

Decentralization In Time Of Crisis

The reasons why decentralised
policies are essential

Abstract

This Policy Brief will focus on the “reason why” of the decentralising process: the first session of this Paper will analyse the general theory of decentralisation: starting from the European Treaties and exploring the Political, Economic and Social rationales of this theory.

Following this introduction to decentralisation, the author will take into account the exceptional situation brought-up by the COVID-19 pandemic as to figure out whether the decentralised approach would fit also for a crisis scenario. To do so, empirical experiences from several European countries will be considered, investigating their latest policies and the related results.

In the third and last part the author, supported by relatable data and trustworthy studies, will draw up his conclusion on the feasibility of decentralising in a time of crisis.



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Section 1

Decentralization, the reason why

Decentralization, in politics, means that the central government reduces its authority, to devolve/delegate it to institutions that are closer to the citizens. We can summarise it as follows: the central diminish its powers and the local institutions assume on themselves a major grade of autonomy policy-making. This process, thus, to complete itself, need the devolution, to the peripheral institutions, of some of those measures that generate public income.

The value of this mechanism is so important that the Treaty of Lisbon¹ recognizes it as one of the fundamental principles of the European Union, and also in the Treaty's preamble².

It's so clear that from a European perspective the decentralization's mechanism is a crucial point.

Examples of this kind can be found in almost every constitution of the Member States.

Why is this principle so common and crucial to be present in each countries fundamental laws. There is plenty of reasons, that we tried to combine into these three major ones.

- Political Reasons;
- Social Reasons;
- Economic Reasons.

The Political Rationales for decentralizing

The political reasons that stand behind the will to decentralise have their roots in the ancient times, indeed, it was Montesquieu the first author who wrote about the beneficial effect that would be determined by a decentralized government, since this approach take the government closer to the citizens,

¹ Article 5: [...] Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level. The institutions of the Union shall apply the principle of subsidiarity as laid down in the Protocol on the application of the principles of subsidiarity and proportionality. National Parliaments ensure compliance with the principle of subsidiarity in accordance with the procedure set out in that Protocol

² RESOLVED to continue the process of creating an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen in accordance with the principle of subsidiarity

making their control the governors easier and deeper than it would have been in a centralized state³; starting from the accountability of the rulers⁴, we can also derive two other great advantages that come from decentralising and that are closely related to that aspect: the second rationale of the decentralisation, from a political point of view, must be identified in the shortening of the command chain and in the less-invasive red tape of the local governments, those factors are pivotal in fighting public administration's inefficiencies and in avoiding distortions and losses among different levels of command, as it is reported by the latest studies of the Sociology of the Political Organization⁵.

The Social Rationales for decentralizing

From a sociological perspective, the main reason for following the decentralized approach is because it provides the best results in terms of adapting the public offer of services to the varied composition of people⁶ living on a specific territory. In other words, the only way to preserve and protect minorities in a highly ethnically diverse society is through decentralization. This way politicians can take into account the needs of their very localized group⁷.

The Economic Rationales for decentralizing

All the above-mentioned elements belong to the political as well as sociological sphere and it is there where their direct effects are generated, but they also affect the economic playground. We use to look at the "perfect concurrency", in economic studies, as the best possible system, well some of the same reasons can also apply to a government system⁸. Governments of different levels competing among each other⁹ with the specific aim of maintaining and expanding their tax-payers will lead to politicians being more aware of the needs of their citizens, and more focused on finding the best way to use public resources. We can easily observe that an unsatisfied citizen in this model has two ways to display his disappointment: he can consult the superior level of government, or, if he doesn't have any bond with the territory, he can "vote by his feet¹⁰", which means that he can move to another place where the local rules are closer to his desires.

