

La Economía Política de la Descentralización en Chile

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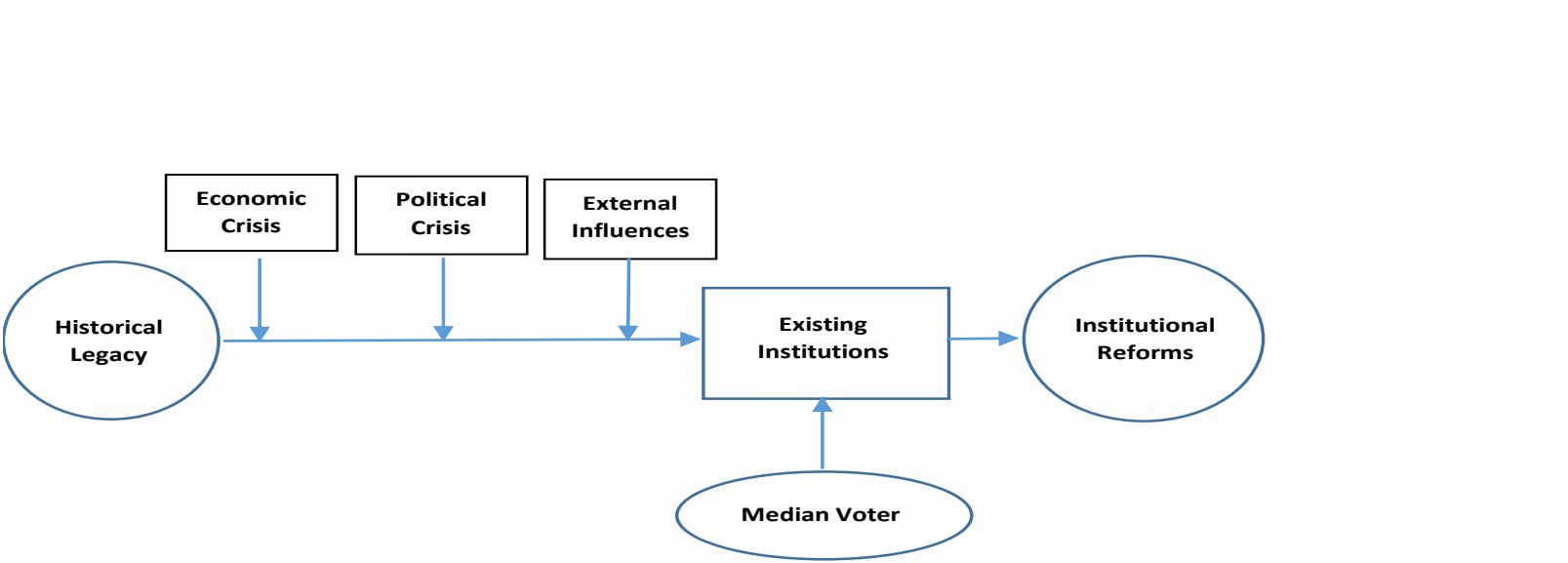
Institucional Change

- Normative Constitutional Economics: rules originate in a Pareto-superior institutional arrangement (Voigt 2011): Median Voter Theorem (MV).
- Nonetheless; this MV is no more than a useful point of reference (Holcombe 1989).
 - 1) Decentralization is a “multidimensional matter” in which intense logrolling usually occurs (Treisman 2007).
 - 2) Written as well as non-written institutions pose restrictions over the MV.
 - 3) Interest groups also matter (Eaton and Smoke 2010)
- As for non-written institutions, the legacy of colonial powers has been said to leave a legacy of centralism in LA (Vèliz 1984).

Why Decentralization occurs ?

- 1) The MV (Panizza 1999)
- 2) restoration of democracy (Eaton, 2004a; Montero & Samuels,2004; O'Neill,2003)
- 3) political crises (Grindle 2000, Escobar-Lemmon 2003)
- 4) source of party's electoral support between national and sub national electorate (Riker 1964, 1975; Willis 1999; O'Neill 2003, Ponce-Rodriguez et. Al. 2018)
- 5) the strength of sub national legislators (Mardones 2007)
- 6) party's ideology (Eaton 2004, O'Neill 2005)

