

Local Government and the Welfare State

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Abstract

Despite growing interest in comparative decentralized governance, the local government systems that comprise the most common element of decentralization around the world have received little systematic attention. This article, utilizing the first systematic, indicator-based index of decentralization to local government in twenty-one OECD countries, demonstrates a close relation between Social Democratic welfare states and a type of intergovernmental infrastructure that in some respects ranks as the most decentralized among advanced industrial countries. Closer comparative historical examination shows that this empowerment of local government was less an outgrowth of egalitarian welfare state development than a pre-existing condition that helped make this type of welfare state possible.

One of the signal trends in the recent study of governmental institutions has been a growing comparative scrutiny of processes at the local, regional and metropolitan levels. A host of studies from a variety of perspectives have converged on the importance of institutions and agents at the level of localities and regions for carrying out all manner of public ends (Ostrom, 1990; Sabel, 1989; Putnam, 1993; John and Cole, 2000; Savitch and Kantor, 2002; Sellers, 2002). In the face of this trend it seems all the more remarkable that local government itself, one of the most consistent institutional features of democracies around the world, has received such scant systematic attention. Constitutional protections for local government have now spread to many more countries than provide for federalism itself. Yet even systematic comparative studies of decentralization have remained confined to differences in federal or other institutions above the local level (e.g., Elazar, 1995; Treisman, 2000; Rodden 2004; Schneider 2003), or ignored local institutions altogether (Lijphart, 1999). Despite several theoretical or inductive typologies (Page and Goldsmith, 1987; Hesse and Sharpe, 1991; Pierre, 1999; Vetter, 2000; Lidström 2003), and a growing number of comparative case studies (e.g., Sellers 2002; Savitch and Kantor 2002), this field still lacks the sort of deductive, encompassing international classifications that have grown to dominate comparative accounts of party systems, interest intermediation, and executive-legislative relations.

More systematic inquiry into this topic holds a broad and important potential. National infrastructures of local government make much of the difference for effective pursuit of substantive policy as well as for meaningful political participation. This article, employing the first systematic classification of these infrastructures, points to a close relation between one particular form and the character of the welfare state itself.

Our analysis focuses on the role that decentralization to local government has played in the universalistic, egalitarian, publicly provided systems of social provision that have become known as Social Democratic welfare states (Esping-Andersen 1990; Huber and Stephens 2001). Much of the literature about this type of welfare state has identified it with centralized policymaking and administration. Yet Social Democratic welfare states embody a distinctive infrastructure of local government that is in crucial respects among the most decentralized in the advanced industrial world. Historical analysis suggests that this decentralization preceded and even furnished an essential prerequisite for this form of welfare state.

The Welfare State and Decentralization: Alternative Hypotheses

If we presume a zero-sum relationship between powers at the local and at higher levels of government, it is possible to derive directly opposed hypotheses about the relation between the local government and decentralization. Yet capacities that are given to the local level need not be taken away from higher levels, or vice versa. Recognition that local and supralocal empowerment could go hand in hand is crucial to understanding how decentralization in the egalitarian welfare state works.

One of the most deeply ingrained presumptions in the comparative literature about the welfare state has been its identification with centralized state hierarchies. This is especially true for the welfare states of Scandinavia, where publicly provided, egalitarian, universalistic social services predominate. For a public welfare state built around universalistic, egalitarian ends, territorial centralization offers a primary means to assure equal provision regardless of place. Comparative studies of these “Social Democratic”

welfare states consistently focus on national government and politics to explain and describe them (Heclo 1974; Esping-Andersen 1986; Huber and Stephens 2001; Swenson 2002). Centralized legislative decisions and resources have been crucial to their administrative structure. Nationally organized parties, labor and business interests have been prime movers in welfare legislation there. If local and national power were mutually exclusive, these welfare states could be expected to concentrate more power at the national level than Liberal, Christian Democratic or other types of welfare states built around less universalistic or egalitarian objectives.

But consider the same functional issue from the bottom up. To carry out universalistic, egalitarian ends in the same way across a national territory might equally make special demands on local government. Local responsiveness may be crucial to fit national services like schools, hospitals, and housing to the diverse interests of people in different regions, neighborhoods or jobs. In a capitalist society in which market dynamics already generate social and spatial inequalities, especially strong local powers of implementation and initiative may be necessary to provide for this local equality. Effectively, widely provided local public services also discourage mobile residents from further segregating into enclaves based on relative privilege or disadvantage. As Tiebout's original model of these logics demonstrated (1956), they depend on different types or levels of services and taxation in different localities. Effects of this sort would make strong local government even more crucial to the Social Democratic welfare state than to types with less egalitarian, universalistic aspirations. Scandinavian authors point to the defining role of local policy choices and local participation both in the development of welfare states (Grønlie 2004; Östberg 1996) and in "post-modern" public

administration (Bogason 2000) there, and even to a distinctive, localized “model of governance” (Pierre 1999).

A nonexclusive view of the relation between central and local capacities can resolve the potential contradiction between these top-down and bottom-up views. What is given to the local level need not be taken away from higher levels. Enhancement of local powers or other resources could even go along with enhanced supralocal powers, as both higher and lower level governments could undertake elements of an expanded state activity. Elements that enable control or *supervision* from above thus need to be separated out from local administrative and fiscal *capacities* for local governments.

Distinguishing the consequences of top-down supervision from local capacities helps to clarify how an egalitarian welfare state could reconcile strong supralocal and local roles (Table 1). The highest possible degree of supervision from above would be logically inconsistent with strong local capacities. But with more moderate supervision, what might be termed a “nationalized” infrastructure of local government can both empower local governments to carry out policies locally and furnish higher level governments with the means to assure that local governments maintain pursuit of egalitarian ends. Local government would be given administrative and fiscal capacities to implement policies. The national government would employ legal mandates, administrative supervision and fiscal incentives to control this pursuit from above.

[Insert Table 1 about here]

This arrangement stands in clear distinction from several other logically possible alternatives. Supervision from above without local capacities would produce a monopoly of policy and implementation for supralocal governments. Even weak local capacities

along with strong supervision would leave local government dependent on initiatives from higher level units. With weak local capacities as well as weak supervision from above, a society-dependent local government would be forced to rely on alliances with local civil society or business rather than the state. Urban regime analysis in the U.S. points to precisely such a relation between the local state and business (e.g., Stone 1989; Sellers 2002). Under conditions of full local political and fiscal autonomy, local government would possess strong capacities without hierarchical supervision.

