

ASYMMETRIC DECENTRALIZATION: SOME INSIGHTS FOR THE ITALIAN CASE

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Abstract

The aim of this paper is to analyse the requests of asymmetric decentralization that have been recently proposed in Italy by Lombardy, Veneto and Emilia Romagna in light of the tiny economic literature on asymmetric federalism, and the present Italian institutional set-up. In particular, according to article 116, Paragraph 3 of the Constitution, we retrace the steps that have been put in place up to now, namely from the original requests coming from the three regions to the Preliminary Agreements signed in February 2018, and the following Agreements signed in February 2019. Attention is focused on three of the subject matters for which a higher degree of decentralization has been requested: Health, education, and public finance and regional fiscal coordination. After an analysis on which types of funding resources could be provided to the regions to finance the supply of goods and services related to higher decentralization, we discuss the eligibility criteria of the regional requests to obtain a higher degree of decentralization and the alternative methods to allocate resources and services among Regions.

1. Introduction

The "new regionalization" process that has characterised Europe since the 1990s has to be taken into account today, when new models of territorial governance are called for (Loughlin, 1996). Indeed, nowadays there are wide academic and political debates about this topic and, of course, they are not limited to an economic perspective but include viewpoints from other disciplines, most notably, political science. According to this view, the "new regionalization" phenomenon seems to stem from EU-level policies and

globalization, which have influenced private and public decisions taken by individual jurisdictions within individual member states (Keating, 1997). These decisions have also been affected by institutional changes that took place within the individual national states themselves (Harding et al., 1999). More specifically, the line of research on "New Regionalism" introduces a new vision which stresses the importance of the interplay between culture/identity, intergovernmental relations and economics (Keating, 1998). Regions are no longer considered as administrative branches derived from the state, but as leading actors; they can interact with supranational actors (e.g. European institutions, foreign markets, MNCs) and take charge of needs expressed directly by local constituents. Accordingly, the conceptual development of "new regionalisation" has resulted in: (i) the theorization of what is now commonly called multilevel-governance, where institutions (rules), government and (public and private) actors develop cross-level networks to achieve common specific objectives (Jessop, 2004) and (ii) the creation of macro-regions (Sielker, 2016; Poggi, 2018).

Notably, not all European countries have been pursuing their regionalization processes in the same way or with the same effectiveness. For instance, in some countries, the notion of "regions" was not part of a constitutionally determined political-administrative structure (Bürzel, 1999). In other instances, regions already belonged to the national landscape but were not strategically connected to an administrative structure capable of harmonizing them (Barker and Fischer, 2003).

All across European countries, the degree of local and regional autonomy varies greatly, depending on different constitutional, political, and financial set-ups (Wiehler and Stumm, 1995). For example, regions with broad powers and autonomy, like the German "Länder", coexist with regions with strong powers but less autonomy, such as the Spanish

"Comunidades Autónomas", or regions with limited powers such as the Dutch "Provincies van Nederland", or particular regions identified by their geographical position such as the Portuguese "regiões autónomas", or even Italy's Special-status Regions. In this last case, particular geographical positions go hand in hand with stories of territorial annexations that occurred during what has been called the process of Italianization of the country.

Even if regions represent everywhere an essential local actor of the European architecture, in recent years, some of them have been demanding increasing autonomy/independence, particularly in some of the richest part of Europe. Until now, regional disparities seemed to be key to designing top-down policies to help boost regions lagging behind for economic reasons, or lack of natural resources or due to their peculiar geographical position. This is the case, for example, of Italy and its Special-status Regions, as well as the policy design of the European Structural Funds for Objectives/Areas. Today, on the other hand, such regional disparities seem to be the main reason for the bottom-up demand for more decentralized policies to be promoted by regions with greater economic and institutional development.

This has happened even though the European Union has marked the importance of local autonomies as a more effective tool to respond to the demands of the population, and thus to

define as closely as possible the needs and priorities of local communities, by applying the principle of subsidiarity which is at the basis of the Maastricht treaty. However, this vision does not seem enough to face the growing demands for autonomy that are defining the European geography today. A look at the map recently published by ZeroHedge on the autonomy demands of the European regions shows without a doubt the relevance and territorial diffusion of autonomy movements (in the broadest sense of the term) in the European continent at the present time. With the exception of the Sámi people, who, unlike what happens in the Americas and Asia, alone are recognized as indigenous people in Europe, we can state that two main reasons motivate requests for European autonomy. One is that regional movements represent the political reorganization of Eastern Europe after the disintegration of the former communist bloc states; the other is that the push towards decentralization of the Western European states is predominantly anchored to economic dynamics (Table 1). As pointed out by Rodríguez-Pose and Sandall (2008, p. 66), "the political rationale for decentralization has also evolved, shifting from an emphasis on cultural, ethnic, linguistic, or religious factors, to one of achieving economic and social change. Decentralization [...] as a way to attain greater efficiency and competitiveness and to achieve better insertion into a globalized world".

Table 1
EUROPEAN AUTONOMY/SEPARATIST MOVEMENTS (SELECTED)

Country	Region	Indipendancy/ Autonomy	Referendum	Results	Acknowledgment	Other forms of request	Motivation			
							Economic	Political	Ethno- Cultural	Historical
Belgium	Vlaams Gewest (Flanders)	Indipendancy					x		x	
Germany	Bavaria	Indipendancy	Referendum request in 2016		Not allowed by German Constitutional Court		x			x
Spain	Catalunya	Indipendancy	Referendum 2017	90% supports indipendancy	Unconstitutionale		x	x		x
	Euskadi (Basque Autonomous Community)	Indipendancy				Plan Ibarretxe 2 (2018)			x	
France	Corsica	Autonomy				Negotiation for the autonomy			x	x
Italy	Veneto	Autonomy	Consultative Referendum 2017	98% vote for increasing autonomy	Allowed by Contitutional Court	Negotiation for the autonomy	x	x		
	Lombardia	Autonomy	Consultative Referendum 2018	95% vote for increasing autonomy	Allowed by Contitutional Court	Negotiation for the autonomy	x	x		
	Emilia-Romagna	Autonomy				Negotiation for the autonomy	x			
UK	Scotland	Indipendancy	Referendum 2014	55% vote remain [with UK]	Royal Assent					x
			First Minister of Scotland is requiring a second Referendum after Brexit decision				x	x		x
	Ulster	Indipendancy	After the terrorist activities that characterized the end of the nineteenth century, the consequences of Brexit are fueling new requests				x	x	x	x

Source: our elaborations on Regional line

Although there is no consensus in the literature on how decentralization can lead to conflict resolution (in particular when this is based on cultural, ethnic, religious aspects, etc.), it seems clear that most of the requests have an economic basis, and that they are stronger when the distribution of costs and benefits of integration are (or are perceived to be) unequal across regions (Sambanis and Milanovic, 2014). Obviously, the different outcomes of this matrix depend on differences in the institutional contexts. Where there are no conflicts, requests are put forward for economic-administrative autonomy. Conversely, where economic disparities fit into institutional, cultural and ethnically unevenly inter-regional contexts, this can spur both political and institutional independence movements.

Claims that want to limit the transfer of resources from richer regions to economically disadvantaged areas are gaining a dominant role/prominence in the European political debate and have become a major political issue in several countries such as Germany, Italy, Spain, Belgium and the UK (Keating, 2017). In some cases, such as Spain and the Basque Autonomous Community, or the UK and Scotland, even if the conflictual relationship between the region and the State is not new, what is changing is the intertwining nature of motivations, economic policy visions and politics itself. Traditionally, requests for centralization have been linked to "left-leaning" policies and parties, while devolution has been a flagship of "right-wing" parties motivated by improvements to the economic market and competition. What we are seeing in Scotland, however, seems to be going in a different direction: decentralization is recognized as the possibility of increasing welfare within the region and, even with all the caveats, the same motivation seems to cause the demands for Catalan autonomy and of the Italian regions.

As pointed out above, part of this change is certainly due to the fact that the regions so far considered represent some of the richest territories in their own country; after Madrid, the Basque Autonomous Community ranks second in terms of per capita income; Scotland follows London, the South-East and East of England as the fourth richest region (Zipfel et al., 2015; Boettcher B. and Koerner K., 2017). Indeed, the motivations behind requests for higher decentralization are twofold: the first highlights the possibility of improving government performance, while the second considers greater decentralization of (administrative, management, regulatory and fiscal) responsibilities as a driver for greater economic growth.

