

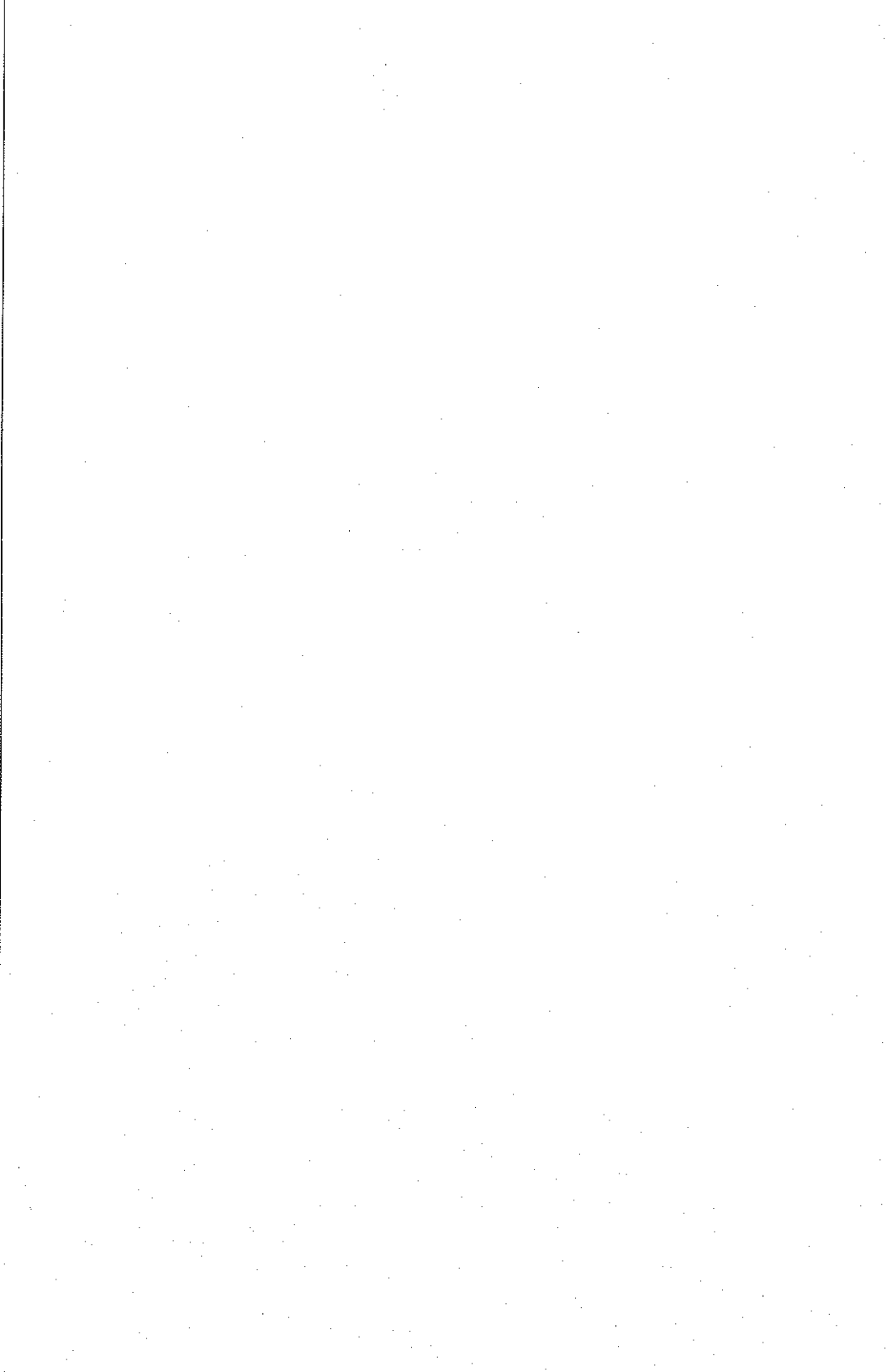




