Eg Norway Denmark	Eg Italy	Eg Canada Switzerland

Note: See the text for definitions of each type of constitution and the measures of decentralization which are used. The numbers in parenthesis represent the distribution of each type out of 191 contemporary states worldwide in 2000.

Figure 7.3: Map of constitutional types

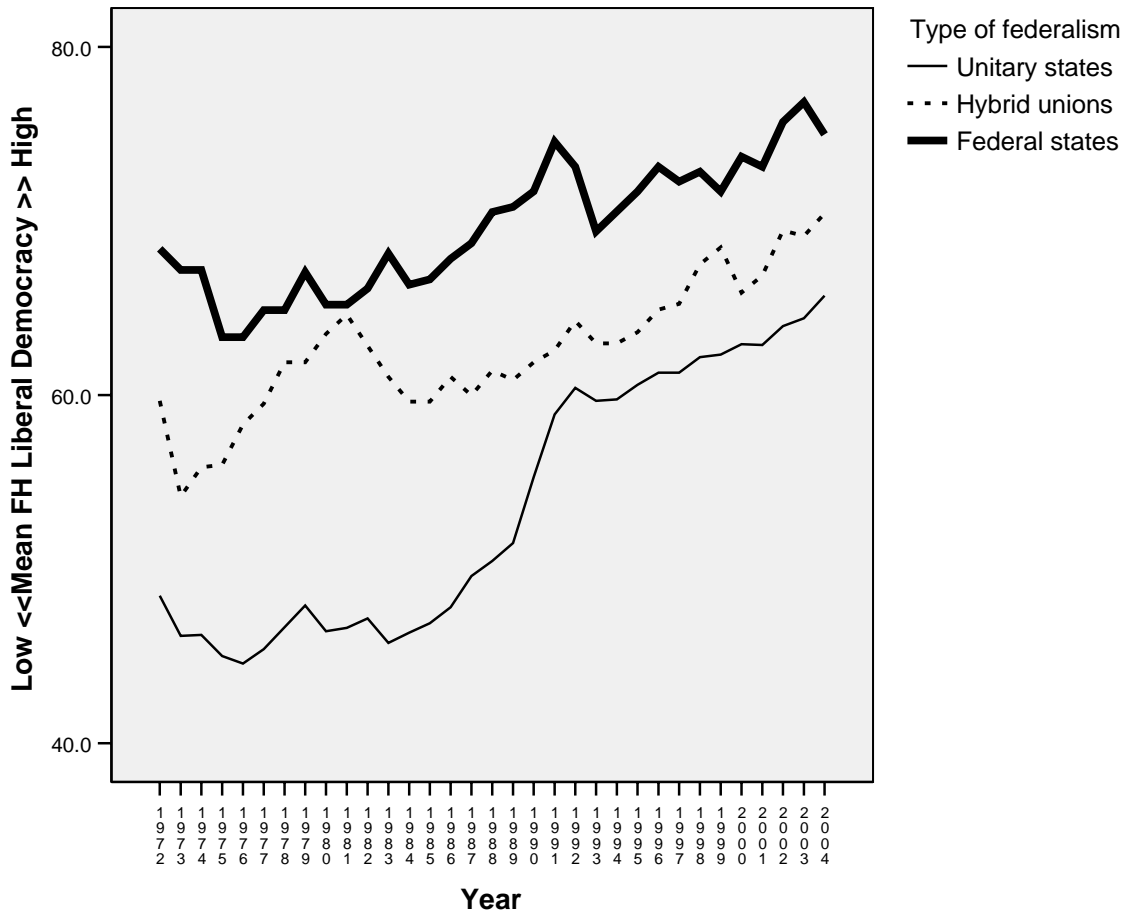


Note: The type of constitution was classified using the definitions defined in the text according to data derived from Griffiths (2005), Watts (1999), and Banks (2004).