However, what makes the Italian situation peculiar in comparison to the rest of Europe is that demands for autonomy are also promoted by regions that do not represent the richest areas of the country or, as in the UK case, regions with strong identity claims (Table 2). As we will point out in the third section of this paper, the new proposal for increasing

regional autonomy comes also from territories which could have fewer resources because of this choice, and – above all – for which the idea that a devolution of responsibilities would represent a real improvement in terms of both performance and economic development does not in any way follow automatically.

Table 2
REGIONAL AND NATIONAL DATA OF SELECTED REGIONS

	Unemployment rates (2016)	GDP per inhabitant 2017	Inhabitants per Km ² 2017
Belgium	7,8	38.700	373,6
Vlaams Gewest	4,8	39.800	487,2
Germany	4,1	39.600	234,0
Bayern	2,6	46.100	185,5
Spain	19,6	25.100	92,7
País Vasco	12,6	33.000	301,7
Cataluña	15,7	30.100	233,5
France	9,4	34.300	105 (*)
Corse	7,8 (u)	27.600	37,9 (*)
Italy	11,7	28.500	203,3
Lombardia	7,4	38.000	435,1
Veneto	6,8	33.100	282,8
Emilia-Romagna	7,0	35.300	201,4
Toscana	9,5	30.400	164,0
Campania	20,4	18.200	427,8
Puglia	19,4	18.400	210,2
Calabria	23,2	17.200	129,2
United Kingdom (*)	4,8	35.400	272,4
Scotland	5,1	32.700	69,6
Northern Ireland (UK)	5,7	27.200	138,0

(u) low reliability - (*) 2015

N.B.: The comparison between the UK Regions and the national average value is particularly difficult due to the peculiar case of the London Region, whose values, eg. for GDP per capita, is more than double of all the other regions.

Source: Eurostat

The plan of the paper is as follows. To try and gain more insights on the pros and cons of asymmetric decentralization, Section 2 briefly surveys the little economic literature available on it. Next, our focus shifts onto the Italian case, where Article 116, Paragraph 3 of the Constitution allows regions to request a higher level of decentralization for a certain set of subjects matters. Section 3 presents the path which has been followed by the three Italian regions which have gone further ahead in their request for higher decentralization, Lombardy, Veneto, and Emilia-Romagna, in terms of initial requests up to the signature of some Preliminary Agreements in February 2018 and February 2019. Such requests are also compared to the subsequent requests coming from some other regions. Section 4 concentrates on three sectors for which the three regions mentioned above have requested greater autonomy: healthcare, education and public finance and regional fiscal system coordination. Section 5 analyses which types of funding resources could be provided to the regions to finance their additional supply of goods and services because of higher decentralization. Section 6 discusses which criteria could be adopted to evaluate the admissibility of the regional requests to obtain a higher degree of decentralization. Section 7 considers the allocation

of resources among Regions. Finally, Section 8 contains some concluding remarks.

2. Some insights from the literature on asymmetric decentralization

The analysis on the optimal allocation of spending, tax and regulatory powers between national and local governments is an old issue in the public finance literature. From Musgrave (1959), we know that the allocation branch could be better assigned to local governments depending on the standard trade-off between the exploitation of economies of scale under centralization and the fulfilment of heterogeneous individual preferences under decentralization.¹ However, the features of such a trade-off may change over time because both the intensity of the economies of scale related to local public goods' supply and the degree of heterogeneity in individual preferences may change over time for several reasons, e.g. political, historical, economic, cultural, religious, etc (Spolaore, 2016). Furthermore, not only conflicts of taste across regions on the provision of local public goods are important, but also conflicts of claim due to the different degrees of wealth of regions that, accordingly, are expected to participate in an asymmetric way to the financing of public goods and inter-regional transfers (Mintz, 2018).

When a divergence arises across regions in terms of preferences or wealth or both, we can expect that some regions will request a different degree of decentralization. In other words, some regions may call for having a higher degree of decentralization than others, giving rise to an asymmetric federalism.² According to Congleton (2015, p. 5), "[a]symmetric federalism exists whenever governments at the same level of geographic responsibility – towns, counties, cities, or states – have different regulatory and fiscal powers." From the point of view of the economic literature, a recent and, at the moment, tiny line of research has tried to deal with this topic.³ With respect to the standard literature on fiscal federalism, which emphasizes the demand point of view in terms of different individual preferences for local public goods across regions, the literature on asymmetric federalism takes also into account the supply point of view, in terms of a

different provision of local public goods and also a different type of taxation granted to distinct regions (Congleton, 2015). One of the main justifications for asymmetric federalism has been elaborated by Oates (1999), and it is usually referred to as "laboratory federalism". In a set-up with asymmetric information, innovative public policies can be experimented only within some regions of a federal country and, in case they show to be successful, they can be "imitated" by the other regions or the central governments. On the contrary, in case they turn out to be unsuccessful, they can be given up by the regions which adopted them with losses remaining concentrated just in these regions and not in the whole country. For the U.S., such a point was already made by Bryce (1888, p. 353), who wrote that "[f]ederalism enables a people to try experiments which could not safely be tried in a large centralized country".

However, as stressed by Rose-Ackerman (1980) and recognized by Oates (1999, p. 1133) himself, "[t]here exists a basic "information externality" in that states that adopt new and experimental policies generate valuable information for others. And this creates a standard sort of incentive for free-riding" so that regions could have an incentive not to adopt innovative public policies, generating an inefficiently low level of innovation. Thus, whether decentralization or centralization promotes more innovation is still an open question (Strumpf, 2002). More recently, Ania e Wagener (2016) have also shown that adding to the analysis a dynamic set-up with fiscal competition does not guarantee that successful policies that are imitated will lead to an increase in welfare.⁴

From the point of view of the procedure through which some forms of asymmetric federalism can arise in a country, we should notice that they need to be the result of a bargaining process between central and regional governments on the allocation of fiscal powers between different tiers. As it has been stressed by Congleton et al. (2003), since only those regions for which benefits overcome costs will demand a higher degree of decentralization in the provision of some public goods while the others will prefer to go on with a centralized provision of such goods, we can expect that only wealthier regions and/or regions inhabited by citizens with a higher intensity of preferences for more decentralization will ask for it. As we know from a standard Edgeworth box analysis, the result of bargaining will depend on the initial endowment of each region, in this case expressed in terms of its wealth, and accordingly on its bargaining power. This, of course, can also depend on other regional features, such as their population, location, history, etc. Furthermore, depending on whether an asymmetric allocation of policy-making authority leads to positive or negative externalities in favour or against the other regions which are left with a lower degree of autonomy, we can

¹ See the seminal works by Tiebout (1956) and Oates (1972) for a traditional approach, and the work by Brennan and Buchanan (1980) for a political economy approach. For a survey on the other typical issues underlying the allocation of policy-making authority, such as the existence of inter-regional spillovers, accountability, etc., see for example Oates (1999).

² "Menu federalism" and "federalism à la carte" are other terms which have been used to describe this phenomenon. Of course, asymmetries among regions can be due to many reasons: for example, geographical reasons (e.g. being an island or a region at a border) or ethnical or linguistic or historical or religious or cultural reasons, etc.

³ For brief surveys see, for example, Éupolis Lombardia (2017) and Grizzini (2019).

⁴ See also Ania e Wagener (2014) for a related paper.

expect that the latter will support or oppose such an agreement based on asymmetric federalism.

Finally, a further issue which has not been sufficiently studied yet is whether asymmetric federalism can weaken the stability of a country, for example, by augmenting polarization between regions which differ in terms of wealth, and thus spurring the demand for secessions.⁵ In this respect, the recent economic literature on national borders and secessions provides many interesting insights which can be helpful in understanding what could be the different effects of asymmetric federalism on a country's political stability. For example, this could be done by pointing out the importance of the design of apt side-payments to compensate citizens of different regions, also depending on whether these transfers are preference-based or income-based (Spolaore, 2016).⁶ Similarly, the role played by the institutions has been emphasized by Spolaore (2010) in his analysis on the interplay between federalism, redistribution and border stability. Specifically, Spolaore shows that decentralization decreases the incentives to pursue a secession if and only if it is sufficiently high while, an increase in the degree of decentralization may augment the incentives to pursue a secession when decentralization is low. Whether incentives towards secession could be increased or decreased in the case of asymmetric federalism is still an open question.

