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*Review*

# Comparative Analysis Between Federalism Countries and Non Federalism Countries

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## Abstract

The approach to federalist and non-federalist countries has always attracted considerable attention from the academic community. Regional development is directly related to the levels and type of decentralisation model that each country actually adopts. In this approach, I analyse centralised and non-centralised countries in a comparative manner, with a strong emphasis on countries with a federal decentralisation model. Thus, the analysis shows that there is greater economic concentration in a single city, such as the capital, which is responsible for the political and economic decisions of the other regions. Centralised countries also have less capacity for economic transformation, due to the lack of fiscal decentralisation, which should in fact promote greater tax revenue collection. On the other hand, the approach also analyses lower political participation and exclusive democracy regions at lower subnational levels with less capacity for democratic participation. On the other hand, the analysis effectively shows that most federated countries, their states and municipalities, through fiscal decentralisation, promote greater economic transformation and greater democratic plurality. However, federated countries are those that manage to achieve greater macroeconomic stability, evidenced by a larger tax base. There is also evidence to suggest that there is in fact greater sustainable economic growth in federal countries.

**Keywords:** fiscal decentralisation; political decentralisation; political concentration; federalism & public policy

**Jel Classification:** H00; H03

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## 1. Introduction

A large proportion of developed and developing countries owe their status to certain relevant factors, such as their capacity for development, which is determined by their models of governance. Thus, it is plausible that both politics and the model of governance significantly affect the levels of economic and structural growth of their countries in particular, where politics and democracy as the central point of development end up playing an important role in the affirmation of these countries in particular. For example, in most of these countries, politics and democracy end up being stagnant due, on the one hand, to the governance system itself. A large number of countries globally adopt a system of governance that involves, for example, the centralisation of decisions, especially decisions related to the plausible territorial growth of the economy and the country in particular. Thus, the evidence clearly shows a big difference between non-decentralised and decentralised countries, where non-decentralised countries have and present a policy that is very focused on the centralisation of power and most decisions, which ultimately affects public policies. On the other hand, countries that adopt a system of political centralisation end up with public policies that are biased and out of step from a structural point of view. This mismatch occurs due to the increasing inability of public policies to meet the levels of expectations that are nevertheless expected, where expectations end up being intransigent with the actions necessary for more inclusive and plausible territorial growth.

Public policies in regimes that effectively adopt, for example, a centralised system of governance do not actually produce significant results due to their particular nature, which nevertheless exists

and is associated with the dynamics of short-term structural growth, for example. Another major characteristic of regimes that adopt political and administrative centralisation is that these countries nevertheless show a correlation between economic development and the type of governance system adopted, particularly to ensure a different dynamic of inclusive growth, namely endogenous and inclusive growth through governance models. From the outset, the presence of regimes with characteristics of political centralisation effectively reduces the possibility of their governments, for example, being able to guarantee greater capacity for inclusive political transmission through the very structure of the countries themselves.

On the other hand, some evidence also shows how regions and territories end up stagnating due to the departure of exclusive policies, mostly driven by the very dimension of the central administration's policy itself. Thus, in the context of effective centralisation, there is in fact greater evidence of promoting a set of public policies that actually lead to impoverishing growth and a significant increase in multidimensional poverty through a system of government with greater central power.

Thus, through a model of governance with a centralised regime, there is greater evidence of significant increases in territorial stagnation, which is in fact largely fuelled by the incapacity that countries in fact present in a particular way, as has been seen in territories that nevertheless present characteristics of causal impoverishment, above all through a set of public policies that are mostly inefficient and incapable of guaranteeing significant sustainable growth, both in the short term and in the long term in particular. This is in fact a characteristic seen in countries where the regions are incapable of responding in the short term. Countries with centralised political decision-making still have a large proportion of their territories in poverty and experience causal impoverishment due to political centralisation, as suggested by evidence from most territories in developing countries whose public administrations have a higher degree of political centralisation in particular.

Countries where political centralisation is more significant, on the other hand, promote a loss of general autonomy, for example due to the lack of local autonomy and, above all, driven by the lack of territorial autonomy, which is largely lost. Stephens (1974) analyses the loss of autonomy in these territories with greater relevance, while centralisation as a de facto increase in urban poverty is analysed in Frug (2000), which shows centralisation as a relevant factor in the continuous increase of inequalities in urban areas.

In (Simeon, R. 1986), centralisation is suggested as one of the main themes of great relevance for the construction of a modern society. The differences and effects, especially of population agglomeration in the 21st century, are analysed in (Kim, S., & Law, M. T. 2016).

