Latin America is home to some of the most innovative, radical and influential experiments with decentralization in the world, a governance trend that by now has affected all regions—developing and developed alike. Just as any attempt to understand the significance of this global trend requires considerable attention to Latin America, making sense of Latin American politics today is unthinkable without sustained attention to decentralization and federalism. Decentralization is having a direct impact on the challenges that generations of Latin Americanists have emphasized as the most critical facing the region, including the struggle to deepen democratic practices, the search for broad-based and sustainable economic development, and the effort to push forward processes of state formation that are still very much ongoing.

Conflicts between national and subnational actors over which level of government gets to do what—and with whose revenues—have a long history in Latin America. From the territorial fracturing of power that occurred in the early post-colonial period to the export-led consolidation of central state power toward the end of the 19th century, the region has experienced multiple periods of both decentralizing and re-centralizing change. Decentralization is nothing new, and yet the last three decades have indeed witnessed historic changes in the relationship between levels of government and in the significance of what can now happen beyond national capitals. This chapter first describes what these most recent decentralizing changes have looked like in Latin America, followed by a discussion of the chief causes and consequences of this latest move toward more decentralized patterns of governance. The chapter closes with an analysis of the relationship between decentralization and federalism, and a discussion of possible future research directions.

What Has Decentralization Looked Like in Latin America?

While decentralization has taken a number of forms in Latin America, changes that devolve authority along three main dimensions—political, fiscal and administrative—have been particularly critical. One of the distinctive features of political decentralization in Latin America is that it reflects the logic of both representative and direct models of democracy. For example, in a region where mayors were mostly appointed by higher-level political authorities as late as 1980, the widespread introduction of elections for municipal authorities
represents a significant extension of the principle of representative democracy into local spheres. At the same time, reformers have sought to do other than merely extend representative democracy downward by introducing changes that attempt to create more direct forms of local democracy, such as new participatory spaces and stakeholder councils that broaden the range of decision making to include non-governmental actors. Beyond mayoral elections, decentralization in Latin America has involved the incorporation of plebiscites and referenda, the strengthening of indigenous oversight mechanisms, and the expansion of citizen participation in budgeting, the governance of watersheds and the use of local natural resources. In addition to these institutional changes, ongoing developments within political parties—including the collapse of traditional party systems in several cases—have also affected the ability of subnational officials to assert their independence from national politicians, which is the essence of political decentralization. Changes within parties, including the increasingly common use of party primaries to select candidates for subnational races, have also helped to decrease upward accountability to national party leaders and to enhance downward accountability to local constituents.

If many more subnational officials are elected today in Latin America than in the past, it is also the case that they have access to far more significant fiscal revenues. When national politicians decide to decentralize fiscal resources, they generally either transfer the authority to collect certain taxes to subnational governments (giving them “own source” revenues), or keep collection centralized but increase the sharing of the proceeds with these governments. In Latin America, the second option has dominated, in part due to significant problems of inequality between subnational regions that would disadvantage poorer regions if expected to raise their own revenue, and in part due to subnational disinterest in paying the administrative and political costs of collecting taxes. As a result, fiscal decentralization in Latin America has mostly taken shape as the introduction of revenue sharing systems that transfer resources to subnational governments, but not control over significant tax bases. The decision to rely on revenue transfer systems has elevated the importance of the rules according to which these transfers are released by the center. In many countries, revenue sharing is truly automatic and unearmarked, meaning that subnational officials have significant freedom in the assignment of these revenues. In other countries, subnational officials complain that transfers are heavily earmarked and issued at the discretion of national politicians, who condition their release on subnational support for national policy proposals. Rather than plead for their own tax bases, subnational officials in Latin America spend most of their time and political capital demanding greater transparency, automaticity, and generosity in the transfer systems that have been established.

Thanks to administrative decentralization, which refers to the transfer of expenditure responsibilities, mayors in Latin America are now responsible for far more than beautifying their cities and collecting the trash. Not only have subnational officials been given real resources, but they have also been given significant functions to perform, reversing in some cases centuries of practice according to which local service provision required the intervention of central actors—typically national legislators. In a period marked by a much deeper understanding of the role that human capital plays in promoting or hindering economic development, Latin American countries opted to decentralize authority over precisely those investments most likely to enhance human capital: education and health care. Transferring built schools and hospitals to local governments is an obvious and increasingly widespread form of decentralization, but just as significant are the less visible changes in civil service codes that relax centralized control over the employees who work in these schools and hospitals—changes that public sector unions in Latin America have often resisted.
that so many government–provided goods and services have been decentralized, the fron-tier of conflict over administrative decentralization has moved toward intra-bureaucratic struggles over who can hire and fire whom. Bureaucrats themselves often prefer to report to national line agencies rather than (newly elected) subnational officials or, alternately, try to take advantage of ambiguity in these dual lines of authority in ways that strengthen their autonomy from politicians at both levels.

