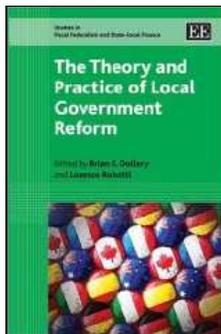


Steve Martin

Centre for Local & Regional Government
Research, Cardiff Business School



BOOK REVIEW: The Theory and Practice of Local Government Reform¹

Edited by Brian E. Dollery and Lorenzo Robotti (Edward Elgar: Cheltenham, UK and Northampton, MA, USA. 2008)

Structural reform has been one of the most important and hotly contested features of modern local government. From North America to Europe to Australasia, local government boundaries have been redrawn over the last two decades. In many countries it seems that structural change has been the ‘default’ option to which successive generations of policy makers are irresistibly drawn time and time again. And yet the reasons for the extraordinary popularity of this particular policy instrument and, more importantly, its impacts are under-researched. There is a dearth of rigorous empirical analysis of the costs and benefits and the relative effectiveness of different kinds of structural change and different approaches to implementing them. *The Theory and Practice of Local Government Reform*, edited by Brian E. Dollery and Lorenzo Robotti, is then a very welcome attempt to address these issues in comprehensive and comparative fashion, which draws upon expert knowledge of recent developments from across an impressive range of different countries and contexts.

¹ ISBN 978 1 84720 254 3

The book is in three parts. The first focuses on theoretical perspectives on structural reform of local government. The editors first discuss a range of strategies for local government reform that have been pursued over the last two decades, of which reconfiguring the number, type and size of local government units has arguably been the most prominent and widespread. However, they correctly discount the search for the holy grail of the optimum size for local governments, arguing that because they provide a diverse range of services and serve a variety of different local needs and preferences there will always be trade offs to be made. And yet, as Dollery and Robotti observe, in spite of this there has been a general trend towards the creation of larger entities, based on (the largely untested and often implicit) assumption that 'bigger is better'. Proponents of these reforms typically argue that larger local governments are able to tap economies of scale and scope. They also suggest that they help to guard against the capacity problems that can bedevil smaller organizations. These claims have not of course gone uncontested. Indeed there is 'an acrimonious longstanding and ongoing debate' between advocates and opponents of structural reform. This is not however a substitute for robust evidence which can inform future policy.

In Chapters 2 and 3 the editors provide highly readable and, for the most part, relevant reviews of the literature. Chapter 2 focuses on theoretical perspectives provided by economics. The editors' aim is to discover whether these can account for the preponderance of structural change in local government systems, and they bring a range of relevant perspectives – including theories of fiscal federalism, the Tiebout model, Buchanan's theory of clubs and functional federalism – to bear on the issue. Ultimately though they conclude that none of these explain existing patterns of local government, 'historical processes' rooted in long standing 'ethnic, political and social factors' in fact determine them. Chapter 3 therefore turns to alternative literature that offers definitions of operational efficiency and size, a variety of arguments for and against 'territorial consolidation', and a range of descriptive models of local government.

In Chapters 4, 5 and 6 the focus switches from the existing literature to the development of new economic theories that seek to shed light on the determinants of success of inter-municipal collaborations. Chapter 4 considers the relative merits of council consortia versus the creation of new institutions to which local government transfers functions. Chapter 5 offers a model of the factors that the authors believe might influence the

formation and longevity of inter-municipal collaborations. Chapter 6 provides a theoretical account of the financial incentives needed to stimulate collaboration.

Part two, which accounts for more than half of the book, comprises seven chapters which consider structural reforms in Australia, Canada, France, Germany, Italy, New Zealand and Spain, and test the applicability to these developments of the theories presented in chapters 4, 5 and 6. Part three draws out the common themes, which emerge from this analysis, and highlights what the authors regard as the implications for policy.

