

Decentralisation, Political Participation and Democracy

The Effects of Decentralisation on Political Participation and
Democratisation in Non-Western States

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Abstract

A global trend of decentralisation has been present in the last decades. Since the 1980s, most countries have transferred power and resources from the centre to subnational levels of government. This trend has also been present in the developing world where it has been encouraged by international organisations as a way of promoting citizen participation and democracy. The purpose of this thesis is to investigate if there is empirical evidence to support these arguments.

The present thesis is devoted to the study of the consequences of political and fiscal decentralisation in the non-Western world. Based on a sample of 69 countries, I investigate the effect of political and fiscal decentralisation on democratic quality and citizen participation in politics. Citizen participation is defined as voter turnout in national elections and non-electoral participation. From multiple regression analyses I find empirical support for a significant correlation between decentralisation and citizen participation in control for relevant factors. In particular I find a strong correlation between political decentralisation and voter turnout in national elections. The analysis shows no support for a connection between decentralisation and democratic quality, which puts in doubt the argument of decentralisation as a means to achieve democratisation.

Key words: Decentralisation, citizen participation, democracy, fiscal federalism, multiple regression analysis

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1 Introduction

Decentralisation has in the last three decades emerged as an efficient and normatively appealing way to improve the quality of governance. The surge in support for decentralisation is attributed to its claimed abilities to empower marginalised groups in society and correct imperfections in both economic and political policy areas. The capacity strengthening and democratising potentials have made it attractive for policy makers throughout the world, not least in the developing countries. International donors and organisations such as the World Bank, IMF, and the OECD have encouraged the trend toward decentralised government. Since the 1980s, a majority of the developing countries has undertaken decentralising reforms in order to strengthen democracy and encourage citizen participation (Vo 2010: 658; Diamond & Tsalik 1999: 121). The ideas of a connection between decentralisation, citizen participation and democracy have been around since Alexis de Tocqueville's study on the American democracy in the 1830s (de Tocqueville 2000 [1835-40]). The purpose of the present thesis is to investigate the empirical evidence of these ideas.

Decentralisation essentially means that power and resources are transferred from the centre to smaller local governments. It is a way of distributing political power and bringing it closer to the citizens. Throughout history, smallness has commonly been thought of as beneficial for democracy. In ancient Greece the city-state was viewed as the only possible setting for democracy. Aristotle believed that in a democracy, all citizens must be able to gather at a common place at the same time, and still be able to hear the speaker (Dahl & Tufte 1973: 4-5). Schumpeter (2008 [1950]: 258-9), for his part, maintained that city politics is the only type of politics that ordinary citizens can truly understand and take part in. In more recent time, Robert Dahl is a noticeable proponent of the city as the ideal size for democracy. Dahl advocated a democratic unit not so big as it "reduces participation to voting, nor so small that its activities are trivial" (1967: 967). Decentralisation has also strong theoretical groundings in the economic literature of fiscal federalism where it is seen as a way of improving the efficiency of the public sector (see Oates 1977). As a developmental strategy, decentralisation is widely encouraged by donor organisations as a method of improving the quality of governance and citizens' political representation (see Rondinelli 1980; Hadenius 2003a). For a variety of reasons, decentralisation has become one of the major global trends in politics in the last decades.

In Latin America and Asia, decentralisation was a major component in the democratisation reforms following the *third wave of democratisation* (Oxhorn 2004). Central and Eastern Europe embarked on decentralising reforms as the economies transited from central planning to market economies (Rodríguez-Pose & Krøijer 2009: 387-88). In Africa decentralisation in the 1990s was also a

reaction against authoritarianism and economic inefficiencies, although the reforms are generally less thoroughly implemented (Khadiagala & Mittullah 2004: 190-1).

Examples of successful results from decentralisation, perhaps most prominently in Porto Alegre in Brazil, underline the promises of decentralised government as a method to stimulate citizen participation and local democratisation. But experience throughout the world has also shown that decentralisation in many cases come short of the high expectations attached to the reforms. It has become clear that, regardless of its potentials, decentralisation is not a panacea for all societal ills. When decentralisation is introduced in countries with poorly developed political institutions and weak traditions of organised civil society, it is also associated with risks. In some cases it may actually damage the democratic quality and economic performance (Smoke et al. 2006a: 3).

In this thesis, I take a comprehensive approach to how decentralisation affects democratic quality and citizen participation in 69 non-Western states. Based on multiple regression analyses I conclude that decentralisation correlates with higher degrees of electoral and non-electoral political participation. Most interestingly, I find a strong causal correlation between political decentralisation and voter turnout in national elections. However, decentralisation does not seem to have any effect on democratic quality. I even find some indications of a negative correlation, which puts in doubt one of the most commonly used arguments of decentralisation as a developmental strategy.

1.1 Purpose and Research Question

Most of the previous research on decentralisation and political participation is based on case studies, or comparisons between a small number of cases (e.g. Smoke et al. 2006b; Oxhorn et al. 2004; Hadenius 2003a). As a contrast, this thesis covers the overall development in 69 countries throughout the world. Economic research shows that decentralisation have different impact on developed and developing countries. Moreover, there is evidence to suggest that decentralisation in developing countries actually tend to have adverse affects on economic growth (Davoodi & Zou 1998). There is also an on-going discussion about whether a well-established democracy is necessary condition for decentralisation to function as intended (Martinez-Vazquez & McNab 2006: 16). The purpose of this study is, thus, to investigate if the positive effects of decentralisation on citizen participation and democracy have materialised in developing or newly democratised non-Western countries.

Although decentralisation is a global phenomenon, comparative studies are usually limited to countries in a single region. Recently, though, this has begun to change and scholars have started taking an interest in comparing the experiences of decentralisation in a cross-regional perspective (Smoke et al. 2006a: 4). With its wide focus on four different world regions, this thesis contributes to the effort of broadening the knowledge of the effects of decentralisation policies. Whereas

there are several large-N studies on the economic consequences of decentralisation, its effects on political participation and democracy is usually studied in a narrower context. To my knowledge, this thesis is the first attempt to study the impact of decentralisation on political participation on a global level.

Despite the wide range of theoretical literature on the subject, there is little empirical evidence to support the underlying arguments for decentralisation. On the contrary, economic studies show that decentralisation tends to cause subnational overspending, and there is no established positive connection between decentralisation and economic growth (Rodden 2002; Davoodi & Zou 1998). It is often argued that the various shortcomings are due to superficial or reluctant implementation of the reforms (e.g. Bland 2011; Ryan 2004; Finot 2002). Some scholars seem to suggest higher doses of the same medicine to achieve the desired effect. Others point to the detrimental side effects of the treatment (e.g. Harbers 2010; Eaton 2006; Sabatini 2003). National policy-makers also appear to be more in doubt about the benefits of transferring power to subnational governments. In some Latin American and African states a recent counter-trend to decentralisation has been present (Eaton & Dickovick 2006; Riedl & Dickovick 2013).

Given the global trend of decentralisation in the last decades and the current uncertainty about the perks of strong local governments, a study about decentralisation as a measure to improve democratic governance and as a stimulus to popular engagement in politics merits attention. The research question reads:

Has decentralisation lead to increased citizen participation in politics and improved the democratic quality in non-Western countries?

The research question is studied using ordinary least square (OLS) multiple regression analyses based on cross-section data. The sample consists of 69 non-Western countries from four different world regions. In an effort to improve the validity of the study, I work with two different measurements of decentralisation and political participation.

The decentralising reforms have been implemented to varying degrees in different countries in the world. If decentralisation causes improved democratic quality and increased political participation, the effects should be most visible where the reforms have been most thoroughly implemented. And consequently: where decentralisation is superficial or absent, the effects should be less evident. Improved knowledge about the connection between decentralisation, political participation and democracy in a non-Western context would be useful for national policy-makers and international donor organisations alike. In the following section I present the data and key concepts for the present study.

1.2 Key Concepts and Data

As stated above, the purpose of this study is to investigate the effects of decentralisation on political participation and democratic quality. The main

concepts for this study are thus *decentralisation*, *political participation*, and *democratic quality*. What follows is a brief overview of each of the concepts. A more exhaustive description of the operationalization of the concepts can be found in chapter four.

Prior to the explanation of the main concepts, the choice of the 69 countries in the sample that I have decided to give the generic term “non-Western,” begs attention. It should be noted that the countries are not selected merely on the merit of not being part of the Western world. Rather, all the countries in the sample are either experiencing, or have recently experienced a developmental stage in terms of democracy or economic development. A vast majority of the countries are part of the developing world, and most of them have recently experienced democratic transitions. A more thorough explanation of the population and the sample can be found in section 4.2 and 5.1, respectively.

The most important concept of this thesis is of course *decentralisation*. This is the independent variable of the study from which I study the effects on civil society and democratic quality. In practice, decentralisation means that powers are transferred from the centre to subnational levels of government. The devolved competences can include areas such as the ability to elect politicians, powers to levy taxes, or responsibility over administrative tasks, such as public care and education (Falleti 2005: 329). There is an on-going debate about how to best capture the many aspects of decentralisation into measureable and comparable variables (see Schneider 2003). A common solution is to divide the phenomenon into different conceptual categories (e.g. Harbers 2010; Falleti 2005; Schneider 2003). In accordance with previous research, in this study I make a distinction between fiscal and political decentralisation. Even though I am mainly interested in the political – as opposed to the economic – benefits of decentralisation, it makes sense to include both variables in the study. Whereas the variable for political decentralisation reveals whether citizens have the power to elect their local politicians, the economic variable shows how much power the local governments can actually exercise in relation to the central government.

Political decentralisation can be defined as the “establishment or reestablishment of elected autonomous subnational governments capable of making binding decisions in at least some policy areas” (Willis et al. 1999: 8). Countries in which the local legislative and executive are locally elected are consequently considered politically decentralised. In some countries, local elections are held but the local executives are appointed by higher levels of government. These countries are not considered as fully politically decentralised since they do not comply with the criterion of local autonomy. Data on this variable are collected from the World Bank’s *Database of Political Institutions* (Beck et al. 2001).¹

Fiscal decentralisation is measured as subnational revenue and expenses in relation to the general government. For this purpose, I use data from the International Monetary Fund’s *Governance Finance Statistics Yearbook* (GFSY).

¹ The data used in the study refer to the year 2012.

IMF provides the most complete data on different expenditure and revenue shares on different tiers of government, and GFSY is consequently the standard data source in comparative studies. But the data are not without faults, which I come back to in section 3.4.1, where I also discuss some problems of reliability this causes.

Political participation is the first dependent variable for this study. The variable is operationalized in two separate components: voter turnout in elections, and non-electoral participation in politics. In the present thesis, voter turnout should be understood as an indicator of citizens' involvement in politics. Voter turnout is measured as the percentage of voting age population voting in national elections. Voter turnout has the clear advantage of being easily measured and compared between countries and over time. But decentralisation is also said to wider the scope for direct political participation. The second operationalization therefore takes into account the non-electoral participation, that is, the degree to which citizens try to influence politics through organised political action. Political participation in this respect bears many similarities to *social capital*; but the two concepts are not identical. According to Robert Putnam (1995: 665), what distinguishes the two concepts is that “[p]olitical participation refers to our relations with political institutions. Social capital refers to our relations with one another.” Hence, only participation in activities that aim to affect public policies or society are considered. Cultural or sport activities could be of interest in studies on social capital or inter-personal trust, but are not relevant for the present study. Political participation can either take the form of direct participation in demonstrations and similar activities, or of indirect participation by membership in various types of political or civil organisations. This measurement is based on worldwide survey data from *World Value Surveys*.

The second dependent variable is democratic quality, which is measured on a scale to be able to compare degree of democracy. I use a combined index of the two most commonly used measurements of democracy, provided by Polity IV and Freedom House. According to Hadenius and Teorell (2004) a combination of the two indices gives the most reliable measurement of democracy.

A final note on key concepts should be added before I go on to discuss the delimitations of the present study. In a highly influential and oft-cited article, Rondinelli (1980) discusses decentralisation in developing countries in the terms of *deconcentration*, *delegation* and *devolution*. The terms refer to the extent and form of decentralisation and are widely used in comparative studies on the subject. However, these terms are primarily referred to in regards to administrative decentralisation (World Bank 2014). To avoid conceptual misunderstandings, I have decided not to use them in this study.

1.3 Delimitations

Decentralisation is a broad topic that has attracted attention from different research disciplines in the last decades. This thesis is delimited to the political

aspects of the phenomenon, with emphasis on the democratic merits of decentralisation. In this section I discuss some delimitations in regards to the scope of the study, and the data and method applied.

A limitation of large-N studies, such as this one, is that they make it difficult to capture nuances and differences at lower levels of abstraction. Large-N studies are less apt for studying *thick concepts*, and are consequently often criticised for being reductionistic in nature (Coppedge 1999). Decentralisation can take many forms and contemporary research is not exclusively focused on degrees of decentralisation. For instance, the speed of decentralisation and which administrative task to decentralise (Burki et al. 1999), the local governments reliance on own tax revenues (Rodden 2002), and the sequence of decentralisation (Falletti 2005) are some examples of current research topics. But these questions about variations of implementation of decentralisation lie beyond the scope of this thesis.

The main methodological delimitation is that I have decided to base the analysis on cross-section data. I acknowledge that time-series data would be preferable since it enables the researcher to study changes over time. It also makes it easier to study causal correlations since it is possible to see if the cause precedes the effect by lagging the dependent variable and thereby control for reversed causality (Teorell 2009: 210). Unfortunately, this is also more complex and time consuming. A further obstacle is the unavailability of survey data on political participation over a longer time period, which is why I have decided to delimit the study to cross-section data.

Following these introductory notes, the thesis is divided into five chapters. In chapter two the theoretical underpinnings of decentralisation is presented alongside three hypotheses. In chapter three I present a short survey of how the theories have been translated into reality in four world regions. Chapter four is devoted to methodological considerations and the operationalization of the main variables. The results from the statistical analysis are presented in chapter five together with some reflexions on the import of the findings. The thesis is then concluded in chapter six, in which I summarise the main conclusions drawn from the study.

2 Theories of Decentralisation

Decentralisation has, not only administrative value, but also a civic dimension, since it increases the opportunities for citizens to take interest in public affairs; it makes them get accustomed to using freedom. And from the accumulation of these local, active, persnickety freedoms, is born the most efficient counterweight against the claims of the central government, even if it were supported by an impersonal, collective will.