3. Regional requests for asymmetric decentralization in Italy

Italy is already an example of a country where asymmetric decentralization has been implemented because of its five Special-status regions treated differently than the others from an administrative and fiscal point of view.⁷ Additional forms of asymmetric decentralization may however come into being according to the Italian Constitution's reform of 2001. Article 116, Paragraph 3 allows Ordinary-status regions to obtain the devolution of supplementary tasks with respect to the ones already assigned by the Constitution (Art. 117) according to primary legislation and on the basis of an agreement between the State and the regions involved. Such option had never been requested until recently, when three regions, Veneto, Lombardy and Emilia-Romagna initiated the procedure to have a higher level of autonomy recognized for some subject matters such as, for example, education, health, cultural

heritage, labour policies and local public finance coordination. These regions, however, have not only taken different paths to ascertain their requests for more autonomy, but have also made partially different requests on which subject matters should be decentralized at the regional level. Veneto and Lombardy opted for a consultative referendum among their residents which has taken place on 22 October 2017, while Emilia-Romagna did not resort to a referendum, opting instead for a consultation with local institutions. Indeed, different political visions are behind these requests, which are made clear in the three Preliminary Agreements signed by the regions with the national government on 28 February 2018. These Preliminary Agreements establish how to conclude the procedure for assigning a higher level of decentralization to the three regions, as well as an initial set of subject matters that should be the object of greater devolution.

With regard to the above, Veneto has requested a high degree of autonomy that goes beyond administration and management, including the assignment of part of the national tax revenues to the financing of a regional supply of crucial goods and services, which are offered by the Italian State in the current institutional set-up. More specifically, Veneto asked to have authority on all the twenty-three subject matters which are currently under concurring legislation between the regions and the central government (Article 117, Paragraph 3), along with three subject matters which are under the exclusive legislation of the central government, i.e. justice of the peace court, education and environmental and cultural heritage (Article 116, Paragraph 3).⁸

Just like Veneto, Lombardy requested a higher degree of autonomy for all of the twenty-three possible subject matters, which should be financed via apt resources assigned to the region by the central government. The political view behind Lombardy's request is the assumption of being able to administer in a more efficient and effective manner the resources that the national level struggles to fully exploit.

On the other hand, Emilia-Romagna, expressed a less "separatist" political position, requesting only nine of the subject matters (transformed in 16 in the last Agreement) which are now under concurring legislation between the regions and the central government, with the aim to further implement the principle of subsidiarity and thus respond more effectively to the needs of its residents.

Following these requests, seven more regions have started the same procedure (Piedmont, Liguria, Tuscany, Marche, Umbria, Lazio and Campania), and another three are taking their first steps in this direction (Basilicata, Apulia and Calabria). Presently, only two regions, Abruzzo and Molise, have not taken any initiative with regard to this issue (Fig. 1).

⁵ For the main contributions to this branch of research, see for example the references cited in Spolaore (2016).

⁶ "Preference-based transfers are payments to regions that are distant from the central government in terms of preferences over public policies. In contrast, income-based transfers are redistributive transfers from richer regions to poorer regions, based on income differences." Spolaore (2016), p. 12.

⁷ Italy's Special-status regions are Aosta Valley, Trentino Alto Adige, Friuli-Venezia Giulia, Sicily and Sardinia, while Trento and Bolzano are autonomous provinces.

⁸ See also the project for a State Law No 43 concerning Veneto (Annex to Council Resolution No 155 of November 15th 2017).

Figure 1
REGIONAL INITIATIVES



Source: our elaborations

Table 3 summarizes the heterogeneity of the political profile motivating these requests and the final goals that the regions aim to achieve. Even regions with similar political majorities (Lombardy and Veneto) express different underlying

motivations in support of their requests for differentiated regionalism. Emilia-Romagna emphasizes the importance of having the management of nine subject matters, as it hopes of being able to boost regional growth. Similarly, one of the seven regions that have started the bargaining process with the Italian Government, Piedmont emphasizes the importance of public-private partnerships (e.g. concerning cultural heritage management) and inter-institutional partnerships in a multilevel governance perspective, i.e. the setting up of a North-West macro-region to develop logistic infrastructures.

In the last year (February 2018 to February 2019), a “preliminary agreement” was signed for the first three regions that started the process, and the following “framework agreements”, currently in force, have been developed.

In between the two Agreements there was a change of Government, due to the political elections of March 2018, which has the same political prevalence for the Veneto and Lombardy regions, and which led to an expansion of the regions' areas of intervention on the February 2019 Agreement. For the Veneto Region, all twenty-four subject matters were granted; for the Lombardy Region, twenty of them were identified, and sixteen for the Emilia-Romagna Region. In addition to the subject matters falling within the competence of the Regions, the new agreements explicitly stated that the greater availability of resources made available with the new distribution of legislation would be managed directly by the Regions themselves.

Table 3
REQUEST, PRELIMINARY AGREEMENTS AND AGREEMENTS OF VENETO, LOMBARDIA AND EMILIA-ROMAGNA REGIONS

Type of request	Requests			Preliminary Agreement (Feb. 2018)	Agreement (February 2019)
	Emilia-Romagna	Lombardia	Veneto	All three Regions	All three Regions
	Specialisation	Autonomy	Independency		
Participatory process	Consultation of local authorities and representatives	Referendum	Referendum		
Subjects	9 subject	All those allowed by law	All those allowed by law	Environmental Protection, Education, Healthcare, Labor Policies, international relations and EU relations	Emilia-Romagna:16 Subjects Lombardia: 20 Subjects Veneto:23 Subjects
Public Funding	Requests for autonomy in defined subjects based on territorial needs. The region demonstrates greater effectiveness and efficiency in the provision of certain services	Acquisition of additional resources through the transfer of regionalized state expenditure and the possibility of owning own revenues. No need to eliminate the solidarity principle	The financing of autonomy must also include the end of the transfer of resources	a) Sharing of the tax revenue referred to the region from IRPEF and potential other taxes; b) Within what established by state laws, reserved tax rates on the tax bases of the same taxes of the previous point and referred to the region	a) Sharing of the tax revenue referred to the region from IRPEF and potential other taxes; b) Within what established by state laws, reserved tax rates on the tax bases of the same taxes of the previous point and referred to the region. It is under the regional authority, even during the temporary phase, the potential change in the tax revenue referred to the region of the shared taxes or of the taxes with a reserved tax rate with respect to the amount of the state expenditure in the region or, later, with respect to the amount recognized on the basis of standard needs.
Political Goal	The desire not to contrast with the national government is reaffirmed. Identification of strategic sectors on which to focus regional development strategies	Institutional capacity for effective and efficient management of services. Autonomy would allow for administrative streamlining and greater capacity for development	The dominant view holds that the Veneto must achieve the same autonomy as the Autonomous Provinces		

Source: our elaborations

As already highlighted in our previous work (Grazzini *et al.*, 2018), the main critical issues that have most stimulated the public debate on asymmetric decentralization are the following:

- 1) Which subject matters and under what constraints can a higher degree of decentralization be granted according to Article 116 of the Constitution without compromising efficiency, effectiveness and equity for all regions as far as accessing goods and services deemed "universal" at the national level?
- 2) Which types of funding resources could be provided to the regions which have gained higher decentralization to finance their additional regional supply of goods and services?
- 3) Which criteria could be adopted to allocate resources and services among Regions?

In the next sections, we will try to provide some answers to each of these questions.

4. Towards asymmetric decentralization for which subject matters?

The responsibilities for which regions request higher decentralization have very different implications in terms of citizens' rights protection and public resources allocation. To try and provide some insights on this potential challenge for Italy's local public policy, we concentrate on some of them in this section: Healthcare, Education and Local Public Finance Coordination.

4.1 Healthcare

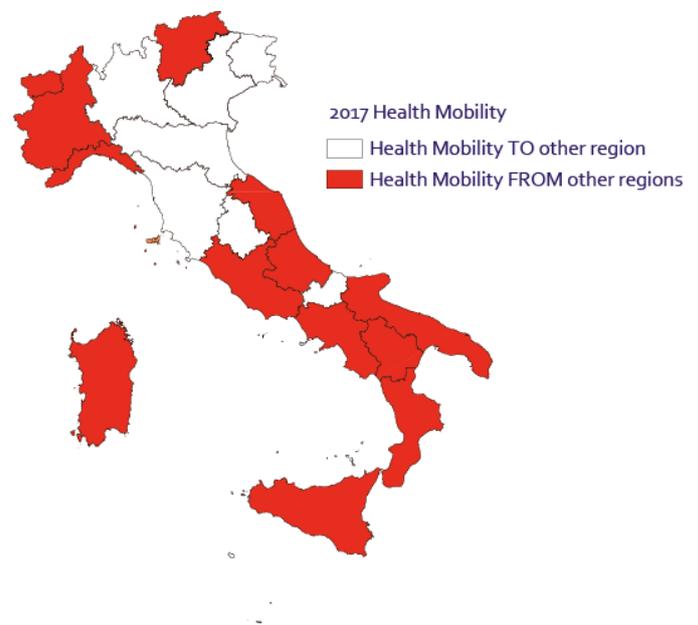
Since the end of the last century and especially following the fiscal federalism reform of 2001, the Italian healthcare system is already regionally decentralized.⁹ Healthcare protection belongs to the concurring legislation according to the new text of Article 117 of the Constitution. Regions have a crucial role in deciding their healthcare policies, thanks to a wide autonomy in the organization and production of healthcare services following the general guidelines provided by the national government. The latter has, indeed, the duty to define the so-called Essential Performance Levels (Livelli Essenziali delle Prestazioni-LEP), namely the fundamental levels of services that must be provided in order to guarantee primary civil and social rights (and thus also healthcare rights) to all the residents of the country.

