

Artigo submetido a 17 de Agosto 2020; versão final aceite a 5 de Fevereiro de 2021
Paper submitted on August 17, 2020; final version accepted on February 5, 2021

“Heaven Can Wait”... But Can Portuguese Regionalization? Brief Assessment of the Outcomes of Portuguese Decentralization Strategies Over the Last 20 Years

“O Paraíso Pode Esperar”... Mas Poderá a Regionalização Portuguesa? Breve Avaliação dos Resultados das Estratégias de Descentralização Portugueses nos Últimos 20 Anos

Tiago Vieira

tiagoalexandre.vieira@e-campus.uab.cat

Universidad Autónoma de Barcelona

Abstract

The current paper stands as a comparative inquire to the consequences of Portugal rejecting the creation of an intermediate level of governance between the central and the local - the regional. It analyses if such rejection meant the stagnation of decentralization, and whether it prevented Portugal from catching up with remaining EU member states in this regard. We also look to the consequences of rejecting regionalization in terms of the inequalities between regions. Again, this is done also in relative terms, observing the trends in the rest of the EU member states. As a last axis of research, this paper concludes that there is low level of association between decentralization strategies and reduction of inequalities among regions. Trade openness is identified as a much more significant variable to be associated with negative impact in terms of the inequalities among regions within the same country.

Keywords: Decentralization, de-concentration, regionalization, Regional Authority Index, Federalism, Portugal

JEL Code: H10; H77; R50

Resumo

O presente artigo consiste numa leitura comparativa das consequências de Portugal ter rejeitado a criação de um nível intermédio de governação entre os poderes central e local - o regional. Analisa-se se essa rejeição significou a estagnação da descentralização, e se isso impediu Portugal de alcançar os restantes estados membros da UE nesta matéria. Também olhamos para as consequências da rejeição da regionalização em termos das desigualdades entre regiões. Também aqui a análise é feita em termos relativos, tendo em conta as tendências nos demais estados membros da UE. Como último eixo de investigação, este artigo conclui que existe um baixo nível de associação entre estratégias de descentralização e redução das desigualdades entre regiões. O grau de abertura do mercado é identificado como uma variável muito mais fortemente correlacionada com um impacto negativo em termos da desigualdade entre regiões de um mesmo país.

Palavras-chave: Descentralização, desconcentração, regionalização, Regional Authority Index, Federalismo, Portugal

Códigos JEL: H10; H77; R50

1. INTRODUCTION

If there is one trademark that can be appreciated over the last decades regarding the shift in the states' apparatuses, decentralization (or *devolution*, if you will) of power is certainly among the top contenders - the world has lived a "revolution in governance" (Ryder, 2015).

Ups and downs, and contradictions notwithstanding (Sorens, 2009), such event is everything but the product of randomness. In a framework marked by different waves of democratization over the years and decades (Fukuyama, 2018), decentralization policies emerged as both necessary condition for, and consequence of democratic consolidation (Diamandouros *et al*, 2006).

Beyond the common understanding at national level of each country, international institutions' realization of the importance of decentralization led them to develop mechanisms and incentives for such decentralization to occur smoothly (Erk & Sweden, 2010).

Freshly out of an almost five decades long dictatorship, Portugal seemed to have understood it quite clearly. Major plans for power decentralization that would break a long-withstanding history of centralism were enshrined in the 1976 Constitution of the Portuguese Republic (Costa & Osório, 2013), the most substantial by-product of the popularly named "Carnation Revolution" - occurred on the 25th of April of 1974.

The new constitution put in motion a true rebirth of local structures of power with no precedent in the history of the country. Simultaneously, the goal to create a new level of democratically scrutinized power between the central and the local - the regional - was enshrined in the constitutional text. However, following decades of stalling, in 1998, the popular vote on a referendum dictated that the process of *regionalization* was not to see the actual light of day (even if was not removed from the Constitution either) (Silva, 2017).

As hereafter briefly explored in this paper, this was not only against the broader international trends of decentralization, but also - if put in perspective, on the long run - an unexpected development (Alves Correia, 2015).

Be as it may, unsurprisingly, the Portuguese decision not to implement its constitutionally predicted regionalization did not prevent the rest of the world, and particularly the EU member-states, from moving on to enhance mechanisms of decentralization in each country. Indeed, to some extent paradoxically, it did not even prevent Portuguese governments to put in motion reforms that would be responsible for devolution of power to both municipal and inter-municipal structures (Zegras *et al*, 2013).

Now, more than two decades after the Portuguese people have rejected the regionalization, this once left-to-die topic (Nanetti, Rato & Rodrigues, 2004) seems to be emerging again through different channels¹ - even outside of the country's borders (OECD, 2020). A renewed interest of the Portuguese society on this issue invites us to look at it from a comparative angle. Among others, two questions stand out as particularly pertinent:

(i) Have the decentralization strategies put in place by the different Portuguese governments of the last two decades allowed the country to follow the general trend in terms of decentralization of power?

(ii) Beyond the power devolution *per se*, have these strategies' efficiency allowed Portugal to reduce the inequalities between regions in any way comparable to the rest of the EU-members?

To provide a comprehensive answer to these questions the present paper is structured as follows: a two folded literature review on (a) broad trends of power decentralization throughout the world, and (b) a historical account on the pre and post-regionalization referendum in Portugal; an econometric exploration of the relevant indicators, such as the Regional Authority Index (Hooghe, Marks and Schakel, 2010) the GDP *per capita*, *per* region, and the degree of trade openness of each country; and a discussion of our findings, preceding a conclusion where some policy suggestions are formulated.

2. THE EXISTING LITERATURE IN A BIRD'S EYE

2.1 The many shad(p)es of decentralization

Over the last decades, particularly since the 1980's, decentralization has been a trademark of the way states have managed governance. As noted by Schneider (2003), the combination of internal/nationwide political struggles for power with:

¹ As posted in the website of the Portuguese national parliament, on July 2019 the "Independent Commission for Decentralization" delivered a report arguing that proceedings for implementing the regionalization process should be put in place. Available here: <https://www.parlamento.pt/Paginas/2019/julho/relatorio-comissao-independente-descentralizacao.aspx>, consulted on February 26, 2020.

“freer trade, international treaties, and loan conditions led central governments to choose, or be forced, to abdicate their traditional roles, and left critical functions to non central government entities.”