Almost all countries in Latin America have contemplated decentralizing changes along the three dimensions described above, and yet significant cross-national differences characterize the scope, depth, sequencing and content of the changes they have adopted. For example, while the scope of decentralization in Argentina, Brazil and Mexico has included all three dimensions, others such as Chile have introduced elections and transferred key responsibilities while keeping subnational officials on a tight fiscal leash and eschewing automatic revenue sharing. In greater contrast still, Peru has witnessed political decentralization at the regional level, but still no meaningful devolution of administrative or fiscal authority.

Countries likewise differ in the depth of the changes they have introduced in any one dimension. Compare, for example, the Brazilian case where municipal governments are automatically entitled to significant revenue sharing from both federal and state governments, with the Bolivian and Colombian cases where municipalities receive substantial automatic transfers only from the national government. With respect to the political dimension, one can say that decentralization has gone deeper in Bolivia and Peru than in Chile: whereas chief executives and representatives in regional governments are now directly elected in Bolivia as of 2005 and Peru as of 2002, in Chile regional councilors are still only indirectly elected by municipal councils and regional executives are still appointed by the president.

A range of sequencing decisions can also be identified. If, as Tulia Falleti argues, national politicians prefer administrative to fiscal and political decentralization, and subnational politicians prefer the opposite ordering, then the relative balance of power between each set of actors influences the sequence according to which decentralizing changes have been adopted in Latin America. For example, whereas the process in Argentina began with the decentralization of schools due to the weakness of subnational actors under military rule, Brazil led with political decentralization due to the greater political leverage enjoyed by its governors. In other cases, like Peru, explicit attempts to sequence decentralization reforms ran aground when the introduction of elections generated opposition victories that then cooled the president’s interest in further fiscal or administrative changes.

Finally, a critical design difference among Latin American countries can be seen in the decision about which level of subnational government to privilege via decentralization: either local governments (e.g., municipalities, cantons) or intermediate-level governments (e.g., departments, provinces, states). In Bolivia and Brazil, national politicians from Gonzalo Sánchez de Losada to Getúlio Vargas have favored municipal governments in their attempts to keep in check officials at the more threatening intermediate-level of government. In other countries, such as Mexico and Argentina, municipalities were disadvantaged by decentralization relative to the provincial and state governments that have become, in effect, the new center.

Why Did Latin America Decentralize?

Decentralization occurred in Latin America because powerful actors understood that it could advance their interests as they participated in the larger struggles that have dominated
Politics in recent decades, including conflicts over economic liberalization, democratization and public security. On balance, normative commitments to decentralized governance as a good in and of itself were far less significant than the belief that decentralization could be a useful tool in other important battles. Nowhere was this more critical than in the shift from statist to market-oriented economics, during which neoliberal reformers came to embrace certain types of decentralization as a mechanism that would help them disempower advocates of statism and shrink the central state. In Chile, for example, decentralization appealed to dictator Augusto Pinochet because the transfer of schools and hospitals to municipal governments promised to permanently weaken the negotiating strength and relevance of national public sector unions. These unions were an important component of the coalition that brought Socialist President Salvador Allende to power in 1970, and in the wake of his overthrow decentralization in the late 1970s and 80s can be understood as a political strategy to disarticulate Chile’s statist coalition and to lay the long-term bases for a more liberal approach to economic policy. Other neoliberal reformers followed Pinochet’s lead, including Carlos Menem in Argentina who passed on costly education expenditures to provincial governments without additional revenues in the early 1990s as a way to balance his budget, lower inflation, and restore macroeconomic stability. Thus, in addition to the normative commitment to decentralization as a market-friendly reform that would trigger more efficient behaviors by encouraging competition between subnational governments, decentralization also generated very concrete political benefits for neoliberal reformers.

While liberalization has been an important driver of decentralization in many Latin American countries, the two phenomena should not be conflated. Critics of neoliberal economics have perhaps been too quick to dismiss all decentralization as merely a sub-variety of liberalization. Just because neoliberals like Pinochet and Menem have endorsed certain forms of decentralization does not mean that it only appeals to those who have advocated liberalization or that it cannot be used in the service of other, often radically distinct, economic policy paradigms. Brazil is a case in point. In its authoritarian period, Brazil’s military rulers pursued a statist model of development in the 1960s and 70s by expanding the governing authority of subnational governments and by enabling the steady expansion of subnationally-owned banks and enterprises (e.g., estatais estaduais). More recently, furthering municipal decentralization in Brazil has appealed to those who wish to deepen state capacity and generate more efficacious forms of state intervention—hardly a neoliberal project. Indeed, one of the most intriguing aspects of decentralization in Latin America is the appeal it generates among actors who hold quite different beliefs about the appropriate role of the state in the economy.

