

# Changing Government Relations in Europe

From localism to intergovernmentalism

*Edited by*

**Michael J. Goldsmith and  
Edward C. Page**



Routledge/ECPR Studies in European Political Science

# Changing Government Relations in Europe

The past quarter of a century has seen extensive change throughout Europe. There have been significant changes in local government, and the European Union has come to play an increasing role in relation to municipal government.

This book offers a comparative analysis of recent developments in intergovernmental relations in twelve countries across Europe. Using the framework for analysis from Page and Goldsmith's 1987 *Central and Local Government Relations*, each chapter examines changes in central–local relations in their respective country over the past twenty years. This book extends the coverage to include, for the first time, both federal systems and Eastern European countries. Offering detailed empirical studies, the book assesses how far there have been changes in the functions, access and discretion of local government.

The book will be of great interest to students and scholars of local government, urban politics, EU studies and public administration.

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## Series editor's foreword

A few years ago, there was a public outcry in Britain when more people voted in a *Big Brother* contest than turned out in local elections. To be sure, this may have been a singular event caused by a media hype focusing on this particular reality TV format. However, this anecdote draws our attention to a somewhat contradictory development of local governance across Europe. While rates of participation in local elections and local governance in general decline in many countries, the actual importance of this layer of political decision making is often increasing. As such, it seems to be part of a broader tendency towards strengthening sub-national layers of governance at the expense of the nation-state. Again, devolution in the United Kingdom comes to mind as a particularly conspicuous example, but it is easy to find similar examples across most of the (formerly) non-federal states of Europe. Obvious examples are the creation of a federal Belgium, and strong autonomous regions in Spain but, as the editors remind us in their introduction, we have witnessed the development of some regional structures even in the Scandinavian countries.

The growing importance of the intermediate tier of national governance has had effects on the local level, and it can come as no surprise that this has frequently meant a tightening of control. However, the relationships between local, state, national and supra-national levels of government are multi-dimensional and it is one of the strengths of this volume that it provides a detailed investigation of the precise patterns of these relationships, taking into account their different aspects. More precisely, the power to raise revenue and the actual size of local budgets can be entirely unrelated. Furthermore, considerable shares of the local budget can be earmarked for very specific purposes, meaning that local government is limited to the mere implementation of policies of the centre. Alternatively, local governments may have considerable discretion as to how they can spend substantial shares of their budgets. In a nutshell, the degree of local discretion or autonomy is an important variable, alongside with the range of functions that are situated at the local level, and, of course, the size of budgets. After all, even if local spending is tightly controlled by the centre, local elections may still decide about who oversees the implementation and selects the personnel on the ground.

The picture is complicated further by the rising importance of New Public Management models, which have led to a 'hollowing out' of local government

in that many services and functions are now performed by semi-private agencies or through public–private partnerships. As a matter of fact, a shift of spending power to the local level may go hand in hand with a trend towards de-politicising the decisions over where and how to spend the funds. To be sure, this is not a universal trend, and the much-cited abundance of private–public partnerships and league tables is not as prevalent everywhere as it is in the United Kingdom, as the editors rightly point out in their introduction.

These few examples may suffice to sketch the range of issues that are systematically addressed in the country chapters. This allows the editors to arrive at several generalisations in their concluding chapter that provide food for further thought and investigation. To a degree, they find convergence between former ‘northern’ and ‘southern’ patterns of central–local relations. While local authorities in southern countries tend to have been strengthened, northern countries have moved towards more central control. At least some of this convergence is attributable to the forces of Europeanisation, even though the impact of Europe should not be overestimated, as national developments are often clearly path dependent. Furthermore, as the editors remind us at the end of their volume, in an increasingly complex and differentiated world such general conclusions need to be read with considerable care.

Thomas Poguntke, Series Editor  
Bochum, November 2009

# Preface

This book had its origins over dinner at a European Group for Public Administration meeting in Berne in 2005, when several old friends suggested to Mike Goldsmith that a new version of the original book on central–local government relations would be interesting and would have a market. Though this was not the first time Goldsmith had had such a conversation, it was the most appropriate, since he was about to retire from full-time academic and administrative work. Subsequently he broached the idea with Ed Page, who proved willing to enter into collaboration yet again.

