

Institutional Change in Advanced Industrial Democracies: An Event History Analysis of Reform of Sub-National Governments

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Introduction

“In terms of a broad trend the message that overwhelmingly emerges is that most of the Europe is moving down the path of greater decentralization.” (Stoker 1991: 7)

“The fact that there is nevertheless something in common in the trends observable in the different countries raises the questions why and why now?” (Batley 1991: 223)

In 1993 Belgium changed its unitary system to a federal constitution in the course of a long process of decentralizing functions and responsibilities to its regions and language communities that had begun in the early 1970s. The process of decentralization in France between 1982 and 1986, although not as extensive and dramatic as the Belgian case, is another example of a general trend of decentralization. About the same time, Italy and Spain joined the same movement with their own decentralizing reforms. With few exceptions, both large and small democracies and both federal and unitary systems have had to cope with the issue of territoriality within their boundaries, usually accomplished through some form of institutional arrangement.

Despite the contemporary relevance of the decentralization tendencies on the political agenda of many West European countries, the processes of decentralization and of intergovernmental reform are not new. Sub-national government systems have come under dramatic changes over the last two or three decades (Sharpe 1993; Walker 1991; Wright 1994). Moreover, if we measure decentralization by the level of sub-national expenditures accompanied by institutional changes in a number of countries, it can be traced back to World War II (Sharpe 1988). The changes consisted of either reforms at the sub-national level or in the relations among the different levels of

government (Dente and Kjellberg 1988). All in all, the literature speaks of a broad trend of decentralization to lower levels of government (Sharpe 1988, 1993; Wright 1994; Lane and Ersson 1998; Keating 1998a; 1998b). In the end, the systems of intergovernmental relations are now more intertwined, more complex (Goldsmith and Newton 1988) and more decentralized.

Little has been written on this subject, and the existing literature is lacking in systematic analysis across countries. The existing explanations and speculations remain empirically untested. It mostly consists of mere descriptions and speculations concerning the role of economic factors in the decentralization trend. As a whole, it tends to see reforms as efficiency-driven responses on the part of central governments everywhere. The more accurate accounts point out the transformations taking place in the economic context, mainly economic recession and fiscal/budgetary crises, led central governments to transfer the burden to lower levels of government.

Clearly lacking in the literature is the fundamental role of politics. The changes in institutional arrangements have no neutral consequences; they set the rules with which the game of politics is played (Castles 1999). The literature takes for granted the involvement of political actors and institutional settings of parliamentary Western European democracies, for instance, the constitutional structure of a country. The constitutional structure determines the number of veto points that clearly affect the approval of significant laws that put these reforms into motion. A more comprehensive explanation is needed, one that takes those neglected elements into account and is sufficiently general and apt to explain changes across countries.

In this paper, I seek to explore the explanations of the decentralization movement that tend to emphasize economic crises, fiscal stress, and culturally-bounded incentives and develop a theory that explicitly accounts for the political factors and institutional arrangements that have been at work in the trends of reform with respect to its intergovernmental relations. Drawing on new institutionalist arguments, I focus on what might explain the decentralization of central government functions to sub-national governments and the incentives and constraints that led them to promote or refrain from promoting reform. I also conduct some preliminary empirical tests of the economic, political, and institutional determinants of the reform movement of local governments. In the end, the results suggest that decentralization is a strategy used by central governments in their own interest.

The Beginnings of the Decentralization Trend

Beginning in the 1960s, administrative regions became an important basis for administrative and political mobilization (Sharpe 1993; Keating 1998a; 1998b). Following the economic growth of the postwar period, some countries reacted to the regionalization question in a variety of ways. Some trends of reform of inter-governmental relations became evidentiary. The first wave of reform began in the 1960s and up until the mid 1970s, countries such as Germany, the Netherlands, Belgium, Norway, Denmark, Sweden, and Great Britain underwent local government reform through amalgamations of local entities in a clear attempt to increase their size and efficiency (Bennett 1993).