Centralised territories, for example, lack power in terms of the autonomy of the territories themselves, in line with the weakening of local power and a significant increase in central dependence. This approach is explored in greater depth in (Hutchcroft, P. D. 2001), with greater relevance. Tinbergen makes a significant contribution, with an approach to political centralisation and decentralisation in particular, in (Tinbergen, J. 1954).

Fiscal decentralisation and autonomy are analysed in (Young, S., & Tavares, A. T. 2004), with an emphasis on the autonomy of the regions themselves. Regions with a higher index of central power effectively lose their autonomy by concentrating a large part of their policy in central administration in particular, as most non-federal states suggest. (Andrews et al. (2009) show, through a set of 53 public services in the United Kingdom, that there is greater relative inefficiency related to the centralisation of services. The authors suggest that government performance itself is significantly affected in most of the services tested. Thus, centralised services generally contribute to economic destruction in most developing countries. On the other hand, it has to do, for example, with productivity levels, which are mostly associated with increases in the concentration of services themselves. Thus, the current approach aims to analyse in particular a comparison between federalist and non-federalist countries, with the specific objective of understanding their influence, both on economic growth and, importantly, on the development of the territories themselves.

## 2. Centralised Countries, a Generalist Approach

Non-federal countries, being naturally centralised states, do in fact have their own characteristics that distinguish them from one another, above all in the presence of significant centralisation, which is nevertheless capable of providing some structural inefficiencies, as most non-centralised countries do. However, most of these countries centralise the distribution of resources through inefficient and dysfunctional public policies. To a large extent, the dysfunctionality of public policies leads to a continuous lack of functioning, particularly of institutions, such as extractive institutions, which have been characterised by a widespread lack of effective redistribution of resources.

Centralised states, on the other hand, have a central public administration, but a set of services that end up channelling greater inefficiency than, for example, what could be seen in a non-centralised state, as most studies suggest. This continued inefficiency seems to be plausibly in line with the lack of structure itself, which has to do, for example, with the inability of public policies to be inclusive. Political centralisation is, however, a highly significant driver that contributes to a significant increase in poverty. For example, most approaches suggest that there is a greater particularity related to the functional increase in multidimensional poverty at all social levels in predominantly centralised territories. Multidimensional poverty through political centralisation is characterised by an increase in the inability of public policies to relate both territorial development and inclusion. In large part, inefficient public policies have been unable to function in contexts of uncertainty, particularly when it comes to ensuring greater influence from a functional point of view. Thus, the non-functionality of public policies in most countries promotes, for example, distributive inefficiency of efficient public policies with greater relevance at the institutional level. In larger regions, there is, for example, significant ignorance of the social reality that is largely related to social needs of great relevance, particularly as is the case in discriminated territories.

Centralised states, however, manage to increase a set of structural incapacities associated with political exclusion through territorial administrative centralisation. Thus, as levels of political centralisation increase, there is a general increase in the capacity to ensure sustainable development, for example, despite the existence of a market economy in most countries. On the other hand, evidence seems to suggest that these countries have economies that in fact follow a planned economy trend, where, through central levels, these economies end up being in line with the structural weaknesses that other territorial levels present, for example, due to political centralisation, lower territorial structures have in fact been unable to guarantee a plausible structural economic transformation through transmission mechanisms.

Thus, this evidence corroborates the existence of a significant increase in causal impoverishment in territories discriminated against by political centralisation, both in terms of territorial discrimination and exclusion from public policies, which in fact have a much greater structural relevance than in countries that actually adopt decentralisation regimes, especially in regimes of plausible and profound fiscal decentralisation. On the other hand, there is evidence that helps us understand how centralisation is in fact a factor that signals a lack of inclusive growth. However, this growth becomes unsustainable and unviable in both the short and long term, as most approaches suggest. Countries with political decentralisation regimes are those that can easily channel a large part of inclusive and plausible public policies, especially in order to make their regions sustainable. Thus, federal states can, for example, ensure greater fiscal decentralisation, while allowing their regions greater capacity for economic transformation through the majority of fiscally decentralised regions, as has been the case in most federal states, especially those with a larger territorial dimension.

Decentralisation in the context of a decentralised regime, especially with more effective fiscal decentralisation capable of bringing about the greatest possible economic transformation, given that decentralised states initially display different dynamics, but on the other hand, the capacity for de facto economic transformation is greater, thus states are able, for example, to transform their economies when they adopt more efficient fiscal decentralisation models that are particularly in line with inclusive institutional approaches. As the evidence suggests, 49% of the world economy is made up of federalist countries, i.e. those that adopt a model of federal governance and fiscal



decentralisation. However, there are sufficient reasons that contribute to this significant participation of federal states in the world economy. The first reason has to do precisely with decentralisation that is in line with territorial decentralisation at levels that allow all territories to channel an efficient redistribution of tax revenues and a more solid and efficient tax base, from the point of view of tax revenue collection and a more significant contribution from taxation itself. On the other hand, fiscal policy in the context of a more inclusive fiscal decentralisation regime allows, for example, a fairer distribution of tax revenues to the respective states and, on the other hand, there will in fact be greater synergy with inclusive public policies of a transformative nature.

