Empowering Local Government
Lessons from Europe

This paper examines the literature on the evolution of local government in eight western European countries in an attempt to find clues to what makes for successful devolution of power to local governments. It appears likely that rising incomes led to a greater demand for local public goods and also helped the citizenry to articulate this demand in a politically effective way. History may have played an important role by delaying, though not halting, the devolution of power to the local level in states which inherited centralised bureaucracies. While some of the pattern of evolution seems explicable, much remains to be understood, in particular why centralised absolutist states evolved so differently in Scandinavia as compared to France, Spain, and Italy.

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I
Past and Present

What lessons does Europe's experience with local government hold for the developing world today? This study is motivated by the idea that local governments in democratic polities are likely to be more effective in providing certain goods and services than are national and provincial governments. Perhaps the most basic reason for this is that politicians' accountability is enhanced when the electorate can separately reward or punish performance at local and higher levels of government. Moreover, when local public goods are provided by a national or provincial government, this has necessarily to be accomplished through a bureaucracy. For the elected officials to supervise this bureaucracy closely, however, is difficult, and this is more likely to be the case when the area governed is large. This difficulty increases when either the demand for, or the conditions of supply of public goods and services vary from locality to locality, since a uniform system of provision would not then be appropriate. Competition between local governments to attract capital could be a further stimulus towards efficiency in the provision of public services.

However, many countries, particularly in the underdeveloped world, are characterised by highly centralised governments which manifestly fail to provide local public services. A good part of the reason for this resides in the reluctance of higher-level governments to cede power and the rents that go with power to local authorities.

There is a distinct correlation between per capita income and the share of local government in total government expenditure and revenue (Figures 1 and 2).[1] Why have richer countries been generally more successful at devolving power to local authorities? This may be partly due to an increase in the demand for government services that rises more than proportionately with income. Such an increase may also be disproportionately in favour of goods best provided at the local level. Urbanisation is probably a cause of such a shift in demand, as Sharpe (1988) argues.

But this is not a complete explanation of the differences in local government between high and low income countries. Even if the demand for local government increases, we still have to understand how the political process translates this into an increased supply of local government.

It is, therefore, of interest to examine to what extent, and how, this problem was overcome in different European countries. Historically, there has been considerable variation in the degree of centralisation among European countries. France, Spain, and Italy, influenced by the Napoleonic Code, have traditionally been the most centralised. However, until the 19th century, Denmark, and, to a lesser extent, Norway, were also highly centralised polities which nevertheless converged toward the much more decentralised polities of northern Europe: Britain, Germany, and Sweden. Nevertheless, all European countries, even the three most centralised mentioned here, have embarked on decentralisation programmes which have had a considerable impact. Thus, while history has played a role in the present structure of subnational government, so have the demands of modern politics.

History plays an enduring role for at least two quite distinct reasons. Where the state has historically been decentralised, centralisation may be expensive because it entails building a bureaucracy. This seems to have been important in the history of English local government. Secondly, it is harder for central authorities to undermine local government that has deep historical roots. Where the public has experienced local self-government, it might take a political battle for higher authorities to take this away. The value of such a system is then generally known and it is difficult to undermine it. Where there has been no such experience, the political and electoral pressure to introduce it may be weak.

Why do we find the geographical pattern of centralised government in the centre of Europe, with 'looser' government in the northern periphery? An intriguing theory that addresses this was proposed by Otto Hintze. Hintze argued that local self-government "rests upon the fact that the general interests of the state as a whole coincide with the special interests of the leading sectors of the population of the area".[2] This could not be the case in the heartland of Europe, he argues, because states located there were subject to intense military competition leading to militarisation and a concomitant bureaucratisation and centralisation. Only in England and Scandinavia, and Poland and Hungary, where military competition was not so intense, could local government arise before this century. At the same time, the presence of a petty nobility was necessary for (rural) local government, for only such a class would both be loyal to the state, and yet not be so powerful as to attempt to set up mini-states of their own.

