

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization

Daniel Treisman

Frontmatter

[More information](#)

The Architecture of Government

Since the days of Montesquieu and Jefferson, political decentralization has been seen as a force for better government and economic performance. It is thought to bring government “closer to the people,” nurture civic virtue, protect liberty, exploit local information, stimulate policy innovation, and alleviate ethnic tensions. Inspired by such arguments, and generously funded by the major development agencies, countries across the globe have been racing to devolve power to local governments.

This book reexamines the arguments that underlie the modern faith in decentralization. Using logical analysis and formal modeling and appealing to numerous examples, it shows that most such arguments are based on vague intuitions or partial views that do not withstand scrutiny. A review of empirical studies of decentralization finds these as inconclusive and mutually contradictory as the theories they set out to test. The book’s conclusion – that one cannot generalize about when decentralizing will be beneficial and when harmful – promises to prompt a rethinking of both the theory of political decentralization and current rationales for development aid.

Daniel Treisman is a professor of political science at the University of California, Los Angeles. He is the author of *After the Deluge: Regional Crises and Political Consolidation in Russia* (1999) and (with Andrei Shleifer) *Without a Map: Political Tactics and Economic Reform in Russia* (2000). A recipient of fellowships from the John Simon Guggenheim Foundation, the German Marshall Fund of the United States, the Hoover Institution, and the Smith Richardson Foundation, he has published broadly in academic journals, including the *American Political Science Review*, the *American Economic Review*, the *British Journal of Political Science*, and *World Politics*, as well as policy journals such as *Foreign Affairs* and *Foreign Policy*.

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization
Daniel Treisman

Frontmatter

[More information](#)

Cambridge Studies in Comparative Politics

General Editor

Margaret Levi *University of Washington, Seattle*

Assistant General Editor

Stephen Hanson *University of Washington, Seattle*

Associate Editors

Robert H. Bates *Harvard University*

Peter Lange *Duke University*

Helen Milner *Princeton University*

Frances Rosenbluth *Yale University*

Susan Stokes *Yale University*

Sidney Tarrow *Cornell University*

Kathleen Thelen *Northwestern University*

Erik Wibbels *University of Washington, Seattle*

Other Books in the Series

Lisa Baldez, *Why Women Protest: Women's Movements in Chile*

Stefano Bartolini, *The Political Mobilization of the European Left,
1860–1980: The Class Cleavage*

Mark R. Beissinger, *Nationalist Mobilization and the Collapse of the Soviet
State*

Nancy Bermeo, ed., *Unemployment in the New Europe*

Carles Boix, *Democracy and Redistribution*

Carles Boix, *Political Parties, Growth, and Equality: Conservative and Social
Democratic Economic Strategies in the World Economy*

Catherine Boone, *Political Topographies of the African State: Territorial
Authority and Institutional Change*

Michael Bratton and Nicolas van de Walle, *Democratic Experiments in
Africa: Regime Transitions in Comparative Perspective*

Michael Bratton, Robert Mattes, and E. Gyimah-Boadi, *Public Opinion,
Democracy, and Market Reform in Africa*

Continued after the Index

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization

Daniel Treisman

Frontmatter

[More information](#)

The Architecture of Government

RETHINKING POLITICAL
DECENTRALIZATION

DANIEL TREISMAN

University of California, Los Angeles



CAMBRIDGE
UNIVERSITY PRESS

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization
Daniel Treisman

Frontmatter

[More information](#)

CAMBRIDGE UNIVERSITY PRESS

Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo, Delhi

Cambridge University Press

32 Avenue of the Americas, New York, NY 10013-2473, USA

www.cambridge.org

Information on this title: www.cambridge.org/9780521872294

© Daniel Treisman 2007

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2007

Printed in the United States of America

A catalog record for this publication is available from the British Library.

Library of Congress Cataloging in Publication Data

Treisman, Daniel.

The architecture of government : rethinking political decentralization / Daniel Treisman.

p. cm. – (Cambridge studies in comparative politics)

Includes bibliographical references and index.

ISBN-13: 978-0-521-87229-4 (hardback)

ISBN-13: 978-0-521-69382-0 (pbk.)

1. Decentralization in government. 2. Central-local government relations.

3. Federal government. 4. Comparative government. I. Title. II. Series.

JS113.T74 2007

320.8 – dc22 2006032899

ISBN 978-0-521-87229-4 hardback

ISBN 978-0-521-69382-0 paperback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party Internet Web sites referred to in this publication and does not guarantee that any content on such Web sites is, or will remain, accurate or appropriate.