This “silent revolution sweeping the globe” (Ivanyna and Shah, 2012) has been linked to the concomitant process of democratization emerging from the different democratization waves occurred since then (Fukasaku and Hausmann, 1998).

To this unfold of events, the role of international institutions such as the IMF and the World Bank has proved decisive and constant (Gopal, 2008) - only to be interrupted during the international financial crisis of 2008 (Erk and Swenden, 2010). As noted by Alesina, Spolaore and Wacziarg (2005), a counter-intuitive feature of the globalization is that attention to local policies (and, therefore, devolution to non-central entities) stands as increasingly important for states to develop mechanisms that allow them to navigate these ever-more competitive times.

Aware of this, since the mid-1970’s the European Union (at the time, European Community) has developed an expanding set of funds and grants to incentive the development of measures that allow states to shrink the gap between their more developed and less developed regions (Cappelen *et al.*, 2003). Together with the financial assistance to shorten distances, states are encouraged to implement decentralization measures - something that has undoubtedly occurred, differences among states notwithstanding (Ciffolilli, 2009).

Indeed, as Schneider (2003) points out, not only countries were (and are) different, as the way they materialize decentralization entails “stark differences in the kind and degree of decentralization that has occurred”. Following King (1982), we might agree that “there is no observed degree of centralization/decentralization which commonly and distinctly marks off federations from so-called unitary states or empires”, rendering the classical “unitary *versus* federal state” debate less and less relevant, given that “regional governments in both federal systems and unitary systems vary widely with regard to both taxing and spending powers” (Feeley and Kesari, 2017).

As Baldi (1999) as clearly pointed out:

“Both unitary and federal systems portray today a broader range of institutional and constitutional arrangements, and both of them have developed growing interdependence among levels of government, showing policy convergences. Unitary systems have experienced processes of regionalization, federalization and devolution which have weakened the distinction with federal systems, making their territorial diversity come through. In synthesis, new institutional arrangements and multi layered policy-making have made the federal-unitary dichotomy losing its ability to describe the empirical reality.”

In that sense, a crucial aspect emerges as critical for contemporary developments: what *sort* of decentralization is actually taking place.

According to Golembowski (2015), decentralizing through the development of subsidiarity mechanisms contradicts the principles of federalist decentralization, since the central authority is at all times entitled to withdraw the powers it has devolved to regional entities.

As Elazar (1968) had described almost four decades before:

“When decentralization is present, but federalism absent, the local-regional powers are restricted to matters determined by the central authorities, and are subject to central supervision, restriction and even withdrawal”

This standpoint becomes decisive to avoid being dragged to a conceptual, unhelpful amalgam. Even if Elazar (1987) himself wrote that

“Using the federal principle does not necessarily mean establishing a federal system in the conventional sense of a modern federal state. The essence of federalism is not to be found in a particular set of institutions but in the institutionalization of particular relationships among the participants in political life.”,

Such distinction between federalism (the ideal) and federations (the political set-up of states) should not be oversimplified by assuming that federalism can be perceived in all situations in which “each kind of government [central or regional] has some activities on which it makes final decisions” (Riker, 1975).

As we shall hereafter observe, Dahl’s (1983) proposition of constitutional enshrining of allocation of different powers to different levels of government seems to shield smaller units from dangers of withdrawal by the central power.

However, an extremely high degree of the commitment of all actors that are part of the decentralization process is the true necessary condition for it to be within the original ideological scope of federalism. Even if the combination of shared rule with self-rule that characterizes federations (Nagel, 2013; Watts, 1999) is not observed, the key dimension is that of pacting², i.e., willingly compromising in irrevocable manner.

2.2 From early attempts to measure decentralization to the Regional Authority Index

Already in late 1990's, the Italian scholar Brunetta Baldi, was invoking the need to go “beyond the mere dichotomy federal-unitary”, given that “there might be federations with low level of decentralization, and unitary states with high” (Baldi, 1999). This led the author to propose an index that would be the resultant of the intersection of two *continuums*: i) unitary-federal states; ii) centralization-decentralization. However, this proposal still fell short while addressing important *nuances* of each process.

As noted by Hooghe, Marks and Schakel (2010) decentralization measurement has often accounted only for how central states are letting go of powers to other levels of government. The extent to which these latter entities are, in fact, empowered and not only receiving (perhaps even unwanted) responsibilities was hardly traceable.

In that sense, to come up with a tool that would allow a proper measurement of regional authority - in this “era of regionalization (Hooghe, Marks and Schakel, 2010) - stood as a critical task. This is the informing rationale underlying the creation of the *Regional Authority Index* (hereafter, RAI).

As we will sequentially observe, this index accounts for the development of several dimensions of both self and shared rule of forty-two democracies (including all EU and OECD members) since 1950.

Arjan Schakel (2019), one of the RAI's authors, provides a systematic description of all indicators composing the index:

“Self-rule is the authority exercised by a regional government over those living in its territory and is measured by:

- Institutional depth: the extent to which a regional government is autonomous rather than de-concentrated;
- Policy scope: the range of policies for which a regional government is responsible;
- Fiscal autonomy: the extent to which a regional government can independently tax its population;
- Borrowing autonomy: the extent to which a regional government can borrow;
- Representation: the extent to which a regional government has an independent legislature and executive.

Shared rule is the authority exercised by a regional government or its representatives in the country as a whole and is measured by:

- Law making: the extent to which regional representatives co-determine national legislation;
- Executive control: the extent to which a regional government co-determines national policy in intergovernmental meetings;
- Fiscal control: the extent to which regional representatives co-determine the distribution of national tax revenues;
- Borrowing control: the extent to which a regional government co-determines subnational and national borrowing constraints;
- Constitutional reform: the extent to which regional representatives co-determine constitutional change.”

This means the RAI is an “additive index of a variety of indicators that codify the extent to which regional authorities enjoy political power” (Amat and Falcó-Gimeno, 2014). Altogether, each dimension (i.e., self-rule and shared-rule) can add up to 30 each (Hooghe *et al*, 2016 provide more detail information on how each indicator is calculated).

² Such statement is not a matter of generalized assumption only, it is a product of etymology: “federalism” comes from the Latin word *foedus*, which means precisely “pact” (Requejo and Wynants, 2001);

As explained by the book’s codebook, the aggregated data of all regions of one given country will provide the RAI values (for each dimension, sub-dimension, and total) of that country. These are the scores we will be making use of in our analysis.