The literature points out that the 1970s marked the beginning of a wave of decentralization of functions from the central government level to intermediate levels of government, and this phenomenon has been referred to as the rise of the “meso” government in Western Europe (Sharpe 1993). Since this time, Italy, France, Spain, Belgium, created regional levels of government, of which Belgium was the most dramatic example, approving a federal constitution in 1993. Largely along the same trend of decentralization, some Scandinavian and other countries, namely Sweden, Finland, and Netherlands, devolved functions to their county or sub-national governments.

A new wave in this trend of sub-national reform has began in more recent times. In the past fifteen years, a majority of Western European countries have made a commitment to reform their local governments. These reforms took on a comprehensive character by way of the adoption of general legislation concerning local government reorganization, commonly called Local Government Acts or any similar designation. Almost always the result ended in their increasing local levels of autonomy (Batley 1991; Blair 1991; Stoker 1991). For example, what is known as the ‘free local government experiments’ in the Scandinavian countries is a particular case of this process. At the same time, the Council of Europe elaborated the European Charter of Local “Self-government”, a document that provides for an increase of autonomy of local governments. Since then its provisions have been put into force by a large majority of countries, albeit at different paces.

All these reform events have one thing in common — an increasing general trend of decentralization of responsibilities and powers from the center to sub-national

levels of government (Sharpe 1988, 1993; Wright 1994; Lane and Ersson 1998; Manor 1999)¹. Despite this trend, there are substantial differences in pace and intensity from country to country (Wright 1994). Some of them advanced to reform early; others reformed some years later, and still others opted not to reform at all. This significant amount of change in the institutional arrangements of sub-national government can hardly be a matter of coincidence (Sharpe 1993). If not a coincidental occurrence, a reason always difficult to accept, it is necessary to ask what led to each wave of reform and what might account for the differences across countries. In fact, “the prima facie evidence clearly suggests that something universal may be at work” (Sharpe 1993: 3).

Providing a general explanation is an important task given that reforms imply important changes in institutional arrangements of government or governance. The existing reforms have left traces in almost all European countries (Le Gales 1998) and because of this they are changing the character of the State (Sharpe 1993). Clearly, this needs an explanation. Surprisingly, the study of these reforms is markedly lacking (Sharpe 1988). To my knowledge, there is no systematic study on the causes of the reforms that explains variations across countries in a coherent fashion. The absence of empirical tests of these questions is even more glaring. What are more frequent are

¹ With the aim of conceptual clarification that may prove necessary, decentralization is understood to mean:

“a strengthening of territorial (regional and multipurpose governments) units, against central governmental decision makers, bureaucracies, policies and regulations, by means of reductionist policy shifts, deregulation, few or no conditions attached to fiscal transfers, political developments that accentuate the power of original and local elected officials or court cases favoring local rights (...)” (Walker 1991: 115).

Decentralization is, therefore, a central government decision. Central governments take back powers just as easily as they can devolve them. The ease or difficulty of doing so depends on legislative constraints. This is one of the main differences between a unitary and a federal system,

individual-country descriptions of the reform process and, at times, speculative arguments regarding the possible consequences (see, among others, Sharpe 1993; Dente and Kjellberg 1988).

The Explanations

Given the variety of cases involved, the temptation to believe in case-by-case explanations is great. Some authors have strongly claimed that “these reforms have been carried out for reasons internal to the states involved” (Keating and Loughlin 1997: 9). What these authors mean is that the reforms were largely due to specific conditions in each country and are, therefore, largely independent from one another. These explanations implicitly reject that something universal is at work. The course of events culminating in the change from unitary to a federal constitution in Belgium 1993 is unique. The case of disparate autonomous communities in Spain is also unique, originating in a system where different regions have different autonomic status. Nevertheless, while these claims are probably true to some extent, some common reasons must underlie the fact that these reforms occurred at close proximity to one another.

An alternative, more general answer to these questions is that states are turning to reform in a search for efficiency. However, this answer seems too simplistic and does not lead us very far. This is because it does not explain why and when reforms were

whereby the central government cannot retake the powers given to the states by way of the Constitution.

taking place. Even if we were to accept this, the question would be why the reforms occurred when they did and why they did not occur at all in others. Thus, the efficiency-driven answer is, therefore, clearly difficult to accept because it does not account for the differences among countries.

