

Combining Federalism and Decentralization.

Comparative Case Studies on Regional and Transport Policies in Switzerland, Austria, Denmark, and Ireland.

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Abstract

Studies evaluating the effects of territorial state organization on the performance of democratic political systems produce ambiguous results. We argue that research so far has suffered from an insufficient conceptualization of federalism and decentralization as two distinct dimensions. This paper makes use of the advantages of a nested design and detects micro-level causal mechanisms underlying statistically approved effects of both dimensions. We conduct in-depth case studies comparing policy processes in four countries (Austria, Switzerland, Ireland, and Denmark) and two distinct policy areas (regional development policy and transport policy). They show that federalism induces subnational actors to adopt divergent positions and push through individual interests in processes of national-level decision-making, thus increasing transaction costs and preventing substantial policy shifts. Moreover, decentralization and thus subnational discretion arising from own revenue sources, personnel and policy leeway induces actors to vary service delivery in an efficiency-enhancing way. However, our study additionally yields insights regarding systematic, policy-area specific effects of both dimensions.

Keywords: federalism; decentralization; performance; case studies; regional policy; transport policy

1. Introduction¹

Studies evaluating the effects of territorial state organization on the performance of democratic political systems are rare² and, moreover, produce ambiguous results.³ Thus, political scientists are unable to answer the simple question “Does federalism matter?” (Kaiser, 2004) in a coherent way. We argue that research so far has suffered from an insufficient conceptualization of federalism and its economic counterpart, fiscal federalism, i.e. decentralization as two distinct dimensions.⁴

Our approach to study output effects of territorial state organization follows an argument first made by Braun (2000) and Keman (2000) who distinguish between a subnational entity’s “right to decide” and its “right to act”. The latter describes the competence to independently implement policies as disposed by some superordinated institution. It is this autonomy of subnational levels to allocate resources within their jurisdiction (Musgrave, 1959; Oates, 1972) that we define as *decentralization*. The “right to decide”, on the other hand, refers to the competence to design and pass policies on its own or in co-operation with a superordinated institution. *Federalism* thus refers to a constitutionally guaranteed division of competences between territorially defined governmental levels (Lijphart, 1999; Sawyer, 1969). In previous quantitative work (Biela & Hennl, 2010; Biela, Hennl & Kaiser, 2012; Ehlert, Hennl & Kaiser, 2007) we have shown that empirical patterns corroborate the notion of two conceptually distinct dimensions.⁵ Moreover, both dimensions exhibit independent and divergent effects on indicators of macro-economic performance. Whereas, by and large, decentralization exhibits positive effects, federalism leads to no or negative effects.⁶ Additionally, our analysis yields find-

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² Most analyses place emphasis on explaining the effects of federalism on the input side of the political process, i.e. effects on democratic quality (Bednar, Eskridge, & Ferejohn, 1999). In contrast, our study deals with output effects of federalism. It is characterized by an economic understanding of performance, in contrast to political definitions focusing on the efficiency of the decision-making process (Keman, 2000). We define performance as the degree of allocational efficiency (Musgrave, 1959).

³ For overviews, see Benz (2001), Braun (2002), and Ehlert, Hennl & Kaiser (2007).

⁴ Some authors (V. Ostrom, 1973; Weingast, 1995; Weingast & Qian, 1997) ascribe positive effects, at first glance, to federal state organization. At a closer look, they refer in fact to a decentralized resource allocation and hence to decentralization rather than to federalism itself.

⁵ Correlations between various indicators for both dimensions are modest, but by no means perfect. For any combination of indicators there are always some countries which do not fit with the assumption that federalism and decentralization as well as unitarism and centralization go hand in hand. This holds in particular for the unitary Nordic countries with high values of decentralization.

⁶ The expected positive influence of decentralization and the negative influence of federalism are confirmed with respect to economic growth and budget balance. The same holds for inflation rates, although a stable effect can only be verified for the indicator of personnel decentrali-

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ings that point at policy-area specific effects of both dimensions,⁷ hence corroborating an assumption stated in previous literature (Benz, 1998, 2001).

Though these analyses corroborate the expected macro relationships, the limits of a purely quantitative approach are evident: it cannot yield findings in the sense of causal explanations since intervening steps at the micro level remain unstudied. We therefore take the quantitative findings as a starting point to analyze causal mechanisms in in-depth case studies of processes of decision-making and policy implementation in four countries (Austria, Switzerland, Ireland, and Denmark) and two distinct policy areas (regional development policy and transport policy). In so doing, we apply a mixed-methods design and combine the advantages of both quantitative and qualitative approaches (Gerring, 2004; Lieberman, 2005; Rohlfing, 2008).

The article proceeds as follows: the next section briefly restates the main components of our theoretical argument that leads to two hypotheses regarding performance effects of federalism and decentralization. This paves the way for theoretically derived expectations regarding actors' behaviour in decision-making and implementation processes under divergent arrangements of territorial state organization. Section three depicts the central features of our case-study design and provides for a quantitatively guided selection of cases and policy areas. In sections four and five we conduct comparative case studies on decision-making and implementation processes. Section six concludes.

2. Theory and hypotheses

Reflecting on previous theoretical work it is possible to establish a consistent framework which distinguishes between the effects of federalism and decentralization and bases its reasoning on proper micro level foundations. Regarding decentralization, the most basic argument has been put forward by Oates (1972). His decentralization theorem postulates that a decentralized provision of resources is generally more efficient than a centralized supply – sub-

zation. The analysis confirms no effect regarding unemployment rate and government size. The chosen approach includes a large number of multivariate regression models in order to overcome the well known problem of a few cases but many potentially influential variables.