A number of colleagues were approached about possible contributors during 2006. The aim was to try to engage new, young scholars who were perhaps familiar with the original work as part of their studies but might enjoy and benefit from the opportunity to look at the subject. But many old friends also proved somewhat unwilling *not* to act as contributors, which is why many of the chapters are jointly authored. It also gives some pleasure that a number of the contributors are female, reflecting the changing gender balance in the European political science profession generally. We thank them all for their efforts and patience as this book has come to fruition.

Goldsmith and Page are grateful for the support they have received from the European Consortium for Political Research, Salford University and the London School of Economics. Over the years, both have also been given more licence and space than they deserve by their respective wives, Anne and Tina. Children have grown up – so this book is dedicated to the grandchildren: Isobel, Maya, Thomas, Emily, Noah and any more that follow. Last but not least, jazz has played a major role in keeping a friendship alive for around thirty years – this time around it was Bley, Hawk, Ibrahim, Prez and Billie *inter alia* who kept Goldsmith going and an iPod full of post-bop and free blowing that sustained Page.

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# 1 Introduction

*Mike Goldsmith and Ed Page*

Twenty years ago, Page and Goldsmith (1987) edited a volume of essays on central–local government relations in unitary states in Western Europe. Since that time, much has changed on the European landscape, with the collapse of communism, the fall of the Berlin Wall and the massive enlargement of the European Union. What twenty years ago seemed largely a question limited to activities within nation-states now has a multilevel dimension, often involving an increased number of tiers within and between countries as well as an EU influence. In an increasingly globalised and Europeanised setting, important questions are raised as to how far these changes have affected the nature of inter-governmental relations in European countries over the past twenty years, whether or not political systems reveal stronger similarities as a result, and what explanations can be offered for whatever changes have taken place.

Page and Goldsmith (1987) offered a framework for analysing intergovernmental relations, suggesting that they were largely determined by variations in the functions or tasks which localities undertake, by the discretion which they have in performing these functions, and by the degree of access or influence which they had with (central) government. As a result of their work, Page and Goldsmith suggested that a North–South distinction could be made in Western Europe between, first, those countries (largely Northern European) whose local governments had a wide range of functions with some discretion in the way in which these functions were performed, but had largely formal access via local government associations to central government, and, second, those countries (largely Southern European) where local governments were largely small with few functions, with limited discretion because these activities were often subject to central oversight or limited finance, but had more direct and informal access to the central government over many matters of local interest. Norway, Denmark, Sweden and the United Kingdom provided examples of the Northern European case, while France, Spain and Italy were examples of the Southern European type.

Page and Goldsmith's work has been widely cited since that time, most recently by authors such as John (2001), Le Galès (2002) and Vetter (2007). But these authors are not uncritical. John, for example, argues that the emergence of New Public Management means that the North–South distinction is not as valid

as it was, while Le Galès stresses the importance of cities as actors on the global stage and the impact of the European Union in changing the nature of intergovernmental relations. Vetter (2007: 87–116) especially stresses the importance of the range of function which local governments have and their freedom or discretion as to how they decide to deliver services in determining local autonomy. Her review concludes by suggesting that the Scandinavian countries have a high degree of autonomy whereas countries such as Belgium, the Netherlands, Britain and Italy have a low degree, with France and federal systems such as Germany and Spain being in an intermediate position (*ibid.*: 115).

But Page and Goldsmith provided a snapshot of a situation that existed in the mid-1980s. It would be surprising if that situation had not changed twenty years later, even without the collapse of communism and the enlargement of the European Union, or if neo-economic liberalism had not promoted a global economy. For example, Spain has seen the further development of its autonomous communities, Italy has developed stronger regions and France has continued down a decentralising path long after the demise of Mitterrand. The greatest change has probably taken place in the United Kingdom, which has seen its former strong Northern-style local governments in England become but one actor among many with local responsibilities, while also undergoing a process of devolution to Scotland, Wales and Northern Ireland that has served to increase the disparities in the United Kingdom's different local government systems. Thus, for example, the Scottish Executive and the Welsh Assembly work far more closely with their local governments than is the case with UK government and English local authorities. Equally, Denmark has undertaken extensive restructuring of its local government system since 2005, led by the central government, which has meant a considerable reduction in the number of municipalities.

