

1999

The Origins of Devolution: A Speculative Note

Scott Loveridge

Follow this and additional works at: https://researchrepository.wvu.edu/rri_pubs



Part of the [Regional Economics Commons](#)

Digital Commons Citation

Loveridge, Scott, "The Origins of Devolution: A Speculative Note" (1999). *Regional Research Institute Working Papers*. 173.

https://researchrepository.wvu.edu/rri_pubs/173

This Working Paper is brought to you for free and open access by the Regional Research Institute at The Research Repository @ WVU. It has been accepted for inclusion in Regional Research Institute Working Papers by an authorized administrator of The Research Repository @ WVU. For more information, please contact researchrepository@mail.wvu.edu.

The Origins of Devolution: A Speculative Note

by

Scott Loveridge

RESEARCH PAPER 9904

Scott Loveridge, Director, Regional Research Institute
P.O. Box 6825, West Virginia University, Morgantown, WV 26502-6825
Telephone: 304-293-8734; Fax: 304-293-6699; E-mail: sloverid@wvu.edu
Web site: <http://www.rri.wvu.edu>.

Paper presented at the Southern Regional Science Association Meeting,
Richmond, Virginia, April 17, 1999

Abstract: Why is devolution gaining strength both in the United States and in other highly developed countries? This note looks at broad social and economic trends that may be contributing to the movement toward more local control of government operations. Among the points discussed are: the end of the cold war; the information age, the booming economy, the increasing globalization of the economy, the rise of the south; and society's increased understanding of environmental issues. A concluding section comments on what it all means for regional scientists.

Acknowledgements: The author thanks Dr. Judith Stallmann, Texas A&M University, for valuable comments on an earlier version of this work.

Introduction

What is “devolution”? For the purposes of this note, devolution is a movement to place governmental power in the hands of elected or appointed managers operating at a level closer to the beneficiaries of government actions. At the time of this writing, midway through President Clinton’s second term, significant steps have been taken to promote devolution in the United States. Clinton, with assistance from the Republican Congress, kept his promise to “change welfare as we know it” by signing legislation that dramatically changed how needy families are supported. States have more control over how welfare benefits are paid and families have a much shorter time frame over which they can expect to receive support. The Workforce Investment Act, signed in 1998, bundles monies previously managed by several federal agencies through a host of programs, including the Job Partnership Training Act program. The bundled monies are now transferred to the states in bulk, and the states are responsible for establishing state and local boards that will be charged with identifying, paying, and evaluating providers of worker training. Swenson (1999) documents continued decline in federal investment and consumption as a percentage of GDP, while state and local government expenditures have remained fairly steady since the late 1970s. Swenson also notes that real per capita federal aid to state governments increased by 14% from 1992 to 1997.

While this note focuses on the United States for most of its examples, I note here in passing that devolution is not simply an American phenomenon. In Britain, Wales and Scotland now have local representative assemblies for the first time in history, and there is discussion about possibly carving England into several regions, each with its own representative assembly. Canada has just created a new territory, Nunavut, giving the indigenous people who live in the territory more autonomy. One might argue that the European Union in general, and the adoption of a single currency in particular, is a countervailing movement towards centralization. However, the single currency is viewed by proponents of devolution within European countries as an opportunity because it makes regions of each country less dependent on their national government. Scottish nationalists, for example, are proponents of Britain’s entry into the single currency system.

The purpose of this note is not to debate the appropriateness of the particular policies mentioned above. Nor are the above examples intended to provide a comprehensive listing of devolution initiatives taken by the Federal or state governments in recent years. The important points, for purposes of this exposition are that: 1) there is rhetoric supporting devolution among policy makers, and; 2) laws and policy changes have been implemented that provide at least the appearance of furthering the cause of devolution. The object of this note is to speculate about where the support for devolution originates, and why it might be strong in the United States at this time. I offer no proof here; this is a discussion paper intended to draw out ideas from others. The rest of paper is organized by broad themes. First, a very brief and probably incomplete historical perspective on devolution is offered. The end of the cold war and its contribution to devolution is discussed in the next section. Then the information age, the global economy, the roaring nineties, persistent social problems, the rise of the south, and increasing environmental awareness receive similar treatment. The paper concludes with implications for regional scientists.