It is in the seven country-specific chapters and the comparative analysis that draws on them that the huge strength of this volume lies. Each chapter adheres to the same basic structure: an admirably concise description of the local government system in the country in question; a crisp recent history of structural reform; an analysis of the drivers and effects of these reforms; and topped off with an often heroic attempt to draw some parallels between structural reforms in practice and the theories propounded in chapters 4, 5 and 6. This common structure at the heart of the book gives it real coherence and ensures that the project maintains a sense of unity of purpose, which edited volumes frequently lack. Moreover, the individual chapters are extremely well written, and the contributors were clearly very good selections – all experts in their field and their own country who are therefore able to write with authority out of a detailed knowledge of policy and practice. Readers wanting an accessible and concise introduction to the development of the local government systems in any or all of the seven countries need look no further.

The diversity of local government systems and the different reform trajectories witnessed across the seven countries might be expected to frustrate any attempt to identify common themes and conclusions, but the common structure and the quality of the contributions in fact makes the task pretty straightforward. The penultimate chapter highlights important variations in approaches to structural reform and, in particular, between compulsory amalgamations imposed from the top down and voluntary associations of which have developed from the bottom up. The authors also identify differences in the motivations for structural change – ranging from rising public expectations of the quality and diversity of local service provision, to attempts at cost shifting by higher tiers of governments, to principled commitments, to decentralisation as part of broader administrative and political reforms. But they suggest that all seven countries face similar

problems and share similar expectations of the changes that they have enacted. In general, reforms have been initiated at least partly in response to concerns about the financial viability of small local governments and their ability to provide better local public services, and all were expected to lead to significant economies of scale.

Interestingly, the federal states featured in the book (Australia, Canada and Germany) have favoured compulsory amalgamations whilst, with the exception of New Zealand, the unitary states have opted for voluntary associations. The authors come down firmly on the side of the latter approach. Compulsory reforms have, they argue, met with local resistance and appear to be falling out of favour with governments once wedded to them. They acknowledge problems with voluntary associations; in particular, transaction costs can be high and collaboration may falter once financial incentives provided by higher tiers of government are withdrawn. But, in the final chapter the editors also argue that voluntary participation is a key determinant of the success of structural reform, and they add another important precondition; structural reform has, they argue, often been part of a broader process of reconfiguration involving the transfer of responsibilities to local governments. These additional functions must however be accompanied by additional finance. To be stable, new entities have to be able to access adequate funds and this implies an ability to generate a substantial income of their own.

The book is then a valuable addition to the literature, the writing is admirably clear, and the analysis is helped by the use of robust organising framework for country-specific chapters. The evident expertise of the contributors and the systematic pulling together of key themes in the final two chapters are real plus points.

There are some weaknesses. The title is potentially misleading, implying as it does that this is an analysis of local government reform in general (rather than one particular form thereof). A second quibble is that it is unclear what value is added by the diagrammatic representations of the characteristics of the reform in the seven countries presented in the penultimate chapter. Third, the book offers few suggestions about the implications for future research. And fourth, the bulk of the final chapter, which explores issues of tax assignment and sources of local revenue, bears little relation to the material presented in any other part of the book. It is as if the editors have tacked on a new agenda right, which has caught their attention but is semi-detached from the other contributions. This distracts from the core theme of the book and dilutes the quality of the otherwise robust

analysis, lacking as it does either the theoretical grounding or the empirical basis of the earlier treatment of structure reform.

Ultimately, the book fails to accomplish the editors' declared mission to apply economic theory to an understanding of recent structural reform of local government. This was always going to be a tall order but, as Dollery and Robotti conclude quite early on, whilst existing economic theories may well offer a vision of how things 'ought' to be in a rational world, they do not seem to bear much resemblance to what has actually happened in practice. Similarly, most of the contributors found it very difficult to assemble more than one or two scraps of evidence to suggest that the new theoretical models outlined in chapters 4, 5 and 6 have much to offer in understanding and interpreting developments 'on the ground' in any of the seven countries featured in the book. As more than one of them observes, the models prove difficult to apply and the evidence shows pretty conclusively that it is 'non-economic' factors that have determined the course of local government reforms, and will continue to do so in future.

However, this conclusion almost certainly won't matter to most of the book's readership – it deserves to be read by students and scholars of public policy as well as enquiring policy makers and local government practitioners – whose primary interest will be in the nature and impacts of the reforms, rather than the applicability (or otherwise) of the economic theory.