⁷ The findings point at a positive effect of decentralized resource supply in the areas of economic and environment policies. Moreover, decentralization tends to have positive effects in the areas of recreation and culture, albeit these are ambiguous due to instability in some models. In contrast, the analysis yields no effects with respect to the policy areas of infrastructure and education. Regarding the area of public order and safety, regression models even point to a negative influence of decentralized resource allocation.

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ject to specific conditions such as scale effects. His rationale is twofold. Policy-makers at the sub-national level are better informed about local resource needs than policy-makers at the central level, and, additionally, an uneven supply of resources is not always enforceable by the central level because it may violate political perceptions of equal treatment (cf. Oates, 2005). Accordingly, our first hypothesis is: *Decentralization is a more efficient mode of governance than centralization, and therefore leads to better policy performance (H1)*.

At the micro level, we thus expect decentralized systems to induce subnational actors to gather detailed knowledge of resource needs, political preferences and the local costs of providing public services in order to adapt their provision of public goods. Facing mobile citizens who may exit in case of inefficiencies, subnational actors will, moreover, feel an incentive to invest in policy innovation as well as adopt best practices (Oates, 1977; Tiebout, 1956). As a consequence, decentralized countries will thus, in the aggregate, exhibit efficient variations in patterns of policy implementation. The central precondition for such variance is subnational discretion which accrues from sufficient own revenue sources (or unconditional block grants) that establish a vertical fiscal balance (Weingast, 2006), personnel to engage in knowledge accumulation, and policy discretion.⁸ However, patterns of vertical as well as horizontal interaction may influence discretionary leeway and thus the efficiency of implementation processes. In case subnational entities possess insufficient own resources, the central level might severely encroach on their policy discretion by giving away specific purpose grants. Vertical influence may thus lead to a spatial harmonization of policy implementation. On the other hand, subnational entities may face the need to horizontally coordinate policy implementation in order to internalize spillover effects. While their capacity to engage in horizontal coordination may vary depending on their administrative resources, the type as well as extent of coordination needed may differ between policy areas. Whether or not such policy-specific requirements impact political efficiency of implementation processes is of specific interest with regard to the theory-building ambition of our case studies.

⁸ Policy discretion is influenced by the degree of detailedness of the policy to be implemented as well as by administrative regulations.

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At the decision-making stage of the political process, the federal or unitary character of a state's organization becomes relevant. Subnational entities in federal states (holding *per definitionem* original decision-making competences) that negotiate on the allotment of resources find themselves within the logic of a prisoners' dilemma (Inman, 2003): co-operation of all subnational governments with the central government yields the most efficient allocation of resources, but any single subnational government has an incentive to deviate and demand a bigger slice of the pie. At the micro level we thus expect subnational entities to act in a weakly coordinated way⁹ and develop individual policy proposals that reflect their preference for resource maximization. As the integration of subnational actors into negotiations at the national level is stronger in federal than in unitary countries, welfare-maximising policy reforms that reallocate between subnational entities are then *ceteris paribus* harder to achieve. This perspective is supported by veto player theory which postulates a greater policy stability of federal countries in comparison to unitary states (Tsebelis, 2002). Moreover, game-theoretical considerations also imply that it is rather difficult to reach a welfare-optimizing equilibrium in prisoners' dilemma situations with $n > 2$ players (E. Ostrom, 1990; Scharpf, 1997). Given comparatively high transaction costs, reform processes are then either protracted or yield only minor policy changes.

Though slower decision-making processes and higher decision-making costs are not necessarily equal to lower efficiency of a political system,¹⁰ a transaction cost economics approach indicates inefficiencies due to a reduced capacity for reacting to socioeconomic changes. In this respect, Williamson (1991) argues that hierarchical structures are clearly superior when it comes to adapting to such changes, which are particularly salient with regard to the redistribu-

⁹ In case subnational actors in federal states develop joint policy positions via co-decision, policies reallocating budgets between the layers of government may be hard to reform. The logic of negotiations between the central and the coordinated subnational level may then either evolve into a zero-sum game that inhibits centralizing (or decentralizing) policies or set incentives for an externalization of costs, e.g. to municipalities (Wachendorfer-Schmidt, 1999).

¹⁰ Breton (1987) sees advantages of federalism precisely because policy results are more balanced and cannot be reversed as easily as in unitary states.

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tion of resources according to Scharpf (1992). *In an environment of changing socioeconomic conditions, federalism thus tends to result in lower policy performance (H2).*¹¹

Given these two distinct hypotheses that are, by and large, corroborated by our quantitative analyses and are based upon theoretical arguments that yield expectations regarding the underlying causal mechanisms, the following section outlines basic features of our comparative case studies, designed to elucidate such mechanisms at work.

3. Research Design: Case Studies

We select the cases and policy areas to be studied in more detail on the basis of the quantitative indicators and analyses (Biela & Hennl, 2010; Ehlert, Hennl & Kaiser, 2007). Given systematic differences between the effects of federalism and decentralization in various space-relevant policy areas, it seems promising to compare area-specific policy processes qualitatively in order to understand why these differences occur. Our case studies thus scrutinize the political efficiency of decision-making and implementation processes in the area of regional development policy and transport policy. In the former, the statistical analyses corroborate positive effects of decentralization and negative ones of federalism, in the latter we do not find persistent effects. Such comparison is designed to yield insights of a “model-building” (Lieberman, 2005: 436) kind.

Our quantitative analysis, moreover, proves invaluable for case selection. First, our database allows for a clear-cut classification of countries with regard to the two dimensions of multi-level politics.¹² Second, our analysis allows for the selection of countries that are average cases with regard to those factors that additionally influence policy performance in the chosen policy areas.¹³ It turns out that a comparison of Switzerland (federal-decentralized), Austria (federal-centralized), Denmark (unitary-decentralized) and Ireland (unitary-centralized) proves adequate: these quite unambiguously represent the broader class of countries exhibit-

¹¹ We consciously formulate our second hypothesis as a weak relationship because an overview of theoretical work yields a connection between the effects of federalism and additional institutional arrangements (Pierson, 1995).

