

Local/Regional Government and the European Union

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Introduction

Viewed from Britain, France has during the past 15 years undergone a massive decentralisation of power, apparently moving in completely the opposite direction to Britain where the Thatcher and Major governments have been arch-centralisers. The French regions are now a powerful tier of public administration and plans are afoot to extend their scope. In Britain meanwhile the weight of the centre bears heavily on government outside London and will continue to, though the Labour government elected on May 1 promises an end of the "civil war" between councils and the centre. Even if Labour's plans for regional government in England and the devolution of power to Scotland and Wales are realised, it will be some years before the inner architecture of Great Britain is significantly changed.

Despite decentralisation in France, the state "remains the master of the game". Paris, in other words, calls the financial and policy shots over the regions and local government - however "embedded" the communes and departments are in French life and even identity. So Britain and France are not so different despite superficial divergences in recent political history. The two countries start to look similar in respect of their "permanent centralisation" - the sheer dominance of Paris and London respectively in the political and administrative lives of the two countries.

This perspective is strengthened when France and Britain are compared with other members of the European Union. To both of them the "federal" models offered explicitly by Belgium, Germany and Spain look...foreign. In both countries central government shows little inclination to give up power.

And yet. Might the forces abroad in the world of the early twenty-first century not require even these old, powerful states to make concessions? The bundle of movements in capital markets and trade patterns commonly referred to as "globalisation", trends in citizenship and social identity, in service provision and fiscal systems - might these not start to make local and regional government more effective than central government?

Local government, said one British participant, does not have to exist; it needs to be chosen. The case for decentralisation rests on how best power is to be distributed, and whether the centre has over-reached itself and needs, for its own sake, to transfer functions. A French speaker picked up the theme: the state can reform - perhaps even renew - itself by adopting a politics of de-concentration. The reinvigoration of local and regional councils offers a recipe for bringing citizens and their government closer together.

France and Britain, for all the differences in their European orientation, agree on something else - if contributors to this seminar are at all representative. It is that European union has not altered the positions of local and regional government vis-à-vis the nation states in which they operate. And to that has to be added the judgement - again one shared on both sides of the Channel - that by and large European grants and policies

have had little direct effect on "sub-national" government. Europe of the regions, said one participant with force, does not exist....for us, at least. Things may look very different from the point of view of Munich or Barcelona and *pari passu* Bonn and Madrid.

The seminar also looked forward. What might the prospects for local and regional government be if the European Union proceeds with monetary union, that project endorsed by France and Germany at the Amsterdam inter-governmental conference in June? Here, again from both French and British contributors, came positive predictions. For the regions monetary union is a great challenge, and opportunity. Adapting to a European market for commerce and capital flows enhanced by the adoption of a single currency would not require huge "bail out" transfers of funds from central government to the regions - provided they maintained their attractiveness, keeping wages down, building infrastructure up.

In the UK, the new Labour government wants to develop the regions of England while elective assemblies are planned for Scotland and Wales. While opinions differ about the effectiveness of the regions in France, there is agreement that opportunity beckons - perhaps even to a "specialist vocation" in a European or global division of labour.

I. Europe after Amsterdam

The Amsterdam summit in June 1997 was preoccupied with monetary union. How to restructure the Commission and other institutions of the EU to accommodate enlargement was relegated to the sidelines or postponed to future meetings. Agreement between the French and German governments over the emphasis to be given to jobs and growth in economic and monetary union - a special concern of the recently-elected French Socialist government - secured a renewed commitment to the launch of the Euro, on time, in 1999.

As far as the single currency goes the British government says it will still wait and see. But the new Labour government says it too is keen to turn Europe's attention towards employment and growth. In the wake of the summit, the seminar concentrated on two questions facing regional and local government in Britain and France.

1. What will EMU do for regional/local government?

Both French and British answers were, generally speaking, positive - provided regions and localities were flexible (key word, oft repeated) in meeting the demands of the changing division of labour within a European single market boosted by a single currency. Some speakers were even enthusiastic. Might a single currency give Europe a stronger image, a larger capacity to act on the world stage?

For Professor Gavin McCrone the future position of nation states inside a monetary union will become increasingly comparable to the position now of the regions. Monetary policy will be centralised and they cannot alter their exchange rate to accommodate differential economic conditions - adjustments are secured by the movement of capital or labour or by transfers of funds from the centre - i.e. "regional policy".

