

# Community, Scale, and Regional Governance

A Postfunctionalist Theory of Governance,  
Volume II

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The questions that motivate this book took form in Val d'Aran in the Pyrenees some ten years ago. We had driven several hours to traverse just a few linear miles, and we had arrived in a place with distinctive flora and fauna, habits and norms. What, we began to ask, was the effect of geographical isolation? How could political difference be sustained in its absence?

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Chapel Hill

*April 2016*

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## Prologue

The postfunctionalist premise of this book is that governance is not one thing. It is at least two things: it is a means to realize ends and it is an end in itself. The first conception conceives governance, binding collective decision making in the public sphere, as a functional adaptation to the provision of public goods. The second conceives governance as an expression of human sociality. It stresses that humans are social beings who value self-rule for what it is as well as for what it does. Collective self-rule has intrinsic value for people who consider themselves part of a community.

In order to make progress in explaining the territorial structure of governance, it is necessary to theorize both its functional and social logics. The functional logic of governance is a logic of scale diversity in the provision of public goods. It conceives jurisdictional design as a utilitarian response to the dilemma of providing public goods to egocentric individuals. This approach has some elegant implications. Multilevel governance is what *homo economicus* would create if he wished to provide individuals living in different locations with public goods having diverse externalities and economies of scale.

However, we need to extend the analysis beyond the pressures for functionally efficient governance if we wish to understand demands for self-rule on the part of ethnic minorities or, more generally, communities that are normatively distinctive. When such communities demand self-rule, they are claiming a collective right to exercise authority. The demand is not derivative from a preference over policy. It expresses a polity preference rather than policy preference. It asserts the right of a community to govern itself. This is the *Who Question*—does this group or does that group have the right to make collectively binding decisions? This is one of the most difficult questions in the field of human behavior, and it is the source of much political conflict. It is the point of departure for postfunctionalism because it requires one to think beyond the functionalist analysis of economic efficiency. It implies that to

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explain governance one must analyze how individuals think and act in relation to the communities to which they conceive themselves belonging.

In our prior work we have theorized that the implications of community for governance are constructed in political debate. The conceptual distinction between exclusive versus inclusive national identity appears to be highly influential in predicting attitudes over European integration. So it is not the strength of national identity that is decisive for jurisdictional reform, but the way in which national identity is constructed in debate among political parties, social movements, elites, and the media. This approach is bearing fruit in the analysis of peripheral nationalism. However, if we wish to generalize about the structure of governance across a wide range of countries over an extended period of time, it makes sense to go further back in the causal chain. Regionalist political parties are banned in many countries, and surveys that would allow us to infer contestation over polity preferences are lacking. So we identify systemic indicators of peripheral community which we use to predict the structure of governance.

Economic costs and benefits can be expected to affect the willingness of individuals to make a sacrifice for self-rule. However, the existence of a budget constraint does not alter the premise that the demand for self-rule cannot be reduced to preferences over policy. There are at least two reasons for believing so. The first is that there is convincing evidence that the diffuse reciprocity exhibited by humans in communities cannot be explained by theories that assume humans to be self-regarding economizers.

The second reason—and the central argument of this book—is that the effects of community for governance are different from the effects of functional efficiency. Normatively distinct communities produce ripples in the structure of governance because they attract rule. They produce local concentrations of authority that break the coherence of jurisdictional design across a country. The outcome then reflects not just heterogeneity of *policy* preferences, but something more fundamental and difficult to accommodate, heterogeneity of *polity* preferences. The literature on heterogeneity of policy preferences helps one explain uniform multilevel governance in which every jurisdiction in a country has the same authority. We theorize the heterogeneity of polity preferences to explain something more varied and more puzzling: *differentiated* multilevel governance.

Minority communities generate differentiation in ways that have little to do with functional efficiency and a lot to do with the strategic location of a regional community in relation to the central state and to other regions in the country. Minority communities come in distinct forms that allow one to generalize about their authority, their relations with other subnational groups, and their systemic effects. Whereas some regional communities can be accommodated as anomalies that have merely local effects, others



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precipitate intense conflict with systemic effects for governance in the country as a whole.

The influence of community appears to reach into the physical design of jurisdictions. One might expect that any sensible economist or public goods scholar would design jurisdictions so that they have roughly the same territory and population. However, the jurisdictions we observe are built around communities as well as functionalist models, and this leads them to have widely varying territories and populations. Some communities survive national assimilation with small populations in small territories at the geographical margin of a society, while others nearer the center have large populations in large territories. So the existence of community makes its presence felt by producing a positive association between the size of a region's population and the size of its territory.

A community is not just a collection of individuals having distinct preferences over policy. A community is a group of densely interacting individuals sharing norms of diffuse reciprocity. This makes a decisive difference because sociality is the key to overcoming the dilemma of collective action, the free rider problem. Territorial proximity is by no means necessary for sociality, but it certainly helps. Territorial community is perhaps the strongest form of solidarity there is. National states are the foremost example, but territorial communities within national states can also have a formidable capacity for collective action.

Several expectations flow from this. One is that the efforts of a minority community to gain self-rule can affect the society as a whole. There are several ways in which this can happen. Those in other regions may resist the empowerment of a single region, or they may compete by demanding similar rights. When confronted by a minority that considers itself a nation, people in other regions may begin to reconsider their own identity. Central rulers may accommodate a minority by reforming the country as a whole, or they may resist and seek to suppress the movement.

Opposition rooted in a minority community may outlast intense state repression. Territorially concentrated minority communities can be a thorn in the side of a dictator, and are a common source of revolt in authoritarian regimes. Pressures for self-rule can burst into the open when a regime democratizes, with dramatic consequences for the formation of new states. Democratization and minority nationalism go hand in hand, yet consolidated democracies rarely break apart. On the one hand, democracy creates space for the mobilization of minority community; on the other it allows an amazingly flexible repertoire of accommodation.

Both functional and community pressures have played out in the rise of regional authority over the six decades we examine in this book. However, they have done so in different ways with different results. One would expect to see country-wide reform as a functional response to change in the

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technology of public goods provision or change in a government's policy portfolio. We find ample evidence for such effects both cross-sectionally and over time. Governments have become more engaged with the daily lives of citizens as they have taken on responsibility for education, health, welfare, and the environment. These policies require contextual information that is difficult to centralize, and governments have adapted by providing these policies at multiple levels.