¹² Each of the federalism indicators is thereby plotted against each of the decentralization indicators. Using the mean of the OECD countries as a separating device, a country’s position in one of the four quadrants serves to classify it (see Biela & Hennl, 2010, for details).

¹³ Next to federalism and decentralization, a country’s surface area and its population significantly impact political efficiency in the areas of regional development and infrastructure policy. Moreover, French legal tradition, as measured by La Porta (1999), negatively impacts policy performance.

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ing the respective types of multilevel politics and are average cases¹⁴ with regard to the respective control factors. In comparing cases, our qualitative analysis is mainly “model-testing” (Lieberman, 2005: 436).

In an effort to operationalize our dependent variable – political performance – in the course of a qualitative analysis, we select several indicators of decision-making and implementation processes that emanate from the theoretical arguments presented above. As for the performance of decision-making processes, we analyze (a) whether subnational actors are involved in the respective decision-making process and what access points they use (precondition for federalism’s negative effect), (b) whether the transaction costs are high or low (duration of negotiations and level of conflict), (c) to what extent a change of status quo is achieved, (d) whether the new policy is judged as an adequate reaction towards the main challenges, and, finally, (e) to what extent it provides the structures and guidelines necessary for successful implementation of the policy. The performance of implementation processes is assessed on the basis of (a) the extent to which subnational units possess financial and personnel resources (precondition 1 for decentralization’s positive effect), (b) the vertical fiscal imbalance of the respective implementation process (precondition 2 for decentralization’s positive effect), (c) the policy discretion given during implementation processes (precondition 3 for decentralization’s positive effect), (d) the degree of subnational variance emanating from implementation processes, (e) the degree and adequacy of horizontal cooperation, and (f) an overall assessment of its efficiency in economic terms.

The data required for qualitative inference alongside these indicators was generated by document analysis, interviews conducted with policy and country experts, and secondary literature. The case studies as presented in the next two sections are organized as follows. First, we ask whether characteristics of national decision-making (and implementation, respectively) as ascribed in secondary literature in general match the theoretical expectations. Second, we offer

¹⁴ Within the sample of cases analyzed in the quantitative study, population ranges from 281,000 (Iceland) to 279,245,000 (USA), and area from 2,586 km² (Luxembourg) to 9,984,670 km² (Canada). The variance within our sample group is much lower: Area varies between 41,290 km² (Switzerland) and 83,858 km² (Austria), population between 3,609,587 (Ireland) and 8,021,504 (Austria).

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detailed studies of specific decision-making and implementation processes, which have been selected on the basis of expert interviews, in both policy areas. Third, we draw conclusions on whether our findings match the micro-level logic we hypothesize.

4. National decision-making in federal and unitary states

Our conjecture that regional actors' positions in federal states diverge quite frequently and systematically influence negotiations either on grounds of formal as in Switzerland (see, *inter alia*, Vatter, 2005; Fischer, 2006; Bolleyer, 2006b; Wälti, 1996; Linder & Vatter, 2001; Sager & Steffen, 2006) or informal as in Austria (see Weber, 1992; Erk, 2004; Fallend, 2005) arrangements is corroborated by country-specific research. In Denmark and Ireland national policies are largely determined by national government and ministerial bureaucracy (Nannestad, 2008; Saalfeld, 2008). Given a lack of relevant regional institutions in Ireland (McDonagh, 2001) and a dominant position of municipalities in Denmark (Christensen & Pallesen, 2001; Lidström, 2001), subnational interests are mainly defined on a local basis and informally promoted by members of the national parliament being responsive towards their constituencies (Blom-Hansen, 1999; Gallagher & Komito, 2005). The following subsections offer detailed case studies of specific decision-making processes in the areas of regional development and transport policy.

Regional development policy

Regarding regional development policy, all four countries encounter strong pressures for reform. National governments have felt a need to redesign strategies of regional development (Amin & Thomas, 1996; O'Leary, 2003; Steiner & Jud, 1998; Wälti & Bullinger, 2000; Schremmer & Tödting, 1996; Boyle, McCarthy & Walsh, 1999). Notwithstanding, and in line with our expectations, the processes of decision-making that were initiated to tackle such challenges display diverse characteristics. Table 1 summarizes the findings of our case studies in the field of regional development policy.

*****Table 1: Patterns of Decision-making in Regional Policy*****

about here

As visible, subnational actors play hardly any role within the decision-making processes in Denmark and Ireland. Transaction costs attached to negotiations in both countries were consequently low, and national governments had considerable leeway for shifting policies. Regional actors in federal countries, however, clearly impacted the decision-making processes analyzed. In Switzerland, cantonal resistance throughout the consultation procedure prevented a more radical change of status quo and transaction costs were high. Patterns in Austria show a more flexible approach. Due to constitutional silence regarding competence distribution, Austrian *Länder* were able to independently pursue their own policy goals. And even when confronted with an increased need for coordination as in the case of EU structural funding policies, Austrian *Länder* managed to agree upon the respective Programming Documents quite fast. This is *inter alia* attributable to the positive-sum character of these negotiations but also accrues from strategies of negative coordination¹⁵ that were pursued.

Transport Policy

With regard to transport policies, Switzerland, Austria, and Ireland faced comparable challenges throughout the last decades: increased mobility, especially on roads, which was accompanied by high external costs (Adelsberger, 2003: 141; Fitz Gerald, 2002; Sager, 2006: 713). The central challenges for Denmark arise from the geographic location of its capital and a perception of being situated at Europe's periphery. Fuelled by the economic crisis of the 1980s the construction of a fixed link across Øresund to Malmö was seen as a promising strategy (Ross, 1995).