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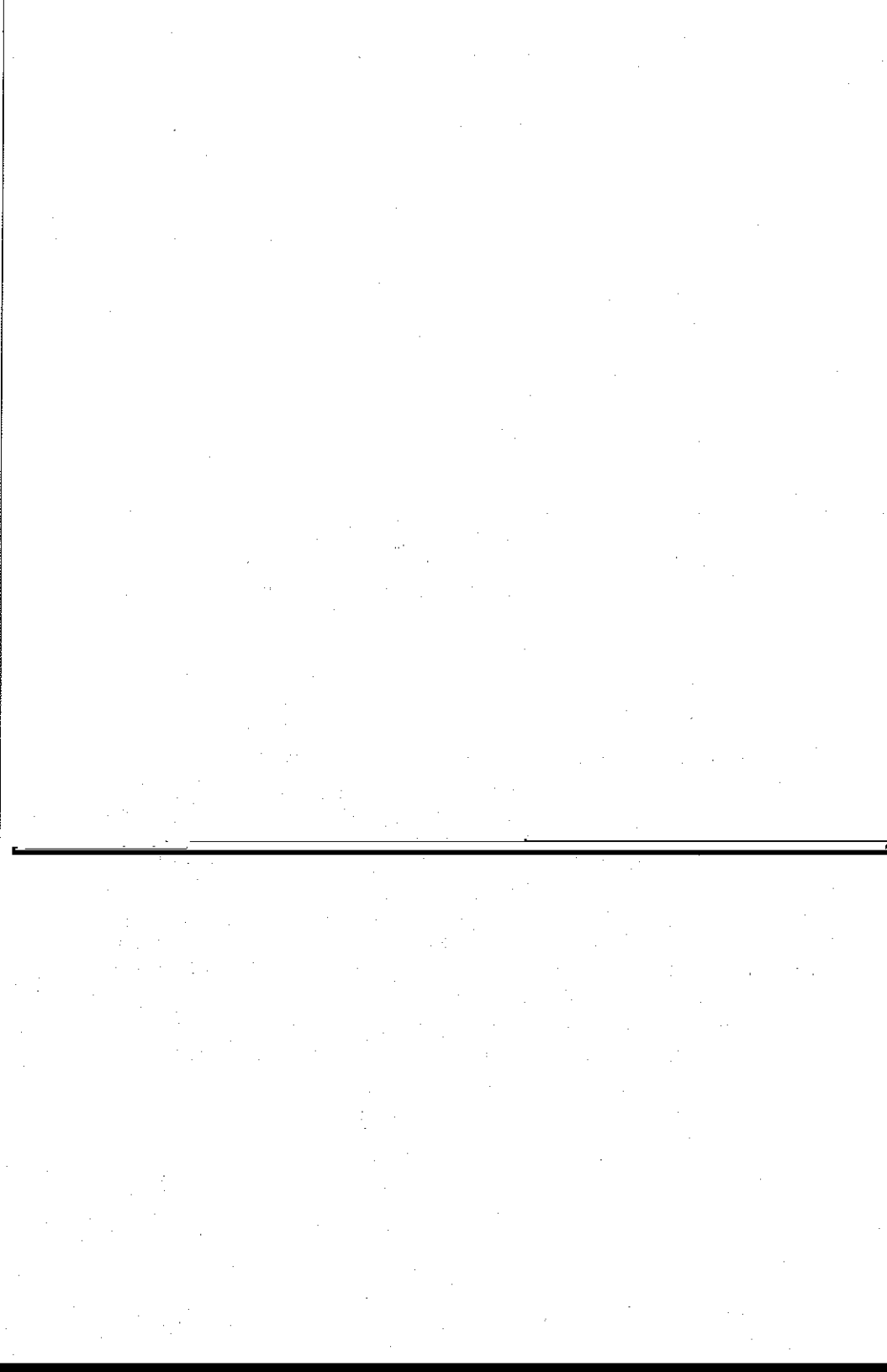