The decision to use it is informed by the recent review of tools for measurement degrees of decentralization done by Harguindéguy, Cole and Pasquier (2019), who consider it one of the two best available existing indexes for the purpose³.

2.3 Portugal: Democratization and decentralization

Founded almost 900 years ago, and with few substantial changes in its borders for several centuries (except for the temporary annexation by Spain in the 16th-17th century, and the expansion overseas to colonized territories ended in the 1970’s), Portugal is broadly considered to be an exceptionally homogeneous country (examples in the literature: Hobsbawm, 1994; Llamazares & Marks, 2006).

According to Gallagher (1999), when compared to other Western European countries, almost as unique as its homogeneity, is Portugal’s absence of an intermediate level of governance between the central and local powers. While some authors emphasize the heavy heritage of the Portuguese centralist fascist regime as a decisive factor (Llamazares & Marks, 2006), others will find evidence considered culturally important to justify this in the 14th century (Costa & Osório, 2013), in the liberal ruling of the 19th century of Napoleonic inspiration (Gallagher, 1999), or in the Jacobinian methods of governance to be implemented in the First Republic, in the early years of the 20th century (Barreto, 1996). Notably, even after the end of the Portuguese fascist regime, measures like forbidding the existence of regional parties will be adopted as an attempt to ensure national cohesion (Oliveira, 1983).

Despite this centralist “tradition”, Matoso (1993) accounts for how municipalism was initiated in what was to be the Portuguese territory and people by the Romans, around two thousand years ago. Together with that, debates around federalist ideas have been coming and going for a long time in the Portuguese society (Martins, 1998). In fact, as noted by Oliveira (1983), even if the decisive decentralizing *impetus* came only after the democratic revolution of 1974, measures for power devolution took place during the last decade and a half of the fascist regime⁴.

Be as it may, Portugal was (and still is) a country of important regional disparities (OECD, 2020), so building a democracy came together with an obligation of finding ways to empower the people in an attempt to overcome (or at least mitigate) such inequalities (Mozzicafreddo, 2003), as well as escaping the sometimes limitless influence of private economic powers (Reis, 1998).

In that sense, we will unsurprisingly find that “most of the parties are [were] strongly in favor of decentralization” (Oliveira, 1983). This played a crucial role for the new Portuguese Constitution (CRP), approved in 1976, to have enshrined multiple forms of decentralized governance. It is noteworthy that the CRP was approved by vast majority, with only one party abstaining and no votes against.

2.4 The regionalization that never came to be

The CRP predicted three substantial forms of decentralization: (i) the creation of special autonomous regions for the archipelagos of Madeira and Azores; (ii) the establishment of a democratic local governance system composed of municipalities and parishes; (iii) the creation of regional administrative units, as an intermediate level of power between the central and the local authorities (Nanetti, Rato & Rodrigues, 2004)⁵ - what was to be known as *regionalization*.

In 1979, the existing “Regional Planning Commissions”⁶ were replaced by the Regional Coordination Commissions (hereafter, CCR - the Portuguese acronym), something seen differently by different strands in the existing scholarship. While Silva (2017) considers these structures’ *raison d’être* a support

³ The other one would be the Local Autonomy Index, but its scope would not provide such an efficient assessment for the purposes of the current research.

⁴ In order to avoid any sort of misunderstanding, let us underline that the Portuguese local authorities before the democratic revolution were mere extensions of the central government - they were not even elected (the existing elections being fraudulent, notwithstanding) (Opello, 1993).

⁵ For reasons of space saving we will not go into details on the developments on what here have been named as forms of decentralization “(i)” and “(ii)”, except when relevant for the topic under discussion. For a brief description of the responsibilities of each one, consult Silva (2017).

⁶ Which were created during the dictatorship, in the 1960’s, as part of the so-called “Plano de Fomento”.

for a smooth transition to a regionalized administration of the country, a critical account from Santos (1988) considers them a way to prevent regionalization and preserve the centralized top-down policy making.

Normative debates aside, the notion of modernization of the state apparatus emerging from the regionalization (Mozzicafreddo, 2003) was highly consensual among the political parties in Portugal, which led to the issue being subject of unanimous parliamentary approval in 1991. A decision that combined the consensus in favour of decentralization in the Portuguese society, and the incentives provided by the adherence to the European Community (now, European Union) (Dias, 1996; Pires, 1998).

However, this did not mean the regionalization would be implemented in a full speedy manner. The debate on the exact terms on how to regionalize the country⁷ spilled over to an unnecessary crisis of legitimacy of decision of 1991⁸, leading up to the realization of a referendum in 1998⁹. In the plebiscite,, the scarce popular vote (abstention was 52%!) would reject the project of regionalization, with 60% of the participating electorate voting “No”.

On the reasons for such result, there seems to be a widespread consensus that the political polarization around the referendum (Gallagher, 1999) was motivated by a resistance to change from actors unwilling to take what they perceived as a loss of power to the authorities to be created with the regionalization (Nanetti, Rato & Rodrigues, 2004). Mozzicafreddo (2003) argues further: the fact that Portuguese municipalities and parishes had been able to deal with most of the citizens’ demands and needs, deemed unnecessary for the regionalization to occur, thereby providing an explanation for the absence of popular mobilization to the polls on the referendum day.

2.5 Post-referendum decentralization: regionalization through the back door?

The popular rejection of regionalization did not mean that the people - or the political actors - were bluntly against any form of decentralization. In fact, throughout the two decades following the 1998 referendum, the Portuguese state has continued to develop strategies of decentralization¹⁰ - a trend that would only be interrupted during the implementation of the Memorandum of Understanding (MoU) between Portugal and the IMF / EC / ECB *troika*, in the peak of the financial crisis (Silva, 2017).

Even if intentions to have a new referendum on regionalization were a part of both the XVII (2005) and XVIII (2009) Government programmes (Silva, 2017), the paths of decentralization in Portugal have followed different directions.