Table 2 compares central characteristics of decision-making processes in the area of transport policy.

Table 2: Patterns of Decision-making in Transport Policy

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¹⁵ The term refers to a coordination strategy of subordinated units aiming to "not interfere with the established policies and the interests of other ... units" (Scharpf, 1994: 39). In the concrete case, the Austrian National Reference Framework was so broad the Austrian *Länder* could introduce measures of any kind.

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As visible, approaches in both unitary countries involve considerable policy shifts which were decided upon without regional involvement. Negotiations were fast, but intransparent such that transaction costs were low. In Denmark, environmentalists' objections were even overridden by the Ørestad Act (Folketing, 1992), which declared all pending cases regarding nature reserve setups to be dismissed. Notwithstanding, the major investment decision Ørestad is highly controversial with regard to its economic efficiency and subject to pork.¹⁶ The Irish Transport 21 programme displays comparable inefficiencies as experts criticize its bias towards private transport and the Greater Dublin Area as well as the inclusion of prestigious projects for political rather than efficiency reasons.¹⁷

Negotiations in both federal countries reveal, in contrast, a high level of inter-governmental conflict. Austrian *Länder* politicians use party political channels (Koralmbahn and Semmering tunnels) to further their interests but also rely on their competences in an adjacent policy area (environmental policy)¹⁸ to delay unwanted projects (Semmering tunnel). Whether this in principle impacts efficiency negatively is, however, questionable, as the general adequacy of the Koralmbahn project has been doubted (Institut für Verkehrsplanung und Verkehrstechnik (TUW-IVV, 2007)). In Switzerland, negotiations attached to the Rail 2000 project reveal varying levels of transaction costs. Once federal authorities (and popular vote) had approved the highly cost-intensive package of individual projects, cantons impacted a necessary reprioritization in a more coordinated way because negotiations appeared less redistributive. Moreover, there was less room for individual lobbying as the federal strategy was to rely on Swiss Federal Railway's technical expertise. The highly technical area of infrastructure investment thus enables the federal government to partly circumvent the "federal mechanism".

Interim Conclusions: Processes of Decision-making

¹⁶ The project grants two highways to the north of Jutland (E45 and E39) which assured the support of the so-called "Jutland mafia" (Majoor & Jorgensen, 2007: 196) in national parliament.

¹⁷ Examples include the Claregalway Bypass as well as the Metro North in Dublin (interview with Rau).

¹⁸ The *Umweltverträglichkeitsprüfung* (UVP), in which the *Land* and district authorities approve the environmental impact of a project, provides a good instrument for delaying implementation. Next to environmental concerns, one reason for the *Landeshauptmann* to oppose this project may have been to please his local electorate by demonstrating his influence in federal politics.

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Qualitative evidence on processes of decision-making by and large corroborates our theoretical expectation. Given a strong challenge for reform, negotiations entail higher transaction costs in federal than in unitary countries, as they are characterized by a strong integration of subnational actors. In Switzerland, cantons rarely act in a coordinated way, but take up divergent positions. As a consequence, negotiations are either protracted (NRP) or lead to cost intensive policies (Rail 2000). In Austria, deadlock in regional policy is circumvented by both constitutional silence on competences and incentives set by EU structural funding. Notwithstanding, negotiations in transport policies exhibit prolonged decision-making processes due to a strong informal influence of *Länder* governments which are at least partially electorally motivated. In contrast, processes of decision-making in both policy areas in Ireland and Denmark are fast and characterized by a low degree of conflict between levels.

In comparing policy areas, two findings stand out. Firstly, the area of transport policy is especially cost intensive such that single decisions entail a need to be scrutinized intensively beforehand. In this regard, federalism might have a positive effect as the strong involvement of subnational actors into processes of decision-making also increases actors' accountability by lowering information asymmetries and fostering public attention. As such, cost-intensive and presumably inadequate projects in the area of transport policy were subject to public debate in Austria but decided upon without being questioned in Denmark (Ørestad) and Ireland (Transport 21). Secondly, pork-barrel policies seem to be more easily integrated into decisions regarding transport policies. While in Ireland both policy areas have been affected by pork, Denmark exhibits evidence of pork in the area of transport policy.

5. Implementation in centralized and decentralized countries

Turning to the implementation phase of the political process, we analyze whether resource allocation occurs according to regional needs and public preferences. According to our theoretical argument, a sufficient amount of own resources on behalf of subnational administrations and a certain degree of discretionary leeway in using them are prerequisites for such variation.

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In Switzerland, Denmark, and Austria, implementation of national policies is mainly carried out by subnational administrations (Blom-Hansen & Pallesen, 2001; Fallend, 2005; Vatter, 2005), which employ thus a large share of public employees (Christensen & Pallesen, 2001; Bundeskanzleramt Österreich, 2009: 4; BADAC, 2009). In contrast, Irish national ministries and governmental agencies clearly dominate implementation in almost any policy area (Collins & Quinlivan, 2005).

Danish local governments and Swiss cantons and municipalities enjoy a high autonomy in terms of financing and policy discretion (Blom-Hansen & Pallesen, 2001; Dafflon, 1999; Lidström, 2001; Wälti, 1996). In contrast, Austrian *Länder* and municipalities are much more dependent on federal resources (Pelinka, 2008) and are much more restricted in policy implementation by detailed laws (Fallend, 2005). Irish subnational levels have no own tax competences at all and suffer from an overall lack of resources (O'Broin & Waters, 2007: 31).

In sum, the prerequisites for efficient resource allocation are doubtlessly given in our cases. The only diverging fact is the strong subnational administrations in Austria in terms of personnel, which are nevertheless severely restricted in their implementation leeway due to extremely detailed federal regulation and dependence on shared taxes.

