



Federalism and Regionalism in Western Europe. A Comparative and Thematic Analysis

Wilfried Swenden

Palgrave Macmillan, Houndmills, 2006, 325pp.

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The Architecture of Government: Rethinking Political Decentralization

Daniel Treisman

Cambridge University Press: Cambridge, 2007, 328pp.

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The territorial dimension of the state gets increasingly more attention. Processes such as decentralization, regionalization, federalization and multi-level governance lead to a burgeoning literature. Still we do not fully understand and cannot explain the diverse vertical state structures and its consequences as two recently published books illustrate.

Treisman's book *The Architecture of Government* deals with the general belief that decentralization is a good thing. The book carefully reexamines the 'arguments' (hypotheses) for and against decentralization by making use of formal modeling and extensive and careful reasoning. This is significant as institutions such as the World Bank, the United Nations Development Program and the Inter-American Development Bank spend hundreds of million dollars each year on decentralization projects with the perceived benefits of decentralization in mind.

The arguments for decentralization are more abundant as eight positive and only two negative consequences of decentralization are discerned. Four arguments, two in favor and two against decentralization, are investigated by game theoretical models. For example, decentralization should lead to better economic performance, because increases in the tax share of local governments should increase their motivation to support local economic activities. An example of an argument critical of decentralization is that politically strong local governments undermine fiscal and macroeconomic discipline by pressuring the central government for aid. Treisman shows persuasively that these arguments are highly conditional, that those conditions are very unlikely to be fulfilled in practice, and that the outcomes of decentralization are unclear and indeterminate at best.



Treisman also makes use of extensive and careful reasoning without any reference to formal modeling, which makes his book also readable and interesting for people without any game theoretical background. Six out of the eight perceived benefits are investigated in this second way. Again Treisman argues convincingly that most of these perceived benefits are based on shaky grounds.

One example is the 'ethnic conflict argument', which is that satisfying demands of ethnic minorities for some cultural, political or economic autonomy can prevent them from escalating their objective to outright secession. Treisman identifies three main problems concerning this argument. First, ethnic minorities need to be territorially concentrated for the argument to work. Second, if minorities are sufficiently concentrated geographically, but not perfectly, the problem is relocated to the local level and the problem is still not solved. Third, the demands of ethnic minorities may not be limited and the group may be secretly committed to secession. In this case, decentralization will strengthen the minority in its efforts to secede.

Although at first sight these arguments seem very convincing, empirical research demonstrates that Treisman's formal-theoretical approach is rather limited. This is shown in Swenden's book titled *Federalism and Regionalism in Western Europe*. Swenden describes the vertical state structure of two regionalized countries (Spain and the United Kingdom) and four federal ones (Austria, Belgium, Germany and Switzerland). The vertical state structures of these countries are described by means of a comparative and thematic analysis. The themes comprise the origin/state formation, the constitution, the distribution of competencies, the party system, intergovernmental relations and public policy making and each theme is dealt with in a separate chapter.

The seventh chapter deals with plurinationalism and Swenden asks the same question as Treisman does: can decentralization be a solution to cope with ethnic minorities demanding autonomy? First, Swenden mentions the same three arguments described above, but argues that when ethnic minorities are not territorially concentrated, *consociationalism* may provide a solution. Two prime examples, the Brussels region in Belgium and Switzerland, show how consociational institutions 'dilutes [ethnic conflict] by forcing ethnic minorities to cooperate' (p. 256). Consociationalism can be considered as a form of *non-territorial* decentralization, a form of decentralization that does not appear in Treisman's analysis.

Not only is Treisman concept of decentralization very narrowly defined. His empirical indicators of decentralization are also partial. In a last but one chapter titled *Data to the Rescue?* Treisman looks into empirical evidence to determine whether the positive or negative effects of decentralization tend to dominate as theory is inconclusive. Treisman uses subnational expenditure



data as proxy for decentralization and extensively cites literature using fiscal indicators. But it is well known that fiscal indicators do not adequately measure devolution of authority and measures subnational fiscal autonomy only to some extent at best.

