

Chapter 1

Introduction

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Abstract In recent years, there has been a revolution in governance. Policymakers have argued that decentralised governance enhances democracy, accountability and transparency. Echoing the phrase ‘no taxation without representation’, supporters of fiscal decentralisation have said that spending and tax rates should be set locally. Experience in Central and Eastern Europe after the communist rule ended in 1989 changed the views of governance. The reorganisation of administrative regions and the reallocation of powers, driven by economic and administrative necessity, may be one of the greatest public administration experiments ever undertaken. Simultaneously, Western European governments were decentralised to increase accessibility and accountability. The December 1995 Madrid European Council helped this transformation, requiring candidate European Union members to change their systems of governance to foster citizen participation in policy formation at all levels of decision-making. The idea of devolving powers appeared in Spain’s 1978 constitution, which transferred authority to 17 autonomous regions. Each was allowed to negotiate its relationship with the national government. However, decentralisation poses difficulties. It can foster regional inequality. No one local government or collection of local governments can encompass all regional problems. Local government reorganisation causes a loss of institutional memory. An alternative is to improve intergovernmental relations among local and regional governments, among different agencies and between local and regional governments and national ministries, departments and agencies. Good governance involves cooperation, collaboration and institution building. It is about fostering dialogue, exchanging views and reaching agreement. As this book shows, governance is a learning experience, shared among institutions and people. New laws and administrative systems require training and experimentation. The rights and obligations of local governments depend not just on written law but on its interpretation and on what becomes accepted practice. Legislators and government employees at national, regional and local levels need time to understand and successfully manage new competences. Local governments are often unprepared to take on new responsibilities, leaving them at the mercy of sophisticated investors and developers who

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can hire experts to negotiate their way through relatively young legal systems and inexperienced staff. As London shows, reform can be gradual, allowing time for local governments to acquire new skills, develop new relationships with existing governments and agencies and gain confidence and experience.

Keywords Administrative decentralisation • Fiscal decentralisation • Reform as a learning process • Collaboration • Consensus building • Intergovernmental relations

Governance in a Changing World

During the last 25 years, there has been a revolution in governance. Researchers and policymakers have argued that decentralised government enhances democracy, accountability and transparency and increases satisfaction with the government. Multiple governments encourage political pluralism. Calls for administrative decentralisation have been accompanied by calls for fiscal decentralisation. Echoing the phrase ‘no taxation without representation’, supporters of fiscal decentralisation have argued that spending and tax rates should be set locally. In addition, if a small local government makes a mistake, it is less harmful than a mistake made at the national level. Throughout Europe, new regional governments have been created, in France, Italy, Spain, Sweden and Denmark. Administrative systems have been reorganised in Poland, Slovakia, the Czech Republic, Hungary, eastern Germany and the Baltic States. Belgium has become a federal entity. Even centralised governments, such as those in Portugal, discussed in Chap. 12, and the United Kingdom, discussed in Chap. 6, have seen some devolution of powers to lower levels of the government. This impetus towards decentralisation has been seen beyond Europe, for example, in the Republic of Korea.

In most countries, local authorities have broad land-use planning powers and provide a wide range of local amenities. Some manage spending on education, health and social services. However, when new competences are added, additional resources have not always followed, causing, as Caulfield (2000) noted, a mismatch between the functional competencies and fiscal resources. At the same time, even in decentralised systems, local governments have become increasingly dependent on transfers from higher levels of government, as is the case in the United States, which has perhaps the world’s most decentralised system of government.

To a considerable extent, new views of governance reflect changes which occurred in Central and Eastern Europe after the collapse of communist rule. The collapse of communism gave the debate about governance and the tasks of government a special urgency. After 1989, it became necessary to shrink the size of the state. National governments had to reduce spending and cut back transfers to local governments. Regional governments did not exist, and local governments were essentially a form of local enterprise responsible for managing housing and local transport (see, e.g. Ryder 1990). As a consequence, national governments

reallocated competences among national and subnational governments. Faced with funding cutbacks as wage costs rose, local governments had less to spend on transport and had to spend more on trash collection.