So, the descriptions and distinctions drawn by Page and Goldsmith may not be as valid today as they were twenty years ago. Furthermore, the pace of change may well vary from country to country, and the impact of change will also vary. No doubt the greatest impact has been in Central and Eastern Europe, where different countries have had to develop new institutions, introduce democracy and, as part of the drive to join the European Union, undergo a rapid process of reform. With the fall of the Berlin Wall, Germany also underwent a process of change, absorbing the former communist East German regions and municipalities into the traditions and norms of the former West German system, a process that involved extensive policy, process and personnel transfer for a number of years immediately after 1989 (Wollmann 1993, 2002). Yet authors like Wollmann (2000a, b) would argue that this process of change was less radical than one might imagine, stressing the importance of older traditions and norms in determining current practice. This path dependency, as Wollmann (1997a) defines it, means that change is gradual, that major differences and distinctions between countries persist, and that pressures on local government systems to move closer together meet strong resistance.

But there are changes that most countries have adopted. The most important of these has been the rise of the (often new) intermediate, or meso, tier, as

Sharpe (1993) referred to it, across Europe, a feature well brought out by Loughlin (2001) and Keating *et al.* (2003). In part, such a change reflects EU influence through its regional policies, as much as it does a reaction by central governments to nationalist movements. The latter may well be reflected by the strong autonomous Catalanian and Basque regions in Spain, or the creation of the Belgium federal state with the Flemish and Wallonian regions, but even countries such as Denmark, Sweden and Norway have developed some kind of regional structures in the light of EU policies.

The other impact of the European Union lies in the extensive system of regulation introduced in such areas, among others, as contracts, environmental and consumer affairs. Here it is often the regional or municipal tier that has daily oversight of the implementation of such regulations. Decisions made by the European Court of Justice are also likely to impact upon municipalities, given that such decisions are usually adopted as part of member countries' legal systems. But again the extent to which different countries enforce EU regulations varies, and again it is often the European Court that has the task of deciding whether or not a particular country has or has not failed in its duty in this respect.

A third impact of the European Union, again one that is variable, is through its urban and social policies. As Le Galès (2002) argues, many European cities have reacted to the process of globalisation by attempting to position themselves better in the global market for investment and jobs. Often they have done so by using EU financial support through the latter's regional and urban policies: the regeneration of much of Barcelona for the 1992 Olympics and of Manchester in the cultural and sporting arenas provide good examples.

A second source of change has been through policy and practice transfer, of which the most important has been the spread of what is known as New Public Management. John (2001) rightly stresses this development, notwithstanding the fact that the label 'New Public Management' covers a variety of definitions and sins. In different countries, regional and local governments have been increasingly willing, *inter alia*, to contract out services to the private or third sectors, to decentralise responsibilities down bureaucratic hierarchies to lower levels and to privatise services. Just how far such practices and policies have been adopted varies between countries, but one result has clearly been an increase in the number and type of local actors involved at the regional and local levels, giving a shift in much of the literature away from discussions about government to governance. Again the impact of the EU can be noted here, with its requirement for vertical and horizontal partnerships involving both public- and private-sector undertakings for many of its programmes, and clearly cooperation between regions and localities across the European Union has encouraged a process of policy transfer and practice, one often swifter than academic observers can document.

A third source of change has been a concern, expressed in many countries, about the quality of local leadership, accountability and local democracy. This concern is one about *process* at the local level: it is a concern about providing



leadership in the community and how decisions are taken and how to make local politics more democratic, particularly in terms of persuading more people to vote in local elections and participate in local decision making. Reforms such as the introduction of directly elected mayors, more public forums and moves towards neighbourhood or community government, electoral reforms designed to promote higher turnout in local elections, all produce local-level change, itself in turn likely to impact (albeit indirectly) on patterns of intergovernmental relations over time.