Alexis de Tocqueville – cited in Vo (2010)

The ideas that have made decentralisation into such a widespread and far-reaching trend in politics in the last decades were based on both efficiency arguments in economic theory, and arguments within the political science, often with a normative emphasis. In this chapter I explain the overall rationale for both arguments. The chapter is divided into four parts. In the three parts that follow I present the economic theory of fiscal federalism, the theoretical link between decentralisation and citizen participation, and the impact of decentralisation on democracy. Based on the theoretical overview, I present my three hypotheses in the last section of this chapter.

2.1 Fiscal Federalism

Like the swings of a pendulum, the opinions on the right level of centralisation have changed back and forward over time. In the post-war period, the conventional economic wisdom was that centralised power improved planning and stimulated economic progress. Centralisation was for this reason promoted as a developmental strategy in developing countries. However, following the economic crisis in the 1970s and early 1980s, the pendulum swung back in favour of the *minimalist state*. Since then, a majority of countries have devolved political or economic powers to local governments (Oxhorn 2004: 11-12). The tendency toward decentralised government picked up pace in the 1990s, and seemed to reach its peak around the turn of the millennium. Since then the reforms have lost some of its previous popularity (Bland 2011: 66). A recent counter-trend to decentralisation in Latin America and Africa suggests that preferences for decentralisation might again be in decline (Eaton & Dickovick 2006; Riedl & Dickovick 2013).

Much of the interest for theories of decentralisation in the last decades derives from fiscal federalism in economics, a subfield to public finance. Theories of fiscal federalism deal with the assignment of provision for public goods². In the 1950s, the prevailing knowledge was that there was no satisfactory way to reveal citizens' preferences for public goods, because it would be "in the selfish interest of each individual to give *false* signals, to pretend to have less interest in a given collective consumption activity than he really has" (Samuelson 1954: 388). Due to this free rider problem of public goods, an optimal level of provision could in theory not be determined at a local level, which created a strong case for centralisation. In his seminal article, Charles Tiebout (1956) challenged this view and introduced a model in which the mobility of the citizens provides a sorting mechanism (the *Tiebout sorting*) that allows people to *vote with their feet*. That is, if localities compete among themselves and citizens can move freely between the localities, their true preferences for local public goods will be revealed by the migration pattern (Vo 2010: 660-1).

Theories of fiscal federalism are commonly divided into a first and a second generation. The first generation of fiscal federalism (FGT) was influenced by the Keynesian ideas of public finance in the 1950s and 1960s with an emphasis on macro-economic stability and equitable income distribution. A key aspect was also the correction of market failures, often due to interjurisdictional spillover benefits that caused under-production of public goods, which called for public interventions. The second generation of fiscal federalism (SGT) takes inspiration from the theories of public choice. One of the key new insights is that public officials have their own self-interests, which often diverge from the common public interest. SGT also emphasises the asymmetry of information that makes local actors better informed about such things as local preferences and conditions. Interjurisdictional competition is another crucial element of the SGT as it puts restraints on government, depicted as a Leviathan seeking to maximise tax revenues, and promotes accountability (Oates 2005: 350-62). As the argument goes, interjurisdictional competition can stimulate innovative policies that improve cost-efficiency. The chances for good, innovative policies to evolve increase when a multitude of localities are pursuing experimental practices simultaneously. In the ideal case, a dynamic competition between localities emerges, which enables for comparison and copying of good practises (Boadway & Tremblay 2012: 1071; Vo 2010: 666).

However, a key condition for decentralisation to function as a means to enhance economic efficiency is *citizen participation*. Participation is the mechanism through which local preferences are revealed to the policy-makers and is consequently a "prerequisite for reducing inefficiencies" (Finot 2002: 137). Civic engagement in politics is also crucial for citizens to be able to hold politicians accountable, which in itself is a condition for ensuring that public

² A public good is commonly defined as a good that is *nondiminishable* (the consumption by one person does not affect the availability of the good to other persons) and *nonexcludable* (nonpayers cannot be excluded from consuming the good) (Frank 2010: 568).

service provisions are tailored after the local demands (Boadway & Tremblay 2012: 1071).

The combination of the economic efficiency arguments and normative political gains of local empowerment created a strong case for decentralising reforms and contributed in making it a widespread practice in numerous countries in the world (Finot 2002: 135). The optimism that motivated decentralisation reforms throughout the world was based on the assumption that “participation develops and fosters the very qualities necessary for it, and that the more individuals participate, the better able they become to do so” (Altman & Lalander 2003: 64). As we shall see, these ideas are far from new.

2.2 Decentralisation and Political Participation

The main argument for decentralisation is to make government more easily accessible by bringing it closer to the citizens. By bridging the gap between politicians and citizens, the political process becomes more open and transparent. Decentralisation has the potential to open up new ways of exercising political influence and can create a stimulus for popular political engagement (Hadenius 2003b: 1). The discussion of the value of citizen participation in local politics dates far back in political science. Participation also has a prominent position within the study of democratic theory. What follows is a survey of the theoretical literature on the subject, and some of the empirical findings.

Alexis de Tocqueville’s study of the American democracy in the 1830s is the first and one of the most influential arguments for the benefit of decentralised government and the key importance of voluntary organisations. Throughout his journey across the United States, de Tocqueville was struck by the high degree of local government autonomy and the absence of a meddling central power. He argued that this was made possible by the many voluntary organisations that held the society together and could carry out functions normally performed by the state bureaucracy. According to de Tocqueville, the voluntary organisations served an important democratic function in the American society as they were characterised by an egalitarian nature and openness for participation by people from all walks of life. Set in contrast to the centralising tendencies of the post-revolution French administration, de Tocqueville asserted that voluntary organisations could function as a bulwark against centralisation (Skocpol 1997: 457).

The interest for the civil society is also evident in the social sciences today. One of the most well known studies in recent time on the role of civil society in politics is *The Civic Culture* by Almond and Verba (1963) in which the authors explore the connection between different political cultures and citizens’ relation to political institutions. The study was pioneering as the first attempt to systematically study political culture as an explanatory variable in political processes in a comparative context. Almond and Verba concluded that only the *civic culture*, characterised by citizen participation, is appropriate for democratic regimes (Street 1994: 98). Renewed interest was drawn to the subject in the 1990s

with Putnam's (1993; 2000) seminal studies about *social capital*. In his study of Italy, Putnam concludes that "[e]ffective and responsive institutions depend, in the language of civic humanism, on republican virtues and practises" (Putnam et al. 1993: 182). These insights have revitalised the interest for the civil society in recent years as it underlines the importance of a dynamic and participatory civil society for the efficiency of public institutions.

Modern scholars have picked up de Tocqueville's idea of voluntary organisations as *schools of democracy* that help citizens develop the democratic skills necessary for meaningful participatory actions (van der Meer & van Ingen 2009: 282). Citizen participation is a way of "socialization into democratic norms, through a process of learning by doing" (Hadenius & Ugglå 1996: 1622). For this reason, the promotion of civil society organisations has been a prioritised target in developmental strategies from the 1980s onward (Pateman 2012: 7), and decentralisation has been one way of reaching this target. In order to promote an active civil society it is important to create institutional settings in which the civil society can interact with government and exercise influence. This is the idea behind moving government closer to the citizens. Most civil organisations have a local geographical scope, and local governments are to a higher extent dependent on local support for implementing its policies. The bargaining position of the civil society is, thus, better in a local context (Hadenius & Ugglå 1996: 1630). Facilitating the access to political institutions is also a central theme in the participatory model of democracy.³ Proponents of this theoretical orientation in democratic theory argue that citizens are naturally inclined to participate, but are discouraged to do so by inaccessible institutional structures (Hudson 2010: 15-16). Pateman (1975: 18) argues that participation should be "a part of everyday life" which could be achieved by introducing elements of *direct democracy* parallel to the representational form of democracy.

Some successful experiences show that decentralisation could be a way of reaching these targets. An often-used example in the debate is the participatory budgeting (PB) developed in Porto Alegre. Participatory budgeting is a practise of local governance that allows ordinary citizens to take decisions regarding the allocation of parts of the municipal budget. The practise originates from the Brazilian municipality Porto Alegre in the late 1980s following the 1988 constitution that, among other things, substantially increased the local autonomy and the subnational share of revenue. PB has since then spread to over 250 cities worldwide (Goldfrank 2007: 147, 155). In many ways, Porto Alegre epitomises the potentials of decentralisation. In line with theories of fiscal federalism, it exemplifies the innovative practises that can evolve from local governance and shows how the provision of public goods can be customised to the local demands. PB also provides a strong argument for the participatory model of democracy, as

³ The participatory model of democracy was developed in the 1960s as a reaction against *realistic* democratic theories about citizen participation. Participatory democracy is strongly associated with its main theoretical contributor Carole Pateman who has, among other things, argued for a democratisation of the workplace (Pateman 2012: 7, 10).

it provides a context where representational and direct elements of democracy are combined (Fung 2011: 859). This example shows the dynamic and innovative practises that can evolve from decentralisation. As seen, creative public policies can be one way of encouraging participation. But the smallness and the intimacy of local governments could, in itself, also foster participatory behaviour. This is a common theme in democratic theory.

According to Dahl (1967), there are trade-offs to consider in relation to the size of democratic units. Too big units, and the politics become remote and inaccessible for the citizens; too small, and the questions become trivial. Small units, such as the city-states in ancient Greece, also have difficulties dealing with problems that go beyond the city's boundaries. Dahl advocated a medium sized city, within a larger decentralised structure, as the appropriate size for democracy. In such contexts, political socialisation can occur, and civic virtues may evolve through citizen participation in political processes. In his now famous study *Who Governs?*, Dahl (2005) provides an exhaustive analysis of the city politics at work in his home town New Haven. In addition to presenting benign settings for citizen engagement in politics, it has also been argued that citizens are better qualified to participate in a local context. Schumpeter, famous for his minimal vision of the role of citizens in democracy, argued that politics at the local level could create scope for popular participation in politics, as it constituted "the little field which the individual citizen's mind encompasses with a full sense of its reality" (cited in Oxhorn 2004: 17).

Decentralisation can also create more inclusive representation. The cost of running for office is lower at the local level, which can benefit nonconventional political actors and empower previously under-represented segments of society. Regionally concentrated minority groups are for this reason often better represented at local levels of government (Diamond & Tsalik 1999: 129). Furthermore, previous research in Western states also show that decentralisation has a tendency to increase voter turnout. Studies on Germany and Spain suggest that municipalities with more decentralised powers also tend have higher turnout numbers in local elections (Michelsen et al. 2014; Blais et al. 2011).

Notwithstanding the many positive outcomes that may evolve from decentralisation, the reforms are also associated with risks. Decentralisation opens up new avenues of influence on local politics. This may benefit the ordinary citizens, but corrupt actors may also exploit the new opportunities to access local policy makers. Corruption is often higher at the local level, and the auditing of government is usually less advanced than at national level (Prud'homme 1995: 211). A related concern is that the local elite captures the decentralising process. This is sometimes the case in new democracies, where decentralisation opens up *pockets of authoritarianism* (Harbers 2010: 607).

To summarise, there are strong theoretical arguments to support the idea of decentralisation as a means of enhancing citizen participation. Moving government closer to the citizens can make it more reachable and easier to influence. The example of participatory budgeting in Porto Alegre also shows how local governments can experiment with new, innovative policies that make the institutional structures more accessible for the ordinary citizens. The city is

often seen as constituting an appropriate size for democracy, and some argue that citizens are better qualified to participate at the local level. Finally, decentralisation can bring about improved representation and integrate local minority groups into politics. But making government more accessible could also prove detrimental. Corruption and local elite capture are recurrent phenomena that affect many developing countries.

2.3 Decentralisation and the Quality of Democracy

Decentralisation is often promoted for its democratic merits. For instance, United States Agency for International Development (USAID) describes decentralisation as “a means to achieve democratization” (DDPH 2009: viii). Fox (1994) maintains that local governments provide good learning opportunities for democratic practises. Further, a World Bank report states that decentralisation promotes political stability by integrating new actors into the political processes and thus serves as an “alternative to civil war or other forms of violent opposition” (Burki et al. 1999). There are many arguments in the theoretical literature for the case of decentralisation as a means to improve government performance. Among these, several refer to how decentralisation enhances representation and improves distribution of power and resources. For instance, it has long been argued that stability and national unity are promoted by involving more people in the political system. With the involvement of broader societal groups, more people have an interest in maintaining the political system (Rondinelli 1980: 135-6). For the sake of clarity and comprehensibility, the overview of the theoretical literature is structured under two overall themes – arguments concerning inter-municipal competition, and arguments related to the size of political units. At the end of the section I present the results from two previous studies on decentralisation and democracy.

The first strand of arguments is based on the assertion that smallness creates fruitful conditions for democracy. The research on how the size of countries affects the prospects for democracy has a long history within the political science. Historically, states with a population below one million have been significantly more liable to democratic governance than larger states. The democratic quality also tends to be higher in small countries (Diamond & Tsalik 1999: 117). Dahl and Tufte (1973) originally claimed that small states offer more favourable conditions for democracy because of higher levels of homogeneity. Anckar (1999) instead argues that it is primarily the island status that separates microstates from other states. But when tested in a larger statistical study Teorell (2010: 51) shows that size affects democracy, while island status is not a contributing factor. Consequently, the current research position is that smallness has a direct effect on the quality of democracy. An interesting follow-up question is thus whether large states can reap these benefits by subdividing government into smaller decentralised political units.

Diamond and Tsalik argue just this. They hypothesise that large states can mimic the conditions in small states by devolving power to local governments, and thereby make decision-making more similar to how it function in small democracies. They base their argument on three main assumptions. First, decentralisation restrains the power of central government. De Tocqueville claimed that the American localities served as checks on the national government since the local governments were responsible for the implementation of the decisions taken at the national level. Decentralisation could therefor prevent backslides into authoritarianism (Diamond & Tsalik 1999: 120, 130).