A limit on regional policy is how much the rest of the country is prepared to pay to assist the less-developed areas. After monetary union it is unlikely that there will be analogues to such transfers on an adequate scale and it will therefore be essential to have sufficient scope to vary national fiscal policies, as the main remaining instrument of economic management.

Monetary union ought to enhance the operations of the Single Market, sharpening the division of labour among the regions of the EU. But disadvantaged regions ought to be able to catch up "without undue strain" (McCrone predicted) provided they were flexible, kept costs down, maintained their infrastructure and generally proved attractive to migrant capital.

The big question is whether national governments would - or could - continue to help struggling regions. The Maastricht criteria for entering monetary union, for example limiting budget deficits, will continue in force, reducing the capacity of states to transfer resources to their regions. This is why - Christopher Johnson argued - the stability pact is too tight. Public finances are indeed "the key" to the fate of the regions under economic and monetary union, said Michel Foucher.

EMU might, he went on, lead to revision of accounting conventions so that, for example, receipts and spending by local government might be tallied separately from the national

fisc. Similarly social security accounts might be separated out. As a result the market for local government loans might become autonomous, possibly allowing councils access to cheaper funds. But a *quid pro quo* might be the markets making close examination of whether applicants for loans practised "good government" - in the way that, for example, the World Bank applies politico-administrative criteria to its lending in the Third World. Albert Tait picked up idea of separate loan markets for local government, arguing that freedom to borrow could make local government processes more transparent and so more accountable.

In the run up to monetary union and beyond, national budgets would continue under severe strain. This will mean, as one participant put it, government remaining "virtuous for ever". Fiscal rigour would lead to more cuts, and to renewed efforts to promote cooperation and savings on the part of regional and local authorities (inter-regionality is the word) or involve the private sector more. Yes, but financial pressure would forbid any major reforms of regional and local government, despite the need, in France at least, to review their functions and overlaps.

More than once the seminar heard - from the French side - this analysis of European integration. Europe was being made in the image of German domestic circumstances. The Maastricht stability pact was an analogue, at the European level, of the fiscal agreement between Bonn and Germany's Länder, an attempt by the German federal government to secure the same kind of budgetary discipline in Europe as existed between itself and the domestic regions.

2. What might enlargement of the EU do to regional/local government?

The answer to that question boiled down to money: enlargement would stretch the EU's limited budget even further. Structural funds - which were changing their shape anyway - could become even scarcer. Besides, the Amsterdam summit had not engaged with institutional reform of the EU. The upshot was that applicant countries from the East faced a "long period of transition" even though, it was argued, they deserved a political as well as a financial response to their desire to join the Union. This point was made with some force by Christiane Scrivener who feared the relocation of the German capital to Berlin could lead to a geo-political de-coupling of Germany and the growth of unbalanced bilateral relations between Germany and the countries to her east: Poland, the Czech Republic and Hungary.

II. European union and sub-national government

Two questions were addressed under this heading.

The first was financial, that is to say it was about resources. Has membership of the European Union and its predecessors produced funds for regional and local projects that would not otherwise have gone ahead? (This, in the jargon, is the question of "additionality".) Like all counterfactuals, this is by no means answered straightforwardly but the gist of the response - from both sides of the Channel - was no, additionality has not added enough.

Europe has not convincingly augmented the sum total of regional and local resources, it was argued. Professor Anne Stevens said the European Union had "never really faced up to the problem of the transfer of resources". This view was not uncontroversial - reference was made to flows of money under the European Regional Development Fund.

The second question probed deeper. Is there a "Europe of the regions", that is to say, has a direct relationship grown up between the central institutions of Europe, especially the Commission, and the sub-national regions and localities of member states? British local authorities have, it is true, piled into Brussels, opening offices and paying lobbyists. Once, according to a former Scottish regional authority official, you could hop on a plane to Brussels and directly bargain with Commission officials over grants or the content of regulations. That was said no longer to be possible even though in British local eyes the Commission remains a much more "open" bureaucracy than Whitehall. Under the Maastricht Treaty the Committee of the Regions was established; it possesses some leverage over decision making by ministers. But the general judgement at the seminar was that regional policy is uneven, badly thought-through and dominated by the contingent needs of the nation states. In discussion two aphorisms were coined: a) that regional policy is inter-governmental policy, meaning the real engine of policy was agreement between the nation states in the Council of Ministers; and b) there is no "regional necessity in Europe" meaning that the regional level was not vital to European deliberations

This negative judgement was founded, in the case of Mme Scrivener, on personal experience. She told how the Commission had always found it difficult to find competent local agents; it had been unable to "see through" the nations to know who the local actors might be.

