



NETAJI SUBHAS OPEN UNIVESITY

STUDY MATERIAL

P.G.P.A.

PAPER VII
MODULES – I-IV

POST GRADUATE
PUBLIC
ADMINISTRATION

STUDY MATERIAL

FORM

PAPER VII
MODULE - IV

POST GRADUATE
PUBLIC
ADMINISTRATION

PREFACE

In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in Subjects introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation.

Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis.

The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of proper lay-out of the materials. Practically speaking, their role amounts to an involvement in invisible teaching. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other.

The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University.

Needless to add, a great deal of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned.

Professor (Dr.) Manimala Das
Vice-Chancellor

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POST GRADUATE : PUBLIC ADMINISTRATION

[PGPA]

Paper - VII **Modules – 1 - 4**

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Notification

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Course Working

Final Exam Copy

Notation

All marks secured by the candidate should be reported in the final report.

Professor (Public Administration)

Date: 10/10/2019



**Netaji Subhas
Open University**

P.G.P.A. – VII

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MODULE - I
THEORIES OF LOCAL GOVERNANCE

THEORIES OF LOCAL GOVERNANCE
MODEL - 1

Unit – 1 □ Liberal Theory of Local Governance

Structure

- 1.1 Introduction**
- 1.2 Decentralization**
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- 1.5 Elite Dominance in Local Power Based Government.**
- 1.6 Genesis of Local Power Structure in the Western World.**

1.1 Introduction

The word “liberal” comes from the Latin *liber* (“free, not slave”). It is widely associated with the word “liberty” and the concept of freedom. Niccolò Machiavelli, in his *Discourses on Livy*, laid down the principles of republican government. John Locke in England and the thinkers of the French Enlightenment articulated the struggle for freedom in terms of the Rights of Man.

Following the American War of Independence, United States of America emerged as the first nation to design a constitution based on the concept of liberal government, especially the idea that governments must rule by the consent of the people. The more moderate bourgeois elements of the French Revolution tried to establish a government based on liberal principles of liberty, equality and fraternity. Economists such as Adam Smith, in *The Wealth of Nations* (1776), enunciated the liberal principles of free trade. Beginning in the late 18th century, liberalism became a major ideology in virtually all developed countries. All these acted as significant sources for the evolution of the liberal theory of local government.

Liberalism upholds following principles:

- individual rights and equality of opportunity
- freedom of thought for individuals,
- limitations on power,
- the rule of law,
- the free exchange of ideas,
- a market economy,

- free private enterprise,
- a transparent system of government in which the rights of all citizens are protected.

Liberalism rejected many foundational assumptions of earlier theories of government, such as the Divine Right of Kings, hereditary status, and established religion.

In the 21st century, this usually means liberal democracy with open and fair elections, where all citizens have equal rights by law. These rights and conditions can be secured only by true democracy. True democracy is inseparable from political liberty and is based on the conscious, free and enlightened consent of the majority, expressed through a free and secret ballot, with due respect for the liberties and opinions of minorities.

These factors raised hands for establishing local governments based on liberal principles to be continuously adjusted for the greater benefit of humanity. Fundamental human rights that all liberals support i.e., the right to life, liberty, and property became chief objectives for these local governments.

Since freedom and equality do not always go hand in hand, liberal philosophies differ to identify common points at which welfare of the people can be attained. Classical liberalism emphasizes free private enterprise, individual property rights, laissez-faire economic policy, and freedom of contract, and opposes the welfare state. Classical liberals support equality before the law and hold that economic inequality arises naturally from competition in the free market. New liberals advocate a greater degree of government influence to protect individual rights. New liberals support universal education, and many also support welfare, including benefits for the unemployed, housing for the homeless, and medical care for the sick, all supported by progressive taxation. The later laid stress on welfare state approach.

Liberalism claims that the rights to education and other requirements for human development and security aim to advance equal opportunity and personal dignity and to promote a creative and productive society. To guarantee those rights, liberals have supported a wider social and economic role for the state, counterbalanced by wider guarantees of civil liberties and a wider social system of checks and balances protected by an independent press and pluralistic society. If individuals can have a right to participate in a public capacity, then they have a right to expect education and social protections against any sort of discrimination.

Liberalism suggests that power structures at the local level are to be differently understood, i.e., not to be equated with the national power structure. They are not junior editions of the national corporate community, because local power structures are land-based growth coalitions. They seek to intensify land use.

The study of the liberal theories of local governance has taken shape out of the from the local government studies. The main purpose is to present a systematic description of

the structure of local governance theory in a liberal political context. If one starts with the discussions on the development of local government studies and on the field of theories of local governance it has to be agreed that appropriate theories were not formed even in the British and American contexts until the end of the 1960's. In the field of local government studies, there is no theory that can meet the challenge raised by these general topics. There is no understanding of the relationships between theory and practice as expressed, for instance, in the idea of double hermeneutics. All these shortcomings mean that there is hardly any fundamental research (except some empirical projects) which could clarify conceptual and theoretical questions related to modern local government.

The individual is always to be born in human society and has to be associated with a social position and horizon of opportunities from the very first day of his life, although a person is not, of course, always aware of them. Further, the individual is inseparable part of the social field in which he exists and operates. Thus, the human existence has a logically social and positional character. Local government, therefore, must be studied in the context of the socio-economic set up of the country, which in turn determines the terms and values of a political system and vice-versa. It must take into account all the relevant asymmetrical relations, which affect the formation and operation of phenomena of local government and local community life, leading to the creation of an urge for decentralization in a liberal democratic state system.

1.2 Decentralization

Decentralization refers to the global trend of devolving the responsibilities of centralized governments to regional or local governments. The promise of decentralization is to enhance efficiency through inter-governmental competition and fiscal discipline and to raise democratic voice through enhanced, constructive and bold local voice. Fiscal federalism is the most prominent aspect of decentralization. It implies the allocation of tax and expenditure authority to the lowest/grassroot level of government. If implemented properly it can create the discipline and market features necessary to ensure productive efficiency. Decentralization works best in settings where there are strong traditions of democracy, accountability and professionalism down to the sub-national level of government. It does not provide a short cut to governmental capacity in situations where these preconditions are absent. In areas with regional inequality, even if decentralization may enhance productive efficiency but undermines allocative efficiency by making redistribution more difficult and complex. Thus decentralization should be used with caution in situations where there are vices of

inequality, corruption and weak managerial capacity or weak democratic traditions, which makes it imperative to develop local government structures more systematically and carefully.

1.2.1 Merits and Demerits of Decentralization

Pros

Promotes democracy because it provides better opportunities for local residents to participate in decision-making.

Increases efficiency in delivery of public services; delegation of responsibility avoids bottlenecks and bureaucracy.

Provides a chance for poor households to participate in local institutions and have their concerns recognized.

Leads to higher quality of public services because of local accountability and sensitivity to local needs.

Enhances social and economic development, which rely on local knowledge.

Increases transparency, accountability, and the response-capacity of government institutions.

Allows greater political representation for diverse political, ethnic, religious, and economic groups in decision-making.

Increases political stability and national unity by allowing citizens to better control public programs at the local level.

Cons

Undermines democracy by empowering local elites, beyond the reach or concern of central government.

Worsens delivery of service in the absence of effective controls and oversight.

Local institutions reflect the anti-poor biases present at the state level.

Quality of services deteriorates due to lack of local capacity and insufficient funds.

Gains arising from participation by local people offset by increased corruption and inequalities among regions.

Promises too much and overloads capacity of local governments.

Creates new tensions or ignites dormant ethnic and religious rivalries.

Weakens states because it can increase regional inequalities, lead to separatism, or undermine national financial governance.

The best way to ensure that decision-makers are accountable to local people and decision-making reflects the interests of local people is to vest powers in elected authorities who are chosen through competitive local elections. While it is often difficult to rein in the political forces that stifle open elections, the benefits can be substantial. For example, competitive local elections in West Bengal of India helped make policy more responsive to the poor, and in Colombia, competitively elected mayors—challengers to the dominant party politics—brought about better education, roads, and water supply.

Decentralization can be structured in ways that make it more effective and beneficial for the poor. Elected local governments often tend to have a poor record of serving the interests of women, the poor, and other marginalized populations unless required to do so by the central government. Special measures are needed to ensure that decentralization benefits the poorest people and most vulnerable groups—women, indigenous people, the landless, migrants, and minority castes. In 1978, for example, the government of West Bengal specifically sought to increase the power of poor and landless peasants by devolving implementation of government programs to the village councils, and mobilizing poor peasants to participate. As a result, 44 percent of those on village councils in Birbhum District are now small farm owners, sharecroppers, or agricultural laborers, and the benefits of government development programs are increasingly going to the poorer members of the community. Kerala State's approach in 1996 was to give 35-40 percent of the state budget to local governance bodies for development planning, with detailed guidelines to make planning processes both participatory and equitable.

The research models contain seven key elements which are drawn from the writings of Russell Keat and John Urry and also of theorists like Anthony Giddens, Erik Olin Wright, C. Wright Mills and Carol C. Gould. They can be summarized as follows :

1. Defining the research situation.
2. Double hermeneutics as the methodological precondition for the research and the potential intervention.
3. Defining and systematizing the phenomenon.
4. Contextualization: defining the local government in the social context.
5. Theory of modern society and its radicalization: critical analysis of local government as an instance of modern society.

This includes following elements:

- * Model of the field of relevant actors.
- * Description of the causal powers of actors and their relationships.
- * Theoretical and empirical analysis.

* Empirical demonstration and presentation.

6. The scientific transgression.

7. Performing a poetic realist evaluation and creating horizons of emancipation.

According to the model presented in the module, local government must be studied in a contextual way. Local government must be seen as the instance of modern society producing real world states. Local government theory is a tool by which researchers can produce genuine transgression, which in turn gives possibilities for emancipation. If one is to develop his research in this way, it becomes imperative for him to begin by exploring the meaning of development economics.

1.3 Development Economics

Classical or neo-classical economics is concerned primarily with the efficient and cost effective allocation of scarce resources and with the optimal growth of those resources over time. They hold that countries develop economically via the market. In a market economy, economic benefits flow to participants, who may be the individuals or countries, with self-interested and voluntary acts. This behavior is efficient and produces the greatest overall economic growth. Therefore, Classical or neo-classical economics hold that specially developing countries are experiencing economic growth problems, because of the government-created barriers that restrict the free market. To them to stimulate growth, those inefficient barriers have to be removed. This type of analysis and solution is universally applied - i.e., it does not radically change depending on the country being analyzed.

Marxist political economy provides a broader view of economic development. Like classical and neo-classical economists, Marxist political economists are concerned with the efficient and cost effective allocation of scarce resources. They, however, bring a new coefficient - politics - into the development equation. When addressing why some groups or countries are better off than others, they don't look solely at market forces for an explanation. They focus on the social and political mechanisms that economic groups have created in order to control the allocation of scarce resources.

Marxist political economists believe this to be universally applied as well. For example, to an orthodox Marxist, the class struggle is a by-product of capitalism. Capitalism inevitably creates a conflict between the working class and the owners of capital. Regardless of the country in question, the conflict will always reach the same result: the social inequities will reach an intolerable point and the working class will instigate a socialist revolution that will overthrow the capitalist regime.

Development economics goes beyond the scope of either classical/neo-classical

economics or Marxist economics. It, too, is concerned with the efficient allocation of scarce resources. Its main concern, however, is sustained economic growth over time that improves the standard of living for the masses who live in poverty in developing countries. To that end, one of the main goals of development economics is the formulation of public policies designed to bring about rapid economic growth.

Like classical/neo-classical economists and Marxist economists, development economists see their role in society as model builders - they suggest models of economic growth for governments to follow. Development economists, however, do not believe that a single model can be universally applied, given the heterogeneity of developing countries. Thus, development economics has combined relevant concepts from traditional economic analysis with a broader multidisciplinary approach derived from studying the historical and contemporary development experience of the specific region or country in question. The tendency has been to first look at existing economic theories for inspiration or insight. These existing theories are then modified or expanded upon so as to make them applicable to developing countries. The resulting theories have been used to explain the economic gap existing between developing and industrialized countries. The goal of development economics has been to pinpoint the cultural, political, economic and institutional mechanisms, both internal and external, impeding economic development in order to modify them in such a manner as to bring about economic progress.

By the 1950s, it was possible to divide the world into two groups of countries - the poor and the wealthy. The wealthy group was composed of most of the Western European countries, Canada and the United States. Inhabitants of these regions lived (and still live) in great affluence and consumed a large part of the world's resources. The other group - Latin America, Asia and Africa - was poor, underdeveloped, and contained almost 75 percent of the world's population. Economists and government policymakers, especially those in developing countries, began to look for reasons to explain this disparity and for ways to eliminate it. As a possible solution, the theorists laid stress on democratic decentralization through local self governing institutions.