According to the literature, the demands for decentralization were the result of another force. In countries with clearer and concentrated linguistic, ethnic, and cultural diversification across regions, the demands for regional and local autonomy began to appear in the late 1960's (Walker 1991; Wright 1994; Sharpe 1993; Muller and Wright 1994). This force promoting centrifugal actions from central governments was the main reason presented for the creation of regional levels of government in Belgium, Spain, and Italy. While this reason for decentralization is certainly undeniable in some cases like these, it is not entirely clear for why it might explain the trend in other smaller and more homogenous countries.

More interesting answers were also advanced, largely based on the patterns of Western Europe evolution in the last decades. The political and economic evolution of the post World War II era was one of successive increases in the size and scope of government, of which the most obvious example is the size of the welfare programs. Keynesian macroeconomics and its predominant reliance on public spending was embraced by governments desiring the creation of wealth and economic growth. This is a pattern of all Western democracies with very few exceptions. Taxes and government resources and expenditures began to increase in the 30s so as to face the war effort and did not stop rising, at least not until the mid-70s. Along with that growth, the governmental apparatus grew markedly. Some authors argue that the rise of the welfare

state inevitably pressured towards, or implied, the centralization of state functions (Walker 1991; Peillon 1993), mainly a way of an increasing intervention and control of sub-national affairs.

One fact, however, changed this evolutionary path. With the economic crisis that began in the mid-1970s, inflation and unemployment at unexpected levels took the place of the long lasting economic growth. The trade-off between inflation and unemployment in the form of the well-known Philips Curve broke down and was substituted by a newly invented term, stagflation, the simultaneous occurrence of high values in both variables. It was increasingly difficult to believe in the virtues of the government action. The pessimistic economic context led Western states to shift their strategies, with attempts — very often merely rhetorical ones—to reduce the growth and even absolute government size (Sharpe 1988).

Given this context, some authors have convincingly claimed that the economic crises of the 1970's were the key events in the recent process of reform that drove to decentralization. For one author, these crises are the single most important factor triggering the largest wave of state reforms in general and the decentralization reform in particular (Wright 1994). This argument holds that the economic crises led to a decline of the State, which in turn led governments to change so as to avoid losing their electoral basis. In this account, the political actors of each country reformed precisely when the political conditions changed and the costs of losing support made them agree on and promote change. In fact, according to this account, the economic crises of the 1970s “opened the window of reform” of the State (Muller and Wright 1994).

Complementarily, some empirical studies also claim that, at the same time, citizens' support of government action began to wane significantly (Doring 1994). In a few years, a forty-year movement of strong government intervention vanished and was replaced by a strong feeling of distrust of the virtues of the State. The resistance to tax burdens began to decline accordingly. The persistence of the economic crises, with the consequential period of budget deficits, deepened this feeling even further. Most of the rhetoric of State reform was a possible solution. In this way, the decline of the confidence in the State would be the natural cause of governments attempts to reforming it (Wright 1994; Keating 1998).

Along the same lines, linked with the change in the character of the State, the role of strategic actions on the part of politicians and the incentives faced by central governments were also relevant. The result of the economic crises, fiscal stress, and decline in confidence on the governmental institutions was an increasing resistance to tax burdens coupled with never a ending demands for a greater provision of services. In this context, various strategies were developed by politicians to face the main problem of having to reduce tax burdens (Bennett 1990). The main choice among strategies was based on the idea that the most effective way to solve the problem was also the most difficult to implement in the political arena. The first strategy, obviously, was to reduce taxes with a consequential cut in public expenditures. The difficulty with this is that public expenditures are indispensable for electoral political exchange. This is the reason why the effective decrease in government size was almost always much more of a rhetorical tool of discourse than an empirically verified reality. The second strategy was the imaginative procedure of inventing new taxes without actually calling them

taxes. This also had its limitations since the imaginative solutions do not abound in real world. The third and more important strategy was the most effective, consisting in the central government de-investing itself from service responsibility without cutting its provision. This action was pursued through decentralization either to the private sector (privatization) or to sub-national governments (political or administrative decentralization) (Bennett, 1990). Decentralization is, in this way, a strategy employed to face altering conditions. This may also be a strategy of putting harder decisions out of the national arena (Zariski and Rosseau 1987) or the ‘off loading strategy’ (Sharpe 1993).