The subsequent reorganisation of administrative regions and the reallocation of powers which occurred in the region since the early 1990s may be one of the greatest experiments ever undertaken in the realm of public administration. In some cases, administrative regions remained essentially unchanged. In others, the system was completely transformed. This process went furthest in Poland. Forty-nine administrative regions were replaced by 16 larger ones. A new mid-level government, the *powiat* (or county), between local and regional governments, was introduced. Hungary represents an alternative approach. While this may have led to a more accountable system of governance, in creating new levels and districts, it complicated collaboration among different local governments and between local and regional governments, as is discussed in Chaps. 2 and 4. For the most part, regions and local government boundaries remained unchanged. However, many local authorities, forcibly amalgamated under communism, declared their independence and re-established themselves. The re-establishment of local government autonomy was viewed as an important benefit of the collapse of communism, but resulted in a large number of micro-jurisdictions which are reluctant to cede powers. Where Hungary stands out is in passing legislation which gave all local governments, from village to county, from urban district to city government, the same legal standing. No one government is superior to any other. Counties have the same standing as villages, and local districts in Budapest have the same legal standing as the city government. As a result, as Chap. 5 shows, it has been difficult to merge or abolish local governments. From the mid-1990s, successive Hungarian governments have unsuccessfully attempted to remedy this problem.

Reform in Central and Eastern Europe was driven by economic and administrative demands. In Western Europe, governments were decentralised in a quest for greater transparency, accountability and accessibility. It is widely argued that local autonomy and greater local control over local decision-making enhance democracy and create stronger local participation and engagement. The Madrid European Council in December 1995 played a significant role in this transformation. It stated that to meet the accession criteria for European Union membership, each candidate country should create a participatory democracy which would allow citizens to participate in decision-making at all levels of government (European Commission 2012).

However, the idea of devolving powers to lower levels of the government goes back to the late 1970s. Spain's 1978 constitution devolved authority to 17 autonomous regions, allowing each to negotiate its relationship with the national government. In the United Kingdom, since 1997, successive national governments have supported decentralisation. This followed an earlier withdrawal of the government from the direct management of the economy through state ownership, using the argument that the economy was best 'managed' by market forces.

More recently, the concept of decentralisation has been broadened to include a shift from national to local wage agreements (see, e.g. Economist 2012c). In centralised states, tax levels are similar throughout the country, but living costs vary

among regions and localities. In decentralised ones, tax rates and service charges vary widely. In the United Kingdom, in 2007 house prices ranged from an average of £134,524 in the northeast region and £152,479 in Scotland to £302,486 in London, a difference of almost 250 %. By contrast, wages were fairly uniform across the country, averaging £456.70 per week, but ranging from £401.90 in Northern Ireland to £402.90 in the northeast, £441.50 in Scotland and £580.90 in London (Unison 2007). The narrow range of wages – London was just 27.5 % higher than Northern Ireland and the northeast – reflects national wage agreements. It also reflects national pricing for goods and the fact that most taxes are set nationally. In the United States, wages, income and taxes vary widely. At the state level, in 2010, annual incomes ranged from \$31,186 in the state of Mississippi to \$56,001 in Connecticut and \$71,044 in Washington D.C. Disposable income averaged \$36,808, but ranged from \$29,155 in Mississippi to \$48,596 in Connecticut and \$63,619 in Washington D.C. At a metropolitan scale, average annual incomes ranged from \$59,993 in the San Francisco area to just \$29,680 in the San Bernardino-Riverside area. Tax rates also varied. Rates on an annual income of \$50,000 per year ranged from 4.4 % in Anchorage, Alaska, to 13.7 % in Philadelphia (US Bureau of the Census 2012a, tables 447, 681, 682, 683). As the United States shows, to attract investment and gain the full benefits of lower prices, wages and taxes should be lower than those in more expensive regions, reflecting lower costs of living.

The Spectrum of Subnational Governance

Subnational governance ranges from extreme centralisation to extreme autonomy. It can allow considerable administrative freedom, but few taxation powers, leaving lower levels of the government dependent on central government for funding (Caulfield 2000). Equally, it can allow considerable fiscal freedom. Greater London has only limited freedom to set its own transport, policing and housing policies and has virtually no powers to raise money through taxation. According to *The Economist* (2012b), only 7 % of the Greater London Authority's revenue comes from direct taxation. Central government provides most funds. London's mayor has little influence over regulation or policy. In Slovakia, local and regional governments receive the bulk of their funding through income taxes, which are set by the national government and distributed on the basis of population. In the United States, states and local governments set their taxes and fees and determine the quality and range of services they offer relatively freely. The United Kingdom offers a different approach. Distrust of the local government remains strong at the national level, but even there, the central government has sought to decentralise governance through other means. The term 'localism' has become popular, meaning a mixture of cooperation and collaboration among local governments within metropolitan areas with, at the same time, cooperation with private businesses. However, as London shows, administrative decentralisation can be successful without fiscal decentralisation. London has successfully implemented significant policy changes in transport and, more recently, housing.