Figure 7.4: Levels of democracy by type of constitution

Note: The type of constitution was classified using the definitions defined in the text according to data derived from Griffiths (2005), Watts (1999), and Banks (2004). The standardized 100-point scales of democracy are described in Table 3.1. The four scales measure *Liberal Democracy* (Freedom House 2000), *Constitutional Democracy* (Polity IV 2000), *Participatory Democracy* (Vanhanen 2000), and *Contested Democracy* (Cheibub and Gandhi 2000). When tested by ANOVA, the difference between mean scores are all significant (at the $p=.001$ level).

Figure 7.5: Trends in democratization by type of constitution



Note: The standardized 100-point scale of democracy is described in Table 3.1. The scale measures *Liberal Democracy* (Freedom House 2000). For the classification of types of constitution, see text.

Figure 7.6: Types of constitution and the degree of fiscal and political decentralization

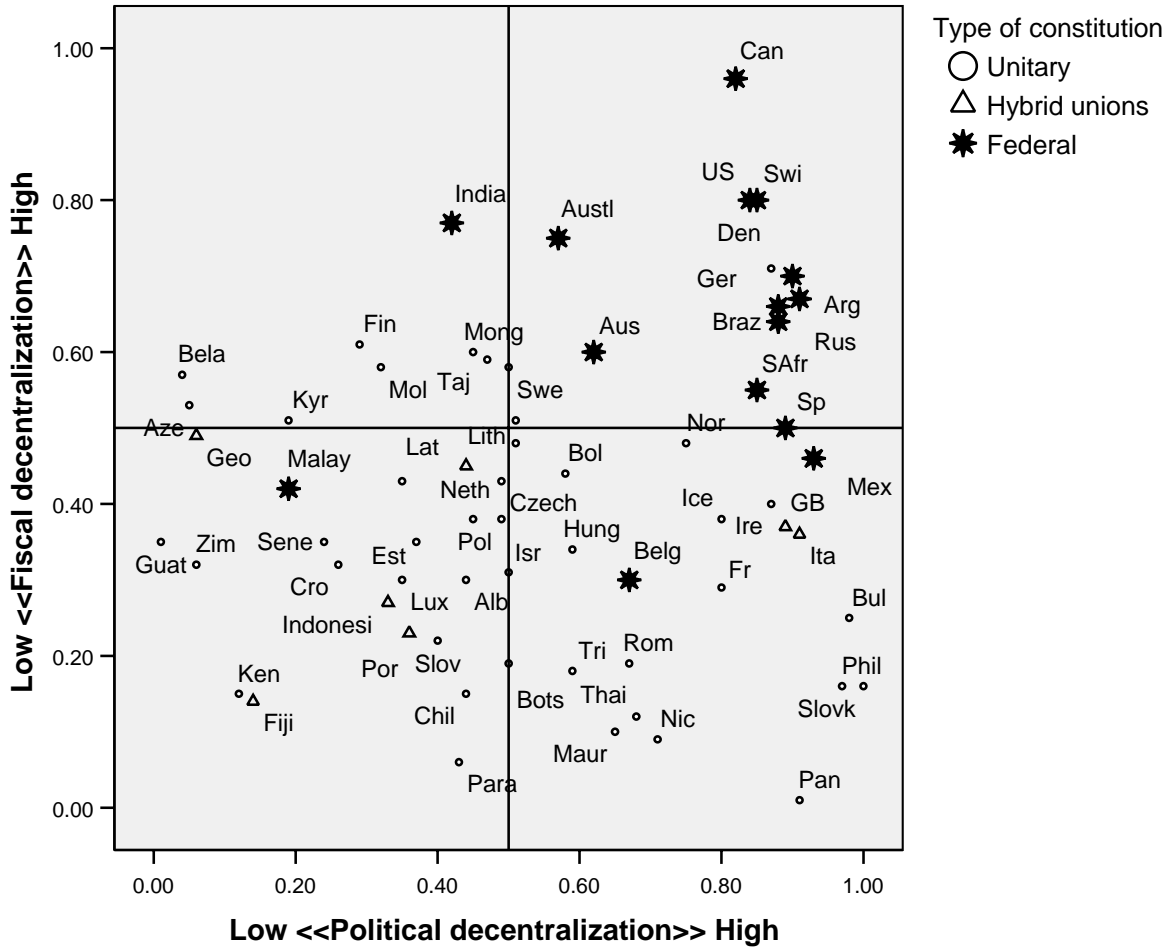
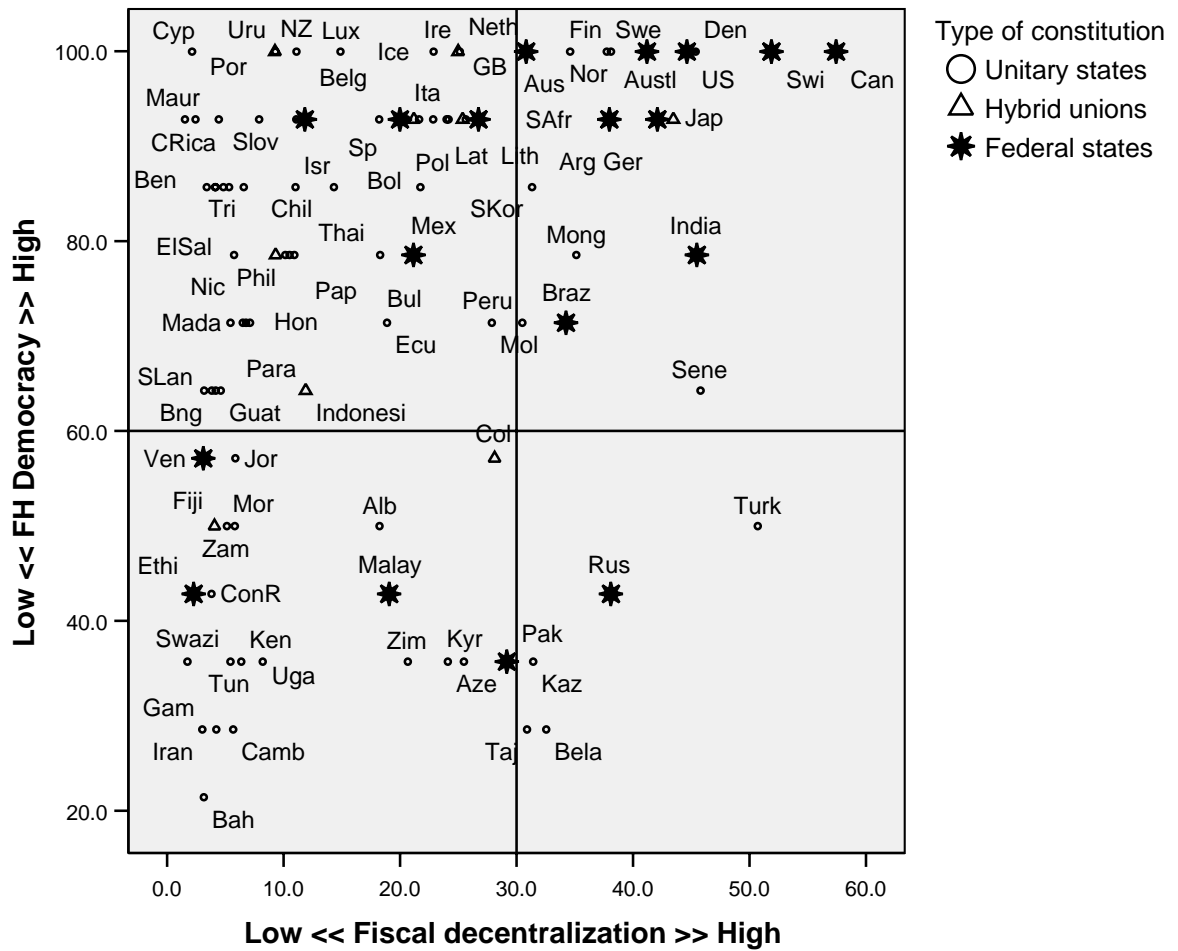


Figure 7.7: Freedom House Liberal Democracy and the degree of fiscal decentralization



Note: The standardized 100-point scale of democracy is described in Table 3.1. The scale measures *Liberal Democracy* (Freedom House 2000). The type of constitution was classified using the definitions defined in the text according to data derived from Griffiths (2005), Watts (1999), and Banks (2004). The mean level of fiscal decentralization was estimated for 98 nations based on the mean level of sub-national expenditure reported for the period 1972-2000.

