An application of the systemic thinking approach in analyzing the role of economic and financial factors in the formation of local government in Iran

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1. Introduction
Nowadays in most of the countries in the world there is a growing trend towards decentralization and development of local governments. One of the most cited reasons for this issue is the fact that most of the countries apply the decentralization process as a method for enhancing the performance of public sectors and the economic development in as much as the central government without local governments faced a challenge in making relationships with the citizens. Due to the increasing expansion and variations in the duties of governments on the one hand and the increasing demands of cooperation on the part of people and private institutions, on the other hand, the governments are forced to see the political and managerial decentralization as an important and effective strategy and to reconsider the spatial pattern of power distribution in the country. The factors and grounds for the formation of local government consist of general substructures like geographical, political-legal, sociocultural and economic-financial factors. For constructing each of these substructures, there are a host of different factors which require a comprehensive analysis. The fact is that local government has been currently turned into an indispensable necessity in the world and a country like Iran, which has a centralized structure, is no exception. The present study, based on the systemic thinking approach, has explored the influential factors in the formation of local government in Iran and the main focus is on identifying and exploring economic-financial aspects. It also attempts to indicate and present the role and relationship of economic-financial factors, as one of the most important and influential components in the formation of local governments, in the form of a model based on the systemic thinking approach and by using Vensim software.

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2. Theoretical framework

The increasing growth of public-oriented local institutions and their necessary function in the management of general affairs of the country have led to the consideration and emphasis of local orientations. In the implementation of local government, each country, based on its political, economic, cultural, geographic and demographic requirements, must organize the aspects of local government and enhance the efficiency of management in the local governments. In a more precise term, local governments must be formed and developed based on their own specific and unique strategic patterns. According to the ideas of scholars, the most important and influential factors in the formation and establishment of local governments can be categorized into four main categories: geographic, economic-financial, political-legal and sociocultural factors. The present study explores and identifies the effective economic-financial factors in the formation of local government based on the systemic thinking approach. The systemic thinking is a powerful method in dealing with the highly complex managerial issues. Nowadays, the dominant attitude in the management of organizations is the systemic thinking and this method is especially applied in the regional and urban planning. Based on this method and in the framework of the present study, we can describe and explain the mutual and multiple relations of economic-financial factors with each other and with the whole system. For example, the reduction of dominance of central government on economic affairs can lead to an increase in the responsibility and decrease of corruption which in turn can lead to more efficiency in the performance of public sectors and economic growth. Therefore, it can be asserted that with the formation of local government, the extent of economic power of central government becomes moderate and the accountability increases. In addition, the amount of economic corruption reduces and a condition can be provided for economic growth and efficiency of public sectors. In such a thinking, as the influence and impact of an element become high in a system, such an element must be considered as a more influential and critical element in the system. The change in this element can also affect the whole system.

3. Methodology

The present study analyzes and explores the role of economic-financial factors in the formation of local government in Iran based on the systemic thinking method. In fact, it is an applied research in terms of results and an exploratory one in terms of objectives. The main objective of the study is identifying and prioritizing the effective economic-financial factors and their relationships in the formation of local government. In addition, the existing challenges in this aspect are analyzed and these influential factors are presented and explained in the form of a model by using Vensim software. The necessary data are collected using library and field-based approaches and in the latter case the use is made of quantitative and qualitative approaches. In the quantitative phase, the sample of study are forty scholars of local
government and in the qualitative phase seven of these scholars are selected for interview using the snowball sampling method. In order to identity the extent of effects of economic-financial factors in the formation of local government in Iran and to prioritize the extent of effect of each relevant factors, the researchers used independent-samples t-test and Friedman test, respectively. In order to draw and design the causal diagrams based on the systemic thinking method, the Vensim software was utilized.

4. results & discussion
In spite of the fact that economic and financial centralization has some revenues, it has some disadvantages like lower general/public supervision, higher grounds for corruption, reduction in accountability and weaknesses in economic efficiency. Therefore, financial decentralization is the pivotal solution which, from 1980s, has been welcomed by many countries as a developing strategy. In the present era, the role, function and responsibility of local governments for providing services and substructures have been increased to a great extent. Nevertheless, the local institutions and organizations are still dependent on the central government for the provision of financial resources and these resources are both inadequate and unpredictable. Therefore, the analysis and recognition of the role of economic-financial factors in the formation of local governments, because of their important and substantial role for such a purpose, are highly important. In the present study, the influential role of these factors in the formation of local government were explored and the field study findings with regard to the effective role of each of these factors and their relationship with each other and the whole system were presented in the form of a model. Therefore, by studying the literature on the issue of concern and by considering the theoretical principles the important factors like “reduction of political patronage of the local government on financial affairs, preference of qualitative growth to quantitative development, possibility of more precise reception of taxes from people, high economic centralization and the resulting disadvantages, reduction in bribery and corruption rate, reduction in the expenses of central government, decentralization as an effective tool for increasing the efficiency of public sector and economic growth” were extracted. In addition, the results of interviews add other factors like “oil income of Iran” to the identified factors. On the whole, the above mentioned factors, from the viewpoints of scholars and based on library and field-based studies, were identified as the main factors in the formation of local government in Iran in the economic-financial domain.

5. conclusions & suggestions
After recognizing the min influential factors in the economic-financial domain, the extent of effects and functions of these factors was designed in form of a model using the Vensim software. The results of this study revealed that factors like the
dominance of central government over economy, increase in the efficiency of public sector, economic growth and preference of qualitative growth over the quantitative one are among the main and critical elements in the system and, thus, have a higher degree of influence compared to the other variables. In addition, the findings of study indicated that among the identified economic-financial factors, the issues like the increase in the efficiency of public sector and economic growth, economic centralization and its disadvantages and the expenses of central government have priority over the other factors in terms of their degree of influence.

Key words: Iran, economic and financial aspect, local government, systemic thinking.

References