Centralised regimes, however, compromise economic transformation due to the lack of inclusion of disadvantaged regions, as suggested, for example, by the current political centralisation in Angola. Above all, in most provinces, there is a de facto lack of capacity for economic transformation and wealth generation on the part of the companies operating in these respective provinces. For the most part, the evidence shows, for example, that political centralisation leads to a centralised economy and a transformation that is itself centralised in a single province, particularly as suggested by the case of Luanda Province, which is naturally the only city with the largest number of companies and the greatest capacity for transformation and wealth generation. It has largely been a characteristic of centralised states that the political and administrative capital is the main hub of economic transformation and economic decision-making. This approach differs, for example, from non-centralised countries such as the United States of America, where the states have greater capacity for economic transformation and, consequently, for generating wealth. The model of capital-centralising political and economic decisions in non-centralised countries is non-existent, in line with territorial, political and fiscal decentralisation, which nevertheless channels greater autonomy and decision-making power to states and other subnational sub-levels.

As an example of American federalism, where subnational structures are in line with the particularities of the federation itself. However, the model of a centralised decision-maker is non-existent, as evidenced largely by the decisions taken by most political decision-makers in general, as suggested by the American federalist model in general. Thus, most states are in fact responsible for transforming their regions and participating in most of the decisions that states must take in order to transform their territories economically in the short term. In most federalist countries, states have and play a relevant role in the affirmation of states and their territories in particular. However, there is no centralisation of economic activity as suggested by the centralised states approach.

Some sub-levels of territory in non-centralised states do in fact determine the Union's economy, as suggested by the American federalism approach, where the state of California does in fact have the largest economy in the United States of America and a considerable part of industry is in fact present in the state of California. Thus, in centralised countries, the territorial units below the capital are unable to produce a sustainable and resilient economy, as is particularly the case in the federal states of the USA.

The political centralisation of Angola, for example, causes inefficiencies in the ability to generate wealth, both in the short term, which contributes to increased fiscal inefficiencies, especially those related to the inability to make a more effective tax contribution and to channel it to a more effective and fairer tax base. Naturally, large territories should nevertheless converge towards territories with more significant fiscal autonomy from a structural point of view. Thus, the economic structure of centralised states nevertheless presents greater economic concentration in only one or two products, for example oil for Angola and other countries with greater economic concentration. This can be seen in countries such as Guinea-Bissau, Equatorial Guinea and Mozambique, for example.

On the other hand, other particularities have to do, for example, with the increase in political concentration in just one small political group, which leads, for example, to political and democratic inefficiency, thus effectively eliminating inclusive democracy for all players in the political game. To a large extent, countries are unable to channel, for example, inclusive participation in democracy and what is in fact a full and pluralistic democracy. On the other hand, the lack of plurality in democracy increases the levels of democratic exclusion by those involved in politics.

Countries with a centralised regime are able, for example, to centralise politics in most of the territories under their responsibility, while territories without pluralistic units end up being unable to transform politics into a more inclusive and pluralistic democracy for all parties involved in political activity. Thus, on the other hand, the lack of plurality in democracy nevertheless compromises the effectiveness of the implementation of more assertive public policies for most regions without effective political centralisation, in particular.

The freedom to increase public policies in less developed regions is possible in territories where there is no effective development from a structural point of view. On the other hand, in countries with larger territories, there may be territories that are unable to show greater potential than other territories. These territories may in fact be the territories that can effectively demonstrate greater economic attraction and may become robust and resilient economies considering the attraction of their territories. Thus, most territories can in fact transform themselves into territories with greater economic potential to ensure that they can contribute in a more resilient and efficient manner to the capacity to attract the levels of investment necessary for the degree of development and growth required by their territories in particular.

In general, centralised countries increase their capacity to transform their economies through fiscal concentration in a single territory, but this is in fact inefficient as it increases political incapacity, especially in terms of ensuring more inclusive public policies. Thus, municipalities in non-centralised countries do not have, for example, greater capacity for transformation than countries with greater fiscal centralisation. In these countries in particular, there are other peculiarities that have to do with how politics itself should converge towards political inclusion in particular. Municipalities in non-centralised countries are structurally unorganised from the outset, as the approach suggests in most municipalities in these countries. On the other hand, it has to do with the inability of these municipalities to transform their territories, yet attract more investment and become municipalities that develop states and territories. Most municipalities in developing and poor countries have some characteristics of municipalities that promote exclusion through exclusive public policies. Thus, most exclusive public policies in these municipalities originate from the inability of the respective municipalities to adapt and adopt a different dynamic related to short- or long-term sustainable development.