1.4 The Political Economy of Local Power Based Government in a liberal Set up

A local power structure is at its core an aggregate of land-based interests that profit from increasingly intensive use of land. It is a set of property owners who see their futures as linked together because of a common desire to increase the value of their individual status. This feeling of togetherness is reinforced by the fact that the pro-

growth landed interests soon attract a set of staunch opponents. The inevitable tensions between the growth coalition and its opponents has led to increased suburbanization, urban renewal, and many of the other problems in the 21st century.

Due to the separation of local, state, and national government, the members of the local growth coalition support those politicians at the state and national levels, who oppose, in the name of fiscal and monetary responsibility or so called planned land use, the kinds of government policies that might create more jobs. At the local level, they talk in terms of their attempts to create more jobs. Their goal is never profits, but only jobs.

The growth-coalition hypothesis leads to certain expectations about the relationship between power structures and local government. According to this view, the primary role of government is to promote growth. It is not the only function, but it is the central one. Local government promotes growth in several ways, the most visible of which are the construction of the necessary streets, sewers, and other public improvements and the provision of the proper municipal services. However, building standards, and many other government regulations also matter greatly in keeping property valuable. In this situation, the state departments of planning and public works, among several, become allies of the growth coalition with the hope that their departments will grow and prosper. Then, in addition, government officials are expected to address and attract outside investors, traveling to meet with them in their home cities or showing them the local community and answering their questions when they come to inspect it for possible investment.

Since a great many specific government decisions can affect land values and growth potentialities, leaders of the growth coalition are prime participants in local government. Their involvement is even greater than that of corporate capitalists at the national level.

A theory that distinguishes between land-based growth elites and national-level corporate capitalists explains that manufacturers usually are not concerned with land values unless they are also big landowners as well. Their focus is on making profits through the sale of products in regional, national, and international markets. For an industrialist, any given locality is merely a site for production that they can quit easily if it becomes too costly. Their power is not in their involvement in local government but in their ability to move, which makes the local growth coalition eager to satisfy their requests and at the same time creates an underlying tension between the two sets of interests. Manufacturers provide money for urban planning, and political campaigns, but it is land-based elites that often determine the trend of growth. The distinction between a national-level power elite based in the corporate community and local-level growth coalitions based in land and buildings and variety in their natures show once again why it is necessary to study power structures distinctively in each country.

1.5 Elite Dominance in Local Power Based Government

In the "information age", information is also power. Again, the information important to political decisions is not randomly distributed throughout the society but concentrated in a few hands. A small number of elite players who use it for their strategic interests often hold the information crucial to public policy. There are also more subtle bases of elite power. Political elites generally move in the same social circles. Because of their similar social background and interests, they tend to share similar points of view on public issues. Such informal but very real interconnections between political elites are termed elite networks. Elite networks play a crucial role in recruiting candidates for public office. Elite networks play a leading role in defining what social problems reach the public agenda, what approaches are taken to policy problems, and the formulation of specific policy alternatives. In short, elites have political power. Many of them exploit that power for personal or corporate gain. More importantly, elites tend to identify more with each other than with the ordinary citizen. Electoral and representative processes are more often systems to articulate the interests of power to the people than to speak the will of the people to power. In a capitalistic system, with vast inequalities in the distribution of wealth, information, and power, the voice of the people is too often drowned out by the voice of wealth and privilege.

Elite theories of democracy are based not only on the obvious power of political elites, but also on the very real incapacity of most members of contemporary liberal democracies to perform as active, informed citizens as demanded by the democratic ideal. Numerous empirical studies have shown that the ordinary person in contemporary liberal democracies is very different from the Athenian model of the energetic, concerned, knowledgeable democratic citizen. Apathy, cynicism, distrust, and dislike of the political process are rampant in liberal democracies today. While most citizens follow the TV news, many choose not even to vote and some may be found intellectually demanding forms of active political participation.

Twentieth century political theory has had to face the reality that even in elective democracies political elites rule. Before the twentieth century there were few large scale representative democracies. However, in the 20th century with the expansion of the number of electoral democracies, the task has become quite lucrative for the political scientists to see how theory differed from practice. After studying the internal operations of the German Social Democratic Party, Robert Michels promulgated the "iron law of oligarchy," asserting the ubiquity of elite dominance in the modern world, even within a political party dedicated to working class solidarity and social democratic ideals.

It is recognized that there is elite dominance in democratic polities, but there is also popular pressure on democratic polities. Theorists of liberal democracy put great emphasis

on conflicts between elites with different social origins and different economic interests. Certainly elites in democratic societies are not monolithic and do have serious differences of opinions and interests, although they also share much in common simply because they share the same privilege status relative to ordinary citizens.

More importantly, democratic freedoms allow mass movements which express popular demands to arise and influence the political system. The struggle for universal voting rights was an example of how mass movements expressing popular demands were able to broaden democratic rights and participation to the ordinary citizen. The contemporary welfare state is another example of how ordinary citizens can use their democratic rights to force government to respond to their needs.

Democratic politics are dynamic systems. There are strong tendencies toward elite control of democratic systems, but there are important countervailing tendencies for mass movements to arise that express popular demands and even challenge elite dominance. Understanding this dynamic tension between elite dominance and popular movements is crucial to understanding modern democratic politics. The historical struggles between elitism and popular government continue today in new form. The form may be devolution of political power down to the grassroots level.

Democracy has less to do with elections than with the broader social relations. Democracy can be measured in terms of the extent of the people's active participation in decision-making, the degree to which they are adequately informed and who is able realistically to run the office.

Elite rule basically contradicts rule by the people. When one contrasts the practices of Athenian direct democracy with contemporary democratic systems, one can see just how different they are, and how far contemporary notions of democracy have strayed from the idea of popular self government.

Representative democracy replaced direct popular governance with trusteeship of a political elite only indirectly guided by popular will. Local level governance has revived the idea of democracy based on popular sovereignty. It reconciled elite rule with democratic theory. Liberal democrats recognize that elites dominate representative democracies, but they are essentially comfortable with this. Liberal democrats have no hostility to popular participation, and they take elite domination not as a moral but a practical imperative at the national level and stress on decentralization at the local level.

The flaw in liberal democratic theory gives rise to communitarian ideas. Liberal democratic theory puts great stress on the importance of individual rights. The other side of the coin of individual rights is social responsibilities, obligations, and duties. No one's individual rights can be protected unless others recognize their responsibility to respect those rights. Communitarian theories of democracy say liberal democratic theory and practice overlook this other side of democratic theory, though the liberals claim that

individual rights can be better secured by expanding the scope of democratic participation at the local level.

1.6 Genesis of Local Power Structure in the Western World.

The urge toward suburbs accelerated in the late-19th century as industrialization and further creating roads for railways affected the cities in negative ways. First of all, factories and railroads became a huge source of environmental pollution. The air started becoming terrible in many large western cities. Even if the local growth coalitions tried to do something about this problem, but the railroad and manufacturing magnates always would have the upper hand rejecting efforts at amelioration. Second, the large manufacturing plants in the cities employed workers resulting in an increase in low-income immigrant populations from Eastern and Southern Europe, who were looked down upon by the established middle class—and craft workers—of Northern European origins. Thus, ethnocentrism and class snobbery contributed to the movement of the middle-class to the suburbs.

When these cities were small and relatively homogeneous, and when voting was still limited, they were easily dominated by the local landed elites and their allies. But in the last quarter of the 19th century, as the urbanization process got pace and new immigrants poured into the cities to become industrial workers, the situation changed dramatically. Ethnic-based political machines, came to electoral power in many city governments.

The local growth coalitions were deeply upset by this turn of events. They claimed that ethnic machines were raising taxes, appointing their supporters to government jobs, and giving lucrative government contracts to their friends. In other words, they were cutting themselves in on the action, and using government to move into land speculation and urban development for themselves.

The residents of a city/village want the local government to spend a greater share of its budget on municipal services, social services, parks, and other amenities. Nevertheless, the growing numbers of private investors want the lion's share of the money to go to physical infrastructure and anything that aids money making. The residents of the cities who can afford to move to land outside the city, go to the area for getting space and develop it as a new city, a 'suburb'.

It is also true that national and state level politicians to secure their vote banks do not completely crass in their dealings with local citizens. They also believe in a few use values like municipal services, social services for residents of city/village or new city(suburb) as long as their own taxes can be kept to a minimum.

Unit – 2 □ Neoliberal Theory of Local Governance

Structure

- 2.1 Introduction-Rethinking on the Concept of Democracy**
- 2.2 Neo-Liberal Policies - A New Reality**
- 2.3 Emphasis on Private Property Rights**
- 2.4 Civil Liberties / Human Rights Context in Neo-liberal policies**
- 2.5 The Downsizing of Government**

1.1 Introduction-Rethinking on the Concept of Democracy

After the 1970s in the Western world and 1990s in China or India, the *liberal pendulum* had swung away from increasing the role of government, and towards a greater use of the free market and laissez-faire principles.

Marxist theory fails at the local level because it focuses almost entirely on finance and industrial capital, treats neighborhood as merely a place to reproduce the working class and interprets every conflict as a “class conflict”.

Ideologically, neoliberalism draws upon the claim that social programs and government bureaucracies are inherently inefficient, and that the best way for society to allocate its resources is through unregulated free markets. The main role of the government then is not to provide for citizens, but to engage in penal and military activity, and to eliminate anything, which may impede the “pure free market.”

Politically it is big business that has mostly pushed this transformation, and who have profited most from it. The result has been a tremendously large gap between rich and poor, along with growing poverty and homelessness. In the developing world, the neo-liberal transformation has been led largely by US dominated international financial agencies, such as the IMF, which have forced nations to cut back on social programs and economic regulations designed to protect the poor, in exchange for loans or foreign investment. Globally, the “neoliberal” transformation has also largely been pushed by big business — that is by, giant multinational corporate interests, who have used structural adjustment, free trade, and other neo-liberal policies to insure international access to unregulated labor and product markets with low taxation rates. The result has been vast corporate profits, and the largest global gap between rich and poor in the history of the world.

Global big business interests are pushing governments across the world to lessen

regulations and social spending which protect the poor in their country. Global neoliberalism justifies the destruction of social programs based on the ideological belief that government bureaucracy and social spending is inherently inefficient. Finally, on both the local and the global level, those disproportionately harmed by these neoliberal policies are people of color – Afro-Asian world peoples throughout the globe and racial minorities.

This system of neo-liberal transformation itself is but the continuation of hundreds of years old historical legacies of European global conquest and global capitalist expansion. Global forces - and, in particular, European imperialism - have been shaping poverty and social marginalization for many centuries. Neoliberalism is the newest expression of global capitalist expansion, which is functioning fundamentally as a system of domination, oppression, exploitation, and suffering, which appropriates the labor power and wealth of the masses and the resources of the Earth and concentrates those riches in the hands of a very few capitalists.

2.2 Neo-Liberal Policies - A New Reality

Neo-liberal policies, variously labelled as Thatcherism, Reaganism, neo-conservatism, and the New Right Agenda, were discernible by the mid-1970s and had become formal government policy in many countries by the end of that decade or early in 1980s. They represent the political requirements of internationalized, highly centralized, and global perspective of capital. They also influence the national policies and the final act of the independent nation-state, because they want to minimize the economic and political barriers to production and distribution around the world. They in effect wish to harmonized the national policies with the global economy.

This in turn will reduce the possibility of having national management of national economies and exclusively national forms of the welfare state. All the industrial nations and almost all of the developing nations are in the process of legislating these neo-liberal policies and their initiation will inaugurate a new form of social reform. Social democracy will rapidly lose its meaning and purpose, if it has not already, as all political parties find themselves increasingly obliged, with greater or lesser resistance, to carry out this New Right Agenda.

In the postwar period capital completed its conquest of domestic markets. It commodified almost every aspect of life within the nation state and the international markets and opened up the world for business. In the 1970s, a self-generating system was evolved on the global level. It began to enter into the state sector. GATT (now the World Trade Organization - WTO), the World Bank, the IMF, and other UN agencies and representatives of capital started applying pressure to legislate neo-liberal policies

intended to privatize state property, to release capital from social or political control, even trespassing into the domain of national governments' policy. Thereby they turned those forms into corporate private property.

2.3 Emphasis on Private Property Rights

Underlying all the items on this New Right Agenda since the 1970s was the principle of private property and the policy of advancing private property rights. Herein lays the very basis of inequity and class definition in capitalist society. The rights of private property are the foundation of differences in material wealth and associated differential power.

Private property in this sense does not refer to tangible objects. Rather, it is a relationship that members of a social unit have towards each other concerning the use and disposal of socially necessary objects. To put it another way, property consists of socially defined rights, which is, enforceable claims or entitlements to the goods and services produced or used in a society. This definition of property as rights, as forms of ownership, points to the fact that property is an expression of control or regulation. It implies the exercise of power over things produced, and even over the means of producing things. Such power attached to private property is hardly benign or in the interests of society as a whole.

