

DECENTRALISATION, DEVOLUTION, FEDERALISM (2 credits)

Lecturer: Attila Fölsz folsza@ceu.edu

Class:

Office hours:

Course description and objective:

The aim of this course is to acquaint students with the major problems, theories and practices of vertical division of government authority within states.

Power of nation states is challenged simultaneously by supra- and sub-national bodies in the form of integration and regionalization/federalization. This course deals with the latter issue, namely how authority is shared between national and subnational levels of government and its consequences on politics and the economy.

The literature views decentralization from two angles: The abstract normative approach discusses the various aspects of “optimal” share of responsibilities, while the positive one of political economy focuses on different trade-offs of decentralization and on how various interests and institutions affect actual outcomes. Thus students will be introduced to major normative and positive theories of decentralization while exploring various hot and relevant issues like the linkages of decentralization with democracy/authoritarianism, economic development, state capacity, globalization and national unity.

Learning outcomes:

Students will get acquainted with basic concepts, issues and recent worldwide developments in federal or unitary, but decentralized governance so as to be able to undertake independent research on various empirical topics related to multi-tiered polities.

Teaching format:

Each topic is studied in class in a reading seminar format. Students are expected to read the assigned texts prior the classes.

Requirements:

- Students are required to attend classes regularly and to participate actively in course discussions.
- Students are expected to formulate written comments and questions about the literature. These not more than half page long comments and questions will serve as basis for class discussions, and are to be submitted via e-mail by 8 pm be preceding the day of the seminar.
- Students will write a short written test on the 7th class.
- Students make in-class presentations of some literature not included in the core readings or on their final easy topic.
- Students can choose whether to write either
 - an in-class final exam or
 - an around 1500 word essay and submit within a week after the 12th class. (The content of the essay is also to be presented in one of the last classes. see above)

Assessment:

In-class participation	10 %
Written questions and comments:	15 %
Short mid-term test)	25 %
In-class presentation	10 %
Final essay or in-class exam	40 %

1. Introduction: why federalism?

Erk, J. (2007): Comparative Federalism as a Growth Industry. Publius, Vol. 37, No. 2, Federalism and Formal Theory (Spring, 2007), pp. 262-278

Further readings:

- Wibbels, E. (2006). Madison in Baghdad?: Decentralization and federalism in comparative politics. Annual Review of Political Science, 9, 165-188
- Bednar, Jenna (2005): Federalism as a Public Good. Constitutional Political Economy Volume 16, Number 2 / June, 2005
- Gerring, John, et al. (2011), "An Institutional Theory of Direct and Indirect Rule," World Politics 63 (3):
- Benz, Arthur, & Broschek, Jörg, (eds) (2013): Federal Dynamics : Continuity, Change, and the Varieties of Federalism. Oxford University Press; 2013
- Mookherjee, Dilip (2015)? Political Decentralization Annual Review of Economics 2015 7:1, 231-249

2. The Federal Principle in Political Science/Economy

Bednar, Jenna (2011): The Political Science of Federalism." Annual Review of Law and Social Science 7 2011: 269-288

Rodden, Jonathan (2006): The Political Economy of Federalism. in Barry Weingast and Donald Wittman, eds., Oxford Handbook of Political Economy. Oxford University Press, 2006

Further readings:

- Follesdal, A. (2014): "Federalism." In The Stanford Encyclopedia of Philosophy. Spring 2014 ed. Edited by Edward N. Zalta.
<http://plato.stanford.edu/archives/spr2014/entries/federalism>
- Inman, Robert and Daniel Rubinfeld. (1997): "The Political Economy of Federalism," in Dennis Mueller, ed., Perspectives on Public Choice: A Handbook. Cambridge: Cambridge University Press. 73-105.
<https://plato.stanford.edu/entries/federalism/>

3. Decentralisation, Multi-level Government and Federalism

Rodden, Jonathan (2003): Federalism and Decentralization: On Meaning and Measurement. Comparative Politics Vol. 36, No. 4 (Jul., 2004), pp. 481-500

Hooghe, L & Marks, G. (2003): Unraveling the central state, but how? Types of multi-level governance. American political science review, 97(2), 233-243

Further readings:

- Jin, H., Qian, Y., & Weingast, B. R. (2005). Regional decentralization and fiscal incentives: Federalism, Chinese style. Journal of public economics, 89(9-10), 1719-1742.
- Hatfield, J. W., & i Miquel, P. G., 2011. A political economy theory of partial decentralization. Journal of the European Economic Association, 10(3), 605-633.