Second, decentralisation develops *contingent consent* that reduces political radicalism. Contingent consent signifies that parties that lose elections accept the outcome based on the confidence that the winning party will not use its powers to bend the rules of the game to its own favour. Decentralisation can help bring about these conditions by allowing for opposition parties to win seats at lower levels of government. This can also obstruct the development hegemonic parties and reduce radicalism by giving more actors a stake in the political system (Diamond & Tsalik 1999: 130-32).

Third, the possibilities to hold politicians accountable are better at the local level. There is empirical evidence from different world regions to suggest that the citizens trust the local government more. Local government is both seen as easier to influence and better suited to solve regional political issues. As a result, citizen often perceive local governments as more responsive than their counterpart at the national level (Diamond & Tsalik 1999: 125-27). The same argument about improved accountability is also prevalent in economic theory (e.g. Seabright 1996).

The second strand of arguments concerns the inter-municipal competition. This strand of theoretic reasoning is characteristic for the economic literature on decentralisation. As discussed above, according to the public choice inspired second generation of fiscal federalism, decentralisation can disperse the monopolistic powers of the Leviathan and hence discourage excessive taxation and public expenditure. The logic behind the argument is that such practises would cause outmigration and the loss of tax revenues (Brennan & Buchanan 2000 [1980]: 209). The same reasoning can easily be transferred to other issue areas than levels of taxation. According to these arguments, decentralisation makes empowered local jurisdictions compete amongst themselves for mobile tax bases, which provides them with incentives to, for instance, battle local corruption. This is what is known as *yardstick competition*, and is made possible by enabling citizens to compare practises in different jurisdictions (Bjedov et al. 2010: 15).⁴ However, competition between jurisdictions does not always foster good practices. A well-known difficulty with decentralised government is to retain *hard budget constraints*. The base of the problem is that decentralisation can provide local officials with the incentives to act irresponsibly and exceed their

⁴ Recall the Tiebout sorting model described above (section 2.1) for further explanation of the underpinnings of this argument.

means because of an expectation of being bailed out by the central government in difficult times. The importance of reliance on own tax revenues is for this reason stressed in economic research on decentralisation (Oates 2005: 360). Another problem in relation to over-dependence on fiscal transfers from higher government entities is that central actors can exploit the situation by establishing systems of patronage and thus retain its political influence on the localities. This phenomenon is primarily an issue in developing countries (Hadenius & Ugglå 1996: 1631).

To my knowledge, there are so far only two previous statistical studies on how decentralisation affects democracy and quality of governance (i.e. de Melo & Barenstein 2001; Martinez-Vazquez & McNab 2006). Both studies are concerned with a different sample than the present study, and only one of them deals directly with democratisation. The findings from both studies suggest that decentralisation improves government practises. De Melo and Barenstein (2001) have investigated the relationship between decentralisation and corruption and indicators of accountability, government efficiency and rule of law. They find that governance is improved by high degrees of decentralised fiscal resources. Martinez-Vazquez and McNab (2006) focus more directly on decentralisation and democracy. From a cross-country study of around 50 developing and non-developing countries, they conclude that decentralisation and democracy are interlinked in a bidirectional causal relationship.

The main points from this section are that the claim that decentralisation enhances democratic quality has strong theoretical groundings. Dividing society in smaller units can improve representation and integrates wider groups into the political processes. In addition, yardstick competition between jurisdictions can promote good practises. As I have shown, previous studies also suggest that decentralisation tend to be connected with improved levels of democracy. In the following section the reviewed literature is used to formulate three hypotheses that will later be tested in the analysis.

2.4 Hypotheses

In the theoretical review above, I have shown that the economic efficiency arguments of decentralisation and the normative political arguments in many cases go hand in hand. Moving government closer to the people is often promoted for normative democratic reasons, but is also in line with the economic assumption of asymmetry of information. Political participation is central in democratic theory, but is also a condition in theories of fiscal federalism as it is a way of revealing citizens' preferences. In addition it makes it easier to hold politicians accountable for their policies. In other words, the "criterion for economic efficiency coincides with the political principle of subsidiarity" (Finot 2002: 135). Based on the theoretical overview above, I shall now draw up my three hypotheses. The hypotheses are guided by the discussed theories and are

formulated in manner that makes it possible to test them accurately with the available data.

As shown in the previous sections, the theories in the social sciences that motivated the recent wave of decentralisation were based on the assumption that decentralisation stimulates citizen participation in politics. The theoretical discussion of the value of citizen engagement in local politics dates far back and has strong normative appeals. It has the potential of strengthening the connection between the electorate and its elected politicians and encourages marginalised groups in society to make their voices heard.

This brings me to the first hypothesis. Citizen participation is a key variable for decentralisation to have its intended effects. Decentralisation provides links between civil society and politicians and induces citizens to take part in politics. The theoretical review shows that decentralisation can improve representation and give more people a stake in politics by paving the way for new political movements (Rondinelli 1980; Diamond & Tsalik 1999; Hadenius 2003b: 1). If representation improves, it is also likely to assume that people become more liable to vote in elections. The first hypothesis therefor reads:

H₁: There is a significant positive correlation between decentralisation and voter turnout in national elections.

Empiric evidence from Europe support the claim that decentralisation can have positive affects on turnout in local elections (Michelsen et al. 2014; Blais et al. 2011). It remains to be seen if national turnout figures are also affected by decentralisation in the studied sample of countries. The risk for local elite capture could, however, also be present in many countries, which would most likely limit the effects of decentralisation on participation.

The theoretical literature also shows that decentralisation can open up new ways of directly influencing government. Like in the city-states in ancient Greece, local government could wider the scope for direct participatory actions by citizens in politics. Smallness and frequent interactions can stimulate cooperative behaviour (Axelrod 1984: 21). Moreover, civil organisation most often have primarily local interests, where government also happens to be most dependent on public support for the implementation of its policies (Hadenius & Ugglå 1996: 1630). This is the reason why moving government closer to the citizens is believed to stimulate participation. The assumption is stated in the following hypothesis:

H₂: There is a significant positive correlation between decentralisation and non-electoral political participation.

Non-electoral participation refers to organised political actions with the aim to affect political institutions or society. The definition and operationalization of this variable, and all others mentioned here, are further developed in chapter four.

Another central selling point of decentralisation is that it is said to improve democracy. Local government can create possibilities for democratic schooling

(Fox 1994). Subdividing government in large states into smaller units may create similar conditions as are present in small states, where democracy has better chances for development (Diamond & Tsalik 1999). Furthermore, decentralisation can also give rise to dynamic competition between local jurisdictions that leads to improved practises (Bjedov et al. 2010). The combination of arguments regarding size and interjurisdictional competition motivates the third hypothesis:

H₃: There is a significant positive correlation between decentralisation and democratic quality.

As shown in previous research, the likelihood of good practises to evolve from interjurisdictional competition largely depends on the central governments' ability to maintain hard budget constraints and for the local governments to prevent the central government from establishing systems of patronage, which is particularly difficult in developing countries (Oates 2005: 363; Hadenius & Ugglå 1996: 1631).

In the next chapter I shortly describe the causes, motives and consequences of decentralisation in the studied regions.

3 Decentralisation in Four World Regions

The character and content of decentralisation vary between different countries. The driving forces that motivate policy-makers to reshape the power relation between different tiers of government are diverse, and so is also the implementation of the reforms. Nevertheless, as I show in this chapter, some general trends can be identified. Some factors are tied to particular conditions in the different regions. Others are shared across regional borders.

In this chapter I will make an exposition of the overall development in four world regions. I will show that different dynamics and historical conditions have affected the degree of centralisation. In Latin America the colonial heritage has been an important factor. Urbanisation and a long period of economic growth and structural changes provided demands for decentralisation in Asia. The transition to market economies is a factor that separates Central and Eastern Europe from the other world regions. Africa stands out on account of its particularly difficult contextual conditions. Notwithstanding the differences, some major common trends can also be identified. The wave of decentralisation has been closely linked to democratisation in every region. International organisations also tended to influence the process. Furthermore, decentralisation has often been connected with market liberalisations (Oxhorn 2004: 3). The first region reviewed is Latin America, where the changes have been particularly dramatic.

3.1 Latin America: A Quiet Revolution

Decentralisation is one of the most extensive changes in political administration that Latin America has experienced. The move toward decentralised government is in many ways a turning point in the history of the region. It marks a break with the centralised way of government that was inherited from the colonial era and that characterised the region since independence. It has rightly been described as a “watershed” (Bland 2011: 66) or a “quiet revolution” (Campbell 2003). The trend coincided with economic liberalisations following the so-called *Washington Consensus*, and re-democratisation in many of the countries (Oxhorn 2004: 11-12).

In Latin America, the re-democratisation following the *third wave of democratisation* (see Huntington 1991) and the debt crisis in the 1980s were the main impetuses for decentralisation. Overly centralised government was seen as a strongly contributing factor for both authoritarianism and economic shortcomings

(Finot 2002). The debt crisis revealed inefficiencies of the old centralist system in the delivery of public services. National policy-makers, inspired by the already discussed theories of fiscal federalism, saw decentralisation as a measure to enhance economic efficiency and the quality of governance (Willis et al. 1999: 16). The trend was also encouraged by various international actors, including donor organisations, lending institutions, and organisations for economic cooperation (Vo 2010: 658). In addition to the economic reasons and international pressure, decentralisation had normative appeals given its democratising potentials (Smoke et al. 2006a: 3).

Historically, the local governments in Latin America have primarily been assigned responsibility for tasks such as refuse collection and maintenance of infrastructure and public spaces. With decentralisation, this has radically changed. The localities are nowadays responsible for a variety of public services, such as education, social assistance, health, and the provision of water and sanitation (Bland 2011: 75).

However, the extent to which the decentralising reforms have been implemented varies across the region. The pattern shows that small states are less liable to sweeping political decentralisation. Consequently, Ecuador, Paraguay, and the Dominican Republic have experienced low degrees of decentralisation. Governors are locally elected in these countries, but the central governments have the authority to overrule decisions taken at the local level. Colombia, Argentina, Mexico and Venezuela are the countries in which the political decentralising process has reached furthest. These countries have decentralised powers to elected provincial and local governments. The subnational governments enjoy formal autonomy from the central government (Willis et al. 1999: 10-11).

Fiscally, Venezuela and Mexico have maintained the most centralised system among the major countries in the region; in these countries the central state controls nearly all tax collection responsibilities. Colombia and Argentina have come a bit further, but the process has reached furthest in Brazil (Willis et al. 1999: 10-12).

As I have discussed in a previous section, the participatory budgeting (PB) in Porto Alegre is one of the most well known examples of how decentralisation can create new democratic structures that facilitate citizen participation. Far-reaching decentralising reforms following the 1988 Brazilian constitution created scope for innovative municipal practises that eventually resulted in the PB in Porto Alegre (World Bank 2008: 1). However, decentralisation in Brazil and Argentina has not been entirely successful. Both countries have experienced problems maintaining hard budget constraint, which has caused severe cases of fiscal instability (Oates 2005: 361). As a consequence of economic crises, policy makers in Argentina and Brazil have in recent time re-centralised some powers and responsibilities (Eaton & Dickovick 2006). In addition to problems of maintaining hard budget constraint, several countries have experienced local elite captures and decentralised corruption. Moreover, some scholars argue that decentralisation has caused party fractionalisation and obstructed the development of nationalised party systems (Harbers 2010: 607).

3.2 Asia: Adjustment to Structural Changes and Democratisation

Asia was a latecomer to decentralisation but has nevertheless made important changes in central and non-central government relations in the last two decades. Starting in the 1990s, a wave of decentralisation has swept through the continent. Virtually every country has been affected, especially in East Asia where high degrees of centralisation traditionally has been the predominant state of conditions (White & Smoke 2005: 1; Oxhorn 2004: 13). The Philippines was the first East Asian country to embark on decentralising reforms in 1991. Vietnam followed suit a few years later. With the 1997 constitution, Thailand also took steps toward a more decentralised political system (Uchimura 2012: 5-6). India, China, Indonesia and Cambodia have also decentralised government functions in recent years. In general, the implementation of the reforms seems to have run comparatively smoothly, and without many of the difficulties experienced in other regions (White & Smoke 2005: Ch. 1; Kalirajan & Otsuka 2012).

The incentives to decentralise vary across the region, but some shared factors explain why decentralisation gained momentum in the 1990s. First, with a long period of economic growth and urbanisation, the demand for public services gradually increased. Decentralised administrative structures have generally been seen as a method to improve the delivery of public services in order to meet the new demands. Second, as always, decentralisation is a process driven by political considerations. The transition from authoritarian rule has been a motivating factor for some countries, such as the Philippines, Indonesia and Cambodia. Also Thailand introduced decentralising reforms in the mid 1990s in tandem with democratisation following massive demonstrations against the military's interference in politics (White & Smoke 2005: 4; Turner 2006: 262-63).

In the Philippines, the civil society played an important part in pushing for a more decentralised distribution of the political powers. The transfer of resources and responsibilities to local governments was a break away from colonial centralism, a legacy from Spain. The high degree of centralisation became impractical as the population rapidly expanded in the 1960s. In the transition to democracy after 1986, the Philippines made major advancements toward a more decentralised system of government (Angeles & Magno 2004: 212-17).

The Asian Financial crisis in 1997 also motivated decentralisation in the region. The movement for democracy in Thailand gained force during the crisis (Rüland 2012: 7). In Indonesia, the crisis gave rise to a wave of political protest that eventually forced president Suharto to resign. The transition to democracy was accompanied by far-reaching decentralising reforms. Indonesia, as well as the Philippines, has also tried to use decentralisation as a method of mitigating armed ethnical conflicts by establishing autonomous regions for regional minority groups (Turner 2006: 257-59).

To conclude, in Asia decentralisation came late but has so far progressed comparatively well and without many of the difficulties found in developing

countries in other world regions. The driving forces for decentralisation have primarily been structural changes and democratisation. A continent where decentralisation has been considerably more difficult to implement is Africa, which I review in the following section.

3.3 Africa: Poverty, Big-Men and Neopatrimonialism

Among the surveyed regions, Africa is most likely the continent that poses the most challenging contextual conditions for successful decentralisation. Even though Africa has a long history of experiments with decentralisation, the process is in most countries not far advanced. The local governments' autonomy vis-à-vis the states is generally weak. At the local level, elite capture is a recurring phenomenon and in many countries powerful central actors oppose and counteract the reforms. Nevertheless, almost every country in the region has undertaken decentralising reforms at some point in the last decades. Major advances took place in the 1990s (Wunsch 2001; Riedl & Dickovick 2013; Prud'homme 2003: 17-18).