In the form of national transitions to liberal representative democracy, democratization has been a second major driver of decentralization in Latin America. Democratic reformers across the region equated centralism with authoritarianism and saw in decentralization an opportunity to push democratic transitions forward and to make authoritarian reversals in the future less likely. Democratization can trigger decentralization in a number of ways. In Mexico, the declining legitimacy of the governing party in the 1980s led it to accept state-level electoral victories for the National Action Party (PAN), a democratizing reform that then enabled opposition governors to demand fiscal decentralization “from below.” Subsequent to the transition to competitive party politics at the national level in 2000, Mexican governors have secured greater autonomy in a range of critical dimensions. Brazil is another important case, where the lengthy process of political liberalization and then democratization in the 1980s opened up new decision-making spaces that were dominated by governors, whose preferences for fiscal decentralization were then directly written
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into revenue sharing arrangements and inserted into the country’s new 1988 constitution. Democratization also generated decentralizing outcomes in Chile. When that country’s 1990 transition to democracy only occurred at the national level and not in municipalities, democratization enabled the new Concertation government to re-introduce elections for municipal governments in 1992, having correctly calculated that it would win the great majority of these elections.

Beyond its occurrence during and in the close aftermath of transitions to democracy, decentralization has also taken place due to the regular holding of elections subsequent to democratization. Once democracy was (re)established in Latin America, ambitious politicians have viewed decentralization through the lens of its likely impact on their own electoral futures. More specifically, according to Kathleen O’Neill, when national parties calculate that their electoral fortunes are more promising at the subnational level than at the national level, and consequently that holding subnational offices will be important to them in the future, they are more likely to support decentralization in order to make these offices more powerful. Consider the Bolivian case, where the combination of a fragmented party system and constitutional rules that let Congress pick the president from among the top three vote winners encouraged the party that was victorious in the 1993 elections (Movimiento Nacionalista Revolucionario or MNR) to believe that it would be unlikely to hold onto national power in the future. Because the MNR had a more developed organizational apparatus than other parties at the municipal level, along with a more stable base of support there, the MNR leadership endorsed a quite bold approach to decentralization, as reflected in the 1994 Law of Popular Participation. The fear of likely electoral results also produced a pre-emptive approach to decentralization in Peru, where President Alan García introduced regional elections in the late 1980s when it looked certain that his APRA party would fare poorly in the 1990 national elections.

In addition to economic liberalization and democratization, a less widespread but still significant cause of decentralization in Latin America can be located in the search for political settlements to armed conflicts. Latin America has suffered from fewer internal ethnic conflicts than other regions, and yet many of the same decentralizing reforms adopted in the course of post-conflict settlements elsewhere have also been attempted here. Peace negotiators have looked to decentralization as a reform that can lower the stakes associated with winning control of the central government (militarily) while simultaneously heightening the desirability of winning control of municipal governments (via local elections). According to the logic of “pacification via decentralization,” the possibility of participating in or influencing the behavior of subnational governments with real resources and real spending authority may be sufficient to encourage combatants to lay down their arms and/or to prevent them from taking up arms again in the future.

The adoption of decentralization as a pacification measure occurred in the most important and deadliest of Latin America’s internal armed conflicts. For example, decentralization was an important component of the internationally mediated peace accords that ended devastating civil wars in El Salvador and Guatemala in the early to mid-1990s. In both cases, strengthening municipal governments appealed to former insurgents who correctly feared that their opponents would continue to control the resources of the center. While progressive parties failed to win presidential elections in either country until very recently, they successfully competed in municipal elections, and in this limited sense decentralization succeeded in giving political voice to formerly armed groups. The search for an end to armed conflicts also generated decentralizing reforms in Colombia. In 1982, after the election of a president who believed that the country’s overly closed political system had encouraged
violent, anti-system behavior, the national government agreed to introduce elections for mayors and to alter the constitution to allow the direct election of governors as well. Like Guatemala and El Salvador, the strategy worked in that candidates associated with Colombia’s various guerrilla movements successfully contested municipal offices. Unlike these other cases, however, guerrilla candidates competed in elections (and/or coerced sitting mayors) without laying down their arms, and used decentralized resources to continue their war on the Colombian state.

What Has Decentralization Changed in Latin America?