¹ Rohan Edrisinha and Lee Seymour with Ann Griffiths. 'Adopting federalism: Sri Lanka and Sudan.' In Ann L. Griffiths. Ed. *Handbook of Federal Countries, 2005*. Montreal: Forum of Federations/McGill University Press.

² Remy Prudhomme. 1995. 'The Dangers of Decentralization.' *World Bank Research Observer*. 10(2): 201-220.

³ James Manor. 1999. *The Political Economy of Democratic Decentralization*. Washington, DC: The World Bank; Richard M. Bird and François Vaillancourt. Eds. 1999. *Fiscal Decentralization in Developing Countries*. New York: Cambridge University Press; Ehtisham Ahmad (Editor). 2002. *Fiscal Decentralization*. London: Routledge; Erik Wibbels. 2005. *Federalism and the Market: Intergovernmental Conflict and Economic Reform in the Developing World*. New York: Cambridge University Press; Bas Denters and Lawrence Rose (Editors). 2005. *Comparing Local Governance: Trends and Developments*. London: Palgrave/Macmillan.

⁴ <http://www1.worldbank.org/publicsector/decentralization/webfiscal.pdf>

⁵ See, for example, Ed C. Page and Michael Goldsmith. 1987. *Central and Local Government Relations*. London: Sage; Ed C. Page. 1991. *Localism and Centralism in Europe*. Oxford: Oxford University Press; Michael Goldsmith. 2002. 'Central control over local government: A Western European comparison.' *Local Government Studies* 28 (3): 91.

⁶ Dan Stegarescu. 2005. 'Public sector decentralisation: Measurement concepts and recent international trends.' *Fiscal Studies* 26 (3): 301-333.

⁷ Michiel S. De Vries. 2000. 'The rise and fall of decentralization: a comparative analysis of arguments and practices in European Countries.' *European Journal of Political Research* 38, 193–224.

⁸ Daniel Treisman. 2007. *The Architecture of Government: Rethinking Political Decentralization*. New York: Cambridge University Press.

⁹ Alfred Stephan. 1999. 'Federalism and democracy: beyond the US Model.' *Journal of Democracy*. 10(4): 19-34.

¹⁰ For a critical discussion and review of these claims, see Jan Erk. 2006. 'Does federalism really matter?' *Comparative Politics* 39 (1): 103; Daniel Treisman. 2007. *The Architecture of Government: Rethinking Political Decentralization*. New York: Cambridge University Press.

¹¹ See R.A. Nickson. 1995. *Local Government in Latin America*. Colorado: Lynne Reinner; B.D. Santos. 1998. 'Participatory budgeting in Porto Alegre: Toward a redistributive democracy.' *Politics & Society* 26 (4): 461-510; A. Acharya, A.G. Lavallo, and P.P. Houtzager. 2004. 'Civil

society representation in the participatory budget and deliberative councils of Sao Paulo, Brazil.' *IDS Bulletin-Institute of Development Studies* 35 (2): 40.

¹² R. Fisman and R. Gatti. 2002. 'Decentralization and corruption: evidence across countries.' *Journal of Public Economics* 83 (3): 325-345.

¹³ David Osborne and T. Gaebler. 1993. *Reinventing Government*. New York: Addison Wesley; Hans Keman. 2000. 'Federalism and policy performance.' In Ute Wachendorfer-Schmidt (ed). *Federalism and Policy Performance*. London: Routledge.

¹⁴ Stuart Ranson and John Stuart. 1994. *Management for the Public Domain*. Basingstoke: Macmillan.

¹⁵ Classic arguments in favor of federalism and decentralization can be found in William H. Riker. 1964. *Federalism: Origins, Operations, Significance*. Boston: Little Brown; W. Oates. 1972. *Fiscal Federalism*. New York: Harcourt, Brace, Jovanovich.

¹⁶ Arend Lijphart. 1999. *Patterns of Democracy*. New Haven: Yale University Press. p.196.

