



# Multilevel governance

Liesbet Hooghe, Gary Marks, and Arjan Schakel



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## Reader's guide

Multilevel governance is the dispersion of authority to jurisdictions within and beyond national states. Three literatures frame the study of multilevel governance. Economists and public policy analysts explain multilevel governance as a functionalist adaptation to the provision of public goods at diverse scales. Political economists model the effects of private preferences and moral hazard. Sociologists and political scientists theorize the effects of territorial identity on multilevel governance. These approaches complement each other, and today researchers draw on all three to explain variation over time and across space. The tremendous growth of multilevel governance since World War II has also spurred research on its effects. Multilevel governance has gone hand in hand with subnational and supranational elections, and has greatly diversified the arenas in which citizens can express their preferences. The effects of multilevel governance for ethno-territorial conflict are **double-edged**. On the one hand, multilevel governance provides resources for separatist movements; on the other, it opens the possibility for accommodation through shared rule. Finally, multilevel governance leads to greater subnational variation in social policy, yet also makes it possible for central and regional governments to coordinate policy.

## Introduction

Authority—the competence to make binding decisions that are regarded as legitimate—has been dispersed from the central state upward and downward over the past seventy years. Multilevel governance has become the new normal. This process has been two-sided. Authority has shifted both to subnational jurisdictions and to international institutions (Hooghe and Marks 2003).

Europe is an example of the two-sided character of multilevel governance. Europe has experimented with scaling up to the supranational level, chiefly to the European Union, to gain the benefits of scale in providing public goods. The Union encompasses countries and their regions in a continental system of economic exchange, individual mobility, dispute resolution, fundamental research, and external representation. Scale enhances efficiency in each of these endeavours because it makes sense to co-determine the policy for all the people affected by a policy, rather than just one segment, and because the cost of providing a public policy is lower if it is shared across a very large number of people. In addition, the economic size of the Union makes it a great power in global economic, financial, and environmental governance. At the same time, Europe has been at the forefront of decentralizing authority within states (Marks et al. 2008a; Tatham 2014). Since the 1960s, new tiers of subnational government have been created in twenty-two European countries, and self-rule has been extended to several regions with distinctive communities, including the Azores, the Basque country, Catalonia, Corsica, Flanders, Scotland, South-Tirol, and Wales.

This chapter is concerned with subnational authority, but to understand sources and effects it is useful to begin with the wider backdrop of multilevel governance. We then narrow the focus to multilevel governance within states. What form has multilevel governance taken, and how does it vary across countries? We next turn to the effects of multilevel governance. How does multilevel governance affect democracy, ethno-territorial conflict, and social policy?

### KEY POINTS

- Multilevel governance is the dispersion of authority within and beyond national states.
- Authority is the competence to make binding decisions that are regarded as legitimate.

## Two logics

Two logics underpin multilevel governance. One is a functionalist logic that conceives governance as an instrument for the efficient delivery of goods that individuals cannot provide for themselves. The other, no less powerful, logic is the demand for self-rule by those living in distinctive communities.

The premise of the functionalist logic of multilevel governance is that every public good has an optimal spatial scale. Where the benefits and costs of providing a public good are contained within the local community, as for parks, public libraries, or elementary schools, it is best to let local government decide because they have better information on local tastes and conditions.

Where a public good has broad externalities or economies of scale, as in health care, pensions, or regulating income inequality, national government should be responsible.

Public goods with externalities that extend beyond national borders, for example facilitating international trade or combating highly infectious disease, call for governance at the continental or global level (see Box 11.1).

The optimal design is then to bundle policies in a limited number of widely spaced tiers of government. The result is a Russian Doll arrangement, where local governments are nested in regional governments, which are nested in national governments, and so on up to the globe as a whole. The overall pattern is unplanned, but it has a rational structure of roughly equally spaced tiers at exponentially increasing population levels. When one plots the average population of each tier of government on a log scale, as in Figure 11.1, the result is a linear progression of nested tiers—a ladder of governance.

States can exist at different population scales within the ladder. A small state, e.g. Luxembourg at *b* in Figure 11.1, has just one level within it and several levels beyond, including Benelux, the European Union, and a panoply of cross-regional and global organizations. A state at *d* in the Figure (say Brazil) has several levels within it and only two levels above. For Brazil, this is Mercosur at the regional international level and the United Nations system of international organizations at the global level.

Hence, the larger the population of a state, the greater the number of levels of government within it and the fewer above it (Hooghe and Marks 2009; 2016b). Box 11.2 illustrates this for four countries with widely divergent population sizes.

The second logic that drives multilevel governance is an identity logic that conceives governance

**BOX 11.1**

**Concepts of a functional logic**

**Public good**

A public good is a policy or service provided by government that is non-excludable and/or non-rivalrous, i.e. individuals cannot be excluded from using the good and the use by some does not reduce its availability to others. Examples are clean air, trade, rule of law.

**Externality**

An externality occurs when a policy or service provided in one jurisdiction affects another jurisdiction. For example, an industrial plant in region A may cause pollution in region B (*negative externality*) or individuals educated in region A may live and pay taxes in region B (*positive externality*).

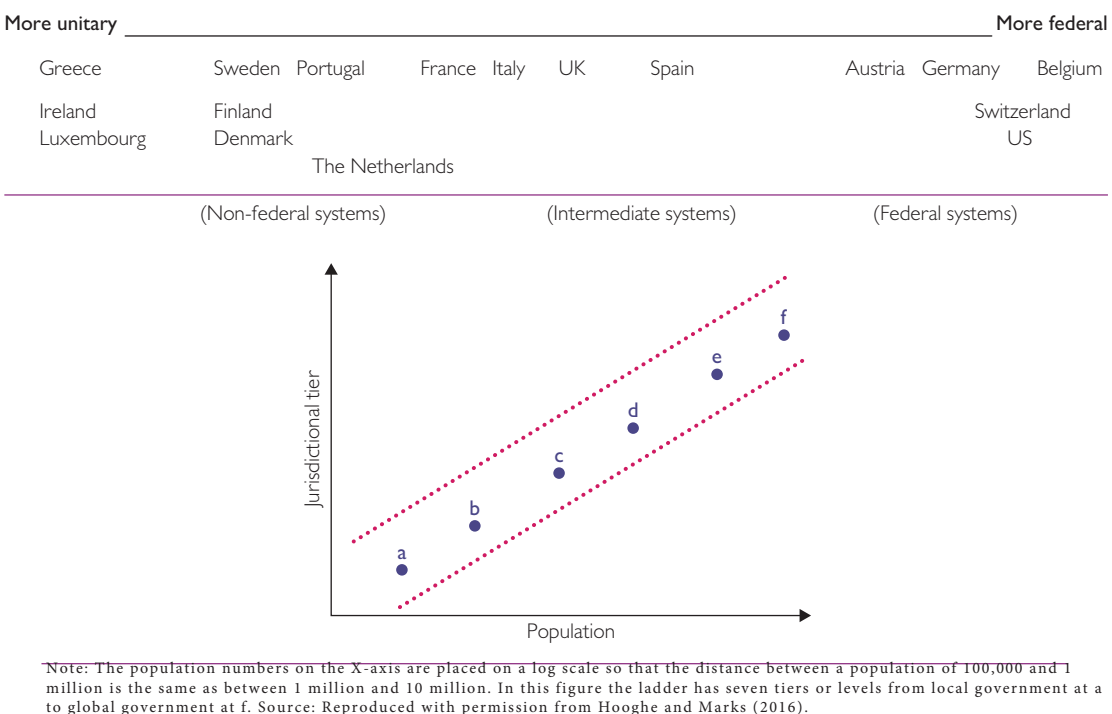
**Economies of scale**

Economies of scale occur when the marginal cost of one unit of a policy or service decreases as the number of units increases. For example, a region of one million residents can provide specialist hospital care at a lower cost/taxpayer than a municipality of a 100,000 people.