Regional development policy

In Switzerland, Denmark, and Ireland, structures underlying the implementation of regional development policies are in line with the general characteristics described above. The Swiss and Danish programmes for regional development allow for a lot of discretionary leeway for subnational actors. Austria joins the decentralized countries since, unlike in many other policy areas, its subnational actors have their own competences and a lot of discretion in implementing regional development strategies. A summary of our findings is displayed in Table 3.¹⁹

***** Table 3: Patterns of Implementation in Regional Policy *****

¹⁹ We concentrate on programmes mainly implemented during the 1990s, as the new strategies introduced in Switzerland (NRP) and Denmark (after the turnaround of 2003) cannot be evaluated yet.

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Patterns of implementation in this policy area meet our theoretical expectation. In general, a decentralized provision of resources yields subnational variance which is considered efficient and effective. Swiss cantons trigger federal contributions by their own co-financing and as such decide on the amount and use of resources. This also holds for some Austrian programmes. The Danish state left the funding of subnational development entirely to the EU; eligible regions were only marginally restricted in the use of these resources.²⁰ The approaches in Switzerland and Denmark led to a high degree of subnational variation. Austria shows less variation, as *Länder* governments and their promoting agencies compete for the same federal resources and business investments. Ireland has weak local actors and suffers from particular structural problems due to overly centralized and poorly coordinated implementation by national departments and governmental agencies. Various reform intents did not manage to cure this problem. A spatially selective development policy thus seems out of reach in Ireland and also at the Austrian sub-*Länder* level.

Critical points mentioned throughout the expert interviews include the small scale of investments (Switzerland) and a lack of coordination between subnational entities (Austria, Switzerland) or between the local and national level (Ireland, Denmark). Moreover, regional policy is mostly grant financed in all countries leading to a degree of fiscal imbalance that is above average in Switzerland and Denmark. Nevertheless, these characteristics hamper efficiency only marginally. The high degree of policy discretion seems to compensate for negative effects by providing vast opportunities for innovative approaches as long as a certain amount of funding remains with the subnational units.²¹ In sum, decentralizing development strategies brings about incentives for efficient variation, just as theoretically expected and quantitatively corroborated.

²⁰ In this way, the Danish approach operated very selectively, as only two regions were eligible for EU funding.

²¹ Irish and Danish regions that are not eligible for EU funding can hardly develop their own development strategies.

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Transport Policy

Our comparison of transport policies focuses on public transport concepts and their implementation. There are considerable differences both in the extent of public transport services available (with Ireland at the lower end) and the degree of state involvement (the extreme case being Denmark with a very high level of outsourcing to private companies). Findings are shown in table 4.

***** Table 4: Patterns of Implementation in Transport Policy *****

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Switzerland has by far the highest level of subnational variation with regard to financing, organization, and quality of public transport. This partly resembles local preferences, but the fact that agglomerations regularly exceed jurisdictional boundaries provides for extremely strong coordination needs between cantons and municipalities. These are difficult to satisfy within the existing decentralized structure. This problem has recently been tackled by a new federal agglomeration policy.

In Denmark, administrative fragmentation in the capital region hampered regional coordination already established in the rest of Denmark. Regional traffic companies were integrated in several steps. With the 2007 merger, capital transport lost most of its peculiarities and is now privatized and integrated. In general, the regionally planned Danish system is considered to be adequate and efficient.

Transport policy in Austria is a highly complex issue, with all three governmental levels involved. Intents to decentralize the policy area to the regional level failed because the *Länder* feared additional costs. Furthermore, regional coordination of local transport companies was only established by extensive federal subsidies. As soon as more than one *Land* is involved,

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coordination is hard to achieve, as can be seen in the case of the *Verkehrsverbund Ostregion* (VOR).

Transport provision in Ireland has always been conjoined with planning policies. In the planning process, the disconnection between strongly decentralized planning and central-level decision-making threatens the implementation of major infrastructural projects (Bannon & Russell, 2001: 75). Also, effective regional coordination is absent (Fitz Gerald, 2002). The process of implementing Transport 21 is slightly different. Given the high amount of investments and the strong position of government agencies, inefficiencies rather emanate from limited accountability, rent-seeking, and limited economic analysis.

In sum, an efficient implementation of public transport policies depends on regional coordination such that an overly decentralized organization with far-reaching administrative fragmentation is highly problematic. Whereas this is a nationwide problem in Switzerland, it particularly affects the capital area in Denmark and Austria. A solution to the challenge of regional coordination is sought by costly incentive schemes in the Swiss and Austrian cases and a shift of competences and regional boundaries in Denmark.²² This shows repercussions of federal or unitary arrangements on decentralization, as the Danish option simply does not exist in federal countries. Ireland suffers especially from a lack of coordination between national transport strategies and local planning issues.

Interim Conclusions: Processes of Implementation

Just as expected, in Switzerland both policy areas exhibit a great degree of subnational policy discretion in implementation matters which is additionally backed up by a great variance in institutional and administrative set-up between the cantons. As a consequence, regional development and transport policy strategies vary strongly between Swiss regions. However, patterns of implementation in Switzerland constantly reflect the trade-off between efficiency gains through decentralization and a limited capability of small subnational units to effective-

²² The old counties were merged into larger regions and tasks formerly placed at the local and county levels were integrated at the regional level.

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ly make use of their right to act. As some of the cantons are extremely small, they lack the resources to implement complex federal laws (Linder & Vatter, 2001: 107f.) and thus rely upon intercantonal cooperation (Bolleyer, 2006a). The Danish case is characterized by high flexibility of the central state which frequently changes policies and redraws boundaries in order to increase efficiency. However, there is less subnational variation due to limited funding of especially the regional level. Austria, as a centralized state, in fact shows less subnational variation even in policy areas with substantial regional competences. The competition for federal co-funding is at least partly responsible for this fact. Irish implementation processes are hampered by a lack of coordination between departments and levels, a lack of coherent strategies, underfunding of subnational levels, and, consequently, the complete absence of a selective approach.