Healthcare being already highly decentralized, the main requests on this issue coming from the three regions mentioned above are mainly of an organizational/managerial

nature rather than responsibility for additional tasks and resources. In this respect, it is worth noting that contrary to the other subject matters under request, for healthcare: (i) reference indicators that identify the minimum level of services which must be offered in each region are already in place: Essential Assistance Levels (Livelli Essenziali di Assistenza-LEA); (ii) such indicators are monitored every year; (iii) corrective policies (called *piani di rientro*) are decided by the central government for those regions that are not able to guarantee such minimum level of services.¹⁰

This institutional architecture has given rise to different regional healthcare systems as far as the effectiveness with which they achieve their goals and the efficiency with which they can operate. An example which shows how great the differences are between Italian regional health systems is provided by the high patient mobility between regions. For non-ordinary health treatments, individuals choose the region most suitable to their health needs, and then go there "with their own feet" to receive healthcare. Such phenomenon leads to a reallocation of resources among regions, as shown in Figure 2; there are net creditor regions, such as Lombardy, Emilia-Romagna, Veneto and Tuscany and regions, such as Calabria, Campania and Sicily, whose patients move to treatment centres located elsewhere.¹¹

Figure 2
INTER-REGIONAL HEALTH MOBILITY. 2017



Source: Report Osservatorio GIMBE n. 3/2018. *La mobilità sanitaria interregionale nel 2017*

¹⁰ The contents of the Plan must include interventions aimed at rebalancing the disbursement profile of the essential assistance levels (in Italian LEA), to make it compliant with that deriving from the National Health Plan and the Prime Ministerial Decree to fix the same essential assistance levels, measures necessary for the elimination of the deficit.

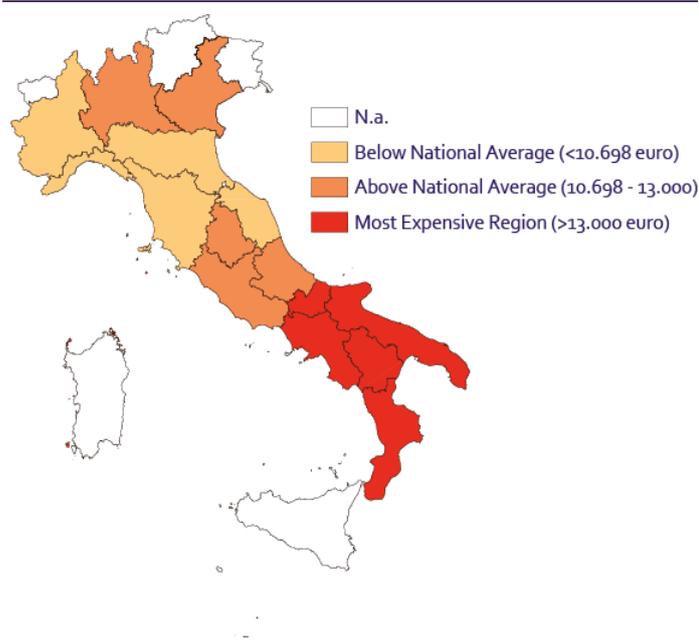
¹¹ We recognize this cost is not neutral as patients bear their own personal moving costs in addition to the ones charged to the Italian national healthcare system, such as for example moving households, which in itself is a factor affecting the real range of possibilities available to people.

⁹ See Constitutional Law No. 3/2001, which modifies Article 117 of the Constitution.

As discussed below, the fact that healthcare is already a subject matter on which regions can prove their ability to guarantee an efficient and effective performance, and their achievements can be measured with respect to nationally identified benchmarks, may provide us with some clues on their capacity to manage additional functions.

If we look at resource endowments (Fig. 3), Health is the expenditure that involves the highest amounts for the provision of final services (about 1.800 euros per capita of the current portion), which in turn are largely of regional competence.

Figure 3
TOTAL NATIONAL EXPENDITURE IN HEALTHCARE PER REGION (EURO PER INHABITANT POP. >75 YEARS OLD). 2017



Source: Spesa Statale Regionalizzata (2019)

Although the healthcare system is already highly decentralized, the requests formulated by Veneto, Lombardia and Emilia-Romagna collect several points of discussion concerning healthcare organization.

Veneto for instance requires the creation of a Regional Health System with regional funding and complete independence. Emilia-Romagna and Lombardia, on the other hand, advance less radical but still significant requests, such as:

- More autonomous governance system and possibility of modifying the current legislative expenditure constraints for the recruitment of human resources;
- Possibility to define training courses based on local needs
- Greater autonomy in defining the forms of partnership;
- Realization of a multiannual plan for building adaptation and renewal technological heritage.

Emilia-Romagna and Veneto also introduce the topic of the management of Complementary Health Insurance (henceforth FSI from the Italian definition), while Lombardia focuses on some requests in very specific areas, such as:

experimental paths in the definition of new LEAs, testing of new technologies in care and patients, activities to contrast compulsive gambling addiction/behaviour.

The requests in common between Emilia-Romagna and Lombardia and the creation of FSI had been accepted by the Gentiloni government and included in the pre-agreements of February 2018. To date, with the ratification of the agreements of February 2019, it is not yet possible to define with certainty how many of them will come into application. Certainly the Veneto request seems too radical even for the current government choices, while some proposals have sparked a lively debate on the consequences that may result for the future configuration of the NHS.

In our opinion, the most relevant implications may come from two particular aspects of the requests made: (i) the possibility of alternative training courses of specialization; (ii) the use of FSI. Relating to the first area, and in consideration of the urgent needs of the current health system, the elements to be considered are, on the one hand, the lack of specialized posts at national level and, on the other, the increasing lack of medical specialists. Assuming also that the construction of alternative routes is able to guarantee the quality level of preparation of doctors and care of patients, the possibility of effectively adding them and increasing their number would ultimately depend on the available resources (budgetary but also in training assets) of the individual regional systems.

In the second case, the management of the FSI, we need to understand how these tools (which are already operating in our system) can contribute to the development of an integrative (and not substitutive) system of the NHS. In this area, the universal healthcare system needs above all to fill the gaps in the socio-sanitary treatment of chronic diseases (with particular reference to the needs of the most fragile elderly population). Ultimately, this is not a simple re-shifting exercise but requires a strong institutional capacity.

4.2 Education

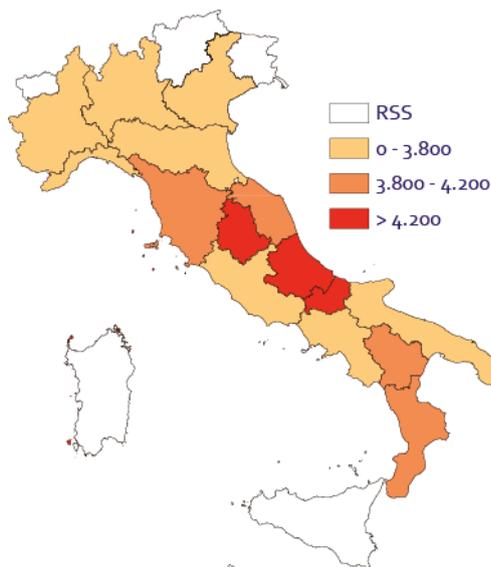
Depending on the chosen degree of devolution in the educational sector, if it were the maximum, it would imply the greatest transfer of resources from the Central Government to the Regions compared to the other subject matters. This is one of the main reasons why education is currently the most debated issue when it comes to requests for asymmetric decentralization. The other main reason concerns the specific features of education which differentiate it with respect to the other subject matters being requested, calling for equality of access to high quality of education throughout the country.