Some Historical Context

The history of the United States offers some fairly obvious points in time when the level local control changed substantially. The Declaration of Independence in 1776 marked a vigorous move away from a centralized regime to thirteen semi-autonomous local governments, loosely bound by federation. The Constitutional Convention in 1789 was in many ways, a counter-revolution. The central government came away from the convention with much stronger powers. Later amendments to the constitution, most notably the Bill of Rights, moderated the federal government’s constitutional powers. In the debate over the issue of slavery, a state’s ability to develop its own definitions of property seemed to grow for a

certain period of time. When reaction to the Dred Scott decision, the addition of more non-slave states to the Union, and the election of an abolitionist President seemed to foreshadow a more centralized decision making process, war broke out between the states. The conclusion of the war left the federal government with much stronger powers. Still, the federal government avoided intervention on most social issues. Segregation persisted in the South. Throughout the country, assistance to the poor was primarily the purview of churches and local government. In response to the economic crisis of the 1930s, the federal government enlarged its scope of action to include anti-poverty programs. The civil rights movement of the 1960s led to stronger federal intervention on such issues as voter rights, desegregation, and equal opportunity.

Probably this brief history lesson has some gaps in it. The point is not to provide a complete history of the United States, but to note that throughout its history, the balance of power between the federal and state governments has changed from time to time. While the reasons for the past give and take between the federal and state governments is reasonably well understood, what we are living through now and why it is happening is less broadly documented. What follows are some ideas about why we are currently seeing more emphasis placed on state involvement, particularly in the area of social policy.

The End of the Cold War

The Cold War came to an abrupt end at the beginning of this decade--with a snuffle. Eager East Berliners pushed over the Berlin Wall. Like dominoes, regimes in country after country of the old soviet block followed the Wall's example, and fell. There was no great apocalypse. In the battle of ideologies, the western model of free markets and democratically elected government won the day. How did the end of the Cold War affect American attitudes towards its government? I note two subtle forces that may have set the preconditions for a move towards devolution. First, there was no longer a need for a "united we stand" mentality in America. With no common enemy against which we could unite, there was less need for a strong Federal Government—recall that the Eisenhower administration started the interstate highway system as a means of improving troop and equipment movement across the continent. There was therefore perhaps less psychic need for equal treatment of all Americans irrespective of their geography. Second, the communist ideology was built upon a foundation of sharing resources equally among all citizens, which would of course lead to a strong central government allocating resources according to some nationally determined formula. One might plausibly argue that to better compete with the communist ideology, western governments adopted elements of soviet policies. Hence the welfare state was developed not only to cope with real problems in the United States, but also to demonstrate that hard-edged capitalism could be successfully modified to address human needs. With the collapse of the soviet empire, there was less need to adopt policies that look like the best elements of that (very flawed) system. So the federal system of distributing benefits according to some specified national formula could be re-examined.

The end of the cold war was not a driving factor in the push for devolution. Rather, the end of the cold war signaled the end of one strong reason for centralized social policy.

The Information Age

While it is not yet possible to argue that computers are available to everyone in the United States, the personal computer and its smaller cousins have certainly become much more firmly entrenched in American life over the past decade. It is rare—if not impossible—to find a local government office that does not possess some kind of computer system.

At the dawn of the information age, the enormous expense of computing power and the level of technical skill required to use computers effectively was a strong centralizing force in government operations. Only at the Federal level were economies of scale large enough to offset the fixed costs associated with using computers. To effectively use computers, programs had to have a certain level of standardization—all participants using the same form, for example.

The improvements in software design and hardware capacity over the last decade, together with much lower costs, have translated into much higher capacity at the state level to manage and process information. Local governments now feel their ability to manage the information aspects of programs is just as good as the Federal Government's information capacity. They are making their viewpoint known.

Another aspect of the information age has to do with local control over media content. Not too long ago, people typically got all their information about current events through a locally edited newspaper. Then came television with its national news programming. Many local newspapers changed their format substantially; others simply died. Local TV news is available, but with so many channel choices now facing the consumer, their market share is not what it once was. We also now have the Internet, which has so many "channels" that I'm not sure anyone has counted them.

Dawkins coined the concept of a "meme" in 1976; his book has since gone into a second edition. A meme, according to Dawkins, is a self-replicating bit of information that takes up residence in our brains. Like a biological gene, it survives by passing itself on to others. To the extent that the media have become more fragmented, our sources of memes are now more fragmented. This means that we are likely diverging, at the local level, in terms of how our local opinions and intellectual programming is formed.

As local media power has faded, the local sense of ownership over agenda setting has decreased. There is less consensus locally about what ought to be done. This sense of fragmentation may increase desire for a larger measure of local control and engagement in government programs.

The Global Economy

Related to the information age is the global economy. The information age has made possible the rise of the global corporation. Decisions made in Munich can dramatically affect the lives of the residents of a quiet area of the southeastern United States, as, for example, when BMW decided to locate a major facility in the area. The information age made the global economy possible by making it easier to manage international operations, and through mechanisms that allow local tailoring of international products.