"Privatization" - or the "transfer" of state assets and production of goods and services to the private sector - has been carried out in a number of ways. The most obvious is an outright sale to a private corporation, or the offering of stock market shares to the "public." Nevertheless, state assets can also be leased or liquidated and government services can be contracted out or simply terminated. Where the process is politically problematic the preferred route has been "privatization by attrition," the gradual reduction of services.

During the 1980s such "selling off" took place in every industrial country and in many "lesser developed" nations, and the rapid worldwide application of this policy shows little sign of abatement. It is not, however, a popular movement but rather a policy promoted by government elites; that is, the motives come from outside the nation-state. The political hue of the governments enacting these policies seems, on the whole, to be unimportant; from a military dictatorship in Chile, to right-wing conservatives in Britain, to social democrats in New Zealand, Spain, and France, to "communists" in China and Cuba, the policy and practice of privatization have been remarkably similar. Where governments have not promoted the policy, as in a few Third World countries, privatization has been forced upon them in the terms of international loans.

Such a movement was for the most part created in the first place to aid in capital accumulation. One of the more important reasons for their creation was the need to

reduce costs to the private sector by means of government provision of infrastructure. State-financed construction and ownership of canals, harbours, power-generating plants, water-supply systems, and railways and airports have been - and in some cases remain - of enormous benefit to capital. They eliminate the need for a market-related profit, they spread the costs of infrastructure for commercial use over the whole of society.

The qualitative changes in the world economy since the 1970s are largely responsible for this shift. Massive technological changes in the mode of production have made it possible for ever fewer productive units to dominate in a single world market. The possibilities for further increasing capital accumulation were narrowing with the indebtedness of the Third World, rising unemployment in the industrial nations, intensified international competition, and the destruction of nature. Growth in the private sector began to slow down, but growth in the public sector, while varying across nations, generally showed a relative increase by the early 1980s - mainly to counter the recessions and meet increased needs on the side of the reproduction of capital and labour. By that time most industrial countries were spending more than a third of their Gross National Expenditures in the public sector.

Given the internationalization of capital and increasing productivity, however, the corporate sector started pursuing all possibilities for increasing private accumulation. It sees in state ownership and control, the initiation of non-productive economy; the corporate sector found those public ownerships, industries or services "unproductive," which were, outside the realm of private exploitation. They, thus, came with the motivation for privatizing the public sector.

These capitalists justified privatization in the name of increasing efficiency, productivity, or competition, the elimination of sources of state deficit, or less government intervention in the economy leading to free trade and more profit. On the contrary, in many cases it has done just the opposite. It can lead to increased government expenditures because private operations rarely invest in health care, welfare agencies, highway maintenance, or prisons, as these do not produce profit. Privatization can also increase the need for government regulation to overlook private corporations operating in their self-interests, whereas public corporations mandatory operate in the public interest, do not increase this need.

2.4 Civil Liberties / Human Rights Context in Neo-liberal Policies

Civil liberties or human rights are inalienable. They are, however, the outcome of a long history of contending forces, which makes them relative to time and place. Their continuing existence in modern capitalist society is likewise relative to and dependent on a certain balance of organized class or sectorial interests. Without this balance, civil

liberties can be curtailed in favour of the interests of the stronger of the contending forces. Everywhere in the world where the organized resistance of the subordinate classes has been suppressed or eliminated, there is a corresponding abnegation of human rights. The ruling classes, without organized opposition, are no respecters of civil liberties when the pre-éminent power of capital is threatened. In a system of private property, many of these freedoms depend on the possession of private property. Without it the freedoms remain, but only as abstractions, as unrealizable principles.

Implicitly recognizing this problem and the potential consequence of a loss of legitimacy for the justice system, many industrial nations introduced state-supported legal services and human rights commissions to allow those without the financial means to be represented in court or to find redress for violations of their civil liberties.

Far from becoming more accessible to its citizens, governments are increasingly employing powers to restrict access to information about their activities. A world dominated by global transnational corporations without supranational political control provides little basis for civil liberties for the working classes, except as abstractions for ideological reasons or when capital has been forced to acknowledge them.

As neo-liberal policies have come to be adopted across the industrial nations, as they have started the process of dismantling the welfare state and downsizing the size and role of government, one clear countertendency stands out: the expansion of forms of coercive social control in almost every country.

The political dilemma for capital is how to maintain the trappings of democracy in the West, as crucial to social control, while economic inequality and long-term unemployment increase, chronic decline of living standards sets in, and the powers of national and local government decline. The consequent growing loss of legitimacy is intensified by several other factors, including decreasing political access, widening corporate blackmail over jobs, pollution, and taxes, expanding numbers of single-party or coalition political systems and spreading political corruption. Among the industrialized countries, Italy and Japan are probably the most notorious examples of national governments characterized by political corruption, but they are hardly alone.

These in turn will have an effect, like Voter apathy, extra-parliamentary activities, encompassing forms of direct political and economic action, both legal and illegal, and perhaps more terrorism and consequent increase in state coercion. Power at the local level may be a possible solution to these problems.

2.5 The Downsizing of Government

Perhaps the most important reason for the pressure to reduce the functions and size of government is that the modern bureaucratic model of government was the product of

a particular mode of production, namely, industrial capitalism, but more particularly, of the post-World War II period. The present era of capitalism, characterized by global markets and computer applications, demands a different structure of government; the growing global economy is frustrated by the enormous size and inertia of anachronistic national bureaucracies.

The "downsizing" of government often refers to a reduction in the functions of government. The functions include all state interventions in the economy and social life of the nation that have grown with the development of capital. Many of them are reforms won, after years of struggle, suffering, and loss of life, by the working class for its own protection and advancement in the face of capital. Gradually, but especially after World War II, conditions made more reforms necessary and possible. One of the conditions from an earlier era was a political system allowing for a change of government at more or less regular intervals, a system that developed in an age of competitive capital and reflected this competition by providing for alternations in control over the public purse. The rationale of modern politics became the contest over which party, representing a sector or sectors of civil society, would possess state power to enact its policies, to dispense public funds in accordance with its policies. In an age dominated by transnational collaborations, however, a national political system allowing for alternations in power of party and policy is no longer needed and, more precisely, it forms a potential problem. The internationalized capital needs either the removal of the possibility that state power can be won by a party opposed to neo-liberal policies, or the redefinition of the role of the state. Here lies the political motive for downsizing the functions of government.

Downsizing in this sense means the abrogation of government responsibilities for the social and economic well-being of society; it means the redefinition of public duties by the state or the reshaping of the boundaries between civil society and the state so that intervention by the state in the affairs of civil society are hereafter constitutionally or legally restricted. The objective is the minimal state on the one side and the market on the other.

Insofar as the "downsizing" of government refers to a reduction in the functions of government, it embodies a political rationale. The functions include all state interventions in the economy and social life of the nation that have grown with the development of capital. Many of them are reforms oriented, after years of struggle by the working class for its own protection and advancement in the face of capital. Gradually, but especially after World War II, conditions made more reforms necessary and possible. One of the conditions from an earlier era was a political system allowing for a change of government at more or less regular intervals. The rationale of modern politics became the contest over which party, representing a sector or sectors of civil society, would possess state power to enact its policies, to dispense public funds in accordance with its

policies. In an age dominated by transnational conglomerates and consortiums, however, a national political system allowing for alternations in power of party and policy is no longer needed and, more to the point, forms a potential problem. What internationalized capital needs is either the removal of the possibility that state power can be won by a party opposed to neo-liberal policies, or the redefinition of the role of the state so that the state cannot be used in the future in the way it was in the past. Here lies the political motive for downsizing the functions of government.

Downsizing in this sense means the abrogation of government responsibilities for the social and economic well-being of society; it means the redefinition of public duties by the state or the reshaping of the boundaries between civil society and the state so that intervention by the state in the affairs of civil society are hereafter constitutionally or legally restricted. Social and economic reforms are to be reduced to a minimum and the state be prevented from re-establishing them. The objective is the minimal state on the one side and the mythical market on the other. There is everywhere a shift to privatize as many aspects as possible of the health, educational, and social security systems. The interim goal of many governments would appear to be a two-tiered system: private but publicly supported medical treatment for the well-off, and a degraded state program for those who cannot afford to pay for private care. Other examples are social assistance programs and insurance for unemployed and injured workers.

The more that these principles are put into practice, the more the principles of universality and social right are undermined or consciously rejected; and the more the failures and omissions of the system are presented as the responsibility of the individual rather than of the state or corporation, the more every aspect of the welfare state can be made into an instrument of social control. The policies have several overall goals: to "shrink" the state by reducing state responsibilities.

New Zealand's neoliberal government in 1989 for example, devolved power and decentralised decision-making. The country stressed on devolution, economic rationalism and decentralised governance. It is argued, Neo-liberalism has combined economics, the social and politics on behalf of rational choice as a principle of legitimacy in the New Zealand context. The fundamental tension between central and local administration is always in the main a tension of legitimacy. The conflicting demands of autonomy and public accountability are a central issue. While governing bodies provide the opportunity for citizen participation, citizens are not actively involved in school governance.

Unit – 3 □ Marxian Concept of Local Governance

Structure

- 3.1 Marxism : A Conceptual Framework**
- 3.2 Structure of Local Government in The USSR (Soviet Union) in The Context of 1918,1924,1936,1977 Constitutions**
- 3.3 Structure of Local government in Russia in the Context of Post-Communist Era**
- 3.4 Structure of Local Government in the People's Republic of China**
 - 3.4.1 Local Government Reveaus**
 - 3.4.2 Economic Reforms.**

3.1 Marxism : A Conceptual Framework

Marxism is both the theory and the political practice derived from the work of Karl Marx and Friedrich Engels. Any political practice or theory that is based on an interpretation of the works of Marx and Engels may be called Marxism; this includes different forms of politics and thought such as those of Communist Parties and Communist states, as well as academic research across many fields. In addition, while there are many theoretical and practical differences among the various forms of Marxism, most forms of Marxism share:

- an attention to the material conditions of people's lives, and social relations among people ;
- a belief that people's consciousness of the conditions of their lives reflects these material conditions and relations ;
- an understanding of class in terms of differing relations of production, and as a particular position within such relations ;
- an understanding of material conditions and social relations as historically malleable ;
- a view of history according to which class struggle, the evolving conflict between classes with opposing interests, structures each historical period and drives historical change ;
- a sympathy for the working class or proletariat ;
- a belief that the ultimate interests of workers best match those of humanity in general.

The main points of contention among Marxists are the degree to which they are committed to a workers' revolution as the means of achieving human emancipation and enlightenment, and the actual mechanism through which such a revolution might occur and succeed. Some Marxists, however, such as Trotskyites, argue that no actual state has ever fully realized Marxist principles; other Marxists, such as Autonomists claim Marxist principles cannot be realized in any state construct seen through the 20th Century, and would necessitate a re-conceptualization of the notion of state itself.

Mao Zedong thought was grounded in the notion of continual revolutionary struggle to destroy the negatives of the pre-revolutionary political economy and *Deng Xiaoping theory* was designed to shift the CPC from this internal struggle mode to one of pragmatic experimentation, focused on generating technological advance and the presumed consequent economic growth. This new concept for the CPC calls for a rearrangement of the internal composition of the party itself, in order to solidify the technology/growth mission over the Maoist revolutionary mission. The core of CPC is the idea that the party represents i) the majority of the Chinese people, ii) advanced culture, and iii) advanced technology.

Chinese state is still a strong state, even if not as strong as in the Maoist era. In particular, there is a continuing struggle by grassroots organizations of citizens to regain popular democratic control over public policy, if not to completely sever the lines of transmission connecting transnational power centers to government agencies and legislative bodies.

Marx never grasped the significance of the institutions of liberal democracy as an important heritage of modern societies that should be absorbed into socialism. He however, championed a model of radical democratic self-government in his writings on the Paris Commune. He never properly appreciated the institutional theory of democracy, its constraints under capitalism, and how socialism would make possible fuller and richer democracy.

As for the Marxists, they are so focused in their most abstract categories that when they look at urban areas they can see nothing but "accumulation," "class struggle," and "the reproduction of labor power." They do not understand that the landlords have played a local and intermediary role. Instead, they make distinctions between "fractions of capital," and at best they see these "fractions" differing over profits in housing versus lower wages for workers.

3.2 Structure of Local government in the USSR (Soviet Union) in the Context of 1918,1924,1936,1977 Constitutions

Following the Russian Revolution of 1917, the Soviet Union was proclaimed and the

process of accumulating further territories under its banner was begun, with the treaty confirming its creation signed in 1922. Soviet democracy or sometimes council democracy was a form of democracy in which workers' councils were called "soviets". The Soviets consisted of worker-elected delegates and possessed both legislative and executive power. The soviets began at the local level and onto a national parliament-like assembly. According to Lenin and other Soviet ideologists, the soviets represented the democratic will of the working class and were thus the embodiment of the dictatorship of the proletariat. Critics, however, claim that workers' councils/soviets were subverted and not truly sovereign in the USSR.