Functional and community pressures have operated in much the same direction in recent decades to deepen multilevel governance. However, there is nothing inevitable about this. Community is double-edged, and it can centralize as well as decentralize authority. The demand for national self-rule can impede governance among states. Within states, minority communities can claim exclusive competences that throttle multilevel governance within their territories. Efforts to stretch functional analysis to encompass such effects appear to go in precisely the wrong direction. In order to account for the variation that we observe across time and space, we need to redirect the study of governance to questions that are prior to preferences over policy. We need, in short, to engage the *Who Question*—who gets the right to make collectively binding decisions?

# 1

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What principles underpin governance? One must begin by asking which group of persons should form a jurisdiction. This is the *Who Question*: who should have the right to make collectively binding decisions? Only after persons are conceived as members of a group does it make sense to ask how that group should make decisions. Democracy does not provide an answer. The principles that underpin democracy say nothing about who the people are. Majority rule, yes, but a majority of *which* people? Minority rights, but in relation to *which* majority? Principles of democracy, justice, or individual rights do not tell one which groups of persons should exercise governance to achieve these goods. The fundamental question of governance—the *Who Question*—is logically and ontologically prior to questions relating to how a group makes decisions or what those decisions are. A theory of governance should, at a minimum, seek to explain the territorial structure of authority: which groups at which scales have authority to make what kinds of decisions?<sup>1</sup>

The *Who Question* is one of the most contested and intrinsically difficult issues in politics. Strangely, it could be set aside for a few decades following World War II. The structure of governance was frozen in place by fear of *Völkisch* conflict. The puzzles that shaped the study of politics concerned regime type and distributional conflict within jurisdictions that were assumed to be fixed. These topics are deeply important, but they must be prefaced by inquiring into the structure of governance. Which groups get to exercise self-rule?

One approach is to think through the functional implications of providing public goods. Governance in the tradition of Hobbes, Locke, Rousseau, Kant, and Rawls begins with individuals who contract a government to provide themselves with security and the good things in life while seeking rules that

<sup>1</sup> We define *governance* as authoritative decision making in the public sphere. This may take place within or among states. The questions we are asking engage both comparative politics and international relations.

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protect individual liberty. Every person has the same need to provide herself with government. The social contract theorists disagree on how decisions should be made, but they share the assumption that it doesn't really matter who consents to contract government. What matters is that the threat of moral hazard impels any rational person to do so.

Hobbes regards society as an outcome, not an ingredient, of government. Group solidarity plays no role in creating jurisdictions. What spurs individuals to form a government is that they share a condition—the state of nature—for which binding coordination is a rational response. The political community—the commonwealth—is the product of government, “For the sovereign is the public soul, giving life and motion to the Commonwealth” (Hobbes 1651/2001: ch. XXIX). Humans have motives and desires that are pursued without reference to ethnicity or culture. Each individual is, in short, a “disconnected singular” (Wolin 1960: 246).

Rawls (1971: 13) invites us to consider the principles of government that “free and equal persons would assent to under conditions which are fair,” that is, the principles that we would choose to impose on ourselves as “unencumbered individuals.” Such persons may conceive the principles of a just society before knowing what sort of people they are, what their personal capacities are, or what groups they consider themselves members of. Rawls is asking us to peel away every layer of social being to recognize procedural principles of political justice that are prior to the loyalties and convictions expressed in political communities.

This is precisely how contemporary public goods theory conceives governance. Individuals are prior to society, and the structure of governance reflects individual preferences and the need to overcome moral hazard in providing public goods (Alesina and Spolaore 1997, 2003; Musgrave 1959; Oates 2005; Stigler 1957). What matters is the territorial heterogeneity of preferences which pulls government down to the local level, and economies of scale and externalities which pull government up to the national level. The trade-offs vary across the public goods that government provides. Hobbes regards security as the master public good, but governments have come to provide many other goods and they vary widely in scale. Some, like security from invasion, are best handled at the national level, whereas others, such as home care for the elderly, are best provided locally.

This approach has some elegant implications.<sup>2</sup> The structure of governance is a functional adaptation to scale diversity in the efficient provision of public goods. Because the costs and benefits of centralization vary from policy to policy, governance should be multilevel. A functionally efficient design consists

<sup>2</sup> Faguet (2012); Geys and Konrad (2010); Oates (2006); Shah and Shah (2006); and Treisman (2007) summarize this literature.

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of exponentially spaced tiers in a ladder of governance reaching down from the entire globe to local jurisdictions encompassing tens of thousands of people.

However, functional pressures are one thing, jurisdictional outcomes are another. To explain the allocation of authority across tiers, the shape of jurisdictions, and the differentiation of authority within states, one must engage how people conceive themselves in relation to their society. Cooperation to produce public goods is an expression of human sociality. Humans form communities to survive and reproduce. Communities are settings in which preferences are formed as well as settings in which preferences are realized. These include a propensity to internalize reciprocity as a norm, to distinguish between insiders and outsiders, and to consider the rule of “foreigners” as illegitimate.

The notion that government is rooted in community is as old as the study of politics. Plato and Aristotle regard human life “as bound up with the good of the communities out of which our identity has been constituted” (Bell 2013; MacIntyre 1984). Plato conceives government as an expression of social solidarity so complete that the community resembles a single organism. Despite being employed by an expansionist non-city state, Aristotle (in his *Politics*) considers the polis as the natural context for government and the expression of the fully realized “political man” (Aristotle 4th century BC; Lipset 1960): “A man who by his nature is without a polis is not fully human.”

Aristotle begins his *Politics* by saying that “every state is a community of some kind, and every community is established with a view to some good.” In contrast to contemporary usage, Aristotle employs the term community “to characterize all social groups rather than to characterize one especially close and highly integrated form of social life” (Yack 1993: 26). The greater the capacity of a group to provide itself with public goods, the more that group takes on the character of an Aristotelian community.