In contrast, in countries where there is a high capacity for political transformation, states are able to promote greater autonomy in decision-making, particularly in relation to short-term public policies. An inclusive governance model, such as that suggested by federalist models of fiscal decentralisation, means that municipalities end up being of great importance for inclusive territorial development, as suggested by the approaches of most federal countries with differentiated and more robust decentralisation. Thus, through political inclusion, it is possible to guarantee a differentiated inclusive growth policy that takes into account the differences between different municipalities. Municipalities in federalist countries are in fact likely to increase their fiscal autonomy and financial autonomy, provided by the levels of decentralisation that states end up having.

Territorial resilience is in fact greater in countries that have greater potential for attraction and in those whose potential for attraction and transformation is in fact largely guaranteed in the short term, as suggested by most of the approach in particular. Thus, territories become resilient due to the financial absorption that these municipalities have in attracting a greater number of private and collective investors, especially large companies that wish to establish themselves in potential and large territories. Large territories are able, for example, to attract most policy makers to inclusive and sustainable growth from a territorial and economic point of view.

Through federalism, however, there is the miracle of development and territorial proliferation in all decentralised and developed states, as most developing territories have been unable to undergo the profound transformations that have been seen in both the short and long term, particularly in a context of uncertainty. Decentralisation stimulates territories to converge with more developed territories and, above all, in the most assertive way possible, where there is in fact the possibility of endogenous structural development and growth, proportional to territorial growth itself.

Structural growth itself will in fact depend on how territories should actually become and provide the greatest possible resilience to short-term growth needs. Decentralised municipalities, for example, are mostly able to become large industrial agglomeration hubs capable of showing sufficient resistance to the convergence criteria that municipalities initially present in a particular way. For example, the state of California has a number of cities capable of boosting economic growth, for example, through the thousands of companies that exist in most states and cities themselves. This ability to attract thousands of companies shows how municipalities actually become inclusive and transformative, and this dynamic of transformation will be aligned with the short term itself.

### 3. Economies of Centralised and Non-Centralised Countries

The economies of centralised states, especially those with significant and strong political centralisation, largely follow the trend of economies with a higher index of economic concentration. In particular, economic concentration is mostly based through capitals that manage, for example, to accumulate a large part of economic activities and, on the other hand, by the fact that these economies are in fact overly dependent on central decision-making, which ends up redefining a dual economy concentrated in a single city, as suggested by the evidence from Luanda, which is in fact the largest political and economic centre in Angola. Other examples, such as Maputo, Bissau, and Addis Ababa in Ethiopia, allow us to have a different perception of political centralisation as the main driver of the economy.

In these cities in particular, the lack of an alternative hub for economic development channels a large part of activities to the political and administrative capital, which is the distribution centre for economic activities that originate from a market economy. Most market economies and developing countries have this structural similarity. The difference lies in decentralised countries such as South Africa, where there is in fact an economic capital with greater fiscal decentralisation. South Africa is thus similar to Turkey, Brazil and the USA, with a different dynamic of territorial decentralisation. In these countries in particular, the states have greater fiscal and territorial autonomy. The territorial autonomy of these countries reshapes, for example, the way in which the economies of their regions are defined and implemented to channel most economic activities to other small territories with no potential for transformation.

Territorial ramifications are likely to promote, in most territories, the inclusion of fiscal policies capable of translating into more meaningful integration. This integration is generally responsible for increasing the distribution of territories with the capacity to absorb a competitive economy with other attractive municipalities. Thus, transformation and the capacity to generate wealth actually increase as territories become less agglutinated from a structural point of view. However, when territories manage to transform regions, these end up determining how these territories should actually achieve a greater value chain that is truly integrative and promotes territorial resilience.

San Francisco and Los Angeles are regions with strategically located economies and a growth dynamic that differs from what has been the norm in other cities of the same size. The main feature of these cities is the fiscal decentralisation that the country has implemented in most levels and sectors of activity, which is aligned with much more inclusive growth. Los Angeles, for example, follows a similar pattern to that seen in most states, while São Paulo in Brazil manages to keep pace with American cities.

In unitary countries, this transmission of the economic city chain has been virtually non-existent, mainly due to the different approaches to political centralisation, where this centralisation promotes structural and disruptive inefficiency and disrupts the value chain itself. In countries with a different size, both in terms of territory and economy, there is nevertheless greater inefficiency sustained by more assertive fiscal decentralisation transmission mechanisms in the long term.

