

Regional and local governance in the 21st century: challenges and opportunities
John Loughlin
Cardiff University

1. Introduction.

The European Charter of Local Self-Government was promulgated in 1985 and has since been signed and ratified by almost all of the Council of Europe's 47 member states. The Charter was primarily concerned to define more clearly and to safeguard the autonomy of local authorities vis-à-vis 'higher' levels of government, both national and regional. This was in line with the first part of the Council of Europe's twin mission of promoting democracy and human rights. Henceforth, local democracy was seen to be an essential element of democracy itself and the exercise of local autonomy an essential element of the practice of local democracy. It was less concerned, however, with citizens' participation as a key dimension of local democracy. Perhaps this was not surprising given that local authorities themselves had to affirm their rights vis-à-vis central governments. If the local institutions were not strong, then citizens' participation did not mean much as an exercise of democracy. However, the Charter reflected the situation of West European states in the mid-1980s and we know that, since then, the world has significantly changed with new understandings of governance and an increasing awareness of the importance of citizens' participation in governance systems. Furthermore, the wider role of government has changed because of the political, social and economic transformations associated with globalization and, in Europe, accelerating European integration. Today, given the global financial crisis, we are in the midst of another set of changes in the role of government which will probably prove to be just as radical as those which began in the 1980s.

This paper will lay out this changing context and the evolving nature of governance over the past twenty-five years before turning to how this relates to regional and local governments' services delivery and citizens' participation in this. These developments have been felt most strongly in the countries of Western Europe but they have also had an impact in the new democracies of East and Central Europe, the Balkans and further afield. The paper will conclude with some suggestions about the approach that the Council of Europe might take in strengthening good regional and local governance in line with recent initiatives of UN-Habitat. It will conclude with some remarks about the challenges that have arisen as a result of the current global financial crisis.

2. Changes in understanding governance over the last 25 years.

The great variety of state traditions and territorial governance in Europe

It is useful to distinguish between 'government' and 'governance' and relate both to processes of 'governing'. Democratic *government* refers to governing by elected representatives and governments assisted by systems of public administration. *Governance*, in its contemporary meaning, refers to governing which involves not just elected representatives and their administrations but a much wider group of actors drawn from civil society. These might be business associations, trade unions, pressure groups of various kinds who influence, to a greater or lesser degree, decisions that are taken by elected politicians. They may also influence the implementation of these

decisions. In Europe, there is a considerable variety of territorial governance systems ranging from fully-fledged federations as in Germany and Belgium to small unitary states like Ireland and Greece and, somewhere in between, large regionalized states such as France, Italy, Spain and, more recently the United Kingdom. Furthermore, within Europe there are distinctive *state traditions* which influence the ways in which government and governance are expressed: the French Napoleonic tradition which has influenced several states in Europe, including those of southern and east and central Europe and even the Netherlands and Finland, at least in their outward forms; the Germanic tradition which has been dominant obviously in Germany but also in Austria and, in its actual operating system, the Netherlands; the Scandinavian tradition which is based on homogeneous nations, decentralized local governments but which operate within highly regulated parameters set by national governments or parliaments; and, finally, the Anglo tradition which has a weak sense of a unified state and a stronger sense of society and is more pragmatic and even idiosyncratic in its political and administrative organisation. Governance as well as government express themselves very differently in all of these systems (Dyson, 1980; Loughlin and Peters, 1997). The great variety of arrangements in territorial governance in European states is, to a large extent, a result of this already great variety of systems of government and governance so that the place of regional and local government is different in each of them. This makes it difficult, if not impossible, to devise a one-size-fits-all approach to territorial government in Europe.

Common trends in territorial governance: the period of the Trente Glorieuses

West European states and other advanced capitalist states such as Canada, Australia, New Zealand and even, to some extent, the United States set up Welfare States in the period following the Second World War. This was to some extent a reaction both to the war itself, which was interpreted as a 'people's war', and to the situation of economic depression and poverty during the Great Depression of the 1930s. Keynesian economic strategy, and the post-war economic boom it facilitated, allied with state-sponsored social welfare policies to make possible the building of welfare states. While it is true, as Esping-Anderson has shown, that there are different models of welfare state¹, they all hold a number of features in common: the principles of equity and redistribution; harmonization of public services across the entire territory; the right but also the duty of the state to intervene in the society and economy to bring about these ends; this leads to high levels of both centralization and bureaucracy as the personnel necessary to delivery these extensive policy programmes increase.