Comparing the two policy areas, transport policies show a much greater need for regional coordination. If this is not provided, significant efficiency losses result. This might explain the lack of a stable effect of decentralization on transport policy which was found in previous quantitative analyses.

6. Conclusion

Qualitative evidence on processes of decision-making as well as implementation by and large corroborates the expected causal mechanisms emerging from our theoretical model and additionally yields insights with regard to policy-area specific effects. Given a strong challenge for reform, processes of decision-making entail higher transaction costs in federal than in unitary countries as subnational entities use their constitutionally guaranteed competences (Switzerland, Austria) as well as informal political power (Austria) to push through individual interests. However, deadlock may be circumvented in case of a constitutional silence on the distribution of competences or incentives set by multi-level games as in the case of EU funding (Austria). Our analysis of transport projects further yields two area-specific findings: slowing down processes of decision-making does not necessarily entail negative effects as it might

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prevent costly and economically inefficient decisions from being taken (Austria). Moreover, the area seems highly prone to pork-barrel politics which serve strong but uncoordinated local interests (Ireland, Denmark).

With regard to the second dimension of territorial state organization, our case studies prove that subnational discretion arising from own revenue sources, personnel and policy discretion attributes to a large variance in policy implementation (Switzerland, Denmark, regional policy in Austria) while centralized countries exhibit difficulties in varying service delivery (Ireland, public transport in Austria). However, this variance does not necessarily entail efficiency gains, as these might be outweighed by strong, and policy-area specific needs for coordination. As such, regional coordination seems invaluable in case of public transport policies (Switzerland, Ireland, Austria). This explains the insignificant effect of decentralization in this policy area. With regard to regional economic policy, coordination is less necessary: positive effects of subnational discretion (trend towards more discretion and fiscal balance through NRP and new fiscal equalisation scheme in Switzerland) as well as high inefficiencies of a centralized approach (Ireland) are clearly visible in this policy area.

Table 1: Patterns of Decision-making in Regional Policy

	Switzerland	Austria	Denmark	Ireland
Policy approach	New Regional Policy (NRP)	(1) Regional policy instruments in the 1990s, (2) 2000-06 and 2007-13 Programming Documents	Various regional development strategies in the 1990s	National Spatial Strategy
Main actors (subnational actors in bold)	Federal government, expert commission, cantonal governments	Federal government, Länder governments, Conference of State Heads of Governments, Austrian Conference on Spatial Planning (ÖROK)	Ministry of Industry and Business, subordinated agencies and councils	Department of Finance, Department of Environment, Heritage and Local Government, external experts, local lobbyists
Transaction costs	High: medium duration of negotiations (almost six years) with high level of conflict between levels	Low: (1) <i>Länder</i> foster own policy initiatives, (2) fast agreement due to negative coordination	Low: short duration of negotiations with medium level of conflict	Low: short duration of negotiations with low level of conflict
Access points for subnational actors	Given: (expert commission), consultation procedure, working group NRP, (Council of the States)	Given: (1) own initiatives, (2) <i>ÖROK</i>	None: an entirely national competence	None: consultation process “largely a cosmetic exercise” (interview with Ó Broin)
Change of status quo	Limited: change of objectives, but partly prevalence with regard to strategies	Considerable: (1) correction of policy goals and establishment of many new instruments	Considerable: fundamental changes regarding regional policy’s paradigm, its strategies, and even the distribution of competences	Limited: change of policy but lack of institutional reform
Adequacy of new policy	Controversial: insufficient consideration of greater functional areas	(1) Given , (2) controversial due to non-binding agreement	Controversial: roll-back in 2003 (from cluster policies to equalising strategies) indicates programme failure	Controversial: lack of institutional reform, clientelistic features
Provision for implementation	Given: cantons as experienced actors, funding assured	Limited: (1) high number of implementing agencies, partially poor coordination, resources vary between state governments	Highly limited: not given by law, capability of existing structures varies, resources only through EU structural funding	Highly limited: no regional actors capable of implementation, no extra funding
Typical for country?	Yes	No	Yes	Yes
Theoretical expectation met?	Yes	(1) – ^a , (2) No: negative coordination and decentralized implementation provide for fast decision-making despite federal structure	Yes	Yes
Sources	(Interview with Boesch; Biela, Hennl & Kaiser, 2012; Bundesversammlung der Schweizerischen Eidgenossenschaft, 2006; Sekretariat für Wirtschaft. Seco, 2009)	(Interviews with Mayerhofer, Seidl; Heintel, 2004; Steiner & Jud, 1998)	(Interview with Halkier; Enemark & Jorgensen, 2001; Halkier, 2000; Halkier, 2001)	(Interviews with Breathnach, Ó Broin, Bartley; Davoudi & Wishardt, 2005; Government of Ireland, 2002; O’Leary, 2003)

^a In our theoretical model we do not develop a hypothesis on decision-making processes in policy areas with separate competences of the state levels.