Several of these other types share somewhat looser functional affinities with other types of welfare states. A Christian Democratic welfare state, with strong national welfare policies but no imperative for universalistic or egalitarian provision, would be as consistent with the state-dependent as with the nationalized type of local government. A welfare state that limits public provision, such as the liberal welfare state of the U.S. or U.K. or possibly the wage-earner welfare states of Australia and New Zealand, would be even more consistent with weak local capacities. In this case the degree of supervision could also be as limited as in the society-dependent case. By contrast, it would difficult to imagine how full local autonomy could correspond to any type of welfare state that carries out national policy.

Elective affinities of this sort suggest a causal relation between local government systems and types of welfare states. Strong local government institutions could have been an outgrowth of the construction of an egalitarian, universalistic welfare state and the Social Democratic parties that have generally been taken as the main influence on it (Esping-Andersen 1990; Huber and Stephens 2001). But causation could also work the other way. An intergovernmental infrastructure that already provided strong local

government capacities could furnish an essential prerequisite for the emergence of egalitarian, universalistic welfare states.

To demonstrate more precisely how the vertical distribution of power and authority in welfare states varies, the next sections will compare these relations systematically. We will conclude with a discussion of the historical importance of local government to welfare state development.

Welfare States, Decentralization and Local Government Typologies

In delineating typologies of local government systems, a number of recent scholars have pointed to dimensions of decentralization that such well-recognized comparative concepts as federalism have failed to take into account. By and large, these typologies have been delineated on the basis of cultural traditions rather than systematic institutional comparisons. Comparison among typologies nonetheless suggests a relation between local government and the welfare state that is particularly strong in Social Democratic welfare states.

The nature of this correspondence emerges from a comparison of the established typologies of welfare states with various indicators of decentralization and local government systems. Table 2 lists the four types of welfare states in Huber and Stephens' classification, along with the corresponding three types in Esping-Andersen's (1990) original one. As the Huber and Stephens classification represents the most recent one and is based on the most comprehensive set of indicators, the analysis that follows will generally rely upon it. Of the four countries that these authors did not classify, Greece, Portugal and Spain have often been described as a separate, "southern European"

type of welfare state (Castles 1995; Ferrera 1996). Huber and Stephens also place Japan in a distinctive category of its own.

[Insert Table 2 about here]

Even considered in terms of a simple version of federalism (Elazar 1999), or Lijphart's limited extension of federalism (1999) to encompass additional elements, the Social Democratic welfare states stand out from the other standard types. Although Christian Democratic, Liberal and even Wage-Earner welfare states include both federal and unitary states, the Social Democratic welfare states are all unitary. Similarly, Lijphart's classification places all four of these states at 2 on a five-point scale that assigns a 5 to the most purely federal countries. Compared with this consistent reading of relative centralization, other types of welfare states again vary widely.

To compare how different types of welfare states have decentralized to local government itself, however, necessitates a much more far-reaching set of indicators than these. Lijphart's indicator of "decentralization" takes local government only partly into account. In unitary states he considers it part of decentralization. All federal states receive the highest score for decentralization without any reference to their local government institutions. Yet federal subnational governmental units might actually have *more* centralized relations with their localities than do unitary states do with theirs.

In the last twenty years there has been no shortage of typologies of local government systems. These typologies generally attribute the Social Democratic welfare states the most consistent configurations of local government institutions. Yet these classifications have typically relied on loosely defined historical and cultural classifications rather than consistent analytical criteria, and have been based on varying

conclusions about how distinctive local government in these countries is. For Goldsmith and Page (1987) and Hesse and Sharpe (1991), the four Scandinavian countries share a “Northern European” model of local government with such other countries as Austria, Germany, the Netherlands and Switzerland. This model differs from Napoleonic systems that rely on administrative centralization but are politically decentralized. For Lidström (2003) and Bennett (1993), the local government systems of Scandinavia constitute a type that is also distinct from other northern European systems. In a subsequent classification based on the “main aim” of local governments in different countries, Goldsmith (1992) goes so far as to identify the type of local government in the Scandinavian countries by the delivery of welfare state services. At the same time, however, he classifies local government under very different welfare states in this category as well, and offers no explanation of the relation of welfare states to local government in other countries.

These typologies suggest a more consistent relation between the Social Democratic welfare states and a distinctive type of local government than under other types of welfare state types. Yet existing typologies of local government ultimately require recasting in more analytical, transparent metrics. More precise comparison will also enable a closer analysis of local government systems and their relation to welfare states.

Local Capacity and Supervision in the Infrastructure of Local Governance:

An Indicator-Based Comparison

A comparative classification of local government can start from the many specific indicators that have increasingly become available in parallel form for all advanced industrial countries. The following comparison will build both on quantitative indicators,

and on qualitative ones coded in quantitative terms. These indicators, encompassing fiscal as well as political administrative dimensions of empowerment and supervision, enable a more systematic view of the ways that these characteristics of local government in Social Democratic welfare states compare to those of other OECD countries.

As distinct from federalism or such efforts to measure decentralization as Lijphart's, these indicators focused specifically on the local level of government in relation to those at higher levels. Relations of localities to the federal and central units within federal states could thus be classified in terms of supervision and capacities in the same way as local relations with central governments in unitary states. Along with municipalities, the units classified as local encompassed the somewhat wider scales of government at the county level in such settings as Scandinavia, the UK the U.S. and Germany.¹

Quantitative data made it a straightforward matter to derive comparative indicators for several dimensions of these concepts. An array of qualitative indicators captured national institutional variations along principal dimensions of local capacities and local supervision. Where coded qualitative assessments were largely derived from existing secondary literature or potentially subjective assessments, an online working paper explained individual results and gave detailed citations by country (see [AUTHOR] 2006). Where possible these results were checked and verified through a blind duplicate coding procedure.² For a number of other indicators, including institutional ones such as the legislative constraints on local taxation, the indicators had to assimilate results for federal units into a parallel indicator for the one for a single, unitary national government. For this purpose, results for federal units were generally averaged, with equal weights given to the result for each federal unit.³

Each aggregated index can be considered a formative measure of a common concept. Unlike a reflective index, which presumes that differences among individual indicators might be due to measurement error, a formative index of this kind takes each indicator to capture a distinct dimension of a general property. Such an index depends for validity on component indicators that capture all the relevant dimensions of the concept being measured (Edwards and Bagozzi 2000; Adcock and Collier 2001, p. 538). Care was thus taken to encompass as many dimensions as possible of the politico-administrative and the fiscal dimensions generally considered crucial to both local capacity and supervision.