There has also been a concern, at least in some countries, with the *performance* of local governments in terms of the services they provide and their effectiveness in doing so. Here reforms such as the setting of standards, measuring and monitoring of performance, the production of league tables, and the threat of sanctions for poor performance or rewards for excellence reflect changes in the patterns of regulation of local governments. Changes in this pattern of regulation clearly affect the discretion which municipalities have in operating at the local level, with the United Kingdom over the past twenty years being a prime example (Stoker 2004).

In thinking about these macro-level changes, however, one has to remember the variability in their adoption and impact across countries and within individual ones. What may be widely adopted in one country, resulting in significant change, may not be adopted in others. How one locality interprets the role of a directly elected mayor may differ from its interpretation in other localities within the same country, as the UK experience demonstrates (Copus 2006). The simple fact of the matter remains that nation-states remain the determining factor in shaping intergovernmental relations, and that different cultures and traditions within those states persist over time. How Italians shape their political system will differ from how the Dutch shape theirs, and Hungary's reforms of its system will differ from Slovakia's. One key factor in determining the rate of change lies in the extent to which financial regimes underwrite change – that is to say, how far financial regimes permit regions and localities to adopt changes. Thus, for example, Central and East European countries found it difficult to finance their new local government systems after 1989, slowing down the pace of reform, especially in terms of introducing new intermediate tiers between the centre and the often numerous small local governments established as a basis for assisting the democratic transition after communism. Important in this context are the form and amount of revenues raised by regional and local levels of government, and these vary from country to country. Thus, Danish municipalities, for example, raise 54 per cent of their revenues from local taxes (Andersen, this volume, Chapter 4), while Dutch municipalities raise less than 8 per cent (Steen and Toonen, this volume, Chapter 9).

But there are also questions relating to the form and pace of change. In structural terms, Denmark completely revamped its local institutions in 2005, doing so with the support of the main local government association, even though it meant the disappearance of a large number of communes. By contrast, France still has the 36,000 communes inherited from the Napoleonic era, yet has intro-

duced legislation to encourage voluntary cooperation not only among the more rural communes but also in the major urban areas. But there is evidence that localities have used such legislation not only to promote change but also to inhibit it. For example, in some urban areas rich communes have come together in a voluntary 'community' to exclude poor ones, thus avoiding the costs of any financial redistribution that might follow from adopting area-wide policies (Baraize and Négrier 2001; Négrier 2005). Again, following the fall of the Berlin Wall, Germany extended the *Länder* and the local government system established in the West to the former East Germany, and, as already noted (Wollmann 1993), seconded a wide range of officials to the new institutions to help them develop processes and systems already in place in the West. Even so, and notwithstanding the massive costs of integrating the former East Germany into the larger country, wide differences between the two former parts still persist.

This brief summary gives a flavour of some of the things that follow later in the book. Here we need to outline the approach taken, suggest some simple hypotheses and then reflect a little more deeply on how changes might have occurred.

The simple model Page and Goldsmith developed twenty years ago was as follows. They argued that the position of local governments in a country's system of government was a reflection of the functions they performed, the discretion they had in performing those functions, and the access or influence that they had in policy debates at national level. In terms of the functions or responsibilities of local governments, they argued that the more local governments did, the more important they were in the governmental system. Measuring local government functions comparatively is difficult. A simple comparison would suggest that local governments everywhere share a broad range of similar functions: education, housing, welfare, etc. But a more detailed examination reveals that the exact responsibility for these functions may well vary from country to country. So, it is necessary to find some alternative or substitute measure. In this case, Page and Goldsmith used local governments' share of public expenditure and its share of public employment to reflect their functional importance, a measure that is used again in this book.

