

DEMOCRATIC DECENTRALIZATION AND DEVELOPMENT

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Introduction

I am a game theorist. This means that I study general mathematical models of competition, which help social scientists to see connections between competitive incentives in many different areas of economics and politics. As a game theorist, I see democratic constitutions as rules for the game in which politicians compete for power. From this perspective, I will argue here that federal decentralization in a democratic constitution can give political leaders stronger competitive incentives to offer better government for the voters. I will argue that successful democratic development depends on an ample supply of political leaders with good reputations for exercising power responsibly, and that institutions of democratic local government may be the best mechanism for increasing this supply.ⁱⁱ

As a theorist, I think about general principles of democratic development. Of course, every nation's political development must depend on its own traditions and culture. In this regard, the most important aspect of culture is what people expect of their leaders. In a nation where history has led people to expect that any political leader would maintain a corrupt patronage network that may violate laws with impunity, this low expectation is likely to be fulfilled. For a successful transition to democracy, people must somehow come to expect better public service from those whom they will recognize as their leaders.

But an incumbent national leader has no incentive to raise voters' expectations, and voters have no reason to believe promises of better government from a candidate who has never exercised power. An incentive to raise expectations may be combined with the potential to do so only when voters allocate power at two or more levels of government, so that elected officials at lower levels can hope for election to higher office if they demonstrate an ability to serve the voters better. This is the essential logic behind my argument for democratic decentralization.

Local roots to strengthen national democracy

Everyone understands the importance of government services for economic development. Prosperity comes from trade and investment, which depend on legal protection and public infrastructure that must be provided or supervised by government. The quality of government, in turn, is shaped by its political leaders who must compete for power under the rules of their political system. In the long run, these constitutional rules can determine the quality of leadership in a nation.

So we should ask: *How might we modify our political system today to have the best possible leadership 40 years from now?* To try to answer this question, we must think about where our future leaders may come from, and what they might be doing in the years before they rise to the top. We must think about the role of leadership in the foundations of the state.

Under any political system, power is held by leaders who must organize networks of supporters, and these supporters must be mobilized by an expectation that their service will be well rewarded. This need to maintain a reputation for reliably rewarding loyal supporters is the primary imperative for any political leader anywhere. Without political competition, then, even a benevolent ruler would find it hard to resist his supporters' urge for greater privileges, if their exploitation of the public entailed no risk of losing power. But we may hope that democratic competition should limit elite privileges and yield better government services for the public, just as competition in economic markets can limit producers' profits and yield better values for consumers. This is the basic argument for democracy.

However, successful democracy requires more than just elections. Even with free elections, a corrupt political faction could win re-election from the voters and maintain its grip on power if the voters believed that other candidates would not be any better. For each elective office, democratic competition can effectively provide incentives for better public service only when voters can identify two or more qualified candidates with good public reputations. When such trusted leadership is lacking, democracy is inevitably disappointing. A presidential election by itself can give prestige to its winner, but it does nothing to develop the broader supply of trusted alternative candidates on which success of democracy will ultimately depend.

This essential supply of trusted democratic leadership can develop best in responsible institutions of local government, where successful local leaders can prove their qualifications to become strong competitive candidates for higher office. When locally elected leaders have clear administrative and budgetary responsibility for the successes and failures of local government, then those who succeed will enlarge the nation's vital supply of popularly trusted leaders.

Thus, if voters feel disappointed at the quality of their national political alternatives then a long-term remedy may be found in responsible institutions of democratic local government. In effect, local democracy can reduce barriers against entry into national democratic competition. Economists understand that barriers against new entrants can be important determinants of the level of profit-taking by suppliers in any imperfectly competitive market.