³ Montesquieu, *De l'esprit des lois*, 1742

⁴ P. Seabright, *Accountability and decentralization in government: an incomplete contract model*, *European Economic Review*, Vol 40, 1966

⁵ A. Picherri, *Sociologia dell'organizzazione*, Laterza, 2011

⁶ Oates W., *Fiscal Federalism*, Harcourt Brace Jovanovich, 1972

⁷ Campa G. e Antonelli M. A., *Lezioni di scienza delle finanze*, pg 455-457, 2013

⁸ P. Salmon, *Decentralization as an incentive*, *Oxford Review of Economic Policy*, vol 3, 1987

⁹ Antonelli M.A. e De Bonis V., *Public Finance Research Papers n35*, Dipartimento di Studi Giuridici, Filosofici ed Economici – La Sapienza, 2018

¹⁰ In that scenario, space mobility can be considered alike as the movement from a store to another made by consumers while shopping. For more details see Tiebout C. M., "A Pure theory of local government expenditures", *Journal of Political Economy* n64, 1956

Section 2

COVID-19 Pandemic, A Crisis' Scenario

In Section I, we tried to draw up the general criteria that stand behind the choice of using the decentralized approach.

The second portion of this paper will focus on the theoretical of decentralization in a crisis. We will try to answer the following questions? May the approach change whenever a crisis scenario comes up? Are the previously expressed rationales still valuable in that case or not? Is decentralization still possible and preferred during a crisis, and if so, when and for which aspects this remains the best approach?

We can start the analysis of the common theory from Van Hayek's point of view. As mentioned in the conclusion and policy recommendations of the Publication by Gabriele Pinto¹¹, the Austrian philosopher, who is a well-known fierce promoter of decentralization, doesn't consider this approach as absolutely superior to a centralized one; in fact, there are cases in which a centralized approach could be preferable, in order to avoid delayed reactions within the same country. The general theory, indeed, states that a centralized approach should be preferred when the issue tackled is a public good. The key characteristics of this kind of goods (non-excludability and non-rivalry) make them difficult to be handled by local governments: domestic policies are often ineffective and would need coordination among territorial authorities, but it requires time that is frequently run short, leading to latecomer results.

That being said, and considering the pandemic on a par of a public good – for its qualities – the centralized approach was actually the best option in the first months, and so were the first actions implemented by central powers. Although when time passed by, the European countries started to cope with the whole situation and to manage it, and especially since the virus spread unevenly, sticking with this centralized plan may not have been the best alternative to pursue. In fact, at that time the contagion represented itself more like a "domestic public good": maintaining the characteristics of non-excludability and non-rivalry, but related and confined to a regional/local level. In that situation, indeed, conferring more powers to the micro-level authorities could have allowed more tailored rules, linked with the regional health capacity, the contagious rate, and the needs of the population.

We can have some examples of how the different approaches worked out, looking at the practices put in place by different countries:

¹¹ G. Pinto, Decentralisation in Time of Crisis, European Liberal Forum, 2021

In Portugal, as reported by Ricardo Silvestre¹², one of the most important obstacles that occurred was the lack of information about the responsibilities of the different levels of government. It wasn't clear how decentralization works, who was responsible for what and so on, and this led to a lack of transparency and accountability. Moreover, there was an "installed wisdom", that decentralization was preferred by parties because of the amplification of positions for their members; following this wisdom, decentralization was represented as a factor that empowers corruption and swells red tape, that is the exact opposite of what we saw before. So, the Portuguese practice teaches us that when we start a decentralizing process is pivotal to support it with a communication strategy that enables citizens to understand the benefits that led to that decision.

The Hungarian experience¹³ was characterised by a sort of re-centralization process, started in 2010, and that was still moving on; in that vision, the pandemic crisis has been used by the central government as an occasion to speed up this plan, and that vision emerged clear on March 11th 2020 with the declaration of the State of Emergency, which has granted the central government the power to govern by decree.

In Poland¹⁴, instead, where the local authorities were already structured for facing emergencies, the responses were quick and efficient; in that way it has been possible to avoid centralized and standardized actions, managing the situation on the base of what was actually happening on the territory. In order to be able to act, and react, this way, it was crucial to flawlessly acknowledge the singularities of each zone, and this is possible only for the smaller level of governments.