As noted by Alves Correia (2015), the absence of a regional level of power stimulated the creation of different forms of supra and intermunicipal forms of governance and/or cooperation:

(i) The above-mentioned CCR evolved to CCDR¹¹, taking over the responsibility of dealing with the territorial management within the scope of each of the regions, namely and very importantly in the Portuguese context, through the management of EU structural funds; until 2020, the president of each CCDR was appointed by the central government¹²;

(ii) Simultaneously, the state promoted several forms of inter-municipal cooperation, the last of which undertaking the shape of AM (the Portuguese acronym for *Metropolitan Authorities*, in case of Lisbon and Oporto) and CIM (the Portuguese acronym for *Inter-municipal Communities*, for the remaining territories in Portugal mainland); these bodies are in charge of dealing with aspects that call for cooperation of different municipalities, within the scope of their already attributed powers, just jointly

⁷ The proposal taken to referendum predicted the creation of eight administrative regions, which would have representatives directly elected by the people of the respective region, and which would undertake as main responsibility: social and economic development; territorial planning; water management and environmental protection; transport and communications infrastructural management; housing matters and policies; education and professional training; cultural policy; Youth, sports and leisure; tourism; most public services; support to agriculture; and support to municipalities (Freire & Baum, 2001)

⁸ It is noteworthy that this was the first ever referendum in the Portuguese democracy. Aside this and abortion decriminalization (twice), no other issues - for instance, all the EU different integration steps - were ever subject of referendum.

⁹ For a better understanding of how the regionalization was actually caught in between political party bargains and compromises, as well as how the campaign leading up to the referendum was highly nuanced see Baum & Freire (2001).

¹⁰ OECD (2020) provides a thorough description - much more expanded than we could account for within the space constraints of this paper - of the Portuguese decentralization mechanisms.

¹¹ The D stands for *desenvolvimento*, i. e., development

¹² From 2020 onwards, the presidents of the CCDR were elected by the collective of municipal elected representatives, councillors and members of municipal assemblies altogether. Given the *novelty* of such procedure and the fact that it falls out of the period for which we have data available, this article will not discuss the practical consequences of this change.

(iii) managed for improving efficiency; the bodies of these structures are composed of representatives elected within their own municipal assemblies.

Facing this set-up, there is a clear divide in the literature of how it is evaluated.. On the side of those with favourable opinion, we can find Zegras *et al* (2013), who speak of an “*ad hoc* decentralization”, arguing that the devolution of powers regarding public transportation stands as an example of “fiscal federalism”, even if admitting “metropolitan governance in Portugal remains a challenge”.Also, Curto and Dias (2013), while stating that the AM and CIM should be further empowered, refer it as having advantages in terms of promoting scale economy that can act as a replacement of a non-existent intermediate level of government.

In an even further nuanced approach, Silva (2015) stands as a critical reviewer of the measures undertaken by the last governments, particularly during the MoU term. The author considers, on the one hand, that the CIM lack political legitimacy, and on the other hand, that municipalities having more responsibilities does not grant them more self-government. However, shedding away from the possibility to return to an attempt to put in practice regionalization, the author claims that the way forward should be a deepening of the CIM action and deeper bounding with democratized CCDR (Silva, 2017).

Santos (1998) also provides a critical account of the possibility of regionalization, claiming that the context Portugal lived by Portugal at the time of the referendum - the years just before the shift from *Escudo* to Euro - would render the process as having short-term negative impacts, positive long-term impacts notwithstanding.

As for those we negative opinion, we will find, on the one hand, arguments claiming the need for regionalization such as need for increasing mechanisms of citizen accountability (Reis, 1998), or the fact that the current set-up stands as an incentive for short-term planning by those holding power in local structures (Mozzicafredo, 2003).

On the other hand, Costa (2013) presents a very critical account of the “not promising” CIM, stressing the increasing relevance of the supramunicipal sphere of power that leads to the need of implementing a regionalization in Portugal - even if not necessarily with the roadmap predicted in 1998.

This view is shared by Alves Correia (2015), who considers decentralization to be undergoing a “sharp decline of centralist inspiration”. In similar vein, Fernandes (2016) defends the need for regionalization, pointing out that one of the main obstacles for its implementation lies in the fact that, once in power, Portugal political parties tend to change their mind on the need for regionalization, in spite of a previous rhetorical defense of the process, exhibiting centralist tendencies.

3. HYPOTHESES AND METHODS

Six hypotheses emerge for answering our initial two research questions. In the current section we establish each of the hypotheses and sequentially explain the methodological approach to test it. As noted above, we will make use of the Regional Authority Index, an index which ranges from 0 to 60 points. Even if the RAI covers a wider range of countries we hereafter narrow the scope to those which are EU members and have more than 10.000 square meter of territory and a population larger than three million inhabitants.

Regarding the decentralization strategies in Portugal our initial hypothesis will be:

H₁: Despite the different measures put in place after the referendum, the absence of regionalization in Portugal has led the country to record the same degree of decentralization as two decades ago.

To test this hypothesis we will simply subtract the mean RAI score of Portugal of 2016 (last data available¹³) by that of 1999 (the year after the referendum in Portugal).

To assume H₁ is verified as truth we shall consider that the result of the net variation will not be bigger than 6 - for it would mean that, on average, the country would have decentralized at a rate of 0,5% of the maximum possible by the RAI. If the results are, as expected by what the literature argues, below 6, this will also mean that:

H₂: By rejecting the process of regionalization, Portugal has fallen behind the rest of the EU members in terms of decentralization policies.

¹³ Available here: <https://www.arjanschakel.nl/index.php/regional-authority-index>

The falsification of H₂ will be done by the simple subtraction of the recorded values in the RAI for 2016 by those of 1999 for all EU members. We will consider as missing cases all countries below the threshold of 3 million inhabitants and/or 10.000 square meters of territory, given that they are too small for decentralization to be an actual matter of interest. This means our analysis will not take into account Malta, Luxembourg, Cyprus, Estonia, Latvia, Lithuania and Slovenia. We will also consider missing the case of Czech Republic, given that the data does not account for the fluctuation prior to 2000, something critical for our purpose.

For the testing of this second hypothesis we will compare the records of Portugal with those of the remaining EU members.

This leads us to the second research question: the impact of decentralization in terms of the inequalities between regions. As announced above, we shall use GDP *per capita, per* region as the measure to be subject of comparison. Notably, from here on, we will rule out Ireland as a missing case, given the inconsistencies around its GDP¹⁴. (Brennan, 2016).

Having the literature of the merits of decentralization at hand, and assuming - also informed by the literature - that decentralization in Portugal was not so effective, the first of two hypotheses to answer the second research question would be:

H₃: The decentralization strategies followed in Portugal since 1998 have not been effective to counter the inequality between regions.