Adopted as a strategy that its sponsors thought would enable them to implement market reforms, secure transitions to democracy and/or preserve the peace in post-conflict environments, decentralization has altered political life in Latin America in ways that these sponsors could scarcely have imagined. Advocates of decentralization have often been pleased with the performance of the more decentralized institutions that they created, and can point with satisfaction to the emergence of new political parties, participatory experiments and exciting policy innovations that decentralization has made possible. But the story of how decentralization has unfolded is also rife with examples of the perils of institutional engineering and the law of unintended consequences.

One of the most striking and perhaps easily anticipated results of decentralization is the growing salience of mayors in the region. Reflecting the traditional norm of concentrating power in the executive branch—one of the defining features of politics in Latin America—decentralization has disproportionately benefited mayoral offices. Decentralization has certainly challenged the vertical concentration of power in the national government, but it has mostly replicated at the municipal level the horizontal concentration of power in executive rather than legislative bodies. In most cases mayors have become by far the most important protagonists within municipal political society, dominating with relative ease their counterparts in representative bodies (e.g., municipal councilors). For example, when fiscal decentralization has taken the form of revenue sharing from higher levels of government or the devolution of property tax bases to municipalities, mayors tend to decide how the associated funds are spent. As administrative decentralization has shifted the authority to appoint local governmental employees to the municipal level, mayors are the individuals who typically wield these new appointment powers (and can and do exchange these appointments for a variety of benefits). Relative to the past when mayors were appointed, political decentralization in the form of local elections has obviously enhanced their independence relative to higher levels of government, but it has also strengthened the mayoral office locally since mayors can defend their actions by invoking the local mandate that they have received.

Mayoral dominance has generated both positive and negative consequences for governance. On the positive side, according to one of the most salient findings in the new literature on decentralization in Latin America, mayoral leadership has played a key role in whatever improvements have occurred in municipal governance. Behind most municipal success stories one can find a talented and entrepreneurial mayor committed to changing the status quo. Opposition to changes proposed by reformist mayors is often concentrated in municipal councils, a dynamic that replays at the local level the national deadlock that took place in the 1950s and 60s over land reform and other issues between reformist presidents and national legislatures dominated by land-owning elites. Mayoral dominance, however, is also cause for growing concern. In the municipalities that have made effective
use of decentralization, reforms are closely associated with individual mayors and therefore tend not to outlast them. The dependence of municipal reforms on talented mayors tends to make these reforms highly vulnerable either to their subsequent reversal or to benign neglect from the mayor’s successors in office. Furthermore, where mayors pursue their reforms by sidelining municipal councilors, what we are seeing is the “decentralization of hyper-presidentialism” and the repetition of a debate that took place at the national level in the 1990s when the concentration of power in the presidency raised questions not only about the sustainability of (market and other) reforms, but about the quality and transparency of democracy as well.

The introduction of subnational elections has also altered party systems in Latin America, where the national transition to representative democracy in the 1980s exposed the basic inability of many parties to reflect societal preferences. The experience of the last fifteen years partially—though not wholly—validates the expectation that decentralization could create opportunities for “subnational party building.” In Bolivia, for instance, decentralization facilitated the emergence in the 1990s of two new indigenous parties: the Movement toward Socialism (Movimiento al Socialismo or MAS) and the Pachakutik Indigenous Movement (Movimiento Indígena Pachakutik or MIP).26 Fueled by a decade of successes in mostly rural municipalities, the MAS launched a successful bid for the presidency in 2005, and in the process transformed the national party system. Though perhaps less dramatically, the Colombian case reveals a similar dynamic, but in highly urban municipalities. After the introduction of mayoral elections two decades ago, mayors like Antanas Mockus and Enrique Peñalosa in Bogotá have sought to use their successful mayoralties to aid in the construction of new national parties, including the Alternative Democratic Pole and the Green Party. In El Salvador, the experience of governing in over half of the country’s municipalities helped the Farabundo Martí National Liberation (FMLN) party appeal to centrist voters and to elect Mauricio Funes as the country’s first FMLN president in 2009.

In addition to new parties, the introduction and/or strengthening of subnational elections has also proved to be critical for established parties that were previously unable to win national electoral contests. The Brazilian and Mexican cases are instructive here. In Brazil, subsequent to its establishment in 1971, the Worker’s Party (Partido dos Trabalhadores or PT) had a difficult time convincing substantial numbers of Brazilians to vote for it in congressional and presidential elections subsequent to re-democratization in the late 1980s and 1990s. Meanwhile, the PT did win municipal offices—particularly in Brazil’s more industrialized south—and the record that it accumulated running municipalities helps explain the party’s victory in national elections in 2002.27 Turning from Brazil to Mexico and from left to right, the subnational sphere also played a critical role in the rise to power nationally of the right-of-center PAN.28 Founded in the 1920s as a socially conservative alternative to the governing party, the PAN’s performance in the municipalities and states shifted the party in a more pragmatic and less intolerant direction and increased its appeal among many voters. Mexican analysts underscore the PAN’s subnational record in explaining how it convinced so many Mexicans to vote for the party in the critical presidential elections that it won in 2000.29 For new as well as for more established parties, then, subnational executive experience has delivered important national benefits.