To assure “construct validity” (Adcock and Collier, p. 537), individual measures must be commensurable and receive proper weights in relation to each other. Each quantitative indicator was standardized on a scale from 0 to 2, where 2 measured the highest level of local capacity or supervision. Qualitative indicators were standardized to a parallel 0-2 scale. Aggregation proceeded by averaging the indicators for a given category. In this procedure, each individual indicator received equal weight. In order to avoid privileging either the politico-administrative or the fiscal dimensions of empowerment and supervision, each of these two dimensions also received equal weight in the overall index.

Local Capacities. The politico-administrative and fiscal dimensions of local capacity vary in largely parallel ways. Most notably, these indicators point consistently to stronger local government capacities in the Social Democratic welfare states than in practically any other OECD countries (Table 3).

[Insert Table 3 about here]

As the clearest measure of formal institutional guarantees for local authority, an indicator classifies the many constitutional textual protections on local autonomy. An array of qualitative indicators captured the national institutional variations along principal dimensions of local capacities and local supervision. The first measured the constitutional provisions for local autonomy that have increasingly become the rule among new as well as established democracies (Table 3(a)). All of the Social Democratic welfare states but Norway share such a provision.⁴ Even in Norway, it might be argued that local government has a status of equivalent importance despite the lack of such a formal guarantee (cf. Grønlie 2004). Although these provisions appear in other countries as well, they are totally lacking in the Liberal and Wage-earner welfare states.

Social Democratic welfare states stand out more consistently with the other two administrative measures. A second (3(b)), based on estimates derived partly from a range of empirical studies and other data, uses the place of the national local government associations in policy as an indication of how far localities find effective representation in national policymaking processes.⁵ This indicator highlights a common feature of what amounts to a kind of corporatist representation for local governments in the four Social Democratic welfare states.

The capacities of local government within the array of specific policy sectors also

need to be taken into account. Although a tallying of formal powers across all sectors of policymaking has sometimes been employed for this purpose (e.g., Council of Europe, 1988), the shared powers among different levels of government in many areas would complicate any such an assessment. Instead, as proxies for the relative allocation of powers as well as direct indications of relative local capacities, a quantitative indicator measures the local government employment as a proportion of all government employment (3(c)). Social Democratic welfare states possessed the most distinctive capacities in this respect, with well over half of public employment at this level of government. Both corporate representation and local government employment vary considerably among the other welfare state types.

Indicators for fiscal relations with local governments (Table 3 (e)-(g)) measure analogous dimensions of hierarchical control and local powers. As the high levels of expenditures by local governments as a proportion of total governmental expenditures (3(e)) show, national governments in Scandinavia have also delegated distinctively high proportions of expenditures to the local level. If the large proportion of national programs routed through local government leaves these figures much lower than those for personnel, the proportion remains much higher than in other countries. Similarly, localities collect a larger proportion of tax revenues than elsewhere (3(f)).⁶

Principal components analysis shows these indicators to capture largely parallel variations (cf. Adcock and Collier 2002: p. 539; [AUTHOR] 2006). Among the Social Democratic welfare states, local fiscal and administrative capacities stand out from every other country but Japan. Except for formal constitutional powers, Norway clearly falls within this group. Although Liberal and Wage-earner welfare states generally possess the

lowest capacities only the two countries of the latter type are a uniformly distinctive group.

Supervision. In practice, it is difficult to separate out indicators of supervision from measures of local capacity. Resources not given to local government, for instance, may partly empower higher level governments, and vice versa. Nonetheless, several indicators can be taken to supervision with relative specificity. These follow more complex, less consistent patterns, in Social Democratic welfare states as well as overall. Although the Nordic countries possess comparatively strong supervisory elements, the highest overall levels appear in Christian Democratic welfare states (Table 4).

[Insert Table 4 about here]

Many countries under the influence of the Napoleonic tradition have territorial offices of administrative supervision over local government that correspond fully or partly to the French prefect (Table 4(a)). Although the Social Democratic welfare states share a version of this type of field official, none follow the central government practice of the Benelux countries to appoint the chief executive within local governments (4(b)). Despite some recent alterations to be discussed below, national frameworks of legislation in the Nordic counties also give localities comparatively little leeway to choose their own forms of local government (4(c)). In three of the four countries, a national civil service for local government also furnishes added means of obligations and incentive structures within local governments that promotes the carrying out of national policy (4(d)).⁷ Local supervisory officials also distinguish the Christian Democratic and Southern European welfare states from the Liberal and Wage-earner welfare states. The other indicators vary within these groups.

The indicators for fiscal relations with local governments (Table 4 (f)-(i)) measure analogous dimensions of hierarchical control and local powers. Intergovernmental grants as a proportion of local government revenues (4(f)), ensure the supralocal governments more means of control over local governments. Although borrowing can offer local governments financing beyond the limitations of supralocal financing, requirements of hierarchical approval or other conditions for local governments (4(h)) to borrow furnish a further mechanism of fiscal control. Even when local governments raise large proportions of overall national revenues through taxes, governments at higher levels can still assert control over the conditions of local taxation. An index of local tax autonomy, elaborating a set of categories developed by the OECD (OECD, 1999), rated control of this sort for each type of local tax (4(g)). The overall rating for each country weighted these individual ratings by the overall proportion of each type within the total of local taxes.⁸

Less convergence among indicators for supralocal supervision mark any of the welfare state types ([AUTHOR] 2006). Countries generally rely on various combinations of instruments to exercise control over localities. Belgium, Greece, Austria and Spain, rank high for both politico-administrative and fiscal supervision. Canada, Australia and the U.S., range relatively low in both. Countries between these two clusters, including all of the Scandinavian countries, have looked more to one than to the other type.