In sum, the existent literature calls attention to two important facts that were at the roots of the decentralizing trends of the recent two decades. First, the beginning of the nationalist and ethnic movements that began in the 1960’s and developed through demands of autonomy. Second, and more importantly, were the economic crises of the 1970’s with the correspondent fiscal pressures. This was accompanied by resistance to tax burdens, continuing demand for public services, and distrust of the public sector. All of this led to the change in the character of the State and moved them to reform. In the next section, I argue that while these explanations may be true to some extent, they need to be argued more explicitly by way of political dynamics. Here, the institutional contexts of each country take on a crucial role.

An Exploratory Hypothesis: The Role of Politics in the Decentralization Movement

“...because institutions systematically produce certain kinds of outcomes, institutions can be modified to alter policy outcomes. Knowledge of the kinds of outcomes different institutions produce can transform preferences over policies into preferences over institutions.” (Tsebelis 1990: 98)

Although these explanations present in most of the literature may explain the general trend toward decentralization of responsibilities (Dente and Kjellberg 1988), they are somewhat insufficient to explain the different paces and times of reform, or, in a word, variability. Why did some countries decide to reform more recently devolving more autonomy to their sub-national governments and others did not? Why did some countries reform early and others advanced much later?

These explanations ignore the role of political bargaining and their institutional constraints. Including them in the analysis is crucial to the understanding of the variability of paces of reform. The institutional arrangements of intergovernmental relations make a difference because they set important rules in which politics is played within each country (Castles 1999). The distribution of political benefits and costs and the determination of winners and losers in political bargaining, largely depend on them. The structure of decision-making in a more decentralized system of relations among levels of government is different from a more centralized system due to the political costs associated with one and the other. Both promote different incentives and constraints on political actors. In sum, they define the structure of power. Therefore it is

natural to expect that politicians pay attention to that structure and have different preferences over the arrangements of intergovernmental decision-making according to different political and economic environments. And, accordingly, one should expect politicians to maximize their interests and chose the institutional arrangements that are more efficient to promote those interests.

This means that in order to change the status quo of intergovernmental division of responsibilities it is necessary to have something to gain from a new arrangement, otherwise the change will not occur, even under different political and economic conditions. For example, the organization of the political system is an important influence on political actors that impinges different constraints and, then, different responses by the central governments. All this translates a well-known argument of the importance of institutions, according to which making choices about institutions (how politics is played) can be another way of making choices about outcomes (Tsebelis 1990; Steinmo et al. 1992). Institutional change is about power and the struggles.

I propose to analyze the reform of sub-national governments as a decision of central government, the pivotal actor of the reform (Benz 1995). In unitary systems, the central governments are the ones that chose to give more or less autonomy to sub-national governments. This is done through legislation— a kind of contract or institution— that determines the responsibilities, powers, and financial resources of the sub-national levels of government as well as the institutions of central control over them. So, there are compelling reasons to expect that central governments do it according to their own interests of staying in office and getting reelected (Downs 1957, see also Epstein and O'Halloran 1999). We should expect reforms to be enacted when

they are in the interest of the politicians who make key decisions (Keating 1997). This is the supply side argument of institutional reform by central government (Alston, Eggertson and North 1996, see also Riker 1996 for a similar case of institutional change).

In addition, in the countries of Western Europe, all of them parliamentary democracies, the governments are supported in the legislative body. This means that the distinction and the dynamics of interaction between executive and legislature can be ignored, because the split between them almost always results in a new government (Tsebelis 1999; Boix 1999).² Therefore, it is sufficient to analyze the choices of the central government through executive's point of view of the executive, they are the pivotal actors.