What interests us particularly in this paper is the position of subnational regional and local authorities in the welfare state system, what I will call the Keynesian-Welfare State. It is possible to discern a number of general features of territorial governance which seem to have been common to all states, whether unitary or federal and of whatever welfare model.

¹ Esping-Anderson distinguishes between the Social Democratic (Scandinavian), Liberal (Anglo-Saxon) and Conservative (the 'Catholic' countries of Europe) versions which are founded on different principles. For example, the Conservative type is built on the traditional patriarchal family while the Scandinavian encourages women to join the labour force and provides child-care facilities to enable them to do so.

Firstly, territorial governance and policy were adopted from primarily *national* rather than *regional* or *local* perspectives. This was based on the idea of ‘social citizenship’, first defined by T H Marshall in the early 1950s, is predicated on the notion of social solidarity and ensuring that citizens may participate fully in the good life of society (Marshall, 1950). This involves redistribution programmes which transfer resources from the more advanced sections and regions to the weaker sections and regions. Most planning systems, such as those found in France, Italy or the UK were based on these premises and could be seen as the territorial expression of the Keynesian Welfare State. In some countries, such as West Germany and Italy there was, and still is, a constitutional obligation to ensure equalization across the territory.

Although there was a great variety of central-local relations in Europe, as authors such as Goldsmith and Page (1987) have pointed out, during the Welfare State period they had in common what has been called a ‘principal-agent’ model. Regions and local authorities were seen as ‘agents’ of the central state in the delivery of these policy programmes which were designed and controlled by the central governments, their ‘principals’. This type of relationship was true whether in centralized unitary states such as the UK or France or decentralized unitary states such as those in the Scandinavian countries. In the latter countries, although local government played an important role in the Welfare State system, it did so within strict parameters highly regulated by the central state.

Decentralization trends during the Trente Glorieuses

It is true that during this period, there were decentralization trends (Sharpe, 1979). These, however, were primarily concerned with ‘decongesting’ an administrative system that had become excessively cumbersome and top-heavy and were attempts to transfer some of the burden to outlying parts of the system. This was *administrative* ‘deconcentration’ rather than *political* decentralization. However, along these trends there were also growing demands for greater local participation in decision-making – participatory democracy (Pateman, 1970). The 1982 decentralization reforms in France are a good example of the presence of both trends – administrative streamlining and regional and local democracy – although it is doubtful whether either aim was fully realized at least in the initial years of the reforms (Loughlin, 2007). The ‘free commune’ reforms in the Scandinavian countries in the late 1980s are another example of attempt to lessen the regulatory control by the centre of local governments’ activities (but only in specific policy areas and after approval by the centre, see Baldersheim and Ståhlberg, 1994).

The conceptualization of ‘governance’ during the Trente Glorieuses

The mode of governance during this period was characterized by a top-down and command and control perspective. Governments were at the centre of the system and, although there were actors drawn from the wider society, their relationship with the government and with each other were controlled and sanctioned by the central government. In other words, in the triangle of state, economy and society, the state was dominant. We should also bear in mind that both the economy and society were relatively stable and coherently organized during this period, with strong business associations representing producers and the labour force organized in strong labour unions in most countries relating to governments in a neo-corporatist way (Schmitter

and Lehmbuch, 1979). Society itself was organized in both in terms of social classes as well as traditional patriarchal family forms (Mendras, 1988). In these conditions, it was relatively straight-forward for governance to adopt what was known as a neo-corporatist mode, even in countries such as the UK.

The crises of the Welfare State and the emergence of neo-liberalism.