**Optimal jurisdictional design**

A jurisdictional design is optimal when public goods are allocated across levels of government so that externalities are internalized and scale benefits maximized.

**Figure 11.1** The ladder of governance



**BOX 11.2**

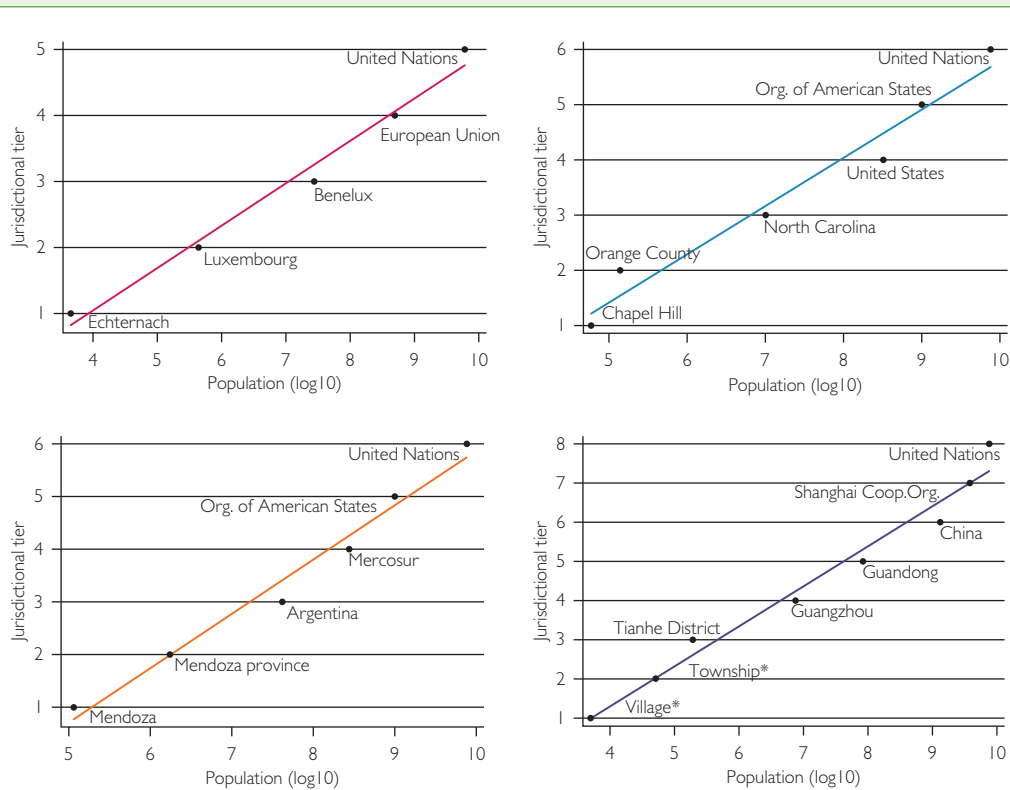
**Is there an underlying structure of governance?**

The relationship between government tiers and population size reveals an elegant ladder of governance across a vast range of scale in countries as different as China, Luxembourg,

Argentina, and the US. The Y-axis in each figure arrays government levels in order of population size. The X-axis estimates the population of each level on a logarithmic scale. We describe the fitted line in each figure as a jurisdictional axis. The alignment of jurisdictions along the axis suggests that the



BOX 11.2 (continued)



Note: Luxembourg (top left), United States (top right), China (bottom right), and Argentina (bottom left). Population estimates for 2010; population numbers for village and township in China are averages for the Tianhe District.

structure of government has a functional logic which maximizes scale flexibility in policy provision but minimizes the number of jurisdictional tiers.

One implication is that the larger the population of a country, the greater the benefit of subnational jurisdictions that can deliver policy at the appropriate level.

as an expression of the desire for self-rule by a group that sees itself as a distinct community. Demanding self-rule is quite different from demanding a particular package of public goods. Individuals living in such communities may have exclusive identities with their region or country. They may insist on self-rule, even if this hurts economic growth.

From an identity perspective, the structure of governance should follow the boundaries of communities. One result is that the population of jurisdictions at a given subnational level can vary widely. Consider Spain's seventeen autonomous communities, the highest subnational tier established in the years after Spain's transition to democracy following Franco's death in 1976. The median population of an autonomous community is just over two million, but the range is wide. Navarre, Rioja, and Cantabria have

fewer than 700,000 inhabitants, whereas Catalonia and Andalusia have more than seven million. The Spanish constitution of 1978 recognizes that identity—not scale—sets the boundaries of its 'autonomous communities', which include the special historical nationalities of the Basque Country, Catalonia, Galicia as well as the chartered rights of Navarre. It mandates that an 'autonomous community' can be constituted by a single province with 'a historical regional identity', or by adjacent provinces with 'common historical, cultural, and economic characteristics', or by a region having a distinct territory. Jurisdictional design in Spain, as in many countries in Europe and across the world, reflects the history and identity of its regional peoples.

Where distinctive communities such as the Azores or Quebec demand self-rule, they seek to gain



## DEFINITIONS 11.3

### Multilevel governance

Multilevel governance is the dispersion of authority within and beyond national states.

### Decentralization

Decentralization is the shift of authority (fiscal, political, administrative) from the centre to regional or local governments within a country.

### Federalism

Federalism is practiced where government functions within a country are shared between the central government and regional governments so that neither the centre nor the regions may unilaterally change the system.

### Unitary government

A unitary government is where the central government may share authority with local and regional governments, but the central government can change the system unilaterally.

### Self-rule

Self-rule is the extent to which a regional government exercises authority in its territory.

### Shared rule

Shared rule is the extent to which a regional government co-exercises authority within the country as a whole.

### Confederation

A confederation is where the central government is constituted by sovereign units that may unilaterally change the association. Common policies are often limited to defence, foreign policy, and currency.

### Devolution

Devolution is the process of granting legislative autonomy to one or several regions within an overall unitary framework.

### Home rule

Home rule is where the region has extensive self-rule so that it exercises some key functions of a sovereign state.

authority in ways that break the uniformity of authority across a country. The result is *differentiated governance*, in which one or more regions in a country have authoritative competences that distinguish them from other regions in the same country. The demands of minority communities for self-rule can set them apart from other territories within the state, and central governments may decide to accommodate them. Scotland has long had a distinctive legal status within the UK, with Wales following from 1964. Yet the concept of differentiation travels well beyond Britain. In recent decades, an increasing number of countries have adopted some form of differentiated governance, and as we explain in the next section on 'Concepts and definitions'.

### KEY POINTS

- Multilevel governance is a response to functionalist pressures for the efficient provision of public goods from the local to the global levels.
- Multilevel governance is a response to the demand for self-rule by a group that sees itself as a distinct community.

## Concepts and definitions

*Multilevel governance* describes the dispersion of authority whether this is within a state or beyond it. So, it ties together comparative politics and international organization to encompass the EU and the decentralization of its member states. Most of the concepts that had previously been used to describe the dispersion of authority apply exclusively within states (Box 11.3).

Of these concepts, *decentralization* is the most commonly used. It refers to the shift of authority towards regional or local government and away from central government. This can be political (e.g. setting up regional elections), fiscal (e.g. granting tax or spending powers), or administrative (e.g. the power to hire personnel) (Rodden 2004; Falletti 2005; Wibbels 2006). A limitation of the concept of decentralization is that it does not distinguish between local or regional government. Knowing whether a state is more or less centralized does not tell one which tier does what. Measures of decentralization focus on the central state and consider all levels of subnational governance as 'the other', the non-central state (Hooghe et al. 2016). Hence, if a country is described as highly decentralized, we do not know a priori whether it has strong regions or strong local governments (Marks et al. 2008a).