Other benefits of federal democracy

Democratic decentralization can also help economic development by providing better mechanisms for local public investment. A poor community can mobilize its resources for public investments that are essential for its economic development, but only when members of

the community are coordinated by local leaders whom they trust to appropriately reward contributors and discipline free-riders. Such trust can be expected only with leaders whose authority is based in local politics. Local officials whose positions depend on national political patronage are inevitably less concerned about developing trust among the residents of a small poor community. Thus, efforts to achieve economic development throughout a nation may depend on a political system which devolves some real power to autonomously elected local leaders.ⁱⁱⁱ

Interactions between local politics and national politics can strengthen democracy at both levels. I have argued that local democracy can help to make national democracy more competitive, as a record of using public resources responsibly in local government can prove a local leader's qualifications to become a competitive candidate for power at higher levels of government. But conversely, the threat of local governments becoming dominated by small unrepresentative cliques can be countered by the involvement of national political parties in local politics. Local political bosses should know that, if they lose popular support, they could face serious challengers supported by a rival national party.

For such mutually-reinforcing interactions between local and national politics, the institutional pillars for a strong democratic system should include a multiparty national assembly and elected local councils with clear autonomous budgets and responsibilities. An ideal federal structure should have several levels of elected sub-national governments, including local decentralized territorial entities within the provinces, so that elected offices at different levels should form a ladder of democratic advancement that effective leaders can climb from local territorial politics into provincial politics and then into national politics. That is the path along which the best leaders for the future may prove themselves.

I have not claimed that local politics are better than national politics. I have argued that democratic local politics can make national politics better, by providing opportunities for islands of better governance to form locally and then spread across the nation. My point is that the introduction of democracy in different levels of government, from local to national, can strengthen democratic competition at all levels.

Forces against decentralization

We must recognize, however, that such new competition from popular local leaders may be against the interests of established incumbent national leaders. Nobody wants to face new competition. In a centralized state where local governors and mayors are appointed by the national leader, these positions may be among the most valued rewards that a leader can offer to key supporters. It could be very costly for a leader to disappoint important supporters by letting such valuable positions be given away by local voters instead. So we should not be surprised

that national leaders have often chosen to retain centralized control of local government, even when decentralization could strengthen their country's development. Individuals at the top may have a powerful interest in avoiding or postponing political decentralization as long as they can.

But a constitutional system with democratic local government can become politically stable once it is established. When governors and mayors are locally elected, they become important local power-brokers from whom national politicians must regularly seek support in their competition for national power. It then would be very costly for any national leader to threaten the constitutional powers of these elected local officials.

Problems of separatism and ethnic violence

We must acknowledge a risk that the introduction of local democracy could exacerbate ethnic tensions. There are many parts of the world where traditional autocratic regimes have long relied on ethnic or tribal leaders to provide basic justice and security within their local communities. When such local authority is transferred to the office of a locally elected mayor whose jurisdiction covers all citizens in a district, at most one ethnic leader can win election to mayor. Then there can be a danger that the traditional leaders of other ethnic groups may react against local democracy if they feel that it threatens them with a loss of power to serve their traditional constituents.

This risk of inciting ethnic violence could be reduced by vesting local power more broadly in a council where leaders of all traditional groups could expect to win seats. That is, where local ethnic tensions are a problem, it may be better to let an elected local council choose the mayor or head of local government by a local version of the normal parliamentary system, rather than allocating such a powerful local office by a winner-take-all popular election.

There may also be concerns about decentralization exacerbating regional separatism. In fact, separatist movements are often caused by a history of oppressive centralized rule that leaves no place for local leadership. Election to local offices can actually give local leaders more interest in preserving the political status quo due to concerns that the next successor state might reduce or redistribute their local powers. In a province that is large enough to stand alone against the rest of the nation, however, provincial leaders could perceive some chance of gaining sovereign power by cultivating a separatist movement. Thus, where separatism is a concern, political decentralization may be better applied within smaller provinces and decentralized territorial entities.