A number of contextual difficulties have made decentralisation difficult to implement in Africa. Instability and lack of resources are two impediments to progress. Most countries on the continent suffer a scarcity of resources, both in terms of money and human resources. Many African countries have also experienced recurrent social and economic turbulence. Ineffective government and public institutions, in combination with poverty make the countries vulnerable to economic fluctuations. What is more, the ethnic and religious diversity that characterise many of the countries often create tensions, especially when combined with poverty and economic turbulence. A further difficulty is the widespread clientelism, a consequence of unequal distribution of wealth. Public resources are hence liable to be misused in neopatrimonial relationships in the localities. A final aggravating contextual condition is the instability of the African states (Olowu & Wunsch 2004: 13-14).

Under most of the colonial era, the African countries experienced high degrees of political and economic centralisation. However, during the late colonial years the colonial rulers introduced a system of local governments throughout the continent. This period is sometimes referred to as a *golden age of local government*. The local government were locally elected and were responsible for local tax systems and some minor administrative tasks and infrastructure projects. However, with independence these systems of local governments were largely abandoned. The newly independent states prioritised rapid development, and saw central planning as a means to reach this objective (Olowu & Wunsch 2004: 32-33).

In an effort to reduce expenditure during the economic crisis in the 1970s, a wave of re-decentralisation emerged. International economic institutions were a driving force in this trend as they encouraged the African states to adopt decentralisation as a component in structural-adjustment programmes. This wave

of decentralisation was in general not very successful. The central governments were reluctant to give up political influence, and the reforms were in many cases underfinanced. Generally, administrative responsibilities were devolved, but not the necessary resources to perform them. Nevertheless, in the 1990s the decentralising reforms picked up speed and this time the policy-makers were more committed to the reforms. At the same time, a parallel trend of democratisation and liberalisation took place (Olowu & Wunsch 2004: 34-38).

According to a World Bank paper from 2002, the speed of decentralisation in Africa is moderate, particularly in francophone Africa. The most ambitious decentralising reforms have been implemented in South Africa, Uganda and Kenya (Ndegwa 2002). In general, African policy-makers have been reluctant to transfer power and resources to local governments. Centrally appointed local officials is still a common practise on the continent (Riedl & Dickovick 2013).

In South Africa decentralisation was a major component in the post-apartheid reforms. South Africa is unique in the sense that a decentralised system of local governments existed under apartheid, but only in the white populated localities (Prud'homme 2003: 18). The reformation of this system became one of the first priorities for the government that took over after the fall of apartheid in 1994 (Edoun 2012: 102). In 2000 a new system of local governments was established and South Africa is today one of the most decentralised countries in the region (Cameron 2003: 114; Friedman & Kihato 2004).

3.4 Central and Eastern Europe: A Breakaway From Central Planning

Central and Eastern Europe (CEE) stands out in the sense that decentralisation was closely interlinked with the fall of communism after 1989. During the communist years, the CEE economies were characterised by systems of central planning. In the 1990s decentralisation coincided with both democratisation and a transition to liberal market economies. The transfer of economic and political powers to the subnational level was in many countries seen as a breakaway from communism and the discredited economic system of central planning. For some countries, decentralisation was also a way improving the chances of becoming members of the EU. As in the three world regions discussed above, international actors such as donor organisation and organisations for economic cooperation have played a supportive and encouraging role in this transition (Rodríguez-Pose & Krøijer 2009: 388, 392).

On a political level, the local governments were during the communist era strongly dependent on the central government and the local politicians were in most cases members of the communist party. The local autonomy was in other words weak, and most political power and resources were highly centralised. The re-establishment of locally elected governments thus became an important

component in the democratisation process in the region in the 1990s. The legacy of central planning is, however, still strong and the central governments are often reluctant to decentralise responsibilities (Bratic 2008: 140-44).

The promises of membership in the EU were a strong stimulus for decentralisation in the Baltic states, Poland, the Czech Republic and Hungary. Decentralisation was in these states largely an adjustment to the Western European regional structures (Rodríguez-Pose & Krøijer 2009: 393). The adoption of Western regional structures was also a necessity in order to get regional grants from the EU after becoming member states (Bratic 2008: 148).

The decentralising reforms vary across the region in terms of degree and pace of implementation. In some countries the transition has been without much difficulties. In others, the absence of clearly stipulated assignment responsibilities has complicated the process. The degree of fiscal decentralisation is highest in Russia, Romania and Belarus (Rodríguez-Pose & Krøijer 2009: 395). The Baltic countries, Poland and the Czech Republic have also made some progress in the area. Kazakhstan, Moldova and Slovakia have implemented more modest reforms. The general pattern of the assignment responsibilities in the region is that the local governments are responsible for refuse removal, water and sewage, and lower levels of education (Dunn & Wetzel 1999: 242).

A major obstacle for decentralising reforms is the institutional weakness and the lack of administrative capacity found in many countries. As a consequence, most countries have found it difficult to establish local tax bases. The local revenue autonomy is thus still very weak (Dunn & Wetzel 1999: 243). Furthermore, the local governments are often very small and economic difficulties make them unable to hire enough administrative staff. The small size of the subnational governments also makes the localities weak actors vis-à-vis the central government (Bratic 2008: 149).

4 Method

The objective of this study is to provide generalizable knowledge about how political and fiscal decentralisation affects newly democratised or developing non-Western countries. There are several possible ways to study this, but for the stated purpose I have decided to use statistical methods, namely multiple regression analyses. In this chapter I discuss my methodological choices, define the population and present the variables used in the analysis.

4.1 Multiple Regression Analysis

To investigate the effects of decentralisation on democratic quality and political participation I use Ordinary Least Square (OLS) multiple regression analysis. Later in this chapter I discuss how the statistical models are designed. In this section I explain the advantages with the chosen method and some of the shortcomings. At the end of this section I discuss the limitations of cross-section data.

Regression analysis is used to explain the changes in a dependent variable (the Y-variable) as a function of changes in a selection of independent variables (the X-variables). It is a practical tool to apply in studies of cause-and-effect because it can be used to show both the direction and the strength of the effect of a given independent variable (Studenmund 2005: 6-7). The perhaps most important reason why multiple regression analysis has become so widely used within the social sciences is its ability to handle *multi causality*, that is, the assumption that a phenomenon can be affected by several different causes (Djurfeldt 2009: 57). Most theories, if not every, assume the presence of multi causality, which makes regression analysis a particularly useful methodological tool. But it should be kept in mind that regression analyses alone can never prove causal effects; it can only be used to test the existence of significant quantitative relationships. For this reason, regression analyses should always be based on theoretical arguments (Studenmund 2005: 7).

Statistical methods give the researcher the possibility to study a large number of cases simultaneously. The researcher can study the strength of causal effects, the likeliness that two or more variables affect each other, and investigate counterfactual conditions. At the same time, alternative hypothesis can be tested in the same study (Lieberman 2005: 238; Brady 2004: 57). There are also some limitations and pitfalls that should be acknowledged. For practical reasons, comparative studies usually apply wide concepts that are thought of as being universal. The risk of *conceptual stretching* is thus omnipresent in statistical

research, particularly when the researcher starts accepting observations for comparison on the basis that they appear “similar enough” (Sartori 1970: 1035). On the other hand, when too much detail is added in quantitative studies the researcher quickly “runs out of cases” (Lijphart 1971: 684).

What this means is that statistical research has a difficulty of handling too much case-specific and varying information. In the present study, I have adopted broad conceptual understandings of the phenomenon decentralisation. Unavoidable, some information is lost in the process. Decentralisation is a multifaceted phenomenon and the speed, form and sequence of implementation varies between places. Case study methods have an advantage in this respect as they can account for more theoretical richness (Coppedge 1999: 475). There are in other words strengths and weaknesses of each approach and a fair conclusion is that they can be used to answer different types of research questions (George & Bennet 2005: 17).

The guiding research question of the present study concerns the effects of a broad trend of fiscal and political reorganisation that has been present in all regions of the world. I argue that general knowledge, as opposed to anecdotal or case specific, could give important insights of the effects of local governance. As I show above, decentralisation is often marketed by international organisation based on general claims, such as its democratising potentials or abilities to improve government performance. Such claims should also be tested at a general level.

The next question that I address regards the limitations of basing a study on cross-section data. A limitation with cross-section data is that it can only give a snapshot of how variables correlate. However, the question that I am investigating concerns a development over time. The lack of a time-dimension makes the results from the analysis more difficult to interpret. An important limitation – that I will get back to in the analysis – is to determine direction of causality. Causality between two variables implies that the cause comes before the effect. With cross-section data, it is often hard to determine if X affects Y, or if a reverse causality is present. Sometimes the effects run in both directions, which might exaggerate the estimation of the effect. With time-series analysis this can be resolved by lagging the dependent variable to make sure that cause comes before effect (Teorell 2009: 202-205). However, since the hypotheses are guided by theory, some of the complexity in regards to data limitations can be reduced by theoretical reasoning and comparisons with previous research.

4.2 The Population

The choice of population is based on the assumption presented above that decentralisation has different effects in a Western and a non-Western context. That decentralisation has different effects on developing and developed countries have has been shown in economic research (Davoodi & Zou 1998). It is also under debate whether the benefits of decentralisation can be reaped in countries

where democracy is not yet fully established (Martinez-Vazquez & McNab 2006: 16). Consequently, the countries in the population are either developing countries, or countries that have recently experienced democratic transitions. I have deliberately chosen a wide definition of the population. I do not want to limit the study exclusively to new democracies since old but poor democracies, such as India, would fall outside this criterion for inclusion. Neither do I want to restrict the study to developing countries. Many countries, such as South Korea, have experienced rapid economic development in the last few decades and would thus be excluded. That is also why I use the collective term “non-Western” as opposed to a more exact denomination. Each of the mentioned criteria demands some further elaboration.

To begin with I should define what I mean with Western countries. According to my definition, the Western countries are all European countries in the former Western Bloc (including the neutral states). The definition also includes the United States, Canada, Australia and New Zealand. All others are thus defined as non-Western. Defining non-authoritarian states is more difficult. The reason why I want to exclude authoritarian states is that I believe that other factors determine political participation under authoritarian rule. Further, I cannot find any theoretical arguments to suggest that decentralisation causes democratic transitions. The remaining question is where to draw the line. In all research, avoiding selection biases is a critical point. But moving from a scale to a dichotomy includes the identification of cut-off points, which is always somewhat arbitrary. Bogaards (2012) has in a recent study critically assessed over 30 different ways that have been used to separate democracies from non-democracies. Although the understandings of democracy do not vary substantially, Bogaards concludes that there is a lack of consensus about where to draw the line (Ibid.: 691). For the present study, the purpose is to exclude all authoritarian states. The idea is to exclude countries like China, Belarus, Cuba and Eritrea where political and civil rights are severely restricted. The purpose is not to identify complete democracies, but rather to identify a point from where it no longer is meaningful to discuss the countries’ political systems in terms of democracy. Consequently, I will use a low breaking point. A common way to identify a threshold is to use the combined averaged score of Freedom House’s indices of civil liberties and political rights. The scale ranges from 1 to 7, where a high score indicates low levels of democracy (or *freedom*, which is the actual underlying concept). For broad samples of democracies, a threshold around 3,5 – 5 is often used (Bogaards 2012: 695). For the present study I use 5 as a threshold in order to exclude all authoritarian regimes without the risk of also excluding some poorly functioning democracies.⁵ For obvious reasons, I also exclude microstates with less than one million citizens. The sample is presented in chapter 5. In the remaining sections of this chapter I discuss the variables and their definitions.

⁵ This definition includes all countries labelled as *free* or *partly free* in Freedom House’s trichotomy.

4.3 The Dependent Variables

4.3.1 Political Participation

Political participation is the dependent variable that I use to test the first hypothesis. In this study, political participation is operationalized in two separate ways: voter turnout in national elections and non-electoral participation.

Voting in elections is perhaps the easiest way to participate in politics in a democracy. It is also an indicator of citizens' desire to be politically represented (Lijphart 2012: 283). Voter turnout is in the present study seen primarily as an indicator of political participation. It is based on the assumption that active and politically aware citizens care about their political representation.

In conformity with previous research, voter turnout is operationalized as percentage of votes of the total voting-age population (Lijphart 2012: 283). This is generally regarded as the most reliable method of measuring voter turnout. An alternative is to measure voter turnout as percentage of registered voters. The problem with this measurement is that the statistics on registered voters are sometimes inaccurate and in some cases they are not used at all. Furthermore, in some countries the system used to register voters is faulty, which makes the voting age population a better point of comparison to gauge the true turnout figures (IDEA 2014a). In many cases, electoral participation differs between parliamentary and presidential elections. To get the most accurate and comparable data on voter turnout, I use the national election that has the highest turnout numbers for each country.

I have chosen to use voter turnout in national elections, as opposed to local elections, for two reasons. First, national elections generate better conditions for comparisons as the voting procedures and voting days for local elections in many cases diverge. I would also have to exclude all the countries in the sample that do not hold local elections. Second, reliable data are more accessible at the national level, which facilitates comparisons. To my knowledge, there is no international database for local elections.

The main advantage with voter-turnout as a measurement of political participation is the reliability of the data and the accessibility to data over a long period of time. There are also empirical findings from Western countries to suggest that decentralisation has led to increased voter turnout in local elections (Michelsen et al. 2014; Blais et al. 2011). A disadvantage is, however, that voter-turnout alone is a somewhat crude measurement of participation, and it does not account for the various forms of exercising influence between elections. In addition to improving representation, decentralisation can also improve the possibilities for direct political participation. This is one of the core arguments for bringing government closer to the citizens. Consequently, I also include a variable for non-electoral participation in the study.

As mentioned in the first chapter, citizen participation and social capital are similar concepts, but should not be confused as synonyms. In this study, I rely on Putnam's (1995) distinction between social capital as referring to citizens' relations among themselves, and political participation as the interaction between citizens and political institutions. Memberships in sport clubs or participation in choirs can surely be both fulfilling at an individual level and have positive effects on society, but are of lesser relevance for this particular study. My definition of political participation is collective actions that, in one way or another, strive to affect society or political institutions. Participation in political movements with broad agendas, and participation in campaigns or organisations with focus on single issues are considered as equally important. The form of participation can be either direct, by participating in campaigns and demonstrations, and indirect by membership in organisations.