The United States lies on the far end of the decentralised side. It may have one of the densest systems of local government in the world. Most local governments have less than 10,000 residents (16,573 out of 19,540 in 2010), although they account for less than 15 % of the total population (Bureau of the Census 2012a, Table 28). Many metropolitan areas consist of several hundreds or more local governments, and over the past several decades, local governments increased from 78,269 in 1972 to 89,004 in 2012. This reflects two opposing trends. On the one hand, local governments are consolidating services to reduce sending: school districts fell from 15,781 (and from 34,678 in 1962) to just 12,881 in 2012. On the other hand, a need to meet mandates from the national (federal) level of government has required the creation of special purpose districts. These 'special districts' rose from 29,885 to 37,203 during the same period (Bureau of the Census 2012b, Table 2). Although the average share of own-revenue local government funding has fallen in recent years, it is still high, 57.3 % in 2008 (Bureau of the Census 2012a, Table 455, pp. 292–3), and compares favourably with London's 7 % (Economist 2012b).

Since 2007, cutbacks at the federal and state level have forced small local governments to reduce spending. As is the case in the United Kingdom, joining together allows them to share services and reduce per capita spending on schools and teaching equipment, emergency equipment and technical services. This cooperation can be described as bottom-up. By contrast, the rise in special districts devoted to community development and natural resource management is often due to top-down pressures: the need to comply with national and state requirements to obtain federal and state funds.

The United States' large number of local governments has made necessary for economic, political and technical reasons, including waste and water management, environmental quality and transport planning. Since 1940, metropolitan statistics have been collected on a metropolitan basis. Bottom-up and top-down cooperation among governments has become more common. An example of the latter is the Metropolitan Planning Organisations (MPOs). These consist of representatives appointed by elected local governments as well as from a variety of interest groups, including local business chambers, local transport providers, local transport and road users and representatives from state and federal agencies. As described in Solof (1998), they have existed in some form since 1962, when they were mandated to ensure that local plans which relied on the use of federal money for roads and public transport did not duplicate or contradict themselves. Today (2013), there are 387 (Metropolitan area data base 2013). They are required for all urban areas with a population of 50,000 or more (Metropolitan Planning Organisation (MPO) Database 2015). Since 2005, MPOs have been designated by an agreement between a state governor and local governments representing at least 75 % of the affected population or in accordance with state or local laws. Once established, an MPO can be altered only by agreement between the state governor and units of local government which represent at least 75 % of the affected population, including the central city or cities. The MPO itself must include not only the currently urbanised area but the contiguous geographic area likely to become urbanised within the 20-year forecast period covered by the transportation plan (Texas Department of Transportation 2013).

Independence is an extreme form of devolution. In the 1990s, several countries dissolved, sometimes peacefully, as in the case of the Czech and Slovak Federal Republic, or with extreme hostility, as in the case of the former Yugoslavia. Slovakia offers an argument in favour. In 1989, the Slovak economy collapsed, due partly to federal policies. The break-up of the Czech and Slovak federation allowed significant changes in the Slovak economy and eventually led to substantial growth. Between 1997 and 2012, Slovakia's per head income rose from 51.3 % of the EU average to 76 %, equalling Portugal's (Eurostat 2014). During the same period, per head income in the Czech Republic, its former national partner, went from 77 to 81 % of the EU average. Today (2013), the country has a new industrial economy. Car manufacturing and associated industries, the manufacture of flat-screen television and monitors and a large white goods industry have all developed since 1993. Before 1993, the Czech Republic accounted for almost half of all trade. In 2012, it accounted for just 9.8 % of imports and 14.0 % of exports (Statistical Office of the Slovak Republic 2014).