Discretion is much more difficult to capture, relying far more on qualitative assessments and reflecting the fact that different dimensions and forms of regulation might well affect the discretion of local governments in different ways (Page 1991). For example, local governments might well have a wide range of functions and be financed by generous block grants, suggesting they have considerable discretion in the way they perform their functions. But if those same functions are subject to detailed regulation from higher levels of government as to how they should be performed, then the discretion of local governments is considerably reduced. To understand how much discretion local governments have, we need to understand the legal framework within which they operate. Do they have general competence powers to do what is deemed necessary for the well-being of their community (as is the case in many countries) or can they only undertake specific functions according to powers given them by higher

levels of government? In this context, another important consideration is whether we are dealing with federal or unitary systems. In federal systems it is usually the intermediate tier – region, state or province – that has the constitutional responsibility for overseeing local governments, while in unitary systems central government looms much larger. Clearly, the importance of this intermediate tier in federal systems means that such systems may have a greater diversity in their patterns of intergovernmental relations than is the case in unitary ones. Furthermore, discretion will depend on whether functions are mandatory (they *have* to be provided) or whether they are permissive (local governments can decide for themselves whether or not to provide the function).

The process of administrative regulation further affects local government discretion. In the original book, Page and Goldsmith probably underestimated the importance of such regulation, at least in the case of the Nordic countries included in the study. The so-called free commune experiments that took place in those countries shortly after the original book was published were largely experiments in administrative deregulation, as Rose (1990) makes clear. Central and meso-level governments can regulate the practice of local government in a whole variety of ways. At the simplest level they may provide advice on how functions are performed: local governments may or may not feel obliged to follow such advice. Higher levels of governments may produce directives indicating what is to be done, which again local governments may choose to ignore at their peril. One change that has been noticeable over the past twenty years and is reflected in the accounts given here is the increase in attention given by higher levels of government to service standards provided by local governments, perhaps best associated with the national or regional practice of target setting for and performance monitoring of local governments now found in several countries. Most importantly, there may be some form of administrative oversight of local governments, for example through the office of a prefect, whereby local governments require the agreement or permission of such an office in the performance of their functions, or where the legality of local government actions can be questioned through such an office.

Last, discretion is affected by the kind of financial regime under which local governments operate. To put this issue simply, the more local governments can finance their operations out of their own revenues, the more discretion they are likely to have over the way in which they perform their functions. Different local taxation systems can affect the ability of local governments to raise money: local income tax may be easier to vary than local property tax; local sales taxes may provide a better source of income than a property tax based on outdated property values. But in both cases – local income tax and sales taxes – higher levels of government may well place a limit on the level such taxes can reach – as is the case in Norway, for example (Fimreite and Tranvik, Chapter 10), or the United Kingdom at times (Sullivan, Chapter 14). But we would expect local discretion to be greater, the greater the proportion of revenue raised locally. Similarly, grant systems can affect local discretion. General block grants, whereby local governments are free to spend grant income as they wish, give local govern-

ments more discretion than do specific grants, which are usually tied to a specific function. Furthermore, many specific grants are also conditional ones: local governments receive the grant only if they perform the function in a particular way or to a particular standard. The European Union provides a very good example of such specific conditional grants under its regional and urban programmes, which require recipients to provide matched funding, often in a very detailed or specific fashion. And while many countries have increased the proportion of transfers as general or block grants, there are also signs that the number of specific and conditional grants is on the increase.

Clearly, then, local government discretion, or more accurately the regulation of discretion, is complicated and multidimensional. As Clark (1984) put it, local government's freedom to *do* something might be limited by a change in its freedom *from* control by higher levels of government. Relaxation on one dimension may well lead to an increase in regulation on another. There is considerable evidence throughout this book that processes of regulation have changed and become more complicated than perhaps they were twenty years ago. An alternative way of looking at discretion is to see how far municipalities operate under what Hooghe *et al.* (2008) define as self-rule and how far they operate under conditions of shared rule: the more self-rule pertains, the greater the autonomy of municipalities would be.