It would be out of place here to go into detail as to how the Keynesian Welfare State went through a series of crises and transformations beginning in the 1970s: the 'fiscal crisis of the state', the oil crises and the economic problems of simultaneous stagnation and inflation. These crises gave rise to severe social, economic and political challenges and transformations, and, eventually, to a radically new departure in the understanding and practice of 'governance'. In summary form, we might point to: the new globalization following the collapse of the Bretton Woods currency regulation system; the migration of heavy industries from the West to the Far East; the relaunch of the process of European integration; and, most importantly for governance, what became known retrospectively as 'neo-liberalism'. Neo-liberalism was an intellectual as well as a wide-spread political movement which radically challenged the very principles of the Keynesian-Welfare State model of the state. Beginning in the US and UK of Ronald Reagan and Margaret Thatcher, it was adopted in several different forms, albeit at different rhythms and times, by most European countries and further afield in places such as Chile and Brazil. Most importantly it became the explicit approach of global finance organizations such as the IMF and World Bank who, according to the Nobel laureate Joseph Stiglitz, imposed it on several countries of the developing world (Stiglitz, 2002). When the communist system collapsed from 1989 onwards, it lost its major economic rival and seemed to reign supreme, which Fukuyama described as 'The End of History', the final triumph of capitalism (Fukuyama, 1992). Most of the countries of East and Central Europe eagerly embraced it after the long period of suffering under communism. Today, with the global financial crisis, neo-liberalism, at least in its more extreme form, seems to have run its course and we will return to the implications of this for regional and local governance towards the end of this paper.

Neo-liberalism and territorial governance

The 'neo-liberal revolution' had profound consequences for governance both at the national and subnational levels especially in Europe (Loughlin, 2009). Two aspects of this revolution are important for governance. First, there is globalization which has adopted a neo-liberal form. Second, within states new models of public management and public administration were adopted.

In the 1980s, there was a massive increase in globalization in many different areas of economic, political, cultural and social life (Scholte, 2005). In the early period, 'globalization' was actually the emergence of two powerful economic 'blocs': the United States and Japan, with European states still struggling to compete with these two blocs. The response of the European states was to relaunch the integration process to create a third European 'bloc' capable of competing with the other two. Eventually, this intensified economic regionalization gave way to a truly global system with the development, for the first time, of global markets in a range of commodities not the least of which were the rapidly expanding global finance markets, of which we are

today very much aware! From a governance perspective, these developments have significantly affected the position of national governments giving them much less control over both international relations as well as domestic affairs than had been the case during the Trente Glorieuses. This does not mean that we have the 'end of the nation-state' a dramatic claim made by some commentators (Ohmae, 1995). National governments are still the most important actors in international and domestic affairs but the nature of their exercise of sovereignty has considerably changed as well shall see below.

Domestically, most European administrative systems were influenced by the wave of reforms in the 1980s and 1990s known under the label of New Public Management and taking the specific forms of deregulation, privatisation, and the introduction of 'market' mechanisms within the administration itself (Hood, 1998). Admittedly, there was a wide variation in the concrete expression of these reforms according to the particular state and administrative tradition in which they were applied so that privatization in France or the Netherlands did not follow exactly the same pattern as in the UK or Italy (Vickers and Wright, 1988). But the reforms did affect all European countries as well as those in other parts of the world.

Putting together these two phenomena of globalization and administrative reform, we might summarize the changes by saying that, in the state-market-society triangle, the state had lost its dominant position which it now had to share with the market. But what is interesting is that in all countries, even the UK which had adopted neo-liberalism to the greatest extent, the market had not shoved the state from its pedestal but rather shared the pedestal with it. In other words, the old simplicities of the Keynesian-Welfare State model have given way to a more complex, hybrid model where both state interventionism and neo-liberalism co-exist side by side (Loughlin, 2009).

Decentralization in the era of globalization, deregulation and the neo-liberal state

It is possible to discern a number of general trends which developed in this new context of economic globalization and the new parameters within which which nation-states now operate.

- A general tendency towards *political decentralization*, as distinct from the mere *administrative deconcentration* which existed previously.
- The emergence of regions as key actors: *political regions* in (in chronological order) Italy, France, Spain, Belgium and, later, Sweden; administrative regions in England, Greece, Finland, Portugal and Ireland.
- A general tendency towards further strengthening the political powers of these regions: greater powers for the political regions alongside a tendency towards transforming the administrative regions into political regions as has occurred in France since 1982.
- A tendency towards the quasi-federalization of some regionalized systems and the decentralization of what had been more centralized federations: the transformation of Belgium from a regionalized unitary state into a highly decentralized federal state with both communities and regions; the emergence of the 'state of autonomous communities' process in Spain; the devolution programme of the United Kingdom; the attempts to reform the German

federation; and the increasing decentralization of the US, Canadian and Australian federations.