In the absence of formal regional metropolitan structures, local governments in England have increasingly banded together to share expenses and to lobby central government (see, e.g. Economist 2012g, 2013). Perhaps the best example is Manchester, which is often held up as an example of bottom-up collaboration among local governments. However, Manchester shows the complexity of a bottom-up approach to regional governance, often termed 'localism'. In 1974, the government of the United Kingdom created a Greater Manchester County Council to oversee planning, transport planning and operations and the provision of leisure services in the Greater Manchester region. The metropolitan council was directly elected. The region contained 10 boroughs, which themselves were newly created in 1972 from 62 local governments as part of a sweeping local government in the United Kingdom. These top-down reforms, creating larger units of local government, forced local cooperation through amalgamation. In 1986, the UK government abolished metropolitan county councils, although the metropolitan county continued to exist as a geographical frame of reference. Many functions of the Greater Manchester County Council were devolved to the ten constituent boroughs, but emergency services and transport continued to be managed on a county-wide basis by a newly formed Association of Greater Manchester Authorities (AGMA). The AGMA was also responsible for shaping regional policies, lobbying central government and the European Union and undertaking research related to the region. The executive board consisted of representatives of the ten constituent boroughs, the Greater Manchester Integrated Transport Authority, the Greater Manchester Police Authority, the Greater Manchester Fire and Civil Defence Authority and the Greater Manchester Waste Disposal Authority. Four neighbouring local authorities became associate members. Their representatives could participate in debates and meetings, but were excluded from the voting process.

Following the start of the global economic crisis in 2007–2008, the ten local councils agreed to a 'multi-area agreement', which is a government initiative to encourage local governments to work together in exchange for greater local autonomy

(Hetherington 2008). In 2009, the Local Democracy, Economic Development and Construction Act of 2009 led to work to create a combined authority for the Greater Manchester, responsible for public transport, economic and skills development, housing regeneration, waste management and carbon neutral development and planning, subject to approval by proposed member councils. Each member borough was to be represented by one local council member, appointed by the local council. The councils approved the proposal in early 2010. After a 15-week public consultation, the Department for Communities and Local Government approved the creation of a Greater Manchester Combined Authority. The creation of the authority required the approval of the UK parliament, which was received on 22 March 2011. The new authority came into force on 1 April 2011, replacing the AGMA. At the same time, a new local transport authority was created, the Transport for Greater Manchester Committee. This is managed by 33 local councillors, one for each 75,000 local residents. The Combined Authority: “pay to subsidise local bus services, pay concessionary fares, maintain passenger services and facilities, and support finance costs.”

Policy-makers in the United Kingdom have held up Manchester as an example to other metropolitan areas, arguing that not only did the AGMA maintain a sustained vision for the region but also developed a mature partnership model which engaged with the private sector. However, they have also noted that ‘city region status is . . . a negotiating platform for local government to bid for more powers from central government. Therefore, central government is deciding who ‘deserves’ power, and who doesn’t’ (Forjan and Shakespeare 2009, p. 8). In the UK context, this poses the question, should devolution be ‘earned’ or viewed as a right?

Supporters of the Greater Manchester Authority argue that localism enables better decision-making for economic development, transport and development of the local skills base. However, they have also argued that greater financial freedom is needed for local bottom-up cooperation to succeed. Interestingly, paralleling the arguments in Oates (1999, 2006), they have argued that localism ‘could potentially increase innovation and the spread of innovative practice. Local people know best about their local area. The most efficient decentralized governance structure captures and applies local knowledge and expertise to improve processes, spread innovation and improve outcomes’ (Forjan and Shakespeare 2009, pp. 9–10).

Perhaps most importantly, some supporters of localism view it as being in opposition to ‘equalisation’: the idea that funding levels and economic opportunity should be the same for all regions. For example, Forjan and Shakespeare (2009) argued that in prioritising ‘spatial geography’ over ‘economic geography’, it ignores local economic circumstances and the impact localities can have on surrounding areas.

As Manchester shows, bottom-up governance can be successful, but does not always develop quickly. Greater Manchester has a 40-year history. While the Greater Manchester Combined Authority is an outgrowth of a less formal alliance of local governments, they did not spring up spontaneously, but arose as an informal response to the abolition of a metropolitan government.