How is this phenomenon related to the drive for devolution? There are two elements of the global economy that encourage devolution. First, when the structure of industry was more atomistic, many industries literally grew up locally. Corporate management and local government leaders knew each other intimately. Relationships and power arrangements were developed over generations. Corporate commitment to localities was strong. So local government felt they had champions, political and economic, upon whom they could draw in times of need. The new global economy has changed the cozy relationship many communities enjoyed with corporations. Management may be brought in from the outside and moved along to another post in less than five years. The manager of the local branch plant therefore has a much shorter time horizon over which to plan. Impacts of community investment must pay off more quickly, limiting interest in, and scope of, these investments. While management's loyalty has always been to the corporation, the balance between community ties and corporate interests has tipped more towards the corporation. Often, a large portion of corporate giving is not even decided by the local management team, but rather a special unit that covers all of the corporation's worldwide operations.

With fewer informal levers to push, local government feels the need to replace this loss of power with more control over other resources.

A second way in which the global economy has fueled the movement towards devolution has to do with the buffalo hunt. The multinational corporation has tremendous access to capital, and the ability to transform a farmer's field into a huge plant employing thousands in the space of a year or two. Communities compete with neighboring jurisdictions, other states, and other countries for these bounties of the global economy. More local control of resources and programs translates into at least the illusion that localities can tailor their incentive programs to more nearly match their targeted industries needs, or at least overcome some of their larger obstacles to interest from multinational corporations in local sites. While it might be argued that this will ultimately result in a race to the bottom (see Loveridge, 1996 for a more detailed discussion of local reasons for recruiting), the fact remains that local governments engaged in recruiting branch plants want more options as they pursue this economic development strategy.

The Roaring Nineties

As people become wealthier, they tend to demand more government services. As higher levels of government services are desired, it may be that people prefer to obtain those services in a fashion tailored to fit their needs through local processes, rather than through one-size-fits-all federal programs.

The 1990s have set multiple records in terms of the growth of the economy. Fewer people are dependent on federal assistance, and for shorter periods of time. Thus the constituency for federal programs is probably as low as it has been since income guarantees were first created. State governments, often in danger of deficit and default in the 1980s, now have surpluses. Under TANF, caseloads have dropped precipitously. As the boom times continue, there may be optimism that problems are not too intractable to be solved through local intervention. There is less fear of cuts in Federal programs because of the state budget surpluses. If many regions were facing high levels of unemployment, the story might be different.

Another aspect of prosperity is that in some sense, the poor get richer. Many of the poor in the United States now have a lifestyle reserved for moderately wealthy individuals in other countries—access to running water and electricity, for example. Thus there may be less sympathy for poor Americans now than there was in other times. So there is less articulated support for a strong federal equalizing role in anti-poverty programs.

Persistent Social Problems

There is no question that federal programs have done many people a lot of good. The other side of the story is that federal intervention and federal program have not ended poverty, racism, or crime. Pockets of regional poverty that existed in the 1930s when many of these programs were put into place still lag behind the nation today. The problems of inner city decay and crime are also still with us despite huge investments in housing and other programs. Massive planning mistakes have been made in housing, most notably putting up enormous complexes that concentrated poor families into very small areas and destroying existing social support networks. Social problems have festered in these areas, providing wonderful material for people who want to attack federal programs. There may be a feeling now that the Federal Government has done about all it can do in some of these areas, and that local solutions are needed for the remaining problems.

The Rise of the South

Strong state government is, of course, cited as one justification for the secession of several southern states from the union in the last century. After the war, southern political and economic power was decimated.

Recovery was slow. As the south recovered over the last two decades, it regained population and its manufacturing base. A rise in southern political power followed, as evidenced by the fact that we have a President and a Vice President who are both from the south. The fact that the Administration is Democratic helps it pursue a policy of devolution. When Republicans try to re-engineer social programs, they are viewed with suspicion. When Democrats engage in social tinkering, it is a little like Nixon going to China. Nixon's strong anti-communist credentials convinced the electorate that the move wasn't "America going soft on communism". Similarly, a Democratic initiative with respect to social programs is not as widely viewed as America walking away from its commitment to social justice.

Culturally, the South has a strong tradition of state's rights. Southern political power may therefore enhance the drive for devolution—at least to the level of the state. Local governments are rather weak in southern political systems.

The need to introduce better civil rights—everywhere, but especially in the south--weakened the case for devolution until recently. Civil rights have advanced, though one certainly cannot argue we have achieved perfection. At least people sit wherever they want on the bus. With a few of the more glaring faults in our system of social justice repaired, the case for allowing more local control could be resurrected.