Due to lack of data, non-electoral participation is considerably more difficult to operationalize than voter turnout, especially in cross-country comparisons. However, since the 1990s comparative survey data on political behaviour in various countries have become available. I have decided to base the operationalization of non-electoral participation on survey data from the *World Values Survey*. In contrast to many other providers of survey data with regional foci, World Value Surveys has a global scope and provides data from all world regions. Unfortunately, data are not available for all the countries in the sample. In order to reduce the number of missing cases, I use data from three waves of surveys (wave four, five and six). The time period stretches from 2001 to 2014. From the cross-section survey data, I have created an additive index of participation consisting of seven variables. The index takes into account both direct participation (through demonstrations, signing of petitions and participation in boycotts) and indirect participation through membership in organisations with political agendas (political parties, labour unions, environmental organisations and humanitarian organisations). A limitation with these data is that I cannot determine frequency of engagement in political activities.

4.3.2 Level of Democracy

Conceptualising democracy is always tricky business. Some prefer to see it as a dichotomous variable (e.g. Huntington 1991; przeworski et al. 1996; Sartori 1991), while others prefer to measure it on a scale (e.g. Teorell 2010; Dahl 1989; Bollen & Jackman 1989). This disagreement about measurement is to some extent (with noteworthy exceptions) part of a general division between scholars from qualitative and quantitative research traditions. The division is important since the different approaches also affect the researchers' conclusions from studies of democratisation (Collier & Adcock 1999: 538).

Collier and Adcock (1999) recommend a pragmatic approach to the conceptualisation of democracy. They argue that the choice of measurement should be guided by the purposes of the study. Dichotomies have the important

advantage of providing clear cut-points, while the use of scales is more suitable to capture continuous concepts.

For the purposes of my study, being able to compare degree of democracy is essential. The hypothesis that decentralisation affects democratic quality is based on the assumption that democracy is a continuous concept – not an all-or-nothing affair. Consequently, the use of a graded scale is necessary to be able to test my hypothesis. Nevertheless, as I discuss above, I also apply a cut-point where I exclude all authoritarian states. In other words, the population is defined according to a dichotomy where I separate authoritarian and non-authoritarian states. Thereafter I use a scale to determine degree of democracy in each non-authoritarian country. Since I have decided to measure democracy as a scale, the following question is which scale to use.

There are several indices of democracy. The two most commonly used are those provided by *Freedom House* and *Polity IV*. Freedom House's index of democracy, *Freedom in the World*, is published annually. The index dates back to 1973 and is based on the combined average score of political rights and civil liberties on a scale ranging from 1 to 7. Polity IV goes back to the year 1800. The index uses four component variables that are scored on a scale for democracy and autocracy. A variable for regulation of participation, scored on the autocracy scale only, is also included in the index. The autocracy score is then subtracted from the democracy score and calculated on a scale of -10 to 10 (Boogards 2012: 691, 695). Both indices are widely used in studies of democracy, and there is an ongoing debate about which measurement that provides the most accurate democracy score.

A problematic issue with the absence of a single common measurement of democracy is that the findings in some cases depend on measurement. Although highly correlated, when applied in empirical research the indices often generate different results (Högström 2013). In an assessment of the different measures of democracy, Hadenius and Teorell (2004) find that Freedom House has a tendency to underrate the level of democracy due to overemphasis on repression and violence. Polity IV, on the other hand, tend to overrate the democracy score for the opposite reasons. The authors also find that a combination of the two indices generates the most accurate score in relation to an independent yardstick. Based on these findings, I use Hadenius and Teorell's combined democracy index, which is measured on a scale from 1 to 10.

4.4 The Independent Variables

4.4.1 Decentralisation

Decentralisation is a relative concept with a multitude of dimensions. A single measurement cannot truly encompass all the political, administrative and economic aspects of the phenomenon. A number of different ways to measure decentralisation exist, which has created conceptual confusion (Riedl &

Dickovick 2013; Harbers 2010). As a result, researchers have in the last years called for a more integrated approach where the various dimensions of decentralisation are studied together (Smoke 2003: 8). For the purposes of this study, I have decided to divide the variable into two separate operationalizations: a political and a fiscal. This solution has the advantage of providing indicators for the power relations between different levels of governments, local government autonomy, and the citizens' relation to their local politicians. My operationalizations are in accordance with most previous research on comparative decentralisation. Schneider's (2003) article on the different indicators of decentralisation has been particularly useful.

The most common way to measure fiscal decentralisation is by observing the expenditure outlays and the fiscal revenues at subnational levels of government. The data are collected from the International Monetary Fund's *Government Finance Statistic Yearbook* (GFSY). IMF is the organisation that provides the most complete comparative data on spending, grant transfers and collection of tax revenues on different tiers of government. Decentralisation is relative, and to measure the power relations the subnational fiscal power has to be put in relation to a higher level of government. In accordance with previous research (e.g. Oates 1985; Harbers 2010; Davoodi & Zou: 1998) I calculate the subnational revenues and expenditures in relation to the general governments'⁶ revenues and expenditures. An alternative approach applied elsewhere is to compare subnational revenues and expenses to GDP (Schneider 2003: 37). This would capture a slightly different aspect of the subnational governments relative positions. However, I argue that subnational revenue and expenditure shares in proportion to the general government better mirror the power relation, since the size of government and the public sector varies between different countries, which makes cross-country comparisons less accurate (Rodden 2002: 675).

Unfortunately, there are some reliability and validity problems in relation to the data that should be considered. One of the problems in regards to reliability is that all data are self-reported. This means that there is a risk that different countries classify revenues or expenditures differently (Schneider 2003: 36). In terms of validity, another issue is the inability to differentiate between earmarked and non-earmarked grants (Harbers 2010: 614). The consequence of this is that the local fiscal autonomy in countries where the local governments do not rely on own tax revenues is sometimes overestimated (Rodden 2002: 675). A final problem with the GFSY is that the data are not complete, and many countries do not report revenues and expenses at subnational levels of government. I get back to this issue in section 4.1, where I discuss some of the issues that the missing cases causes for the representativeness of the sample.

⁶ The general government sector consists of all units of government on the central, state or local level. All non-market non-profit institutions (NPIs) controlled by government and all social security funds are also included in this definition (System of National Accounts 2008: 80).

On IMF's webpage, GFS data for the last three years are publicly available. But these data are often incomplete, and I have therefor primarily relied on the printed editions of the GFSY from 2012 and earlier years.

Political decentralisation refers to the local governments' political autonomy from the centre and the citizens' relation to their local politicians. Recalling the definition presented in chapter 1, political decentralisation is defined as the "establishment or reestablishment of elected autonomous subnational governments capable of making binding decisions in at least some policy areas" (Willis et al. 1999: 8). According to this definition, there are two central criteria that should be met for a decentralised local government. First, the politicians should be elected through democratic elections. Second, the local governments should be autonomous. Hence, the variable for political decentralisation shows both how citizens relate to their local politicians, and how the local governments relate to higher government entities. To meet these conditions, the local governments should elect their legislative and executive politicians in democratic elections. It is important that both conditions are met. In many countries, local elections for the legislative branch are held at local level, while the executive is appointed from a higher level of government. In these scenarios, the local governments have limited autonomy and should not be considered as fully decentralised. For instance, Latin America has a long history of local governments. But these governments were generally weak and the mayors were centrally appointed (Prud'homme 2003: 17). A similar pattern could be seen in Africa in the early post-colonial era (Edoun 2012: 100). It would be misleading to suggest that these local governments represented any substantial independent political power. Consequently, according to the applied operationalizations the real transition to a decentralised system of governments in Latin America took place in the 1980s and 1990s, which is more accurate.

The data on political decentralisation are collected from the World Bank's *Database of Political Institutions* (Beck et al. 2001). The statistics refer to the year 2012 and the variable is measured as a dummy in the analysis. The data are unfortunately not complete. In order to keep the number of missing cases to a minimum I have updated the data and covered some of the missing cases. Some of the data are collected from the *Inter American Dialogue's* overview of Latin American electoral systems, provided by the Political Database of the Americas (2014). For the non-Latin countries, I have done individual searches, primarily based on information from the electoral commissions' webpages for the individual countries. As with fiscal decentralisation, my operationalization is in line with previous research (Schneider 2003; Harbers 2010). All the main variables for the analysis are now introduced. The next step is to select relevant control variables.

4.5 Control Variables

One of the main advantages with quantitative methods is the ability to control for alternative explanations in the analysis. The researcher should, however, select the

control variables with caution; only variables with clear theoretical grounding can be included in the analysis. Poorly justified variables risk rendering the analysis less reliable (Lieberman 2005: 438). However, it is also crucial not to leave out any causal variable, as it would lead to *omitted variable bias* (King et al. 1994: 61-62). What follows is an exposition of the variables used as controls in the analyses. Much of the data, albeit not all, are taken from the Quality of Government dataset. All details about the variables and the data sources can be found in the appendix.

4.5.1 Reasons to Participate

To recapitulate: participation in the present study is defined as voter turnout in national elections, and citizens' direct or indirect non-electoral engagement in politics. In this section I discuss each of them separately and decide on the relevant control variables to include in the analysis. I begin with an overview of the factors that according to previous research affect voter turnout.

There is a large body of literature on what motivates voters to show up at the ballot box on election day. The literature either focuses on what influences the voters at an individual level to vote, or what determines voter turnout at an aggregated level in cross-country studies. Since I am comparing countries, and not individuals, only the factors that have an impact on an aggregated level will be included in the analysis.

Many of the countries in the sample have mandatory voting laws. Compulsory voting is a factor that stimulates higher voter turnout. In previous research, compulsory voting is usually included as a control variable in studies of electoral participation (e.g. Lijphart 1999: 285; Persson 2012; Fornos et al. 2004). I consequently include compulsory voting as the first control variable in the model. It should be noted that the extent to which mandatory voting laws are enforced vary between countries. The effect can therefore differ according to how strictly the laws are enforced (IDEA 2014b).

Previous research shows that level of education is strongly correlated to voter turnout at an individual level. The nature of this relation is, however, subject to debate. New research suggests that education level should be seen as a proxy for social status. According to this view, education alone has no significant effect on individuals' voting behaviour. Instead, education can lead to higher social status for the individual, which in turn makes him or her more likely to take part in elections. This hypothesis has also been confirmed in empirical studies of industrialised countries (Persson 2012). These findings provide a tentative solution to the puzzle why increased levels of education in western countries have not been accompanied by rising levels of voter turnout (e.g. Pelkonen 2012; Franklin 2004). Furthermore, if education is only a proxy for social status there should be no reasons to believe that the aggregated level of education has any significance on voter turnout.

However, education and illiteracy rates can also be seen as indicators of socioeconomic development, which is widely believed to affect turnout in

elections (Fornos et al. 2004: 912). Socioeconomic factors are likely to be particularly important in the present study, given the wide sample of countries on different levels of development. Studies on voter turnout are typically conducted in an American or Western European context, where socioeconomic factors arguably are of less important than in, for instance, Africa. Since more developed countries tend to have higher voter turnout figures (Lijphart 1999: 285), I also include GDP per capita as a control variable.

Constitutional settings and voting systems can also affect turnout in elections. Lijphart (1999) finds a strongly significant positive connection between consensus models of democracy (usually referred to as proportional democracy) and voter turnout. According to his study of 37 countries, the countries that apply consensus democracy have on average 7.3 % higher turnout numbers than majoritarian systems (Lijphart 1999: 285-6). Proportional electoral systems should therefore also be controlled for.

A final variable to control for is corruption. Corruption can affect democracy in various ways. In a recent study, it is found that high levels of corruption tend to depress voter turnout (Stockemer et al. 2011). To conclude, the controls for voter turnout are compulsory voting, education level, GDP per capita, electoral system (proportional or majoritarian) and corruption.

Compared to electoral participation, non-electoral participation is more difficult to study statistically because it is considerably more difficult to quantify. Not surprisingly, there are also fewer studies made on non-electoral participation in cross-country analyses and less previous research to rely on when deciding on relevant control variables. However, socioeconomic factors are likely to affect voter turnout, as well as non-electoral participation. In more developed countries where citizens have access to education they are arguably better informed about the political issues and more apt to participate politically. Moreover, in developed countries, the citizens are in a better economic situation and have more leisure time to their disposal (Fornos et al. 2004: 912). It is also probable that high levels of corruption create more apathetic citizens. Furthermore, evidence from Africa show that ethnic divisions tend to create lower levels of trust among citizens and make them less willing to contribute to financing public goods that benefit other ethnic groups, which has a negative impact on the tax compliance (Lassen 2007: 423). For the same reason, ethnic fractionalisation could also be expected to hamper the likelihood for collective political actions; free rider problems and spill over effects are common phenomena in most types of political participation. In sum, the control variable in the second model is GDP per capita, years in education, corruption, and ethnic fractionalization.

4.5.2 Determinants of Democratisation

A central claim that has been used by donor organisations and organisations for economic cooperation in their effort to promote decentralising reforms is that decentralisation improves democratic quality. The third hypothesis deals with this issue. There is a wide range of literature in comparative politics concerned with

the contextual conditions that facilitate democratic transitions and consolidation. The control variables are drawn from the field of democratisation theory, in particular from Teorell (2010) and Barro (1999), which are two major statistical studies in recent years.

In 1959 Seymour Martin Lipset published one of the most influential articles on democratisation. In the article, Lipset hypothesised that a series of economic conditions, historic factors and values constituted requisites for the establishment of stable democracies. The main argument can be summarised in a short sentence: “the more well-to-do a nation, the greater the chances that it will sustain democracy” (1959: 75). The question about the nature of the relationship between economic modernisation and democracy has generated considerable amount of scientific attention. Over time, the access to better data and more sophisticated statistical methods has facilitated research on the subject (Diamond 2006: 676). Some of Lipset’s findings have been confirmed in later studies; others have been proven false. But most importantly, a vast amount of new factors have been added to the list of variables that affect democracy and democratisation.