¹² Movimento Liberal Social (MLS)

¹³ Attila Rokay (Momentum), Decentralisation in time of Crisis, Book presentation, 2021

¹⁴ Pawel Rabiej, Nowoczesna, Decentralization in time of Crisis, pg 109-110, European Liberal Forum 2021

Section 3

Conclusions

In the wake of what we've seen in the preceding sections, now we have enough information to conclude and to answer to the most critical question we asked ourselves: is it possible to decentralize in times of crisis? Is this way preferable to the centralized one?

The solution to this question must be divided into two parts: the starting point of the answer may probably stand in the general theory that, as we saw, wants a centralized approach, at a first stand, to steer and manage crises involving public goods; this approach assures an effective and well-timed action to contain the crisis. But still at this level, great coordination between central and local governments is essential and will be needed as well for the subsequent steps.

After this first phase, the decentralized system seems to yield better results than a centralized one.

We can use the same categories in which we summarized decentralising general benefits, in Section I, applied to the crisis approach:

- Economical Benefits
- Political Benefits
- Social Benefits

Economical Benefits

From the Economical point of view, the benefits linked to a crisis scenario don't change from the general ones, so, in time of crisis, the economic impact of decentralizing won't change so much from what is the general approach; in a pandemic situation as we are experiencing, though, the most relevant thing to keep in mind is that a centralized approach can't guarantee the same results that would be achieved in a normal situation, because we are not undergoing the ordinary context in which a centralized model would work, and here it stands the huge effect of decentralizing in time of crisis: in an ordinary framework, we saw that decentralizing would be more effective due to the "competition among different levels of governance", that leads to a better allocation of public resources and to strengthened accountability of politicians, which are chief factors for economic growth. In a Pandemic, those aspects don't change; what changes the most, instead, are the consequences of fastening with a centralized method, because the liability will be even more

reduced than what already happens in an ordinary situation¹⁵, due to the proliferation of bills approved without – or with barely formal – procedures. The Government decrees are often approved with no previous control by the parliament. In addition, is it worth mentioning that accountability is a key factor for the “good allocation of resources”, and a reduced grade of the first will open the door to lobbies that can affect the decision-maker’s choices.

Political Benefits

From a political aspect, the primary advantage of a decentralized approach while the crisis is still running, lays in the innovation and differentiation rate. As we saw in Section II when the first hit is absorbed, the decentralized effect would be preferable because the situation will start to spread unevenly, and empowering the local governments means that each of them will act on a different aspect, it will carry out a greater level of innovation in different fields of which the whole nation will benefit when the crisis will be over, because of the sharing of knowledge among central and local governments.

Social Benefits

For this point, we have to divide the answer into two different parts: the first object of this analysis will take into account the situation undergone in Italy during the last local elections. On that occasion, less than 50%¹⁶ of the entitled went to the polls; reading this case from “the other side” we can tell that more than half of the right-holders choose to let his right unspent. This case is so recent that there isn’t any study that analyzed the mechanisms that stand behind this phenomenon, nevertheless, since we already told that one of the advantages coming from decentralizing is to make people feel closer¹⁷ to the institutions and to increase the participation in the democratic process, we can imagine that what happened in the last year and a half, where all the major issues were managed by the central government and the local administrations emerged weaker than before, may have affected people’s perception of the local authorities. So, promoting decentralized models in a time of crisis is essential to avoid the increase of estrangement and disinterest towards the institutions and, consequently, towards democracy.

Equality isn’t only being treated the same; this principle also entails that people encountering different situations shouldn’t have to be treated identically. Empowering local governments means that they can adapt the measures to the very specific needs of their citizens, tailoring rules and actions to the ongoing situation, allowing people to be handled differently when they’re experiencing different conditions. And that is Equality, a basic principle written in the European Treaties and that should be a light guide for all the European Democracies.

¹⁵ R. Di Maria, Il Binomio “riserva di legge – tutela delle libertà fondamentali”, Osservatorio sulle fonti, 2020

¹⁶ Voter turnout between 47- 48%, source YouTrend

¹⁷ A. De Tocqueville, De la Démocratie en Amérique, Garnier Flammarion, 1981, p. 123, 132-133

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