How does the introduction or expansion of local self-government come about in modern democracies? Several themes emerge in the discussion of individual countries below. The increasing appeal of the ideology of democracy is an important

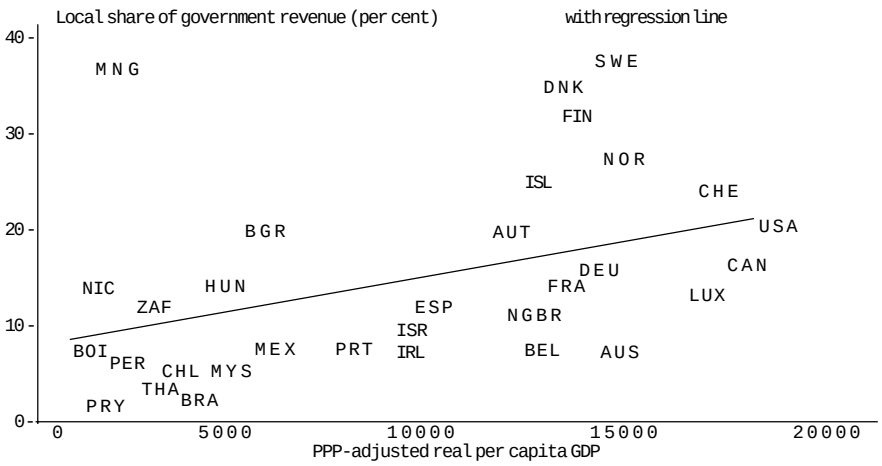
one. The rhetoric accompanying appeals for decentralisation is one of democratisation. To some degree, this is simply a recognition of the benefits of democratic accountability discussed above. The appeal of this idea is probably due to the increasing political sophistication of the citizenry as incomes and educational levels rise. At some juncture one or other political party sees an advantage in pushing this issue, as happened with the socialists in France in the 1980s. A second important theme that emerges is the presence of regional parties organised on more or less ethnic lines. This is clearly seen in Spain following the end of Franco's regime. In such a case, the regional parties have a strong interest in devolution to the level at which they are powerful, and may be in a strong enough position at the centre to bring this about.

I
Britain

At the beginning of the 19th century Britain had a relatively decentralised government.[3] In the rural areas and some urban areas, the county was the unit of government. The principal local officials at the county level were the Justices of the Peace who were mostly unpaid members of the landed gentry. In some of the towns, there were boroughs governed by small associations of merchants. Democratisation began in the 1830s with the extension of the suffrage in 1832. The middle classes in the towns pressed to have control over their local affairs removed from the hands of the existing cliques which were uninterested in providing public services. This led to the passage by parliament of the 1835 Municipal Corporations Act which provided for a council elected by all ratepayers (those paying property taxes). The powers of these Municipal Corporations were extended through the 19th century. In 1888, four years after the franchise was extended to agricultural labourers, the counties were also given elected councils.

It is clear that the presence of an urban elite sufficiently interested in local affairs to demand local elected government (with a restricted franchise) was an important factor in the making of the Municipal Corporations Act. Of course, if the central government had already been in possession of a bureaucracy with which it could administer the towns, it may have chosen to use it instead of giving power to elected local councils. But the creation of a bureaucracy would have been expensive. The rural MPs and those from towns without a demand for better government may have been unwilling to pay for it. And so it is not surprising that this route was not attempted.

Figure 1: Relation between Local Share of Government Revenue to Per Capita GDP



While modern local self-government has thus been well established in Britain for over a century, this has not made it invulnerable. The conservative government of Margaret Thatcher found it convenient to considerably curtail local governments' autonomy to tax and spend, as part of the programme to roll back the state. Moreover, the manner in which this was done led to a greater burden being placed on local authorities controlled by the Labour party than those controlled by the Conservatives [Wolman 1988]. Nevertheless, there was never any intention on the part of the conservatives to do away with local government or to take over the administration of local affairs. This is likely to have been much more difficult politically and, of course, there was no reason for the conservatives to wish to do it.

I
France

Following the Revolution, subnational government in France had two levels: the departments, and the communes. There were 89 departments and some 36,000 communes or municipalities. Each department was headed by an official of the central state known as the prefect who was a successor of the pre-revolutionary official known as the intendant. The communes were run by elected councils from 1790 following the revolution. At some periods during the 19th century, these were replaced by appointed officials (mayors and councillors) but the symbolism of democracy was never entirely discarded. During Napoleon's rule, the appointments were made from lists drawn up of the voters. At other times, officials were elected, but they were always subject to the supervision of the prefect.