These themes are developed in contemporary communitarian thinking. Michael Walzer (1983) argues that governance involves the interpretation of shared understandings bearing on the political life of particular communities. He counterposes this to the notion that one can specify individuals abstractly or that their preferences are motivated by optimality. Michael Sandel claims that liberalism misunderstands the nature of the self because it deracinates persons from their communities. Obligation is inseparable from communal bonds: “What marks such a community is not merely a spirit of benevolence, or the prevalence of communitarian values, or even certain ‘shared final ends’ alone, but a common vocabulary of discourse and a background of implicit practices and understandings within which the opacity of the participants is reduced if never finally dissolved” (Sandel 1998: 172).

In this view, governance is an expression of sociability, of the ties and bonds that transform a group of disconnected singulars into a society (Pocock 2011: 343).

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Governance for Aristotle is not merely a means to produce public goods; it is itself a public good expressing partnership among citizens: “Our natural disposition to act in a friendly way toward people with whom we share ends and actions leads us to single out community members as objects of special sympathy and concern” (Yack 1993: 43). In order to probe the *Who Question* one must go beyond the utilitarian benefits of governance to consider how individuals perceive themselves in relation to others. Beyond providing public goods, governance is the means by which a body of persons creates a collective capacity to make their laws.

Liberal individualism and communitarianism are normative visions of government, and the debate between them has framed the history of political philosophy. However, as we seek to show in this book, these visions provide a basis not just for prescribing what should happen, but for explaining what does happen.

## Scale Diversity

Expectations about the functional effects of public goods provision are grounded in a literature that conceives the efficient scale of decision making as a trade-off between the costs and benefits of centralization (Alesina and Spolaore 2003; Hobbes 1651/2001; Musgrave 1959; Oates 1972, 2005).

A larger jurisdiction has several benefits. Chief among these is that it reduces the per capita cost of non-rival public goods. If my consumption does not diminish your consumption, then the more people contribute to producing the good, the cheaper it is for each of us. Such public goods are intangible and ubiquitous. Governance itself is a non-rival public good, as is economic exchange, security, and the rule of law. Further, a larger jurisdiction is better able to internalize the effects of its decisions. If two groups consume a public good, then the amount produced should reflect the collective benefit—not the benefit for any one group. On the same logic, if one group produces pollution that affects the other, the amount produced should reflect the costs for both groups. In addition, larger jurisdictions provide insurance against disasters. If a polity is large enough, it can assist those suffering from a flood, earthquake, or economic shock by mobilizing the resources of people living in areas not affected. Finally, larger jurisdictions are better placed to exercise economic and political power in competition with others. This may be true even if larger jurisdictions are more inefficient than small jurisdictions because power depends on the absolute level of one’s assets, not just their average cost.

The benefits of smaller jurisdictions are conjectured to include responsiveness (smaller governments are better placed to understand the concerns of local residents); flexibility (smaller governments can change policy more

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easily in response to changing conditions or preferences); heterogeneity of preferences (smaller governments are better able to tailor policy to individuals in different parts of the country); innovation (smaller governments may innovate by competing with each other); voice (smaller governments provide more opportunities for citizen input); robustness (smaller governments reduce the scope of policy failure); and exit (smaller governments may allow residents to vote with their feet).<sup>3</sup>

Informational asymmetries between local and central decision makers underpin these benefits. The informational approach to decision making was put on the table by organizational economists who conceive decision making for an organization as a process of repeated messages or dialogue (Arrow 1991: 5; Kochen and Deutsch 1969: 735). The foundation for this is observed by Arrow (1961: 11): “[I]t [is] close to an impossibility for individuals in close contact with the productive processes to transmit their information in all its details to another office. This proposition, long recognized in practice, is the basis of the management literature on the questions of centralization and decentralization.”

Arrow is taking issue with the Fordist notion that the job of front-line personnel is to convey standardized information to their superiors, who make decisions on their behalf. Fordism is built on the assumption that information from the shop floor can be extracted perfectly from workers or collected independently by the board room. However, decision making in firms engages persons as well as things, and such information may be soft—difficult to standardize, resistant to batching, and correspondingly expensive to pass up an organizational hierarchy. A local bank manager, for example, is better placed to decide on a small-business loan by talking directly with the borrowers to assess their honesty and acumen than is a banker in the head office who has access to a report written by the bank manager (Stein 2002: 1892–3).

Government itself can be conceived as a process of repeated dialogue with citizens, and the information that is required for the provision of public goods is no less soft than that for small-business loans. This motivates Elinor Ostrom’s (2010: 8) summary of her decades-long contribution to the study of metropolitan governance:

<sup>3</sup> It is worth noting that these benefits are contested (March and Olsen 1998: 949). For example, an oft-cited virtue of decentralization is that competition among local governments allows citizens to vote with their feet and thereby reproduces some benefits of market competition (Oates 1972; Tiebout 1956; Weingast 1995). However, this assumes that citizens have sufficient information about the quality of public services, that they know which level of government provides what, that governments do not overfish the common tax pool, and that the expertise of local officials is not inferior to that of national officials. Whether these assumptions hold, and how robust the argument is when they do not, is a matter of debate (Dowding, John, and Briggs 1994; Dowding and Mergoupis 2003; Lowery et al. 1995; Lyons, Lowery, and Hoogland DeHoog 1992; Panizza 1999; Treisman 2007; Wibbels 2006).

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Advocates of the metropolitan reform approach assumed that size of governmental units would always be positive for all types of goods and services. Scholars using a political economy approach [by contrast] assumed that size of governmental units would be positive or negative depending on the type of public good or service. Those involving face-to-face delivery, such as education, policing, and social welfare, would show a negative effect of governmental unit size; those involving economies of scale, such as highways and utility systems, would show a positive effect.

A decentralized government is better placed to respond to soft information on the preferences of those living in a region. This is the case even if there is no heterogeneity of preferences across localities. The contexts of human interaction may vary even if preferences do not. Smaller jurisdictions are better able to respond to local conditions—the ecology of a region, its geographical particularities, the distinctive character of its resources, its economic and social structure, its ways of life. “Street-level” case studies of policy making, beginning with the classic example of the Tennessee Valley Authority, generated a vocabulary to describe this—“task environment,” “local interaction,” and “local stimuli” (Keeble, Lawson, Moore, and Wilkinson 1999; Pritchett 1943; Scholz, Twolmby, and Headrick 1991).