A standard way of conceiving the territorial structure of authority is as a choice between a *federal* or *unitary* system of government (Elazar 1991; Watts 1998). The chief difference is that under federalism the centre cannot change the structure unilaterally, whereas in a unitary state it can. A federal system is partitioned in regional units, whereas a unitary system may or may not have regional units. Hence in a federal system, government functions are divided and sometimes shared between the central government and regional governments, and this dual sovereignty is constitutionally protected against change by either the centre or the regions acting alone (Riker 1964). Classical examples of federations are Australia, Brazil, Canada, Germany, India, Nigeria, and the US.

A *confederation* is looser than a federation in that the central government is less important, and often subordinate to, the constituent units. Its basis is often a treaty, its powers are usually confined to foreign affairs, defence, and perhaps a common currency, and the units retain the right to secede. Confederations are less common than federations. The US from 1781–89, Switzerland from 1815–48, Germany from 1815–66, and the short-lived confederation of Serbia-Montenegro (2003–06) are examples. Some would also categorize the EU as a confederation (Watts 1998).

In a unitary government, ultimate authority resides with the central government. However, this says nothing about the existence or authority of regional governments. Some unitary states have no regional level, whereas others have regional governments with extensive autonomy. That autonomy may be nearly as wide-ranging as in federal states, but in contrast to federations, the central government can modify the structure of government unilaterally. This idea is expressed in another oft-used term, *devolution*, which refers to the statutory delegation of legislative powers from the central government to regional or local governments. The concept of delegation implies that any transfer of authority is conditional upon the centre's consent. The transfer of authority to Scotland and Wales has been described as devolution to signal that this did not turn the UK into a federation because the devolved powers can, in theory, be revoked by the UK central government.

A unitary state may grant extensive autonomy to a region, making it virtually a self-standing state. The term for this is *home rule*. The remaining link between the region and the country may become very thin, as for example between the Farøer Islands and Denmark, or between the Åland Islands and Finland. Ireland had home rule within the UK until it broke away in 1922.

The federal/unitary distinction brings out the tension between *self-rule* and *shared rule*. Self-rule is

the authority that a subnational government exercises in its own territory. Shared rule is the authority that a subnational government co-exercises in the country as a whole. The distinction is familiar in the study of federalism. It is particularly useful because self-rule and shared rule encompass the concept of authority, yet take us an important step closer to the ground—that is, to institutional characteristics that can be empirically evaluated (Elazar 1987; Marks et al. 2008b).

Self-rule enables communities smaller than the state to practice autonomy, which can help them preserve distinctiveness or tailor policies to local needs. Yet sharing rule with other regions and the central government in a larger state provides access to the benefits of scale in security, trade, and insurance against external shocks, such as a flood or earthquake. Federal systems institutionalize a trade-off between self-rule and shared rule, but with deepening regional authority in many unitary systems, this trade-off has become a live issue there too. It is not possible for a region to have both complete self-rule and extensive shared rule. If the Flemish government seeks full control over who can immigrate into Flanders, it cannot also hope to codetermine rules that apply to other Belgian regions. Shared rule ties a region to the country as a whole in return for a seat at the table that sets national policy.

Students of local government have developed their own ways to categorize countries (Page and Goldsmith 2010). The chief difference with regional authority is that, for local government, shared rule—institutions that empower local government to routinely co-determine national policy—is typically not on the cards. Local authority is mostly about variation in self-rule, and experts find it useful to break this down in political discretion over policy-making and the extent to which central rule-making can constrain this, financial authority to raise and spend money, and the extent to which local populations can elect (select) their own local government. In a recent comprehensive study, Ladner et al. (2019) array forty European countries from having the most authoritative local authorities in the Nordic countries and Germany to the least authoritative in Georgia, Malta, Moldova, Turkey, and the UK.

Classifications are often inadequate for capturing the complexities of state organization. In the next section, 'What are the chief trends?', we employ measures that conceive regional and local authority as a continuum. It makes sense to conceive of regional and local authority as a continuous dimension rather than in categorical terms, and the concepts of multi-level governance, self-rule, and shared rule can help us unpack the variety of levels at which subnational authority is exercised.

## KEY POINTS

- The standard way of conceiving the territorial structure of government is as a basic choice between a federal or unitary constitution. Under a federal constitution, the centre cannot alter the structure unilaterally, whereas under a unitary constitution it can.
- An alternative approach is to conceive regional authority and local authority as continuous dimensions.
- When estimating authority as a continuous dimension, it helps to distinguish between self-rule—the authority that a subnational government exercises in its own territory—and shared rule—the authority that a subnational government co-exercises in the country as a whole.

## What are the chief trends?

The growth in multilevel governance within states since World War II amounts to a quiet revolution. It is quiet because it is rarely constitutionalized and almost never catapults countries into full-blooded federalism. In Europe, just one country—Belgium—has become federal, and worldwide the number of countries that have crossed the federal-unitary boundary can be counted on the fingers of one hand. Yet the growth of multilevel governance has affected almost every non-federal country that is middle-sized or larger.

This calls into question a conventional conceptualization of state authority that has long held sway in comparative politics: namely that a country is either federal, in which authority is divided between regional governments and a central government so that each has the final say over some decisions, or unitary, in which the central government monopolizes authority. Multilevel governance transcends the divide because it reveals that unitary states may have multiple levels of government, directly elected regional assemblies, and strong regional or local executives. In this respect, the dichotomy between federal and unitary countries is better conceptualized as a continuum. However, unlike federations, this dispersion of authority is usually not anchored in the constitution.

The Regional Authority Index (RAI) estimates regional and intermediate subnational government in eighty-one countries in the Americas, Europe, South-east Asia, and the Pacific from 1950–2010 (Hooghe et al. 2016), while the Local Authority Index (LAI) covers local government in thirty-nine European countries from 1990–2014 (Ladner et al. 2016, 2019). Both indices break authority down in administrative, political, and fiscal components.

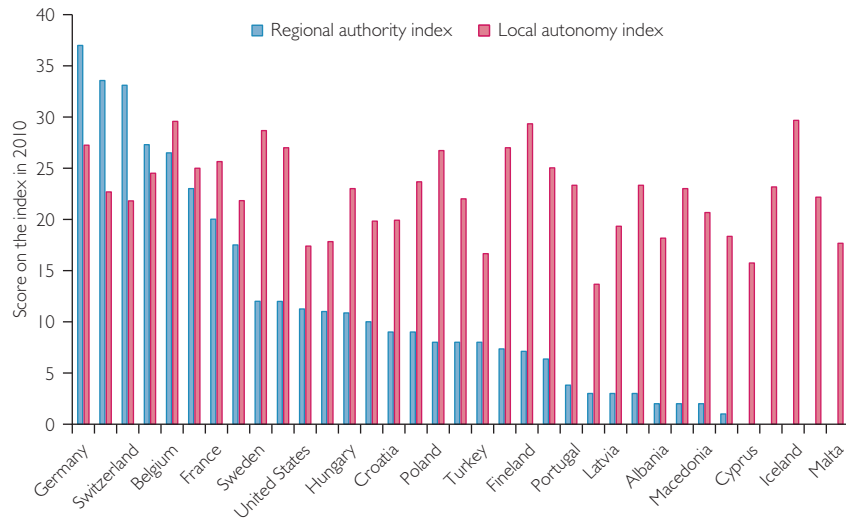
Three trends have been particularly important. First, there has been a marked rise in both regional and local authority. The RAI has increased in Europe by 7 per cent since 1990, and the LAI has increased by 6 per cent. These are notable trends considering that government institutions tend to be very sticky.

