

Contents

<i>List of Figures and Tables</i>	<i>page</i>	<i>xi</i>
<i>Preface</i>		<i>xiii</i>
<i>Glossary of Main Notation Used</i>		<i>xv</i>
1	INTRODUCTION	1
1.1	A Quick Look Back	6
1.2	The Arguments	11
1.3	A Note on Methods: Formal Modeling	15
1.4	Overview	19
2	THE POLITICAL PROCESS	21
2.1	Defining Decentralization	21
2.2	Modeling Politics	27
3	ADMINISTRATIVE EFFICIENCY	53
3.1	Optimal Scale	55
3.2	Heterogeneous Tastes and Policy Differentiation	59
3.3	Costs of Organization	62
3.4	Conclusion	72
4	COMPETITION AMONG GOVERNMENTS	74
4.1	Competing for Mobile Residents	75
4.2	Competing for Mobile Capital	87
5	FISCAL POLICY AND REDISTRIBUTION	104
5.1	The “Common Pool”	106
5.2	The “Soft Budget Constraint”	108
5.3	Decentralizing Redistribution	131

6	FISCAL COORDINATION AND INCENTIVES	137
	6.1 Vertical “Overgrazing”	139
	6.2 Fiscal Decentralization and Incentives	146
7	CITIZENS AND GOVERNMENT	156
	7.1 Civic Virtue	156
	7.2 Accountability	164
	Appendix: Modeling Retrospective Voting with Distributive Politics	184
8	CHECKS, BALANCES, AND FREEDOM	193
	8.1 Freedom	194
	8.2 Policy Stability	201
9	ACQUIRING AND USING KNOWLEDGE	209
	9.1 Information	209
	9.2 Policy Experimentation	222
10	ETHNIC CONFLICT AND SECESSION	236
	10.1 Satisfying Limited Demands for Autonomy	238
	10.2 Splitting the Prizes of Politics	242
	10.3 Restraining the Central Government	243
	10.4 Socializing Politicians	244
	10.5 Stimulating Growth of Small Ethnic Parties	244
	10.6 Conclusion	245
11	DATA TO THE RESCUE?	247
	11.1 The Quality of Government	251
	11.2 Economic Performance	258
	11.3 Ethnic Conflict	262
	11.4 Democracy	264
	11.5 Stable Policies	267
	11.6 Conclusion	268
12	CONCLUSION: RETHINKING DECENTRALIZATION	270
	12.1 Possible Objections	275
	12.2 Explaining Decentralization’s Appeal	283
	12.3 A New Agenda?	289
	<i>References</i>	295
	<i>Index</i>	321