Proceso de Cambio Institucional



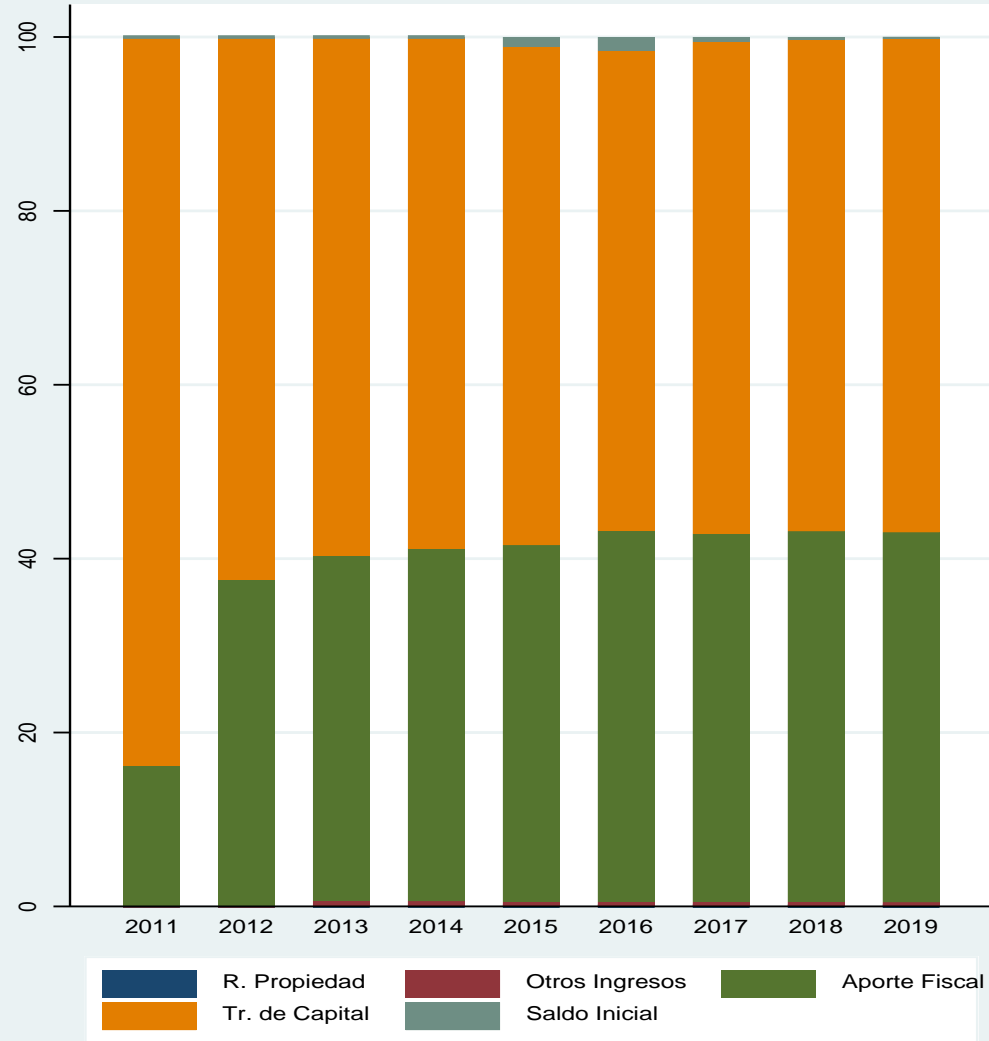
The Decentralization Agenda in Chile

- Democratic Election of Regional Governors (2021)
- Ley de Fortalecimiento de las Regiones (2018) (Law to Strengthen Regions).
- Law of Regional Fiscal Responsibility (pending)