Overall, the position of the countries with Social Democratic welfare states not only varies more with the specific indicators of supervision than for the indicators of empowerment, but also stands out much less from that of other OECD countries.

Denmark, Finland and Sweden cluster at an aggregated index of around one, around the

median for all countries. Although the index in Norway ranges significantly higher at 1.33, this remains well below the measure in several Christian Democratic and Southern European countries. Although the Liberal welfare states cluster mostly toward the less supervised end of this scale, neither these nor the Christian Democratic welfare states follow a consistent pattern. Only the two Wage-earner welfare states clearly resemble each other as a group.

Fully aggregated, these indicators point to institutional patterns that only partly correspond to any of the classifications among local government system, or to types of welfare states. Figure 1 maps these variations in relation to both the historical and cultural classification of traditions from Lidström (2003) and the classification of welfare states by Huber and Stephens (2001). As predicted, no country registers high levels of both local capacities and supralocal supervision, or low enough supervision and high enough capacities for local government to qualify as autonomous. For three of the four Social Democratic welfare states, each with the Northern European system of local government, the highest measures of local capacities combine with moderate degrees of supralocal supervision. These most clearly fit the model of nationalized local government. Norway, with greater supervision and lower empowerment, remains one of the closest countries to this group.

[Insert Figure 1 about here]

The other types of welfare states generally correspond with local governments in the less consistent ways the initial hypotheses predicted. Several Middle European local government systems with Christian Democratic welfare states (Germany, Austria, Netherlands) stand closest to the Social Democratic group. But lower local capacities

and in some instances more supervision make local government in these systems more state-dependent. Christian Democratic or southern European welfare states in the Napoleonic tradition, such as Belgium and Greece, come closest to supralocal monopolies. Local governments of Liberal and Wage-earner welfare states besides the United Kingdom and Ireland fall into a largely distinct category. At the same time the infrastructures there subject local government to less supervision from above, local governments there also receive fewer capacities than Northern European counterparts. Switzerland, although Christian Democratic, also belongs in this category. The UK and Ireland, although also Liberal welfare states, score higher for supervision.

Contemporary cross-sectional institutional comparison thus highlights a distinctive nexus between the Social Democratic welfare state and the nationalized local governance infrastructure. This correspondence raises a crucial question. Is the distinctive combination of strong local capacities and moderate supervision these countries a consequence or a cause of their distinctive type of welfare state?

Local Government and the Development of the Social Democratic Welfare State

Cultural and institutional conditions common to the Nordic countries have fostered favorable conditions for both Social Democratic welfare states and the nationalized local governance infrastructure. Cultural and religious homogeneity has fostered less division over policy than in many countries. Unitary central institutions and executive-legislative relations have encouraged fewer veto players in national policy (cf. Tsebelis 1995). Yet other countries with similar homogeneity and national institutions have developed neither

nationalized local governments nor Social Democratic welfare states. This distinctive form of local government in Scandinavia might seem to be a historical outgrowth of welfare state development, and the Social Democratic parties and other forces that contributed to it. But strong local government capacities were already a hallmark of the Nordic democracies at the time that the welfare state began to emerge. These capacities appear to have been a historical prerequisite for the emergence of the Social Democratic welfare state.

Available indicators of local empowerment from this earlier era underscore its early importance. Even before the welfare state emerged to dominate local expenditures, government expenditure in Denmark, Norway and Sweden centered more at the local level than in other countries for which records are available (Figure 2). With the exception of the periods immediately surrounding the two world wars, local government expenditures in these countries consistently comprised a forty percent or greater proportion of all government expenditure. This proportion persisted at twenty percent or more higher than in either France or Germany during the same period. In this respect, welfare state institutions thus built on the foundations of a local government system that already granted strong local empowerment.

[insert Figure 2 about here]

As the Swedish example demonstrates, numerous other attributes of the nationalized local government infrastructure also predated the first steps toward construction of the welfare state in the 1930s. Local government powers and personnel comprised an important component of the state even in the predominantly rural Swedish society of the nineteenth century (Aronsson 1997; Wetterberg 2000). Parishes assumed responsibility

for local social welfare functions as early as the 1760s (Lidström 2006, p. 1; 2001). From their formal establishment in 1862, Swedish localities possessed general powers to act autonomously. Over the late 19th and early twentieth centuries they acquired increasingly extensive powers in planning, infrastructure provision, road-building, educational, and social services (Schönbeck 1994; Rose and Ståhlberg 2005, p. 87). In Norway as well, the welfare state began with the development of wide-ranging local powers and capacities (Naess et al. 1987; Nagel 1991; Grønlie 2004). Outside of exceptions like the German city-states, these prior municipal capacities appear to have been unique even among Northern European countries. Local governments in the United States or England recorded high local expenditures prior to welfare state development, but lacked strong legal and administrative capacities.

In two ways, local empowerment of this kind helped make the construction of the Social Democratic welfare state possible. First, as argued here, the resulting infrastructure gave local governments the administrative, legal and fiscal capacities to pursue the universalistic, egalitarian aspirations of this welfare state. Second, in conjunction with the strong national system of local parties that had emerged across the country (cf. Caramani 2003; pp. 141-142), empowered local government provided a vehicle to mobilize local support for the welfare state. National legislators in the coalitions of Social Democratic and Agrarian parties that passed welfare legislation could trust the political leadership in the local governments to carry out new welfare-related policies.

Only in Finland, where the Social Democratic welfare state developed later, did this process build on a local government system that did not already absorb nearly half of

public expenditure (Figure 2) and possess strong politico-administrative capacities. But the Finnish welfare state was also exceptional. Following the later industrialization of Finland, it was constructed only after the patterns in all three other Social Democratic welfare states were well-established (Djupsund and Ståhlberg 1981; Ståhlberg 1990). To a degree that would be difficult to imagine without the common culture and previous examples of all three other Scandinavian countries, the builders of the Finnish welfare state drew extensively on these established models (Karvonen 1981). Even in this exceptional case, it proved necessary to expand local government capacities drastically to make the Social Democratic welfare state possible.