These decades have seen a whirlwind of regional reform in Central and Eastern Europe. Eight countries created new regional tiers: Albania, the Czech Republic, Croatia, Hungary, Latvia, Lithuania, Romania, and Slovakia. Poland comprehensively revamped its existing tier. The reforms responded to twin pressures: a desire for greater subnational democracy after the collapse of authoritarianism, and a functional need to have accountable institutions in place to allocate EU development funds after EU accession. Several Western European countries reformed subnational government. Finland, Greece, and Ireland introduced a new self-governing tier, and regions in Germany, Italy, Switzerland, and Spain gained new competences. The most dramatic changes took place in Belgium and the UK as a response to the mobilization of territorial identity. Belgium became federal in 1995 in an effort to stabilize Flemish–Francophone relations. The UK government devolved special powers to Scotland, Wales, Northern Ireland, and London. In federal countries, the quiet revolution has been mostly centripetal, drawing constituent units into joint decision-making. In non-federal countries, it has been mostly centrifugal, giving regions more self-rule without compensating reforms that give them greater responsibility for the country as a whole.

The changes in local government have also been most marked in Central and Eastern Europe. This reflects a catch-up process with Western Europe. As former communist societies become more democratic, so multilevel governance deepened. Just nine countries saw some weakening of local governance, while twenty-six countries experienced strengthening. Overall, local governments gained in authority across the board, with one exception: the authority to borrow money. This was constrained in many countries in response to the financial crisis that hit Europe from 2008.

By 2010, every European country had authoritative local government or authoritative regional government, or both, as Figure 11.2 reveals. The dark bars show the extent of regional authority and the light bars show the extent of local authority, with countries arrayed from highest to lowest regional authority. Most European countries (nineteen of thirty-five) deepened both regional authority and local autonomy over the past two decades. Fifteen increased either local or regional authority. Just one country (Denmark) scaled back both regional and local authorities.

Figure 11.2 Regional and local authority across Europe in 2010



Note: thirty-five countries in Europe rank-ordered from high to low regional authority in 2010. Regional authority is estimated for each regional tier/region on a 1–30 scale, and multiple regional tiers in a country add up to constitute the RAI score (blue bars). Local authority is estimated by the LAI, which rates the authority of the lowest level of government on a 0–37 scale (red bars).  
Sources: Hooghe and Marks (2016a); Ladner et al. (2016).

The top five countries with respect to regional authority are Germany, Spain, Belgium, Italy, and Switzerland. Three are fully fledged federations, and Spain and Italy might be described as ‘quasi-federal’ because they have devolved extensive self-rule and some shared rule to their regions. Five countries (Cyprus, Estonia, Iceland, Luxembourg, and Malta) have no authoritative regions. These countries have small populations, and there is little functional rationale for a regional government between the local and the national.

While regional authority varies widely across Europe, the range in local autonomy is narrower. Every contemporary European country requires local governments to provide local public goods related to infrastructure and services. Interestingly, the five countries without regions have higher than average local authority. Authoritative local governments pick up tasks there that in other countries are handled at the regional level.

Figure 11.3 shows how regional authority developed for eighty-one countries in five world regions from 1950. The trend is upwards, but note the pronounced dips in Latin America and in South-East Asia in the 1960s and 1970s. These coincide with authoritarianism. The downward trends were reversed once these world regions democratized. A chief driver of multi-level governance, as Box 11.4 notes, is democracy.

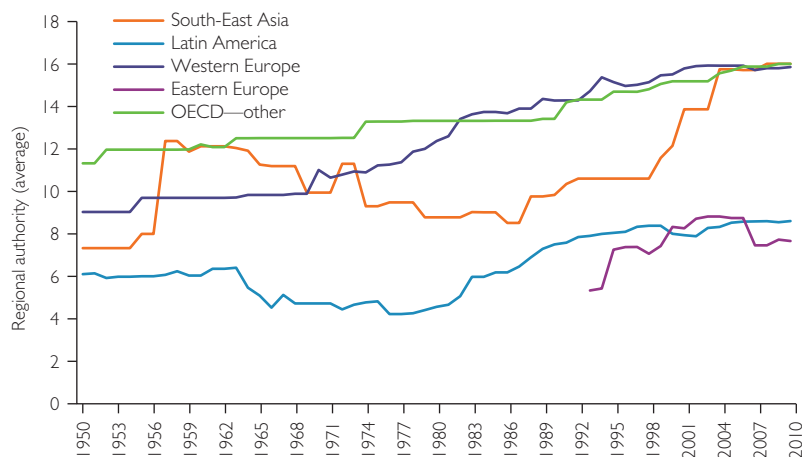
While authoritarian rulers are suspicious of multilevel governance because it can provide opponents with an alternative power centre, democratic rulers let the chips fall where they may: decentralization is desirable if it can firm up political support, or it may not be.

A second trend is differentiated governance, in which governments at the same territorial level have divergent political, administrative, or fiscal powers. In 1950, sixteen of the forty-eight countries we track between 1950 and 2010 had one or more regions that meet this criterion. By 2010, as Figure 11.4 illustrates, this had increased to twenty-six countries. No country with differentiated regional governance has become uniform; ten countries have become differentiated, chiefly in response to the demand for self-rule on the part of those claiming to represent distinct ethnic communities.

Historically, differentiation was introduced to appease territories with distinctive identities. Quebec, the only predominantly French-speaking region on the North American continent, controls immigration. Aceh and Scotland have their own legal orders within their respective states. Bolivia’s indigenous communities can elect their representatives according to their own rules. The Basque provinces collect their own taxes, while the central government collects taxes on behalf of the other Spanish comunidades. The Åland Islands can exclude non-resident Finnish citizens from



Figure 11.3 Regional authority across world regions (1950–2010)



Note: Average regional authority by world region for eighty-one countries from 1950 to 2010 in Southeast Asia, Latin America, Western Europe, OECD-other, and Central and Eastern Europe.

Source: Reproduced with permission from Hooghe et al. (2016e).

buying land. Greenland and the Farøer Islands are exempt from Denmark's membership of the EU.

Other arrangements tailor authority to the unique governance challenges of national capitals. In authoritarian regimes, capital cities often have less authority than other regions because rulers want to keep close tabs on potential opposition. Kuala Lumpur, Caracas, and in times past, Asunción, Bogota, Mexico City, and Jakarta,

have been directly governed from the centre. The driving force in differentiated governance is identity, though functionality can also play a role. In recent years, differentiation has allowed regional and local governments to experiment with policies, accommodate the demands of distinctive territories, or address the metropolitan governance challenges of large-scale urban areas. Hence the logic can be functional, as well as identity-based.



#### BOX 11.4

### Drivers of multilevel governance

#### Ethno-territorial identity

The demand for self-rule by territorially concentrated groups pressures central states to decentralize authority. If one region gains self-rule, other regions may demand the same.

#### Democracy

Democracy diminishes the cost of political mobilization on the part of those who desire self-rule and multiplies the points at which they can access decision-makers. Whereas autocrats rule by denying authority to others, democratic leaders can retain rule by shifting authority out of their own hands if that wins them support.