- Restructuring of local government by breaking up larger units (in the UK, the abolition of the metropolitan counties and the creation of unitary authorities in certain regions), but also by promoting internal decentralization within municipalities, for example the creation of neighbourhood councils in France, Italy and the Netherlands.
- The creation of new institutional mechanisms to allow greater involvement of individual citizens and interest groups in the decision-making process, albeit without abolishing the decision-making remit of elected local politicians.
- For the members of the European Union, the EU itself has provided a background against which such reforms have been carried out – encouraging both political and administrative regionalization, new approaches to urban policy, and the constitutionalization in the Maastricht Treaty of the principles of subsidiarity and partnership.
- Finally, there has been the growth of a strengthened international dimension involving subnational governments: new international organizations representing regional and local authorities (e.g. United Cities and Local Governments, which participates alongside the appointed representatives of national governments in the UN); international organizations focused on particular types of cities or regions; lobbying and paradiplomatic activities on the part of regional and local governments. These developments have been made possible by the loosening of the boundaries of the nation-state in some parts of the world (quite the opposite has occurred in other parts!) and the opening up of exit opportunities which did not exist before.

Evolving central-local fiscal relations

In a recent study of these relations the following trends were noted (Loughlin and Martin, 2003):

- *Transfers vs. 'own resources'*: overall there appears to be a general tendency towards increasing use of 'transfers' and decreasing reliance on 'own resources'.
- *'Block' vs. 'ring-fenced' grants*: these transfers tend to be 'block' or general rather than 'ring-fenced' or specific grants.
- *Effect on local fiscal autonomy*: There seems to be a contradiction here. Increased transfers from central government might suggest a lessening of local autonomy. On the other hand, there has been an increase in the level of local fiscal control over these grants. This seems to indicate a growth of what may be called a 'choice' rather than 'principal-agent' model of central-local relations. One explanation of the apparent contradiction is that the 'choice' model is evidenced by the fact that local authorities have control over transferred resources. Another explanation is that central governments prefer to switch from ear-marked to general grants since that transfers political responsibility for the use of these funds to subnational governments. In other words, the latter have to carry the can if they are not used effectively.

- *The current financial crisis:* It is still not clear how the current global financial crisis will affect the central-regional-local fiscal relations but there seems little doubt that it will have important consequences for these.

Summary of these trends

The above comments illustrate significant shifts in the position of subnational authorities in advanced democratic societies which are a result of the wider shift in the nature of governance from a Keynesian-Welfare State mode to a mode which is a mixture of this and the neo-liberal model of state withdrawal, privatization and the dominance of market-based approaches. It is this mixture – what I call the ‘hybrid state’ – that has affected both the nature of service delivery by regional and local authorities and the participation of citizens in governance structures and in service delivery itself. To these we now turn.

3. Delivery of services by regional and local authorities.

In the previous section, we described these as a function of the central state’s commitment to deliver extensive policy programmes on the basis of social citizenship. In this conception, it is the public sector which offers the services. Neo-liberals such as Milton Friedman and Walter Niskanen criticized this method of service delivery on the grounds of its inefficiency, ineffectiveness and wastefulness. Neo-liberal politicians such as Ronald Reagan and Margaret Thatcher embarked on ambitious reforms to overhaul the Welfare State system through a number of measures – privatization, deregulation, and the introduction of market-type mechanisms within the public administration system. Although there has been an extensive debate as to the extent to which these reforms achieved their goals (for example, it has been pointed out that public social expenditure continued to rise during the 1980s and 1990s), there seems little doubt that they had a significant impact on the way in which public services are conceptualized and on the operating culture of the public sector. There have also been significant changes in the relationship between the public and private sectors. During the early years of neo-liberalism – the 1980s – at least in the UK and the US, the basic assumption was that the private sector approach was superior to, and should trump, the public sector approach. The neo-liberal approach to service delivery spread around the world albeit re-expressed in the context of the particular administrative culture of each country. By the late 1990s, however, new approaches were being developed that basically accepted the neo-liberal approach but attempted to link it to temper it with more social democratic perspectives: in Tony Blair’s UK, Lionel Jospin’s France and Gerhard Schröder’s Germany. In other words, neither a pure market nor a pure interventionist approach was the dominant model but a complex mixture of the two approaches, corresponding to our concept of the ‘hybrid state’ outlined above. The question is whether this mixture was a success both in terms of the efficient and effective delivery of services and whether the citizen-user of the service was a participant in its formulation and delivery or whether he was simply a passive recipient.