## FOREWORD

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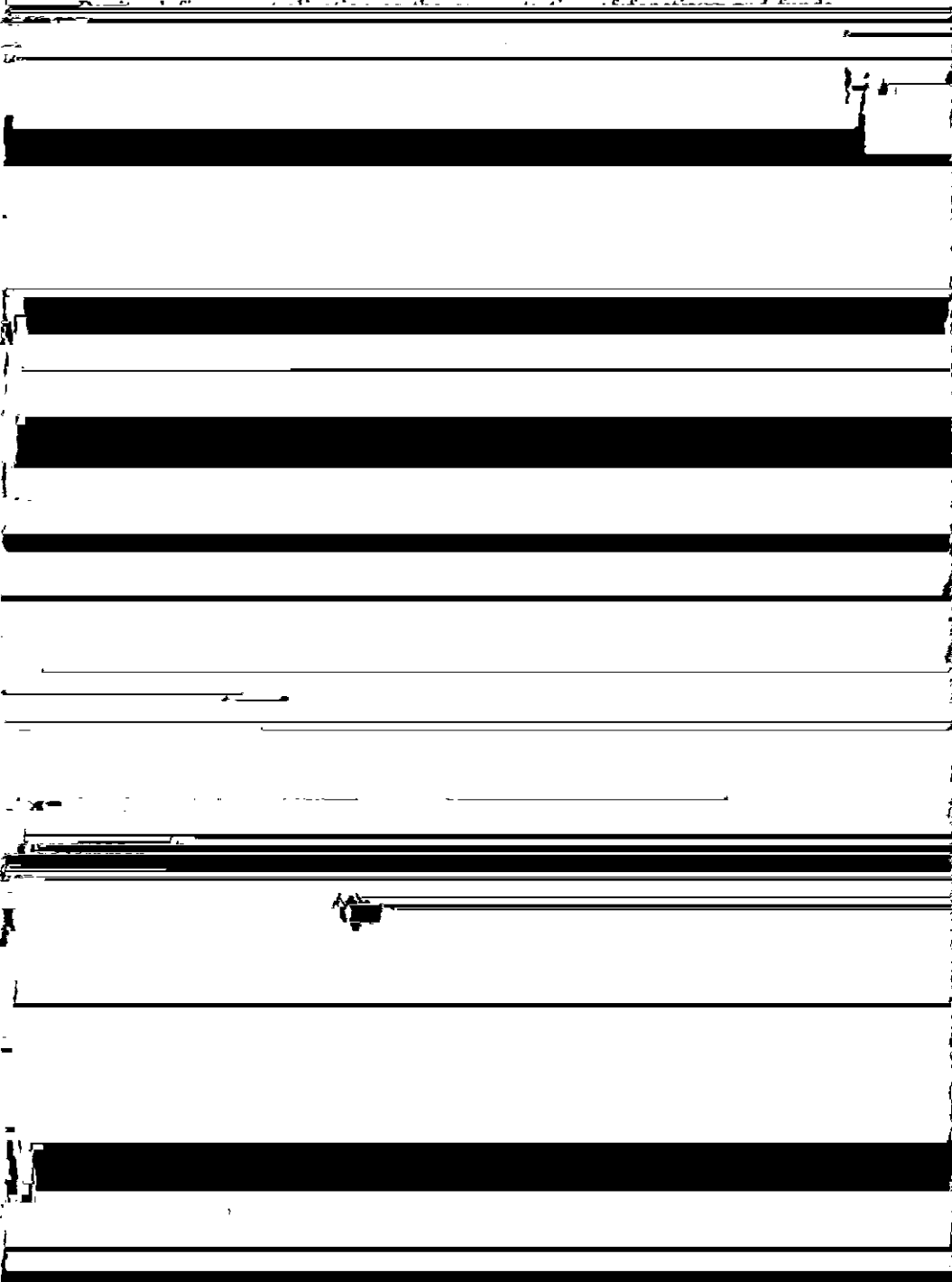