Page and Goldsmith were concerned by one further dimension that they felt influenced the way in which local governments performed their tasks. They called this dimension access, by which they meant how individual local governments dealt with higher levels of government and the extent to which they could penetrate such levels, for example by multiple office holding or through party networks. In some cases, local government access to higher levels is limited, and their interests are generally represented by some national or regional body, as is the case with England (Sullivan, Chapter 14). Alternatively, it may well be that partisan networks provide a mechanism by which an individual local government can gain access to higher levels of government, as has generally been the case in Italy (Bobbio and Piperno, Chapter 9). In other cases, local elected officials such as mayors also hold office at regional or national or even EU levels. France provides one of the best examples of this practice through its *cumul des mandats* (Mény 1987; Pinson, this volume, Chapter 5). Such linkages between a local government and higher levels can thus be on an individual or institutional basis; what is of interest is whether or not an individual local government can secure specific benefits for itself and its residents through such networks, benefits that other areas may not be able to obtain. If a political system allows for such access, then it could be that local government has a means of either gaining status or avoiding some regulatory mechanisms.

## Some hypotheses

Given the changes that have occurred in local government systems over the past twenty years, we can suggest three simple hypotheses about their impact on

intergovernmental relations (IGR) in the various countries reported here. The first is that the changes have had little impact on intergovernmental relations. In effect, this hypothesis reflects path dependency theory. Wollmann (2000a, b), for example, has argued that far from there being a convergence among local government systems across Europe in recent years, in practice they remain as divergent as ever. Patterns of IGR reflect trajectories laid down by past experience. He draws on examples from Germany, Britain and France. The most elegant exposition of path dependency theory is presented by Pierson (2004). At its simplest, path dependency means that history matters: past events, past processes affect how institutions and actors behave today; that past 'sunk costs' affect policy decisions across a wide range of areas; and that it is important to consider the role of time in politics. Pierson particularly stresses the importance of earlier decisions in providing decision makers with positive feedback, encouraging them to follow the same path subsequently. Institutional rules of the game, politicians' basic ways of thinking 'will often generate self-reinforcing dynamics' (ibid.: 10), making it difficult to reverse paths. For our purposes, patterns of central–local relations established in the past may well affect them today. The case of central–local relations in England is one example: the belief among politicians and civil servants that local governments could not be trusted to 'deliver the goods' dates at least from the Thatcher years, if not earlier, as Sullivan demonstrates in Chapter 14. Subsequent 'failures' on the part of local government to perform as expected simply provide the kind of positive feedback that Pierson sees as being at the heart of path dependence, ensuring that UK ministers and civil servants persist in lacking trust in local government. More widely, path dependence theory simply suggests that once a pattern of central–local relations has been established, it becomes increasingly difficult to change over time, requiring some major event or sequence of events to bring about a change.

The second hypothesis is that there has been extensive change in patterns of intergovernmental relations across the board. This hypothesis reflects two trends noticeable in the experience of local government systems recently. The first is the shift to which attention has been consistently drawn by a number of writers (Stoker 1999, 2004; Rhodes 1997; John 2001; Denters and Rose 2005), namely a move from local government to local governance. In essence, this shift reflects a move away from a hierarchical and bureaucratic view of intergovernmental relations to one in which the relationship depends on links between different actors in a series of networks, both public and private, and often operating in partnership with each other. The second, and not unrelated, trend is to be seen in the development of what Hooghe and Marks (2001) have called multilevel governance. This view draws on the experience of federal systems, and particularly on that of the European Union, and sees intergovernmental relations as reflecting the linkages between local governments and a wide range of vertical and horizontal partners – other local governments, private and third-sector actors, regional and central governments, and, in the case of the European Union, the Commission and other EU agencies. The development of the European Union, and especially the adoption of the principle of subsidiarity (by which one rule of

the game is that things should be done at the lowest possible institutional level), represents the kind of major development that might change a pattern of central–local relations largely path determined.