In addition to changing the landscape for political parties, decentralization in many cases has opened up new spaces for the direct participation of local community organizations. At first glance, the establishment of new participatory mechanisms across post-decentralization Latin America may be hard to reconcile with the pattern of mayoral dominance discussed above. If mayors have captured most of the political authority that has
been devolved to the local level in Latin America, then why would they allow the creation of new participatory spaces? According to Donna Van Cott, the two phenomena are not unconnected: charismatic mayors in Bolivia and Ecuador have enlisted participatory councils and the unelected civil society organizations that populate them in their policy struggles against elected municipal councilors. Mayors are able to more easily circumvent municipal councilors if they can credibly claim that their reforms are supported by legitimate and mobilized civil society organizations. According to other common patterns, powerful mayors have agreed to the constitution of participatory bodies whose powers are merely advisory rather than binding, or bodies whose powers are indeed binding but that are dominated by organizations with political ties to the mayor or his/her family.

Despite cross-national variation in the form that new participatory councils have taken, it is now clear that many municipalities in the region have sought to repeat the participatory budgeting (PB) model that was first developed in Porto Alegre, Brazil and that has been extensively documented in the literature. The Porto Alegre experience has been credited with the redistribution of funds toward areas prioritized by the city’s lower-income residents, leading to a doubling in the number of schools, an increase in sewerage from less than 50% to 95% of residents, and an increase in access to the municipal water system from 75% to 98% of residents. As an innovation that radically decentralizes control over the budget among a city’s residents, participatory budgeting has now gone viral—both in municipalities across Latin America and also at higher levels of government. But whether these reforms are really enhancing meaningful participation in Latin America depends in large part on whether fiscal revenues have been simultaneously decentralized. For example, Benjamin Goldfrank’s comparison of participatory budgeting in Caracas, Montevideo and Porto Alegre leads him to identify the level of fiscal decentralization as a necessary (but not sufficient) condition for its success. Likewise, according to Merilee Grindle, Mexico’s Municipal Development Committees have succeeded in eliciting participation by civil society organizations only when mayors have been successful in lobbying for resources from state and federal sources. In a similar vein, Allison Rowland argues that automatic fiscal transfers to municipal governments help explain why decentralization has produced greater participation and accountability in small municipalities in Bolivia relative to Mexico (where discretionary grants still dwarf automatic transfers). This argument also finds echo in work by Tim Campbell, who argues that what others criticize as the “premature” transfer of funds to local governments in Latin America has been a boon for democracy because it has given people real reasons to participate.

In addition to fiscal revenues, political parties and party systems are also critical in determining whether decentralized budgeting has succeeded so far in Latin America. Attempts to create participatory spaces that displace elites and empower poor people in practice require the political cover provided by “left-of-center political parties that were born of popular struggles.” In Brazil, for example, it would be impossible to understand Porto Alegre’s experience with PB without references to the PT, which cultivated and protected participatory councils due to its own electoral interests. In addition to the incentives that lead a party in power at the municipal level to open up its budgetary process to civil society (e.g., Brazil’s PT), the nature of the opposition party is just as critical to the success of participatory budgeting. According to Goldfrank, weakly institutionalized opposition parties were powerless to prevent the adoption of participatory budgeting in Brazil (and the significant electoral benefits it generated for the PT), but much more institutionalized opposition parties were indeed able to kill similar attempts to expand participation by governing parties (at the municipal level) in Uruguay and Venezuela.
Decentralization has thus generated positive and negative consequences for a host of political phenomena, from local forms of hyper-presidentialism to subnational party building and new opportunities for civil society participation. It has also generated a mixed record vis-à-vis economic development. On the one hand, decentralization in the form of automatic revenue sharing has encouraged subnational profligacy, financed a rapid expansion in public sector payrolls, and introduced much greater rigidity into the inter-governmental system. In Argentina, generous fixed transfers forced the government of Carlos Menem to overadjust at the national level in the late 1990s and to adopt fiscal austerity measures that pushed the country into a devastating economic collapse. In Brazil, electoral competition at the municipal level led to a sharp increase in patronage and public sector payrolls at the expense of collective goods, which encouraged the federal government under President Cardoso to mandate additional transfers from states to municipalities and to earmark these transfers for education and health investments. In response to these problems, many countries have experienced re-centralizing episodes designed to trim the size of revenue transfers to subnational governments.