To test all hypotheses from here on, we will use the data provided by Eurostat of GDP *per capita* of each region¹⁵. For each year, the value of inequality among regions will be obtained through the standard deviation of regional GDP *per capita* of each country - sequentially named as *inequality*. The way in which that inequality fluctuation will be measured (from here on, *variation of inequality*) consists of the subtraction of the natural logarithm of inequality in 2016 for the natural logarithm of inequality in 1999.

To ensure that the variation in the standard deviation of each country is not the product of an outlier, we will also look at what we call *polarization*, which stands for the range of the distribution in each case, i.e., the subtraction of the highest value (the region with highest GDP per capita) and the lowest (the region with lowest GDP per capita). We will also subtract the natural logarithm of polarization 2016 value for that of 1999, to understand how it evolved.

A table with the aggregated overview of variation in both inequality and polarization will be provided and this will be essential to the falsification of our following hypothesis:

H₄: The inequality between regions has expanded more than the average EU member state.

Whatever the results of falsifying H₄ are, a decisive element for policy-making in the future would be to understand whether inequality between regions develops in the mid- or long-run in anyway correlated with decentralization strategies. This informs the fifth hypothesis and an alternative one, the sixth and last, hereafter named H5A.

H₅: The evolution of inequality between regions is highly correlated with the evolution of decentralization strategies.

The falsification of H5 will be done through the correlation of the variation in the inequalities of GDP *per capita, per* region, with the variation of the RAI for countries.

¹⁴ As noted by Brennan (2016), Paul Krugman has pointed out, "the majority of the change [of Irish GDP] in 2015 was caused by the relocation of certain major international companies to Ireland (from outside the EU) during the year"

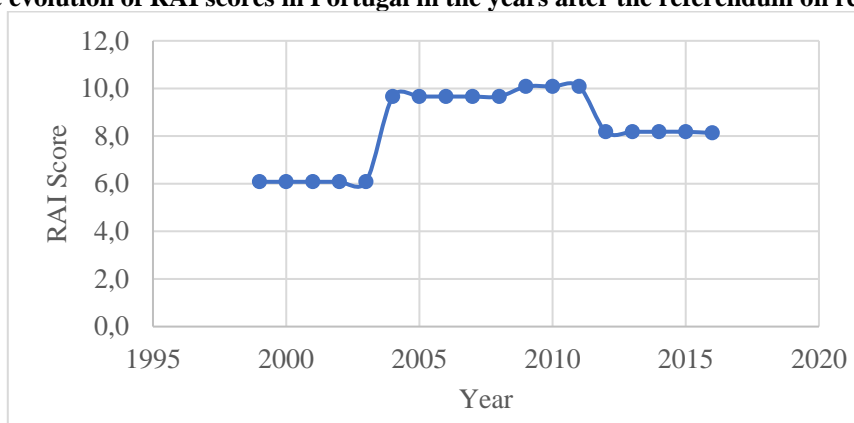
¹⁵ Due to absence of data in the Eurostat website for both France and Poland, for the year 1999, the data used is the one provided by the OECD for the year 2000. A comparison with data provided for other cases (where it was available) proves that the two datasets are equal - when they have the values available. It is assumed there are no relevant differences in the GDP *per capita per* region between 1999 and 2000. Two other remarks are in order: i) The data of Poland GDP is in Polish Złoty, while all other countries are in Euro. However, since what is being measured is its evolution and not GDP's *per se*, produces no relevant effects; ii) for the French region of Mayotte, the first data available is only for 2003 - in face of this we decided to proxy this value as if it was that of the year 1999, since consider it missing would have a bigger effect on the scores of France than just assuming that between 1999 and 2003 values were the same - something that is highly likely to be almost accurate, given the low fluctuation in other regions of France in the same period.

4. FINDINGS

A look at the data reveals that H_1 was actually true. By not having regionalization put in place after 1998, as shown in Graphic 1, the degree of decentralization in Portugal evolved from 6,1 to 8,1 - i.e., the country experienced a net variation of 2 points in RAI scale, which is far from the 6 threshold we established in the previous section.

Interestingly enough, beyond the mere net variation, the data reveals that: i) even if at a slow pace, the failure of regionalization did not mean that the country was static in terms of decentralization policies - for instance, the up-taking of more responsibilities by existing local authorities allowed decentralization to expand in 2003, proving Mozzicafredo (2003) right; ii) as reported by the literature (eg, Silva, 2017) the financial crisis and respective MoU took their toll, leading to a partial reversion of decentralization from 2010 onwards.

Graphic 1: The evolution of RAI scores in Portugal in the years after the referendum on regionalization



Source: Hooghe *et al.*, 2016; own design

This brings us to H_2

First, Table 1 offers an insight on the variation of RAI within the countries of our sample, both in absolute values and in relative terms, i.e., what weight did that have in each country. Sequentially, Table 2 provides some aggregated overview of these indicators for a more insightful look at the developments in the period under research.

Looking at the data we acknowledge that Portugal exhibited a stronger decentralization than others, since it grew at a higher pace than the average of our sample. Indeed, in terms of the evolution of RAI's decentralization index between 1999 and 2016, Portugal performed fourth best.

However, two remarks are in order following a more comprehensive look at the data. The first is that despite these developments, Portugal shifts from being the fourth most centralized country to be the sixth, which tells us there is still of catching up to do.

Indeed, as a second remark, we may note that Portugal would have to increase its score by 83% to reach the average rate of decentralization of the remaining countries of the European Union (at least those hereby considered).

Moving forward, our second research question and third and fourth hypotheses will account for how (if in anyway) decentralization tackles the issue of inequality between regions of one country.

We will first do so in relative terms, making use of descriptive statistics (Table 3 and Table 4). As mentioned before, we looked into two measures of inequality: the standard deviation of the regional GDP *per capita* within each country in 1999 and 2016 (which we simply named “Inequality `year” in Table 3) and the differences between the richest and the poorest region within each country (which we called “Polarization `year” in Table 3). The time-differences for each measure are also presented in Table 3.