Nevertheless, Treisman concludes that the empirical literature is weak, partial and also inconclusive. This leads him to write in the conclusion that 'One might wonder whether any political institution have the kind of powerful, uniform consequences that are often attributed to them' (p. 291) and 'An argument could be made that the preoccupation with institutional explanations has gone too far' (p. 292). These statements are, in my opinion, too far stretched as Treisman only compares two situations, namely a decentralized *vs* a centralized state, when investigating the arguments. Swenden shows that the six countries in his study differ in their institutional design in manifold respects and that it is a simplification to speak of centralized *vs* decentralized countries as Treisman does.

Based upon the institutional strength of sub-national governments Swenden comes up with five groups of countries (chapter one). In decreasing institutional strength for the regional governments (and increasing institutional strength for the central government) these are: confederations, federations, regionalized states, decentralized unitary states and other unitary countries. The subsequent chapters show that it is an oversimplification to use unitary–federal or centralized–decentralized dichotomy to analyze the vertical state structure and its consequences. This is an important insight which researchers, who still commonly use nominal variables to measure federalism and decentralization, should take account of.

As Treisman's book may be described as too theoretical, Swenden's book may be described as too empirical and too descriptive. Firstly, Swenden's book has no overall conclusion and the conclusions to the chapters are merely summaries. Secondly, by (semi) in-depth-case-studies, Swenden provides only an 'overview' of the origins of the federal or regionalized states, a 'description' of the method how legislative and administrative powers are distributed, an 'illustration' of the relationship between the party system and the decentralization of the state and an 'illustration' of the relationship between the nature of intergovernmental relations and public policy outputs in a multilevel environment.

The third chapter, however, is an important exception. This chapter tests three theories on the distribution of competencies over governmental levels. The functional theory predicts that the center will primarily engage in redistributive and stabilization policies whereas regional governments will assume a dominant role in implementing policies. A legislative theory, assuming a rational-choice perspective, predicts that the distribution of competencies will reflect the aspirations of individual policy-makers at the



different levels of government and the existing power relations between them. Finally, the regulatory theory starts from the same premises as the legislative theory but focuses on regulatory policies only (e.g. environment, safety regulation, etc.) and it incorporates as relevant actors, next to legislators, executives, civil servants and others. This theory predicts that the central government will legislate and the regional governments will implement, a situation that is desired by both central and regional governments. By comparing these predictions with a detailed overview of the distribution of competencies in a table, Swenden 'tests' these theories. Swenden argues that this comparison 'clearly illustrates' that the functional theory has a higher predictive value than legislative theory. Although the analysis is interesting, it can hardly be considered as a 'test' of the theories.

Interestingly, one chapter in Treisman's book also deals with the efficient distribution of competencies and he concludes, on the basis of a formal analysis, that depending on demand conditions and various technological and social factors, anything from a unitary to a multi-tier structure could be most efficient in a given country at a given time. This is a result from the fact that choosing how to organize administration 'requires one to trade off many factors — economies of scale in producing public goods and services, the cost of organizing supervisory bureaus, economies and diseconomies of scale in communication, and the risk of central loss of control' (p. 73). Furthermore, the optimal allocation of competencies does not need to involve political administration (i.e. decision-making is decentralized), but can be attained with administrative decentralization (i.e. implementation is decentralized but not decision-making) as well. In other words, from Swenden we know that countries vary heavily in their allocation of competencies and from Treisman we conclude that this division of tasks may be due to many factors and that each division of tasks is theoretically possible and explainable.

These two books clearly illustrate how little we know of the causes and consequences of federalism, regionalism and decentralization, that is, how little we understand and how limited are our explanations of observed differences in the territorial state structure.

This is not to say that these two books are not a contribution to the field, on the contrary. Treisman's book shows convincingly that many of the perceived benefits and drawbacks of decentralization do not hold formally and theoretically. Yet, his challenging conclusions, although quite compelling, will probably provoke much discussion. I expect that this book will give rise to much future research.

Swenden's book provides a full and comprehensive description of the institutions that shape territorial state structures across wide-ranging topics. This is essential information in order to be able to make progress in defining those institutions that matter for outcomes and in order to understand and



explain the variety of territorial state structures. This book is therefore an essential reading for anyone who is interested in topics such as federalism, regionalism, multi-level governance and decentralization.

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