As it is well-known and established in the economic literature, both efficiency and equity reasons justify a public intervention in the educational sector. From an equity point of view, the right to basic education, i.e. primary and secondary education, is largely recognized as a primary right that the government

should guarantee by providing universal service to all citizens. Vertical and horizontal motivations are also crucial in the educational sector. A vertical equity issue is relevant because financing education through (progressive) taxation allows to redistribute resources from the rich to the poor and to improve social mobility. Furthermore, horizontal equity issues are more and more at the heart of the academic and policy-making debate, suggesting that social justice requires that equality of opportunities in education must be guaranteed to all children, as it is widely recognized by both contemporary states and international organizations such as the European Commission, UNDP, World Bank, etc.¹² In other words, this means that governments should assure that all children should be given equal access to education and provide them with a minimum required level of schooling through compulsory education laws.¹³

individual's acquisition of skills and knowledge.¹⁴ Accordingly, the above mentioned minimum level of schooling that contemporary societies need to assure in order to boost both individual earnings and economic growth, as well as more general social benefits, has to be stated not only in terms of quantity but also quality of education.¹⁵ For example, by measuring quality of education through international tests (Fig. 5),¹⁶ Hanushek and Kimko (2000) find a statistically and economically significant positive effect on growth due to cognitive abilities which is larger than the association between quantity of education and economic growth.¹⁷

Figure 4
TOTAL NATIONAL EXPENDITURE IN EDUCATION PER REGION (PRIMARY AND SECONDARY SCHOOL AND UNIVERSITY) EURO PER INHABITANT POP. 6-24 YEARS OLD). 2017



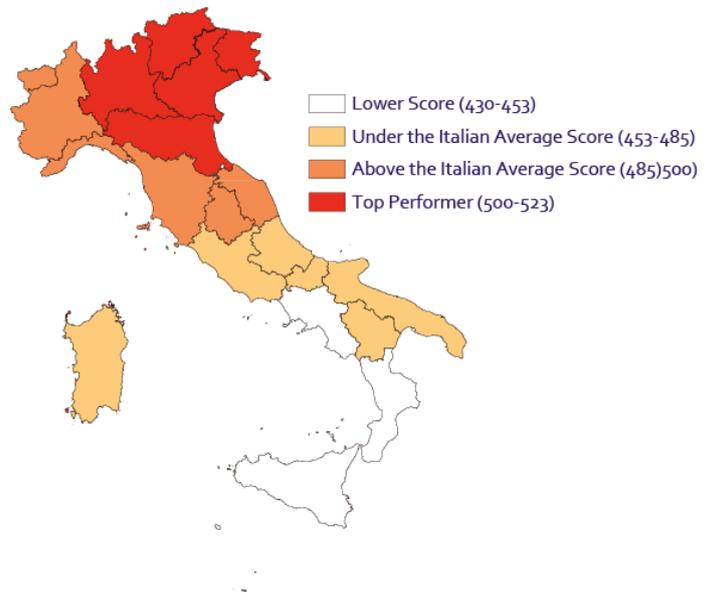
Source: Spesa Statale Regionalizzata (2019)

Nowadays, however, both in the academic debate and in the policy arena, it is widely recognized that quantity of education, i.e. how long students have been in school, is not enough to improve the human capital of a population, and quality of education, i.e. what students have learnt, and thus they actually know, is fundamental to guarantee the

¹² The seminal contribution to this literature is Rawls (1971). Health, anti-poverty schemes, income taxation and redistribution are other examples of public policy areas where such an approach has been implemented. Roemer and Trannoy (2016) provide an up-to-date survey on this topic.

¹³ It should also be pointed out that compulsory education financed by taxation has been proved fundamental in building social capital in democratic societies (Dee (2004), Milligan et al. (2004)) and as a nation-building tool via the spreading of civic values (Bandiera et al. (2018)).

Figure 5
PISA AVERAGE SCORE PER REGION. 2017



Source: Spesa Statale Regionalizzata (2019)

Of course, determinants of quality of schooling, and consequently of cognitive skills acquired by students, are not only individual talent and family background (especially, the parents' education and their socio-economic status) but also school inputs and institutional features of the educational system.¹⁸ Examples of school inputs which have been

¹⁴ For a recent survey on the importance of quality of education see, for example, Grazzini (2016).

¹⁵ Notice that some recent evidence by Hanushek and Wößmann (2011) shows that both basic skills and top-performing dimensions seem to be separately important for growth. From a policy perspective, this implies that a school system should be both sufficiently egalitarian to improve basic skills for all, so as to promote the implementation of established technologies, and it should also concentrate more resources on top-performers who will be more likely drivers of innovations.

¹⁶ The main international tests are: the Progress in International Reading Literacy Study (PIRLS), which tests primary school reading performance; the Trends in International Mathematics and Science Study (TIMSS), which tests the math and science performance of eight-graders; and the Programme for International Student Assessment (PISA), which tests the math, science, and reading performance of 15-year-olds.

¹⁷ For other papers confirming the important effect of the quality of education on growth see, for example, the survey by Hanushek and Wößmann (2011).

¹⁸ Notice that test mathematics, science and reading scores are widely accepted as proxy of cognitive skills, but it is worth stressing the fact that test

analysed in the empirical literature include school resources, proxied by variables as per-student expenditure, class-size, and teacher characteristics, and institutional features of the educational system such as pre-primary education, school entry-age, school tracking, vocational orientation, school autonomy and accountability. Empirical studies, however, do not reach a consensus on which of them are more important in increasing student achievement (even when using the same data sets). For example, as recently emphasized by Piazza (2018), empirical results on the link between decentralization and student performance are mixed.^{19,20} In addition, the analysis on the impact of school autonomy on scholastic career is not clear-cut, even if some interesting clues can be obtained from a recent paper by Hanushek et al. (2013), which shows that the impact of school autonomy on student achievement is affected by a country's economic and educational development level. School autonomy leads to considerable gains in countries with strong institutions, while it leads to losses in countries where institutions are weak. Furthermore, the effect of more autonomy is greater in countries where the school system is accountable by means of central exit exams, while in some areas, school autonomy is negatively associated with student achievement when there are no external exit exams.²¹ Interestingly, in the case of European countries, Braga et al. (2013) show that reforms increasing school autonomy and accountability are positively correlated to mean educational attainment, but also to inequality in the distribution of educational attainments and intergenerational persistence.

Turning now to Italy's case, given the high inequality in education attainments and quality of schooling across regions,²² the previous line of reasoning would suggest that the public sector should intervene to try and compensate all those individual circumstances for which the child cannot be held responsible (Roemer, 1998). Specifically, given that primary and often also secondary education are not chosen by the children but by their parents, on the basis of the information they have and available opportunities in the area surrounding the household, public intervention should also

scores can capture the total outcome of education, its source being the family, the school, and individual ability.

¹⁹ Piazza (2018) also compares the public expenditure for a PISA point (for science) of Lombardy, Veneto and Emilia-Romagna with respect to some other regions, such as the Autonomous Provinces of Trento and Bolzano. For example, he shows that Trento spends more or less double than Veneto for one PISA point (given a similar performance).

²⁰ For a recent paper on Italy and Spain, see Turati et al. (2017), which shows that public funding decentralization is associated with better school performance than centralization.

²¹ They also find that student performance is better in schools that have autonomy in process and personnel decisions (e.g. purchase of supplies, budget allocations within schools, textbooks and instructional method choices, hiring and rewarding teachers), and also if teachers have the possibility to choose appropriate teaching methods. On the contrary, student achievement is found to be negatively associated to school autonomy in budget formation and teacher autonomy in choosing the subject matter taught in class.

²² See, for example, Agasisti and Vittadini (2012) and Braga and Checchi (2010).

aim to neutralize unequal opportunities enjoyed by children living not only in families with different socio-economic background but also in differently wealthy regions.²³

Other two peculiarities of the educational sector suggest that one should be very cautious in potentially allowing highly differentiated regional school systems. On the one hand, since education can be considered an investment in individuals' human capital with potential positive externalities for society at large, and not only in terms of economic growth, guaranteeing equality of opportunities in the educational sector, notably in terms of its quality, may boost economic development particularly in those regions that are left behind. On the other hand, it is worth mentioning that we cannot rely on a "competition" argument among different regional education systems to offset their quality of schooling differences. As mentioned above, education, especially in primary and secondary schools, is closely linked to the residency and catchment areas of the households, and it is not possible to imagine students mobility for basic education, contrary to what we can observe in the health sector as discussed above.²⁴ In the case of education, very different regional school systems may lead to very unequal opportunities for children.