Table 1: The evolution of RAI scores in the EU countries (1999-2016)

Country	RAI_1999	RAI_2016	RAI growth (in points)	RAI growth rate
Austria	22	23	1	0,05
Belgium	33,79	34,9	1,11	0,03
Bulgaria	1	2	1	1,00
Croatia	9	9	0	0,00
Denmark	12,25	7,34	-4,91	-0,40
Finland	8,36	7	-1,36	-0,16
France	20,66	22,24	1,58	0,08
Germany	34,48	37,41	2,93	0,08
Greece	11	8	-3	-0,27
Hungary	10,87	8,87	-2	-0,18
Ireland	3	12	9	3,00
Italy	22,75	23,89	1,14	0,05
Netherlands	17,5	17,5	0	0,00
Poland	8	9	1	0,13
Portugal	6,08	8,13	2,05	0,34
Romania	10	10	0	0,00
Slovakia	1	7	6	6,00
Spain	28,54	29,84	1,3	0,05
Sweden	13	12	-1	-0,08
United Kingdom	9,39	9,08	-0,31	-0,03

Source: Hooghe *et al*, 2016; own design**Table 2 : The evolution of RAI scores in the countries of the EU (1999-2016) in absolute values**

Variable	Obs	Mean	Std. Dev.	Min	Max
RAI_1999	20	14.1335	9.984054	1	34.48
RAI_2016	20	14.91	10.15531	2	37.41
RAI_evolut~n	20	.7765	2.969142	-4.91	9
RAI_weight~v	20	.4833718	1.482876	-.4008163	6

Looking at the data in Table 3 we can observe that in Portugal the strategies of decentralization have not managed to decrease the gap among regions, rendering our third hypothesis accurate with the truth.

However, in a broader comparative look, as deemed necessary to engage in the falsification of the fourth hypothesis, we acknowledge that Portugal has been the EU member state where the inequality between regions has least expanded. By having a 6% increase, Portugal falls very far from the mean of the sample, which stands in 64% - which calls for the rejection of hypothesis four¹⁶.

This brings us to our fifth hypothesis: an attempt to grasp whether the expansion of inequalities between regions is associated with decentralization strategies. According to the data retrieved, we find that the correlation of the variation of GDP *per capita*, *per* region in each country, with the variation of the RAI Index for countries is very, standing at a humble 0,14. Were we to attempt a causality chain here, and the relation would certainly be spurious.

¹⁶ The values of variation in polarization being fairly similar to, and in most cases smaller than, those of variation in inequality provides us with a proxy "robustness test", showing that except for the case of Greece, the risk of all our assumptions being informed by an outlier region and not a general trend, is relatively low.

Table 3 : GDP per capita, per region by country in Europe¹⁷: inequality and polarization among regions.

Country	Inequality 1999	Inequality 2016	Inequality growth (1999-2016)	Polarization 2000	Polarization 2016	Polarization growth (2000-2016)
Austria	5667	7236	0,24	19800	20800	0,05
Belgium	9588	12771	0,29	34600	43500	0,23
Bulgaria	389	2529	1,87	1100	6900	1,84
Croatia	70	282	1,39	100	400	1,39
Denmark	6082	10943	0,59	16700	29800	0,58
Finland	6499	8642	0,28	15700	19300	0,21
France	6787	8852	0,27	33083	46124	0,33
Germany	6450	7844	0,20	30600	36200	0,17
Greece	2303	2948	0,25	6900	10800	0,45
Hungary	2217	5396	0,89	6700	16200	0,88
Italy	5561	7846	0,34	16900	27700	0,49
Netherlands	5988	8199	0,31	17500	26200	0,40
Poland	6427	16797	0,96	28050	72298	0,95
Portugal	2799	2960	0,06	8000	8500	0,06
Romania	867	4730	1,70	2700	14900	1,71
Slovakia	2997	12436	1,42	6300	26300	1,43
Spain	3272	4792	0,38	11300	15700	0,33
Sweden	5661	8455	0,40	17900	27700	0,44
UK	18896	29696	0,45	123300	186704	0,41

Table 4 : Descriptive statistics of the variation of inequality and polarization of GDP per capita, per region

Variable	Obs	Mean	Std. Dev.	Min	Max
Ineq_1999	19	5185.263	4189.459	70	18896
Ineq_2016	19	8597.579	6509.077	282	29696
Ineq_var	19	.6471605	.5565403	.0559271	1.872
Pol_2000	19	20907	26951.42	100	123300
Pol_2016	19	33475.05	40618.81	400	186704
Pol_var	19	.6494822	.5561924	.049271	1.836211

5. CONCLUSION

Following three decades of back and forth developments, the year of 1998 saw the constitutionally predicted decision of implementing a regionalization in Portugal rejected by the popular vote.

Much has been said and written about the reasons why first, most of the Portuguese people showed uninterested by the debate, and second, among those who did show interest the majoritarian opinion was negative. However, twenty years after the referendum, the question rises once again: should Portugal regionalize?

Throughout this paper we have observed that regionalization of countries could be a decisive mechanism for enhancing both economic and political development - reason which explains the incentives provided by international organizations for countries to do so.

¹⁷ Except the Polish case, as noted above.

We have also underlined that, despite failing to create an intermediate level of power between central and local governments (the regional one), Portugal has still taken measures of decentralization.

While the existing literature stands mainly critical of the way these measures were taken, this paper looked into the actual consequences provided by them. First, using the Regional Authority Index we observed how did those strategies actually meant an empowerment at regional level. Sequentially, we looked into how that had an impact on the inequalities between regions.

In both cases, we established comparisons with the remaining European Union member states to assess whether Portugal was missing out or, failed regionalization notwithstanding, catching-up with the rest of its counterparts in the Union.

Our main findings were as follows:

I) Despite the different measures put in place after the referendum, the absence of regionalization in Portugal has led the country to record a slight increase at decentralization level.

II) Slow progress notwithstanding, Portugal has been one of the EU members which, in the current period, has observed more decentralization.

III) The decentralization strategies followed in Portugal since 1998 have not been effective to counter the inequality between regions, since they have slightly increased.

IV) Inequalities between regions have increased in all of EU member states. In that context, Portugal had an excellent performance, standing as the country in which inequalities have least expanded.

V) There is no apparent relation between the implementation of decentralisation strategies and the reduction of inequalities between regions.

Despite the validity of our findings, an important caveat should be acknowledged. The RAI offers good measure of decentralization to the regional tier of power - the Portuguese “Regiões Administrativas” (Administrative Regions) - however, it is fairly blind when it comes to other tiers, namely that concerning municipalities. This reality, combined with the fact that, in the absence of *pure* regional power, the central state often allocates responsibilities directly to municipalities calls for a cautionary interpretation of results. If the unit of analysis was that level of power, probably, Portugal would exhibit higher decentralization levels.