The process used to begin when the workers of a city elected their local soviet. This body held both legislative and executive power for that city, mostly identical to the Paris Commune. The local soviets chose their delegates for their county soviet. These county soviets in turn elected their provincial soviet. Lastly, the provincial soviets then chose their delegates for the regional soviet. Each soviet had legislative-executive power over the territory it governed.

This elective process of a group of soviets electing the council above it continued onto the national soviet, which was the supreme governing body of the nation. The national soviet was not elected by the regional soviets, but rather by the county soviets. Each county soviet had to elect and send a number of delegates to the national soviet that is appropriate to accurately represent its population. Each soviet (including some larger locals) elected a small executive committee. This assembly dealt with the day-to-day affairs of the territory that its soviet governs. The executive committee was subservient to its soviet and had to act in accordance with the soviet's legislations, and it only operated during times when the soviet was not in session. This method is likely borrowed from Athenian democracy.

Proponents argue that this form of government was a method through which the dictatorship of the proletariat was to be exercised in large populations. Soviet democracy was democracy by proxy. Members of the soviets were close to those workers or lower soviet members that they represented and therefore translated the people's decisions into legislation. Because of this, it is far more responsive than a centralized parliamentary democracy. Ultimately soviet democracy was based on direct democracy.

3.3 Structure of Local Government in Russia in the Context of Post-Communist Era

Since the referendum of December 1993, which approved its existence, the Russian constitution states that it is a federal republic governed by a strong executive president with a bicameral Federal Assembly, the 450-member State Duma (lower chamber) and

the 178-member Federation Council (upper chamber), which like the president are elected to four year terms.

As the successor state to most of the territory once governed by the Soviet Union, the Russian Federation could be thought to embody the essence of local democracy. Though Russia is considered by many to be a centralized regime with a strong president, like Vladimir Putin and his United Russia party, in such a vast territorial expanse, regional governors and city mayors represent the state in the post-communist era. However their powers vary across the country.

Under its constitution, a number of powers are entrusted to the central authority, though there is also some flexibility in the sharing of powers between the centre and each region. Across Russia the situation does vary. Below the sub-national tier of republics, oblasts, krais and okrugs, a common system of districts or counties, cities and towns and rural districts exists. A third tier of towns under the jurisdiction of the districts also exists. The majority of sub-national bodies have adopted federal legislation concerning the local government autonomy and 10,955 municipalities are endowed with a charter outlining their status. Furthermore, each locally is permitted to model its own governance arrangements to reflect local circumstance, custom and complexion. Of the 12,215 municipalities in Russia, 625 are cities, most of which are headed by some form of mayor. Of the 12,045 municipalities with elected bodies, 4,519 elect a mayor. In some unpopulated or barely populated areas, no local government exists.

The two federal cities of Moscow and St Petersburg, the two historic centres and capitals of Russia, both enjoy special systems of government. Moscow is divided into 10 administrative okrugs and 123 municipal districts, with a mayor overseeing the city itself. St Petersburg is divided into 18 city districts, which are further subdivided into an array of local administrative units, including nine cities/towns, 21 settlements and 81 districts. Ms Valentina Matvienko is the elected Governor of St Petersburg.

3.4 Structure of Local Government in the People's Republic of China

The politics of the People's Republic of China take place in a framework of a single-party socialist republic. The leadership of the Communist Party is elected in the PRC Constitution. State power within the PRC is exercised through the Communist Party of China, the Central People's Government and their provincial and local counterparts. Under the dual leadership system, each local bureau or office is under the theoretically co-equal authority of the local leader and the leader of the corresponding office, bureau or ministry at the next higher level. The will of Chinese citizens is expressed through the

legislative bodies of the People's Congress system. People's Congress members at the county level are elected by voters. These county level People's Congresses have the responsibility of oversight of local government, and elect members to the Provincial (or Municipal in the case of independent municipalities) People's Congress. The Provincial People's Congress in turn elects members to the National People's Congress that meets each year in March in Beijing. The ruling Communist Party committee at each level plays a large role in the selection of appropriate candidates for election to the local congress and to the higher levels.

The PRC's population, geographical vastness, and social diversity frustrate attempts to rule from Beijing. Economic reform during the 1980s and the devolution of much central government decision making, combined with the strong interest of local Communist Party officials in enriching themselves has made it increasingly difficult for the central government to assert its authority. Political power has become much less personal and more institutionally based than it was during the first forty years of the PRC. For example, Deng Xiaoping was never the President of China or Secretary of the Chinese Communist Party, yet he was for a decade the leader of China. Today the authority of China's leaders are much more tied to their institutional base.

Central government leaders must increasingly build consensus for new policies among party members, local and regional leaders, influential non-party members, and the population at large. However, control is often maintained over the larger group through control of information. The Chinese Communist Party considers China to be in the initial stages of socialism. Many political observers see the PRC in transition from a system of public ownership to one in which private ownership. Privatization of housing and increasing freedom to make choices about education and employment severely weakened the work unit system that was once the basic cell of Communist Party control over society.

Currently, local government in the People's Republic of China is structured in a hierarchy on four different levels. Villages are not considered as parts of the hierarchy. Local government advances through the *township*, *county*, *prefecture* or *municipality*, and the *province*. Each level in the hierarchy is responsible for overseeing the work carried out by lower levels on the administrative strata. At each level are two important officials. A figure that represents the Communist Party of China, colloquially termed the Party Chief or the Party Secretary, acts as the policy maker. This figure is appointed by their superiors. The head of the local People's Government, is, in theory, elected by the people.

China, currently with a population of almost 1.3 billion people, has 22 provinces (it considers Taiwan the 23rd), five autonomous regions, and four provinces-municipalities. Hong Kong and Macau are special administrative regions. The county level of administration may represent any of a variety of designations, from county level cities to city districts

under provincial control. Then again, the town or village level may mean anything from an autonomous village to something also called a county to a district not under the control of a municipality.

'Socialism with Chinese characteristics' and the structure of the government were formulated in the 1954 constitution, which was revised in 1975, and replaced in 1978 and 1982. Real executive power is in the hands of the General Secretary of the Chinese Communist party (CCP) and of the Premier and the State Council, also called the Central People's Government, within the National People's Congress (NPC). The precise dynamics are also very much a matter of the individuals in those offices and their personal followings.

For every 400,000 people, a province elects a representative to a five-year term in the NPC, all of them members of the CCP or having the CCP's blessing. (There are eight other political parties, but they all defer to the CCP.) Its size (2,946 representatives in 2003) precludes the NPC effectively fulfilling its constitutional roles of passing laws, approving the budget, and so on, and the 153-member Standing Committee elected from its ranks does those things for it, and acts on its behalf in a wide range of capacities. The State Council, directed by the Premier, and including Vice Premiers, State Councillors and the General Secretary, department and commission ministers and the Auditor General, enforces the decisions of the NPC and the Standing Committee. It also exercises power over local government.

Local representatives of the NPC are called Local People's Congresses and Local Governments and, in national autonomous regions, Autonomous Offices. Local Standing Committees are produced out of Local People's Congresses at county level or above. All are supposed to obey the State Council. Local level People's Courts have lower, middle and higher tiers; laws are enforced by agencies (sometimes translated as procuratores) at Supreme, Local and Special levels, with provincial, autonomous region and municipal procuratores included at the Local level, and cities having jurisdiction over procuratores at county, city, autonomous county and district level.

The number of levels of local government has gone from six in 1949 to the current four (province, county, city or municipality and town or village), apart from national autonomous regions and special administrative districts. (In the latter, capitalism continues.) Broadly stated, the purpose of all levels of local government in China is to achieve economic and socioeconomic objectives, including by making short and long term plans for development and acquiring all elements, including money, necessary to those ends, in addition to ensuring rule of law and creating and maintaining infrastructure.

City and county governments are headed by their respective People's Congresses, with bureaus to discharge functions, such as health and statistics, below them, and various other committees (such as of family planning and transport) and, in the cities, offices. Towns and villages also have offices corresponding to a People's Congress. The election process at all levels is indirect, with representatives to the People's Congresses elected by

the population, and those representatives then electing the holders of the various local government positions.

The economic and other development objectives with which each level of local government is concerned are passed down to them from the next level up, and those objectives are ultimately the expression of the goals of the Standing Committee. The way in which they go about achieving those objectives, however, is affected by the fact that each level of local government is also, politically, a complete and self contained entity, so that there are important ways in which it is not constrained by the laws or priorities of the higher levels. Moreover, since the 1980s central government policy has been to encourage growth by delegating ever more authority to the lower levels. In 1990 Shanghai joined seven other cities, one of which was Guangzhou (see more on Guangzhou below), in being released from provincial rule. On top of that, the provincial governments have themselves found the arm of the central government less and less inclined to reach them, freeing them to improvise their own paths, with often complex and unpredictable added repercussions for the levels below them.

A movement towards streamlining the central government was reflected in three major restructurings in 1993, 1998 and 2003, with reductions in numbers of ministries and staff. That streamlining, of course, in turn reflects the liberalizing of the economy.

3.4.1 Local Government Revenues

Local revenue in China derives largely from local taxes (including collective enterprise income, agricultural and real estate taxes) and shared taxes (such as individual income, product and business, and joint venture enterprise taxes), and from other sources (such as monopolies, set quotas, and bonds and credits). All financial processes are directly overseen, in theory, by the provincial finance department, but local governments decide their own budgets and develop methods and rules appropriate to local conditions. Local levels of government in China also receive the portion of the central government's consolidated budget allotted to them. At all levels the budgets are subject to discussion and approval by the People's Congresses.

Budgeted revenue and expenditures of departments of the State Council and of all local governments are also audited by the State Council through offices with branches in those levels, and finances outside the realm of the budget are operated through a graded management system.

The term cadre is often used, individually and collectively, to refer to what in English speaking and non-communist contexts would probably be called civil servants. Cadre filling government, including local government, ranks, including the position of mayor (the mayor's is not the highest office in Chinese cities; he answers to the City Secretary) are chosen, managed, dismissed and punished by CCP committees.

3.4.2 Economic Reforms

The drive toward a market economy has, as might have been expected, borne fruit first in the more populous and industrialized cities of eastern China. (Along the way, in 2001 China joined the World Trade Organization, officially committing itself to greater openness to foreign investment, and there are now a number of 'special economic zones' with conditions favourable to that end.)

Those cities include Beijing, the capital, Guangzhou, Shanghai and Shenzhen. Economic success in those places has led to a burgeoning and ambitious middle class, including a wide range of skilled workers, executives, entrepreneurs, intellectuals and white collar workers. While the government's point of view is that this middle class is still not as big as it would like, and it appears to be officially encouraging migration to cities by rural residents further west, the extent and depth of the poverty, especially among 28 million farmers, is another immense challenge facing China. This year (2004), the government announced the first increase in poverty in China since the economic reform movement was initiated in 1978. It has even instituted a new department to address the issue, and the aforementioned central auditing organ said that about ten per cent of the already extremely large financial resources directed to the stricken and backward western regions has gone down the drains of inefficiency and embezzlement.

An important part of economic reform in China is the restructuring of State Owned Enterprises (SOE), and the introduction of employee ownership into the reform of ownership in township and village enterprises. Stock based employee ownership, however, is seen as an innovation necessary for that restructuring, and has had little support from the central government not only for ideological reasons, but also for an ingrained belief in the factory manager system and in the idea that greater efficiency can be achieved without redesigning ownership. Stock based employee ownership has, therefore, grown most prolifically at provincial and, in particular, local levels. Rules governing employee ownership conflict with State Council laws and policies, but they carry on anyway, a fact only made possible by administrative decentralization. That has meant that provincial and local governments have become, in effect, the owners of the SOE in their jurisdictions. Since it is a socialist given that every citizen is a part owner of state owned enterprises, the central government is the single owner of all SOE and, perhaps, of the whole economy. Since that cannot be realized practically, the provincial and local governments continue to have SOE as their major source of revenue, thus making China, economically, a federation.

Unfortunately for many village employees and workers themselves, though, the role of their 'ownership' in the ownership restructuring benefits them little, because ordinary employees either get no shares (they all go to managers and government officials), or the distribution of shares is a matter of their position in the company, or they relinquish control of their shares to their managers. The result is the control of the local economy by what amounts to a new local economic aristocracy.

Unit – 4 □ Neo-Marxist Theory of Local Governance

Structure

- 4.1 A Brief Statement of History Behind the Rise of Neo-Marxist Theory**
- 4.2 Neo-Marxism**
- 4.3 Reference**
- 4.4 Exercises**

4.1 A Brief Statement of History Behind the Rise of Neo-Marxist Theory

The 1917 October Revolution, led by Vladimir Lenin, was the first large scale attempt to put Marxist ideas about a workers' state into practice. The new government faced counter-revolution, civil war and foreign intervention. Worry was that the revolution came too early in Russia's economic development. Consequently, the major Socialist Party in the UK described the revolution as anti-Marxist within twenty-four hours. Socialist revolution in Germany and other western countries failed, leaving the Soviet Union on its own. An intense period of debate and stopgap solutions ensued, war communism and the New Economic Policy (NEP). Lenin died and Joseph Stalin gradually assumed control, eliminating rivals and consolidating power as the Soviet Union faced the horrible challenges of the 1930s and its global crisis-tendencies.