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization

Daniel Treisman

Frontmatter

[More information](#)

To Alex and Lara

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization

Daniel Treisman

Frontmatter

[More information](#)

Contents

<i>List of Figures and Tables</i>	<i>page xi</i>
<i>Preface</i>	xiii
<i>Glossary of Main Notation Used</i>	xv
1 INTRODUCTION	1
1.1 A Quick Look Back	6
1.2 The Arguments	11
1.3 A Note on Methods: Formal Modeling	15
1.4 Overview	19
2 THE POLITICAL PROCESS	21
2.1 Defining Decentralization	21
2.2 Modeling Politics	27
3 ADMINISTRATIVE EFFICIENCY	53
3.1 Optimal Scale	55
3.2 Heterogeneous Tastes and Policy Differentiation	59
3.3 Costs of Organization	62
3.4 Conclusion	72
4 COMPETITION AMONG GOVERNMENTS	74
4.1 Competing for Mobile Residents	75
4.2 Competing for Mobile Capital	87
5 FISCAL POLICY AND REDISTRIBUTION	104
5.1 The “Common Pool”	106
5.2 The “Soft Budget Constraint”	108
5.3 Decentralizing Redistribution	131

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization

Daniel Treisman

Frontmatter

[More information](#)**Contents**

6	FISCAL COORDINATION AND INCENTIVES	137
	6.1 Vertical “Overgrazing”	139
	6.2 Fiscal Decentralization and Incentives	146
7	CITIZENS AND GOVERNMENT	156
	7.1 Civic Virtue	156
	7.2 Accountability	164
	Appendix: Modeling Retrospective Voting with Distributive Politics	184
8	CHECKS, BALANCES, AND FREEDOM	193
	8.1 Freedom	194
	8.2 Policy Stability	201
9	ACQUIRING AND USING KNOWLEDGE	209
	9.1 Information	209
	9.2 Policy Experimentation	222
10	ETHNIC CONFLICT AND SECESSION	236
	10.1 Satisfying Limited Demands for Autonomy	238
	10.2 Splitting the Prizes of Politics	242
	10.3 Restraining the Central Government	243
	10.4 Socializing Politicians	244
	10.5 Stimulating Growth of Small Ethnic Parties	244
	10.6 Conclusion	245
11	DATA TO THE RESCUE?	247
	11.1 The Quality of Government	251
	11.2 Economic Performance	258
	11.3 Ethnic Conflict	262
	11.4 Democracy	264
	11.5 Stable Policies	267
	11.6 Conclusion	268
12	CONCLUSION: RETHINKING DECENTRALIZATION	270
	12.1 Possible Objections	275
	12.2 Explaining Decentralization’s Appeal	283
	12.3 A New Agenda?	289
	<i>References</i>	295
	<i>Index</i>	321

Figures and Tables

Figures

2.1. The political process	<i>page</i> 29
2.2. The revenue (Laffer) curve	48
3.1. Cost per resident of providing g units of a local public good to μ residents	57
3.2. Cost per resident of providing g units of local public good $w = \{1, 2\}$ to μ residents	57
3.3. Communication costs and the number of tiers	66
6.1. Effects of fiscal decentralization on local and central bribe rates	152
11.1. Decentralization and corruption, 1980s–1990s	253
11.2. Decentralization and inflation, 1980s–1990s	261
11.3. Decentralization and democracy, 1980s–1990s	265

Tables

2.1. Types of decentralization	28
9.1. Expected payoffs under decentralization in locality n	220
9.2. Expected payoffs under centralization, $p_A = p_B \equiv p_n$	221
9.3. Expected payoffs under centralization, $p_B < p_A < 1/2$	221

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization

Daniel Treisman

Frontmatter

[More information](#)

Preface

This book has been a long time in the making. It began as an empirical project. I wanted to see what difference decentralized political institutions make for economic performance and the quality of government. The common presumption in Western democracies seemed to be that devolving power to autonomous local governments produced a number of important benefits. In the developing world, international aid agencies were backing reforms to decentralize responsibilities and resources in an ever-lengthening list of countries. Studying the politics of postcommunist Russia and reading about Latin America, I had grown skeptical that powerful local governments were quite as unmixed a blessing as was generally believed. I thought I would examine the empirical record.