All this said, answering the question that gave pretext to this paper, it seems clear the Portuguese regionalization *can wait*. The failed referendum has not meant the breakdown of all decentralizing strategies, even if they have been - to a large extent - ensured by the de-concentration of central state, rather than by an actual empowerment of the regions. The question is, when - if ever - will this strategy meet its *ceiling effect*, thus becoming incapable of continuing to be a form of gradual devolution of power?

As a final remark, we are led to think that while the emphasis put by the international institutions on decentralization may provide important avenues for increasing the quality of democracies in terms of accountability, this alone is not enough to tackle the issue of inequality between regions.

Over the years, several authors (eg, Beckfield, 2006; Canaleta, Arzoz and Gárate, 2004; Doran and Jordan, 2011; Puga, 2002) have been drawing attention to trade-openness as a determinant of within-country inequality expansion. The findings in this paper are not sufficient to resonate such findings, however, they do show that those who more recently joined the EU are those - by far - exhibiting higher levels of inter-regional inequality expansion, thus suggesting this as a promising line of future research.

REFERENCES

Alesina, A., Spolaore, E. and Wacziarg, R. Trade, Growth and the Size of Countries. In: Aghion, P. & Durlauf, S. (eds) (2005). *The Handbook of Economic Growth*. Amsterdam: North-Holland;

Alves Correia, F. (2015). Le Portugal, une régionalisation sans régions administratives?. *Revue française d'administration publique*, 4;

Amat, F. & Falcó-Gimeno, A. (2014). The Legislative Dynamics of Political Decentralization in Parliamentary Democracies. *Comparative Political Studies*: 47 (6): 820–850. DOI: 10.1177/0010414013488550;

Baldi, B. (1999). Beyond the Federal-Unitary Dichotomy. *Working Papers*, 99-7;

Barreto, A. (1996). *Tempo de Mudança* [Time of Change]. Lisbon: Relógio d'Água Editores;

- Baum, M. A. & Freire, A. (2001). Political Parties, Cleavage Structures and Referendum Voting: Electoral Behaviour in the Portuguese Regionalization Referendum of 1998. *South European Society & Politics*, 6 (1): 1-26. DOI: 10.1080/714004932;
- Beckfield, J. (2006). European integration and income inequality. *American Sociological Review*, 71 (6): 964-985. DOI: 10.1177/000312240607100605;
- Brennan, J. (2016). ‘Leprechaun economics’: EU mission to audit 26% GDP rise. *Irish Times*. Available in: <https://www.irishtimes.com/business/economy/leprechaun-economics-eu-mission-to-audit-26-gdp-rise-1.2761097>, accessed on March 11, 2020.
- Burgess, M. (2006). *Comparative Federalism. Theory and Practice*. Routledge: London and New York;
- Canaleta, C. G., Arzoz, P. P., Gárate, M. R. (2004). Regional Economic Disparities and Decentralisation. *Urban Studies*, 41 (1): 71–94;
- Cappelen, A., Castellacci, F., Fagerberg, J. and Verspagen, B. (2003). The impact of EU regional support on growth and convergence in the European Union. *Journal of Common Market Studies*, 41: 621-44;
- Ciffolilli, A. (2009). *Distribution of competences in relation to regional development policies in the Member States of the European Union*.
- Costa, L. & Osório, P. (2013). On the political and administrative reform of the Portuguese state. *Revista Portuguesa de Estudos Regionais*, 34;
- Curto, H. S., and Dias (2014). Administrative reforms and performance of local public policies. *International Journal of Public Sector Management*, 27 (6): 462-474. DOI 10.1108/IJPSM-07-2012-0091;
- Diamandouros, P. N., Gunther, R., Sotiropoulos, D. A. & Malefakis, E. E., Introduction. In Gunther, R., Diamandouros, P. N. & Sotiropoulos, D. A. (eds) (2006). *Democracy and the State in the New Southern Europe*. Oxford University Press;
- Dias, V. V. (1996). A regionalização, o desenvolvimento regional e a coesão nacional. *Nação e defesa*, 80: 171-203;
- Doran, J. and Jordan, D. (2013). Decomposing European NUTS2 regional inequality from 1980 to 2009. *Journal of Economic Studies*, 40 (1): 22-38. DOI: 10.1108/01443581311283484.
- Dreher, A. (2006). Does Globalization Affect Growth? Evidence from a new Index of Globalization. *Applied Economics*, 38 (10): 1091-1110.
- Elazar, D. (1968). *Federalism*. International Encyclopedia of the Social Sciences;
- Elazar, D. (1987). *Exploring federalism*. Tuscaloosa;
- Feeley, M. M. & Kesari, A. (2017). Federalism as Compared to What?. *Jus Politicum*, 17 (1).
- Fernandes, P. D. F. (2016). *Da regionalização à descentralização: uma visão das últimas quatro décadas em Portugal* [From regionalization to decentralization: a vision of the last for decades in Portugal]. Master thesis. Available in <https://run.unl.pt/handle/10362/20231>, accessed on February 26, 2020;
- Freire, A. & Baum, M. A. (2001). O referendo português sobre regionalização numa perspectiva comparada [The Portuguese referendum on regionalization in a compared perspective]. *Penélope*, 24: 147-178.
- Fukasaku, K. and Hausmann, R. (1998). *Democracy, Decentralization, and Deficits in Latin America*. Washington, D.C.: The Inter-American Development Bank;
- Fukuyama, F. (2018). *Identity: The Demand for Dignity and the Politics of Resentment*. New York: Farrar, Straus and Giroux;
- Gallagher, T. (1999). Unconvinced by Europe of the Regions: The 1998 Regionalization Referendum in Portugal. *South European Society and Politics*, 4 (1): 132-148, DOI: 10.1080/13608740408539562;
- Golembowski, D. (2015). Federalism and the Catholic Principle of Subsidiarity. *Publius*, 45;
- Gopal, G. (2008). *Decentralization in Client Countries: An Evaluation of the World Bank Support, 1990–2007*. Washington, DC: The World Bank;
- Harguindéguy, J.-B.P., Cole, A. and Pasquier, R. (2019). The variety of decentralization indexes: A review of the literature. *Regional and Federal Studies*. DOI: 10.1080/13597566.2019.1566126
- Hobsbawm, E. (1994). Nation, State, Ethnicity, Religion: Transformations of Identity. In: Beramendi, J. G., Máiz, R., Núñez, X. M. (eds). *Nationalism in Europe. Past and Present* [Conference Proceedings]. Universidad de Santiago de Compostela.