Modern followers of Leon Trotsky maintain that as predicted by Lenin, Trotsky, and others already in the 1920s, Stalin's "socialism in one country" was unable to maintain itself, and according to some Marxist critics, the USSR ceased to show the characteristics of a socialist state long before its formal dissolution.

Following World War II, Marxist ideology, with a rise in revolutionary communist parties all over the world were eventually able to gain power, and establish their own version of a Marxist state. Such nations included the People's Republic of China, Vietnam, Romania, East Germany, Albania, Cambodia, Ethiopia, South Yemen, Yugoslavia, Cuba, and others. In some cases, these nations did not get along. The most notable examples were rifts that occurred between the Soviet Union and China, as well as Soviet Union and Yugoslavia (in 1948), whose leaders disagreed on certain elements of Marxism and how it should be implemented into society.

Many of these self-proclaimed Marxist nations eventually became authoritarian states, with stagnating economies. This caused some debate about whether or not these nations

were in fact led by "true Marxists". Critics of Marxism speculated that perhaps Marxist ideology itself was to blame for the nations' various problems.

The Chinese experience seems to be unique. Rather than falling under a single family's self-serving and dynastic interpretation of Marxism as happened in North Korea and before 1989 in Eastern Europe, the Chinese government - after the end of the struggles over the Mao legacy in 1980 and the ascent of Deng Xiaoping - seems to have solved the succession crises that have plagued self-proclaimed Leninist governments since the death of Lenin himself. Key to this success is another Leninism which is a NEP (New Economic Policy) writ very large; Lenin's own NEP of the 1920s was the "permission" given to markets including speculation to operate by the Party which retained final control. The Russian experience in Perestroika was that markets under socialism were so opaque as to be both inefficient and corrupt but especially after China's application to join the WTO this does not seem to apply universally.

The death of "Marxism" in China has been prematurely announced but since the Hong Kong handover in 1997, the Beijing leadership has clearly retained final say over both commercial and political affairs.

In 1991 the Soviet Union collapsed and the new Russian state ceased to identify itself with Marxism. Other nations around the world followed suit. Since then, radical Marxism or Communism has generally ceased to be a prominent political force in global politics, and has largely been replaced by more moderate versions of democratic socialism—or, more commonly, by aggressively neo-liberal capitalism. Marxism has also had to engage with the rise in the Environmental movement. A merging of Marxism, socialism, ecology and environmentalism has been achieved, and is often referred to as Eco-socialism.

Since Marx's death in 1883, various groups around the world have appealed to Marxism as the theoretical basis for their politics and policies, which have often proved to be dramatically different and conflicting. One of the first major political splits occurred between the advocates of 'reformism', who argued that the transition to socialism could occur within existing bourgeois parliamentary frameworks, and communists, who argued that the transition to a socialist society required a revolution and the dissolution of the capitalist state. The 'reformist' tendency, later known as social democracy, came to be dominant in most of the parties affiliated to the Second International and these parties supported their own governments in the First World War. This issue caused the communists to break away, forming their own parties which became members of the Third International.

The following countries had governments at some point in the twentieth century who at least nominally adhered to Marxism: Albania, Afghanistan, Angola, Bulgaria, Chile, China, Cuba, Czechoslovakia, East Germany, Ethiopia, Hungary, Laos, Moldova, Mongolia, Mozambique, Nicaragua, North Korea, Poland, Romania, Russia, the USSR

and its republics, South Yemen, Yugoslavia, Vietnam. In addition, the Indian states of Kerala and West Bengal have had Marxist governments.

Marxist political parties and movements have significantly declined since the fall of the Soviet Union, with some exceptions, perhaps most notably Nepal.

4.2 Neo-Marxism

Neo-Marxism is a school of Marxism began in the 20th century. It rejected economic determinism being instead far more libertarian. Neo-Marxism adds Max Weber's broader understanding of social inequality, such as status and power, to orthodox Marxist thought.

The Frankfurt School is a school of neo-Marxist social theory emerged in Germany. One of the most controversial schools of development economics in the 1960s and 1970s focused on neo-Marxist theory. Neo-Marxist schools of development economics in the 1960s and 1970s argued that Marx did not have sufficient information to develop a theory dealing with underdevelopment.

Neo-Marxist economists accepted Marxist philosophy in principle but argued that it had to be modified if it was to be applicable to developing countries. They argued that Marx did not have sufficient information to develop a theory dealing with underdevelopment. Neo-Marxists made important theoretical departures from orthodox Marxist doctrine.

Neo-Marxists broadened the scope of orthodox Marxist doctrine by looking at exploitation among nations. Marx's doctrine of surplus value stated that the worker was being robbed by the capitalist class. The worker received only a fraction of the value of the product which his labor produced. The difference was expropriated by the capitalists - the private owners of the factories and the machines. The neo-Marxists gave this theory an international dimension based on the behavior of nations. Hence they concluded that industrialized countries historically extracted surplus value from developing countries. Specifically, they argued that developed countries paid very low prices for the primary products imported from developing countries, transformed them into finished products and sold them back to developing countries at very high prices. This resulted in chronic poverty and misery in developing countries. This framework became the basis for the massive economic changes that occurred in Latin America after the onset of the debt crisis in the early 1980s and for the equally profound transformation of socialist economies after the fall of the Soviet Union.

The Frankfurt School stresses on consciousness, ideology, culture, and socialization highlights the importance of transforming individuals and societies through change of consciousness, culture, and the institutions of everyday life such as education.

The Neo-Marxists are correct in singling out large-scale economic changes, driven by

the accumulation dynamic, as the force over which local elites have the least control. Local growth entrepreneurs have to adapt to the structural economic imperatives created by big capital investors around the world who have no interest one way or another in what their investments do to any given city or region. However, the Marxists continue to miss the point of growth-coalition theory:

Nevertheless, within the local realm, the growth elites are hegemonic. In both ideological and structural terms, their dominance over the development process is felt across a wide array of political, economic, and cultural institutions.

It is widely believed that Communism died with the fall of the Soviet Union. But the world's most populous country — The People's Republic of China — is yet ruled by Communists. North Korea, Vietnam, Cambodia, Laos, Cuba, Angola, Zimbabwe, Congo, and Namibia also have Communist governments. South Africa's new president, Thabo Mbeki, is a Communist. Neo-Marxist politicians remain dominant in many former Soviet republics, from Lukashenko in Belarus to Shevardnadze in Georgia

Chinese leadership sees the transition from a planned to a market economy and the country's recent accession to the WTO as the important context. China is often seen as a special case given its unique historical and ideological background. Before opening to the west in late 1970's, China was a country with a long history and rich traditions, painful colonial experiences of imperialist aggression, and a decade of total isolation during the Cultural Revolution and three subsequent decades when links were limited to the Soviet Union and the Third World. Neo-Marxists argue that the world order is dominated by the rule of capital, which has become global today. Because global financial flows are so large, governments rely increasingly on foreign capital to finance economic growth. One way to attract foreign capital is to provide a ready supply of skilled labor by increasing the average level of education in the labor force.

Another important variable in attracting foreign capital is reduced public spending and the relative expansion of private sector investment. Thus, globalized capital pushes for more and better education while simultaneously arguing for lower public spending to achieve it. China has massive Foreign Direct Investment (FDI) inflows, second only to US in the world starting from 1924. International capital flows play a vital role in stimulating the development of Chinese economy. As a result, the reliance on foreign capital may pressure the Chinese government into the reform strategies described by neo-Marxist theorists.

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4.4 Exercises

I. Long Answer based Questions

- What Makes devolution of political power down to the grassroots level in new form in modern societies?
- What is development economics?
- Discuss critically the political economy of local power based governments.
- How Global neo-liberalism is functioning?
- 'Neo-liberalism is the newest expression of global capitalist expansion'- Explain with justification.
- Write an essay on Neo-liberal policies since 1970s.
- What led to the downsizing of the government since 1970s?
- Write a note on the factors that influenced the neo-liberal transformation.
- Write a note on the basic principles of Marxist view on local governance.
- Write a note on the structure of local government in the USSR in communist and post communist era.
- Write a note on the structure of local government in the People's Republic of China.

II. Medium Answer based Questions

- What are the purposes of the local government studies?
- What is decentralization? Why is it necessary?
- How classical or neo-classical economics explain development ?
- How classical or neo-classical development economics differ from Marxist interpretation?
- Why liberalism suggests that power structures at the local level are to be differently understood?

- e. What is growth-coalition hypothesis?
- f. How land-based growth elites and national-level corporate capitalists may be distinguished?
- g. Explain elite dominance in democracy.
- h. What are the effects of creation of local power structure?
- i. How the neo-liberal transformation has been made effective in the developing world?
- j. What are the impacts of the neo-liberal transformation in the developing world?
- k. What factors led to the rise of Neo-Marxism?

III. Short Answer based Questions

- a. What is fiscal federalism?
- b. What are the main preconditions for the success of decentralization?
- c. Why local government is to be studied in a contextual way?
- d. What are the significant sources for the evolution of the liberal theory of local government.
- e. What are the principles of Liberalism?
- f. What is Communitarian theories of democracy?
- g. Why Marxist theory fails at the local level ?
- h. Who has led the neo-liberal transformation in the developing world?
- i. 'Social democracy will rapidly lose its meaning and purpose'. Do you agree? Justify your answer.
- j. What are the main differences between Marxist and Neo-Marxist school of thought in relation to local government theory?

MODULE - II
COMPARATIVE LOCAL GOVERNMENT

COMPARATIVE LOCAL GOVERNMENT
MODULE - II

Unit – 1 □ Local Government in Britain

Structure

- 1.1 Introduction**
 - 1.1.1 Unitary States**
 - 1.1.2 Federal System**
- 1.2 Local Government in The United Kingdom**
- 1.3 History of Local Government in the United Kingdom**
- 1.4 Structure of Local Government in England**
 - 1.4.1 Elections in England and Wales**
 - 1.4.2 Elections in Scotland and Northern Ireland**
 - 1.4.3 Parishes and Communities**
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- 1.5 Role of the Councils and Councillors in England**
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- 1.7 References**

1.1 Introduction

The institutional structure and regulatory framework of local governments must provide an enabling environment for efficiency, integrity and participation. Many decentralization initiatives are being built upon local institutional structures that were conceived under a centralized environment and create the wrong incentives. These structures typically provide a high level of discretion to elected officials and government officials.

Reform minded local governments have taken the initiative to define administrative structures that establish the right incentives for local service provision. The most visible

action is to disincorporate revenue earning and regulatory entities away from political influence. For example, the creation of municipal planning institutes (MPIs) in Brazil (Curitiba) and later in Mexico (Ciudad Juarez) have had a profound and positive influence on land use planning which tends to be one of the highest rent seeking nodes within municipal administration. Professional staff, less likely to seek rents from the public and to political pressures, are appointed to key urban planning positions.

The most promising reform to the structure of local government is the decentralization of revenue collection and definition of expenditures to the neighborhood level. By passing funds to the community through neighborhood associations the municipality empowers the local community to monitor and assure impact from municipal expenditures. Checks and balances may be established to avoid and limit corruption, placing the burden of integrity on the neighbors themselves. This practice may be successfully used in slum upgrading initiatives where the poorest urban dwellers have a high stake in having public works produced efficiently.

Types¹ of local government vary according to the nature of National political systems.

1.1.1 Unitary States

In unitary nation-states including Belgium, Bulgaria, France, Great Britain, The Netherlands, Japan, Poland, Romania, the Scandinavian countries, Spain, and many of the Latin-American and African countries there are great differences, specifically in the institutions and procedures through which their central governments interact with their territorial subunits.

In one type of unitary system, decentralization of power among sub-national governments in practice often resembles federal arrangements although not in constitutional principle. In Great Britain, for example, there are important elements of regional autonomy in the relationship between Northern Ireland, Wales, and Scotland and the national government in London; the complex system of elected local governments, is in practice a fixed and fairly formidable part of the apparatus of British government, although in constitutional theory they are subject to abrogation by Parliament.

In other unitary systems of this type, decentralization on a territorial basis is actually ensured constitutionally, and the powers of locally elected officials are enumerated in detail. Thus, the Japanese constitution, for example, specifies certain autonomous functions to be performed by local administrative authorities.

Some unitary systems make substantially less space for territorial decentralization of authority and employ rather strict procedures for the central supervision of locally elected governments. The classic example of this type is France. A few unitary systems provide for decentralization by name only. In such cases, the officials responsible for managing the affairs of the territorial subdivisions are appointees of the central

government, and the role of locally elected officers is either minimal or nonexistent. Examples of this kind of arrangement include Germany under Adolf Hitler and also several formerly Communist countries. The Third Reich was divided into 42 Gaue. Each was headed by a gauleiter chosen for his personal loyalty to Hitler. In eastern Europe, the people's councils or people's committees were named by the centrally organized Communist parties.