Meanwhile the member states simply wanted to get their hands on the money, to put on to Europe things they would do anyway. Haris Martinos and Maurice Ligot backed this up. Most EU money was absorbed into "normal" national programmes.

But the picture of relations between local and regional government and Brussels cannot be reduced to grants and *pourboires*. Dr Peter John explained the key role played by local authorities in Britain in implementing European directives and also in shaping their content. Professor Anne Stevens said much of what the EU actually did was regulate, though many of the costs of the regulation were actually borne by local authorities. (Professor George Jones took exception to the idea that local authority "networking" in Brussels for the sake of influence was wholesome; there was a danger it led to councillors and officials taking action for which they were not accountable and might even substitute oligarchy for democracy.)

EU affairs absorbed only a small proportion of local authority time and effort. The impact of the EU was, Dr Peter John judged, "patchy". Sub-national entities had had some success in lobbying for Objectives One and Two status under the European Regional Development Fund. For some leading cities and some regions, Europe had presented opportunities for dynamic and entrepreneurial action. But in no general way had membership led to a "renaissance of local government" in Britain at least. Key definitions in the award of structural funds would be changing after 1999, warned Andrew Robinson, as "human resources" became more of a focus - he would be disappointed if this meant less money became available to British regions.

Whatever happened (a participant asked) to subsidiarity - that concept which at the time of the Maastricht Treaty signatures was so much discussed? Utilised as an argument against the powers of Brussels over the nation states, it had not become a domestic constitutional doctrine benefiting local government.

One reason is that the sub-national regions are far from uniform. Patrick Le Gales coined the term "internal nations" to describe such strong and historical entities as Catalonia in Spain and Bavaria in Germany. There have been moments in most member countries of the EU when regionalisation appeared to be part and parcel of the modernisation process - regional government was seen for example as the best means to even out economic growth. In France there was once talk of the "ineluctable march" of the regions. But national administrative histories are very different. Some of the similarities in the creation of regional tiers in Italy, Spain and France are superficial. Some member states of the EU are formally federal, such as Germany and Belgium. Flanders and Lower Saxony have an existence, in Brussels, quite different from Rhone-Alpes Maritimes or Emilia Romagna or indeed Scotland, which is another example of an internal nation.

III. Centralisation in France and the UK

How centralised are France and Great Britain ? They are - and remain - the two great centralised polities of western Europe. French decentralisation, since 1982, has been conscious and deliberate, but has had the character of a concession made by the centre in pursuit of the state's own end. It has not been "bottom up".

Meanwhile in Britain in recent years the centre has encroached more and more on the policy and financial autonomy of local authorities. With a new Labour government in London changes are afoot. Labour is committed, after a referendum, to establish a national assembly in Edinburgh and a parallel institution in Cardiff for Wales. Labour also plans to establish new forms of regional administration which may involve, at first, nominees of elected local authorities and eventually a connection to new, democratic regional chambers or assemblies.

Jacques Viot demonstrated France's "unified" history, continuous between monarchy and republic, a nation one and indivisible centred on Paris. Regionalisation, as conceived in the 1950s, was part of the fashion for planning; it did not diminish the state which retained its critical responsibility for education. Perhaps decentralisation had even been functional, that is to say it had strengthened the state. Patrick Subremon saw in "deconcentration" a process of state reformation.

After the creation of planning regions in the fifties, a new wave of French reform broke in 1982 and has continued to the present time. The changes are permanent. Now, according to M Subremon there is discussion of decentralisation of transport, social policy and professional and vocational education. But how much grass roots demand is there for further measures of decentralisation?

And yet. Communal government, said Jean-Claude Némery, was a building block of the nation. There was no paradox here - allegiance to France's communes and departments was part and parcel of being French. Indeed said Maurice Ligot, the most effective decisions are those which are taken locally. Don't regional and local government play a role in the necessary process of rapprochement between the state and its citizens?