The third hypothesis suggests that there have been varying degrees of change, depending on the experience of each country. This hypothesis would suggest that today there is greater diversity among European local government systems than was the case when Page and Goldsmith produced their study twenty years ago. If this is the case, their distinction between Northern and Southern European systems, for example, would no longer hold true, while developments in Eastern European local government systems since 1989 would themselves contribute to greater diversity, as would the inclusion in this review of federal systems such as Germany and Switzerland. Furthermore, the development of quasi-federal and federal systems in countries as different as Belgium, Spain, Italy and even the United Kingdom would also produce greater diversity. In the case of the United Kingdom, for example, not only has there been the devolution of powers to Scotland, Wales and Northern Ireland, but also the major changes to local government introduced from the Thatcher years onwards, which have changed the character of British, and especially English, local government out of all recognition (Stoker 2004; Wilson and Game 2006). Such developments allow some path-dependent relationships to persist, but at the same time represent significant system change under which new patterns might emerge, old values and practices being driven out by new ones.

### **How change has occurred**

We argued at the outset that local government in Europe has been subject to considerable change over the past twenty years. A range of changes have taken place, each of themselves sufficient to produce a change in the pattern of inter-governmental relations in any of the countries included in this study. For Eastern European countries, the collapse of communism produced a shift of seismic proportions, requiring new local government systems to be developed rapidly. Most developed small units, with a strong stress on democratic values (Baldersheim *et al.* 1996; Bennett 1994). Often these systems lacked sufficient funds to develop services and provide infrastructure, while the introduction of an intermediate tier between centre and locality was both frequently delayed and controversial. Western Europe saw an increasing number of countries join the European Union, in which its institutions developed and played an increasing role in intergovernmental relations. A world economy that even as late as the 1970s was largely seen as based on national systems over which national governments could exert some degree of influence has become increasingly globalised, with the emergence of major blocs such as the European Union, North America, Japan/China/India and Russia as major players and major companies increasingly basing their operations where costs of production are lowest. Sectors such as automobiles, IT and finance are organised on an interdependent global basis, as recent difficulties in the finance sector have demonstrated.



For our purposes a major source of change has been the emergence of the European Union, and especially the Commission, the European Court of Justice and the European Parliament, as an actor on the intergovernmental stage. The literature on the European Union is resplendent with examples of how the Union has become an important actor affecting the work of local government in member states over an increasing number of policy areas. For example, EU regional and urban policies directly affect local governments (Goldsmith and Klaussen 1997; Hooghe 1996; Heinelt and Smith 1996), giving rise to grantmanship games as regions and cities attempt to attract additional EU finance for their projects. In both areas the European Commission has introduced a number of rules of the game which in turn affect intergovernmental relations, giving rise to the kind of multilevel governance so well developed by Hooghe and Marks (2001) and Goldsmith (2003). Thus, for example, under the principles of subsidiarity and partnership, not only are local governments seen as the 'lowest possible level' at which functions can be performed, but they are expected to work in partnership not only with higher levels of government but also with private and third sectors, and, for some EU programmes, in multinational partnerships with local governments from other EU member countries. These developments have in turn seen local governments, especially regions and cities, join international associations or establish lobbying offices in Brussels seeking to influence EU policy. These developments have led some writers to stress the importance of cities (Le Galès 2002) and regions (Loughlin 2001) as major actors on the European and global stage, and in this sense Keating (1998) was right to suggest that territorial politics in Europe were undergoing a process of rapid change.

Yet it is possible to overestimate the impact of the European Union on intergovernmental relations. First, most studies suggest that even where local governments have been important actors affecting EU programmes, national governments remain key players, whose support is always essential and who also have oversight of programme implementation inside their country. Second, most EU programmes have eligibility rules that effectively exclude many local governments, while even among those eligible to join there will be some local governments which, for whatever reason, may decide not to do so (Goldsmith and Klaussen 1997). But there are other ways in which the EU can impact on local governments. First, there is the process of European regulation, whereby in an increasing number of policy areas, EU regulation impacts on local governments. Three examples suffice to indicate this kind of impact. Environmental regulation, for example over waste management, has led local governments to develop waste recycling schemes, albeit with varying degrees of success. Trading standards and consumer protection are other areas now heavily influenced by European regulation, while a third example concerns the letting of contracts. While the impact on EU regulation generally and on local governments particularly is less well studied than the impact of EU regional and urban policy, studies such as those by Majone (1996) and Young and Wallace (2000) all demonstrate how EU regulation impacts on national and local political systems.