By way of comparison, unitary countries have been the least attractive for the high levels of foreign investment that these territories in particular are able to attract. Another peculiarity of unitary countries has to do with the fact that there is, for example, political negligence, a lack of autonomy

and a lack of territorial transformation, especially in large territories that contribute to increased economic resilience.

The evidence seems to suggest a general increase in unsustainable long-term growth, above all, which could in fact build a significant base of sustainable long-term employment. However, this premise is particularly possible in countries with an economy that is highly concentrated in just a few sectors of activity, as is the case with oil in Angola. The contribution margin in non-federal countries is in fact greater, especially when these countries have significant fiscal decentralisation regimes. On the other hand, for example, it differs in fact from countries with a more effective and dynamic decentralisation structure, especially one capable of ensuring that there is in fact greater administrative decentralisation as well as fiscal decentralisation of great relevance.

By way of comparison, as Table 1 illustrates, federalist countries are in fact those with the largest economies, with the United States of America standing out as having the greatest capacity for economic transformation. However, the approach suggests a significant increase in the economies of federalist countries, as suggested, for example, by the Indian economy in particular. Thus, federalist countries are plausibly characterised by the great capacity that the countries themselves have for long-term fiscal and financial autonomy. Regions in federalist countries have greater fiscal transformation power, where most countries have more significant fiscal authority from a structural point of view and guarantee greater feasibility of projects and more inclusive fiscal policy.

**Table 1.** Comparison Between Federal and Non Federal Countries.

Federal Countries			Unit Countries	
Nº	Countries	GDP \$	Countries	GDP \$
1	USA	28 Trillions	China	18 Trillions
2	Germany	4,8 Trillions	Japan	4,3 Trillions
3	Índia	4,4 Trillions	UK	3,4 Trillions
4	Brazil	2,3 Trillions	Franch	3,1 Trillions
5	Canada	2,2 Trillions	Italy	2,3 Trillions
6	Russia	2,00 Trillions	South Coreia	1,8 Trillions
7	Mexico	1,7 Trillions	Spain	1,7 Trillions
8	Australia	1,8 Trillions	Saudit Arabia	1,3 Trillions
9	Argentina	640 Bilions	Turkey	1,1 Trillions
10	United Arab Emirates	540 Bilions	Indonesia	1,4 Trillions

**Notes:** The table presents data on the economies of federal and non-federal countries. **Source:** Prepared by the author.

In federalist models, states and other subnational levels end up gaining a different dynamic from the fiscal contribution of their agents. For example, the tax base in most states in the United States of America is in fact larger than in non-federal countries, as in the case of the State of California, which has a large taxpayer base, naturally comprising a large proportion of those who work in these states in particular. On the other hand, non-federalist countries have a distinct performance, which



suggests, however, that the capacity for economic transformation in these countries is relatively much lower. An exception is China, which has an economic structure with some decentralisation features in provinces of great importance, for example.

Thus, as shown in Table 2, the fastest-growing economies also have higher economic growth rates, which naturally leads to greater wealth. India, for example, is in fact the fastest-growing economy and has the best economic performance, driven by the country's high level of industrialisation, in line with its technological capacity and industrialisation capacity, which are strongly supported by fiscal decentralisation. Indonesia, on the other hand, with fiscal decentralisation, nevertheless shows significant and relevant GDP growth, above all with an efficient and diversified tax base, which is in fact the great particularity that federalist countries generally have. On the other hand, democratic institutions benefit from fiscal decentralisation, according to (Iqbal et al. 2012).

**Table 2.** Comparison GDP Growth between Federal and Non Federal Countries.

Federalism Countries			Unit Countries	
Nº	Countries	GDP Growth	Countries	GDP Growth
1	USA	1,9%	China	4,5%
2	Germany	1,2%	Japan	1%
3	India	6,5%	UK	1,1%
4	Brazil	2,2%	Franch	1,3%
5	Canada	1,9%	Italy	1,1%
6	Russia	1,7%	South Coreia	2,3%
7	Mexico	2,1%	Spain	1,9%
8	Australia	2,2%	Saud Arabia	3,5%
9	Argentina	5%	Turkey	3,4%
10	United Arab Emirates	4%	Indonesia	5,2%

**Notes:** The table shows GDP growth rates among federalist and non-federalist economies. **Source:** Prepared by the author.

A broader and more diversified tax base promotes, for example, a greater variety of tax contributions, leading to greater fiscal autonomy, which is in fact capable of channelling most functional companies towards inclusive and sustainable growth. The transfer of fiscal responsibilities to lower levels of public administration channels a large part of resources to regions where there is no more effective and cohesive regional public policy, as suggested in (Blöchliger, H., & Akgun, O. 2018). Fiscal efficiency, on the one hand, is evidenced in (Rodríguez et al., 2009). Significantly centralised countries, however, experience great macroeconomic and fiscal policy inefficiency and, on the other hand, lower macroeconomic performance.