In the 1880s, following the establishment of the Third Republic, the French legislature guaranteed the election of the municipal councils (*conseil municipal*), and of councils to govern the departments (*conseil généraux*), but they remained under extensive state control. The paid staff were state employees, and the general administrative supervision (called *tutelle*) of the prefect was maintained. This system continued until the 1980s, although the range of functions, and hence the real authority of the local governments, has expanded.

It was the existence and pre-eminence of the prefect, an official who has no parallel in Britain, which, more than anything else, characterised the centralisation of the French system. However, local interests were represented to some degree due to the existence of a system known as the *cumul des mandats*. This meant that mayors and others elected to (possibly multiple) local offices often were also elected to legislative offices at the national level. These 'notables' thus obtained additional power in their relations with the prefect. The formulation and implementation of central policies were thus subjected to a certain degree of constraint by local interests. Nevertheless, it is clear that this could not be self-government in the British sense. Transparency, and with it, accountability, was a victim of the system [Rogers 1998]. Since the implementation of policy depended on the outcome of closed-door negotiations or deals between the prefect and the notables, the latter could secure outcomes which they desired without having to accept political responsibility for them. Voters could never be sure to what extent actual results were forced on their elected representatives or secretly desired by them.

In the 1980s the socialist government that came to power in 1981 introduced the first major reforms in subnational government in a century. The supervisory powers of the prefects were abolished and passed on to the presidents of the departmental

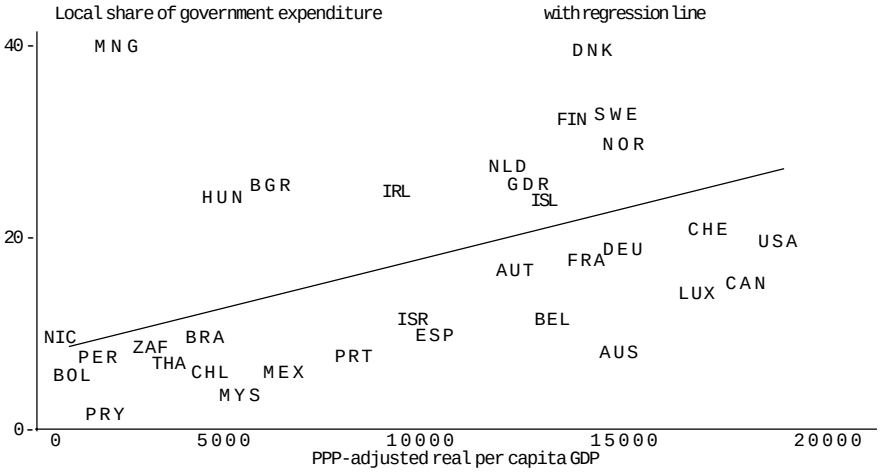
councils in the case of departments, and to the presidents of the municipal councils in the case of communes. A third, higher, level of local government, the region, which had been created in 1972, was further empowered. The regional councils created in 1972 were not directly elected. Their members consisted largely of elected members of the lower level local government as well as of the national assembly. In 1986, this system changed to one of direct election. New powers were devolved to all three levels of subnational government: economic development, education, and training to the regions, health and social services to the departments, and town planning to the communes.

Here we conduct a brief examination of the two major episodes of decentralisation, that of the 1870s and 1880s during the Third Republic and the recent episode from the 1980s. Within a few years of the revolution, a highly centralised system of government had been put in place. The decentralising legislators of the 1870s were the left parties led by Leon Gambetta.[4] Schmidt (1990) argues that their motivations were largely pragmatic rather than principled. In the highly volatile political climate, they feared losing power and wished to decentralise so that they could retain power in at least some spheres if they lost their majority in the national legislature. In 1876, a moderately decentralising law was passed which provided for elected mayors for all but the largest 3,000 communes. In the latter, mayors were to continue to be appointed.

At this time, the legislature consisted of two chambers: the directly elected Chamber of Deputies, in which the left parties had a majority, and the Senate, which had been elected by mayors who were themselves appointees of the previous rightist government. The right had a majority in the senate. The law was a compromise: the left had campaigned for decentralisation, which its electorate wanted. On the other hand, once in power, it did not want to relinquish too much by decentralisation. But it also realised that its hold on power was tenuous and so decentralisation was an insurance policy. The mayors were crucial here, since, in addition to their executive powers, they had considerable powers to manipulate elections to the municipal councils. The rightist majority in the senate was willing to have some decentralisation since the alternative was to have mayors appointed by the left.