4. The democracy – federalism nexus

Benz, A., & Sonnicksen, J. (2017): Patterns of federal democracy: tensions, friction, or balance between two government dimensions. European Political Science Review, 9(1), 3-25.

Jan-erik Lane & Svante Ersson (2005) The riddle of federalism: does federalism impact on democracy?, Democratization, 12:2, 163-182,

Further readings:

- Gradstein, M. (2017). Government decentralization as a commitment in non-democracies. Journal of Comparative Economics, 45(1), 110-118.
- Scharpf, Fritz. (1998) "The Joint-Decision Trap: Lessons from German Federalism and European Integration," Public Administration 66,
- Bresser-Pereira, L. C. (2004): Devolution and Decentralization In: Bresser-Pereira, L.C.: Democracy and public management reform: Building the republican state. Oxford University Press <http://www.oxfordscholarship.com/view/10.1093/0199261180.001.0001/acprof-9780199261185-chapter-17>

5. Subnational authoritarianism and democracy

Behrend, Jacqueline & Whitehead, Laurence (2016). "The Struggle for Subnational Democracy." Journal of Democracy, vol. 27 no. 2, 2016, pp. 155-169. Project MUSE, doi:10.1353/jod.2016.0023

Anastassia Obydenkova & Wilfried Swenden (2013): Autocracy-Sustaining Versus Democratic Federalism: Explaining the Divergent Trajectories of Territorial Politics in Russia and Western Europe, Territory, Politics, Governance 1:1, 86-112,

Further readings:

- Gervasoni, C. (2010). A Rentier Theory of Subnational Regimes: Fiscal Federalism, Democracy, and Authoritarianism in the Argentine Provinces. World Politics, 62(2), 302-340.
- Gradstein, M. (2017). Government decentralization as a commitment in non-democracies. Journal of Comparative Economics, 45(1), 110-118.

6. Basic principles of fiscal federalism: normative vs positive perspectives

Oates, Wallace (1999) An Essay on Fiscal Federalism. *Journal of Economic Literature*. Vol. 37 (3). p 1120-49

Weingast, Barry (2014): Second Generation Fiscal Federalism: Political Aspects of Decentralization and Economic Development. *World Development*, LIII (January): 14-25.

Further readings:

Oates, Wallace E. (1977): An economist perspective on Fiscal federalism - in: *The Political Economy of Fiscal Federalism* (ed. by W.E. Oates), 1977, Lexington Books, pp. 3-19

Oates, Wallace E (1991): *Studies in Fiscal federalism*, Edward Elgar Co. 1991

Oates, Wallace. 1972. *Fiscal Federalism*. New York: Harcourt Brace Jovanovich, Chapter 1 "An economic approach to federalism," 3-20.

Panizza, Ugo. 1999. "On the Determinants of Fiscal Centralization: Theory and Evidence," *Journal of Public Economics* 74: 97-139.

de Figueiredo Jr, R. J., & Weingast, B. R. (2005). Self-enforcing federalism. *Journal of Law, Economics, and Organization*, 21(1), 103-135.

Giampaolo Garzarelli, (2005). Cognition, Incentives, and Public Governance: Laboratory Federalism from the Organizational Viewpoint, *Public Economics* 0512013, EconWPA.

7. Competitive federalism

Tiebout, Charles (1956) : A Pure Theory of Local Expenditures. *Journal of Political Economy* 64, 5: 416-24.

Buchanan, J. M. (1995): Federalism as an ideal political order and an objective for constitutional reform. *Publius: The Journal of Federalism*, 25(2), 19-28

Vanberg, V. J. (2016): Competitive federalism, government's dual role and the power to tax. *Journal of Institutional Economics*, 12(4)

Further readings:

Donahue, John. 1997. "Tiebout? Or Not Tiebout? The Market Metaphor and America's Devolution Debate," *Journal of Economic Perspectives* 11, 4:

Giampaolo Garzarelli, 2005. "Old and New Theories of Fiscal Federalism, Organizational Design Problems, and Tiebout," *Public Economics* 0509009, EconWPA73-82.