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Table 2: Patterns of Decision-making in Transport Policy

	Switzerland	Austria	Denmark	Ireland
Policy approach	Bahn 2000	(1) Koralm tunnel (2) Semmering tunnel	Ørestad	Transport 21
Main actors (regional actors in bold)	Federal government, Federal Office of Transport (<i>BAV</i>), Swiss Federal Railways (<i>SBB</i>), cantonal governments, cantonal conference of directors of public transport (<i>KÖV</i>), regional committees	Federal Ministry of Transport, Innovation and Technology, High-Performance Railway Line Corporation (<i>HL-AG</i>), governments of Lower Austria, Styria, and Carinthia	Würtzen committee (responsible for finding solutions to the capital's traffic problems), representatives of major political parties, Copenhagen mayor	Department of Finance, Department of Transport, National Roads Authority (<i>NRA</i>), local lobbyists
Transaction costs	Level of transaction costs varies depending on coordination between cantons and role of <i>SBB</i> (high in the beginning, medium later on)	(1) Medium : fast negotiations but conflicts regarding realization and financing, (2) high : long duration of negotiations with high level of conflict; delays and planning changes	Low : short negotiations in a back room deal, circumvention of public hearings	Low : short negotiations (11 months) with low level of conflict
Access points for subnational actors	Given : consultation procedure on routing proposals, (parliamentary debate), negotiations between <i>KÖV</i> and <i>BAV</i>	Given : party channels, (1) ruling party part of federal government (2) competences in the area of environmental policies used to delay project and exert influence	None : exclusive and intransparent decision-making	None : except for the Dublin Transport Office
Change of status quo	Considerable : comprehensive though very expensive modernization of rail network	Considerable : far-reaching construction decision passed	Considerable : far-reaching construction decision passed	Limited : major investments for roads but less for public transport
Adequacy of new policy	Given	(1) Controversial cost-effect relation, (2) given	Controversial : no job creation in high-tech industries detectable; pork-barrel	Controversial : focus on roads inhibits sustainability; pork-barrel
Provision for implementation	Given : <i>SBB</i> as experienced actor, funding assured though reprioritization necessary	Highly limited : <i>HL-AG</i> responsible for implementation, financing unclear, Semmering tunnel blocked by Lower Austrian government, cost-intensive solution at hand	Given : state-owned private company with implementation rights, government guarantees	Limited : <i>NRA</i> and Railway Procurement Agency as experienced actors, weak economic analysis stresses funding
Typical for country?	Yes	Yes	No	Yes
Theoretical expectation met?	Partly	Yes	Yes	Partly
Sources	(Interviews with Maibach, Sager; Eidgenössisches Departement für Umwelt Verkehr Energie und Kommunikation. Bundesamt für Verkehr, 2007; Keller, Frick, & Sager, 2008; Konferenz der kantonalen Direktoren des öffentlichen Verkehrs, 2007; Schweizerischer Bundesrat, 1994)	(Bundesministerium für Verkehr Innovation und Technologie der Republik Österreich, 2002; Institut für Verkehrsplanung und Verkehrstechnik (TUW-IVV), 2007; Lindenbaum, 2003)	(Andersen, 2003; Hansen & Jamison, 2004; Major & Jørgensen, 2007)	(Interviews with Rau, McDonagh, Callanan; Barrett, 2006; Dublin Transportation Office, 2009; Transport 21 Division - Department of Transport, 2009; van der Kamp, 2001)

Table 3: Patterns of Implementation in Regional Policy

	Switzerland	Austria	Denmark	Ireland
Policy approach	Investitionshilfegesetz (IHG)	STRAT.AT	EU Structural Funds	Local development initiatives (LDI)
Actors (regional actors in bold)	IHG regions, cantons and local governments	Federal Ministries of Transport (BMVIT), Economics (BMWA), and Science (BMWF), chancellery, several national agencies (TIP, AWSG), nine Länder governments with numerous outsourced agencies, 31 regional managements , Austrian Conference on Spatial Planning (<i>ÖROK</i>) as coordinating body	National Government, Danish Agency for the Development of Trade and Industry (DATI, now DEACA), since 2007: regional governments, regional development fora, local governments	Government departments, Area Development Management (ADM, now Pobal), parallel structures of LDIs, established by different departments, such as Area Based Partnerships (ABP) and County Enterprise Boards (CEB), LEADER groups, counties and cities
Financial and personnel resources	Varying : given for investments in small-scale infrastructure but constrained beyond it, resources provided by cantons vary	Personnel: adequate , financial conditions varying between <i>Länder</i>	Insufficient : EU funds only accessible for certain areas	Adequate in case of ABP, LEADER and CEBs, insufficient in case of counties and cities
Vertical fiscal imbalance	Medium : cantonal investments in regions trigger federal contributions (50%), leads to windfall gains	Medium : mainly joint funding by EU, federal, and <i>Länder</i> levels	High : exclusively grant financed	High in case of ABP, LEADER, CEBs, and counties and cities
Policy discretion	High : given for IHG regions (investments are based on regionally compiled development concepts), resource allocation by cantons	High : <i>Länder</i> have leeway for interpretation of Strategic Reference Framework, negative coordination, central level has no monitoring competences	High : within national framework, varying over time: stronger influence on policy goals by end of 1990s	Medium in case of ABP, LEADER, CEB, but decreasing due to cohesion process, Low in case of counties and cities
Degree of subnational variance	High : with regard to provision and allocation of resources	High : selective distribution of EU funding, organizational variation; no selective approaches at the sub- <i>Länder</i> level	High : only specific areas (North Jutland, Baltic Islands) gain EU funding	High policy variance, but only marginal impact due to small scale and limited funding of LDIs
Horizontal cooperation	Limited : strong need for coordination has led to reform (<i>Neue Regionalpolitik</i> , NRP)	Insufficient : competition on funding between <i>Länder</i> and municipalities prevails, coordination only on broad terms	Insufficient : pre-2007 uncoordinated and ineffective, remedied through establishment of Regional Development Fora in 2007	Insufficient between national departments and agencies and between individual LDIs, no improvement through CEBs
Efficiency of Implementation	High with regard to regional disadvantages, small-scale infrastructure, limited with regard to innovation, large-scale problems and competitiveness	Low : Incentive problems through fiscal system, small scale and high administrative costs, intransparent structures let the system depend strongly on personal relationships	Medium : varying results, several positive examples, restricted resources	Medium : innovative approaches of individual LDIs, but insufficient cooperation and duplication of services, deficient integration of local initiatives
Typical for country?	Yes	Yes	Partly	Yes
Theoretical expectation met?	Partly : effects of fiscal imbalance visible	Yes	Yes	Partly
Sources	(Interview with Boesch; Bieger, et al., 2004; Eidgenössisches Volkswirtschaftsdepartement, 2004)	(Interview with Mayerhofer; Downes, 2000; Fallend, 2007; Heintel, 2004)	(Interview with Halkier; Ahedo Santisteban, 2006; Villadsen, 2002)	(Interviews with Ó Broin, Adshead and McInerney; O'Broin & Waters, 2007; Turok, 2000)