As derived from the previous literature, the causes that explain the universal phenomenon can be taken as common to all countries, in the sense that they affected them in roughly the same way and about the same time. The economic crises of the 1970's were the particular window of reform (Sharpe 1988, 1993; Wright 1994; Muller and Wright 1994). The sense of failure of the State led or was enhanced by a strong emergence and unification of liberal and anti-State ideologies (from Keynesianism to monetarism) (Muller and Wright 1994, see also Tsebelis 1990; Steinmo et. all 1992; Weir for the importance of innovation in institutional change).

² This is very different from what happens in presidential systems, where the struggles between the legislative and the executive are the day-by-day process of governance. As an example, Johnson and Libecap (1994) based their theoretical argument about institutional change (adoption of merit system by U.S. federal government) on the struggle between the president and the Congress.

But, more importantly, the economic crises and what followed them strongly changed the conditions facing the central executives. Basically, it fundamentally changed the choices that maximized their interests in being re-elected. Reform of the State was therefore a response to a specific changing context. With the appearance of the economic crises, the fiscal crisis, and limited tax burdens coupled with continuing demands for public services, government actors were forced to implement alternatives to their big-government policies without actually stopping the provision of public goods. As was seen, decentralizing some functions is clearly one way of off-loading and shifting responsibilities and responding to these kinds of demands for a smaller State (Bennet 1990). Briefly put, the decentralization reform was advanced according to the central advantage strategy (Sharpe 1993).

Hypothesis 1 - The trend toward decentralization is more probable in a context of fiscal crisis of public sector, particularly deficits and decreasing revenues. Decentralization the best response of central government to the changing conditions.

However, the circumstances under which central governments or the ruling parties opt to change the structure of sub-national governments giving them more responsibilities and more autonomy rather than more control are not so linear as this hypothesis suggest. It is not reasonable to expect central governments executives to react to the changing economic and political conditions facing public sectors in the same way, either across space or across time (Ostrom 1995). The responses also depend on the institutional features of each country, mainly the set of actors that constitute the ruling parties of the executive and the structural and constitutional characteristics that provide conditions for more stable or unstable governments. That is, as the conditions

at the macro-institutional level vary (Immergut 1992; Ostrom 1995), so also do the sets of incentives of reform facing central governments and, consequently, their most preferred choices over the arrangements of intergovernmental decision-making.

With this in mind, the theory of veto points is a powerful way to present the importance of these institutional differences in the context of cross-national differences. The theory predicts that changing the status quo of politics is easier with few veto points in the political and constitutional system (Tsebelis 1999; see also Immergut 1992 on the importance of veto points for enacting policies). It can be enunciated simply.

“(…) A veto player is an individual or collective actor whose agreement is necessary for a change of the status quo. On the basis of this definition, the argument underlying the veto players theory is very simple: A significant policy change has to be approved by all veto players, and it will be more difficult to achieve the larger the number of veto players and the greater the ideological distance among them. In a parliamentary system, veto players are the parties in government as well as other actors endowed with veto power.” (Tsebelis 1999: 593).

According to this theory, we can expect that the general structure of the political system makes a difference: proportional vs majoritarian, unicameralism vs bicameralism, etc. This serves as basis of the second hypothesis, concerning the conditions under which central governments will choose to decentralize authority or to preserve a more centralized intergovernmental system of decision making. The change will occur when the institutional setting is more permissible to significant changes.

Hypothesis 2 – The greater the number of veto points in the policy process, the less likely the frequency of reforms.

In sum, the main theoretical argument is that the changes in the institutional arrangements of intergovernmental decision making are derived by political considerations. The change in economic and political circumstances facing central

government politicians altered their incentives, leading them to give more autonomy of sub-national levels of government as preferred in those circumstances. In addition, the corresponding reaction to changing circumstances was different according to the institutions of government in each country, namely the number of parties in government and the number of veto points that characterize the constitutional system.

In the next section I provide a exploratory empirical test of the argument. As an example, I focus on the particular case of the recent wave of reforms of local governments in unitary Western European countries.