Reasons for and Against Decentralisation and Devolution

Proponents of decentralised governance argue that policies designed at the national level are too inflexible to meet local needs. Local governments need the tools to respond to local conditions in a timely and consensual manner (see, e.g. Oates 1999, 2006; Forjan and Shakespeare 2009). Local residents, the argument goes, are more aware of local problems and needs than an often distant central government and are better qualified to decide local development priorities. This view has become increasingly widespread after the apparent failure of traditional regional development policies (e.g. Blitz and Chung 2003; Chung and Roberts 2003). In the United Kingdom, assistance to lagging regions dates back to the 1930s (Scott 1997, 2000). Despite three-quarters of a century of regional aid, most lagging regions continue to lag. As well, when local governments depend mainly on the national government for their funding, local issues become national ones. London, discussed in Chap. 6, is a good example. Despite being one of the richest cities in Europe, London cannot fund transport projects such as Crossrail One and Crossrail Two on its own. It must compete with local agendas elsewhere in the United Kingdom. London's gain is viewed as a loss for the rest of the country. The promise to provide money to build London's Crossrail is then rephrased as, 'if we invest in Crossrail, we must invest in rail elsewhere in the United Kingdom' (see, e.g. Bounds 2013). In the same vein, Pickford (2013) wrote that per capita spending on transport in London is greater than all spending in the rest of the United Kingdom. Eighty nine percentage of planned capital investment went to London and the southeast of England. London received £2,600 per capita, as opposed to just £5 per capita in the north. However, London's mayor argued that much of the money spent in London went to firms based outside London, creating 40,000 jobs.

Oates (2006) listed four reasons for decentralised governance. Firstly, decentralised levels of government provide goods and services whose consumption is limited to their own jurisdictions. They can tailor outputs of goods and services to the preferences and circumstances of their constituents. Consequently, economic welfare is higher than if such services are provided according to a national 'one size fits all' policy.

Secondly, when households are mobile, they can move to jurisdictions that provide outputs which meet their tastes and their needs, increasing potential gains from the decentralised provision of public services. This is discussed in Tiebout (1956). He argued that in a political system characterised by multiple local jurisdictions, prospective residents can be viewed as consumers who select a place to live based on the goods and services it provides, on the basis of their ability to pay for those services.

Thirdly, Oates argued that decentralised local authorities compete with their neighbours for investment, businesses and residents. This constrains their ability to increase taxes. Doing so would make them less attractive to prospective residents and investors. Instead, they must become more efficient in providing public services, offering a wider range of services of better quality at lower cost.

Finally, Oates argued that decentralisation encourages experimentation and innovation. Local authorities can adopt new approaches and innovations in public policy, making it a 'laboratory' for fiscal experiments (Oates 2006, p. 2). Innovation spreads, improving local finances and making local government more efficient.

Decentralised governance can foster economic as well as political development. Local autonomy, where local governments and local taxpayers pay for their local services, is thought to encourage a push for economies and efficiencies (Tiebout 1956; Oates 2006). Cross-border competition can also force local governments to innovate in order not to fall behind. For example, there have recently been calls to allow Northern Ireland to reduce its tax levels below those of the rest of the United Kingdom so as to compete with tax rates in the neighbouring Irish Republic (Houlder 2011).

Events in Central and Eastern Europe have been influential. Several international agencies, particularly the European Bank for Reconstruction and Development, have graded governments in the region since the early 1990s (European Bank for Reconstruction and Development 2013). The World Bank publishes an annual ease of doing business assessment (mainly at the national scale, but in the case of a few countries, at the regional scale) which looks at barriers to investment and development, arguing that poor governance inhibits growth (World Bank 2013). Good governance – that is, the quality of governance – makes a difference. The extent to which governance embraces the rule of law, the existence of independent institutions, transparency and an independent civil service directly affect growth and are more important than location, regional policies, taxation or other local attributes.