Whether a *particular* structure of government is optimal or suboptimal requires knowledge that we are not close to achieving (Crouch et al. 2001; Hooghe and Marks 2009a; Shah and Shah 2006; Treisman 2007). Moreover, what is efficient in one country may be suboptimal in another. However, it is not necessary to point-predict the trade-off between the costs and benefits of decentralization to conclude that the trade-off varies widely across the public goods provided by governments (Breuss and Eller 2004; Hooghe and Marks 2012; Schakel 2009, 2010). The implication is spelled out by Robert Dahl and Edward Tufte in their book, *Size and Democracy* (1973: 129, 133–4):

[L]et us make clear what we mean by boundaries that are too small. If, because of its boundaries, a political system lacks authority to secure compliance from certain actors whose behavior results in significant costs (or loss of potential benefits) to members of the system, then the boundaries of the political system are smaller than the boundaries of the political problem. . . . Let us make clear what we mean by [boundaries that are] too large. If the application of uniform rules throughout a political system with given boundaries imposes costs (or loss of benefits) on some actors that could be avoided (with no significant costs to others) by non-uniform rules, then the boundaries of the political system are larger than the boundaries of the political problem.

This logic underpins Oates’ (1972: 55) decentralization theorem: “[E]ach public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize the benefits and costs of



## Scale and Community

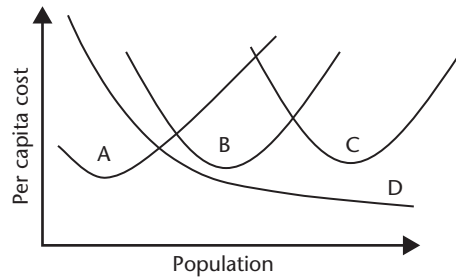


Figure 1.1. Policy cost curves

such provision.” This is the golden rule of multilevel governance: *centralize where necessary; decentralize where possible*.

Figure 1.1 displays hypothetical per capita cost curves for policies with diverse scale economies. The scale for population on the horizontal axis increases exponentially from that of a small town on the left to the entire population of the planet on the right. The curve labeled *A* represents a local public good such as nursery schooling or home care for the elderly. The curve at *B* represents a regional public good such as hospitals or the protection of a common pool resource such as a lake or natural reserve. The curve at *C* depicts a national public good, while that at *D* is a global public good such as finding a cure for ebola.

The idea that efficiency implies multilevel governance rests on the claim that it makes sense to provide public goods at appropriate population scales. If the costs and benefits of centralization vary across policies, policy provision should be scale diverse. One might expect to find jurisdictions nested in what Herbert Simon (1962, 1974) calls a nearly decomposable system in which there is tight coupling within jurisdictions, but loose coupling among them. The idea is to break a complex system into less complex, and correspondingly more autonomous, subsystems that can adapt to their local environments, persist or evolve independently, develop novel solutions, and sustain themselves even if other subsystems break down (Aldrich 1979/2008: 77, 83; Thompson 1967: 59).

## The Ladder of Governance

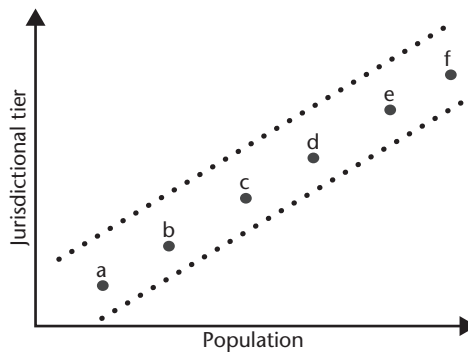
One way of dealing with scale diversity would be to have a separate jurisdiction for each policy (Casella and Frey 1992; Frey and Eichenberger 1999; Hooghe and Marks 2003). Task-specific governance for each policy would form a crazy quilt pattern of overlapping jurisdictions. School boards and

## Community, Scale, and Regional Governance

local governments in the United States often intersect, as do the jurisdictions of many task-specific international organizations (Foster 1997; Keohane and Victor 2011; Skelcher 2007). In the European Union this is described as variable geometry (Schmitter 1996; Stubb 1996; Wallace 1985). It is particularly appropriate for policies that are decomposable, i.e. where decisions in one jurisdiction do not have a short-term effect on decisions in other jurisdictions.

The alternative, and the focus of this book, is general-purpose governance in which jurisdictions bundle policies to gain economies of scope. Such jurisdictions make it possible for political parties to aggregate preferences in popularly elected assemblies. Whereas task-specific governance is good at insulating experts from popular contestation so that they can seek Pareto optimal solutions, general-purpose governance is suited to distributional bargaining across policies. Whereas task-specific governance is oriented to output legitimacy, general-purpose governance is oriented to input legitimacy (Hooghe and Marks 2003, 2004; see Scharpf 1999).

Bundling policies limits the number of jurisdictional tiers. At which scales will those tiers be placed? In order to limit the number of tiers while capturing the efficiency benefits of scale diversity, one can expect jurisdictional tiers to be arrayed at roughly equal intervals on an exponential population scale. The design will take the form of a Russian doll arrangement.<sup>4</sup> The result is an elegant functional design which limits the number of jurisdictional levels, adjusts policy provision to scale diversity, and simplifies coordination by nesting each lower-level jurisdiction within a single jurisdiction at a higher level (Hooghe and Marks 2009a).



**Figure 1.2.** The ladder of governance

<sup>4</sup> There are some curious exceptions. These include Texarkana, a municipality in both Texas and Arkansas with a Federal Court house straddling state boundaries. The Belgian village of Baarle-Hertog is a patchwork of twenty-four non-contiguous parcels of territory nestled within the Dutch municipality of Baarle-Nassau.

## Scale and Community

Figure 1.2 models this by plotting six tiers of governance from a local tier at *a* to a global tier, the United Nations, at *f*. The position of the state in this arrangement can be assumed to vary exogenously as a result of geopolitics. The difference between a state at *e* with a large population and a state at *b* with a small population is that the former has four levels of governance within it and one beyond, while the latter has one level of governance within it and four beyond. In this model, domestic and international politics are two paths to the single goal of achieving scale diversity in the provision of public goods.