Table 4: Patterns of Implementation in Transport Policy

	Switzerland	Austria	Denmark	Ireland
Policy approach	Regional and urban transport	Public transport in the VOR	Public transport in the capital region	Transport 21
Actors (regional actors in bold)	Department of the Environment, Transport, Energy and Communications (UVEK), Federal Office of Transport (BAV), Federal Roads Office (ASTRA), Federal Office for Spatial Development (ARE), cantons, local governments, regional bodies, local transport companies , National Railway (SBB)	Federal Ministry of Transport (BMVIT), Länder governments of Vienna, Lower Austria, and Burgenland, Regional Transport Association (VOR), municipal transport companies , Federal Railway Company (<i>ÖBB</i>)	Since 2007 merged to 2 regions (Capital/Hovedstaden and Zealand/Sjælland) and one common transport association (MOVIA), additionally Danish Railway Company, private operators, partly municipality-owned Copenhagen Metro Company. Until 2007 fragmented into three transport agencies, two cities, five counties, 50 municipalities	Department of Transport, Transport 21 Monitoring Group, National Roads Authority (NRA), Railway Procurement Agency (RPA), Dublin Transportation Office (DTO) , Irish Planning Board (<i>An Bord Pleanála</i>), counties and cities as contractors, state-owned group of transport companies (CIÉ), Irish Railways <i>Iarnród Éireann</i> , private operators
Financial and personnel resources	In general adequate , but huge variance between agglomerations	Adequate , but persistently conflictive between the involved governments	Adequate	Adequate , but constrained by cost overruns
Vertical fiscal imbalance	Low : clear division of responsibilities between federal and cantonal levels	High : system mainly federally financed through “complex and intransparent” system of transfers and reimbursements	High : regions financed by local and central government grants, transport companies financed by local and regional authorities	High
Policy discretion	High : implementation left to cantonal and municipal level, fiscal incentives by federal level	Medium : transport planning <i>Länder</i> task since 1999; strong incentives given by federal financing	High : travel fares and degree of subsidiation depend on the region	High for agencies, low for counties and cities
Degree of sub-national variance	High on both cantonal and local levels regarding resources and organization	Medium : mostly through geographic conditions	Low : similar organisations countrywide	Low
Horizontal coordination	Insufficient tackling of area specific needs, efficiency losses through economies of scale, remedy through agglomeration policy possible	Adequate within <i>Länder</i> : regional transport associations coordinate local transport providers, insufficient between <i>Länder</i>	Since 2007 adequate regional coordination in both capital area and the rest of the country, prior to 2007 insufficient in capital area	Insufficient : no regional coordination office except for Dublin, number of departments and agencies involved exacerbates cooperation
Efficiency of implementation	Medium : variance in output partly reflects limited resources and cumbersome coordination	Medium to low : several examples of partial inefficiency, coordination slow and conflictive, overall quality of services good, but expensive	High in rural Denmark, medium in capital area (cost refunds per passenger higher), Copenhagen Metro suffers from high cost overruns	Low : high implementation deficits, partly due to appeals to the planning board, serious cost and time overruns, limited accountability, inadequate prioritization
Typical for country?	Yes	Yes	Partly : coordination particularly difficult in capital area for political reasons	Yes
Theoretical expectation met?	Partly : limited efficiency gains through decentralization	Yes	Yes	Yes
Sources	(Interviews with Kübler, Schenkel, Maibach, Sager; Eidgenössisches Volkswirtschaftsdepartement, 2006; Sager & Kaufmann, 2006)	(Hermann, 2006; Lindenbaum, 2003; Wieser, 2002)	(Interview with Flyvbjerg; Costa, 1996; Flyvbjerg, 2007; Hansen & Jamison, 2004)	(Interviews with McDonagh, Rau; Barrett, 2006; Rau & McDonagh, 2007)

Appendix

a) Expert interviews

Adshead, Maura and Chris *McInerney*, University of Limerick, 26 September 2007; *Andersen*, Torben M., University of Aarhus, 19 June 2007; *Bartley*, Brendan, NUI Maynooth, 25 September 2007; *Boesch*, Martin, University of St. Gallen, 14 May 2008; *Breathnach*, Proinnsias, NUI Maynooth, 25 September 2007; *Callanan*, Mark, Institute for Public Administration, Dublin, 27 September 2007; *Flyvbjerg*, Bent, University of Aalborg, 31 March 2008; *Halkier*, Henrik, University of Aalborg, 20 June 2007; *Kübler*, Daniel, University of Zurich, 15 May 2008; *Maibach*, Markus, Infras, Zurich, 13 May 2008; *Mayerhofer*, Peter, Austrian Institute for Economic Research (WIFO), Vienna, 2 September 2008; *McDonagh*, John, NUI Galway, 12 September 2008; *Ó Broin*, Deiric, NorDubCo, Dublin, 9 September 2008; *Rau*, Henrike, NUI Galway, 11 September 2008; *Sager*, Fritz, University of Berne, 5 July 2007; *Schenkel*, Walter, Synergo, Zurich, 15 May 2008; *Seidl*, Markus, Austrian Conference on Spatial Planning (ÖROK), Vienna, 1 September 2008.

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