Three models of service delivery

In effect, what has emerged from these developments are three distinctive models of service delivery by national and subnational government. First, there is the traditional

Keynesian-Welfare State approach which is a top-down *redistributive model* in which public administrators deliver a service to clients. In this model, regional and local governments provide services on behalf of the central state. The services to be delivered are basically decided at central level and the underlying logic is that they be distributed in a standard fashion across the entire territory with some compensation through an equalization system for those territories and individuals lagging behind the national average. In institutional terms, each country expresses these common principles in distinctive ways, according to Esping-Anderson's different models of the Welfare State.

The second model is the one deriving from the *market-based approach* of neo-liberalism which encourages greater private sector involvement in service delivery and even the replacement by this sector of private sector providers. One of the clearest examples of this is the Compulsory Competitive Tendering (CCT) approach adopted by the British Conservative governments in the 1980s. Most European countries adopted this approach albeit perhaps in less stark forms than in the UK. To some extent, the market-based approach was more or less adopted depending on the political ideology of the government or local authority in an individual country. In Sweden, for example, some counties and municipalities run by parties on the right wished to introduce some private sector involvement in areas such as health and education but were hindered from doing so by a central government that was on the left, raising issues about local autonomy. In Aznar's Spain, on the other hand, there was greater encouragement of the neo-liberal approach to service delivery. In one respect, neo-liberal approaches resembled what we have called the Keynes-Welfare State approach: they both assumed that there was 'one size that fits all' and the mechanisms of service delivery, whether the public sector or the 'market' were similar whatever the variety of concrete situations. Neo-liberal market approaches became a kind of orthodoxy which it was assumed would work in whatever concrete situation it was applied.

The key question is: did it really work to improve public services? Only empirical research, with clear definitions of the meaning of 'improvement' and 'success' can answer this question. There might be improvement and success in one sense – for example in cutting costs – but this might not be the case in other areas – for example, in quality of the service or in improving the service user's engagement with the service. In fact, to take the example of the UK Conservative governments' CCT approach, there was widespread dissatisfaction with this both on the part of the local authorities and on the part of citizens using these services. This led to the development of what has been called the *collaboration* model. Again, the UK furnishes an interesting example of this with the arrival to power of New Labour in 1997 when the CCT approach was changed to what was called 'Best Value'. In essence, this approach did not abandon the competitiveness of the neo-liberal model but it ceased to operate on the principle that the private sector was intrinsically better than the public sector. On the contrary, it was recognized that the public sector brought to service delivery a number of strengths that could not be found in the private sector: a commitment to the delivery of services that may not be profitable; a different kind of commitment on the part of administrators and, perhaps most importantly, relating service delivery to issues of democracy and citizen engagement. New Labour, however, also saw merit in the market model not because of the disciplining and economizing features which came from competition but rather because it was seen as a mechanism of innovation

and improvement. So the collaboration or partnership approach sought to combine the best of both the private and public sectors. Entwistle and Martin (2005: 236) outline three rationales underlying this approach: “First, by drawing on the contributions of different agencies according to their specific resources and competencies... [the] partnership will deliver goals more effectively and efficiently ... will deliver ‘more with less’. Second, by encouraging network-like contacts between public agencies, partnership promises to plug holes in statutory mandates and tackle ‘wicked issues’ through joined-up governance. Third, by including different groups and sectors in policy- and strategy-making, the new partnerships promised more inclusive forms of government than can be realized through the traditional institutions of representative democracy” (on this last point see below). However, Entwistle and Martin suggest that each of these propositions needs to be tested empirically. For example, although it might seem a priori that ‘trust’ is a good thing, certain expressions of trust may be harmful since they might involve individuals covering up for each other and thus reinforcing incompetence or even corruption. After all, organizations such as the Mafia or the Provisional IRA based their activities on high levels of trust! With regard to the second proposition, we cannot simply assume that the public and private sectors are as different and therefore complimentary as the theory suggests since there is contemporary research which suggests that the boundaries are becoming increasingly blurred and are less clear cut than is sometimes assumed (Antonsen and Jorgensen, 1997).