Historical factors, and factors that deal with religion or the population structure are commonly discussed in regards to their effect on democracy. Seeing that the sample consists of numerous former colonies a relevant first question to answer is whether colonial heritage affects the prospects for democracy. Contrary to what one might suspect, colonial heritage does not seem to be a decisive factor. This is confirmed in both Barro’s and Teorell’s analyses where the variable turns out insignificant (Barro 1999: 174-75; Teorell 2010: 45). The empirical findings suggest that colonial heritage is not a relevant variable in explaining democratic quality and will thus not be included in the analysis.

When it comes to religion, Barro and Teorell find that the previous held belief that Christian countries are more liable to be democratic cannot be confirmed statistically. However, a large Muslim population is highly negatively correlated with democracy. This correlation is found in both studies but is difficult to interpret theoretically. Whether the connection is due to the religion in itself, or has to do with the linkage between church and state in Muslim countries, or if is just a regional characteristic (an Arab gap rather than a Muslim gap) is hard to tell (Barro 1999: 176-77; Teorell 2010: 45-50). Regardless of the causal mechanism of the correlation, I include a control variable for Muslim population.

As discussed in the theoretic section of the present thesis, there is a tentative connection between country size and democracy. In control for socioeconomic factors, Barro finds no significant connection between the variables. However, with a larger sample, Teorell finds a significant negative relation, meaning that small states are likely to be more democratic (Teorell 2010: 46). Size should therefor be controlled for.

The second group of variables that I want to control for is indicators for socioeconomic development. In accordance to what Lipset and other have previously claimed, socioeconomic factors are according to Teorell and Barro’s findings connected with democratisation. I will consequently control for GDP per capita. Also, oil dependency is in both studies negatively connected with democracy and will accordingly be controlled for (Barro 1999: 167; Teorell 2010:

76). To conclude, the present study will include control variables for Muslim population, size, GDP per capita and oil dependency. Since all the different variables now are decided, the following step is the analysis.

5 Analysis

In this chapter I present and discuss the findings from the statistical analysis. The present study is guided by three hypotheses regarding the democratic and political benefits of decentralisation. Now the time has come to test them. The chapter unfolds in three main parts, in which the hypotheses are tested in turn and according to the discussed operationalizations. The findings are then discussed and interpreted in the final section of this chapter. Before I get to the main analysis, I will present the sample of countries.

5.1 The Sample

The selection of countries in the sample is based on the definition of the population presented in section 3.2. To recapitulate, the population consists of non-Western and non-authoritarian countries in the four world regions reviewed. All countries are either developing or have recently experienced democratic transitions. I have decided to work with a complete sample, which means that every country in the population that has available data is added to the sample. The sample amounts to 69 countries in total. Each of these countries has data for at least one of the applied definitions of decentralisation. There is, however, a problem of missing cases, which I discuss presently. In table 1, the complete sample is displayed. The countries are sorted according to their regional location. The old Soviet republics in Central Asia have been placed together with the CEE countries.

Table 1	Asia	Latin America	Africa	CEE
	Bangladesh	Argentina	Benin	Albania
	India	Bolivia	Burundi	Armenia
	Lebanon	Brazil	Ghana	Bosnia Herzegovina
	Kuwait	Chile	Guinea	Bulgaria
	Malaysia	Colombia	Kenya	Croatia
	Mongolia	Costa Rica	Lesotho	Estonia
	Nepal	Dominican Republic	Mali	Georgia
	Pakistan	Ecuador	Malawi	Hungary
	Papua New Guinea*	El Salvador	Mauritius	Kyrgyz Republic
	Philippines	Guatemala	Morocco	Latvia

Sri Lanka	Haiti	Mozambique	Lithuania
South Korea	Honduras	Nigeria	Macedonia
Thailand	Mexico	Sierra Leone	Poland
	Nicaragua	South Africa	Rumania
	Panama	Tanzania	Serbia
	Paraguay	Togo	Slovakia
	Peru	Uganda	Slovenia
	Uruguay	Zambia	Turkey
	Venezuela		Ukraine
n = 13	n = 19	n = 18	n = 19

* *Papua New Guinea is included in the sample, even though it is located in the Oceanian part of the South West Pacific Ocean.*

As seen in table 1, each region is represented comparatively well in the sample. Unfortunately, the data are not completely overlapping. The data on political decentralisation covers 65 of the 69 countries. The data on fiscal decentralisation is, however, only available for 39 of the countries. Missing cases are always problematic, especially if they are systematic. Systematic errors in the selection process can create biases that affect the causal inferences drawn from a study (Collier & Mahoney 1996: 59).

Thus, a relevant question to ask is if the missing cases are random, or if they follow a pattern. In Latin America there is data for fiscal decentralisation for 10 out of 19 countries. Among the CEE countries, including the old Soviet republics in Central Asia listed in table 1, 18 of 19 countries are covered. Unfortunately, the corresponding figure is 4 of 13 in Asia, and 7 out of 18 in Africa. Asia and Africa are in other words underrepresented in the sample, while the EEC countries are overrepresented. In addition to this obvious pattern, there might be other biases that are less evident.⁷ The data are, as mentioned earlier, self reported which indicates that there might be an element of self-selection in the sample. This is a recurring problem in statistical research (George & Bennet 2005: 23). The fact that the missing cases follow a regional pattern could affect the results from the analysis, and this should be kept in mind in the following sections.

A vast majority of the countries are developing countries. Only 4 of the 69 countries are included on IMF's list of advance economies. Most countries have also undergone democratic transitions in recent time. According to Huntington's definitions (1991: 14), 25 of the countries democratised during the *third wave of democratisation*. 4 were already democracies since earlier waves, and the rest are not mentioned.⁸ In the sample, 41 countries are politically decentralised and 24 are not.

⁷ Patterns according to wealth, democracy level or degree of decentralisation are some possibilities.

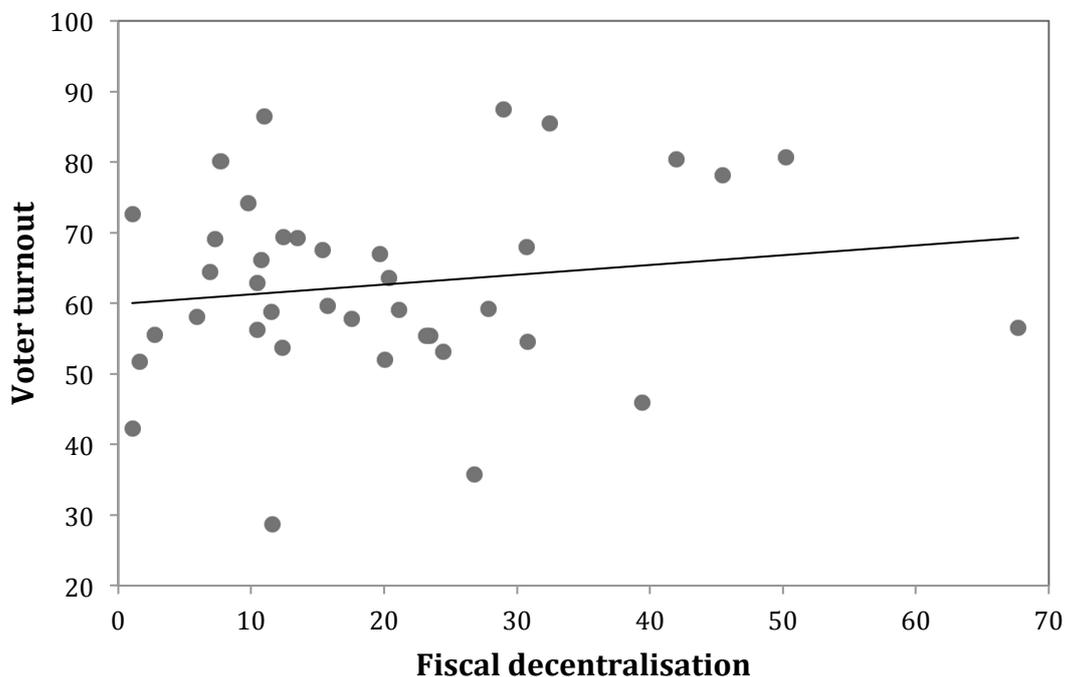
⁸ Most likely since they had not yet democratised at the time of the publication of Huntington's book in 1991.

5.2 Decentralisation and Political Participation

The link between local governance and citizen participation is one of the core theoretical arguments that have motivated decentralisation. This connection is what makes decentralisation normatively appealing; citizen engagement in politics is a central tenet of the participatory model of democracy, where the people learn to be democratic citizens by participation (Hudson 2010: 15). As I have discussed above, the connection has strong theoretical importance also for the economic arguments of decentralisation. A participating citizenship works in two ways. First, it exposes the citizens' preferences to the local policy-makers, which allows them to tailor the provision of public goods in accordance to the public demand (Finot 2002: 137). Second, active citizens can provide a check on local politicians and can thus improve accountability of the local governments (Boadway & Tremblay 2012: 1071). However, there are also dangers connected with decentralisation. It may cause increased levels of corruption, jeopardise stability and make government less efficient (Prud'homme 1995).

In figure 1, the relationship between fiscal decentralisation and voter turnout is shown in a scatterplot.

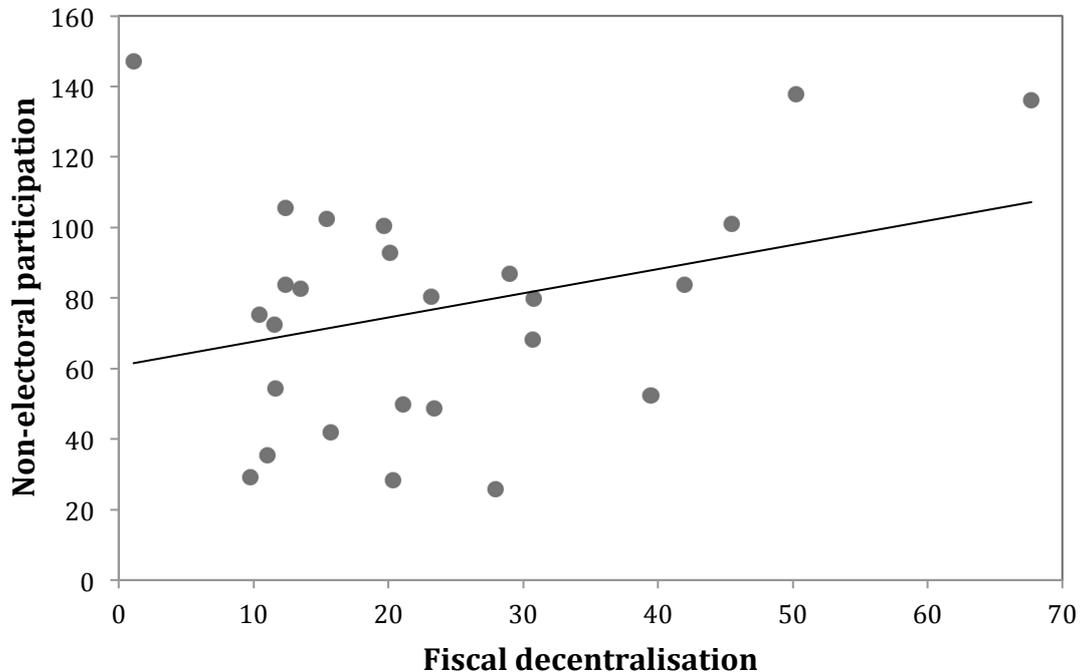
Figure 1. Voter turnout and fiscal decentralisation



In accordance with H_1 , the regression line in figure 1 has a positive slope. This indicates that high levels of fiscal decentralisation correspond with high levels of voter turnout in national elections, both measured in percentages. But the slope is not very steep, and the scatterplot does not display any clear pattern. This indicates that the correlation is not very strong, and probably not significant. Figure 2 shows the correlation between fiscal decentralisation and non-electoral

participation. Interestingly, this is also in line with H₂, which states that decentralisation correlates with non-electoral participation.

Figure 2. Non-electoral participation and fiscal decentralisation



I use an OLS regression analysis based on cross section data to test my hypotheses. The results are shown in table 2. As is shown in table 2, I test the effects of the two operationalizations of decentralisation in a total of four models. When both variables for decentralisation are included in the same models, the amount of missing cases increase because the data are not completely overlapping. Therefore I have decided to analyse them separately in two models for each dependent variable. Some of the previous research use a logarithmic measurement of fiscal decentralisation. The R² is in general higher when the non-logarithmic form is used (the only notable difference in model 4, table 1), which is why these models are displayed in the tables. But since the results do vary according to the applied measurement, I have also included alternative models in the appendix.

I have used the Variance Inflation Factor (VIF) to check for multicollinearity in all models, including those in table 3 in the following section. The VIF-test is used to detect to how much multicollinearity increases the variance of an estimated coefficient. Each independent variable has a VIF-value, and 5 is often used as the critical value (Studenmund 2005: 258-9). None of the variables in the model has a VIF-value that exceeds 4, which indicates that severe multicollinearity is most likely not present in the models. A second thing to

control for is the presence of heteroskedasticity in the models. Heteroskedasticity means that the distributed variance in the error terms is not constant for all observations (Studenmund 2005: 346). I have used a visualisation approach to test this in scatterplots with the standardised residual and the standardised predicted value.⁹ I see no sign of heteroskedasticity in any of the models.