Although the growth of the welfare state produced a larger role for the central government (See Figure 3 for Sweden), local government in Scandinavia clearly retains strong capacities by comparison with other countries. Welfare state expansion proceeded more dramatically than elsewhere, and brought an accumulation of new local powers as well as heightened supervision. Alongside new authorities over planning, housing and other welfare state services, environmental policies added further responsibilities. The decentralization that began in the 1980s with the “free commune” experiments was in important respects a culmination of these longer term trends (Rose and Ståhlberg 2005; Lidström 2006).

[insert Figure 3 about here]

Strong local governments also help to account for the more recent resilience of the Scandinavian welfare state. At the same time that local administrative capacities help to maintain support for many welfare services, local government associations have emerged

as a potential veto player (cf. Tsebelis 1995) in national policymaking toward welfare services (see Table 3(b)).⁹ In Sweden as well as elsewhere in Scandinavia, then, empowered local government has been much more than a simple outgrowth of the welfare state or a product of social democratic policy. Pre-existing local government infrastructures laid the foundations for welfare administration throughout most of Scandinavia. These local capacities have helped make the Social Democratic welfare state possible, and have helped assure its continued survival.

Conclusion

The Social Democratic model has long retained a fascination for students of comparative politics and public policy. How is it possible, many have wondered, for such an egalitarian, extensive system of social service provision to emerge and persist in a capitalist society? This examination of local government systems points to nationalized local government, and in particular to strong local fiscal and politico-administrative capacities, as an essential prerequisite to this form of welfare state. Only those countries that have built this infrastructure of local governance have succeeded in constructing a Social Democratic welfare state. With the sole, partial exception of Finland, no country without strong local capacities has succeeded in doing so. Social Democratic party programs were no less crucial to the egalitarian, universalistic project of Social Democratic welfare states. Yet they could not have been realized this objective without strong local government.

Traditional institutional distinctions as federalism and unitary states, or even many general analyses of centralization and decentralization at higher echelons of states fail to

capture this crucial local dimension of the state. No account of the public policies that have become the stock-in-trade of twenty-first century governance, from environmental and economic policy to the welfare state itself, can be complete without attention to this element. As the history of the Scandinavian welfare state suggests, local government can play a critical causal role in the formulation and development of policy.

Endnotes

¹ Subnational governments at scales beyond that of metropolitan areas (in France, Italy and Spain) were classified as higher level. National capital regions as well as the three German city-states were excluded.

² More information on the precise bases for the qualitative assessments may be found in [AUTHOR](2006).

³ Where national surveys enabled overall estimates of the frequency of local institutional practices, as in the United States (e.g., Svava 1999), these were preferred. Other estimates were based on legislative authorizations at the national or intermediate level.

⁴ Both gamma and Spearman correlation tests of a blind recode revealed high statistical significance ($p < .001$) for items in Table 3(a), 3(b) and in Table 4(g).

⁵ Specific sources used to classify each country for purposes of this index may be found in [AUTHOR](2006).

⁶ Although this analysis does not consider territorial consolidation of local governments, this has also been used to enhance local government capacities in the Social Democratic welfare states as well as other countries.

⁷ This index compiled on the basis of categories found in Synnersstrom, Lalazarian and Manning. (2001)

⁸ The index applied the following formula:

$$O_i = \sum (S_1/C_i) R_1 + (S_2/C_i) R_2 + \dots (S_x/C_i) R_x$$

where

O_i = the overall local tax autonomy rating for country i ,

S_x = the total amount of revenues raised by the local governments of country i in tax category x ,

R_x = the rating of local tax autonomy for tax category x in country i ,

C_i = the total local tax revenues in country i .

Where R_x had to be aggregated from distinct types of taxes, and those types could not be broken down in OECD categories, the estimation employed the following formula:

$$R_x = (RT_1 + \dots + RT_j) / y_x$$

where

y_x = the number of predominant taxes in country i within OECD tax category x (generally, those with more than 10 percent of revenues),

RT_j = the rating of tax autonomy for tax j .

When the taxes and ratings of autonomy also varied among federal units,

$$RT_j = (RTF_{j1} + RTF_{j2} + \dots + RTF_{jk}) / l_k,$$

where

RTF_{jk} = the rating of local tax autonomy within federal unit F_k for tax of type RT_j , and

l_k = the number of federal units k that raise the tax at varying rules for local tax autonomy, so that

$$R_x = ((RTF_{11} + RTF_{12} + \dots + RTF_{1k}) / l_1) + \dots + ((RTF_{j1} + RTF_{j2} + \dots + RTF_{jk}) / l_k) / y_x$$

Only the predominant taxes in each OECD category were used in these sub-national calculations. In a few cases of inadequate subnational information the calculation employed alternative formulas based on the

means ratings for the known types of taxation (see the section on federal and local unit variations). Both gamma and Spearman correlation tests of a blind recode revealed high statistical significance ($p < .001$).

⁹ For a similar influence by federal states in federal systems, see Leibfried, Castles and Obinger (2005: 339-340).

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Figure 1
Capacities and Supervision,
by Categories of Local Government Systems (Grey) and Welfare States (Bold)