4. Politics and Federalist and Non-Federalist Countries

This is indeed one of the areas of great importance where territorial decentralisation is effectively implemented through more effective decentralisation. Thus, in most federal states there is much greater political participation than in non-federal countries. For example, the different territorial

levels have channelled greater political inclusion and pluralistic democracy from the outset. through the different states, democratic plurality has been effective. Thus, most political participation in different states and other territorial sub-levels increases the capacity of the grassroots population to choose, above all, through an increase in the choices of their political actors. According to (Spina, N. 2014), decentralisation does in fact increase political participation.

Democratic inclusion increases the chances of all collective actors being able to participate in the political game, and in this way, small political parties are mostly able to participate in political activity at all levels of territorial administration. On the other hand, greater plurality gives states with a higher degree of autonomy, both fiscal and administrative, the power to manage their own electoral processes and greater political legitimacy, above all in the most transparent way possible. Democratic legitimacy, on the other hand, is in fact evidenced in this way, with an increase in the possibilities for regions to ensure greater political maturity and be associated with the degree of territorial development that states in particular generally possess. Decentralised territories attract significantly more companies to their territories in particular, as suggested by Cuadrado et al. (2013).

In the presence of territorial decentralisation, a large proportion of political parties are able to participate, i.e. all major political parties at both federal union level and at the level of other decentralised regions or territories participate, and on the other hand, there is a high rate of political participation. In governments with greater political decentralisation, political turnover increases, for example, through a more balanced and functional democracy in particular. In (Ziegenhain, 2016), they analyse this with greater relevance. In Africa, some countries do in fact have a fiscal policy that benefits from decentralisation itself, according to (Crawford, G. 2009).

Political turnover, for example, refers to the ability to remain in power. Thus, in countries with non-decentralised regimes, there is a plausible increase in long-term mandates, motivated by the continuous politics that these states particularly present. This evidence can be seen in some African countries such as Cameroon, where there is in fact no political turnover. Thus, when this turnover is quantified by the structural levels that each country actually adopts, it helps to promote a different dynamic that has to do with the functioning of political institutions themselves. In most cases, political institutions in centralised countries are dysfunctional and characterised by a continuous increase in failed public policies. An inclusive and pluralistic democracy is evident on the one hand in (Pius Kulipossa, F. 2004), especially in developing countries, where most institutions are in fact inefficient, and on the other hand, institutions are capable of transforming democratic institutions into inclusive ones.

Thus, the number of mandates and political representatives that still exist in most countries is significantly lower in most non-federal countries, which naturally suggests greater causal political inefficiency. As has been shown, most centralised countries still have greater capacity for political interference, and this interference promotes a causal relationship with the capacity for political affirmation. In Zimbabwe, for example, there was in fact an influence on fiscal, administrative and service decentralisation as a means of eradicating poverty in particular, according to the approach taken in (Conyers, D. 2003), see (Igreja, V. 2013) with a similar approach and (Smoke, 2003).

Institutions in the context of inefficient political institutions, and especially in regimes with a non-decentralised model of governance, increase the inability of extractive institutions to exist and consequently increase vicious circles, i.e. there is in fact a considerable increase in vicious circles, to the detriment of virtuous circles, which nevertheless help to make public policy inefficiencies viable. In a large number of unitary states, vicious circles exist in a significant way. These continuous circles are, for example, largely capable of causing most of the inability to produce.

Policy in administratively decentralised territories is capable of institutionalising long-term growth, especially in a continuous manner. This long-term institutionalisation translates, on the one hand, into a different growth dynamic for most developing countries, as most of the approach itself suggests, in particular. Inclusive democracy and local participation are analysed in Bergh, S. (2004). Political decentralisation is associated with a more significant increase in government efficiency in

most developing countries. The impacts of decentralisation have very significant implications for education levels themselves, according to (Lauglo, J.1995).

Political centralisation tends to concentrate a number of sectors, such as health, education and social protection. Countries with a high degree of centralisation of sectoral decisions by policymakers are, however, compromised by their inability to coordinate local public policies, particularly those that cover a specific region. Countries with an overly centralised model of governance naturally converge towards greater inefficiency in their public health systems, while their education systems become incapable of developing sustainable growth and significantly sustainable long-term education. Thus, centralised education reveals a profound ignorance of the educational needs of the territories discriminated against by most public policies of exclusion and centralised nature. As an example, in some countries such as Mozambique and Angola, where both higher education and basic education systems show a particularly high level of incapacity, mainly due to territorial discrimination that leads to a large number of students being excluded from the education system, this exclusion is particularly evident in the marked inadequacy of the policy itself.