#### Interdependence

As people trade, travel, and migrate across national borders, so national states become too small to tackle large-scale external-

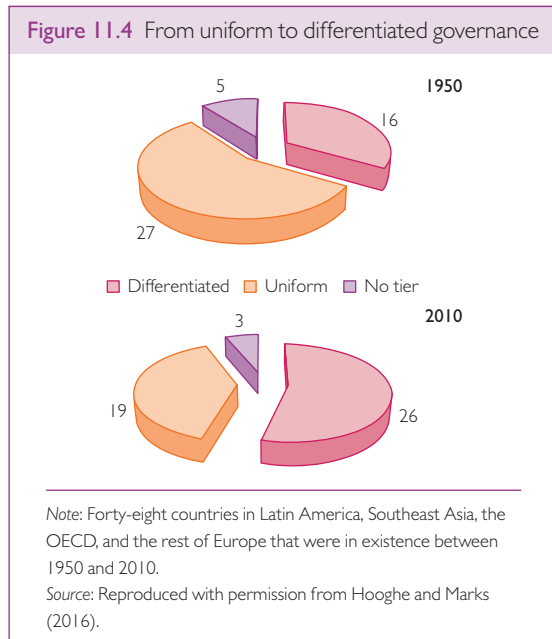
ties such as regulating trade or climate change and too large to address the cultural and economic effects of mobility on neighbourhoods, towns, and regions.

#### Affluence

The more affluent a society, the greater the demand for public goods that are best provided closer to the citizen. These include health, education, infrastructure, and a sustainable environment. Regional and local governments can tailor these policies to local circumstances.

#### Peace

Interstate war drives national centralization; peace allows central governments greater latitude to allocate authority to regional, local, and international jurisdictions.



A third trend is the scaling up of subnational government—that is, the concentration of populations and resources in fewer, larger units. The median size of regional units has increased, especially in Europe. Denmark replaced its fifteen counties with five regions in 2007; France reduced the number of regions from twenty-two to thirteen in 2016; Greece abolished its fifty-two prefectures and empowered thirteen larger-scale regions in 2011. The scale of local government has always been, and remains, hugely different across Europe—from an average size in 2014 of under 2,000 people in Slovakia, France, and the Czech Republic to over 50,000 residents in Turkey, Denmark, Ireland, and the UK. Some countries such as Greece, Denmark, Latvia, and Ireland, have drastically reduced the number of municipalities in the past two decades, and others such as the Czech Republic, Croatia, or Slovenia have multiplied them (Ladner et al. 2019).

Scaling up at the local level has come in two forms. One is the proliferation of inter-municipal cooperation arrangements (Allain-Dupré 2018). The other is the creation and empowerment of metropolitan areas. About half of the population in the Organization for Economic Cooperation and Development (OECD) lives in a metropolitan area of half a million people or more, and by 2015 around two-thirds of these areas had acquired their own government. A study by the OECD counts 178 governance arrangements in existence in 2015 (Ahrend et al. 2014; Allain-Dupré 2018). The majority were created in the past two decades, and there has been a pronounced acceleration from 2000.

The upshot is that the territorial structure of governance in Europe has been transformed, reversing a centuries-long process of centralization. The development of the national state from the twelfth century was a long, zig-zag process, in which central states claimed and gradually gained a monopoly of legitimate coercion, creating national armies, national courts, national taxation systems, national health, national education, and national welfare (Tilly 1990). Centralization reached its peak in the first half of the twentieth century. It has been superseded by an era of multilevel governance that began in the second half of the twentieth century (Hooghe and Marks 2016). However, we very much doubt that this is the end of the history of jurisdictional design. The forces that underpinned central state building in Europe—war, nationalism, authoritarianism—have not left the stage. Should any or several return, the result would be to weaken international and subnational governance and compress authority to the national level.

#### KEY POINTS

- Subnational authority has deepened in most countries around the world.
- Subnational governance has become more differentiated as individual regions or localities acquire distinct powers.
- The scale of subnational governance has increased as larger regions have replaced smaller regions and in response to the particular demands of governing metropolitan centres.
- The chief drivers of multilevel governance are ethno-territorial identity, democracy, interdependence, affluence, and peace.

### Three literatures

Distinct literatures motivate an understanding of decentralization and multilevel governance. The theory of fiscal federalism sets out normative guidelines for assigning tasks to levels of government (Box 11.5). Wallace Oates' (1972) decentralization theorem summarizes a golden rule of multilevel governance: 'decentralize where you can and centralize where you must'. So which policies are best provided at the local or regional level, and which are best provided nationally? Oates identifies several conditions that can tip the balance in one direction or the other.

- *Economies of scale*. Can a local/regional government provide the policy as cheaply as the central government?

- *Inter-regional externalities.* Does the policy affect other regions?
- *Heterogeneity of preferences.* Do citizens in different parts of the country want different policies?
- *Information asymmetry.* Are subnational governments better informed about what their constituents want?

This approach promises a ‘perfect mapping’, where each public good is provided at the appropriate scale (Olson 1986). However, this assumes that government operates as a disinterested custodian of the public interest. There is no politics here, no self-interested actors, and no problems that arise from getting those who exercise power to act in the public interest.

Scholars began to question these assumptions from the 1990s (Weingast 1995; Inman and Rubinfeld 1997; Besley and Coate 2003). Instead of assuming that public decision-makers are detached social planners, second-generation literature models political actors as self-interested utility maximizers (Treisman 2007). Bureaucrats may be chiefly interested in maximizing their budget, even if this hurts general welfare. Politicians may centralize authority in an effort to increase their chances for re-election. Local or regional governments may run up debts in the expectation that the national government will bail them out.

Jonathan Rodden (2006) documents how decentralized finance poses a moral hazard for countries in which subnational governments are funded primarily through revenue sharing and grants. If those subnational governments can take on debt to supplement their grants, the central government often ends up paying the bill, and these central bailouts can have serious country-wide effects. Hence Brazil’s state-level debts in the 1980s and 1990s led to macroeconomic instability and hyperinflation. Germany’s regional

debt accumulated after unification, but the federal government was able to leverage Eurozone membership to extract new fiscal rules that prohibit regional net borrowing as of 2020. Voters may freeride too; they may try to have their cake and eat it by accessing public goods while evading taxes. While this second-generation literature builds on the first-generation approach, it regards jurisdictional outcomes as motivated chiefly by economic self-interest on the part of rulers, groups, and voters.

Third-generation literature examines the effects of territorial identity and the demand for self-rule to help explain the structure of government (Banting and Kymlicka 2017; Hooghe and Marks 2016; Moreno and Collino 2010). In addition to distributional competition about ‘who gets what’, this literature raises the *Who Question*—conflict over who should have the right to rule themselves. This extends the analysis beyond pressures for efficient governance and economic self-interest to conceptions of territorial identity in the same state (Rokkan 1983).

Many national states encompass distinctive communities, and when mobilized, they care more about self-rule than about optimal task allocation. 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. By asserting the right of a community to govern itself, it expresses a *polity* preference rather than a *policy* preference. When identity becomes politicized, it tends to narrow the scope for cost–benefit considerations, and in some instances, can overwhelm it.

Within states, peripheral groups are most liable to demand self-rule. Geographical isolation, linguistic distinctiveness, and a history of independence can lead members of a group to see themselves



#### BOX 11.5

### Approaches to decentralization and multilevel governance

First Generation	Second Generation	Third Generation
<ul style="list-style-type: none"> <li>• Government as a custodian of the public interest</li> </ul>	<ul style="list-style-type: none"> <li>• Government as an instrument for self-interested actors</li> </ul>	<ul style="list-style-type: none"> <li>• Government as an expression of community</li> </ul>
<ul style="list-style-type: none"> <li>• Costs and benefits of decentralization</li> </ul>	<ul style="list-style-type: none"> <li>• Social optimality versus group interest</li> </ul>	<ul style="list-style-type: none"> <li>• Functional pressures versus group identity</li> </ul>
<ul style="list-style-type: none"> <li>• Optimal task allocation</li> </ul>	<ul style="list-style-type: none"> <li>• Who gets what?</li> </ul>	<ul style="list-style-type: none"> <li>• Who gets self-rule?</li> </ul>

entitled to self-rule. Some peripheral communities divide the world into ‘them’ and ‘us’ and resent the rule of those they regard as foreign. The geo-historical bases for such identities are especially strong in Europe and Asia. Territorially concentrated ethnic minorities are less common in Latin America, though in recent decades Bolivia, Colombia, Ecuador, Nicaragua, Panama, and Venezuela have seen the mobilization of indigenous communities demanding self-rule.