¹⁷ Nancy Bermeo. 2002. 'The import of institutions.' *Journal of Democracy* 13(12):96-110.

¹⁸ Alfred Stephan. 1999. 'Federalism and democracy: beyond the U.S. Model.' *Journal of Democracy*. 10(4): 19-34.

¹⁹ Ted Robert Gurr. 1993. *Minorities at Risk: A Global View of Ethnopolitical Conflicts*. Washington DC: US Institute of Peace Press.

²⁰ M. Hechter. 2000. *Containing Nationalism*. New York: Oxford University Press.

²¹ See the literature review in Erik Wibbels. 2005. *Federalism and the Market: Intergovernmental Conflict and Economic Reform in the Developing World*. New York: Cambridge University Press.

²² Remy Prudhomme. 1995. 'The Dangers of Decentralization.' *World Bank Research Observer*. 10(2): 201-220.

²³ Stuart Ranson and John Stuart. 1994. *Management for the Public Domain*. Basingstoke: Macmillan.

²⁴ For regional overviews, see Daniel Elazar. 1994. *Federal Systems of the World: A Handbook of Federal, Confederal and Autonomy Arrangements* Essex: Longman; Ann L. Griffiths. Ed. *Handbook of Federal Countries, 2005*. Montreal: Forum of Federations/McGill University Press.

²⁵ Richard Simeon and Daniel-Patrick Conway. 2001. 'Federalism and the management of conflict in multinational societies.' In *Multinational Democracies* Ed. Alain-G. Gagnon and James Tully. New York: Cambridge University Press.

-
- ²⁶ Ronald L. Watts. 2006. *Models of Federal Power-sharing*. Washington, DC: National Democratic Institute.
- ²⁷ Henry E. Hale. 2004. 'Divided we stand: Institutional sources of ethno-federal state survival and collapse.' *World Politics* 56: 165-93.
- ²⁸ Henry E. Hale. 2004. 'Divided we stand: Institutional sources of ethno-federal state survival and collapse.' *World Politics* 56: 165-93.
- ²⁹ Eric A. Nordlinger 1972. *Conflict Regulation in Divided Societies*. Cambridge, MA: Harvard University Center for International Affairs.
- ³⁰ Valerie Bunce. 1999. *Subversive Institutions: The Design and Destruction of Socialism and the State*. New York: Cambridge University Press.
- ³¹ Shaheen Mozaffar and James R. Scarritt. 1999. 'Why territorial autonomy is not a viable option for managing ethnic conflict in African plural societies.' *Nationalism and Ethnic Politics* 5.
- ³² Michael Hechter. 1992. 'The dynamics of secession.' *Acta Sociologica* 35(4): 267-283; Ian S. Lustik, Dan Miodownik and Roy J. Eidelson. 2004. 'Secessionism in multicultural states: Does sharing power prevent or encourage it?' *American Political Science Review* 98(2): 209-229.
- ³³ Dawn Brancati. 2006. 'Decentralization: Fueling the fire or dampening the flames of ethnic conflict and secessionism?' *International Organization* 60 (3): 651-685; Dawn Brancati. 2007. *Design over conflict: Managing ethnic conflict and secessionism through decentralization*. New York: Cambridge University Press.
- ³⁴ Jonathan Rodden. 2004. 'Comparative federalism and decentralization: On meaning and measurement.' *Comparative Politics* 36 (4): 481.
- ³⁵ U. Panizza. 1999. 'On the determinants of fiscal centralization: Theory and evidence.' *Journal of Public Economics* 74 (1): 97-139.
- ³⁶ Dan Stegarescu. 2005. 'Public sector decentralisation: Measurement concepts and recent international trends.' *Fiscal Studies* 26 (3): 301-333.
- ³⁷ R.A. Nickson. 1995. *Local Government in Latin America*. Colorado: Lynne Rienner.
- ³⁸ Dawn Brancati. 2006. 'Decentralization: Fueling the fire or dampening the flames of ethnic conflict and secessionism?' *International Organization* 60 (3): 651-685.
- ³⁹ J. Rodden. 2004. 'Comparative federalism and decentralization: On meaning and measurement.' *Comparative Politics* 36 (4): 481.
- ⁴⁰ For a discussion, see Daniel Elazar. 1994. *Federal Systems of the World: A Handbook of Federal, Confederal and Autonomy Arrangements* Essex: Longman.