On the other hand, while decentralization has yet to bring online previously untapped fiscal resources at the local level, it has facilitated the re-emergence of often very traditional forms of in-kind contributions, which in some cases resurrect the communal labor obligations that were so important in the colonial and republican eras (though now apparently on a voluntary rather than coercive basis). Relative to national governments, mayors appear to be in a better position to leverage in-kind contributions, typically from neighborhoods that are asked to provide labor for projects that will be financed by municipal revenues. For example, communities throughout the state of Oaxaca have used the *tequio* (collective and reciprocal labor service) to lower the overall cost to the municipality of a given project, thereby making municipal funding of that project more likely. In Ecuador, the election of indigenous mayors in municipalities that were governed by non-indigenous individuals before the 1990s has led to the return of the *minga*, according to which members of a community are expected to volunteer a day’s labor on collective projects. Whereas charges of racism made it increasingly difficult for *mestizo* (e.g., mixed-race) mayors to use *minga* labor in the 20th century, indigenous mayors have been able to more successfully exact these non-fiscal contributions.

Finally, understanding the consequences of decentralization requires looking beyond the transfer of political, fiscal and administrative authority to *existing* subnational governments. One of the most important results of decentralization in Latin America is that it has produced the proliferation of *new* subnational governments, chiefly through the subdivision of existing subnational units. In Brazil, for example, generous constitutional reforms in 1988 that mandated federal-municipal and state-municipal revenue sharing help account for a sharp increase in the number of municipalities over the last two decades. In countries with sizable indigenous populations, fiscal decentralization to municipalities has encouraged the organization of rural and indigenous communities who have been marginalized historically, but who are now demanding their fair share of municipal resources relative to the more urbanized town centers that have dominated municipal spending decisions. In some cases, indigenous communities are demanding that submunicipal units be separated out of existing municipalities as the only way to ensure that *mestizo* authorities do not continue to benefit disproportionately from public revenues. The fragmentation of subnational units into ever greater numbers has raised concerns about the viability of many municipalities and regions, and pushed the amalgamation of existing subnational governments onto the policy agenda. These projects face huge challenges, however, as in Peru where voters in a
2005 plebiscite defeated the proposed fusion of the country’s 25 regional governments into a smaller set of larger units. In the meantime, additional provinces and districts continue to be created in Peru despite the fact that many of them do not meet minimum population requirements established by law.

**Is Latin America Becoming More Federal?**

In contrast to decentralization, which can be defined without much controversy as the transferring of political, fiscal and administrative authority to subnational actors, the concept of federalism has generated sharp definitional disagreements. Scholars dispute whether or not federalism requires the representation of subnational governments in national institutions (typically upper chambers and senates), the election of subnational chief executives or subnational legislatures, and the assignment of administrative or fiscal authority. Notwithstanding the absence of scholarly consensus about federalism, since the late 19th century four countries in Latin America have consistently identified themselves as federations: Argentina, Brazil, Mexico and Venezuela. Remarkably for a period that has witnessed such incessant struggles over the terms of decentralization, the set of Latin American countries that consider themselves to be federations in their constitutions has been quite stable. Some unitary countries have introduced changes that would qualify them as federations according to certain definitions of federalism, but all have eschewed the federal label. However, while no countries have formally crossed the line between federal and unitary, decentralization in the last three decades has undoubtedly made federal countries more federal, and it has blurred significantly the distinction between federal and unitary countries—even if no new federations have formally emerged in the region.

The decision to endorse federalism in 19th-century Argentina, Brazil, Mexico and Venezuela was the outcome of important institutional bargains and inter-regional conflicts in each country. Despite the significance of its adoption, the 20th century was nevertheless unkind to federalism in these four cases, even if it remained formally intact. Federal designs intended to protect subnational prerogatives from the center fell victim to military-led authoritarianism in Argentina, Brazil and Venezuela, and to a lengthy period of civilian authoritarianism in Mexico. In addition to illiberal regime types, the emergence of disciplined and mostly centralized political parties also served to hollow out federalism in Argentina, Mexico and Venezuela, generating arrangements that Riker would call “centralized federalism.” During significant periods in the 20th century when subnational elections were regularly held in these countries, if the loyalty of subnational officials to their national party leaders conflicted with the interests of their subnational constituents, the former tended to trump the latter.