Table 2	(1)	(2)	(3)	(4)
	Voter turnout	Voter turnout	Political participation	Political participation
Political decentralisation	9,108** (4,304)	–	-8,582 (14,358)	–
Fiscal decentralisation	–	,015 (,147)	–	,924* (,472)
Compulsory voting	15,666*** (4,600)	14,501*** (4,930)	–	–
Years in education	1,174 (,977)	,625 (1,085)	-5,361* (3,016)	-1,365 (3,106)
(Log) GDP per capita	-4,180 (3,271)	7,105 (4,504)	-18,946 (11,881)	-15,067 (15,881)
Ethnic fractionalisation	–	–	-7,477 (32,140)	33,347 (44,133)
Corruption perceptions	,335 (1,977)	-3,758 (2,536)	8,589 (6,002)	9,756 (7,288)
Proportional representation	3,946 (4,868)	-1,428 (5,941)	–	–
Constant	76,049 (20,147)	58,753 (11,597)	276,995 (89,485)	147,813 (138,168)
R ²	,302	,352	,353	,314
Number of observations	62	37	38	24

*Beta values displayed in the table. Standard errors presented in parentheses.
*** significant at 99 %, ** significant at 95 %, * significant at 90 %.*

In model 1, the correlation between political decentralisation and voter turnout in national election is tested. Political decentralisation is coded as dummy variable where 0 = not politically decentralised, and 1 = politically decentralised. The results from model 1 show interesting findings. In accordance with previous

⁹ A major limitation of SPSS, which is the statistical software I use, is that there is no menu driven approach to test for the presence of heteroskedasticity, which is why I have not been able to test it in a statistically significant way.

literature, compulsory voting has a strong positive effect on voter turnout in national elections. The Beta value indicates that turnout is at an average around 15 % higher in countries that practise mandatory voting. The connection is significant at the 99 % level. The risk that the connection is due to chance is in other words very small. But what is more interesting for the present study, political decentralisation is also highly significant connected to voter turnout. The Beta value is positive, which indicates that the presence of local governments where the officials are locally elected is correlated with higher electoral participation. I will discuss this finding presently. Before that I should point out that both indicators of socioeconomic development, GDP per capita and years in education, are insignificant in the model. In fact, GDP has a negative effect on electoral turnout (a negative correlation between GDP and participation is also present in model 2 and 3). This remains true when I test alternative GDP measurements.¹⁰ Proportional representation is positively correlated with voter turnout. But this connection is far from significant. Neither is corruption. The number of cases in the model is 62, and the R^2 is ,302, meaning that about 30 % of the variability can be explained in the model (Studenmund 2005: 50).

When tested alone, political decentralisation is significant at the 99 % level. The correlation remains the same in control for mandatory voting laws, but is pushed down to the 95 % significance level when proportional representation is introduced. The correlation remains at the same level of significance in control for socioeconomic conditions and corruption. The effect on voter turnout is strong. Holding the other variables equal, political decentralisation causes in average more than 9 % higher electoral participation. Based on these findings, I accept H_1 and reject the null hypothesis.

How should this correlation be interpreted? According to the theoretical argumentation presented above, the correlation between political decentralisation and voter turnout could be interpreted as evidence that local government causes higher citizen participation, which is translated into high turnout figures in national elections. This would be in line with the arguments used for the promotion of decentralisation and should be good news for its proponents. A tentative theoretical explanation of the causal mechanism is that decentralisation brings government closer to the people and improves political representation. The improved possibilities to influence public policies create more active and politically aware citizens that are more likely to vote in elections.

There are also some empirical evidence from Europe to support the idea that decentralisation can have positive impacts on voter turnout. Research on the effects of decentralisation in Germany has shown that states with decentralised government structures have higher voter turnout figures in municipal elections (Michelsen et al. 2014). In Spain, there is evidence that decentralisation has

¹⁰ I use a GDP measurement from the World Bank that is calculated with purchasing power parity (PPP) exchange rates in the analysis. I argue that this is a more accurate indicator of the socioeconomic conditions in the different countries. No major changes occur in model one when GDP per capita expressed in US dollars provided by IMF is used instead.

caused higher voter turnout in regional elections (Blais et al. 2011). The findings from the present study suggest that decentralisation correlates with high levels of electoral participation in national elections.

However, with cross-section data it is difficult to determine the direction of the causal arrows. As I have discussed above, a clear limitation of cross-section data is the inferiority when it comes to determining directions of causal relationships. There is a risk for a reversed causal correlation, or that the relationship works in both directions, which might exaggerate the effect. An alternative explanation for the correlation could be that the citizens in countries with high degrees of electoral participation care more about their political representation. This in turn causes higher demands for local representation, which makes political decentralisation more likely. In other words, high turnout figures could cause decentralisation rather than the other way around. Based on these data, it is not possible to draw any certain conclusions. But based on the theoretical literature, I argue that it is more likely that decentralisation affects turnout than the opposite.

In the second model the number of cases drops to 37. Table 2 shows that compulsory voting is still highly significantly correlated with voter turnout. There is, however, no significant correlation between fiscal decentralisation and turnout. The variables are far from significantly correlated alone and the p-value becomes even less significant when the control variables are added. None of the other control variables are significantly correlated with voter turnout in this model either.

According to the findings, there is no reason to believe that higher degrees of fiscal decentralisation cause higher levels of political participation in terms of voter turnout in national elections for the selected population of countries. Caution should however be taken, considering the number of missing cases and the previously discussed risks for a selection bias in the sample. To sum up the results from H₁: my findings suggest that decentralisation affects voter turnout. However, in the statistical analysis I can only find support for a correlation between political decentralisation and voter turnout. Fiscal decentralisation seems not to affect turnout numbers in national elections in the population.

H₂ states that decentralisation affects non-electoral participation. Hence, in the remaining models, non-electoral political participation is the dependent variable. Since data for non-electoral political participation are collected from surveys from different years, I have tried to match the data for fiscal decentralisation as closely to the surveyed year as possible for each country. Model three shows a negative correlation between political decentralisation and political participation. This is the opposite of what H₂ states, and means that non-electoral political participation is lower in countries with local democratic governments. The correlation has a p-value of ,057 when tested alone, but when controls for socioeconomic conditions are introduced, the significant correlation disappears which suggests that the variables are not causally connected. What is surprising in the model is that both socioeconomic indicators are negatively correlated to participation. Tested alone, both GDP per capita and years in education are significant at the 99 % level, but when added in the same model only years in education remains weakly

significant. The model suggests that socioeconomic conditions affects level of participation. Why the correlation is negative is difficult to explain.

Finally, model 4 shows a very interesting correlation between fiscal decentralisation and political participation. In accordance with the hypothesis, the correlation is positive. The correlation is not significant when tested alone, but in control for either variable for socioeconomic conditions or the variable for corruption, the p-value drops to a significant level. The number of cases in this model is unfortunately quite small and the connection between the variables is not very strong (significant at the 90 % level).

To conclude, the results from the analysis show a correlation between decentralisation and electoral as well as non-electoral participation, depending on definition. The correlations are present even in the control of other relevant factors. However, the discussed data limitations make the findings less than certain. Nevertheless, the findings give some empirical support for both H₁ and H₂. These findings, combined with the extensive theoretical literature bring me to the conclusion that, in general, countries in the sample with more decentralised government also tend to have more politically active citizens.

5.3 Decentralisation and Democratic Quality

The promotion of decentralisation in developing countries is often done in reference to its democratising potentials. As explained in previous chapters, decentralisation can provide checks on central government and increase the citizens' abilities to hold politicians accountable. Some scholars also argue that decentralising reforms is a way for larger countries to mimic the conditions that exist in small countries, where democracy has been more likely to take root (Diamond & Tsalik 1999). Competition between jurisdictions could also encourage good practises (Brennan & Buchanan 2000: 209). Hence, democratic quality should according to this logic be expected to be higher in countries with decentralised fiscal and political structures. However, the benefits from decentralisation also hinge on the local governments' ability to keep the local elite from capturing the process, leading to decentralised corruption rather than more inclusive government (Prud'homme 1995), and central government's ability to prevent local governments from abusing the opportunities to *raid the fiscal commons* (Oates 2005: 354).

Before I proceed with the analysis, a word of caution should be added in regards to the tentative presence of a correlation between decentralisation and democracy. A bidirectional relationship between decentralisation and democracy has been found in a previous study (Martinez-Vazquez & McNab 2006). As I show in chapter 3, decentralisation has in many countries been a part of the transition to democracy. There is in other words a possibility that degree of democracy affects the level of decentralisation, as well as decentralisation affects democracy. As I have discussed, if variables affect each other in both directions, the effect of the correlation could be exaggerated.

Figure 3. Democracy and fiscal decentralisation

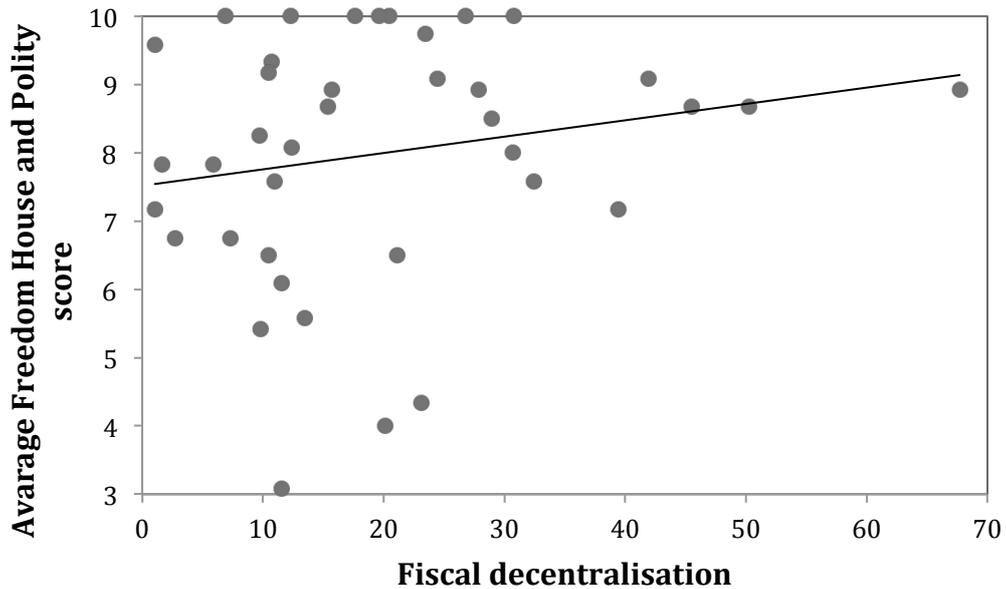


Figure 3 shows how democracy and decentralisation relate. Recall that democracy is measured on a scale from 1 to 10, where a high value indicates good democratic quality. Fiscal decentralisation is still measured in percentages. The slope of the regression line is positive, which indicates that fiscal decentralised countries tend to be more democratic. However, no clear pattern is visible in the scatterplot and at a first sight the variables do not seem to be correlated.

The results from the multiple regression analysis are displayed in table 3. In the first model GDP, Muslim population and oil production are highly correlated with democracy. The findings confirm the results from previous research on democratisation. The level of GDP positively affects the level of democracy, while a large Muslim population or large oil industry have depressing effects. Political decentralisation is positively correlated with democracy when tested alone. The correlation is significant at the 95 % level even in control for oil production or population size, but disappears when controlled for GDP per capita or Muslim population, which shows that the correlation is not causal.

The pattern is not much different in the second model. GDP per capita and size of Muslim population is still highly significant. The effect of oil production is still negative, but no longer significant. Fiscal decentralisation is not correlated with democracy on its own, and this does not change when the control variables are added to the model. The effect of fiscal decentralisation appears to be weak and the correlation is even negative. The R^2 value is at ,710, which indicates that the model explains most of the variability. Since none of the measurements of decentralisation appears to have an affect on democratic quality I can reject H_3 . This is also true when the two democracy indices are applied separately, instead of the combined index used in this study.

Table 3	(1)	(2)
	Freedom Polity IV	House/ Polity IV
Political decentralisation	,003 (2,329)	–
Fiscal decentralisation	–	-,010 (,016)
(Log) Population	,211 (,147)	-,119 (,179)
(Log) GDP per capita	,905*** (,189)	1,413*** (,228)
Muslim Population	-,027*** (,007)	-,035*** (,007)
Oil production	-2,262*** (,000)	-2,878 (,000)
Constant	-1,547 (2,329)	-2,869 (2,727)
R²	,498	,710
Number of observations	62	37

Beta values displayed in the table. Standard errors presented in parentheses.

**** significant at 99 %, ** significant at 95 %, * significant at 90 %.*

The results go contrary to previous research that suggest that decentralisation improves democratic quality (Martinez-Vazquez & McNab 2006). This has most likely to do with the fact that the present study is concerned with a different sample of countries, which indicates that decentralisation is more difficult in this population. The effect of decentralisation is very small and not statistically significant. Fiscal decentralisation is even negatively correlated to democracy in control for other variables. Interesting to note is that this negative correlation becomes significant at the 95 % security level when the logarithm of fiscal decentralisation is taken, as in table 4 in the appendix (section 8.2.1). This suggest that fiscal decentralisation at a general level might even damage democratic quality in the population.

In sum, the argument that decentralisation improves democratic quality cannot be confirmed in my analysis, regardless of operationalization. Fiscal decentralisation could even have a negative impact on democracy. This is a very interesting finding considering how decentralisation in developing countries is often marketed as a means of democratisation. Caution should, however, be exercised due to the small sample and the large number of missing cases.

5.4 Reflexions on the Findings

The findings from this study show that the effect of decentralisation on democracy is negligible and the statistical analysis shows no significant correlation between the variables. Even though the results go contrary some previous findings (i.e. Martinez-Vazquez & McNab 2006), they also confirm a general notion that the benefits from decentralisation “are far from certain and automatic” (Smoke et al. 2006a: 4). Decentralisation is associated with risks (Prud’homme 1995) and the findings from much of the previous empirical research suggest that the results are “mixed at best” (Kauneckis & Andersson 2009: 24).

Neither political nor fiscal decentralisation correlate with democratic quality. The effect of political decentralisation is an average of just 0.003 points on the 0-10 democracy scale, in control for other variables. Fiscal decentralisation even turns out negative in the model. Decentralisation does not, at a general level, seem to be an effective tool to improve democratic quality, which is one of the most commonly used arguments to promote the reforms. As a matter of fact, I even find some indications of a significant negative correlation between the variables (see appendix). This could be further explored in a larger statistical study.