Not in recent years in Britain, where, according to John Harwood, the central state has used local government as a scapegoat, indeed has seemed to want to stir citizens up against it. The relations of central and local government in England, and probably also to some extent in Scotland and Wales, are best characterised as a "civil war". (The centre has not been the only belligerent. In the 1980s left-wing militants captured certain city authorities and preached revolution in the town hall.) The Conservative governments led by Margaret Thatcher and John Major smashed the consensus that had existed on the role of local government, provoking defiance and then repressing it. Local government spending is now some 25 per cent of total public spending compared with 50 per cent a century ago - this is a quantitative signal of its decline in twentieth century England. Locally there is confusion between the spheres of elective local government and the centre, with a bewildering variety of appointed bodies set up to run the police, health and so on.

As for regional government in England, structures are unstable. Some are part of the central apparatus - analogies have been made between new Government Offices for the Regions and French *préfectures*. Others are merely voluntary coordinators of the many public service organisations which litter the regional landscape. But the picture is not monochrome. Professor Robin Hambleton pointed out how, under Mrs Thatcher, forms of cultural diversity in Wales and Scotland had been encouraged by the centre, for example in television and minority language use.

Professor George Jones was pessimistic about whether the election of a Labour government in May heralded the end of this civil war. He, like Simon Jenkins, remained wary of the new government's fiscal centralism. Wasn't Labour likely to insist on minimising local differences in the delivery of services in order to promote equality across the country? Its enthusiasm for such agencies as the Audit Commission betokened a strong wish to see uniformity, implying it would bear down hard on local authorities wishing to do things differently.

Other speakers were optimistic, claiming the Labour Party was now committed to consultation and partnership. Perhaps some reinvigoration of local government might even serve some the state's needs by allowing local solutions to pressing social problems (for example crime and delinquency) which the state had found increasingly difficult to handle.

IV. Economic change and sub-national government

In both France and Britain there is an acute sense among public officials and commentators that one way or another localities must adapt to flows of trade and investment. Local government can do little or nothing to stop or even influence changes in the international division of labour - but neither can the central state. This sense of impotence may lead to the growth of a "victim" mentality, a culture of complaint. But this is not inevitable. Local and regional government may be able to respond positively to economic change, carving opportunity from economic challenge. The pithy question was put: can regions and localities find a specialist vocation for themselves in a world where capital and the pattern of trade move so fast? Andrew Robinson, citing his experience in the north of England with a quasi-governmental development agency said emphatically yes.

Some voices dissented from this optimism. Globalisation, said Nicolas Portier, was accompanied by growing geographical inequality - regions were forced into competition one with another for capital and employment. How far, asked John Harwood, did the new material reality kill off local, even regional affiliations? Look at the emerging social patterns - how far people travelled to work, where they took their leisure, how much time they had in fractured lives for local civic activity. One result of the death of locality could be greater demands for spatial equity, especially in the provision of public services, at a time when economic opportunity and reward were becoming much more spatially differentiated. Empirical data from recent British surveys - such as those conducted for the Local Government Commission's investigations of "shire" England - showed ambiguous patterns of local identification, local knowledge and willingness to get involved.

Economic change was associated with social fragmentation and the growing exclusion of certain groups, because of their lack of qualifications, from participation in the mainstream economy. Perhaps, in France, "the local" was an arena for reintegrating these groups - this point argued by Jean-Claude Nemery. Perhaps France was stable in her "institutional base" but unstable in a larger sense of national self-control: perhaps the communes and departments of "local France" had a profound role in remaking the national patrimony.

Note, several people said, how regional patterns differ in the material world - technological and communications regions are not at all the same. Which raised the question, for Hugues Clepkens, whether regional and local boundaries needed to be revised the better to correspond with modern life. There are, said Michel Foucher, no such things as "natural" boundaries. So be it, said Alain Ohrel, let boundaries of administrative regions then adjust to the socio-economic realities.

Debate ensued. There are, or at least ought to be, correspondences between the way people feel about territory and identity and governmental structures, said Professor George Jones; the trouble, in England, is that local authority boundaries are too big; they do not match the sentiment of locality. But Patrick le Gales demurred: are identity or territorial sentiment really necessary conditions for the construction of political and

administrative entities ? Yes, responded Nicolas Portier: democracy does need specified territory.