However, there are strong arguments against decentralisation. Prud'homme (1994) argued that decentralisation, particularly fiscal decentralisation, can cause inequality. If local authorities must rely entirely on their own local resources, worse-off regions will not be able to provide the same range of services as better-off regions, causing permanent inequality. Regions which are attractive benefit from new investment; those which are not fall behind, resulting in a permanent downward spiral. In the United States, Detroit and Flint, Michigan; Newark, New Jersey; and New Orleans are examples of this kind of negative growth trap. In Europe, capital city regions, such as London and Bratislava, often grow faster than the rest of the country. Other regions find it difficult to catch up (see, e.g. Pickford 2014; Centre for Cities 2014). National governments redistribute wealth through transfer payments to ensure that the quality and range of services are similar across the country (equalisation policy), but higher costs of living in high-growth regions can shut out potential migrants. On the other hand, a policy of redistribution can generate resentment in high-income regions, such as London and Catalonia (see, e.g. Economist 2012f). Boris Johnson, Mayor of London, is just one of the many who have argued that London's economic success has been good for the rest of the United Kingdom (the debate is briefly summarised in Centre for Cities 2014, chapter 2). Johnson has been particularly keen to see London retain more tax revenue. He has argued that £2,500 for every Londoner goes to other parts of the United Kingdom saying that London is a 'cash cow'. He has described London as 'the powerhouse of the UK economy', stating that Londoners should 'get the benefit of their contribution' (Crerar 2012).

Strong independent local governments can be inefficient, particularly micro-jurisdictions such as those in Hungary and the United States. Smaller governments lack the scale economies needed to reduce costs and needlessly duplicate services. Strong local governments can be parochial, making decisions which maximise their benefits and ignore negative externalities passed on to their neighbours. Parochialism can cause harmful competition among local governments and regions. Local authorities underbid each other to attract investment and development. However, they often gain less in tax revenues and other incomes than predicted and face unanticipated higher costs from new development leading to what has been described as a zero-sum game. A recent survey of the Chicago metropolitan region argued that competition among local governments was hindering rather than promoting growth (Organisation for Economic Cooperation and Development 2012, pp. 20–21).

Many argue that excessive autonomy encourages excessive local government spending, leading to high levels of indebtedness and even bankruptcy. In 2012, in the United States, San Bernardino and Stockton, California, declared bankruptcy, as did Harrisburg, Pennsylvania (see, e.g. Economist 2012d; Walsh 2012). In 2013, Detroit followed suit. Similar to local governments in Hungary, discussed in Chap. 13, US local governments borrowed money against anticipated tax revenues which turned out to be extremely over-optimistic. In Spain, during the current financial crisis, controlling spending in Spanish regions has been far more difficult than controlling central government spending (Economist 2012a, e). It has been suggested that even in China, lack of control over local government borrowing, much of it outside the formal banking system, may destabilise the entire economy (Magnus 2012). In 2011, loan repayment deadlines were extended as a result (Rabinovitch 2013). However, it was estimated that as much as 25 % of local government projects had failed to generate any revenue (Financial Times 2012). More recently, Chinese central government authorities noted that 99 cities out of 391 examined, 195 county-level administrations and 3,645 townships had debts exceeding 100 % of their economic output (Economist 2014).

Governance as a Learning Process

As the chapters in this book show, governance is a learning experience shared among institutions and people. Governments work against constantly changing economic and political conditions. They must constantly innovate, changing what they do and how they do it. Local governments are often unprepared to take on new responsibilities. As Hungary and Slovakia show, discussed in Chaps. 13, 14 and 15, they can find themselves out of their depth. Local governments were often at the mercy of more sophisticated investors and developers who were able to call on a range of consultants and experts to negotiate the way through relatively young legal systems and relatively inexperienced local government staff. London offers a good example of how the learning process can be managed. After the Greater London Authority and the Mayor of London came into being in 2000, responsibility for the

transportation system was only gradually transferred to them. They did not take control of the Underground until 2003 and later added other modes of transport, including the Docklands Light Railway, Tramlink and the London Overground. This allowed them to build up management capacity and institutional experience gradually.

Reorganisation of local governments leads to a loss of expertise and a loss of institutional memory. However, many argue that it can also improve the democratic process. If local governments do not respond to voters or are controlled by entrenched elites, a new administrative system can remove entrenched political elites, depoliticise decision-making and enable more responsive governance to develop, much as privatising state-owned firms was viewed as a way to foster a new management orientation (see, e.g. O'Leary 1987, pp. 381–3). However, as London shows, the abolition of a regional government, such as the destruction of the Greater London Council in 1986, can eliminate a regional champion, causing the loss of a regional vision.