# CENTRALIZATION, DECENTRALIZATION AND INTERGOVERNMENTAL COMPETITION

## INTRODUCTION

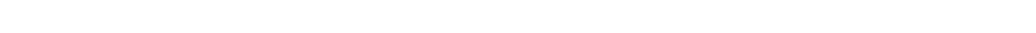
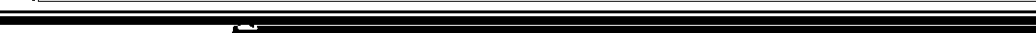
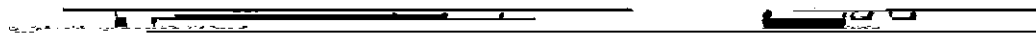
To introduce my subject, I must first dispose of a minor semantic issue. Our habit of thinking of governments as monolithic institutions is so engrained that we do not appear to possess, in ordinary discourse, words that would make it easy to distinguish between the whole apparatus of government on the one hand and the multiplicity of units which constitute the whole on the other. We lack, in other words, a distinction such as that between industries and firms which plays such an important role in the analysis of competitive market supply. To

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Pommerehne (1977), on the basis of a similar index as that used by Peacock and Wiseman and of variants thereon, has concluded that there is a tendency toward decentralization, not toward centralization, in governmental systems.

As Richard Bird (1979 1986) has repeatedly noted it is not obvious











Such an extension is, in fact, a basic logical requirement. That is easy to see. If the model which I have proposed to explain the growth of governments could not be extended to account for changes in the degree of concentration, some



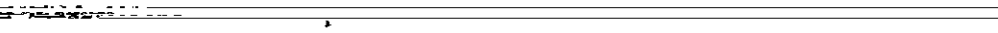
influence on the equilibrium degree of concentration of governmental systems, it does not work itself out in the way we generally imagine.

### CONCENTRATION AND COMPARATIVE ADVANTAGE

Given these assumptions about consuming citizens and about constitutional arrangements, what will determine the degree of concentration of governmental



systems? It should be clear that even though a demand for publicly supplied goods and services is assumed to exist, the assumptions that citizens are





enforcement. Buchanan (1967, especially pp. 117-121) has shown that if tax



[REDACTED]