4.3 Public finance and regional fiscal coordination

Among the requests for new responsibilities by the three Regions, there is also the coordination of public finance and fiscal system (PFCO), even if none of the proposals clearly specify the meaning of this new assignment. In our opinion, in order to give to the proposal a feature of rationality, it should concern two aspects.

- (a) The proposal should allow to satisfy the financial constraints of the territorial tiers in a region (Region, Metropolitan Cities and Municipalities) in consolidated terms, i.e. as a unitary branch of the local public administration. The region might be asked with guaranteeing its own budget and debt constraints. This is of course a delicate direction, but it could imply a more efficient utilization of the available resources for funding public infrastructural investments. Given a budget constraint at the regional level, resources could be allocated each year among the local regional administrations according to their availabilities and needs by means of horizontal and/or vertical agreements.
- (b) As also pointed out by L.D. 42/2009 on "Fiscal federalism", the proposal should give the regions that have convincing

²³ On the contrary, public intervention should not compensate individuals for the effects of choices affecting the final outcome for which they should be held responsible. This means, for example, that different levels of effort devoted to studying should not be compensated by public intervention when they reflect individual choices for which the individual can be considered responsible.

²⁴ Student mobility may be and it is, indeed, more feasible at university level.

projects the power to legislate about the institution of their own taxes for the three territorial tiers, although in residual terms, i.e. with reference to tax bases not already employed by the national fiscal system (e.g. environmental and earmarked taxes). In this case, allowing PFCO at a regional level would be a way for Italy to reaffirm some meaningful features of fiscal federalism and autonomy, which have almost been forgotten.

As a matter of fact, the original interpretations of Art. 119 of the Italian Constitution following the 2001 reform of Title V seemed to recognize some of these prerogatives to the regional fiscal system. In the original view, according to the concept of concurring legislation, national legislation would have had to limit itself to designing the unitary framework of public finance as a whole while respecting the constitutional guarantees to protect the subsidiarity principle and the local financial autonomy of revenue and expenditure. Indeed, to define the precise constitutional background of PFCO, some other principles must be added to the “principles of public finance and fiscal system coordination” explicitly stated by Art. 119, Paragraph 2. Thus, the decentralization of PFCO should be pursued according to the following principles:

- the limit of “harmony with the Constitution”, referring to cohesion and social solidarity principles across all regions (Paragraph 5);
- the principle of correlation between functions and resources assigned to each local tier (Paragraph 4);
- the integrative and complementary role of the equalization fund devoted to integrally financing the functions assigned to the different levels of government with respect to autonomous local own taxes and the revenue shares of national taxes (Paragraph 3);
- the availability of supplementary resources and special interventions in favour of some regions and local tiers for removing territorial differences (Paragraph 5).

Art. 119 also requires the full availability of autonomous resources for all territorial tiers (Paragraph 2), establishing, at the same time, the possibility of introducing and applying “autonomous local own taxes and revenues”. As a consequence, according to the original interpretations of Art. 119, the regional government should be able to legitimately legislate taxation matters that are not strictly reserved to national law.

In accordance with this view, afterwards, the constitutional case law has been mostly geared towards the idea of public finance unity by ensuring that the central government has a basic and large role of public finance coordination, even at the cost of reducing the financial and fiscal autonomy of the territorial tiers. Consequently, a somewhat centralist view of financial coordination has emerged both in terms of the power to tax and the power to expend.

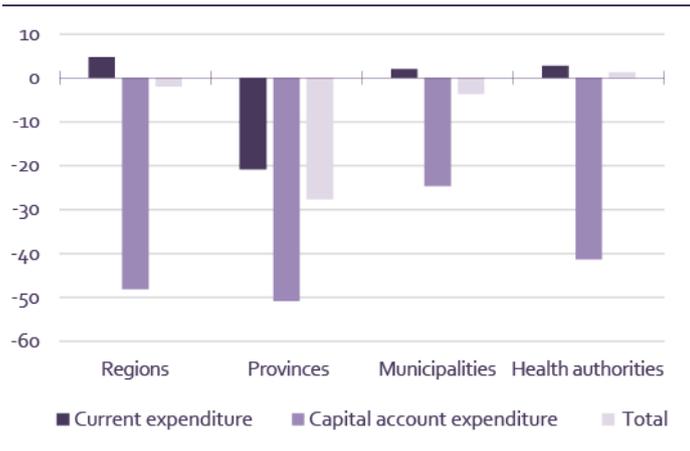
Starting from Act No 37 of 2004, the Constitutional Court has indeed affirmed that, in order to apply Art. 119, a specific coordination intervention by the central state legislation would be needed on a preliminary basis. This would have had to fix not only the general principles which the regional legislators had to comply with, but also the general features of the whole fiscal system, by establishing the taxation powers of central government, regions and local tiers.

In recent years, because of EU legislation constraints, Italy’s national legislation has transposed the Eurozone constraints for averting the sovereign debt crisis by taking the responsibility of public finance coordination. This has implied that such Eurozone constraints have turned out to be fully operative also for the local public finance. Moreover, such an approach has been fully strengthened by constitutional case law, coming from Articles 11 and 117, Paragraph 1, and Constitutional Law No 1/2012, revising not only Art. 81 (budget balancing rule), but also Art. 119 of the Constitution. Furthermore, Art. 97 of the Italian Constitution establishes that all the public administrations have to guarantee budget equilibria and public debt sustainability, coherently with the Eurozone constraints. In Figure 6 we show the consequences of budget constraints on local government expenditure, that resulted in a dramatic reduction of investments. In Figure 7 we show the residual balances that would have been used for investment but weren’t. This is a clear evidence of the necessity of coordination.

Given this framework, it seems to us that some regions’ request for a greater degree of decentralization for PFCO corresponds to an extensive and early interpretation of Art. 119 of the Constitution.

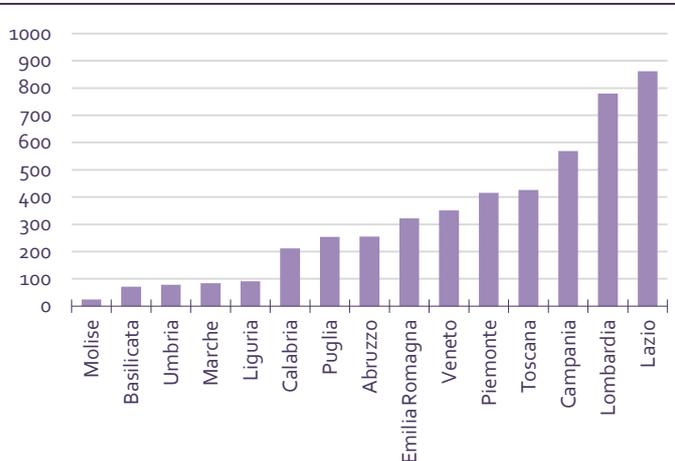
However, two objections have been brought up against this proposal. The first one concerns the fear of harming the financial equilibria of the Public administration due to lack of central control. The second one concerns the potential conflict arising between regional and local governments. Both objections are real and can be agreed with, but they both can be overcome with appropriate rules. For the first one, the financial responsibility of the region requiring accountability on the PFCO should be amplified, by establishing credible penalties when there are budget and debt disequilibria on a consolidated level (Fig. 6 and Fig. 7). For the second one, we may recall that the requests for asymmetric decentralization must be confirmed by a preliminary agreement with all the local tiers within the region according to Art. 116 of the Constitution. In other words, nothing can be decided against local tiers; on the contrary, they should cooperate with the Region to reach results appreciated by all.

Figure 6
LOCAL ADMINISTRATIONS BALANCES. 2010-2017
Value %



Source: Public balance, local administrations

Figure 7
FINAL BALANCE OF THE MUNICIPAL ADMINISTRATIONS BUDGET. 2017.
Values in millions of Euros



Source: Public balance, local administrations

However, given the complexity of such an extension of responsibility, it is clear that only Regions with certain financial performance scores and references can be allowed greater decentralization on PFCO.

5. Funding resources to finance asymmetric decentralization

Of all the reasons raising doubts and fears about granting a higher degree of decentralization to the three regions, the most politically sensitive one concerns the financing profile. Indeed, this issue is problematic because such financing design must be faced in the absence of a definitive financing scheme of Ordinary-status regions, as outlined by the general principles of Art. 119 of Title V of the Constitution and the following LD 42/2009. The latter has only had a partial implementation with the LD 68/2011, given that it just determined health needs and the way to

allocate the Health Fund. The Budget Law for the year 2017 had postponed to the year 2019 the implementation of the part of the law relating to the structure of the "new" regional financing scheme. However, we can expect that a new date will be established, given that the present government has not yet taken any initiative on this matter. What is worth noting is that, from the financing viewpoint the architecture and particular conditions of higher autonomy must be consistent with the Constitution (Article 116, Paragraph 3 and Art. 119). This means that the financing scheme must adhere to the guidelines of LD 42/2009 and, consequently, to the provisions of the first part of the LD 68/2011, until the whole scheme will be abolished and replaced by another one.