Such regions have systemic effects for the countries in which they are located. The transformation is sharp in Britain, once a bastion of democratic class struggle. As the bases of traditional class conflict have eroded, territorial issues have become more salient. The motive force is Scottish nationalism, and it has shaken up Britain as a whole. English nationalism has come to the fore not just in opposition to Europe, but in a preference for expressly English political institutions, including most recently an English national anthem. Support for beefing up the Welsh assembly has also grown over the past decade, and recently regionalism also emerged within England (e.g. the Yorkshire Party and the Wessex Regionalist Party). Diagnosing an ‘ever looser union’, Charlie Jeffery (2013: 326) observes that ‘broad-based discontent over current governing arrangements signifies the emergence, in nascent and as yet rather unfocused form, of an English political community’.

When community comes into play, regional governance involves not just public policy, but also the underlying structure of contestation. Mobilization for self-rule on the part of a distinctive region can affect which issues come to the surface in the society as a whole. Regional governance raises communitarian issues that are associated with a dimension of contestation hinging on nationalism, territorial governance, and immigration. These issues are only weakly related to left-versus-right conflict concerning the distribution of income, welfare, and the role of the state. Whereas class conflict divided society along functional lines, regional governance splits society along territorial lines (Lipset and Rokkan 1967). Whereas class conflict was instrumental in constructing national states, conflict over regional self-rule can fragment national states.

Each of these approaches starts from a distinct conception of governance: governance as a custodian of the public interest; governance as an instrument for private gain; governance as an expression of community. It is possible to use these approaches as alternative lenses, but it makes sense to conceive them as complementary. The sections to come survey research on democracy, ethno-territorial conflict, and social policy to illustrate how multilevel governance may affect social and political phenomena.

## KEY POINTS

Scholarship on multilevel governance can be organized in three broad approaches. We conceive these approaches as complementary, rather than competing.

- A functionalist approach predicts that the structure of authority reflects that each policy has its optimal spatial scale.
- An economic approach predicts that jurisdictional design reflects economic self-interest on the part of rulers, groups, and voters.
- An identity approach predicts that territorial identity and the demand for self-rule shape the structure of governance.

## The effects of multilevel governance

The rise of multilevel governance has spurred researchers to examine its effects. This section reviews scholarship on multilevel governance and democracy, the management of ethno-territorial conflict, and social policy.

### Democracy

Multilevel governance and democracy engage entirely different questions. Multilevel governance responds to the *Who Question*: who gets to form a polity? Democracy responds to the *How Question*: how are decisions made in a polity? Democracy says nothing about the territorial structure of governance; multilevel governance says nothing about how decisions are made within regions or localities. Yet multilevel governance has extended the reach of democracy over the past half-century. When authority is conveyed to subnational institutions in a democracy, there is a presumption that citizens should have some say.

The incidence of regional elections has grown in recent decades and is now almost universal. Eighteen European states have introduced regional elections over the past half-century. Today, 83 per cent of EU citizens can vote in a regional as well as local and national elections (Schakel 2019). Beyond Europe, federal countries have always had regional elections, but until the decades around the turn of the twentieth century this was unusual in unitary countries. As unitary countries deepened regional governance, so they have introduced elections. Today four in five countries with a population greater than ten million have regional as well as national elections. Populous countries—such as Indonesia or India—have several directly elected intermediate tiers (Schakel and Romanova 2018).

Multilevel elections provide opportunities for vote switching where a person votes for one party in a national election and a different party at the regional level. This raises the possibility of systemic divergence between regional and national party systems (Dandoy and Schakel 2013; Schakel 2017; Swenden and Maddens 2009). Are we seeing the reversal of a century-long process of nationalization of party systems (Caramani 2004)?

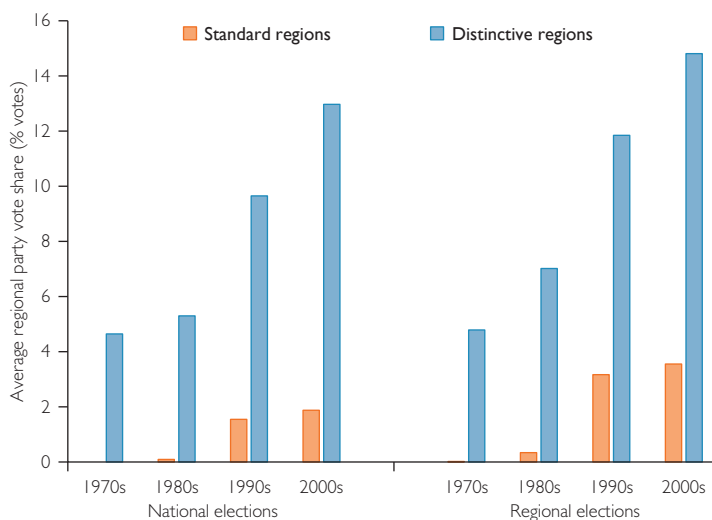
We find limited evidence for this. Figure 11.5 displays average vote shares for regional parties in national and regional elections since the 1970s in twenty-three European democracies. Regional political parties in distinctive regions have gained an increasing share of the vote from the 1970s to the 2000s. A distinctive region is a region with a prior history of statehood, a region that is located on an island, or a region in which a majority of the population speaks a language that is different from the national language. Around one in twelve regions is distinctive in one of these ways, and Figure 11.5 reveals that the vote share for regional parties in such places is unusually high. However, it is still only 13–15 per cent on average. In the remaining regions, there is scant evidence of regionalization: the average vote share for regional parties in standard regions ranges between only 2 and 3.5 per cent in

the 2000s. After four decades of regional elections, national party systems continue to structure party competition throughout much of Europe.

A core first-generation claim is that decentralization brings governance closer to the citizen. This notion has roots in the writings of Mills, Montesquieu, and de Tocqueville (Faguet 2014), and its modern variant is succinctly expressed by Wallis and Oates (1988: 5): decentralization makes government more responsive by ‘tailoring levels of consumption to the preferences of smaller, more homogenous, groups’.

Information is at the heart of this. Subnational government can respond better to citizens because it has access to fine-grained knowledge about citizens’ preferences. Should the community expand and upgrade an existing primary school, or should it open a new primary school in a different part of town? Should the region subsidize home care for the elderly, build more retirement homes, or let the market service seniors? What kind of inward investment should the region attract to best take advantage of the region’s workforce, schools, and local market? The information needed to make these kinds of decisions is called ‘soft’ because it is difficult to standardize, resistant to batching, and expensive to pass up a hierarchy (Arrow 1991: 5; Hooghe and Marks 2013).

Figure 11.5 Regional party strength in standard regions and distinctive regions



Note:  $N = 2,192$  elections in standard regions (orange bars) and 710 elections in distinctive regions (blue bars) in twenty-three European countries. The bars show average regional party vote share by decade. The left panel displays regional party votes in national elections and the right panel displays regional party votes in regional elections. A distinctive region has one or more of the following characteristics: a majority speaks a different language from the dominant national language; the region has a history of at least thirty years of sovereign statehood between 1200 ad and 1950; the region is an island or archipelago 30 km or more from the mainland.

Sources: Dandoy and Schakel (2013); Hooghe & Marks (2016); and Schakel (2017).

The upshot is that multilevel governance makes government more responsive to citizens, and thereby strengthens democracy.