The Western United States

The West has also become more important in the political and economic landscape over the past two decades. The western areas of the United States have stronger traditions of personal independence than do other regions of the country. Also, the West is further removed geographically from Washington than other parts of the country. The West has been a leader in tax revolts, specifically limiting property tax increases. There is thus reason to believe that increased power in the West makes for stronger urges to reduce government overall. Devolution can be seen as one step in the process of reducing government's role in certain aspects of society.

Increasing Environmental Awareness

Perhaps the slogan, "Think Globally, Act Locally" says enough on this topic. As our understanding of the environment has increased, it has become clear that one size fit all environmental policies may not be helpful in achieving a balance between economic prosperity and sustainability. Local groups chafe over federal policy, whether it be too stringent, not tough enough, or simply applied in the wrong areas. An example might be wetland protection. Under federal policy wetlands are "restored" in areas unlikely to attract any wildlife at all, and often at great expense. For example, in Minneapolis, a wetland was installed in the center of a cloverleaf intersection in heavily developed area the city, with no forage or wild areas for at least half a mile. The "wetland" had steep slopes leading into the watery area, a potentially life threatening hazard for motorists who happen to go off the road. Examples such as this, where well-intentioned policy has gone awry, make people yearn for more local control. More serious are the situations where federal policy threatens local economic interests. The most famous case of this is the spotted owl controversy.

A less famous, but related and potentially more interesting case is that of the Quincy Library Group, a local entity from a forestry-dependent area of California that followed President Clinton's advice to "get out of the courtrooms into the meeting rooms" to address environmental and economic concerns (Terhune and Terhune). The group, a non-official entity composed of representatives from the timber industry and other community representatives, made proposals for alternative management systems of National Forest in their area. Using GIS and other analytical techniques, the QLC studied the forest for several years and

developed habitat-specific recommendations to maintain the forest cover, implement spotted owl protection, establish riparian habitats, and restore watersheds. The QLC does not have good relations with the local representatives of the U.S. Forest Service. Frustrated with the local representatives of the Forest Service, representatives of the group traveled to Washington to plead their case with senior administrators, and ultimately fought to have national legislation passed to allow their plan to be implemented. As more of these situations arise, the impetus for local control grows.

What Does it All Mean for Regional Scientists?

The Good News. Renewed emphasis on state and local policy will almost certainly translate into more demand for the services of regional scientists. So we'll all keep our jobs, get big raises, and perhaps have some more colleagues as we move forward in time. The scope and variety of questions will keep our jobs interesting. There are good prospects for attracting a lot of bright people to the field.

The Challenges. Decreased emphasis on the federal role in social policy will likely also translate into more degradation of the federal statistics we all depend so heavily upon. So we may be challenged to do more analysis with fewer baseline statistics. As policies devolve, studies conducted in one part of the country may have little applicability in other parts of the country. We will have to rely more on our own creativity in developing appropriate analytical techniques or adapting other studies to best fit the needs of the areas we are studying. Many of us depend, either directly or indirectly, on federal dollars for support to come to meetings such as the one where this paper is being presented. We may need to learn to shift our ways of obtaining support from federal to state and local sources.

Is Devolution a Myth?

One must keep the Coase rule (i.e., that changing the rules doesn't change who makes economic decisions) firmly in mind when considering devolution. Notwithstanding all the discussion above, the federal government remains a powerful force with the United States. One only has to compare taxes paid on April 15 this year to the federal government versus one's own state government to quickly know that the federal government gets most of the revenue. The examples cited in the introduction, TANF and the 1998 Workforce Investment Act, are devolutionary, but with federal pass-through and rule setting. Washington will continue to develop the guidelines under which states and local governments spend dollars on social programs. Unless massive tax code changes are enacted, the overall agenda setting will continue to be located in Washington, not in state and local government. Counter-devolutionary forces continue to defend their territory. As an example, movements to award agricultural research dollars on a more competitive basis (as opposed to formula funding) were successfully defeated several times in the past two or three years. In one case (Fund for Rural America), legislation passed but no appropriations were given to implement the bill.

Bibliography

Dawkins, Richard, *The Selfish Gene*, Oxford University Press. 1976 (1st Ed.), 1988 (2nd Ed.).

Loveridge, Scott, "On the Continuing Popularity of Industrial Recruitment," *Economic Development Quarterly*, 10(2): 151-158. May, 1996.

Swenson, Dave, "Federal Aid to State Governments and its Impact on State Revenues and State Spending: Devolution or Convolution?" Paper presented at the Southern Regional Science Association meetings, Richmond, Virginia, April 17, 1999.

Terhune, Pat and George Terhune, "The Quincy Library Group," Case Study Prepared for the workshop, *Engaging, Empowering, and Negotiating Community: Strategies for Conservation and Development*, October 8-10, 1998.