⁴¹ Ronald L. Watts. 1999. *Comparing Federal Systems*. 2nd Ed. Kingston, Ontario: McGill-Queen's University Press; Michael Burgess. 1993. 'Federalism and Federation: A Reappraisal.' In *Comparative Federalism and Federation*. Ed. Michael Burgess and Alain-G. Gagnon. London: Harvester Wheatsheaf; Peter King. 1982. *Federalism and Federation*. London: Croom Helm.

⁴² William Riker. 1964. *Federalism: Origin, operation, significance*. Boston: Little Brown and Company. P11.

⁴³ Samuel C. Patterson and Anthony Mughan, Eds. 1999. *Senates: Bicameralism in the Contemporary World*. Columbus: Ohio State University Press; George Tsebelis and Jeannette Money. 1997. *Bicameralism* Cambridge: Cambridge University Press.

⁴⁴ Alfred Stephan. 1999. 'Federalism and democracy: beyond the U.S. Model.' *Journal of Democracy*. 10(4): 19-34.

⁴⁵ C. Souza. 2002. 'Brazil: The prospects of a center-constraining federation in a fragmented polity.' *Publius-The Journal of Federalism* 32 (2): 23-48; Scott Mainwaring. 1997. 'Multipartyism, robust federalism, and Presidentialism in Brazil.' In *Presidentialism and Democracy in Latin America*. Eds. Scott Mainwaring and Matthew Soberg Shugart. New York: Cambridge University Press.

⁴⁶ Barry Ames. 2001. *The deadlock of democracy in Brazil*. Ann Arbor: University of Michigan Press; Leslie Bethell. 2000. 'Politics in Brazil: From elections without democracy to democracy without citizenship.' *Daedalus*. 129 (2): 1-27

⁴⁷ Gordon P. Means. 2005. 'Malaysia.' In Ann L. Griffiths. Ed. *Handbook of Federal Countries, 2005*. Montreal: Forum of Federations/McGill University Press.

⁴⁸ Alastair McAuley (ed.) 1991. *Soviet Federalism: Nationalism and Economic Decentralization*. Leicester: Leicester University Press; Elizabeth Pascal. 2003. *Defining Russian Federalism*. London: Praeger.

⁴⁹ G.P. Herd. 'Russia: Systemic transformation or federal collapse?' *Journal of Peace Research* 36 (3): 259-269.

⁵⁰ D. Bahry. 2005. 'The new federalism and the paradoxes of regional sovereignty in Russia.' *Comparative Politics* 37 (2): 127.

⁵¹ Michael S. De Vries. 2000. 'The rise and fall of decentralization: a comparative analysis of arguments and practices in European Countries.' *European Journal of Political Research* 38, 193–224; Ed C. Page. 1991. *Localism and Centralism in Europe: The Political and Legal Bases of Local Self-government*. Oxford: Oxford University Press.

⁵² Carl A. Trocki. 2006. *Singapore: wealth, power and the culture of control*. New York: Routledge; Diane K. Mauzy and R.S. Milne. 2002. *Singapore politics under the People's Action Party*. New York: Routledge.

⁵³ 'Hybrid' unions can also been termed 'semi-federal' or 'decentralized unions' (Watts), but 'hybrid' seems a better term to capture the characteristics of this mixed category.

⁵⁴ Andrew Gamble. 2006. 'The constitutional revolution in the United Kingdom.' *Publius: The Journal of Federalism* 36 (1): 19-35.

⁵⁵ Ronald L. Watts. 1999. *Comparing Federal Systems*. 2nd Ed. Kingston, Ontario: McGill-Queen's University Press. Chapter 1.

⁵⁶ John Geering and Strom C. Thacker. 2004. 'Political Institutions and Corruption: The Role of Unitarism and Parliamentarism.' *British Journal of Political Science*. 34, 295–330.