However, multilevel governance can blur responsibility when voters lose sight of which governmental level is responsible for what. This becomes ever more problematic as policies require coordinated action by local, regional, national, and international governments (Léon 2010, 2018). The problem is two-sided. For voters to be able to hold politicians accountable, they must be able to link outcomes with politicians' actions. Hence, they need to know not only the relevant actors but also the distribution of powers in the areas they care most about. Otherwise, they may punish or reward the wrong level of government. Is it possible for citizens to distinguish who is responsible for what? The second problem is strategic. When policies are shared among governments at different levels, politicians may intentionally blur responsibility. They may blame other governments for bad policy outcomes, or they may claim credit for good outcomes, even if they had little to do with them.

Blurring of responsibility appears to be partisan. Comparing data from the twenty-eight countries in the 2014 European Election Study (EES), Däubler and colleagues (2018) find that voters in federal Austria, Belgium, Germany, and Spain are no worse in pinpointing which level of government is responsible for the most important problem than are voters in non-federal France, Estonia, or Portugal. What differs is how voters arrive at this decision. In multilevel systems, voters are more partisan in their assessment. Using the same EES data, Léon and her colleagues (2018) show that in federal states, partisans of the national government are much more likely to attribute responsibility for poor economic performance to the regional government. By contrast, in non-federal states, partisan and non-partisan voters do not differ much.

The most effective way in which responsiveness can be blunted is by constraining political competition (Faguet 2014). In principle, dispersing authority across multiple levels of government should increase the opportunities for access, but national and subnational politicians may try to restrict competition. This is apparent in Argentina, where collusion between the federal government and provincial barons has stunted economic development in the poorer parts of the country. Federal governments in Buenos Aires buy provincial legislative support with fiscal hand-outs that provincial barons use to buy off potential challengers (Gervasoni 2010). Money is diverted to rent seeking, and as a result, public policy is inferior in the affected provinces (Ardanaz et al. 2014). A hegemonic party can stifle responsiveness. Studying subnational politics in

the Tigray regional state of Ethiopia, Mezgebe (2015) finds that one-party dominance distorts the incentive structure for politicians seeking power: rather than responding to local demands in a bid for electoral support, they invest in intra-party politics to improve their chances for office.

In Western democracies, blurring tends to be more subtle. Politicians may seek to exploit multilevel decision-making to blame external actors. In a case study of the 2015 EU directive on genetically modified organisms (GMO), Tosun and Hartung (2018) document how the European Commission avoided blame for an unpopular policy by authorizing GMOs for cultivation, food, and feed in principle, while allowing member-states and regions to opt out. In Germany, federal and regional governments further blurred responsibility by making opt-out conditional on the consent of regional and federal veto players.

None of this negates the basic thrust that decentralization brings governance closer to the people. This has transparent informational benefits, but as third-generation scholars find, it has additional benefits. For many citizens, government is an expression of community as much—or more—than an instrument for policy delivery. This is the chief conclusion of a comparative survey conducted in fourteen regions across Austria, France, Germany, Spain, and the United Kingdom, which shows that large majorities want a stronger regional government but *less* interregional variation in policies such as tuition fees, dealing with young offenders, old age care, and unemployment benefits. The drivers of support for regional autonomy do not appear to be heterogeneity of preferences, but identity and a desire for self-rule (Henderson et al. 2013). The role of identity is apparent also in Bolivia in the late 1990s, where a radical decentralization of powers and money to local communities transformed political competition. As Faguet (2019) remarks, 'For the first time in 500 years, members of Bolivia's ethnic and cultural majority ran for public office in large numbers, were elected, and proceeded to wield (local) power.' Hundreds of new indigenous political parties sprung up that shared a programmatic agenda rejecting capitalism for pre-Columbian forms of collective property, community self-government, and indigenous representation and decision-making. They would become the foundation stones for Evo Morales' MAS party, which took power in 2006. A centuries-old creole establishment retreated.

### Ethno-territorial conflict

Does multilevel governance mitigate or exacerbate ethno-territorial conflict? On the one hand, multilevel

governance gives regionalists some of what they want, and this may weaken their appeal. On the other hand, multilevel governance can transform national minorities into regional majorities with the institutional capacity to intensify autonomy demands. Hence, multilevel governance may provide a check on separatism, or it may fuel it by institutionalizing identity politics.

The fragility of national institutions in multi-ethnic societies is a live topic among scholars of multi-level governance. A second-generation approach is to model the likelihood of secession as an economic trade-off between the costs of independence versus union for those living in a region. On the one side are the costs of insufficient scale in the provision of public goods, including security, law, and taxation. In William Riker's analysis (1964), these costs can be great enough to induce separate polities to combine in a federal regime. On the other side, centralized taxation may exploit those living in a region. Buchanan and Faith (1987) hypothesize that a region may break away if its loss from interregional transfers exceeds the benefits of economic union. Bolton and Roland (1997) contend that secession can derive simply from differences in regional tastes. They refer to Belgium as a case where territorial differences in the desired level of redistribution could produce majorities in both Flanders and Wallonia for secession.

Third-generation scholars argue that demands for secession may arise from territorially concentrated minorities who demand self-rule to sustain the distinctiveness of their laws, language, or social norms. This raises the possibility that a region may secede even if independence is more economically costly than union. This line of analysis highlights the *Who Question*—'Who should have the right to rule themselves?' To engage this question, one must extend the analysis beyond economic self-interest and optimal policy provision to conceptions of identity and minority nationalism.

Whether differentiated governance moderates or intensifies minority nationalism is hotly debated (McGarry and O'Leary 2009; Roeder 2009; Weller and Nobbs 2010; Stepan et al. 2011). The thrust of differentiated governance has been to adjust jurisdictional boundaries in line with a concentrated minority community. This minimizes interaction between an ethnic group and the rest of the country, but does this stabilize ethno-territorial conflict? Opponents point at the increased risk of intra-regional ethnic conflict as minorities in the region experience discrimination. When in 1980, and again in 1995, the Quebec government called a referendum for an independent Quebec, the threat of secession mobilized the English-speaking minority in Montreal, along with Inuit and

First Nations communities across the province. In the end, Quebec voted against secession and the counter-mobilization subsided, though the potential for communal conflict within Quebec remains. Extensive autonomy may also embolden separatist leaders who have procured the legitimacy of a popular mandate and, if in government, can use newly acquired state resources to establish de facto independence. Also, extensive autonomy raises the stakes in party competition, which may induce political parties to outbid one another with radicalizing demands (Zuber 2011). Ultimately, the success of multilevel governance in mitigating conflict depends on whether accommodation strengthens or weakens exclusive conceptions of community among voters and elites.

A different approach is to give regions across the board a role in decision-making in the country as a whole. This is the federal cure for minority nationalism. Regions can be represented directly in a national chamber or they can participate in intergovernmental arrangements in which they negotiate with the central government. In Belgium, both strategies were used in an effort to contain Flemish nationalists, culminating in the leap to federalism in 1995. The senate became a chamber composed of the regional and community representatives, and inter-ministerial conferences with regional input covered the range of national policy. While these conferences have no formal decision power, they are a venue for binding cooperation agreements. None of this eliminates territorial conflict, but it engages autonomist elites in national policy-making and gives them a greater stake in the overarching polity. The idea is that the centrifugal effects of self-rule are offset by centripetal effects of shared rule.

There are many paths to this goal (Amoretti and Bermeo 2004). Regions and ethnic minorities can be granted special representation in national institutions or receive veto rights on certain types of legislation. For example, the sparsely populated Åland Islands have a guaranteed seat in the Finnish parliament, and more importantly, the parliament is required to obtain an opinion from the Åland government on any act of special importance to the islands. The Åland government can also participate in the preparation of the Finnish negotiating position in the EU on matters within its powers, and the Åland parliament must give its consent to international treaties. Electoral laws can set aside seats for representatives of certain ethnic groups or regions (Lublin 2014). For example, the Maori population in New Zealand has reserved seats in parliament. Slovenia sets aside one seat for its Italian minority in Istria and one for its Hungarian minority in Prekmurje. The chief objective of these measures is to build trust between the minority and the rest of the country.