Some Fiscal Characteristics of Regions

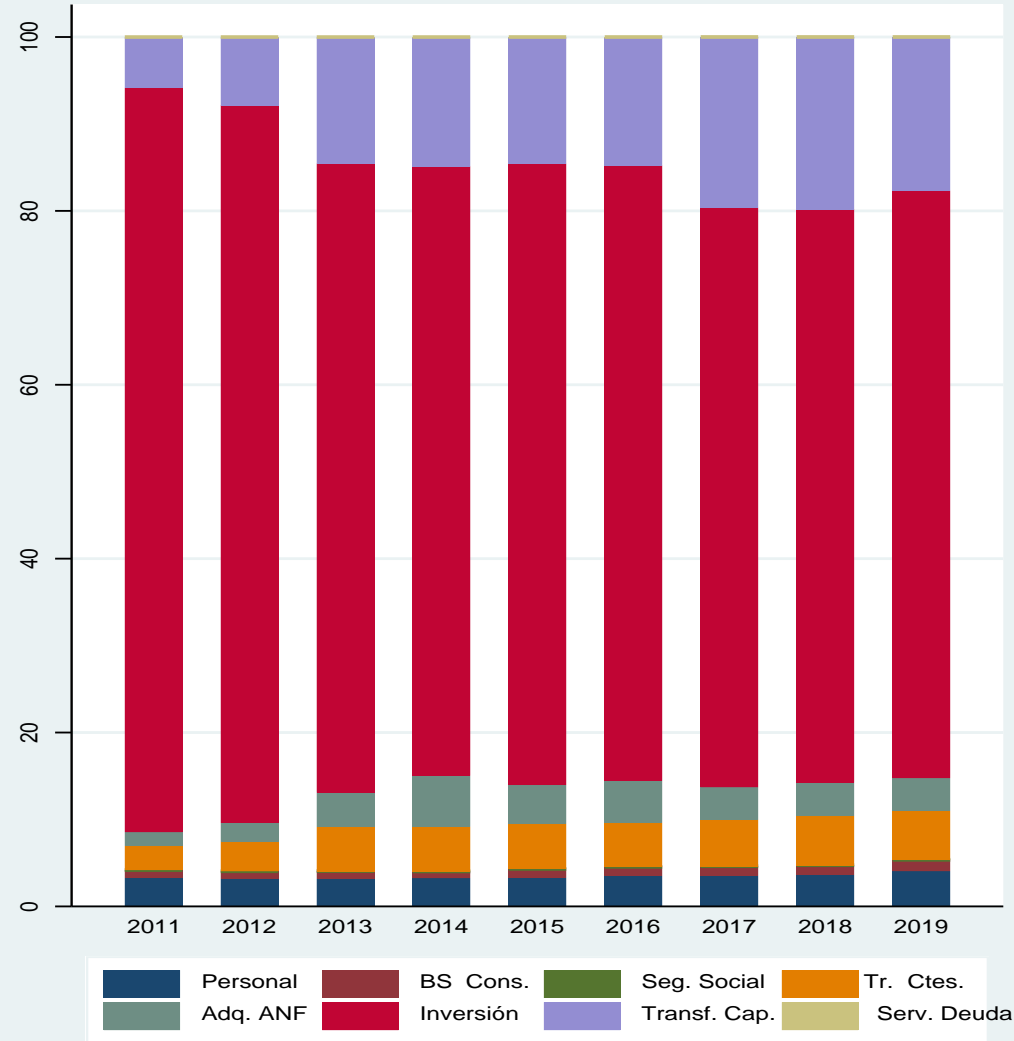
- Their Budget is part of the “National Budget”.
- They have to be authorized by the Budget Office every time they need to spend.
- All revenues come from transfers from the national level .
- They are not allowed to have taxes of their own.
- Their Budget is about 3% of the general Government budget.

Figura 4.A: Ingresos presupuestarios Regionales en Chile (%)



Fuente: Elaboración propia en base a presupuesto de DIPRES

Figura 4.B: Gastos Regionales presupuestarios en Chile(%)



Fuente: Elaboración propia en base a presupuesto de DIPRES

Regional Functions

- Originally, distribute resources to specific projects from transfers given to them by the national level.
- What is being changed by the “Law of Regional Strengthening”, they participate in the “regional development policy”.
 - 1) A protocol whereby they will be able to request new competences.
 - 2) Some functions are being transferred ex officio.
- Areas being decentralized, i) Transportation, ii) Housing and iii) Productive Promotion

Main Players in the Game

- Budget Office
 - 1) A Historical Legacy (70s)
 - 2) Danger of loss of control of the Budget (higher transaction costs).
- Sectors (Ministries). They do not want a loss of control of their competences (unions and technical staff).
- Members of Parliament. They have a conflict.
- Private Sector. They have a conflict. Dangers of clientelism !
- In the near future, pressure from elected regional governors.

Some Constitutional Challenges

- The extent to which “regions” are considered “autonomous”.
- Regions might be permitted to have taxes of their own and resources of their own.