Against this backdrop, decentralization has breathed new life into long-established federal institutions. In Argentina, the steady expansion in fiscal resources under the control of provinces since the 1970s has made it easier for governors to stand up to presidents and national party leaders—even when they happen to belong to the Peronist party. In Brazil, decentralization in the course of democratization yielded one of the most “robust” forms of federalism anywhere in the developing world. At the lowest level of government, municipal revenue sharing has infused real meaning into the elevation of municipalities to separate federal status in Brazil’s 1988 constitution. In Mexico, whose single party hegemonic system made a mockery of federalism after the revolution, genuine political decentralization has thrown into relief the importance of the country’s three-tiered governmental structure. Venezuela is perhaps the most complex of the four cases. Support for decentralizing
measures on the part of traditional parties in the late 1980s and early 1990s, including the introduction of direct elections for mayors and governors, reinvigorated Venezuela’s federal status for a short period before the collapse of the party system. Under Hugo Chavez, re-centralizing changes have once again enervated Venezuelan federalism.46

Turning from federal to unitary systems, decentralization has yet to produce the formal federalization of a single unitary country in Latin America. In Colombia, which experienced turbulent periods of federalism in the 19th century before adopting a highly centralist and unitary constitution in 1886, concerted movement in a decentralizing direction in the 1980s and 1990s stopped short of federalism. Instead, the 1991 constitution identifies the country as a “decentralized unitary republic.” As in Bolivia, which fought a deadly “federal war” between the regions at the end of the 19th century, the association between federalism and inter-regional conflict in Colombia has probably limited its rhetorical appeal. Instead, many advocates of what would be called “federalism” elsewhere have championed the ideal of a unitary state that recognizes subnational autonomy. Territorial autonomy—and not federalism—is likewise the demand articulated by indigenous communities in unitarian Bolivia, Ecuador and Peru. This stands in stark contrast to other world regions where “peace-preserving federalism” has been an important institutional response to accommodate ethnic diversity and ethnic conflict.

The cumulative effects of decentralizing changes may not convert unitary systems into federations anytime soon in Latin America, but decentralization has nonetheless pushed many unitary countries in a federal direction in ways that have complicated the distinction between federal and unitary. Most significantly, decentralization has involved the creation and/or strengthening of intermediate-level governments. Traditionally in Latin America, unitary countries only had two tiers of government and intermediate governments were considered the preserve of federal systems. Four cases are particularly important here: Chile, Colombia, Peru, and Bolivia. In Chile, where Pinochet introduced regional administrations in his attempt to shrink the central state, the political right demanded the transformation of these administrative units into actual governments as the price of their support for municipal decentralization in 1992. In Colombia, the strengthening of department governments through the introduction of elections and revenue sharing was a critical piece of the proposed political settlement through which national officials hoped to end that country’s protracted armed conflict. In Peru, where Alberto Fujimori’s auto golpe closed regional governments (and not just the national congress), Alejandro Toledo sought to distinguish himself in his campaign for the presidency in 2000 and 2001 by promising to re-introduce elections for regional presidents, which he did in 2002. Finally, the 2005 introduction of elections for regional prefects in Bolivia operated as a key mechanism through which national officials sought to forestall the growth of an increasingly radical movement for regional autonomy in the east.

In each case, far from representing merely formal changes in the architecture of government that had little bearing on substantive politics, reforms at the intermediate level of government have been part and parcel of highly contentious struggles in all four “unitary” countries. Here and elsewhere, decentralization and federalism can only fully be understood as contested responses to some of the most significant political challenges that Latin America continues to face as a region.

Looking forward as the decentralization trend ages, scholars should continue to broaden their frame of analysis beyond the questions of causation that initially dominated the literature. We now have compelling theories about what causes decentralization, but know less about the conditions under which decentralization produces or not its intended effects.
Studying the consequences of decentralization holds out real promise, but also faces considerable challenges. On the one hand, the adoption of mostly symmetric reforms in Latin America will make it easier for scholars to heed Richard Snyder’s call for the use of the subnational comparative method. If asymmetric reforms had been adopted—devolving education to some provinces but not to others or holding elections in some municipalities but not all—then examining the effects of these changes across large numbers of subnational governments would have been far more difficult. Instead, scholars are mostly able to hold constant the content of the changes that were adopted in far-flung subnational jurisdictions, a research design option that naturally directs our attention to the host of factors (partisan? demographic? societal? economic?) that might explain why common changes have generated disparate outcomes in different cases. On the other hand, shifting from the study of causes to consequences is a tall order precisely because it requires extensive field research and data collection in multiple research sites, many of which are far more demanding and data poor than the national capitals where the initial decisions to decentralize took place.