LD 42/2009 distinguishes two types of expenditures. The first one (about 70% of the total) aims at financing the subject matters concerning the primary social and civil rights including health, assistance, partly education and transports (provided in Art.117, Paragraph 2, point m). The second one aims at financing all other subject matters.

For the first type of expenditure, the law establishes that the State must define the LEP, namely the fundamental levels of services that must be provided to all citizens (LEP expenditures). Such expenditures, once standardized, must be financed by specific taxes with a revenue evaluated at a base tax rate and uniform tax bases. These are local taxes which however are decided and ruled by state laws and whose revenues are allocated locally: a regional tax on production or exchange of goods and services (Imposta Regionale sulle Attività Produttive-IRAP), a regional income surtax (Addizionale Regionale IRPEF) and a share on the value added tax revenue (compartecipazione IVA). In order to supplement the revenue from these taxes, vertical transfers of an equalization nature are envisaged.

For the second type of expenditures (no-LEP expenditures), the regions can use their autonomous tax authority within the rules established by State laws. The regions are entitled to modify the base tax rates of their own taxes, Addizionale Regionale IRPEF and IRAP. Such tax revenues may also be used to finance additional expenditures above LEP and are supplemented by horizontal equalization transfers based on different regional fiscal capacities.

If the financing of asymmetric decentralization must adhere to the financing scheme for the regions described above, the following recommendations can be drawn. A specific VAT sharing increase should be applied with respect to the base tax rate only for the devolved functions that cause new LEP expenditures. An alternative could be to introduce a specific tax sharing on the national income tax (IRPEF), even if this tax is already burdened by the regional surtax. Further, if the standardized expenditure of the devolved functions is higher than the present expenditure, the difference should be

appropriated by the region, as a "reward" for its greater efficiency. On the contrary, if the standard expenditure is lower than the present expenditure, the difference should not be financed by the State but by the region through its fiscal tax authority, as it happens already with no-LEP expenditures.

In any case, the financing scheme of the asymmetric decentralization should be at no cost for the State, and possibly the overall tax burden should not be modified either. The principle of solidarity through vertical equalization transfers designed to finance primary social and civil rights and horizontal equalization transfers designed to counter different regional fiscal capacities should be confirmed to protect weak territories.

It seems to us that this kind of financing scheme could allow to exploit possible benefits of asymmetric decentralization in a constitutionally coherent way.

6. Which criteria should be used to admit Regions to asymmetric decentralization? The current regional claims

As previously noted, the proposal of higher autonomy for supplying level services is mainly supported by the possibility of higher decentralization efficiency and efficacy rather than in a centralized system. This higher efficiency/efficacy can be determined by the ability to offer the combination of services most suited to local demand (e.g. business services or training courses more appropriate to the local economies), or by higher productivity at this level of governance (e.g. the ability to provide the same amount of services at lower costs and/or the ability to offer more services at the same costs) compared to the central administration. That efficiency/efficacy can be intended both on a resource side than on a regulatory and reformist one.

It is obvious that, in this case, areas endowed with efficient administrations could benefit from higher levels of services and better regulations because of decentralization, leaving the same amount of resources in the other areas of the country and avoiding any redistribution across regions, which means respecting the principle of national solidarity.

The current motion by the three regions is that one in which the decentralization of competences is implemented by the transfer of adequate resources, corresponding to the previously dedicated amount. In this case the resources remain unchanged, and only the level of government which provides the services to the citizens changes. Thanks to higher efficiency, this region will benefit from more services with the same resources, or services more suited to the local demand. Obviously, the principle of responsibility involves

that the services provided will be financed with resources coming from the same area. This means the need to introduce tax sharing on consumption taxes or income taxes, accompanied with corresponding room to manoeuvre on the rate. The convenience of decentralization will depend on higher capacity of supplying services at decentralized levels, but also on greater willingness to pay for better services, in the richest regions.

In economic terms, greater ability to offer with the same expenses, tax burden and level of redistribution between regions would be the essential aspiration of the new decentralization, which improves the welfare of some citizens without harming others (Paretian optimization). Depending on the economic cycles, the tax base will benefit or be affected by the economic phases, taking advantage of positive trends and contributing during negative cycles.

A part from the effectiveness of this motion discussed in the following chapter, it is interesting to observe how even regions that have been subjected to commissioning have supported their requests for healthcare autonomy. One of these was Piedmont, which to date has managed to reach a per capita expenditure index in line with the national average and a supply of services (LEA) among the highest. The other is Campania, which has significantly reduced its per capita spending, positioning itself at levels lower than the national average, but whose results – in terms of supply or services (LEA) achieved – are among the lowest.

On this point, there are positions even among the constitutionalists that exclude inefficient regions in a peremptory way from accessing higher autonomy. According to Furlan's interpretation (2018), "Art. 119 of the Constitution underlines not only the obligation for the State to appropriately finance new skills but also an access limit for regions as far as the concertation procedure [...]. Regions wishing to obtain further forms of autonomy must not have imbalances or situations of financial instability and must commit themselves to meeting EU economic and financial constraints" (p. 3).

7. Allocation of resources and provision of public services among regions: historical costs, average costs and regional government standard needs

A recent note by the Minister of Economy and Finance (MEF, March 2019) clearly states that one of the main issues in the debate about the requests of the three regions concerns the amount of resources and related provision of services. With regard to this point, the document clarifies three steps of the process toward asymmetric decentralization: at first, the provision of decentralized services will be financed on the

basis of the current costs (historical expenses), meaning the costs sustained by the Italian state for specific services in each region; in the longer run, the permanent method will be based on calculating regional government expenditure standard needs (standard requirements), as defined by a special commission including the state and all the regions; and in the meanwhile, the three regions will rely on resources whose amounts will be no less than the average costs in the country.

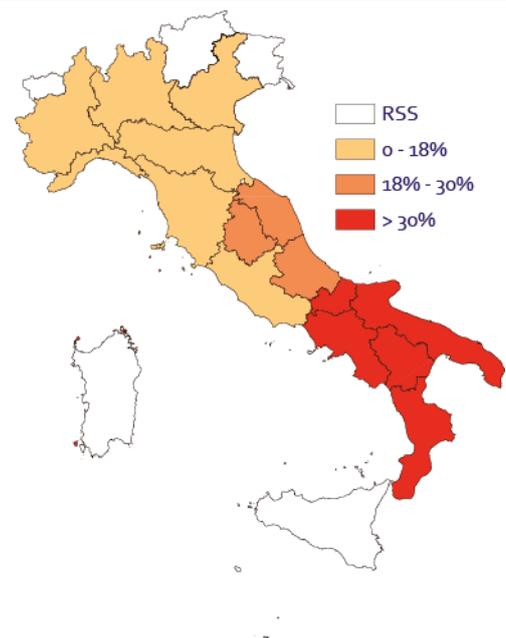
Let us now analyze the three alternatives to try and get some insights into the three allocation methods: historical costs; national average cost and regional government expenditure standard needs. We will use primary and secondary education as a case study (Ferretti, Lattarulo 2019).

The historical costs method implies that the resources currently spent by the state would be transferred to the three regions. The service level supplied by the government would change: if the regions are more efficient than the state (as claimed), they will be able to provide higher level services to their citizens, and perhaps these will be more willing to pay for qualified services. The distribution of resources among regions would not change from what it is now, where, in some southern regions, average costs for primary and secondary education can be up to 50% higher than in the three regions, due to differences in local efficiency, demand and/or needs.

A relevant issue is how to finance this expenditure, and the proposal is to finance it by means of a regionally determined income sharing on revenue added on to IRPEF and by means of a limited surtax to finance local autonomy. The entire cost of the service in the three regions is nearly €10bn (4.6bn for Lombardy, 2.3bn for Veneto and 2bn for Emilia-Romagna; 2017), a large amount of resources compared to the current regional budgets. We should also consider that 18% of IRPEF revenue in the northern areas would be enough to cover the costs of primary and secondary education, whereas this percentage reaches 30% in the southern part of the country; these differences are due to both the average cost of the services and the tax base across Italy.