⁵⁷ Daniel J. Elazar, Ed. 1991. *Federal Systems of the World: A Handbook of Federal, Confederal and Autonomy Arrangements*. Detroit: Gale Research; Ronald L. Watts. 1999. *Comparing Federal Systems*. 2nd Ed. Kingston, Ontario: McGill-Queen's University Press. Chapter 1; Ann L. Griffiths. Ed. *Handbook of Federal Countries, 2005*. Montreal: Forum of Federations/McGill University Press.

⁵⁸ See Aaron Schneider. 2003. 'Decentralization: Conceptualization and measurement.' *Studies in Comparative International Development* 38(3): 32-56.

⁵⁹ Ronald L. Watts. 1999. *The spending power in federal systems: A comparative study*. Kingston, Ontario: Institute of Intergovernmental Relations, Queens University.

⁶⁰ P.N. Dhar. 2000. *Indira Gandhi, the "Emergency" and Indian democracy*. For further discussion, see Sumit Ganguly. 'Six decades of independence.' *Journal of Democracy*. 18(2): 30-41; Monty G. Marshall and Ted Robert Gurr. 2006. *Peace and Conflict 2005*. Baltimore, Maryland: University of Maryland CIDCM.

⁶¹ Akhtar Hossain. 2000. 'Anatomy of Hartal Politics in Bangladesh.' *Asian Survey* 40(3):508-529; Stanley A. Kochanek. 2000. 'Governance, Patronage Politics, and Democratic Transition in Bangladesh.' *Asian Survey* 40(3): 530-550.

⁶² Jalal Alamgir. 2007. 'Bangladesh: Democracy Saved or Sunk?' *Foreign Policy*

⁶³ The Fund for Peace. 2006. 'Failed States Index Scores 2006.' www.fundforpeace.org.

⁶⁴ Louise Tillin. 2007. 'United in diversity? Asymmetry in Indian federalism.' *Publius: The Journal of Federalism* 37 (1): 45-67.

⁶⁵ Aseema Sinha. 2005. *The regional roots of development politics in India: A divided leviathan*. Bloomington: University of Indiana Press.

⁶⁶ H. M. Rajashekara. 1997. 'The Nature of Indian Federalism: A Critique.' *Asian Survey*, 37(3): 245-253

⁶⁷ M.P. Singh, and D.V. Verney. 2003. 'Challenges to India's centralized parliamentary federalism.' *Publius-The Journal of Federalism* 33 (4): 1-20; P. Chhibber and G. Murali. 2006. 'Duvergerian dynamics in the Indian states - Federalism and the number of parties in the state assembly elections.' *Party Politics* 12 (1): 5-34.

⁶⁸ Ashutosh Varshney. 2003. *Ethnic Conflict and Civic Life: Hindus and Muslims in India*. New Haven: Yale University Press; Monty G. Marshall and Ted Robert Gurr. 2006. *Peace and Conflict 2005*. Baltimore, Maryland: University of Maryland CIDCM.

⁶⁹ B. Currie. 1997. 'Multiple identities in a single state: Indian federalism in comparative perspective.' *Journal of Commonwealth & Comparative Politics* 35 (1): 125-126; M.P. Singh and D.V. Verney. 2003. 'Challenges to India's centralized parliamentary federalism.' *Publius-The Journal of Federalism* 33 (4): 1-20.

⁷⁰ Peter Ronald deSouza. 2003. 'The struggle for local government: Indian democracy's new phase.' *Publius: The Journal of Federalism* 33 (4): 99-118.

⁷¹ Raghendra Chattopadhyay and Esther Duflo . 2004. 'Women as Policy Makers: Evidence from a Randomized Policy Experiment in India.' *Econometrica* 72(5): 1409-1443.

⁷² J.P.Jain. 1997. 'The Gram Sabha: Gateway to grassroots democracy.' *Journal of Rural Development* 16: 557-573.

⁷³ A. Rashid. 2005. 'The politics of administrative decentralization in Bangladesh.' *Canadian Journal of Development Studies* 26 (4): 781-798.