Why does not decentralisation seem to promote democratisation? In the survey of decentralisation in the world in chapter 3, I gave an account of the difficulties connected with decentralisation in these countries, which might give some clues about the absence of a causal correlation. As I have shown, one of the main issues concerning decentralisation in many countries is the inefficient public institutions and scarcity of resources to fund the local institutions (Batic 2008: 149; Olowu & Wunsch 2004: 13-14). A second issue refers to corruption and clientelism. Local elite capture, such as the neopatrimonial structures in many Africa countries, is a recurrent phenomenon (Olowu & Wunsch 2004: 13-24; Harbers 2010: 607). In some cases it has even given rise to subnational authoritarianism in otherwise democratic countries (Gibson 2005). A third issue is finding the right balance between central and non-central government entities. This has to do with the difficulties of maintaining hard budget constraints and keeping the local governments from behaving irresponsibly with its resources, which has proven to be difficult in some countries (Oates 2005: 361; Eaton & Dickovick 2006). Interjurisdictional competition does, thus, not always lead to improved practises. When local governments are dependent on fiscal transfers, as opposed to their own tax revenues, there is also a risk for the establishment of systems of patronage in which the central government retain its control over local government activities (Hadenius & Ugglä: 1631). Another difficulty in regards to decentralisation is to maintain national unity. In Latin America, decentralisation seems to have contributed to state fragmentation, the collapses of previously dominant parties and the obstruction of the development of nationalised party systems (Bland 2011: 67; Harbers 2010: 607; Sabatini 2003). A combination of these factors is likely to have limited the positive impact of decentralisation on the studied countries.

However, I do not think the results should be interpreted as an argument against decentralisation. Few would argue that the breakaway from the tradition of centralised government in the surveyed countries – often connected to colonial heritage or authoritarianism – is entirely without its merits. Rather, it underlines the complexity of the processes and the importance of good implementation. Decentralisation comes in a number of forms, and the importance of the different types of decentralisation should be emphasised (Oates 2005: 355; Rondinelli 1980: 137).

The analysis does, on the other hand, show empirical support for a connection between decentralisation and political participation, which deserves further elaboration. Given the long theoretical tradition of emphasising small democratic units as a favourable setting for citizen engagement in politics, the results are very encouraging. According to my findings, the effect of political decentralisation is, *ceteris paribus*, about 9 % higher voter turnout. Furthermore, non-electoral participation is connected with fiscal decentralisation at a significant level, although these results are less certain. This suggests that citizens in the observed countries take advantage of the improved possibilities of influencing public. The limited data and the weak significant correlation between fiscal decentralisation and non-electoral participation make it impossible to claim that there is an established connection. The p-value for fiscal decentralisation is ,065 in the model, which means that there is a 6.5 % risk that the correlation is due to chance, that is, a type I error (rejecting a true null hypothesis) (Studenmund 2005: 116, 125). Moreover, as I have previously discussed, the presence of sampling errors caused by self-selection in the sample cannot be ruled out. A further point that should be kept in mind when considering the results is that the findings are not completely coherent. The analysis shows no correlation between fiscal decentralisation and voter turnout, or political decentralisation and non-electoral participation. Notwithstanding these uncertainties, the results do show empirical support for a connection between the decentralisation and political participation, which is interesting considering the central position this correlation has in both normative and practical theories of decentralisation.

In regards to the correlation between decentralisation and voter turnout a natural follow-up question is what causes the correlation, and if the same correlation can be found between decentralisation and turnout in local elections. The causal mechanism cannot be further investigated based on these data. But on the basis of previous research and theoretical literature, there is room for speculations.

Decentralisation can in theory improve representation and give more people a stake in politics. If wider societal groups are represented, more people are likely to want to maintain the political system (Rondinelli 1980). Increased integration and local participation could also foster the development of civic virtues and a wider interest for society among the citizens (see van der Meer & van Ingen 2009). The local level could function as a school of democracy. Credible local leaders could also compete on a national level, where they can be evaluated on their past records in the local governments (Fox 1994). This could in turn explain why more people vote in elections in decentralised countries. But the effect of

decentralisation is not unison across countries, and neither should it be expected to be so within individual countries. If decentralisation promotes voter turnout by making political representation more inclusive, the effects should be most visible in small and remote jurisdictions, and less so in highly populated capital regions. How decentralisation affects different types of jurisdictions could consequently be tested within a single country. This has been done in the previously referred studies on decentralisation in Germany and Spain (Michelsen et al. 2014; Blais et al. 2011) and could be repeated in a carefully selected developing country, with different contextual conditions. This approach gives the researcher the possibility to investigate whether the effect of decentralisation differ according to factors such as size, remoteness, wealth and ethnic structures. This could be done in another study to further explore the causal mechanism of this correlation.

6 Conclusion

The purpose of this thesis has been to investigate how decentralisation has affected democratic quality and political participation in non-Western countries. To answer the research question I have tested three hypotheses in multiple regression analyses. In this section I sum-up the main findings from the thesis.

A combination of political and economic reasons motivated countries to reshape the vertical power distribution between different tiers of government. Decentralisation is said to improve the efficiency of the public sector and making government more accessible to the citizens. Although the demand for decentralisation in the developing world was in large part home-grown, international actors such as donor organisations, lending institutions and organisations for economic cooperation also encouraged the process. Decentralisation was promoted as a strategy to enhance democratic quality, improve political representation and to stimulate citizen participation in the political processes. But structural conditions often make decentralisation more difficult in developing or newly democratised countries. Weak political institutions in combination with corruption and clientelism increase the risk for local elite capture and decentralised corruption. The benefits from decentralisation are in other words not certain, and the reforms are in many cases connected with risks.

Since the 1980s, most countries in the world have decentralised government functions. In the non-Western part of the world this development was in many cases part of a wider process of democratisation and market liberalisations. Authoritarianism and economic failures in many countries caused the old centralised system to lose its political legitimacy. Apart from some general trends, decentralisation has also different regional characteristics. In the former Eastern bloc, decentralisation was a breakaway from central planning and in some places an adjustment to European standards. In Latin America high degrees of centralisation was a colonial heritage, which radically changed when the region re-democratised in the third wave of democratisation. In Asia, decentralisation became necessary due to structural changes and an increased demand for public services. The Asian financial crisis and democratic transitions were other important factors. Africa has experienced failed attempts of decentralisation in the past. But in the 1990s, new and more ambitious decentralising reforms were implemented. The reforms have proven difficult in the African continent due to a scarcity of resources, neopatrimonialism and the fragile African states.

The results from my study show that decentralisation positively correlates with both electoral and non-electoral political participation, in control for other relevant variables. Political decentralisation is strongly correlated with voter turnout in national elections. The effect of political decentralisation in the sample

is over 9 % higher voter turnout, at an average. The causal mechanism of this correlation cannot be further explored based on my data. The most likely interpretation, based on previous literature, is that decentralisation has been successful in improving representation and has created more inclusive societies in which more people are liable to vote. Fiscal decentralisation does not seem to have the same effect on voter turnout in national elections. My second finding is that fiscal decentralisation positively correlates with non-electoral participation. The correlation is not very strong and is based on a small number of observations, but is nevertheless theoretically interesting. Scholars have since the time of de Tocqueville argued that decentralisation can induce citizen to take part in politics. As mentioned, promoting citizen participation has been one of the core arguments when international organisations have pushed for decentralising reforms in the developing world. The findings from the present thesis give some empirical support for the assertion that bringing government closer to the citizens induces participation. Unfortunately, due to data uncertainties and somewhat mixed results in the analyses the findings should be evaluated with some caution.

Finally, I find no correlation between decentralisation and democracy, regardless of which operationalization of decentralisation that I use. When a logarithmic measurement of fiscal decentralisation is used, the variable even turns out strongly negatively correlated with democracy. The results go contrary to some previous research, but underline the distinctive difficulties encountered in many non-Western states and the importance of good implementation. Based on previous research on decentralisation in the four regions reviewed, it is possible to hypothesise about the reasons for the limited effects of the reforms. It seems like some of the main obstacles for decentralisation to function as a method of democratisation in the sample of countries selected are institutional weakness, corruption and clientelism, and, in some places, a scarcity of resources to fund local governments activities. The importance of local tax revenues could be examined in further studies. According to the theoretical literature, an overdependence on central fiscal transfers risks causing rent-seeking behaviour instead of promoting good practises, and facilitates the establishment of systems of patronage.

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8 Appendix

8.1 Variables

8.1.1 Control variables

Most of the control variables, but not all, are retrieved from the Quality of Government dataset (Teorell et al. 2013). What follows is a list of all control variables and the data sources.

Compulsory voting:

The data for compulsory voting are collected by the International Institute for Democracy and Electoral Assistance (IDEA 2014b). This is a dummy-variable where 0 = no compulsory voting, 1 = compulsory voting.

Years in education:

The variable for years in education is retrieved from the Quality of Government (QoG) database. The data are originally collected by the Institute for Health Metrics and Evaluation, at the University of Washington (Gakidou et al. 2010). I have calculated the average score of number of years in education of women (ihme_ayef) and men (ihme_ayem) over 25 years of age.

GDP per capita:

The data on GDP per capita are retrieved from QoG. The data are provided by the World Bank and are PPP-adjusted and expressed in constant international USD. The variable name in the QoG database is wdi_gdpc.

Ethnic fractionalisation:

The data are retrieved from the QoG database, and originally collected by Alesina et al (2003). The data refer to the probability that two randomly selected persons in a country belong to the same ethno linguistic group. Ethnicity is defined both in terms of race and linguistic characteristics. A high score on this variable indicates a high degree of fractionalisation. The variable name in the QoG database is al_ethnic.

Corruption perceptions:

The data on perceptions of corruption are collected by Transparency International, and are retrieved through the QoG database. The variable name is *ti_cpi*. The index ranges from 0-10, where a high level indicates low levels of perceived corruption by business people, risk analysts and the general public.

Proportional representation:

The data are retrieved from the QoG database and are originally published in the World Bank database of Political Institutions (Beck et al. 2001). The variable is called *dpi_pr* and the applied year is 2012. The variable is a dummy for whether any candidate in any house is elected by proportional representational electoral rules. 0 = no proportional representation, 1 = proportional representation.

Population:

Population is measured in thousands of citizens. This variable is retrieved from the QoG database where it is called *gle_pop*. The data are originally collected by Gleditsch (2002).

Muslim population:

Data for Muslim population are retrieved from the QoG database and is measured as Muslims as percentage of the total population in 1980. The variable name is *lp_muslim80* and is originally collected by La Porta et al. (1999).

Oil production:

The amount of oil production is measured in metric tons. The data for this is retrieved from the QoG database where it is called *ross_oil_prod*. The data are originally collected by Ross (2013).

8.1.2 Dependent and Independent Variables

Fiscal decentralisation:

Fiscal decentralisation is calculated as all subnational revenue and expenses expressed in per cent of general government's revenue and expenses. Subnational revenue and expense shared are calculated separately, after which I calculate the average score in per cent. Data are taken from the IMF Government Finance Statistics Yearbook (GFSY). I have used the 2012, 2010, 2008 and 2006 printed editions. Also, data for the last three years are available online at IMF's GFS database (International Monetary Fund 2014). These data are, however, not as complete as in the printed editions.

Political decentralisation:

Political decentralisation is operationalized as a dummy variable where 1 = politically decentralised, and 0 = not politically decentralised. To be counted as politically decentralised, the legislative and executive policy makers must be

locally elected. Data are collected from the World Bank's *World Development Indicators* (2014). The variable name is *muni*. Where data are missing, I have updated the data according to the same definitions. For this purpose, I have used data from the *Inter American Dialogue*, found on the Political Database of Americas' webpage (2014), which is provided by the Center for Latin American Studies at Georgetown University. In addition, I have used data from the electoral commissions in some of the individual countries. All data are carefully assessed and crosschecked.

Democracy:

To measure degree of democracy I have used an index created by Hadenius and Teorell (2004). The index combines the scores from Polity IV and Freedom House's democracy indices, rescaled on a scale from 0 to 10. The scores are then combined and the average score is calculated. This variable is called *fh_ipolity2* in the QoG database.

Non-electoral participation:

As an indicator of non-electoral participation I use survey data from World Value Survey. I have created an index by adding together seven indicators of political participation. The data are collected from three different survey *waves*: wave four, five and six (see reference list for details). The following variables are included in the index.

V28: Membership in a labour union

The survey participant is asked whether he or she is a member to a labour union. This question has three alternative answers: *active member*, *inactive member*, and *don't belong*. For each country, I have added the active members and inactive members together and calculated the total per cent of people that chose these alternatives.

V29: Membership in a political party

This question is formulated as V28, and calculated in the same manner.

V30: Membership in an environmental organisation

This question is formulated and calculated as above-mentioned.

V32: Membership in a humanitarian or charitable organization

Formulated and calculated as above.

V85: Signing a petition

The participant is asked whether he or she have signed a petition. The alternative answers are *have done*, *might do*, and *would never do*. I have used the *have done*-answer in each country as per cent of total answers.

V86: Joining in boycotts

As in V85, the participant is asked about whether he or she has, might do, or would never take part in a boycott. I have used the answers for *have done* as per cent of all answers.

V87: Attending peaceful demonstrations

This question is formulated in the same way as V85 and V86. I have used the *have done* alternative as per cent of all answers.

Voter turnout:

The data for voter turnout in national elections are collected by the International Institute for Democracy and Electoral Assistance (IDEA 2014c). I have used the so-called *VAP Turnout*, which is voter turnout measured in percentages of the voting aged population that voted in a national election. Where data is available for both parliamentary and presidential elections, I have used the election with the highest voter turnout.

8.2 Alternative Models

8.2.1 Fiscal Decentralisation and Democracy

Table 4	Freedom House/ Polity IV
(Log) Fiscal decentralisation	-,441** (,000)
(Log) Population	-4,245 (2,525)
(Log) GDP per capita	1,592*** (,229)
Muslim Population	-,035*** (,007)
Oil production	-3,101 (,000)
Constant	-4,245 (2,525)
R²	,741
Number of observations	37

*Beta values displayed in the table. Standard errors presented in parentheses.
*** significant at 99 %, ** significant at 95 %, * significant at 90 %.*

8.2.2 Fiscal Decentralisation and Political Participation

Table 5	Voter turnout	Non-electoral participation
(Log) Fiscal decentralisation	-1,042 (28,315)	,1,604 (10,663)
Compulsory voting	14,722*** (4,938)	–
Years in education	,672 (1,089)	-,850 (3,458)
(Log) GDP per capita	7,821 (4,629)	-2,993 (18,331)
Ethnic fractionalisation	–	58,336 (48,057)
Corruption perceptions	-3,998 (2,571)	6,867 (8,174)
Proportional representation	-,564 (6,046)	–
Constant	1,585 (28,315)	51,600 (150,831)
R ²	,355	,177
Number of observations	37	24

*Beta values displayed in the table. Standard errors presented in parentheses.
*** significant at 99 %, ** significant at 95 %, * significant at 90 %.*