The model assumes that jurisdictional levels are spaced evenly along an exponential population scale. Figures 1.3 (a), (b), and (c) provide some plausibility for this conjecture by mapping governance for individuals living in Mendoza, Echternach, and Chapel Hill. Each point locates a general-purpose jurisdiction. The regression line in each graph reveals that the population increases from tier to tier at an exponential rate.

Hence, the number of jurisdictional levels within a country is a function of the log of its population. The effect is long term, and is best picked up in cross-sectional comparison. The bivariate association for eighty countries in 2010 is 0.72. There is a simple and powerful generalization: the larger the population of a country, the greater the authority exercised by regional governments as measured by the Regional Authority Index ( $r = 0.68$ ).

Both small and large states need international jurisdictions to supply global public goods, but large states are less dependent on international organizations below the global level. The most populous countries—China, India, the

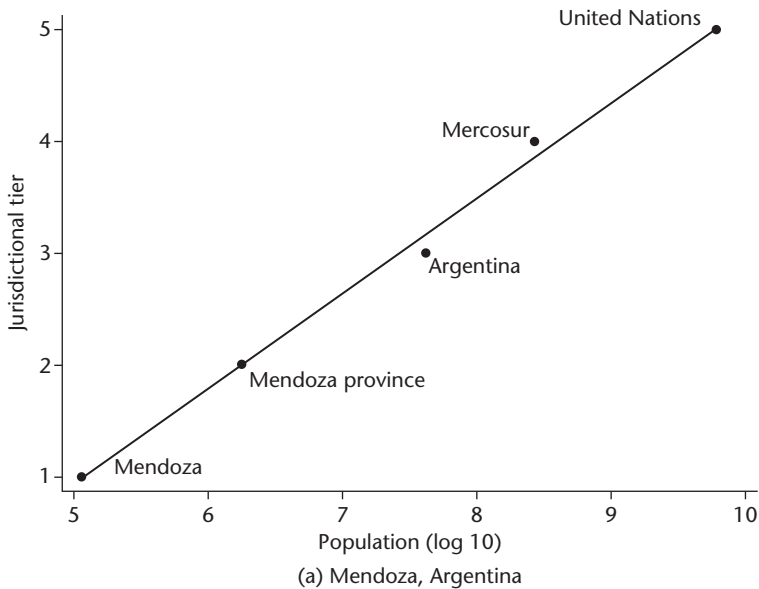
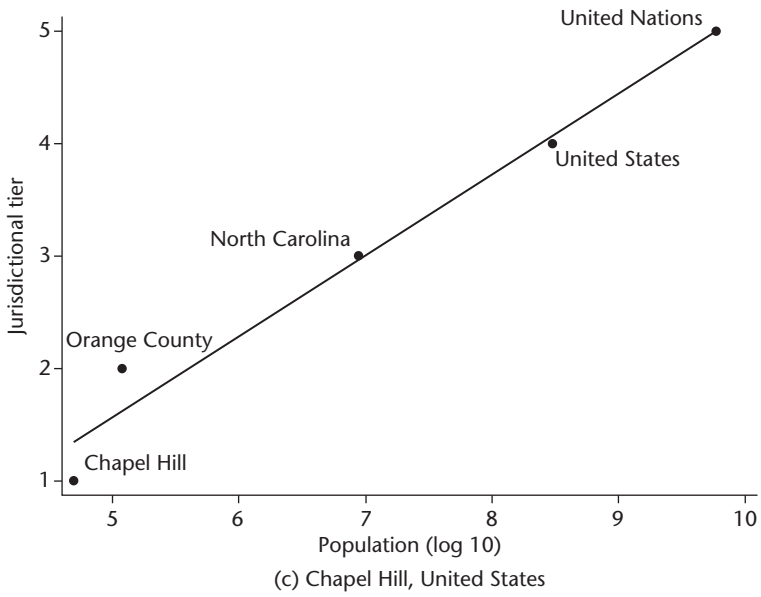
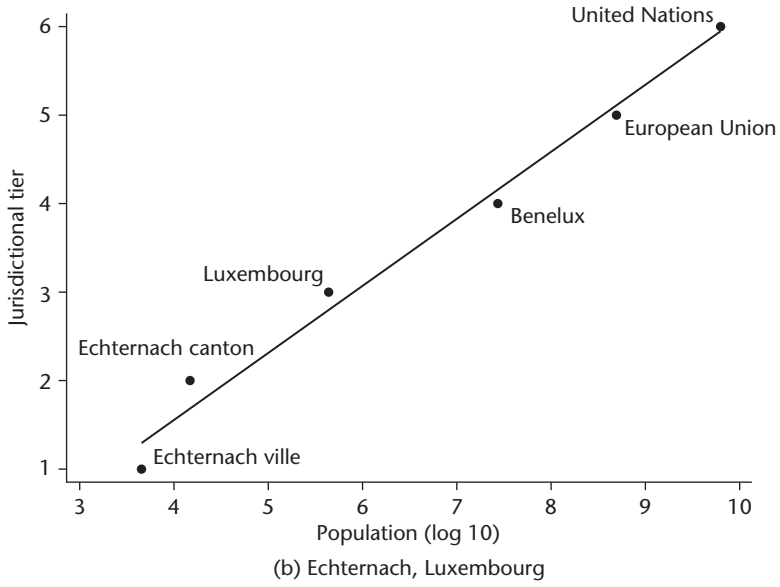


Figure 1.3. Jurisdictional axes

### Community, Scale, and Regional Governance



**Figure 1.3.** Jurisdictional axes (continued)

## Scale and Community

United States—belong to relatively weak general-purpose international organizations. The strongest such organizations—the European Union, the Andean Community, the System for Central-American Integration (SICA), and Caricom—encompass countries with small or medium populations (Marks et al. 2014). As Figure 1.3(b) illustrates, Luxembourg is a member of two general-purpose international organizations short of the globe: Benelux, with a population of 28 million, and the European Union with a population of 505 million. Correspondingly, Luxembourg has just one level of general-purpose regional governance, whereas the United States has several. As we shall see in Chapter Three, no country with a population of less than 2.5 million in 2010 has an intermediate tier of government, whereas no country with a population greater than 4.9 million is without one.