Cai, Hongbin, and Daniel Treisman. 2004. "State Corroding Federalism." *Journal of Public Economics* 88 (3-4): 819-43

8. Globalization and decentralization

Gancia, G., Ponzetto, G. A., & Ventura, J. (2016). Globalization and political structure (No. w22046). National Bureau of Economic Research. (letöltve korábban)

Boadway, R. and S. Dougherty (2018), "Decentralisation in a Globalised World: Consequences and Opportunities", *OECD Working Papers on Fiscal Federalism*, No. 21, OECD Publishing, Paris. (letöltve)

Further readings:

Garrett, Geoffrey and Jonathan Rodden, "Globalization and Fiscal Decentralization," in Miles Kahler and David Lake, eds., *Governance in a Global economy*. Princeton University Press 2003

Kim, J. and S. Dougherty (eds.) (2018), *Fiscal Decentralisation and Inclusive Growth*, OECD Fiscal Federalism Studies, OECD Publishing, Paris/KIPF, Seoul

9. Federalism and governance

Sorens, Jason (2014), "Fiscal Federalism, Jurisdictional Competition, and the Size of Government," *Constitutional Political Economy* 25: (letöltve)

Faguet, J. P., Pöschl C (2015): Chapter 1 and Faguet, J. P., Fox, A. M., & Pöschl, C. (2015). Does decentralization strengthen or weaken the state. Authority and social learning in a supple state. In: Faguet, J. P. & Pöschl C (eds.). 2015. *Is Decentralization Good for Development? Perspectives from Academics and Policy Makers*. Oxford: Oxford UP

Further readings:

Bardhan, P. (2016). State and development: The need for a reappraisal of the current literature. *Journal of Economic Literature*, 54(3), 862-92.

Treisman, Daniel (2002): Decentralization and the Quality of Government . Unpublished Paper, Department of Political Science, University of California, Los Angeles. <http://www.sscnet.ucla.edu/polisci/faculty/treisman/DecandGovt.pdf>

Rodden, Jonathan (2003): "Reviving Leviathan: Fiscal Federalism and the Growth of Government. *International Organization*. Vol 57. No 4,

10. Decentralisation and Development

Gadenne, Lucie, & Monica Singhal (2014): Decentralization in developing economies. *Annual Review of Economics*. 6.1 : 581-604.

Baskaran, T., Feld, L. P., & Schnellenbach, J. (2016). Fiscal Federalism, Decentralization, and Economic Growth: A Meta- Analysis. *Economic Inquiry*, 54(3), 1445-1463.

Further readings:

Qian, Y. & B. R. Weingast (1997). Federalism as a Commitment to Perserving Market Incentives. *Journal of Economic Perspectives*, 11,

- Lockwood, Ben (2002). "Distributive Politics and the Benefits of Decentralization." *Review of Economic Studies* , 69, 313–337
- Tanzi, Vito (2001): Pitfalls on the Road to Fiscal Decentralization. *Economic Reform Project Working Paper*. Carnegie Endowment for International Peace
- Prud'homme, Remy. 1995. "The dangers of decentralization." No 1252, Policy Research Working Paper Series from The World Bank
- Weingast, Barry. 1995. "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Growth," *Journal of Law, Economics, and Organization* 11: 1-31.

11. Decentralization, Devolution and Secession

Sorens, Jason P., (2016): Secession risk and fiscal federalism. *Publius: The Journal of Federalism*, Volume 46, Issue 1, January 2016

Martin Rode Hans Pitlik Miguel A´ngel Borrella Mas (2018): Does Fiscal Federalism Deter or Spur Secessionist Movements? Empirical Evidence from Europe *Publius: The Journal of Federalism*, Volume 48, Issue 2, 1 March 2018

Further readings.

- Alesina, Alberto and Enrico Spolaore, "On the Number and Size of Nations," *Quarterly Journal of Economics* (November 1997).
- Arzaghi, Mohammad and Vernon Henderson. 2002. "Why Countries are Fiscally Decentralizing," working paper, Brown University.)
- Bolton, Patrick and Gerard Roland, (1997): "The Breakup of Nations: A Political Economy Analysis-," *Quarterly Journal of Economics* (November 1997).
- Kymlicka, Will (1998), "Is Federalism a Viable Alternative to Secession?" in Percy B. Lehning (ed.), *Theories of Secession* (London: Routledge), pp. 111-127, 142-147 (
- Levy, Jacob T. (2007), "Federalism, Liberalism, and the Separation of Loyalties," *American Political Science Review* 101 (3):
- Lake, David A., & Donald Rothchild (2005), "Territorial Decentralization and Civil War Settlements" in Philip G. Roeder & Donald Rothchild (eds.), *Sustainable Peace: Power and Democracy After Civil Wars* ,

12. Closing discussion and leftovers

Boadway, R. and S. Dougherty (2018): *Decentralisation in a Globalised World: Consequences and Opportunities*, OECD Working Papers on Fiscal Federalism , No. 21, OECD Publishing, Paris

Further readings:

Kim, J. and S. Dougherty (eds.) (2018), *Fiscal Decentralisation and Inclusive Growth*, OECD Fiscal Federalism Studies, OECD Publishing, Paris/KIPF, Seoul