The above remarks are drawn largely from the UK’s experience of switching from CCT to Best Value. Although there have been criticisms of the latter on the grounds that it failed to achieve all its aims as the previous paragraph points out, there seems little doubt that both CCT and Best Value have had significant impacts on local government’s delivery of services in the UK. However, there are a range of other experiences across Europe which show that a similar shift in emphasis has taken place, albeit expressed in a variety of institutional settings. But perhaps there still needs to be a major research project undertaken by the Council of Europe to evaluate at this stage the results of these experiments.

The role of the central state in regulating (or not) service delivery by local authorities.

During the Keynesian-Welfare State period, regulation took place in line with the principal-agent model: in unitary states, the central government was the principal and it defined the parameters within which the service was delivered and this often little local discretion; in federal states, it was the sub-federal level such as the German Länder which performed this role vis-à-vis local governments. As we have there was a movement towards lessening such central government regulation as in the ‘free commune’ movement in the Scandinavian countries in the late 1980s and early 1990s. It was also during this period that the European Charter of Local Self-government was promulgated (1985) and (from 1988) began to be signed and ratified by the member states of the Council of Europe. The Charter has played a vital role in defining the relationship between local authorities and central governments and was essentially concerned to safe-guard local autonomy against the encroachments of the latter. This did not mean that central governments and parliaments kept their hands off the prerogatives of local governments. On the contrary, the temptation has always been to regulate. The monitoring reports of the Committee of Independent Experts of the

Congress of Local and Regional Authorities of Europe illustrate many instances of this. Furthermore, the partnership approach mentioned above might also mean that central government is one of the 'partners' in particular services. However, in this case 'partnership' is definitely not between equals and the danger is that the centre will impose its will on the local. One example of this is the French system of regional planning which today takes the form of State-Region Planning Contracts (Loughlin, 2007). It has been very difficult for the regions to ensure that the State keeps its side of the contract.

Another problem which has arisen is the very concept of 'improvement' and 'reform' of local services (Grace and Martin, 2008). These are slippery concepts and will be applied according to particular ideological positions. For example, the neo-liberal concept is very different from the collaborative understanding. The first means primarily greater efficiency in the sense of cost-cutting; the second means greater effectiveness through the involvement of different groups in the design and implementation of the service. But in either case, it is often the central government, particularly during a period of reform, which today is almost always, which decides on how these concepts are interpreted and applied. The evaluation of reforms and improvements are also undertaken by central government or central institutions such as the Audit Commission in the UK.

The challenge here is for local authorities to become essential interlocutors with central government in both the definition and evaluation of reforms designed to 'improve' local authorities' delivery of services (De Groot, 2008). This means recognizing 'learning from within' as part of a self improving, holistic system. It recognizes local community leadership and partnerships based on shared accountability and trust. It recognizes the role of councils and local public services as autonomous actors and not simply as the 'agents' of the central government. Central governments have adopted the rhetoric of the collaborative model but have not always translated this into real world practice.

The involvement of citizens in service delivery

We can examine this from the angles of our three models of the state and local government which give us three models of citizenship. The first is the Keynesian-Welfare State model in which citizenship is primarily *national* and democracy is understood as *representative*. Citizens receive benefits – services – because of their social citizenship which gives them a set of rights to share in the riches of the national society. This is achieved through redistributive mechanisms and delivered by local authorities on behalf of the central state – or the national polity. The concept of citizenship in the neo-liberal model is quite different. Without denying national citizenship, this is also conceived as *consumerist* democracy. Citizens exercise their right to choice in market-type situations and local authorities should respond to these demands through providing a variety of choices of services or through allowing the private sector to deliver these services. In the United States, this is known as fiscal federalism and is alleged one of the rationales for decentralization of services to local authorities. Fiscal federalism has also been attempted in European states, particularly the UK, but has never been fully successful since it assumes that citizens are mobile (as they are to a large extent in the US) and can shift homes to avail of cheaper/more attractive services. Nevertheless, without going as far as US-type fiscal federalism,