A functionalist approach appears to explain some basic regularities in the structure of governance. It accounts for the nested character of jurisdictional design and the exponentially increasing population scale of general-purpose tiers. It connects the population of a country to the authority exercised by its regions. Beyond this, the ladder of governance explains how states at different population scales produce demands for different mixes of subnational and supranational governance. A functional approach also suggests that the structure of governance depends on a government's policy portfolio. A portfolio that is limited to public goods with extensive economies of scale will produce less decentralization than a portfolio that includes public goods with diverse economies of scale and which are sensitive to local context. Hence a state that provides welfare, education, and health will be more decentralized than one that is limited to defense and taxation (Osterkamp and Eller 2003; Peterson 1995).

## The Nature of Authority

What matters from a functionalist perspective is what governance does, not what it is. The premise of functionalism is that a phenomenon can be explained by the role it plays in the system of which it is part (Levin 2013).<sup>5</sup> Functionalism directs our attention to the effects of an institution, not its meaning for those affected.

<sup>5</sup> A functionalist approach which “characterizes the mental in terms of structures that are tacked down to reality only at the inputs and outputs” is the predominant approach to the mind/body problem in cognitive science (Block 1980: 272). In this conception, a mental state can be explained by the function it performs irrespective of its bio-physical context in the same way that a kidney can be explained by its function in filtering blood (Block 1980: 268; Sober 1996: 226).

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Governance, from a functionalist perspective, consists of institutions that produce public goods. This raises a fundamental question: why would a person demand self-rule if he or she is supplied with the policies she prefers?

Public goods theory assumes that individuals have heterogeneous preferences over policy, but are otherwise indistinguishable. It models an individual's utility as a function of the policies that are delivered to her and the taxes that she must pay (Alesina and Spolaore 2003: 18; Treisman 2007). Hence, a central state that tailors public goods to the preferences of citizens in different parts of a country is in equilibrium without ever having to decentralize authority. The state could set up outposts throughout the country to gather the necessary information and report back to the center, which would then make all policy decisions.

One cannot simply rule this out as infeasible. Central states can and do tailor policy to different parts of the country. Treisman (2007: 60) concludes his perceptive study of decentralization by observing that, "it is perfectly possible as a technical matter for central governments to provide different educational, cultural, religious, or other policies to fit the desires of local populations." He points out that Stalin, who ruled one of the most centralized states ever to have existed, allowed schools in the non-Russian republics to teach in local languages. The United Kingdom, long regarded as a centralized unitary state, provided Scotland with its own legal system and separate educational and religious institutions, even while, until 1999, ultimate authority remained in Whitehall.

As we write this in the build-up to the Brexit referendum, many Conservative MPs have joined a campaign demanding that "parliament should have sovereignty over its own territory" (Barker 2015). Prime Minister David Cameron has bargained a looser relationship with the European Union, but a rump in his own party is campaigning for something more—complete self-rule. This follows a UK general election in which the Scottish National Party gained all but three seats in Scotland on a manifesto stating that "decisions about Scotland's future—about our economy and society—are best taken by the people of Scotland" (SNP 2015: 35).

Providing individuals with the policies they want is not the same as giving them the authority to collectively determine those policies. Self-rule is the independent exercise of authority. So, individuals may demand self-rule even if the central government tailors public goods to their preferences. The reason for this takes one to the core of governance, the exercise of legitimate power.

Power is a capacity unlike any other because it is the present means to obtain some future good (Hobbes 1651/2001).<sup>6</sup> It is the potential to realize

<sup>6</sup> "The Power of a man, to take it universally, is his present means to obtain some future apparent good" (Hobbes 1651/2001: ch. X).

## Scale and Community

one's will in the face of resistance. Unlike money, it is not depleted when it is spent. With what might a people exchange the power to make its laws? This is precisely why conflict over the allocation of authority can be so difficult to resolve. Power, and its legitimate expression, authority, are master goods that relieve the bearer from trusting in the promises of others.<sup>7</sup>

A theory of governance should explain the institutional frame—the structure of authority—in which policies for this community, rather than that community, are decided. Knowledge about policy preferences, no matter how precise, cannot explain preferences over which groups should have the right to exercise collective authority. Preferences over governance are shaped by group attachments as well as by policy preferences.

## Community

Communities are settings for self-rule both for what they offer and for what they reject. Communities facilitate the provision of public goods because they nurture social networks, repeated interaction, and long time-horizons that diminish free riding. Aristotle was referring to this characteristic when he used the word *koinōnia* to refer to a group—any group—with the normative resources to cooperate and to identify and punish free riders. To what extent does the population in a jurisdiction form a network of densely interacting individuals who have consentient understandings and expectations that can underpin a commitment to the commonweal? Do those individuals conceive themselves as sharing a past and do they expect to share a future (Ostrom 1990: 88)?

These questions have implications for governance that are neither functional nor dysfunctional. Our premise is that the structure of governance expresses the bonds of human sociality as well as the functional pressures of scale. Citizens care—passionately—about who exercises authority over them. A postfunctionalist theory stresses that governance cannot be explained by its utility or purpose, but must engage the feelings that people have about the communities in which they live.

Territorial community has profound implications for multilevel governance. It has broken the notion that states exert homogenous authority in their territories. Maps in which countries are distinguished as color-coded blocks reify the state as having a monopoly of authority within its borders. Uniform governance within countries has become the exception rather than

<sup>7</sup> As King Lear learns when he exchanges self-rule for a promise of gratitude, only to be told, "You should be rul'd, and led by some discretion that discerns your state better than you yourself."

## Community, Scale, and Regional Governance

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the rule. The mobilization of territorial communities has created a patchwork of differentiated governance within the state that is the new normal.<sup>8</sup>

Territorial communities within states are front lines in the clash of ethnic nationalisms. Demands for self-rule on the part of distinct communities affect not just their own homelands, but shape the structure of government in the states of which they are part. To understand this, we need to probe how communities facilitate and constrain governance and the conditions under which minority communities can survive assimilation.

Communities are Janus-faced. The social solidarity that facilitates government within communities constrains government among them. On the one hand, communities diminish free-riding, which is the bane of public good provision, on account of their “shared understandings, . . . dense social networks, and connective structures” (Tarrow 2011: 16). On the other hand, communities constrain the provision of public goods when they divide the social world into “us” and “them,” into “insiders” and “outsiders.” Hence, communities can be described as settings of *parochial altruism* (Bernhard, Fischbacher, and Fehr 2006).