The study of decentralization’s consequences will dominate—as it should—the literature in the years to come, but scholars should also focus on the politics of re-centralization, about which we still know very little. In most cases, decisions to decentralize in Latin America have not been reversed—hence the urgency of studying the consequences of those decisions. But in other cases, decentralization proved short-lived and resulted in counter moves in a re-centralizing direction. For example, after the adoption of generous, unearmarked revenue sharing measures in Argentina and Brazil in the mid-1980s and Colombia in the early 1990s, national governments in each case secured the passage of changes that by the mid-1990s had either cut transfers or forced subnational officials to spend them on centrally-defined priorities. More recently, “21st century socialists” in Bolivia, Ecuador and Venezuela have all succeeded in re-centralizing fiscal resources that had been decentralized by earlier, neoliberal governments, thereby threatening the independence of opposition-controlled subnational jurisdictions. When does decentralization stick, and when is it vulnerable to efforts by opponents to re-centralize? Are grassroots actors and subnational officials better able to resist re-centralization when it was they who took the lead in demanding decentralization in the first place? Or should we resist the temptation to approach the politics of re-centralization as merely the mirror image of the politics of decentralization? Why is it that we seem to be seeing examples of fiscal and administrative re-centralization (i.e., reducing transfers, taking back authority over highways and ports) but little in the way of political re-centralization (i.e., canceling local elections)?

In addition to uncovering the conditions under which the center is able to claw back resources and authority from subnational governments, scholars should also focus on relationships among subnational governments that are no longer as directly mediated by the center as they were in the past. Decentralization means that the “bilateral” relationship between the national government and individual subnational governments should become less significant, and that competition, conflict and collaboration between subnational governments will become more interesting subjects for research. For example, after decentralization are subnational governments using their expanded set of policy tools to woo (foreign or domestic) capital away from neighboring jurisdictions, and if so to what effect? If decentralization in an era of liberalization seems to be worsening regional inequality in Latin America, are growing tensions between “have” and “have not” subnational regions producing conflicts that go beyond recriminations? Are subnational governments coming together horizontally to provide decentralized goods and services, and if so what new governance structures are they building to share the costs and benefits of their collective
action? Given material incentives for the continued proliferation of subnational units, and deep political obstacles that have prevented their amalgamation into units of more viable size, the number of subnational governments is likely to continue to grow in the future, which will further complicate the important relationships between them that are unfolding in post-decentralization Latin America.

Notes

5 Rebecca Abers, Inventing Local Democracy: Grassroots Politics in Brazil (Boulder: Lynne Rienner, 2000).
12 Tulia Faletti, Decentralization and Subnational Politics in Latin America (New York: Cambridge University Press, 2010).
15 For an important study that examines variation in subnational responses to liberalization and decentralization, see Richard Snyder, Politics after Neoliberalism: Reregulation in Mexico (Cambridge University Press, 2001).
18 Alfred Montero and David Samuels, eds., Decentralization and Democracy in Latin America (University of Notre Dame Press, 2004).
19 Caroline Beer, Electoral Competition and Institutional Change in Mexico (University of Notre Dame Press, 2003).
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21 Gary Bland, “Enclaves and Elections: The Decision to Decentralize in Chile,” in Montero and Samuels, Decentralization and Democracy.
24 See, for examples, Grindle, Going Local, Van Cott, Radical Democracy, and Brian Wampler, Participatory Budgeting in Brazil: Contestation, Cooperation, Accountability (University Park: Penn State University Press, 2007).
25 For a similar finding that the leadership of regional presidents explains the success or failure of the participatory mechanisms that were adopted in Peruvian regions in 2003, see Stephanie McNulty, Voice and Vote: Decentralization, Participation, and the Crisis of Representative Democracy in Peru (Stanford University Press, 2011).
29 Note, however, that Grindle’s Going Local partially refutes this argument in that she finds that PAN-governed municipalities did not tend to outperform other municipalities.
30 Gianpaolo Baiocchi, Militants and Citizens (Stanford University Press, 2005); Benjamin Goldfrank, Participation, Decentralization and the Left: Deepening Local Democracy in Latin America (Penn State University Press, 2011); and Wampler, Participatory Budgeting.
31 Peter Evans, “Government Action, Social Capital and Development: Reviewing the Evidence on Synergy,” World Development 24 (6) 1996: 1119–1132. Notwithstanding these gains, it is important to note that the PB model has largely been neglected subsequent to the electoral defeat of its sponsors in 2004, an indicator of the sustainability problems discussed in the previous section.
34 Patrick Heller, “Moving the State: The Politics of Democratic Decentralization in Kerala, South Africa and Porto Alegre,” Politics & Society 29 (1) 2001: 133. That parties in the last ten years have proved to be so critical in the success of these expanded forms of participation is significant given the long-standing concerns that advocates of social movements have had about building alliances with leftist parties.
36 Goldfrank, Participation.
40 Grindle, Going Local, p. 131.
41 Van Cott, Radical Democracy.
For different approaches, see Alberto Diaz Cayeros, *Federalism, Fiscal Authority and Centralization in Latin America* (New York: Cambridge University Press, 2006) and Wibbels, *Federalism and the Market*.


Dickovick, *Decentralization and Recentralization*.