These debates were conducted in a political climate which was marred by fear of violent upheaval. The proletarian uprising of the Paris Commune of 1871 was fresh in the legislators' minds as were fears of a monarchist seizure of power.

Figure 2: Relation between Local Share of Government Expenditure to Per Capita GDP



Decentralisation was seen both as a means of appeasing a restless working class and as a potential threat to the state. In the end, political interest prevailed and decentralisation passed. In 1879, the senate passed into the left's control. This resulted in further reform in 1882 and 1884 in which the remaining communes were also given elected mayors. The one exception was Paris, which was still seen as too revolutionary.

This episode illustrates the importance of two factors in promoting decentralisation. First, the existence of a genuine demand for decentralisation. This was felt by leftist politicians to be an issue with their voters, principally the lower middle classes including shopkeepers and artisans, who had found their elected councils and mayors to be more responsive to their needs than appointed officials. Second, the prospect of losing power in future elections prompted members of the central legislature to decentralise in order to be able to retain power at the local level if their side lost.

The fact that there was little or no further decentralisation for a hundred years attests to the stability of the interests that held the system in place. These were, first, the interest of legislators belonging to the ruling party to retain their control through the prefects' tutelle, and second, the *cumul des mandats* which allowed local notables to exercise influence and achieve their real, as opposed to publicly stated, goals.

What finally led to the reform legislated by socialists and their allies, the communists in the 1980s was probably the increasing political maturity of the electorate, itself a function of rising incomes. This led a larger section of the electorate to demand better local public services. Moreover the connection between this and local democracy was understood. Grassroots and community activists organised to push for reform, and the socialists adopted this as part of their political platform. There still remains the question of why they went through with meaningful reforms after coming to power at the national level. Part of the answer to this question lies in the fact that the Left's march to power came by way of the local governments, the communes, the departments and regions, in which they first captured majorities before winning at the national level in 1981. This probably strengthened the hands of those in the party who wanted to abolish the tutelle and increase the powers of local elected officials.

IV
Germany

In late medieval times many German cities possessed autonomy and were governed by councils of notables.[5] Many of these cities lost their autonomy following their incorporation into the German union by Prussia in the 19th century. But even Prussia's bureaucratic and absolutist government permitted autonomy and self-government to at least some of its cities following the City Charter Law of 1808. The architect of this law, the Prussian chief minister Baron Stein, intended it to increase the involvement of the citizens in the affairs of the state, thus giving them a greater sense of loyalty. It was also meant to reduce the expenses of the state in governing the cities by replacing paid civil servants in part by unpaid councillors, and to improve the efficiency of administration.

Stein intended to extend this principle to the countryside and also to have a national elected assembly, but was dismissed before these proposals came to anything. The city charter law permitted the city governments to deal with any local matters not specifically regulated or prohibited by the

state. This was more liberal than the British principle which permits local authorities jurisdiction only over those activities specifically laid down by parliament. The Prussian state took over control of the police and judiciary in the cities with the Charter Law and retained general supervisory control. In 1831, the state revised the law to increase state control over the cities, by permitting the state to replace the city governments' laws with its own.

Following the revolutions of 1848, the Prussian king agreed to the formation of a national parliament with representation divided among three classes in proportion to the taxes paid by each class. This election system, which favoured the wealthy, spread to the city councils.

While city government thus gained autonomy fairly early on, county government in the rural areas remained firmly in the hands of the nobility until 1891, when elected county councils took over local government. However, due to the three class system, the nobility continued to dominate in the countryside, where the middle classes were weak.

In 1919, universal suffrage was introduced with the Weimar republic, and this included the city and councils. However, the state took over the government of many cities. Local governments became entirely appointed during the Nazi period.

Following second world war, the occupying governments in the west, re-established elected local governments, while continuing to directly control the governments of their zones. Democratisation was a primary objective of the allies to ensure that there was no repeat of Nazism. It was logical to begin this at the local level while maintaining control at the state level. The self-confidence and esteem the local governments gained while rebuilding the devastated cities guaranteed that their autonomy would be unchallenged when the Federal Republic was established in 1949. The federal constitution, as well as those of the states, provided for autonomous local governments.