Communities rest on a combination of objective and subjective factors, something shared and something felt, which is profoundly shaped by where one grows up. Yack observes (2012: 23) that “nationalism’s students have devoted a lot of time and energy to debunking myths that exaggerate the special virtues and antiquity of nations. But in debunking one set of myths, they have inadvertently breathed life into another: myths that exaggerate our independence from the contingencies of birth and cultural heritage.” Where one grows up is an imposed fact of life that affects how one thinks and feels about one’s identity. Territorially concentrated groups with distinctive ways of life not only prefer particular packages of public goods, but may demand the power to determine their own laws.

Unrestricted power—complete independence—is a chimera to the extent that a community is connected to others. The world has never been divided into non-overlapping, mutually exclusive, communities. Territorial communities exist at different scales, and often their edges are blurred (Mann 1986). Patterns of social, economic, and political interaction almost never coincide, and most persons consider themselves members of more than one territorial community (Curtis 2014; Marks 1999; Moreno, Arriba, and Serrano 1998). So the link between community and the demand for self-rule is politically constructed (Risse 2010). What then matters for self-rule is the extent to which

<sup>8</sup> Political geographers have been at the forefront in seeking to explain how territory and spatial difference shape social and political interaction at diverse scales (Agnew 2009, 2013; Bevir 2010; Brenner 2004; Brenner et al. 2008; Elden 2013). This is also a point of departure for multilevel governance theorists (Bache and Flinders 2004; Enderlein, Wälti, and Zürn 2010; Hooghe and Marks 2001; Piattoni 2009).



## Scale and Community

members of a community have an exclusive attachment, so that they regard an overarching jurisdiction as “rule by foreigners.”

Most countries have within their borders territorially concentrated groups with distinct ways of life, institutions, and modes of speech. In one of the first efforts to map ethnic diversity, Walker Connor (1972: 320) observed a “remarkable lack of coincidence...between ethnic and political borders.” Just twelve of 132 states were ethnically homogenous. The vast majority of minority territorial communities have been assimilated in the process of state building, but the vast majority of states have within them such a community.

Territorial communities provide a key to the structure of governance. Their continued existence is a vital source of differentiation within states. And how they have survived the pressures of state building tells us a lot about the structure of governance in a country.

### Patterns of Peripheral Survival

How does a minority community sustain its distinctiveness in the face of sustained interaction within a state? This is the question that motivated Stein Rokkan’s life-long project (1974: 30) to “study the dynamics of boundary-building and boundary-differentiation” in order to “problematize the division of territories into units.” Rokkan produced meticulous historical maps of regions and states across Europe which are heavily biased to validity and eschew parsimony. His prime motivation, however, lay close to his roots in the far north of Norway and the conditions under which peripheral regions sustain their distinctive cultural and political institutions in the face of a centralizing state.<sup>9</sup> A peripheral region, he wrote, is not simply a remote region, a region distant from a state-center, a region at the geographical limit of a state, but is expressed in the daily life of its inhabitants, in their interactions with power brokers in the center (Flora et al. 1999: 113–15; Rokkan and Urwin 1983; Tarrow 1977). To what extent is a community part of a state, yet marginal to it?

The answer to this question depends on the capacity of a community to fend off the homogenizing effects of state building. How will it respond to the cross-pressures arising from the nationalization of education, national labor markets, a national army, a national civil service, national transportation networks, a national culture, a national party-political system, and the construction of a national identity? The population of the periphery is likely to be

<sup>9</sup> Stein Rokkan grew up off the Norwegian coast in the municipality of *Vågan*, which consists of a group of islets and remote areas perched between the craggy Lofoten mountains and the rough waters of the *Vesterfjord*—a 1,500 km journey from Oslo.

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ambivalent and divided. Under what circumstances will it sustain its distinctiveness?

We theorize two scenarios in which this could, and sometimes did, happen. The first is well described by the conventional notion of a *peripheral* region, a region that is geographically, culturally, linguistically, socially, economically, and politically peripheral to the center. Few regions will have every one of these characteristics, but they tend to go together in mutual causation. The one exogenous factor is, of course, geography. “While geography alone does not make up a community, it certainly helps” (Spinner-Halev 1991: 404). The intuition here is that the greater the time and effort required for communication between a core and a periphery, the weaker the pressure of homogenization. Geographical barriers often delineate states and provide some insulation for a region that is both part of a state, yet distinct from it.<sup>10</sup>

Peripheral regions within states exist in the zone between full independence and assimilation. They are too small, too weak, too thinly populated, or too resource poor to command independence. Yet their geographical isolation, lack of resources, or harsh climate protects them from mass immigration and subsumption in the dominant culture. Many are small islands—the Åland Islands, the Azores, Corsica, the Faroes, the Galapagos Islands, Jeju, Madeira, the archipelago of Mindanao, or the archipelago of San Andrés, Providencia, and Santa Catalina. Some are defended by difficult terrain. Dense forests and dangerous waters cut off Sabah and Sarawak from mainland Malaysia. The diverse dialects of the Basque language survived in the isolated valleys of the Spanish and French Pyrenees. Nunavut, the Northwest Territories, and the Yukon in Canada are vast stretches of taiga and tundra which are inaccessible in winter. Greenland, the world’s largest island, has an inhospitable climate and Nuuk, its capital, is four time zones removed from Copenhagen. Papua, Indonesia’s largest province, is located in New Guinea’s impenetrable rainforest with the highest mountains in Oceania. Valle d’Aosta, in the mountainous region of northwest Italy, is sparsely populated and, until modern times, was liable to be cut off by snow. Panama’s five indigenous *comarcas* are located on the Atlantic coast among river deltas and inland swamps. Nicaragua’s two indigenous regions are on its Atlantic coast, which is separated by a mountain range from its populous Pacific region.

These regions stick out because they do not obey the functional logic of scale diversity. Their population and territory are carved out by the happenstance of geography, not central planning. Many combine small population and small territory, and spoil the designs of those who wish to divide the country into equivalent jurisdictions with uniform competences. Such

<sup>10</sup> “Mountains, along with rivers, are the two most popular means of delineating borders; that has been a fundament of political geography literally through the eons” (Smethurst 2000: 39).