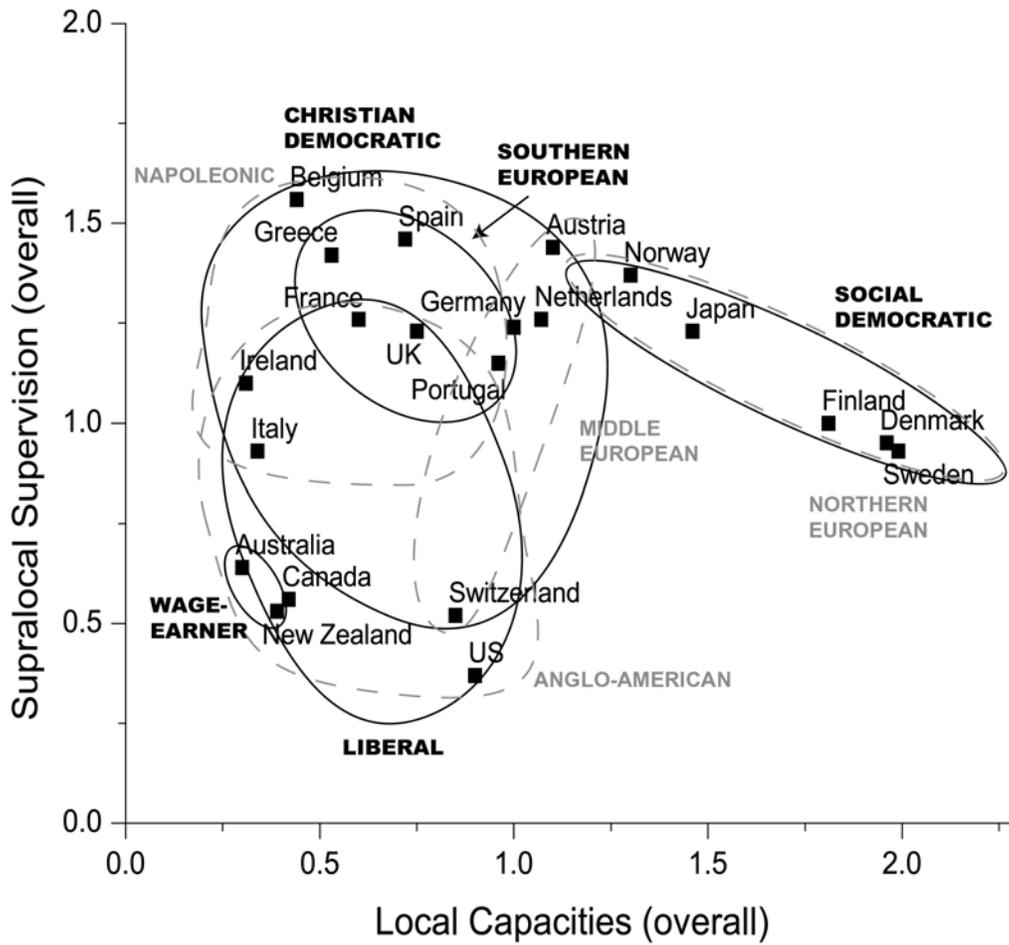
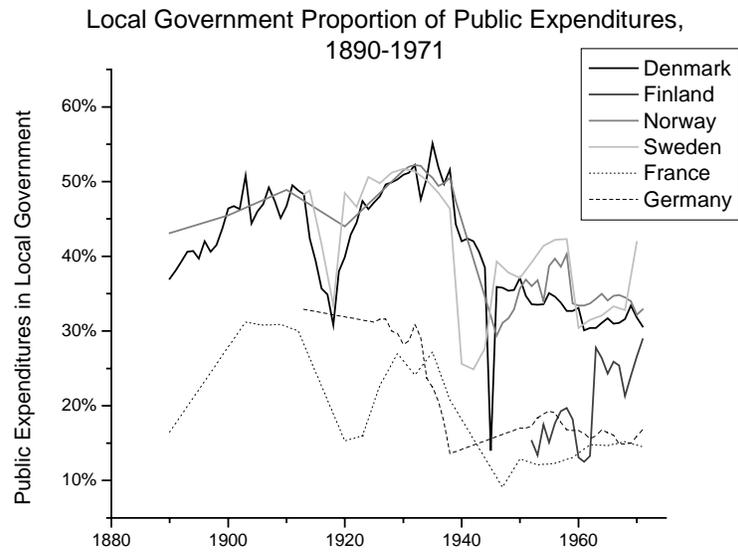


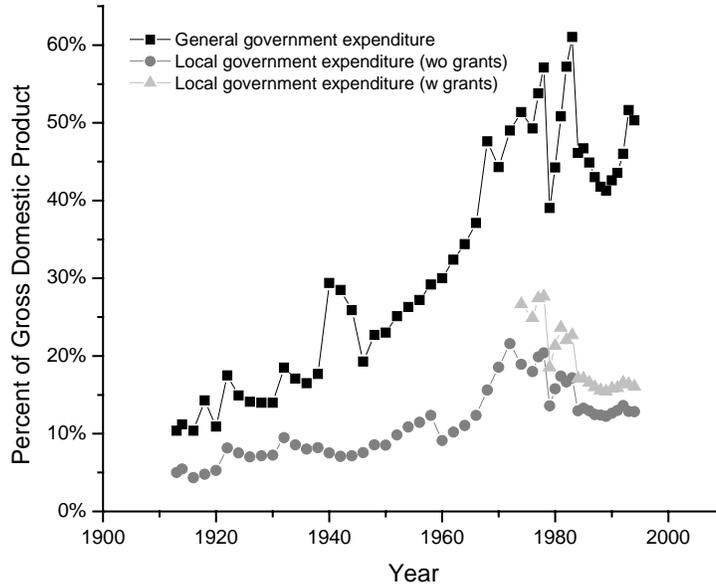
Figure 2



SOURCE: Flora et al. (1975).

Figure 3

General and Local Government Expenditure in Sweden, 1913-1999



NOTE : For 1958-1975, grants to localities not separated out from central government expenditure ; before 1958 grants are counted as part of local expenditures.

SOURCES: Flora, et al. (1975) ; International Monetary Fund (1978, 1981, 1986, 1992, 2000) ; Nordic Council of Ministers 1988.

Table 1
Capacities Versus Supervision
in a National Infrastructure of Local Government
(Predicted Welfare State Types in parentheses)

Supralocal supervision:	Local capacities:	
	Low	High
High	State monopoly (CD, LI, WE)	Not applicable
Moderate	State-dependent local government (CD, LI, WE)	Nationalized local government (SD, CD)
Low	Society-dependent local government (LI, WE)	Autonomous local government

Types of Welfare States:

CD: Christian Democratic

LI: Liberal

SD: Social Democratic

WE: Wage-earner

Table 2

Welfare States, Decentralization and Local Government: Existing Typologies

	Welfare State Types		Hierarchical Typologies		Local Government Typologies			
	Huber and Stephens (2001)	Esping-Andersen (1990)	Federalism	Decentralization (Lijphart 1999)	Lidstrom (2002)	Bennett (1993)	Goldsmith (1992)	Hesse and Sharpe (1991)
DENMARK	Social Democratic	(Universalistic)	No	2	Nothern European	Scandinavian Welfare state		Northern European
FINLAND	Social Democratic	(Corporatist?)	No	2	Nothern European	Scandinavian Welfare state		Northern European
NORWAY	Social Democratic	Universalistic	No	2	Nothern European	Scandinavian Welfare state		Northern European
SWEDEN	Social Democratic	Universalistic	No	2	Nothern European	Scandinavian Welfare state		Northern European
AUSTRIA	Christian Democratic	Corporatist, statist	Yes	4.5	Middle European	Napoleonic		Northern European
BELGIUM	Christian Democratic	Corporatist, statist	Yes	3.2	Napoleonic	Napoleonic		Napoleonic
FRANCE	Christian Democratic	Corporatist, statist	No	1.3	Napoleonic	Napoleonic	Client-patron	Napoleonic
GERMANY	Christian Democratic	Corporatist, statist	Yes	5	Middle European	Napoleonic	Welfare state	Northern European
ITALY	Christian Democratic	Corporatist, statist	No	1.5	Napoleonic	Napoleonic	Client-patron	Napoleonic
NETHERLANDS	Christian Democratic	(Universalistic)	No	3	Napoleonic	Napoleonic	Welfare state	Northern European
SWITZERLAND	Christian Democratic	Residualist	Yes	5	Middle European	Napoleonic		Northern European
GREECE			No	1	Napoleonic		Client-patron	Napoleonic
PORTUGAL			No	1	Napoleonic	Napoleonic		Napoleonic
SPAIN			No	2	Napoleonic	Napoleonic	Client-patron	Napoleonic
CANADA	Liberal	Residualist	Yes	5			Economic development	Anglo-Saxon
IRELAND	Liberal		No	1	British	Anglo-Saxon		Anglo-Saxon
UK	Liberal	Mixed	No	1	British	Anglo-Saxon	Welfare state	Anglo-Saxon
US	Liberal	Residualist	Yes	5			Economic development	Anglo-Saxon
AUSTRALIA	Wage-earner	Residualist	Yes	5			Economic development	Anglo-Saxon
NEW ZEALAND	Wage-earner	Universalistic	No	1				Anglo-Saxon
JAPAN		Corporatist, statist	No	2				Northern European

Table 3
Local Government Capacities

	Constitutional protections on local autonomy (a)	Corporate representation for local governments (b)	Local government employment as percent of public employment (%) (c)	Politico- administrative capacities (average) (d)	Local government expenditure as proportion of public expenditure (%) (e)	Local tax revenues as proportion of total tax revenues (%) (f)	Fiscal empowerment (average) (g)	Average of fiscal and politico- administrative (h)	Welfare state type (i)
DENMARK	2.00	2.00	72	1.99	44	31	1.93	1.96 SD	
FINLAND	2.00	2.00	69	1.96	34	22	1.59	1.81 SD	
NORWAY	0.00	1.33	74	1.11	32	20	1.58	1.30 SD	
SWEDEN	2.00	2.00	73	1.99	31	33	1.99	1.99 SD	
AUSTRIA	2.00	2.00	23	1.49	17	11	0.53	1.10 CD	
BELGIUM	1.00	0.00	24	0.49	11	5	0.37	0.44 CD	
FRANCE	1.00	0.67	24	0.72	15	7	0.42	0.60 CD	
GERMANY	2.00	1.33	29	1.33	17	7	0.52	1.00 CD	
ITALY	0.00	0.67	22	0.37	10	4	0.30	0.34 CD	
NETHERLANDS	2.00	2.00	29	1.55	24	3	0.37	1.07 CD	
SWITZERLAND	1.00	1.33	25	0.96	21	15	0.70	0.85 CD	
GREECE	2.00	0.67	8	0.89	17	1	0.00	0.53 SE	
PORTUGAL	2.00	2.00	17	1.42	8	6	0.27	0.96 SE	
SPAIN	2.00	0.67	17	0.99	12	7	0.31	0.72 SE	
CANADA	0.00	0.67	22	0.37	16	10	0.49	0.42 LI	
IRELAND	0.00	1.33	10	0.47	24	2	0.07	0.31 LI	
UK	0.00	1.33	45	0.82	22	4	0.65	0.75 LI	
US	0.00	0.67	59	0.74	21	13	1.14	0.90 LI	
AUSTRALIA	0.00	1.33	8	0.45	5	3	0.07	0.30 WE	
NEW ZEALAND	0.00	1.33	14	0.50	10	5	0.21	0.39 WE	
JAPAN	2.00	0.67	60	1.42	54	24	1.52	1.46 JA	

- a. 0=no explicit or implicit constitutional protection; 1=constitutional provisions furnish implicit means to assert local interests; 2=explicit constitution guarantee of local authority.
- b. 0=insignificant influence; 0.67=limited influence; 1.33=strong role, not formally institutionalized; 2=institutionalized representative role (in constitution, laws).
- d. 0=lowest; 2=highest.
- g. 0=lowest; 2=highest.
- h. 0=lowest; 2=highest.

Sources: Almy (2000); Auld (1989); Bush (1995); Chapman and Wood (1984); Commerce Clearing House (2002); Coughlan and Buitelir (1996); Council of Europe (1993, 1997b, 1998a, 1998b, 1998c, 1998d, 1998e, 1998f, 1998g, 1999a, 1999b, 1999c, 2000a, 2000b, 2001); Council of Local Authorities for International Relations (2000); Craig (1997); Due (1994); European Commission (2001); French Ministry of Finance (2002); Hy and Waugh (1995); International Bureau of Fiscal Documentation (2001); International Monetary Fund (2000); Japanese Ministry of Finance (2001); Kelove, Stotsky and Vehorn (1997); Mullins and Cox (1995); Neudorfer (1998); Organization for Economic Cooperation and Development (1997, 1999, 2001); Sansom (1996); Stotsky and Sunley (1997); Ter-Minassian and Craig (1997); Treff and Perry (1997); Victorian Local Governance Associations (2001); United States Advisory Commission on Intergovernmental Relations (1994); World Bank Group (1997). For detailed citations and explanation of (a) and (b), see [AUTHOR] (2006).