Naturally, in the presence of a decentralised regime, sectoral public policies developed by policy makers at the federal level, which is naturally the level of the union, and at the level of other subnational units, are able to channel greater decentralisation of sectoral public policies that are more inclusive and intergenerational, that is, there is in fact a greater increase in political integration. For example, in countries with federal decentralisation, states and municipalities integrate a greater proportion of regional policies capable of ensuring greater sustainability of short-term growth. For example, states are able to distribute local resources as efficiently as possible, which should be in line with most local needs, as presented by the municipalities themselves. Poor municipalities are generally those with the highest levels of exclusion, particularly due to the lack of attention given to public policies at these respective subnational levels. Thus, these regions are nevertheless prone to an increase in multidimensional poverty of great territorial relevance.

## 5. Public Finance in Non-Federal and Federal Countries

Public finance has been the subject of considerable attention for most governments, where ensuring fiscal stability and greater budgetary execution capacity is the central objective of any government, whether federal or non-federal. Thus, the system of governance adopted by most countries ends up directly influencing government policy and structure itself, especially in terms of fiscal policy performance, whether it is more inclusive or exclusive and in line with desirable macroeconomic stability in the short term.

Public finances are dominated by how countries are able to effectively articulate the structure of the various budgets at their disposal as a tool to leverage macroeconomic stability in the short, medium and long term. The particularities of countries and their models of governance, for example, countries with fiscal decentralisation and without fiscal decentralisation, but which are nevertheless unitary countries. In unitary countries, macroeconomic stability is compromised, for example, by more efficient and assertive fiscal policy from a structural point of view, where the inability to collect revenue ends up being greater due to the greater concentration of the economy in a single city, as evidence suggests for most centralised countries with a capital-centric model of the economy in general.

The tax base in countries with a centralised governance model is restricted, i.e. there are few companies per territorial unit of governance, which compromises the increase in tax revenues for most centralised and unitary countries. On the other hand, federated countries manage to have a more diversified tax base and greater power to participate in tax revenues from the outset, so that each state in federalist regimes plausibly increases its tax contribution capacity, which nevertheless enables greater tax revenue collection by each state.

To a large extent, the number of companies present in each state influences the ability to collect tax revenues for most states, which is naturally different from what is seen in countries with a centralised system of government. Thus, the capacity for economic transformation in these regions is

evident for the vast majority of states themselves. The most plausible tax base is nevertheless feasible through a broad, inclusive fiscal policy that is highly relevant to countries, enabling greater tax revenue collection capacity for sustainable and inclusive development.

**Table 3.** Comparison of Number of Companies Between Federal Countries and Non Federal Countries.

Countries With Federalism		Non Federal Countries	
1. United State of America	California 4,1 milions	Franch	Paris 1,3 milions
	Texas 3,1 milions		Auvergne 580.000
	New York 2,3 milions		Provence Alpes 520.000
	Illinois 1,2 milions	UK	Londres 1 milion
2. Germany	Bavieira 800 milions		Escócia 240.000
	Renânia do Norte Vastefalia 1 milion		País de Gales 120 milions
	Baden Wtermberger 900 Thousand	China	Guangdong 1,5 milions
3. Brazil	São Paulo 6,1 milions		Jiangsu 1,2 milions
	Minas Gerais 2,4 milions		Zhejiang 1 milion
	Rio de Janeiro 2,1 milions	Italy	Lombardia 1 mililion
4. India	Maharastra 1,8 milions		Lazio 620.000
	Tamil Nadu 1,3 milion		Veneto 500.000
	Karnataka 1,1 milion	Japan	Tokyo 1,2 milions
5. Mexico	Estado de México 430 Thousand		Osaka 600.000
	Cidade de México 500 Thousand		Sushi 500.000
	Jalisco 350 Thousand	South Coreia	Seul 1 milion
6. Canada	Ontario 1,2 milion		Gyongui 700.000
	Columbia Britsh 600 Thousand		Busan 300.000
7. Australia	New Gales South 820 Thousand	Portugal	Lisboa 400.000
	Vitoria 680 Thousand		Porto 220 Thousand
	Queensland 540 Thousand		Braga 110 Thousand
8. Swend	Zurique 150 Thousand	Angola	Luanda 120 Thousand
	Vaud 80 Thousand		Benguela 25 Thousand
	Genebra 65 Thousand		Huíla 20 Thousand
	Basileia 400 Thousand	Mozam	Maputo 80 Thousand



9. EAU	Dubai 400 Thousand	bique	Nampula 25 Thousand
	Abu Dhabi 300 Thousand	Marroc	Casa Blanca 400 Thousand
	Sharja 150 Thousand		Rabat 280 Thiusand
			Marrakech 200 Thousand

**Notes:** The table compares federated and non-federated countries in terms of the number of companies in each territory or state. **Source:** Prepared by the author.