1.1.2 Federal Systems

In federal systems, constitutionally political authority is distributed between two autonomous sets of governments, one national and the other state/regional; both operate directly in relation to the people. The national government exercises authority over the whole national territory and provincial governments exercise independent authority within their own territories. Argentina, Australia, Brazil, Canada, India, Russia, the United States, Austria, Germany, Malaysia, Mexico, Nigeria, Switzerland, and Venezuela have federal form of governments with some variation in their federal governmental structures and political processes. In Switzerland federal arrangements reflect rather clear-cut cultural divisions. In Switzerland the people speak four different languages—German, French, Italian, and Roman—and the federal system unites 26 historically and culturally different entities, known as cantons and demicantons. The Swiss confederation originally was formed in the 13th century. By constitution of 1848, as modified in 1874, Switzerland was converted into the modern federal state. The principal agencies of federal government are a bicameral legislature, composed of a National Council representing the people directly and a Council of States representing the constituent members as entities. Its executive branch (Bundesrat) is elected by both houses of the legislature in joint session. Its supreme court renders decisions on matters affecting cantonal and federal relations. The Russian Federation's arrangements are of a markedly different kind, though it also reflects the cultural and linguistic diversity of the country. Ethnic minorities have their own autonomous republic, province, or district. These divisions provide varying degrees of autonomy in setting local policies and provide a basis for the preservation of the minorities' cultures. The national government consists of the executive branch, led by the nationally elected president, the parliament and a judicial branch that resolves constitutional matters.

In the United States, federal arrangements are found in conjunction with a large measure of cultural homogeneity. The Constitution of the United States delegates to the federal government certain activities that concern the whole people, such as the conduct of foreign relations and war and the regulation of interstate commerce and foreign trade; certain other functions are shared between the federal government and the states; and the residual powers are reserved for the states. Two separate bodies of political officers, two judicial systems, and two systems of taxation make this federal system workable. They

also allow extensive interaction between the federal government and the states. Thus, the election of Congress and the president, the process of amending the Constitution, the levying of taxes, and innumerable other functions necessitate cooperation between the two levels of government and bind them into a tightly interlocking relationship.

1.2 Local Government in The United Kingdom

There is no single system of local government in the United Kingdom. The United Kingdom is made up of constituent countries, England, Scotland, Wales and Northern Ireland. Each has a different system of local government. They each use a pattern of unitary authorities, meaning there is a single tier of local government. There are 32 council areas in Scotland, 22 counties and county boroughs in Wales, and 26 districts in Northern Ireland.

The Scottish Parliament and Scottish Executive, the National Assembly for Wales and Welsh Assembly Government, and the Northern Ireland Assembly and Northern Ireland Executive respectively. These bodies are part of the national, rather than local, tier of government in the UK.

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1.3 History of Local Government in the United Kingdom

Local government in a recognisably modern form emerged during the late 19th century. Most importantly, the Local Government Act 1888 created county councils and county boroughs across England and Wales. In 1889, this was extended to Scotland and by 1898 to Ireland.

Further reforms in the 1890s divided counties in England, Wales and Ireland into various lower-tier districts, including rural districts, urban districts, municipal boroughs, and in the County of London, metropolitan boroughs.

The first major reform took place in 1965 when Greater London was created with a new Greater London Council replacing the old London County Council.

Another large scale reform took place in 1974, by the Local Government Act 1972. This abolished county boroughs and created a uniform two-tier system everywhere. In England it created Metropolitan and non-metropolitan counties, which were sub-divided into non-metropolitan and metropolitan districts, and merged some smaller counties such as Rutland (into Leicestershire), Herefordshire and Worcestershire (into Hereford and Worcester). A number of new counties were created including Avon, Humberside and Cleveland. Several of the new counties created were called metropolitan counties which had a different division of powers between county and district councils. In Wales the Act created a set of entirely new counties for local government purposes.

In 1975 Scotland's counties were abolished and replaced with two-tier Regions and districts. From 1974 (1975 in Scotland) to 1986, the whole of England, Scotland and Wales had a two-tier system, with district councils and county (or in Scotland, regional) councils.

This was changed in 1986 by the abolition of metropolitan county councils and the Greater London Council. A local government reform took place in the 1990s, which was instituted by the then Conservative Major government. Scotland and Wales moved to a fully unitary system in 1996, whilst expansion of unitary government in England happened haphazardly, leaving parts of the country unitary, and other parts two-tier — a system similar to that which prevailed between 1890 and 1974 in the whole of Great Britain. Unitary local government was inserted as a precondition for the introduction of any elected Regional Assemblies under the Labour government's former plans to introduce such bodies prior to the rejection by referendum in North East in November 2004.

The system in Northern Ireland dates from 1973; before then a system was used identical to that used on the mainland before 1974. Its 26 district councils are mainly responsible for environmental services, with education and social services being provided at the provincial level through area boards run from the various civil service departments.

1.4 Structure of Local Government in England

The pattern of local government in England is more complex. Unlike the other three constituent countries England has no separate governing body for the whole of it other than that of the Government of the United Kingdom. It is subdivided into nine regions. One of these, London, has an elected Assembly and Mayor, but the others have a relatively minor role, with unelected regional assemblies and Regional Development Agencies.

Excluding Greater London, England has two different patterns of local government in use. In some areas, there is a county council responsible for some services within a county, with several district councils responsible for other services. County councils are called 'X County Council', whereas district councils can be 'District Council', 'Borough Council', or 'City Council' depending upon the status of the district. These councils are elected in separate elections.

Some areas have only one level of local government, and these are replicas of unitary authorities of the centre. Unitary authorities may be called County Councils, Metropolitan Borough Councils, Borough Councils, City Councils, District Councils, or sometimes, mere Councils, their role and authority remaining the same. Overall responsibility for issues such as transport in Greater London is vested in the Greater London Authority. London is then divided into 32 London boroughs and the City of London, which have powers between a normal district and a unitary authority.

1.4.1 Elections in England and Wales

The area which a council covers is divided into one or more electoral divisions. In district councils they are known as 'wards', and in county councils as 'electoral divisions'. The term of a councillor is usually four years. Councils may be elected wholly (Welsh councils), every four years, or 'by thirds', where a third of the councillors get elected each year, with one year with no elections. Recently the 'by halves' system, whereby half of the council is elected every two years, has been allowed.

1.4.2 Elections in Scotland and Northern Ireland

In Scotland, the Labour-Liberal Democrat Scottish Executive coalition agreed to introduce the single transferable vote for local government elections from 2007 onwards as part of its programme for government for the 2003-2007 session of the Scottish Parliament. Proportional representation for local government was a long-standing objective of the Liberal Democrats, and the party made it a non-negotiable condition of their signing up to a second coalition with Labour. Legal effect was given to the parties' agreed policy by the Local Governance (Scotland) Act 2004. Wards will elect three or four members each, and elections will continue to take place on the same day. Elections take place every four years, the same year as the elections to the Scottish Parliament. This recently replaced a three-year cycle. The last elections took place in 2003 and the next elections are due in 2007.

In Northern Ireland, local elections also use single transferable vote, with several multi-member electoral areas in each district. As in Scotland, elections take place for the whole council every four years. The last elections took place in 2005, and the next elections are due in 2009.

1.4.3 Parishes and Communities

Below the district level, a district may be divided into several civil parishes. In Wales and Scotland parishes are known as 'communities'. Collectively these are known as 'local councils'.

Local councils have various local responsibilities. Typical activities undertaken by a parish council include allotments, parks, public clocks. They also have a consultative role in planning.

Local councils tend not to exist in metropolitan areas but there is nothing to stop their establishment.

Sizes of council areas vary widely. The most populated unitary authority area in England is Birmingham (a metropolitan borough) with 977,087 people (2001 census), and the least populated non-metropolitan unitary area is Rutland with 34,563. However, these are outliers, and most English unitary authorities have a population in the range 150,000 to 300,000.

The smallest non-unitary district in England is Teesdale at 24,457 people and the largest Northampton at 194,458. All but 9 non-unitary English districts have less than 150,000, though.

In Great Britain, councils have a general power to change the name of the district, and consequently their own name. In England and Wales this is exercised under section 74 of the Local Government Act 1972. Such a resolution must have two thirds of the votes at a meeting convened for the purpose.

1.4.4 Boroughs

The boroughs are in many cases descendants of boroughs set up hundreds of years ago, and so have accreted a number of traditions and ceremonial functions.

In borough councils there is often no directly-elected mayor; the chair of the council is the mayor. In certain cities the mayor is known as the Lord Mayor. Councils may make people honorary freemen or honorary aldermen.

1.4 Role of the Councils and Councillors in England

Councils perform both executive and legislative functions. Functions are in actual exercised by important committees or subcommittees of the council in most of the cases under the chairmanship of the leaders committees. The chair of the council itself however is an honorary position with no real power or special authority.

In 2000 Parliament passed the Local Government Act 2000 to require councils to move to an executive-based system, either with the council leader and a cabinet acting

as an executive authority, or with a directly-elected mayor, either with a mayor and cabinet drawn from the councillors; or a mayor and council manager. There is a small exception to this whereby smaller district councils (population of less than 80,000) can adopt a modified committee system.

Most councils are using the council leader and cabinet option, whilst 52 smaller councils have been allowed to propose alternative arrangements based on the older system (Section 31 of the Act), and Brighton and Hove invoked a similar provision (Section 27(2)(b)) when a referendum to move to a directly-elected mayor was defeated.

1.5.1 Local Government Officers

Councillors have to the work of the council themselves, and so are responsible for appointment and supervision of the work of the officers, who are delegated to perform most tasks. Local authorities nowadays have to appoint a 'Chief Executive Officer', with overall responsibility for council employees, and who operates in conjunction with department heads. In some areas, much of the work previously undertaken directly by council employees has been privatized.

1.5.2 Functions and Powers of the Councils

Districts are responsible for leisure, environmental health, housing — including the provision of social housing and housing benefit, rubbish collection, and local roads. Counties are responsible for more strategic services such as education, libraries, main roads, social services, trading standards and transport. Unitary authorities exercise all these functions.

Councils also have a general responsibility to promote economic, social and environmental well-being of their area, as approved by common law or an Act of Parliament. Councils may propose bills to effect Local Acts in Parliament to grant them special powers.

1.5.3 Joint-Boards

Local authorities sometimes provide services on a joint basis with other authorities, through bodies known as joint-boards. Joint-boards are not directly elected but are made up of councillors appointed from the authorities which are covered by the service.

Typically joint-boards are created to avoid splitting up certain services when unitary authorities are created, or a county or regional council is abolished.

If several authorities are considered too small (either in terms of geographic size or population) to run a service effectively by themselves, joint-boards are established. Typical services run by joint-boards include policing, fire services, public transport and sometimes waste disposal authorities.

If a county is too small to justify its own police force, a joint police force is used which covers several counties, for example the West Mercia Constabulary covers Shropshire, Telford and Wrekin, Herefordshire and Worcestershire.

Joint-boards were used extensively in Greater London when the Greater London Council was abolished, to avoid splitting up some London wide services. These functions have now been taken over by the Greater London Authority.

Similar arrangements exist in Berkshire where the county council was abolished, and in some former Scottish regions such as Strathclyde, where the regional councils have been abolished.

If a joint body is legally required to exist it is known as a joint-board. However local authorities sometimes create joint bodies voluntarily and these are known as joint-committees^[2].

1.5.4 Corporation of London

The City of London covers a square mile (2.6 km²) in the heart of London. It is governed by the Corporation of London, which has a unique structure. The Corporation has been broadly untouched by local government reforms and democratisation.

1.5.5 Funding

Local councils are funded by a combination of central government grants, Council Tax (a locally set tax based on house value), Business Rates, and fees and charges from certain services including decriminalised parking enforcement. The proportion of revenue that comes from Council Tax is low, meaning that if a council wishes to increase its funding modestly, it has to put up Council Tax by a large amount. Central government retains the right to 'cap' Council Tax if it deems it to be too much. This is an area of debate in British politics at the moment, with councils and central government blaming each other for council tax rises.

Council Tax is collected by the district-level council. Authorities such as the, parish councils, county councils, passenger transport authorities, fire authorities, police authorities, and national parks authorities can make a precept. This shows up as an independent element on council tax bills, but is collected by the district and funnelled to the precepting authority. Some joint ventures are instead funded by levy.