Empirical Test

As mentioned above, since the 1980's there has been a developing wave of adoption of comprehensive reforms of local governments, mostly in unitary Western European countries. Despite the significant differences among the reforms across countries, these reforms can arguably be characterized as consisting in the provision of more autonomy to sub-national governments (Batley 1991; Blair 1991; Stoker 1991). If that common characteristic is recognized, the possible motivations of central governments can be treated as similar, allowing an adequate statistical test. However preliminary, an empirical test can provide important insights on arguments presented on the determinants of the decentralizing trend.

Based on information provided in OECD (1997) country reports on reform of sub-national governments, I look at the adoption of comprehensive local government

reform as the dependent variable. The enactment of Local Government Act or similar general law is coded as an adoption in this empirical test.

I need to exclude the federal countries from the analysis. This is understandable because it is common practice in federal countries that the organization of local governments is a shared responsibility of national and state governments. However, it is being recognized that the distinction between unitary and federal countries is increasingly more difficult to make (Keating 1998a).

[Insert Table 1]

Nevertheless, it is only in pure federal countries that the organization of local government is not exclusive of central government. That distinction is important in the sense that it allows the separation between endogenous and exogenous institutional change. In the case of federal countries, the choice could not be considered as an entirely endogenous choice by the central governments, because the state level also has responsibilities over local government. Therefore, Austria, Germany, and Switzerland were not included in the analysis. Belgium is included only because recently in 1993 did it adopt its federal Constitution.

The methodology employed is Event History Analysis, adequate for analyzing political events that occur in time (Box-Steffensmeier and Jones 1997). The advantage of this method is that it assumes that “*when* some event occurs is as important as *if* some event occurs” (Box-Steffensmeier and Jones 1997: 1414). The idea is to estimate the probability of an event, in this case the adoption of reorganization, given that it did

not occur. When it occurs, it is excluded from the risk set. In addition, this kind of models with a dichotomous depend variable allow the use of logit specification as an adequate strategy of estimation. More importantly, this kind of models also permits the inclusion of not only time but also other independent variables that affect the probability of the event occur. In sum, this methodology presents a particularly adequate tool to test this kind of process. It allows us to take account of which countries adopted their reforms of local government and when. In addition, it allows us to see what causes were significant in influencing those adoptions. In this case, 15 countries were included in the analysis of the period between 1980-1996.

The set of independent variables was derived from the explanations discussed in the previous sections. First, I included variables capturing the fiscal stress that tap the changing economical and political conditions that introduced a climate of reform and, according to the first hypothesis, modified the incentives of central governments and drove them to choose decentralization. The first and most decisive of those variables is the *central government deficit as percentage of GDP*. The second variable is the *tax of revenues as percentage of GDP*. These are understood to have created the difficulties of management, making the choice to transfer responsibilities an option that is in the interest of central government. The explanation is that fiscal stress decreases the availability of revenues, which, in turn, produces incentives to shift the responsibilities to lower levels – referred as the ‘off loading strategy’. The other variable to tap the change in economic conditions is *GDP*.

I also include the variables that are explained in the literature as increasing the probabilities of adopting transfers of responsibilities through demands from the part of

certain groups. First, the cultural and ethnic-linguistic fragmentation of the country is assumed to have initiated the calls for more regional and local own voice. Thus, I include an *index of religious and ethnic fragmentation* (Lane and Ersson 1999: 74).

There are also theoretical predictions about the effects of the institutional settings in central government choices, through the dynamics of interaction among ruling parties in the government as well as other elements that are able to veto policies. The theory of veto players predicts that as the number of parties in the government and other veto players of the system grow, the more it is difficult to change the status quo. First, I include a variable, *one party*, about the number of parties in government, coded 0 if there is a coalition government and 1 if one party government.³ The variable *constitutional structure* is an index that measure the number of veto points in the political system (Castles 1999).

Finally, I include two more variables: the *area* of the country as a control for the size, with the argument made in the literature that larger countries have more propensity to be decentralized, and *time*, which is a variable inherent to the methodology of event history analysis. The results are presented in the Table 2.