It appears that the bureaucratic Prussian state initially introduced local self-government in cities as an efficiency promoting measure. This was retained and extended due to pressure from a growing middle class that demanded participation in government, which the state permitted to co-opt and deflect revolution. The existence of the system made its continuance inevitable in the Weimar republic. It formed the logical basis on which the allies could begin rebuilding democracy and their interest and the success of the local governments contributed to its constitutional protection in the Federal Republic.

During the late 1960s and early 1970s there was a considerable consolidation of local jurisdictions under the Social Democratic governments in the German provinces. The strength of the electorate's attachment to traditional local government was seen when the attempted consolidation of two cities Giessen and Wetzlar, on opposite sides of a river in the province of Hesse led to a massive outcry. The city council was captured in a landslide vote by the opposition Christian Democrats and the state government then backed away from its plans.

V
Italy

The kingdom of Piedmont's system of local government was inherited from the Napoleonic administration, with communes and provinces, each province having a state-appointed prefect with supervisory powers over the local governments.[6] The provinces were the analog of the French departments. This carried over to unified Italy under the law of 1865 which provided for elected communes. But the state retained the power to dismiss elected officials and replace them with appointees. The system left little authority to the local governments. Today there are some 8,000 communes and 95 provinces.

In 1948, the new Italian constitution provided for the creation of a third, higher tier of subnational government: the region. This was a reaction against the highly centralised and bureaucratic Fascist regime. The constitutional provision for the creation of regional governments was supported by all major political parties.

However, the right-of-centre Christian Democratic party which ruled Italy did not implement the provisions of the constitution and the regional governments did not come into being. This was for the usual reasons:•the legislators of the ruling party wished to maintain their power and patronage which would have been diminished by the creation of the regions. They were also afraid that some of the regional governments would be captured by opposition parties, in particular the Communist party.

Opposition parties, particularly the Socialists and Communists, pressed for decentralisation and the creation of the regions. Given that they were in opposition, this was of course, in their interest, since they could then obtain some executive power.

The Christian Democratic administrations were corrupt and clientelist. All levels of government were corrupt and local governments had very little autonomy. In addition to oversight by the central government through the prefect and other officials, a large number of special jurisdictions to handle particular issues such as health were created, which further eroded the powers of the communes.

By 1962, the Christian Democrats were electorally weakened and forced to admit the socialists into the governing coalition. It took another 10 years for the creation of the regions to actually begin. By 1972, it appeared that the Communist party might actually come to power. Reform via devolution of power to regions offered a hope of deflecting this threat. Statutory authority was granted to the regions in 1972 and was followed by the grant of financial powers and transfer of personnel from the central government. Regional governments have had varying success at providing their constituents with public services, but at least in some areas, mainly in the north and in communist controlled regions, they have been quite successful [Putnam 1993].

However, the municipalities are now ensnared by a web of controls placed by regional governments. Between 1970 and 1981, the regions' share of public expenditure increased from 3 per cent to 19 per cent. This was partly at the expense of the central government whose share declined from 70 to 64 per cent, but also at the expense of the communes, whose share declined from 23 to 14 per cent. This was due to a considerable reduction in the communes' authority to tax that was imposed coincident with the regional reforms of 1972. The motives for this may have been partly technical, to enable rationalisation of the impossible tax code, and partly political, as the centre sought to strengthen its control over the communes at a time when the regions were being created [Sanantonio 1987]. In any case, the result of the reduction in the communes' powers of taxation was that they became heavily indebted. In 1978, the central government rescinded the communes powers of borrowing and assumed their debts. From then on, the communes have been heavily dependent on grants. However, many of these are block grants and so do not encroach on the communes' autonomy.

The system of local government is now a maze of overlapping jurisdictions with mountain communities, metropolitan areas, local councils in some large urban communes, and a variety of authorities with jurisdiction over particular issues. The provinces and their elected officials still exist, but are largely redundant and powerless. As a result, governance is still poor since local elected officials may be quite constrained in their actions and it is difficult for the electorate to identify the sources of good or bad performance and reward or punish it accordingly.

VI
Spain

Spain,[7] like northern Italy, inherited the Napoleonic system of municipalities and provinces (corresponding to communes and departments). The municipalities had elected councils chaired by a state appointee, the mayor. The state appointees at the provincial and regional levels used their powers to manipulate lower level governments which had little autonomy in practice. A relatively decentralised regime was established during the Second Republic before fascism resulted in a reversion to the old system.