Territorial identity politics is almost always mediated by political parties. In some cases, regionalist parties predate regional elections and use national elections as a platform for their demands, while in others they emerge following the opportunity for regional representation (Brancati 2006). Some regionalist parties lose votes after the region has received autonomy, while other parties capitalize on unmet demands. Rarely do ethno-nationalist parties dominate political discourse in a region. In Scotland, the Scottish National Party competes with the British-wide Labour and the Conservative parties. In Catalonia, pro-autonomist parties contend with pro-Spanish opposition parties. And while there are no longer any all-Belgian parties competing in Flemish elections, just two of the six major parties run on a predominantly autonomist-separatist platform.

The causality between multilevel governance and ethno-territorial conflict runs both ways. Multilevel governance bolsters territorial identities while it routinizes regional demands. Separatist political parties are empowered in distinctive regions, but they have to compete with unionist parties. Multilevel governance supplies opportunity for separatist movements and at the same time opens the possibility for accommodation. Our evidence provides many cases of regional empowerment, but no case of complete separation in a consolidated democracy. Several democracies contain regions in which there is considerable support for full independence. These include Aceh, the Basque Country, Catalonia, Flanders, Greenland, Mindanao, Puerto Rico, Quebec, and Scotland. But even if several of these regions were to break away, it would still be true to say that consolidated democracies commonly disperse territorial authority, but rarely break apart.

### Social policy

The development of social policy in multilevel systems illustrates how a functional approach to social policy can be overshadowed by political interest, institutional incentives, and identity.

Original thinking on social provision was deeply influenced by the idea that redistributive taxation should be centralized (Musgrave 1959). If decentralized taxation triggers race-to-the-bottom competition among governments to attract capital, the result will be less redistribution than is optimal from a national perspective. However, spending should be decentralized if those living in different regions have different tastes concerning, for example, social assistance, public housing, health, or education. Hence the result according to Oates' theorem (1972) is to collect revenue for redistribution centrally but spend it locally.

There is evidence that it makes sense to adjust social policy provision to the preferences and conditions of those living in particular corners of the country. For example, Bunte and Kim (2017) find that decentralization reforms in Nigeria effectively led local politicians to align education, health, infrastructure, and agriculture spending with local demands. However, scholars have also investigated how multilevel governance can distort social spending. Political decentralization can give regional actors the opportunity to target social spending at their clients and time their spending prior to elections. In a study of educational spending in fourteen OECD countries, Kleider et al. (2018) show that regional governments having the same ideological or party make-up as the central government systematically receive a disproportionate share of central funding. Comparing national social programmes in Argentina and Brazil, Niedzwiecki (2016) finds that subnational governments run by the opposition actively hinder the implementation of national policies. Explaining the wide variation in welfare services in India, Tillin et al. (2015) demonstrate that welfare performance is erratic in pro-business states, in states where clientelistic political parties target services to their supporters, and in predatory states where public office is a channel to private gain. In Ecuador, Mejia Acosta and Menendez (2019) find that mayors concentrate public spending immediately before elections.

Much second-generation research focuses on the systemic effects of multilevel governance (Leibfried and Pierson 1995a). A key question is whether decentralization leads to a race to the bottom as regions reduce welfare provision to lower taxes (Pierson 1995). Regions that finance social policy out of their own revenues are liable to limit welfare in an effort to attract external investment (Mejia Acosta and Tillin 2019). However, there is also evidence that some regions increase social spending, particularly in education or health, to attract firms that need a dense pool of highly educated workers. A recent longitudinal study of fourteen OECD countries finds diverse regional outcomes rather than a uniform race to the bottom (Kleider 2018).

One finding on which there is impressive consensus is that decentralization leads to greater variation within a country. Whether a region invests in social policy can then depend on a range of region-specific factors: a region's affluence, its bureaucratic capacity, its government's pro-social ideology, and, as recent work shows, a region's distinctive identity. This raises the question of how to mitigate such regional inequality. One possible solution is shared rule, which gives regions a stake in the country as a whole. Whereas self-rule produces variance among regions, shared rule allows the central government and regional



governments to develop joint policies that increase economic convergence. Shared rule can take the form of a second chamber composed of regional representatives as in Germany, or it can consist of intergovernmental coordination as in Spain, Belgium, and Italy, or more indirectly, it can be sustained by centralized political parties, as in France and Austria.

Recent literature on social policy investigates the effects of territorial identity for social policy provision. Social identity theory predicts that strong attachment to a territorial community can lead citizens to prefer more social welfare, education, and health services.

In a comparison of Kerala and Uttar Pradesh in India, Singh (2015) demonstrates that Kerala's elites drew on the state's overarching linguistic identity to mobilize support for investment in education, health, and welfare. By contrast, Uttar Pradesh, which is larger and richer, lacks a subnational identity that can motivate regional social policy. Uttar Pradesh was closely associated with Gandhi's nationwide Congress Party, and following the decline of the Congress Party from the 1980s, elite and popular support shifted to diverse religious and caste identities that divide the region. The upshot is that Uttar Pradesh has had a weak commitment to collective educational, health, and social policies. Similarly, the lack of social solidarity has been hypothesized to constrain support for European-wide redistribution. Examining weak public support for European bailout programmes, Kuhn and Stoeckel (2014) find that the most important factor is not economic interest, but whether citizens conceive of themselves as Europeans.

#### KEY POINTS

Multilevel governance has had three major effects.

- It extends democracy by introducing elections at the subnational and supranational levels.
- It creates opportunities for accommodating territorial minorities.
- It generally leads to greater variation in social policy within a country.

## Conclusion

Over the past seven decades, the territorial structure of governance has become multilevel. Authority has been dispersed away from central government to regional and local governments, as well as to international organizations. This chapter looks at developments within states, but it is instructive to conceive this as one side of the coin.

Comparative data on regional and local authority allows us to identify some broad trends. First, regional and local governments have gained authority. Nearly all countries now have subnational governments that exercise authority over diverse policies including education, urban planning, health, and economic development. Correspondingly, subnational governments spend a substantial share of the government budget. In addition, most subnational governments are elected and accountable to their constituents rather than to the central government.

At the same time, there has been a trend to differentiated governance in which some subnational governments exercise special political, administrative, or fiscal powers that distinguish them from other regions in their tier. This relaxes the principle that rights and obligations are uniform across the national territory.

To explain these developments and their effects on democracy, ethno-territorial conflict, and social policy, it is helpful to begin with a functionalist perspective in which the structure of authority reflects the diverse scales at which public goods are best provided. A second perspective suggests that the structure of government is motivated by economic self-interest on the part of rulers, groups, and voters. Third-generation theory introduces identity and the demand for self-rule on the part of regional communities and ethnic minorities. This extends the analysis beyond pressures for functionally efficient governance and economic self-interest, and it problematizes the boundaries of jurisdictions. When one combines these perspectives, governance is shaped both by 'who should have the right to self-rule' and 'who gets what'.



### QUESTIONS

#### Knowledge based

1. What is multilevel governance?
2. What is the difference between a federal and unitary system?
3. What is self-rule? What is shared rule? Why are these useful ways to conceive of subnational authority?

4. What is differentiated governance?
5. What are three important drivers of multilevel governance?

#### Critical thinking

1. Explain the assumptions underlying Oates' decentralization theorem.

2. What does a conception of government as a custodian of public interest get wrong when considering the effects of multilevel governance?
3. Does multilevel governance deepen or weaken democracy?
4. Does decentralization lead to a race to the bottom in social policy provision?
5. Why and how does identity constrain social policy provision?



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