the consumerist approach has underlain the reform of local as well as national services in several European states. There is yet another concept of citizenship and democracy in the third collaborative model which is related to the concept of *participatory* democracy. The argument here is that citizens are not simply consumers but should be actively involved in the governance of the polity whether at the national, regional or local levels. In this way, the understanding of democracy itself has been enriched by including the notions of regional and local democracy alongside that of national democracy. This also links with the desirability that the users of local services should be actively involved in the design and delivery of these services. There are, however, a number of problems associated with this approach. First, what are the mechanisms for involving citizens? Should this happen on an individual or group basis? If the latter, which groups are legitimated to participate, whom do they represent, how is their participation validated? Are there legal mechanisms for doing this? The second problem is how to relate these kinds of citizen participation with the democratic legitimacy of local politicians who are elected through the ballot box. Despite these problems, this approach has been developed extensively throughout Europe and further afield. We might think of the Dutch model of 'interactive policy-making' or the Brazilian approach to 'participatory budgeting' which was recently recommended as an approach to be adopted in a recent Irish Government Green Paper on Local Government.

The European Charter of Local Self-government, as already mentioned, was primarily concerned with protecting local autonomy vis-à-vis central governments and paid little attention to the relationship between local governments and their own citizens. I understand that a new Protocol to the Charter is being prepared which deals with this issue. I would like to draw your attention to the Guidelines on Effective Decentralization drawn up and approved by the Governing Council of UN-Habitat and also approved by the Council of Europe. The Guidelines were inspired by the European Charter of Local Self-government but develop the notion of local autonomy protection by developing the aspect of participatory democracy which, as we have said, is largely absent from the Charter. The Charter and the Guidelines provide two complementary documents for promoting local democracy in its fuller sense.

4. Conclusions: regional and local authorities faced with the global crisis.

This paper has outlined a series of 'models' which have influenced both central-local relations and the nature of service delivery since the Second World War. This is not to suggest that each of these 'models' exists in isolation but rather that, at different periods, one of them becomes dominant without completely replacing the previously dominant one. For example, although the neo-liberal model seriously challenged the Keynesian-Welfare State model it did not, of course, abolish the Welfare State nor government economic planning. On the contrary, these are still with us but what has changed are the context in which they operate – a globalized world -, their basic operating culture and the meanings attached to notions such as services, democracy and citizenship. Neo-liberalism has also helped to reconfigure the shape of the territorial governance of the state, whether this is a unitary state or a federal states. The very concept of decentralization is different in a neo-liberal model from what it is in a Keynesian-Welfare State model. Similarly our third collaborative has retained much from the previous neo-liberal hegemon – notions such as competition and the

role of the market – while tempering them with ideas such as a positive understanding of the public sector, partnership and participatory democracy.

Today, however, both neo-liberalism and the collaborative model are being seriously tested by the global financial and economic crises. To a large extent the globalization which began to take off in the 1980s was a form of neo-liberalism and national governments as well as international organizations adopted a ‘hands-off’ approach to its regulation with the disastrous consequences we are witnessing today. The question for this conference is what are the implications of this for regions and local authorities. We might remark that it is interesting that the heyday of political decentralization and the emergence of political regions was precisely in the 1980s and is probably closely connected to the wider processes of neo-liberal globalization. This was not least because during this period there was a rising tide of economic prosperity and, at the same time, national states that wished to deregulate and shed cumbersome functions to other levels of government. Today, we are entering a new era of economic contraction and even recession but it is not yet clear to political actors and organizations what are the appropriate policy instruments to respond to these challenges. It is certain that we cannot return to the old Keynesian-Welfare State model because the world has irreversibly changed since the 1960s. The great danger is that notions such as regional and local autonomy and democracy will be regarded as luxuries as central governments begin to tighten their collective financial and regulatory belts to cope with the crisis.

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