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regions are unique within their countries, in their distinctive norms, ways of life, and modes of speech. But their peripherality reduces their threat. Central governments and other regions in the same tier can regard them as special cases that do not breach the unity of the country as a whole or the principle of equal treatment.

However, resisting assimilation requires both normative distinctiveness and group cohesion. Lacking these, many island peoples have been assimilated into the mainland state. The peripheral islands of Lesbos, Samos, and the Dodecanese are populated by Greeks who came to identify with the mainland under Ottoman and Italian occupation. Gotland, an outward-looking trading island, was amalgamated with the rest of Sweden in the fourteenth century. The Philippine island of Palawan contains some eighty-seven ethnic groups. Many indigenous communities were similarly too fragmented or politically vulnerable to engage in effective resistance. Latin America's creole states suppressed the surviving indigenous peoples at the center, while those in the periphery were left largely alone in "brown areas, . . . places with low or nil state presence" (O'Donnell 1993: 1357). As Deborah Yashar (1999: 84) observes, "Where the state incompletely penetrated local communities (nowhere more evident than in the Amazon), Indians sustained a certain degree of political autonomy by retaining and/or creating authority systems and customs." These local communities retained the capacity to mobilize for self-rule when the state extended its reach into their domains. Several were jolted into resistance in the 1980s and 1990s when modernizers imposed neoliberal reforms in previously sheltered areas of society (Van Cott 2005; Yashar 2005, 2015).

There is another scenario that can produce a distinctive region, and it is completely different. It involves power, not geography. What happens when a core region fails in its quest to become a state, but succumbs to another? Unlike a peripheral region, this region does not exist in the outer reaches of the state. It cannot hide in obscurity or insignificance. It is neither barren nor isolated. It is an integral part of the state. Will it be able to sustain its distinctiveness against assimilation?

This depends on the embeddedness of its institutions and, in particular, on whether it can maintain a distinctive language. Language, as Laitin (2000: 144) emphasizes, "is not only a means of communication, but it is also a marker of identity." Deutsch (1966: 95) suggests that a litmus test for the existence of a community is the breadth and density of communication *within* a group relative to that *among* groups: "Membership in a people essentially consists in wide complementarity of social communication. It consists in the ability to communicate more effectively, and over a wider range of subjects, with members of one large group than with outsiders." Is the dialect or language of the minority officially recognized as a standard? This is decisive

## Community, Scale, and Regional Governance

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because maintaining a distinctive language is “a question of public recognition, of the legitimisation of standards: the use of a language is a collective act in which everyone in a territory must share, and it becomes politicised when a set of elite groups establishes a standard of written communication and lodges claims for its recognition in public life” (Rokkan in Flora et al. 1999: 66, 171–2).

Quebec, Catalonia, and Flanders are failed cores that have sustained distinctive languages that underpin distinctive cultural, educational, and religious institutions. Quebec and Catalonia were considered separate polities at the time they joined the Canadian and Spanish states, and they had a long-standing, although contested, right to sustain distinct institutions. In the early twentieth century Dutch was recognized as one of Belgium’s official languages, in step with the expansion of the franchise which tilted political power to the Flemish demographic majority. Each of these regions weathered attempts to impose a common administrative language to promote rationalization and economic modernization (Gellner 1964, 1983).<sup>11</sup>

The Spanish term *fuero*—the concession of the center to traditional group rights—can be applied to several regions that had considerable bargaining power when they were encompassed in larger units. Bavaria negotiated special rights when it joined the Second Reich in 1870, and has sustained a distinct vernacular. Johor, once the most powerful of the Malay sultanates, was brought to heel by the British in the late nineteenth century, but sustained a distinct political system in the British Empire. In the 1940s it extracted federalism as the price of its inclusion in Malaysia (Harper 1999). Scotland retained legal, religious, and educational institutions in dynastic union with England. Despite linguistic assimilation, Scottish institutions have persisted under the benign neglect of the center (Flora, Kuhnle, and Urwin 1999: 198).

In contrast to geographically peripheral regions, these regions tend to be large in territory and population. Indeed, their relative size is a key to their distinctiveness, for it increases interaction within the region as a proportion of all interaction. If individual choices about whether to learn and speak a language depend on its utility outside the home, then a region with a relatively large population is better placed to incentivize a non-titular language.

The population of a distinctive territorial community is generally small in relation to the population of the country in which it is located. The average population share is 13.9 percent in the eighty countries we observe in 2010. But territorial minorities can have large effects.

<sup>11</sup> Laitin (2000: 151) points out that rationalization, “the authoritative imposition of a single language for educational and administrative communications, is a concept derived from Max Weber (1968), who used the term to refer to modern state practices of standardization and bureaucratization. A common currency, a common legal system, and a unified tax code are all examples of rationalization, as would be a common administrative language.”

## Scale and Community

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Distinctive communities shape the physical design of a country's jurisdictions. In Chapter Four we examine how the two paths to distinctiveness have contrasting effects on the size and population of jurisdictions. Some territorial communities produce jurisdictions that are exceptionally small in both population and area. Others encompass relatively large populations in large territories. There is no functional logic to this. Uniformity goes out the window in the presence of distinctive community. Instead of trading off population and territory, so that jurisdictions encompass dense populations in smaller territories and sparse populations in larger territories, distinctive communities produce jurisdictional designs in which there is a positive association between population and territory.

Distinctive communities produce differentiated governance within states. The demands of minority communities for self-rule can set them apart from other territories within the state, and central governments may accommodate them with ad hoc reforms. Differentiated regions break the idea that the rights and duties of citizens are the same across the territory of the state. Chapter Five theorizes the effects of three forms of differentiation—autonomy, asymmetry, and dependence—for the depth and character of regional authority.

Finally, distinctive communities have a marked effect on the overall level of regional authority of the countries of which they are part. Such communities form only a part of a society, but, as Chapter Six reveals, a demand for self-rule on the part of a single region can trigger emulation, competitive mobilization, identity construction, and efforts on the part of the central government to quench separatism by upgrading the authority of regions across the country as a whole.