Reorganisation of local governments is often undertaken with the aim of rationalising service delivery and approaches to regional problems. However, no one local government or collection of local governments can deal with all regional problems. One might argue that problems create regions rather than the other way around. Attempts to reorganise administrative units to meet a particular set of regional needs may work in the short term, but over time, populations disperse, metropolitan areas grow and new problems arise which fail to fit into existing regional boundaries. As Poland shows (discussed in Chaps. 5 and 4), it is difficult if not impossible to create purpose-built regions which can deal with all regional problems. The alternative is to foster intergovernmental relations among local and regional governments, among different agencies and between local and regional governments and national ministries, departments and agencies. The Organisation for Economic Co-operation and Development (OECD 2011) has made such a recommendation for Poland, arguing that Poland needs to strengthen the system of multilevel governance. They stressed the need to introduce specific incentives for intra-metropolitan cooperation and the need to shift strategic planning from the municipal or local government scale to the functional scale. They also argued that to enhance economic growth, more cooperation was needed across levels of government and with private actors and that local governments needed greater powers to design, implement and monitor development programmes (OECD 2008). However, in Australia (discussed in Chap. 3), Hungary, Poland and elsewhere, efforts have been made to develop such relations and linkages with limited success.

The United States is perhaps furthest along the path of building relations among governments. State boundaries, and for the most part, county and local government boundaries are considered inviolable. Administrators and legislators must work around boundary constraints, creating informal and formal coalitions to meet specific local needs – sewage management, water treatment and management, air quality management, transport management and education – but can be seen elsewhere as well. The result is often a kind of messy pluralism. Government responsibilities may overlap. For example, a local government may belong to several overlapping

jurisdictions – one being responsible for delivering educational services; another, with different boundaries, responsible for environmental and waste management; and another, again with different boundaries, responsible for water management. Higher-level agencies may duplicate agencies at lower levels: in the United States, there is a federal department of transportation, but there are also state departments and, in many large cities, city departments of transportation. Frey (2005) and Eichenberger and Frey (2008) have described such complicated systems as ‘Functional, Overlapping and Competing Jurisdictions’ and view them as a common feature of federal systems. In the European Union, similar problems have arisen among local and regional authorities in different countries, discussed in Part II (Chaps. 8, 9, 10 and 11). There, cross-border cooperation bears some similarities to difficulties which arise between US states.

Thus, governance involves more than administrative and legal frameworks. It is about cooperation, collaboration, consensus building and institutions. It is about fostering dialogue, exchanging views and reaching agreement. Transferring powers to lower levels of the government may not produce the expected results if local governments are unable to exercise them properly.

Local and regional governments not only need to learn to cooperate among themselves but need to learn to work with the private sector. Often, when issuing bonds, taking financial advice, managing budgets and implementing spending plans, local governments need outside expertise. They must learn how to cope with sophisticated opponents who have extensive experience and considerable resources to deal with them. Raising money to support the government, through taxation, bonds, selling property and leasing property, is a new skill for most local governments. It is difficult to acquire expertise in these areas, particularly when local governments are small in size and have limited resources. The learning process often takes longer than expected, and often, mistakes occur.

Conclusion

Localism is important. Some have described this century as ‘the century of the city’, arguing that in years to come, most people will live in cities. They will become the locus of political action and the focus of political debate (Rossant 2013; Pierce et al. 2008).

Local and regional government reforms often take place in periods of economic and political change (OECD 2011). This was the case in Central and Eastern Europe and Spain. Local governments faced the simultaneous problems of economic restructuring and political transformation: privatisation, the closure of factories and businesses, rising unemployment and rising geographical inequality. In theory, greater autonomy and greater fiscal independence offered extensive benefits. However, in many cases, too much was expected of the government reform, too quickly. In a rapidly changing world, even experienced governments can find themselves overstretched. New laws and administrative systems require training and

experimentation. Time is needed to determine the rights and obligations of local governments, which depend not just on the written law but on its interpretation and on what eventually becomes accepted practice. Legislators and government employees at national, regional and local levels need time to get to grips with new competences and learn how to successfully manage them. Elected officials and local government employees often lack the skills to manage their new responsibilities. Equally important, this learning process takes place against a moving background: legal decisions, changing politics and constantly changing fiscal conditions mean that learning becomes a continuous process. As London shows, reform need not take place all at once, but can be gradual, allowing time for local governments to acquire new skills, develop new relationships with existing governments and agencies and gain confidence and experience.

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