Broader historical perspectives on local democracy

Political decentralization has a long history in Europe, where many cities and towns have had autonomous local governments for 1000 years or more. Parliaments developed in England

and other European countries to guarantee the rights of local leaders by giving them an influential voice in national politics. In 1700s, under parliamentary charters, local government leaders managed the turnpike trusts that made England's roads the best in the world, thus setting the stage for the industrial revolution. The power of modern European states was based on such decentralized political structures.

From 1620, England let its American colonies have democratic municipal governments and elected provincial assemblies, to encourage English settlers to come to America and offer loyal service in local militias. This long tradition of democratic local government, going back over 100 years before the first presidential election, has been America's greatest political asset. The establishment of competitive national democracy in America after 1789 depended on the deep supply of local leaders with proven records of democratic public service in the 13 provinces.

Now successful democracies in many parts of the world regularly elect national leaders who first proved their qualifications by good service in local and provincial governments. For example, recall the elections last year of Narendra Modi in India and Joko Widodo in Indonesia.

Political decentralization has been applied less in Africa than in other parts of the world, however. In a 2007 survey of 82 selected countries around the world, the average share of national GDP spent by local governments was about 6.6%, but the average in sub-Saharan Africa was only 1.8%, with all African countries well below the global average.^{iv}

Traditional forms of local politics in Africa were manipulated and distorted by colonial rulers, even as they claimed to respect the traditional rights of local customary chiefs. Traditionally, a chief might have theoretically claimed absolute authority by right of inheritance, but in fact he could maintain such claims against challengers only with a broad network of trusting local supporters throughout his domain. However, when colonial magistrates registered the "legitimate" chief in each area, then the chief's authority could be effectively based on the recognition of a colonial magistrate, rather than on broad support from his subjects. Thus released by the colonial regime from any need for broad political support, a chief would have more incentive to assert the privileges of his position and less incentive to maintain the traditional obligations of leadership in his society. In return for these privileges, of course, the registered chief would be expected to prevent people in his domain from demonstrating opposition to the colonial regime.

For the vital goal of increasing the nation's supply of popularly trusted leaders, traditional customary leadership may have a value that should not be neglected. To realize this potential, however, the position and potential advancement of a customary chief should depend, not on certification by a magistrate, but on some expression of broad popular approval from his community.

Conclusions

After a period of conflict or autocratic rule, successful democratic development will require an ample supply of leaders who have good reputations for responsible public service that can benefit all citizens. This essential supply of trusted democratic leadership can develop in responsible institutions of democratic local government, where successful local leaders can prove their qualifications to compete for higher office.

However, new competition from popular local leaders runs against the short-term interests of established incumbent national leaders. Thus, there may be powerful resistance from the top against decentralization reforms even when they could benefit the nation overall. For decentralization reforms to get appropriate consideration and implementation in spite of such resistance, citizens need to understand how responsible democratic local governments can contribute to long-term democratic development that can provide better governance at all levels. Voters should insist that their national leaders must appropriately address the issues of constitutional decentralization.

These are important questions. I greatly appreciate the opportunity to discuss them with this meeting in Kinshasa today.

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ⁱⁱ For more discussion and references, see my papers: "Democratic decentralization and economic development" <<http://home.uchicago.edu/~rmyerson/research/decent.pdf>>, to appear in *Oxford Handbook of Africa and Economics*, edited by Justin Yifu Lin and Celestin Monga; and "Local foundations for better governance," World Bank Policy Research working paper WPS 7131 <<http://home.uchicago.edu/~rmyerson/research/locgov.pdf>>.

ⁱⁱⁱ See Louise Fortmann, "The Role of Local Institutions in Communal Area Development," (Botswana Ministry of Local Government and Lands, 1983) <http://pdf.usaid.gov/pdf_docs/PNAAT392.pdf>.

^{iv} See United Cities and Local Government's 2007 report on "Local governments in the world: basic facts on 82 selected countries" at <http://www.cities-localgovernments.org/gold/upload/pocketbook_complete.pdf>.