V. Regions versus Local Government

Are the interests of regions and local government necessarily the same? No. The idea that all sub-national government shares a common interest (antagonism towards the centre?) is not true. In recent years, for example within European Union forums and policy initiatives, cities have been in competition with wider regions. In France the regions sit "on top" of strong departments and communes. Maurice Ligot contrasted the aggregate resources available to the communes with those for the regions: it is in the commune things happen; decentralisation is strongest at the communal level. There, decisions are taken close to citizens who participate, if not in the decisions themselves, then in the preparations for decision making.

In England the hour of the regions appears to be at hand, given the enthusiasm of the new Labour government to establish regional agencies and possibly, later, elected regional assemblies. For the moment - according to officials - regional administration was a bit of a rag-bag or, to put it more politely, an accidental mix of functions and policy divisions. Taken at its face value, the Labour manifesto presented a radical programme of democratic decentralisation, leading to the creation in Scotland and Wales of elected assemblies, then in England to "chambers" embracing local interests, especially local authorities, then later elected regional parliaments. But, one contributor asked, where does this movement leave accountability; where might it leave elected local authorities? How far was Labour thinking about the regions of England driven by envy in certain northern parts of the capacity of Scotland and Wales to manage globalisation by presenting a more coherent and coordinated face to potential incoming investors?

Patrick le Gales identified a common problem in coordination between tiers, what he called the "clarification of competences". In parts of England, said Judith Hunt, the problem is onerous. On Merseyside the City of Liverpool local authority has to connect with 150 different government and quasi-government agencies working on its "patch".

In some parts of Europe the power of established local authorities had prevented the emergence of regional government, for example in Scandinavia. Elsewhere what "region" actually meant was the city and its hinterland.

Conclusions

1. In terms of the relationship of the "master state" to its regions and local authorities, France and Britain have much in common, especially as viewed from the perspective of other, federalised, member states of the EU such as Germany and Spain.
2. But change is afoot. Britain's new government is committed to an extensive programme of decentralisation, in response - in Scotland and Wales - to bottom up demands for change. Discussion in France about the future shape of regional government is more muted. Costly large scale reform is likely to be ruled out by continuing ever-growing pressure on national budgets.
3. The impact of Europe on sub-national government has been patchy. There is no "Europe of the regions". Local authorities are present in European deliberations but their capacity to operate independently of national governments is strictly limited even if they carry out much of the work of implementing European directives.
4. So far the award of resources by the EU and its predecessors has meant little "additionality" - they have rarely brought forward projects which member states would not otherwise have pursued; they have often merely added to the resources available to the central governments of member states.
5. Local - communal - government can be a vital intermediary in reconciling citizens to the wider state. Central governments should recognise this and cease to take local government for granted.
6. Regions in France and Britain - as in other member states - could flourish if a single currency is launched within the EU, provided they remain flexible, and keep up their infrastructure; and provided also nation state budgets are not so squeezed that transfers of resources to the regions are prevented from rising to compensate regions facing difficulties. This formulation does, however, raise questions about the capacity of the regions to manage their own economic destinies and act autonomously of the central state.
7. Globalisation and related trends in society and economy may call into question existing boundaries for regions and local government. But does effective, democratic government depend on people's identifying with territory?

Background papers available on request:

- 1. Local/regional government and its relationship with central government** by Professor Malcolm Grant, Chair of the Local Government Commission
- 2. The regional dimension of European institutions** by Haris Martinos, Managing Director, Local and Regional Development Planning
- 3. Aspects régionaux de l'intégration économique et monétaire; quelques réflexions géographiques** by Michel Foucher, Directeur de l'observatoire européen de géopolitique de Lyon
- 4. The regional aspects of economic and monetary integration** by Professor Gavin McCrone, University of Edinburgh
- 5. La Région, l'Etat-Nation, l'Union européenne** by Jean-Claude Nemery, Directeur du Centre de Recherches sur la Décentralisation territoriale (URA-CNRS), DATAR
- 6. The Region, the Nation State and Europe** by Dr Peter John, University of Southampton
- 7. Présentation de la décentralisation en France** by Patrick Subremon, Adjoint au Directeur Générale des Collectivités locales, Ministère de l'Intérieur