[Insert Table 2]

However preliminary, the results are interesting. The decentralization reforms were neither a coincidence in time nor a country-specific phenomenon. A decline in central tax revenues has a significant effect on the probability of adopting reforms.

Thus, we can say that fiscal stress facing the central public sector, one of the key variables in all explanations of the trends of decentralization, appears to significantly promote a higher probability of reform. This evidence supports the argument that central governments strategically transfer responsibilities to sub-national governments as a way of off-loading expenditure responsibilities when revenues decline. This supports the argument that the use of decentralization is a political strategy according to central government's own interests.

Also interesting is that the number of veto players (constitutional structure) in the political system decreases the probability of reform, consistent with the theory and the hypotheses formulated. Politics when there is a singular actor having decision power is easier than when consensus and distributive bargains are made necessary. More veto points clearly increases the costs of decision-making of getting agreement, implying more difficulty in changing the institutional status quo.

The remaining findings reveal mixed evidence. Without surprise, the existence of linguistic and ethnic fragmentation has an effect in increasing the probability of decentralizing reforms. Area behaves as expected, with larger countries being more prone to strengthen their sub-national governments; however the variable is not statistically significant.

In general, the results clearly suggest that while the cultural cleavages may be a force behind decentralizing moves, it is clearly not the only factor involved. Strategic calculations are a driving force behind the politics of decentralizing. Politics mediate these kinds of decisions because institutional arrangements are matters of power.

³ Data for this variable were provided by Arend Lijphart.

Conclusion

The central government was and continues to be the central actor in Western European politics (Muller and Wright 1994). But it is also true that its weight with respect to sub-national governments has diminished since the 1960's and at an accelerated pace since the mid-1970s. This trend should not be ignored. The purpose of this paper was to propose a preliminary explanation to this understudied phenomenon.

The objective of the simple theoretical argument presented is to explicitly introduce politics in the standard explanations and therefore to be more able to explain the differences across countries and across time. In general, I found support for the idea that the decentralization reform was neither a coincidence in time among Western democracies nor solely an efficiency-driven choice on the part of central governments. Rather, as pivotal actors, central governments reformed when it was in their own interest to do so. When the capacity of extracting revenues decreases, the strategy employed is to off-load responsibilities. In addition, the politics of bargaining among more veto points increases the costs of decision-making, making it more difficult to transfer responsibilities. Briefly stated, politics and power struggles are at the heart of decentralizing reforms of central governments. This is the main and simple message of this paper.

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Appendix

Table 1 – Regionalization Continuum in Western Europe

Federalism	Strong	Regionalism	Weak	Regionalism	Functional	Regionalism
Germany Switzerland	Belgium Austria	Spain	Italy	France	UK Portugal	Netherlands Sweden Finland

Keating, 1990: 115

Table 2 – Event History Analysis of Local Government Reorganization Adoptions

	Coefficient	Standard Error
Fragmentation	.3936***	.1530
Area	.0045	.0028
Deficit	.0302	.0852
Tax Revenues	-.1919**	.1105
Constitutional Structure	-2.2826**	1.1779
One Party	-.8360	1.0148
GDP	2.00e-12	1.99e-12
Time	.3610**	.1076
Constant	-16.3004***	5.0997
N	177	
LL	-32.8772	
Pseudo R ²	.2507	

Table 3 – Description of variables and descriptive statistics

Variable	Description	Mean	St. Dev	Min	Max
Area	Area of the Country in Km2	187.91	154.04	3	553
Fragmentation	Index of Fragmentation	50.02	7.79	40.3	68.6
Deficit GDP	Deficit as percentage of GDP	-4.85	5.01	-23.21	9.49
TaxRevenGDP	Tax revenues as percentage of GDP	31.35	6.98	17.24	45.88
GDP	GDP in dollars	2.45e+11	3.55e+11	2.37e+09	1.74e+12
One Party	0 if coalition cabinet and 1 if one party cabinet	.31	.46	0	1
Constitutional Structure	Index of Constitutional Structure (higher values mean more veto points)	1.57	1.69	0	6