Table 4
Supervision of Local Government

	Local supervisory officials (prefect or equivalent) (a)	Supralocal appointment of local executive (b)	Supralocal control of governmental form (c)	Translocal civil service (d)	Politico- administrative supervision (average) (e)	Grants as percent of local revenue (%) (f)	Local tax autonomy (g)	Supervision of local borrowing (h)	Fiscal supervision (average) (i)	Fiscal and politico- administrative supervision (average) (j)	Welfare state type (k)
DENMARK	1.00	0.00	2.00	1.60	1.15	44	1.14	0.00	0.75	0.98	SD
FINLAND	2.00	0.00	2.00	1.60	1.40	33	0.95	0.00	0.60	1.06	SD
NORWAY	2.00	0.00	2.00	0.40	1.10	39	1.94	2.00	1.64	1.33	SD
SWEDEN	2.00	0.00	2.00	1.20	1.30	19	1.20	0.00	0.56	0.98	SD
AUSTRIA	2.00	0.00	2.00	2.00	1.50	12	1.85	2.00	1.38	1.45	CD
BELGIUM	1.00	2.00	2.00	2.00	1.75	54	0.73	2.00	1.37	1.59	CD
FRANCE	2.00	0.00	2.00	2.00	1.50	32	1.20	1.00	1.01	1.29	CD
GERMANY	1.62	0.00	2.00	2.00	1.41	33	1.36	1.00	1.06	1.26	CD
ITALY	2.00	0.00	2.00	0.40	1.10	57	0.80	0.00	0.75	0.93	CD
NETHERLANDS	1.00	2.00	2.00	1.60	1.65	70	0.80	0.00	0.86	1.26	CD
SWITZERLAND	1.50	0.00	1.00	0.00	0.63	17	0.83	0.00	0.42	0.52	CD
GREECE	2.00	0.00	2.00	2.00	1.50	0	2.00	2.00	1.33	1.42	SE
PORTUGAL	2.00	0.00	2.00	1.60	1.40	48	1.44	0.00	0.89	1.15	SE
SPAIN	2.00	0.00	2.00	1.60	1.40	36	1.64	2.00	1.52	1.46	SE
CANADA	0.00	0.00	1.00	0.00	0.25	43	0.12	1.40	0.87	0.56	LI
IRELAND	0.00	0.00	2.00	0.40	0.60	78	0.80	2.00	1.60	1.10	LI
UK	0.00	0.00	2.00	1.60	0.90	72	0.80	2.00	1.55	1.23	LI
US	0.00	0.00	0.52	0.00	0.13	38	0.82	0.02	0.67	0.38	LI
AUSTRALIA	0.00	0.00	1.00	0.40	0.35	16	0.34	2.00	0.92	0.64	WE
NEW ZEALAND	0.00	0.00	2.00	0.00	0.50	9	0.43	1.00	0.56	0.53	WE
JAPAN	1.00	0.00	2.00	0.80	0.95	33	1.67	2.00	1.50	1.23	JA

- a. 2=local administrative/supervisory official; 1=local administrative official, elected locally or possessing limited powers; 0=no local supralocal representative
- b. 2=supralocal appointment of executive; 0=local appointment
- c. 2=supralocal determination of local structures; 1=significant but limited elements of local self-determination; 0=widespread local choices of government forms.
- d. 2= national civil service for local personnel with full coverage (job duties, tenure, discipline, rewards, closed recruitment); 1.6= national civil service for local personnel with 4 of 5 items (job duties, tenure, discipline, rewards, closed recruitment); 1.2= national civil service for local personnel with 3 of 5 items (job duties, tenure, discipline, rewards, closed recruitment); 0.8= national civil service for local personnel with 2 of 5 items (job duties, tenure, discipline, rewards, closed recruitment); or separate, national local civil service with job duties, tenure, discipline, rewards, closed recruitment; 0.4= national civil service for local personnel with 4 of 5 items (job duties, tenure, discipline, rewards, closed recruitment); or separate, national local service with limited conditions; 0= separate local or other subnational civil service, without national rules.
- e. 2=highest; 0=lowest
- f. 2=Central or intermediate government sets rates, base; 1.60=standardized or strictly limited rates with some discretion, but no discretion as to base; 1.20=No discretion as to base, and range set for rates; or no discretion as to base, and diversion of revenues to other governments: or informal constraints on rates; .8=No discretion as to base/assessment, or informal constraints on rates, or sharing; 0.4=Autonomy to set base/assessment, and procedural or insignificant constraints on rates; (e.g., requirement of local majority vote); 0=Full autonomy to assess and set rates.
- g. 2=Approval required; 1=Almost free; 0=Free, or requirement of local majority vote (from Council of Europe ratings).

Sources: Alberta Municipal Government Act of 2000; Association of the European Local Government Chief Executives (2002); Barzel (2002); British Columbia Local Government Act of 1996; Bush (1995); Commonwealth Local Government Forum (2002a, 2002b, 2002c); Council of Europe (1993, 1997b, 1998a, 1998b, 1998c, 1998d, 1998e, 1998f, 1998g, 1999a, 1999b, 1999c, 2000a, 2000b, 2001); Council of Local Authorities for International Relations (2000); Cusack (1999); De Fátima, Mendes, and Migués (2001); Finnish Local Government Act of 1995; Government of New Zealand (2002); Gravel (1987); International City/County Management Association (1997); Kingdom (1993); Manitoba Municipal Act of 1996; McManus (1999); Meylan (1986); Mouritzen and Svava (2002); Neudorfer

(1998); New Brunswick Municipalities Act of 1967; Newfoundland Municipal Elections Act of 2001; Nova Scotia (2002); Ontario Municipal Act of 2001; Organization for Economic Cooperation and Development (1992); Prince Edward Island Municipalities Act of 2000; Quebec Law on Municipal Elections of 1988; Saskatchewan Northern Municipalities Act of 1983; Saskatchewan Rural Municipality Act of 1989; Saskatchewan Urban Municipalities Act of 1984; Synnersstrom, Lalazarian, and Manning (2001); United Nations Economic and Social Commission for Asia and the Pacific (2002); Urio and Markov (1986). For detailed citations and explanation of (a) and (g), see [AUTHOR] (2006).