Currently, this is the most conservative hypothesis; however, it presents critical issues. If carried out outside a general reconsideration of the design of the RSO's financial schemes, it will lead to a new form of Regions with special status (RSS), which is an old and outdated regional framework for Italy (see Petretto 2019). Moreover, some concerns regard the future business cycle consequences and possible tax base changes that will affect both the three regions and the entire country. This is a relevant issue, as tax revenue is obviously an important economic policy instrument, and the amount of resources allocated to the three regions is substantial.

Figure 8
RATIO BETWEEN THE EXPENSE FOR PRIMARY AND SECONDARY
EDUCATION AND THE IRPEF REVENUE. 2017
Values %



Source: Spesa Statale Regionalizzata (2019)

The average costs method implies that every citizen would be provided with the same amount, regardless of his/her age, education path and needs. Under the public expenditure constraint, this would imply a sizable reallocation of resources throughout the country, with some regions losing up to 25% of their resources and others receiving up to 17% more. Out of a total cost of €27.5bn euro, 3.5bn (12.5%) would be reallocated. This seems to be the most unequal and unjustified strategy.

The regional government expenditure standard needs is a method until now only partially applied at the regional level in the healthcare system. Its application to other services requires careful thought about what the needs are for each specific service and how to measure them across the country. Because of the novelty of this application and difficult to implement indicators, this would be sorted out through an agreement between the regions, which shows that the definition of needs is a political process. To begin with, we use number of students as a rough approximation of the actual demand in order to **analyze standard costs** (all the students are equal, regardless of specialization, school level, schedule, special ed...) and school age population as a proxy of **potential demand**. In the first case, we allocate the same amount of resources for every student: in the second case, we allocate the same amount of resources for every school age population.

Moving on from the current distribution of resources to an equal amount for every student (average costs as a proxy of standard costs), implies redistributing €1.6bn, which

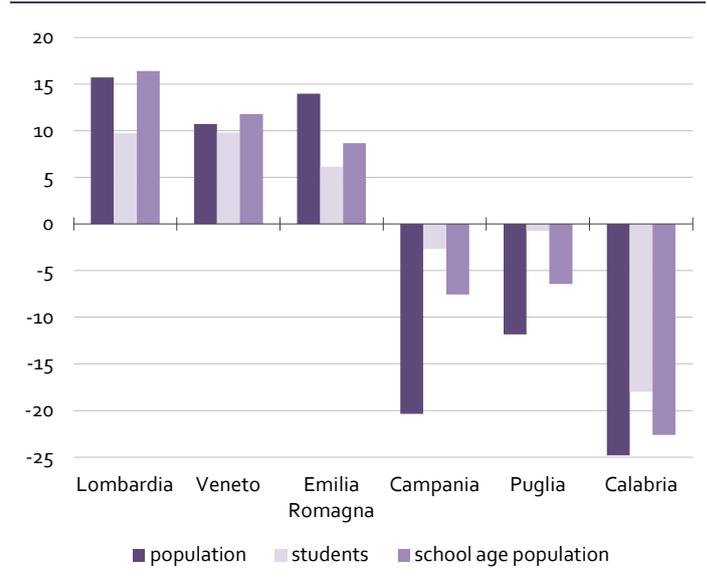
amounts to 6% of the whole public expenditure for primary and secondary schools. In this case, some regions would receive up to 10% more and some others would lose up to 18%. Going from the current distribution of resources to an equal amount for school age population (proxy of the potential demand), implies redistributing €2.5bn, which amounts to 9% of the whole public expenditure for primary and secondary schools. Therefore, distribution based on school age population would cause a large reallocation of resources, while distribution based on number of students would be more conservative, which means that the current differences between regions are in large part due to the direct costs of the service (costs for student).

Nonetheless, students and school age population are very limited measures of the country's education **needs**, which require considering the cognitive background and learning delay due to the socio-economic setting, which can be quite different depending on which area of the country is being considered. Differing PISA indicators and dropout rates, which are both well-known outcome indicators of education services, may very well be the result of socioeconomic background, and, because of this, they might be properly stated as political aims of equity across the country.

Beyond these methodological items, a more general consideration is about the clear evidence that the framework of regional government expenditure standard needs should involve a complete reconsideration of the financial systems of RSO regions. In this context, allocation coefficients of the National resources would be adopted, defined as standard costs under ministry responsibility. This is the current healthcare system, derived from the application of LD 42/2009 and subsequent 2011 decrees. The extra resources to finance the asymmetric decentralization would adopt the same principles (Petretto, 2019).

This long federalist reform is currently incomplete, and the requests of the three regions can be properly answered only in the light of this process, based on the guidelines of LD 42/2009 and LD 68/2011. This means that, if carried out outside a general reconsideration of the design of the RSO's financial schemes, asymmetric regionalism would lead to new Regions with special status (RSS), an old and outdated regional framework for Italy. At this point, the proposal of asymmetric decentralization is facing two alternatives: the marginal variation allowed by the Constitution (as a step of the current federalist process) or a special status for the three regions. This "special status" would include a very large section of the country's economic activities and population.

Figure 9
REGIONAL REDISTRIBUTION BASED ON DIFFERENT INDICATORS
Differences % from the historical value



Sources: our estimations on RGS data

8. Conclusions

A growing demand for autonomy is coming from many regions throughout Europe, and is driven overall by advanced areas that intend to join international networks, including in the public services sector and through efficient administrations. Also in Italy, the territories most capable of competing in supranational areas are seeking their own autonomy.

Requests are all the stronger and louder in the most unbalanced countries, where they can degenerate into populist claims to completely retain local owned resources in the richest areas, despite any redistributive duty towards the whole country. In these extreme positions, the literature finds some risks of secessionist consequences.

The demand for greater public administration efficiency, including through decentralization, and for services more targeted to their territory, as a strategy for the growth and well-being of citizens, is based on the idea that the provision of public services by advanced regions can be more efficient than if provided by the central government. Only the regions reasonably characterized by this level of compared efficiency can be interested in more autonomy, in order to avoid further setbacks from their actual position.

During the last 20 years, Italy has been performing a deep regionalist reform, and this regionalist experience has led to some innovative and effective policies. These were consequences of the administrative transformation introduced by the Bassanini Laws and of multilevel governance enhanced by European funds. This positive experience has not been without contradictions, such as the

effect of multiple levels of expenses on institutional quality, increasing total expenses, and on institutional conflicts. Moreover, this period only partially cancelled the previous local governance disparities, meaning both political and administrative capacity at the regional level. This is a relevant point in order to understand the demands coming from the regions, intended to gain normative and administrative competences besides budgetary ones.

This long federalist reform is nowadays incomplete, and the requests of the three regions can be properly accomplished only in the light of this process, on the guidelines of LD 42/2009 and LD 68/2011. This means that, if conducted outside a general reconsideration of the design of the RSO's financial schemes, asymmetric regionalism will bring to a new Regions with special status (RSS), an old and outdated regional framework in Italy. At this point the proposal of asymmetric decentralization is facing two alternatives: the marginal variation allowed by the Constitution (as a step of the current federalist process) or a special status for the three regions. A "special status" that will include the large part of the country's economic activities and population.

Moreover, despite the expected higher performance by regional government, an extreme interpretation of the autonomy principles can potentially entail further risks. Some of them already emerged from the previous experience of decentralization of healthcare services, beyond the of federalism laboratory experience described. One is the risk of increasing the marginalization of peripheral areas and lock-in effects, also induced by potential scale and scope economies, as well as the increasing willingness to pay for high quality services in the richest areas. Moreover, the redistributive function of the public administration which means to correct the inequality of individual possibilities could be misinterpreted as transfers between areas and administrations (the misleading concept of fiscal residual). No less important is the risk of an extreme interpretation of decentralization, which would cover a wider set of public services (es. Education), in so doing weakening the basis of national identity.

In the end, according to the literature, these political requests are originated by regional disparities and can induce the widening of disparities, dragged by faster growing leading regions but, sometimes, also by marginal regions lagging. In a non-uniform country like Italy, the "regional laboratory" was born in the last decade in order to reinforce the regional institution. Still, nowadays the new request of stronger regional governance could be reinforced by a common project, a collective affirmation of the regional voice in the coordination of public finance, the entrustment of a strategic role in the decisional processes for the country. In this case, the proposal would be the result of a shared project, devoted to increase the representativeness of the regional level in the

national scenario, where new credibility in front of the citizens is gained through the proposal of a new model of governance based on territorial benchmarks and the reinforcement of decentralized governance as a whole.

9. References

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