There was a massive process of migration to urban areas in Spain following the end of second world war. As a result there was a huge expansion in demand for municipal services. Despite this, during the fascist regime, spending by subnational levels of government grew more slowly than in Spain's neighbours [Carillo 1997]. By the 1970s the centralised administration of the dictatorship had failed to provide many of the new urban areas with even basic municipal services, such as paved streets, sewerage, and an adequate water supply, let alone schools, hospitals, parks and environmental protection [Clegg 1987]. As a result, highly organised protest movements centred on urban issues sprang up during the 1970s, which contributed to the pressure that was building for democracy and decentralisation.

Following the death of Franco and the establishment of democracy in 1978, the new constitution guaranteed the autonomy of the municipalities and provinces and also of the newly created 17 regions. As in Italy, however, the regions have responsibilities for many functions that in Britain or Germany would be performed by local governments. In Catalonia, the regional government, controlled by Catalan nationalists, has attempted to reduce the powers of the municipalities, which tend to be socialist. It attempted to abolish altogether the provincial councils, but in this it failed, the abolition being overturned by the constitutional court.

In 1985, the national parliament passed the Local Government Law, setting out the functions to be performed by the municipalities. This list was quite comprehensive, but it was not exclusive, leaving the actual distribution of functions to be performed to be worked out between the various levels of government. This reflected the nature of the political compromise that was necessary to pass the law. The governing socialist PSOE was inclined to protect the municipalities' powers from encroachment by the regions, while at the same time attempting to retain central influence. But it did not have the seats in the legislature to enact a law without a compromise with other parties.

Following the advent of elected councils in the late 1970's, the municipalities increased expenditures to make up the shortfall in services that had accumulated under the dictatorship. However, the municipalities had become almost entirely dependent on central grants to finance expenditures. They resorted to borrowing in the 1980s since municipal finance had not been reformed. The central government assumed their debts, but tightened up in the 1990s due to the recession. So municipal spending has contracted. In the meantime, however, the Local Public Finance Act of 1988 has improved municipal finance, with taxation centred on property taxes [Suarez-Pandiello 1996]. Financial reform has not been adequate, however, and some regions still control much that is under municipal control in other parts of Europe.

VII
Scandinavia

Sweden had provincial governors prior to the 18th century and largely self-governing parishes [Page 1991]. The royal reform of 1862 established a uniform system of local government for rural communes and cities. These were to be governed by general assemblies of the whole population or by representative systems. An elected county level of government was also added. Sweden's 1975 constitution explicitly provides for local self-government. The degree of legal recognition enjoyed by local government in Sweden is quite unusual [Gustafsson 1981]. The constitution grants broad authority to the municipalities to perform any local functions. If it is thought that a council has exceeded its authority, this may be challenged in court by a resident of the municipality. But the court's decision does not force other municipalities to change their practices in accord with the decision.

Following second world war and even before, the government followed the path of expanding social services via local government rather than through a central bureaucratic apparatus. This has led to obligatory functions being placed upon local governments. But the finance for these functions is provided by the central state, so the autonomy of the municipalities is not really reduced thereby. Municipalities get much of their revenue from proportional (not progressive) income taxes, and they are free to set their own rates, within limits.

Coincident with the expansion of the welfare state, there came a consolidation of the municipalities, first from about 2,500 to 1,000 in 1952, and then down to 280 in 1974 during a second phase of consolidation [Montin 1992]. This was prompted by the need to have a competent professional administrative corps in the municipalities so that redistributive expenditures could be efficiently and reliably executed. The result of these changes was to change the amateur participatory nature of local government in many areas to a more bureaucratic one. The debates surrounding subsequent reforms have largely been about how to restore citizen participation and how to further improve the efficiency of service provision. There has never been any challenge to the very important role that local government plays in the state.

Denmark's local government was thoroughly centralised since the 17th century under an absolutist monarchy [Page 1991]. Centrally appointed officials governed towns and counties. Elected councils were introduced in the 1840s. Until 1919, mayors were appointed by the king. As in other Scandinavian countries, the welfare state's social programmes were implemented by local authorities, but these were much more directly controlled by the central state.