In particular, tax contributions are analysed in a comparative manner, both for countries with a federal governance model and those that do not have de facto federalism. These contributions are quantified by the number of companies in each territorial unit. For example, in federalist countries, the federal states are considered, and in non-federal countries, the provinces or other equivalent territorial units are naturally considered. Thus, as the approach suggests, most federalist countries nevertheless have a greater number of companies per territorial unit, for example, states, with the states having the highest number of companies. On the other hand, non-unitary countries such as France, the UK and China have relatively much smaller numbers of companies.

The number of companies suggests that there is in fact a higher level of tax contribution, i.e. the tax base is in fact increased and, on the other hand, there is in fact a greater channelling of tax revenues. This is in contrast to non-federal countries, i.e. unitary countries with a very low tax contribution, in particular. Thus, however, states with a higher number of companies can easily transform their economies and territories, leading to an efficient reduction in multidimensional poverty and greater territorial robustness and resilience.

**Table 4.** Tax Revenue in Some States in Federalist Countries.

Countries	Revenue by State
1. United State of America	California 805,65 Bilions
	Illinois 230 bilions
	New York 384,45 Bilions
2. Canada	Ontário 25753 Milions
	Quebec 11,76 milions
3. Germany	North Rhine WestFalia 8959 milions
	Bavieira 6246 milions
	Berlin 1224 milions

**Notes:** The table shows tax contributions, i.e. tax revenues in some states of the United States of America. **Source:** Prepared by the author.

A major peculiarity in non-federated territories is related to the fact that there is no tax contribution for each state or territorial unit, particularly due to the increased inefficiency of

territorial administrative management as the main driver of inclusive growth in fiscal policy. The lack of a diversified tax base prevents the existence of a more assertive and inclusive fiscal policy capable of guaranteeing higher tax revenues. For example, in most federated countries, the United States has most states with a fiscal policy characterised by a high capacity for fiscal and economic transformation provided by a significant tax base.

The growth and promotion of fiscal policy is evidenced by the integration and attractiveness that states are able to provide at their different territorial levels, such as municipalities capable of ensuring greater attractiveness through integration via potentially rich territories.

## 6. Conclusion

Non-federal countries and federal countries: the distinctions between them lead us to understand which countries are actually capable of plausibly increasing economic and territorial transformation in a sustainable manner. Territories in federal states are drivers of integrated regional development, which is integrated with the respective regional transformations. Fiscal decentralisation leads to greater responsibility in each territory for the better distribution of financial resources allocated to subnational units, such as municipalities and states. The evidence suggests that enriching growth is plausible, especially when promoted by economic transformations driven by significant fiscal decentralisation.

According to the analysis, unitary countries have been unable to promote sustainable regional development due to the considerable increase in political and administrative centralisation that exists particularly in these territories, generally in line with economic concentration in a single region, which is, however, the cumulative factor of underdevelopment. On the other hand, centralisation increases the inefficiencies of public policies, where the regions of sub-national units are unable to formulate and implement their public policies, thus increasing the destructuring of the associated territorial units in each region. The policy is inefficient and dysfunctional, naturally resulting in a significant lack of a more diversified tax base. However, the lack of diversification of taxpayers promotes regions with causal impoverishment due to the absence of fiscal decentralisation, which should nevertheless highlight the greater dynamism of economic institutions in particular.

Political centralisation, however, affects regions in different ways, through the centralisation of services, which makes them inefficient in terms of their operation. Centralised health and education make it impossible to implement a more effective and, above all, more inclusive public policy from a structural point of view. The distribution of the best incomes ends up being concentrated only in large cities, i.e., in the capital as the main playmaker of political decision-making, which is a management model that countries with high political decentralisation have consequently embraced.

In non-centralised countries, i.e. federated countries with greater fiscal and administrative decentralisation, there is particular efficiency in terms of economic transformation in regions where discrimination was previously rife, so that territorial discrimination in these regions is non-existent, especially in the presence of a more inclusive public policy. The indicators of transformation in countries with federal systems are indeed higher. However, there is greater fiscal autonomy in these regions in particular, and this autonomy ensures that states are in fact independent and capable of building a model of sustainable inclusive growth in the medium to long term. On the other hand, there is indeed a sustainable increase in tax collection, due to the large number of companies that exist in these respective regions.

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