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Journal of Eurasian Studies

journal homepage: www.elsevier.com/locate/euras

To decentralize or to continue on the centralization track: The cases of authoritarian regimes in Russia and Kazakhstan

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ARTICLE INFO

Article history:

Received 5 November 2015

Accepted 29 November 2017

Available online

Keywords:

decentralization

federalism

presidency

globalization

Russia

Kazakhstan

ABSTRACT

Decisions on decentralization versus centralization come as a result of strategic choices made by politicians after weighing their costs and benefits. In authoritarian regimes, the highest-priority political task is that of restraining political competition and securing power in the hands of the incumbent. This task incentivizes politicians to restrict political decentralization (or at least block reforms promoting such decentralization). At the same time, external economic pressures (e.g. globalization) place the task of national competitiveness in the global markets on the agenda, and increase incentives for fiscal and administrative decentralization. Thus, political and economic pressures create contradicting incentives, and in weighing costs and benefits, politicians in different authoritarian regimes make different choices that lead to variation in the form, degree and success of decentralization/centralization policies. In this article we compare authoritarian decentralization in Russia and Kazakhstan.

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A clear global trend toward decentralization was noted by experts as early as the 1990s (Dillinger, 1994; Hooghe et al., 2016; Ter-Minassian, 1997). The role of regional and local governments is expanding, whether it is reflected in the allocation of political powers and administrative responsibilities or measured by the shares of subnational governments in total government revenues and expenditures (Arzaghi & Henderson, 2005; Garman et al., 2001). Decentralization is widely seen as a practice that could improve quality of governance and promote economic efficiency. We are witnessing decentralization in

democracies and autocracies, though there is significant variation in the concrete manifestations of the process in different regimes.

Theoretical and empirical studies have identified that decentralization is strongly associated with democracy (Arzaghi & Henderson, 2005; Canavire-Bacarreza, Martinez-Vazquez, & Yedgenov, 2017; Letelier, 2005; Panizza, 1999; Treisman, 2006). In democracies decentralization is beneficial for political parties and incumbent politicians – it is a “rational act of political parties seeking to maximize their electoral possibilities” (O’Neil, 2005, 18). The electoral incentives of political parties shape important aspects of the design and the practice of intergovernmental relations as political parties organize coalition-building between national and local politicians (Enikolopov & Zhuravskaya, 2007; Filippov, Ordeshook, & Shvetsova, 2004; Riker, 1964). A number of theoretical and empirical studies have also determined

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<https://doi.org/10.1016/j.euras.2017.12.008>

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structural factors modifying and constraining choices of democratically elected politicians in regard to decentralization. Among the most important such factors are economic prosperity, country size and diversity (Treisman, 2006).

Much less is known about factors promoting decentralization in authoritarian regimes. On one hand, as the Chinese example clearly shows, the combination of political authoritarianism and effective fiscal decentralization is possible in practice. In China it works due to the maintenance of political control through party structures (Blanchard & Shleifer, 2001; Landry, 2008). However, there is only limited knowledge of why and under what authoritarian regimes promote decentralization and better governance. According to Faguet and Pöschl (2015) the understanding of the incentives of non-democratic regimes to decentralize constitutes “the black hole at the heart of the decentralization debate that few address and none have satisfyingly answered.” In particular, little is known under what conditions and in what forms decentralization could become politically beneficial and attractive for authoritarian leaders.

The incentives of authoritarian leaders to promote decentralization are especially puzzling in the case of the post-Soviet countries. While most of them are low on democracy scores and are highly centralized politically, the level of fiscal decentralization in many post-Soviet countries is surprisingly high. Indeed, after controlling for a variety of relevant variables, Treisman concluded that “the former Soviet republics stood out as extremely decentralized given their other characteristics” (Treisman, 2006, 312). One might be tempted to explain the high level of fiscal decentralization in post-communist countries in the 1990s by the relative weakness of the newly intendent governments after the Soviet collapse. But the fact is that the level of fiscal decentralization continues to remain relatively high in some post-Soviet countries. How can we explain the choice of the decentralization policies in the region dominated by consolidated non-democratic regimes?

We examine the experiences of two largest post-Soviet countries – Russia and Kazakhstan to advance our understanding of the incentives of non-democratic leaders to promote or restrict various forms of decentralization. Russia and Kazakhstan are selected for comparison because they have many geographical, political and economic similarities but demonstrate distinctive approaches to choice of the constitutional principles and to decentralization. After gaining independence, the national elites of Russia and Kazakhstan have made different choices with regard to center-region relations. Russia’s choice was in favor of federal constitution (the choice that other things equal means a high degree of decentralization), while Kazakhstan constitutionally secured the unitary character of the state. Up to now, the constitutional choices of Russia and Kazakhstan have remained unchanged; however, today the two authoritarian regimes pursue distinctive policies toward decentralization. Quite paradoxically Russia has a centralizing regime while still being a formal constitutional federation, while Kazakhstan is still a unitary state, but it actively seeks to use the practices of fiscal and administrative decentralization.

We suggest that in geographically large and diverse non-democratic countries their leaders, first, secure and centralize political power, and, second, face the fiscal and administrative decentralization/centralization trade-offs. In non-democratic regimes, the highest-priority political task is that of restraining political competition and securing all meaningful powers in the hands of the incumbent. This task incentivizes politicians to promote centralization (or at least block decentralization-aimed reforms). However, such an increasing centralization is likely to reduce economic efficiency, and, thus it could also undermine political legitimacy of non-democratic leaders. On the other hand, fiscal and administrative decentralization is often presented by experts as a practice that could increase governance efficiency, provide better bureaucratic control and promote economic competitiveness. In particular, economic openness and external pressures (e.g. globalization) place the task of increasing national competitiveness in the global markets on the agenda, increasing incentives for greater fiscal and administrative decentralization. Therefore, political and economic pressures promote contradicting incentives, and in weighing costs and benefits, politicians in different authoritarian regimes make different choices which lead to variation in the form, degree and success of decentralization/centralization policies. The article attempts to advance our understanding “on the limits of the possible” for authoritarian regimes with regard to centralization/decentralization dilemma in globalized world.

In our analysis we compare two authoritarian regimes in territorially large countries with similar level of economic development facing challenges of economic globalization. These two regimes have to promote competitiveness of their national economics and various forms of decentralization could serve as instruments of such promotion. We show that the responses to the common challenges are different: though political centralization is maintained in both Russia and Kazakhstan, in Russia it is complemented by fiscal centralization, and the country is isolating, closing itself from globalization. On the contrary, Kazakhstan leadership seriously stakes at the inclusion of the country to globalization processes, and with this regard launches (or at least declares) governance reforms, that in particular envisage fiscal decentralization.

We conclude that, while preserving political centralization, fiscal decentralization is an important part of the development strategy of Kazakhstan leadership. This strategy aims at combining political legitimacy of the incumbent with sending a signal to the outside world about the intentions of the national leader to turn his country into modern nation, competitive and fully included into global world. Unlike Kazakhstan, in Russia under President Putin political and fiscal centralization develop in one direction, strengthening each other. Currently, concerns of integration into the global economy that could stimulate at least fiscal decentralization are overshadowed by geopolitical considerations.

The article is organized as follows. The next section presents theoretical explanations of decentralization in non-democratic countries and our argument. After that we discuss similarities and differences in the practice of decentralization between Russia and Kazakhstan.

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