1.6 Future of Local Government in England

The Government released a Local Government White Paper on October 26, 2006, Strong and Prosperous Communities, which deals with the structure of local

government.^{[3][4][5][6]} The White Paper does not deal with the issues of local government funding or of reform or replacement of the Council Tax, which is awaiting the final report of the Lyons Review.^[7] A Local Government Bill has been introduced in the 2006-2007 session of Parliament.^[8]

The White Paper emphasises the concept of "double devolution", with more powers being granted to councils, and powers being devolved from town halls to community levels. It proposes to reduce the level of central government oversight over local authorities; by removing centrally-set performance targets, and statutory controls of the Secretary of State over parish councils, bye-laws, and electoral arrangements. The White Paper proposes that the existing prohibition on parish councils in Greater London will be abolished, and making new parishes easier to set up. Parish councils can currently be styled parish councils, town councils or city councils: the White Paper proposes that "community council", "neighbourhood council" and "village council" may be used as well.

The White Paper proposes to strengthen the council executives, and provides an option between a directly-elected mayor; a directly-elected executive; or an indirectly elected leader; with a fixed 4-year term.

Various local councils have indicated they will seek unitary authority status.

On January 26, 2007, the government confirmed that 26 proposals for unitary authorities had been received.^[9] Various county councils have proposed they should become unitary authorities: these being Bedfordshire, Cheshire, Cornwall, Cumbria, Durham, North Yorkshire, Northumberland, Shropshire, Somerset and Wiltshire. Districts seeking to become unitary authorities on their own are Bedford, Exeter, Ipswich, Lancaster, Oxford, Preston. Pendle and Burnley have proposed merging as a unitary authority.

On March 27, 2007, the government announced that the proposals by Bedfordshire, Bedford, Cornwall, Cheshire, Cumbria, Durham, Exeter, Ipswich, North Yorkshire, North Yorkshire, Norwich, Shropshire, Somerset and Wiltshire to become unitary authorities would go into the next phase, as would the proposal of Chester for a two-unitary authority Cheshire and by the districts of Northumberland for a two-unitary Northumberland.^[10]

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Unit – 2 □ Local Government in United States of America

Structure

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- 2.2 Structure of American Government**
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 - 2.3.2 Municipal Government**
 - 2.3.3 Special District Governments**
 - 2.3.4 Public Education**
 - 2.3.5 Functional Departments of Local (Municipal) Government**
 - 2.3.6 Functions of Board of Education**
 - 2.3.7 Functions of County Government**
- 2.4 References**

2.1 Introduction

The United States is a federal union of 50 states, with the District of Columbia as the seat of the federal government. The Constitution outlines the structure of the national government and specifies its powers and activities, and defines the relationship between the national government and individual state governments. Power is shared between the national and state governments.

The state governments have the greatest influence over most Americans' daily lives. Each state has its own written constitution, government, and code of laws. There are sometimes great differences in law and procedure between individual states, concerning issues such as property, crime, health, and education. The highest elected official of each state is the Governor. Each state also has an elected legislature (bicameral in every state except Nebraska), whose members represent the voters of the state. Each state maintains its own state court system. In some states, supreme and lower court justices are elected by the people; in others, they are appointed, as they are in the federal system.

Within each state are counties, townships, cities and villages, each of which has its

own elective government. All politics is local and all domestic political issues are local problems. If every local community had adequate housing, good education, plentiful jobs, clean air, fresh water, good recreational facilities, superb hospitals, and no crime, then all domestic problems would be solved. But if most communities have excessive crime rates, homeless people, inadequate job opportunities, lousy educational systems, and foul air, then local problems become national problems. The problems which emerge locally, if can be handled by local government, then not only effective solutions can be sorted out, but also national government can get more time and space to go for broader issues on national and international level.

The institutions that are responsible for local government are typically town, city, or county boards, water management districts, fire management districts, library districts, and other similar governmental units which make laws that affect their particular area. These laws concern issues such as traffic, the sale of alcohol, and keeping animals. The highest elected official of a town or city is usually the mayor. In New England, towns operate in a direct democratic fashion, and in some states, such as Rhode Island and Connecticut, counties have little or no power, existing only as geographic distinctions. In other areas, county governments have more power, such as to collect taxes and maintain law enforcement agencies.

Local communities, in USA simply lack the resources and, often, the jurisdiction to deal with problems that extend beyond their borders, leading to the growth of power of state governments and federal involvement in local and state matters. The traditional, rigid division of power, dual federalism, is not working. There is a need to improve the cooperative federalism approach begun during the 1930s but stopped working during the so-called Reagan Revolution of the 1980s.

Most of America's elected officials represent local communities. However, most locally elected positions are part-time jobs which pay only a minimal salary. Locally elected officials tend to be community leaders prior to their election, come from middle and upper-middle income groups, and belong to locally prominent families. At the local level, the interplay of socio-economic status and politics is most plainly visible. Owners of local businesses, presidents of union locals, vestry persons of local churches, professionals, corporate executives, and wealthy families play a large role in local politics.

Many metropolitan areas form metropolitan regions, megalopolis, or conurbation. The Northeast Metropolitan Region extends from New Hampshire to Virginia. Metropolitan Areas and Regions do not respect State boundaries. The New York Metropolitan Area includes New York City, surrounding counties in New York State, southern Connecticut, and northern New Jersey. More than 1000 local governments, often with overlapping jurisdiction, attempt to govern this metropolitan area.

American local government is often criticized as antiquated, ineffectual, and wasteful. Nonetheless, local home rule sentiment is strong.

Special districts are one method of supplementing local multi-purpose governments: special water district, sewage district, etc.

School districts are a very common type of special district. Elected school boards supervise the management of local schools from kindergarten through twelfth grade. Grammar schools, middle schools, high schools (9th to 12th). In some States, community colleges are under the jurisdiction of elected school districts. This is not the case only in New Jersey.

2.2 Structure of American Government

Local government of the United States refers to the governments at the city, town, village, or civil township level in the United States of America. In the more general sense, local government also refers to state government, regional government, and county government.

Local and County Governments are created by the State.

National (Central or Federal) Government

50 State Governments

3000+ County Governments

Townships

Municipalities

School Districts

2.3 Special Districts and Authorities

Each state constitution provides for the establishment of local governmental entities. In all states, these local entities include counties and cities, but most states also provide for other types of local government, including wards, school districts, conservation districts, townships, and transportation authorities. These special types of local government have regulatory, administrative, or taxing authority as defined in the state constitution or in state law.

In the United States, cities are municipal corporations with such autonomy as the government of the state confers upon them (general law city) or which the state permits

the city to confer upon itself (charter city). In most states, cities (most of which are charter cities) are located within one or more counties but they are not answerable to county government (which is simply an administrative organ of state government); nor to township government (which is simply an administrative division of the county). In the Commonwealth of Virginia, however, all cities are "independent cities" - which means they relate and report to the commonwealth (state) government as if they were a county unto themselves; outside of Virginia, Baltimore, Maryland and St. Louis, Missouri are also independent cities and de facto counties.

Certain cities are metropolitan municipalities - they have consolidated city and county governments, making them simultaneously municipal corporations subject to the sovereignty of the state, and administrative divisions which exercise the sovereignty of the state. Well-known metropolitan municipalities in the United States include San Francisco, Denver, Philadelphia, Louisville, Kentucky, and New York City. New York, in particular, is co-extensive with five counties.

There are over 500,000 elected officials in the United States. Of these, fewer than 8,500 are at the national and state level. The rest are local government officials—city council members, school board members, mayors, sheriffs, and an array of other individuals who serve in various capacities.

2.3.1 County Government

Counties are the basic territorial division within a state and range in size from under 100 square kilometers to over 200,000 square kilometers. In 48 states, counties are also the primary governing entity below the state government (counties in Connecticut and Rhode Island do not have governmental functions).

Major functions of county governments include recordkeeping (births, deaths, land transfers, etc.), administration of elections (including voter registration), construction and maintenance of local and rural roads, zoning, building code enforcement, and law enforcement (especially in rural areas). Some counties also share responsibility with the state for providing social benefits for low-income residents, monitoring and enforcing environmental regulations and building codes, overseeing child welfare, and performing judicial functions. In some states, counties are the geographic units for public school districts, but schools usually have a separate administrative structure.

Counties are run by popularly elected officials. There is typically a board of supervisors or a county commission which sets policy and often exercises executive functions as well. Other elected county positions may include sheriff, judge, justice of the peace, medical examiner, comptroller, assessor, or prosecutor, among others. In addition to these elected officials, many counties have a professional administrator, who is hired to manage the county government's overall operations.

2.3.2 Municipal Government

Municipalities are incorporated cities, towns, or villages within or independent of a county having their own governing and taxing authority. They range in size from small towns with fewer than 100 residents to large metropolises spanning several counties (such as New York City).

Municipal government responsibilities include public safety, maintenance of city streets, parks and recreation, wastewater treatment, trash removal, zoning and building code enforcement, fire and rescue services, animal control, public transportation, and other essential services. Larger cities may also provide assisted housing, operate public hospitals, and administer social welfare programs funded by the city, the state, or the federal government. Many cities also own or regulate public utilities such as water, electric power, natural gas, and telecommunications.

Cities and towns are governed by elected officials. These officials usually include a mayor and a city council who make decisions and set policy. The mayor, who may or may not have a seat on the council, is the head of the municipal government and is responsible for overseeing day-to-day administrative functions. Some cities have adopted the city manager form of government, where the city council hires a professional manager to run the operations of the city. A city manager is the chief administrative officer of the city and, though not elected, reports directly to the elected city council or mayor.

2.3.3 Special District Governments

According to the U.S. Census Bureau, over one-third of all governmental entities in the United States are so-called special district governments. Special district governments operate independently of other local governments and are usually established to serve a specific purpose within a specific geographic region. Examples include:

- Water and natural resource conservation;
- Fire prevention;
- Water supply;
- Emergency services;
- Transportation.

Leaders of these governmental entities may be elected or appointed. Powers of special district governments vary widely, but many have significant regulatory and taxing authority. Their activities are commonly funded by a special sales tax or property tax collected within their area of jurisdiction, or by fees charged to users of their services.

2.3.4 Public Education

Public education through grade 12 is available at no charge to virtually every school-

age resident. Each state's constitution or public laws provide for the manner by which public education is to be administered and funded. In most cases, school districts are established with a popularly elected school board or board of trustees. These boards create budgets, set policy, and hire the administrators who run the schools. School districts do not necessarily coincide with other political boundaries, though often they serve a specific city or county. In most states, public education is funded by taxes assessed on personal and business property, and state governments may provide additional funding from general state revenues or dedicated revenues from state lotteries. State governments are responsible for setting education standards and general policies within the state, but implementation is left to the local school boards.

They are administrative subdivisions of the State with limited powers of local self-government. Whatever local governments do must be specifically authorized by the State Constitution and/or State Statute. The existing pattern of local governments derives from our rural past. It no longer has any relevance to contemporary population patterns.

Property Tax pays for most of local government, local schools, and county government

2.3.5 Functional Departments of Local (Municipal) Government

Police Department
Fire Department
Public Works Department
Parks and Recreation Department
Department of Social Services
Public Library
Municipal (local) Court
Zoning Board
Planning Commission
Senior Citizen Housing Authority
Public Housing Authority
Pool Utility
Volunteer Rescue Squad

2.3.6 Functions of Board of Education

Runs public elementary and secondary education at the local level under the supervision of the State Department of Education.

County Super-intendant of Schools is a State official.

Budget for the schools must be approved by the voters in a local referendum. If rejected, State can impose a budget.

2.3.7 Functions of County Government

- County Roads
- County Parks
- County Welfare
- County Courts (judges appointed by state)
- County Jail
- County Sheriff (elected)
- County Prosecutor (state appointed)
- Public Defender
- County Hospital
- County College
- County Clerk (licensing and registration)
- County Superintendent of Schools (state appointed)
- County Board of Elections
- County government is both a unit of local self government and a legal subdivision of the State. In effect the County seat duplicates many of the services available in the State capital. County is an administrative arm of the State Government.

Board of Chosen Freeholders holds the legislative power. Union County has nine freeholders, elected at-large, for three-year staggered terms. Freeholders elect their own chairman. Freeholders hire a county manager who is a professional. Only counties have this form.

Essex County has an elected county executive (like a strong mayor) and a Board of Chosen Freeholders.

Local government entities in New York State have home rule authority granted them by the state legislature. This gives them considerable authority, and makes local governments in NYS important.

New York is divided into 62 counties and each of these is then broken further into local government units. Outside of NYC, the counties are divided into towns. Each town varies in size and population considerably. In Southwest NY the average size town is about 35-40 square miles. Each town is governed by a board and a supervisor all of whom are elected.

Inside of towns can be a village, though not every town has an incorporated village within its limits. The village is similarly run by a council and mayor, all of whom are elected.

Cities are stand alone units of government, not considered to be part of a town. A city is governed by a council and mayor, all of whom are elected.

The numbers of council/board members varies by locality. The terms can also vary.

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Unit – 3 □ Local Government in The Federal Republic of Germany

Structure

- 3.1 Introduction**
- 3.2 Historical Context Behind the Establishment of German Local Government**
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3.1 Introduction

Federal Republic of Germany is a country in West-central Europe. It is bordered on the north by the North Sea, Denmark, and the Baltic Sea; on the east by Poland and the Czech Republic; on the south by Austria and Switzerland; and on the west by France, Luxembourg, Belgium, and the Netherlands.