Having collected data about the structure of government in countries around the world, I set aside what I thought would be a couple of months to work through the logic of the arguments about decentralization I would use the data to test. Five years went by. Along the way, I became convinced that – with one exception – there was no compelling reason to think that decentralized political institutions have any predictable effect at all. The one more persuasive argument – that some kinds of decentralization slow the pace of policy change – had no implications about whether decentralization was good or bad: It could be either, depending on what kind of change was being prevented.

During this unplanned journey into the recesses of institutional theory, I have benefited tremendously from conversations with and suggestions from a great many colleagues, all of whom are, of course, blameless for any defects in the final result. Some read bits and pieces, some listened and responded, others suggested directions worth exploring. I am grateful to Yoram Barzel, Pablo Beramendi, Tim Besley, Richard Bird, Thierry

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization

Daniel Treisman

Frontmatter

[More information](#)**Preface**

de Montbrial, J. R. DeShazo, Alberto Diaz-Cayeros, Tim Frye, Stephan Haggard, Stephen Hanson, Michael Hechter, Torben Iversen, Edgar Kiser, Herbert Kitschelt, Anirudh Krishna, Margaret Levi, Kirstie McClure, Scott Morgenstern, Aseem Prakash, Antonio Rangel, Karen Remmer, Jonathan Rodden, Ron Rogowski, Gérard Roland, Tom Romer, Ken Scheve, Matt Singer, David Soskice, Mariano Tommasi, Michel Treisman, Barry Weingast, Susan Whiting, Erik Wibbels, and two anonymous readers, as well as seminar participants at Princeton; the University of Washington; Duke University; University of California, San Diego; and the American Political Science Association meetings. I imposed more than once on the intellectual firepower of Andrei Shleifer, George Tsebelis, and Jean-Laurent Rosenthal, and I am grateful for their generosity. I owe a great debt to my collaborator, Hongbin Cai, with whom I have been working on the logic of decentralization; Hongbin's contributions are very evident in this book. Yi Zhang, Ani Sarkissian, Linda Choi, Matias Iaryczower, and Rolf Campos provided excellent research assistance. I thank Margaret Levi and Lew Bateman at Cambridge University Press for their patient interest in the manuscript and the John Simon Guggenheim Foundation, the German Marshall Fund of the United States, and the UCLA Academic Senate and Social Sciences Division for financial support.

I am grateful to my family for continuing to ask how the book is coming along. I thank my wife, Susi, for her encouragement and companionship. I dedicate this book to Alex and Lara, whose lives have overlapped with its gestation. Although they do not yet know how to spell *decentralization*, both are strong believers that many decisions in the Treisman household – especially those concerning ice cream and bedtime – would be better made if decentralized to those with the most direct interest in the outcome.

Glossary of Main Notation Used

M ($m = 1, 2, \dots M$)	indexes citizens
\mathcal{J} ($j = 1, 2, \dots \mathcal{J}$)	indexes tiers of government
N ($n = 1, 2, \dots N$)	indexes governments within a tier
I ($i = 1, 2, \dots I$)	indexes government official within a particular government
T ($t = 1, 2, \dots T$)	indexes time period
W ($w = 1, 2, \dots W$)	indexes public good or service provided by a particular government
l	labor supply of individual
$L \equiv \sum_m l_m$	total labor supply
k	capital endowment of individual
$K \equiv \sum_m k_m$	total capital endowment
I	public infrastructure investment
g	subnational provision of public goods or services
G	central provision of public goods or services
$H(\cdot), h(\cdot), q(\cdot), v(\cdot), z(\cdot)$	increasing, concave subutility functions
t	subnational lump-sum tax level
T	central lump-sum tax level
τ	subnational income tax rate
T	central income tax rate
r	according to context: cash transfer; interest rate; share of shared tax
R	government revenue
y	income, output of individual
$Y \equiv \sum_m y_m$	total income, output

Cambridge University Press

978-0-521-87229-4 - The Architecture of Government: Rethinking Political Decentralization

Daniel Treisman

Frontmatter

[More information](#)**Glossary of Main Notation Used**

c	government consumption
s	consumption by citizens of privately supplied goods
$f(\cdot)$	increasing, concave production function
$\gamma(g_{-n})$	utility of residents of jurisdiction n from externalities from spending in other jurisdictions at the same tier
μ	community size
δ	discount rate