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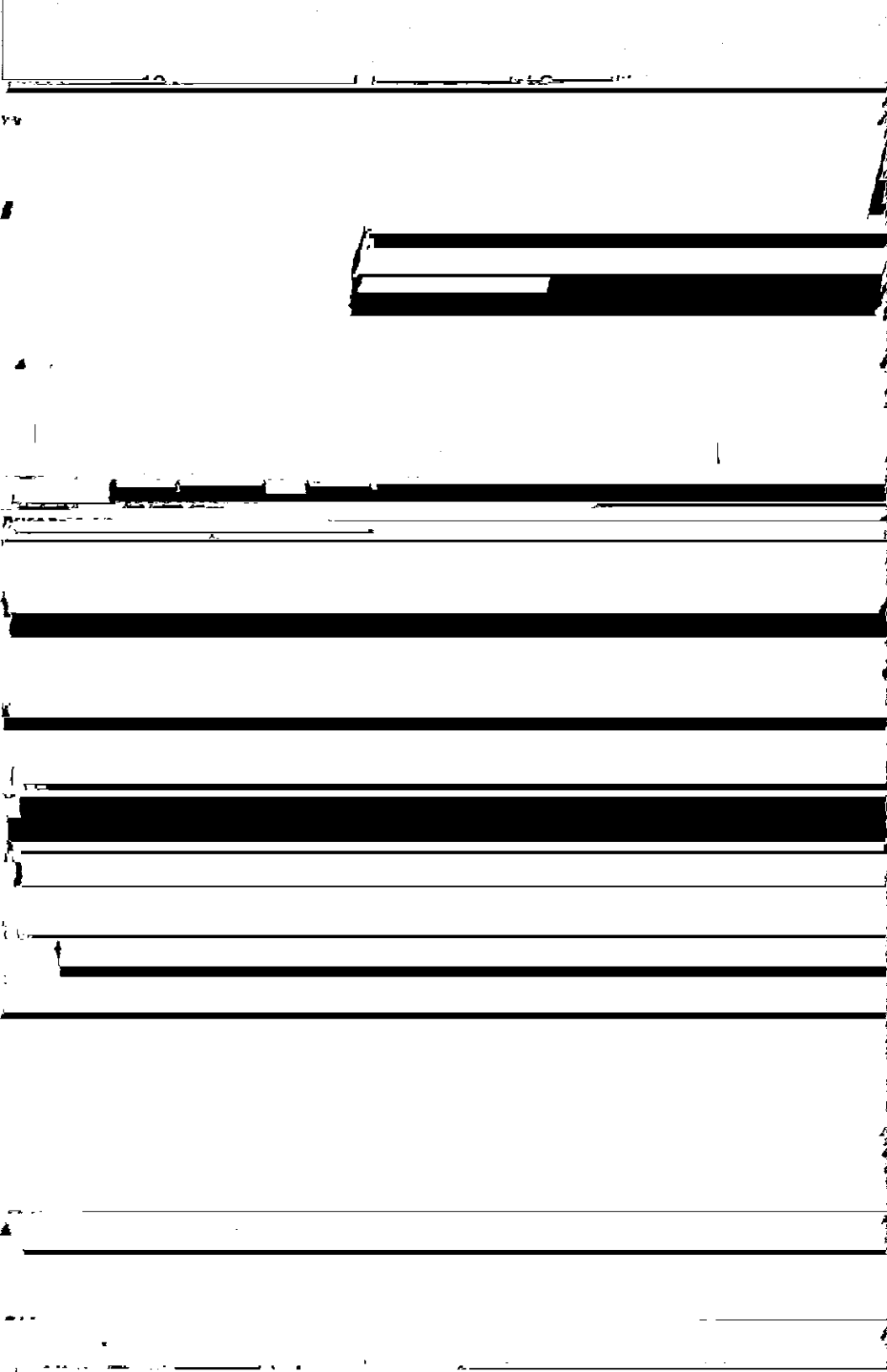
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ments are more responsive to the demands of their peoples than more senior governments. If the proposition contains any truth, it must mean that politicians and bureaucrats at the local level allow more free-riding than politicians and bureaucrats at higher jurisdictional levels. Indeed, to the extent that the effectiveness of political processes depends on trust and an intergovernmental

can be stronger or weaker. In fact, I will devote the first part of the following

[REDACTED]







... would also

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corresponding change in the degree of centralization? The answer depends on the nature of the disturbance. Suppose, to illustrate, that the constitution drafted during the second period assigns the authority over education to the provinces. An exogenous shock that called for an increase in expenditures on education

[REDACTED]

[REDACTED]







[REDACTED]

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MacGregor Lecture, Principal Smith suggested that I could reflect on the challenge posed to intergovernmental relations by "the increasingly globally interdependent economy". What can the model adumbrated earlier say on this



President François Mitterand, a certified socialist and a son of the same France which proclaimed that Europe would only be a "Europe des patries" is now one of the moving forces behind the new Europe of 1992, while Prime Minister

and the host of other programs of that sort which are often called transfers are, here, treated as expenditures on services.

7. See Breton (1989).

8. See *Cygan and Shaw (1991)* for a suggestive discussion of the adjustments

[REDACTED]

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3. (not available).
2. David A. Boisvert, *Forms of Aboriginal Self-Government*, 1985. (\$12)