During the 1950s it became apparent that the self-governing towns had the resources to manage the increasing demand for services, while the small rural parishes did not. The towns pressed for decentralisation. A reform enacted by parliament in the early 1970s merged the smaller parishes and created the current two-tier system of Kommune and AMT (county administration). This left local authorities subject to far fewer forms of control [Etherington and Paddon 1991]. Nevertheless, there remains considerable bureaucratic regulation which local officials find highly frustrating. In the mid-1980's, a non-socialist government sought to reduce public expenditure in response to the recession. And since local government expenditure constituted 60 per cent of state expenditure, it was a major target of this drive. But widespread support among the citizenry for the services of the welfare state meant that a Thatcherist assault on local authorities' ability to spend was not politically feasible. So the government went in for the free local government initiative, allowing local governments to propose projects requiring legislative changes. The state was to more or less automatically approve projects subject to the requirement that the citizens' health and rights were not endangered. This last was necessary so as not to attract trade union hostility. It is not clear that the initiative did succeed in cutting expenditure.

The modern form of local government in Norway was laid in 1837 with the passage

of the Local Government Act by the parliament [Fevolden and Sorensen 1987]. This was a move by farmers seeking to cut taxes and public expenditure. Spending by local government rose to 5 per cent of GDP in the early years of this century. During the economic crisis of the 1920s several local governments went bankrupt. The central state then imposed far-reaching controls. After the second world war there was a major expansion in local government as the Labour Party used local government for providing the services of the welfare state, just like the other Scandinavian countries. Local government is subject to fairly detailed regulation in the provision of services such as education and health, but otherwise quite autonomous.

Conclusion

There are quite considerable differences in the autonomy and performance of local governments in European countries. Nevertheless, what is striking is that even the most centralised polities of western Europe have effected major decentralisation during the postwar period. The principle, if not the practice, of autonomous local government is everywhere accepted. Even the most centralised countries that inherited the Napoleonic Code have radically decentralised government. However, in Spain and Italy, the picture is somewhat complicated by the introduction of the regional level of government. The powers and roles of the regions and the municipalities are yet to be clearly defined, and the lack of transparency, particularly in Italy, has contributed to poor performance.

How and why did the decentralisation take place? It seems difficult to escape the conclusion that economic development and the consequent demand for local public goods resulted in pressure on politicians in electoral systems to decentralise. This appears to have been the case with both the French reforms, the British reform of the 1830's, as well as the Spanish and Italian reforms. Nevertheless, history has been important in that these reforms have occurred at very different times and in different ways depending on the path of political change in the various countries. It is not clear why the more absolutist Scandinavian states decentralised in the 19th century. In the three southern European countries, vested interests of central state politicians prevented decentralisation for a long time. The importance of economic development and the political consciousness it brings leads to a somewhat pessimistic outlook for today's developing world. Political development in the sphere of local government may not succeed until economic growth has first taken place. On the other hand, there is no doubt that there has been a demonstration effect in western Europe, with the citizenry and politicians of the more centralised polities learning from their decentralised neighbours. Today's developing countries have more history to learn from. EPW

Notes

[This research was financially supported by the Halle Institute for International Affairs at Emory University. I am grateful to Pradeep Chhibber for useful comments on an earlier draft of this paper.]

1 The percentage of total government revenue that is raised by local government was regressed on real per capita income (adjusted for purchasing power) for 33 countries. Figure 1 shows the scatterplot with the countries labelled by their World Bank country codes. The fitted regression line is also shown. The coefficient on per capita income is statistically significant at the 6 per cent level. The same procedure was carried out for expenditures with the coefficient significant at the 2 per cent level. In fact, these data understate the correlation between income and the fiscal importance of local government. Data on the fiscal variables are missing at the local level mostly for poor countries, and this most probably is because local government is fiscally unimportant in those countries.

The per capita income figures are real GDP per capita in 1990 adjusted for purchasing power parity using the chain index and measured in 1985 US dollars [from Summers and Heston 1991]. The fiscal variables are computed from the International Monetary Fund's Government Finance Statistics for 1992.

2 Quoted in Page (1990).

3 This section is based on Smellie (1957) and Page (1991).

4 This account is based largely on Schmidt (1990).

5 This account is based primarily on Gunlicks (1986).

6 This section is based mainly on Spence (1993), Evans (1982), and Sanantonio (1987).

7 This section is based on Clegg (1987), Carillo (1997), Ma Valles and Cuchillo Foix (1988), and Suarez-Pandiello (1996).

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