Hooghe, L. and G. Marks (with A.H. Schakel, S. Niedzwiecki, S. Chapman Osterkatz, S. Shair-Rosenfield) (2016) *Community, Scale, and Regional Governance. A Postfunctionalist Theory of Governance*, 2. Oxford: Oxford University Press.

Hooghe, L., Marks, G. & Schakel, A. H. (2010). *The Rise of Regional Authority. A comparative study of 42 democracies*. New York: Routledge;

Ivanyna, M. & Shah, A. (2012). How Close Is Your Government to Its People? Worldwide Indicators on Localization and Decentralization. *Economics e-journal*, 8. DOI: 10.5018/economics-ejournal.ja.2014-3;

King, P. (1982). *Federalism and Federation*. Baltimore: Johns Hopkins University Press;

Llamazares, I. & Marks, G. Multilevel Governance and Transformation of Regional Mobilization and Identity in Southern Europe, with particular attention to Catalonia and the Basque Country. In Gunther, R., Diamandouros, P. N. & Sotiropoulos, D. A. (eds) (2006). *Democracy and the State in the New Southern Europe*. Oxford University Press;

Martins, H. (1998): Federal Portugal: A Historical Perspective. *Portuguese Studies Review*, 7 (1): 13–32;

Matoso, J. (1993). *História de Portugal* [History of Portugal]. Lisbon: Editorial Estampa;

Mozzicafreddo, J. (2003). La décentralisation administrative et les innovations en matière de politiques régionales au Portugal [The administrative regionalization and the innovations in matter of regional policies in Portugal]. *Sociologia, Problemas e Práticas*, 41: 151-179;

Nagel, K-J. A Comparative View on Power Sharing in Federations – Some Examples of Typical Arrangements. In Hanns Bühler (ed.) (2014). *Federalism in Asia and Europe. The Wildbad Kreuth Federalism Days 2013*. 35-71. München: Hanns-Seidel-Stiftung;

Nanetti, R. Y., Rato, H. & Rodrigues, M. (2004) Institutional capacity and reluctant decentralization in Portugal: the Lisbon and Tagus Valley Region. *Regional & Federal Studies*, 14 (3): 405-429. DOI: 10.1080/1359756042000261379

OECD (2020). *Decentralisation and Regionalisation in Portugal: What Reform Scenarios?*. OECD Multi-level Governance Studies. OECD Publishing: Paris. DOI: 10.1787/fea62108-en;

Oliveira, L., Regional Development in Portugal. In Seers, D. & Ostrom, K. (1983). *The crises of the European Regions*. London: Palgrave Macmillan;

Opello, W.C.J. Portuguese Regionalism in the Transition from the Estado Novo to the Single Market. In Leonardi, R. (1993) *The Regions and the European Community: The Regional Response to the Single Market in the Underdeveloped Areas*. London: Frank Cass;

Pires, L. M. (1998). *A política regional europeia e Portugal* [The european regional policy and Portugal]. Lisbon: Fundação Calouste Gulbenkian.

Puga, D. (2002). European regional policy in light of recent location theories. *Journal of Economic Geography*, 2 (4): 373-406;

Reis, J. (1998). Por uma cultura do território: notas sobre o processo de regionalização (1995-1998). *Oficina do CES*, Coimbra: Centro de Estudos Sociais;

Requejo, F. & Wynants, S.. Federalism. In: Barry, P. & Foweraker, J. (eds.) (2011). *Encyclopedia of Democratic Thought*, 289-293, London/New York;

Riker, W. Federalism. In Greenstein, F., and Polsby, N. (eds.) (1975). *Handbook of Political Science*, Addison-Wesley Publ. Co., Reading Mass., 5: 93-172;

Ryder, A., Introduction. In Buček, J. & Ryder, A. (eds) (2015). *Governance in Transition*. Springer;

Santos, A. (1998). Regionalização: Crónica de uma morte anunciada [Regionalization: chronicle of a death foretold]. *Análise Social*, 33 (148), quarta série, 885-903;

Santos, B. S. (1988). *O social e o político na transição pós-moderna* [The social and the political in the postmodern transition]. Coimbra: Oficina do Centro de Estudos Sociais.

Schakel, A. (2019). Measuring Federalism and Decentralisation. *50 Shades of Federalism*. Available at: <http://50shadesoffederalism.com/theory/measuring-federalism-and-decentralisation/>, accessed on March 2, 2020;

Schneider, A. (2003). Decentralization: Conceptualization and measurement. *Studies in Comparative International Development*, 38 (3): 32–56. DOI: 10.1007/bf02686198;

Silva, C. N. (2015). Empowerment of local democracy and decentralisation of service delivery in local government reform: evidence from Portugal. In: Buček, J., Ryder, A. (eds). *Governance in transition*. Springer, Dordrecht

Silva, C. N. (2017) Political and Administrative Decentralization in Portugal: Four Decades of Democratic Local Government. In: Silva, C. N. & Buček, J. (eds). *Local Government and Urban Governance in Europe*. Springer, Dordrecht;

Sorens, J. (2009). The Partisan Logic of Decentralization in Europe. *Regional & Federal Studies*, 19 (2): 255-272. DOI: 10.1080/13597560902753537

Watts, R. L. (1999). *Comparing federal systems*. Institute of Intergovernmental Relations;

Wollmann, H. (2004). Local government reforms in Great Britain, Sweden, Germany and France: between multi-function and single-purpose organisations. *Local Government Studies*, 30 (4): 639–665;

Zegras, C., Nelson, J., Macário, R. & Grillo, C. (2013). Fiscal federalism and prospects for metropolitan transportation. *Transport Policy*, 29: 1-12. DOI: 10.1016/j.tranpol.2013.03.003.

Acknowledgements

This paper would not have been possible without the incentive and teaching of Klaus-Jürgen Nagel, without the prompt and kind availability of the RAI Index data from Professor Arjan Schakel, and without the contributions and companionship of my life partner, Ana Oliveira. All of them deserve my utmost gratitude.