Germany is a parliamentary federal republic of sixteen states. The capital city and seat of government is Berlin. As a nation-state, the country was unified amidst the Franco-Prussian War in 1871. After its defeat in World War II Germany was divided, and it became reunified in 1990. It is a founding member of the European Union, and with over 82 million people it has the largest population among the EU member states.^[1]

The Federal Republic of Germany is a modern great power, a member state of the United Nations, NATO, the G8, the G4 nations and ranks fourth worldwide in defence spending.^{2,3} Germany is the world's third largest economy by nominal GDP, the world's largest exporter of goods, and the world's second largest importer of goods.^[4] In 2007 it held the rotating presidencies of both the European Council and the G8 summits.

3.2 Historical Context Behind The Establishment of German Local Government

Early Germanic history is known very little only through their recorded interactions with the Roman Empire. The origin of the Germanic tribes is assumed to have occurred during the Nordic Bronze Age, or at the latest, during the Pre-Roman Iron Age. From southern Scandinavia and northern Germany, the tribes began expanding to south, east and west in the 1st century BC. They came into contact with the Celtic tribes of Gaul as well as Iranian, Baltic, and Slavic tribes in Eastern Europe. Germanic tribes in 50 AD did not include most of Scandinavia.

Under Augustus, the Roman General Publius Quinctilius Varus began to invade Germania (a term used by the Romans running roughly from the Rhine to the Urals), and it was in this period that the Germanic tribes became familiar with Roman tactics of warfare while maintaining their tribal identity. In AD 9, three led by Varus were defeated by the Cheruscan leader Arminius in the Battle of the Teutoburg Forest. Modern Germany, as far as the Rhine and the Danube, thus remained outside the Roman Empire. By AD 100, the time of Tacitus' *Germania*, Germanic tribes settled along the Rhine and the Danube (the Limes Germanicus), occupying most of the area of modern Germany. The 3rd century saw the emergence of a number of large West Germanic tribes: Alamanni, Franks, Chatti, Saxons, Frisians, Sicambri, and Thuringii. Around 260, the Germanic peoples broke through the Limes and the Danube frontier into Roman-controlled lands.^[1]

The medieval empire stemmed from a division of the Carolingian Empire in 843, which was founded by Charlemagne on 25 December 800, and existed in varying forms until 1806. Its territory stretched from the Eider River in the north to the Mediterranean coast in the south. It was officially called the Holy Roman Empire of the German Nation. Under the reign of the Ottonian emperors (919–1024), the duchies of Lorraine, Saxony, Franconia, Swabia, Thuringia, and Bavaria were consolidated, and the German king was crowned Holy Roman Emperor of these regions in 962. Under the reign of the Salian emperors (1024–1125), the Holy Roman Empire absorbed northern Italy and Burgundy, although the emperors lost power through the Investiture Controversy. Under the Hohenstaufen emperors (1138–1254), the German princes increased their influence further south and east into territories inhabited by Slavs. Northern German towns grew prosperous as members of the Hanseatic League.

The edict of the Golden Bull in 1356 provided the basic constitution of the empire that lasted until its dissolution. It codified the election of the emperor by seven prince-electors who ruled some of the most powerful principalities and archbishoprics. Beginning in the 15th century, the emperors were elected nearly exclusively from the Habsburg dynasty of Austria.

The monk Martin Luther wrote his 95 Theses questioning the Roman Catholic Church in 1517, thereby sparking the Protestant Reformation. A separate Lutheran church was acknowledged as the newly sanctioned religion in many German states after 1530. Religious conflict led to the Thirty Years' War (1618–1648), which devastated German lands. The Peace of Westphalia (1648) ended religious warfare among the German states, but the empire was *de facto* divided into numerous independent principalities. From 1740 onwards, the dualism between the Austrian Habsburg Monarchy and the Kingdom of Prussia dominated German history. In 1806, the *Imperium* was overrun and dissolved as a result of the Napoleonic Wars.^[6]

Following the fall of Napoleon Bonaparte, the Congress of Vienna convened in 1814 and founded the German Confederation (*Deutscher Bund*), a loose league of 39 sovereign states. Disagreement with restoration politics partly led to the rise of liberal movements, demanding unity and freedom. These, however, were followed by new measures of repression on the part of the Austrian statesman Metternich. The *Zollverein*, a tariff union, profoundly furthered economic unity in the German states. During this era many Germans had been stirred by the ideals of the French Revolution, and nationalism became a more significant force, especially among young intellectuals. For the first time, the colours of black, red and gold were chosen to represent the movement, which later became the national colours.^[7]

In light of a series of revolutionary movements in Europe and being inspired by the establishment of a republic in France, intellectuals and commoners started the Revolutions of 1848 in the German states. The monarchs initially yielded to the revolutionaries' liberal demands. King Frederick William IV of Prussia was offered only the title of Emperor. But powerless monarch rejected the crown and the proposed constitution, leading to a temporary setback for the movement. Conflict between King William I of Prussia and the increasingly liberal parliament erupted over military reforms in 1862. The king appointed Otto von Bismarck as the new Prime Minister of Prussia. Bismarck successfully waged war on Denmark in 1864. Prussian victory in the Austro-Prussian War of 1866 enabled him to create the North German Federation (*Norddeutscher Bund*) and to exclude Austria, formerly the leading German state, from the affairs of the remaining German states.

The state known as *Germany* was unified as a modern nation-state in 1871. The empire was a unification of all the scattered parts of Germany except Austria. Beginning in 1884, Germany began establishing several colonies outside of Europe.

The German Revolution broke out in November 1918, and Emperor William II and all German ruling princes abdicated. An armistice putting an end to the war was signed on 11 November and Germany was forced to sign the Treaty of Versailles in June 1919. Its negotiation, contrary to traditional post-war diplomacy, excluded the defeated Central Powers. The treaty was perceived in Germany as a humiliating continuation

of the war by other means and its harshness is often cited as having facilitated the later rise of Nazism in the country.^[8]

Suffering from the Great Depression, the harsh peace conditions dictated by the Treaty of Versailles, and a long succession of more or less unstable governments, the political masses in Germany increasingly lacked identification with their political system of parliamentary democracy. This was exacerbated by a wide-spread right-wing (monarchist, *völkisch*, and Nazi) *Dolchstoßlegende*, a political myth which claimed that Germany lost World War I because of the German Revolution, not because of military defeat. On the other hand, radical left-wing communists, such as the Spartacist League, had wanted to abolish what they perceived as "capitalist rule" in favour of a *Räterepublik*. Paramilitary troops were set up by several parties and there were thousands of politically motivated murders. The paramilitary intimidated voters and seeded violence and anger among the public, which suffered from high unemployment and poverty. After a succession of unsuccessful cabinets, President Paul von Hindenburg, seeing little alternative and pushed by right-wing advisors, appointed Adolf Hitler Chancellor of Germany on 30 January 1933.

3.2.1 Nazi Germany and World War II (Adolf Hitler and Benito Mussolini in Yugoslavia)

On 27 February 1933, some basic democratic rights were quickly abrogated following an emergency decree. An Enabling Act gave Hitler's government full legislative power. Only the Social Democratic Party of Germany voted against it; the Communists were not able to present a viable opposition, as many of their deputies had already been murdered or imprisoned.^{[9][10]} A centralised totalitarian state was established by a series of moves and decrees making Germany a single-party state. Industry was closely regulated with quotas and requirements, to shift the economy towards a war production base. In 1936 German troops entered the demilitarized Rhineland, and British Prime Minister Neville Chamberlain's appeasement policies proved inadequate. Hitler followed from 1938 onwards a policy of expansionism to establish Greater Germany. To avoid a two-front war, Hitler concluded the Molotov-Ribbentrop Pact with the Soviet Union, a pact which was later broken by Germany (On 22 June 1941, Hitler broke the pact with the Soviet Union by opening the Eastern Front and invading the Soviet Union). By the beginning of World War II Germany quickly gained direct or indirect control of the majority of Europe. On 8 May 1945, Germany surrendered after the Red Army occupied Berlin.

3.2.2 Division and Reunification (1945–1990)

The war resulted in the death of nearly ten million German soldiers and civilians;

large territorial losses; the expulsion of about 15 million Germans from its former eastern territories and other countries; and the destruction of multiple major cities. Germany and Berlin were partitioned by the Allies into four military occupation zones. The sectors controlled by France, the United Kingdom, and the United States were merged on 23 May 1949, to form the *Federal Republic of Germany*; on 7 October 1949, the Soviet Zone established the *German Democratic Republic*. In English, the two Germanies were known informally as 'West Germany' and 'East Germany' and the two Berlins as 'West Berlin' and 'East Berlin'.

West Germany, established as a liberal parliamentary republic with a 'social market economy', was allied with the United States, the UK and France. The country eventually came to enjoy prolonged economic growth beginning in the early 1950s (*Wirtschaftswunder*). West Germany joined NATO in 1955 and was a founding member of the European Economic Community in 1958. Across the border, East Germany was at first occupied by, and later (May 1955) allied with, the USSR. An authoritarian country with a Soviet-style command economy, East Germany soon became the richest, most advanced country in the Warsaw Pact, but many of its citizens looked to the West for political freedoms and economic prosperity.^[11] The Berlin Wall, built in 1961 to stop East Germans from escaping to West Germany, became a symbol of the Cold War. However, tensions between East and West Germany were somewhat reduced in the early 1970s by Chancellor Willy Brandt's *Ostpolitik*, which included the *de facto* acceptance of Germany's territorial losses in World War II

State	Capital	Area	Population
1. Baden-Württemberg	Stuttgart	35,752 km ²	10,717,000
2. Bavaria (<i>Bayern</i>)	Munich	70,549 km ²	12,444,000
3. Berlin	Berlin	892 km ²	3,400,000
4. Brandenburg	Potsdam	29,477 km ²	2,568,000
5. Bremen	Bremen	404 km ²	663,000
6. Hamburg	Hamburg	755 km ²	1,735,000
7. Hesse (<i>Hessen</i>)	Wiesbaden	21,115 km ²	6,098,000
8. Mecklenburg-Vorpommern	Schwerin	23,174 km ²	1,720,000
9. Lower Saxony (<i>Niedersachsen</i>)	Hanover	47,618 km ²	8,001,000
10. North Rhine-Westphalia (<i>Nordrhein-Westfalen</i>)	Düsseldorf	34,043 km ²	18,075,000
11. Rhineland-Palatinate (<i>Rheinland-Pfalz</i>)	Mainz	19,847 km ²	4,061,000
12. Saarland	Saarbrücken	2,569 km ²	1,056,000

13. Saxony (<i>Sachsen</i>)	Dresden	18,416 km ²	4,296,000
14. Saxony-Anhalt (<i>Sachsen-Anhalt</i>)	Magdeburg	20,445 km ²	2,494,000
15. Schleswig-Holstein	Kiel	15,763 km ²	2,829,000
16. Thuringia (<i>Thüringen</i>)	Erfurt	16,172 km ²	2,355,000

Since reunification, Germany has taken a leading role in the European Union and NATO. Germany sent a peacekeeping force to secure stability in the Balkans and sent a force of German troops to Afghanistan as part of a NATO effort to provide security in that country after the ousting of the Taliban.^[12] In the face of a growing migration of East Germans to West Germany via Hungary and mass demonstrations during the summer of 1989, East German authorities unexpectedly eased the border restrictions in November, allowing East German citizens to travel to the West. This led to the acceleration of the process of reforms in East Germany that concluded with the Two Plus Four Treaty on 12 September 1990 and German reunification on 3 October 1990. Under the terms of the treaty, the four occupying powers renounced their rights under the Instrument of Surrender, and Germany was to regain full sovereignty.

3.3 Government of Germany

Germany is a federal, parliamentary, representative democratic republic. The German political system operates under a framework laid out in the 1949 constitutional document known as the Grundgesetz (Basic Law). The Reichstag is the old and new site of the German parliament.

The Chancellor is the head of government and exercises executive power, similar to the role of a Prime Minister. Federal legislative power is vested in the parliament consisting of the *Bundestag* (Federal Diet) and *Bundesrat* (Federal Council), which together form a unique type of legislative body. The *Bundestag* is elected through direct elections; the members of the *Bundesrat* represent the governments of the sixteen federal states and are members of the state cabinets, which appoint them and can remove them at any time.

Since 1949, the party system has been dominated by the Christian Democratic Union and the Social Democratic Party of Germany^[13] although smaller parties, such as the liberal Free Democratic Party (which has had members in the Bundestag since 1949) and the Alliance '90/The Greens (which has controlled seats in parliament since 1983) have also played important roles.

The German head of state is the President of Germany, elected by the *Bundesversammlung* (federal convention), an institution consisting of the members of the *Bundestag* and an equal number of state delegates. The second highest official in

the German order of precedence is the President of the *Bundestag*, who is elected by the *Bundestag* itself. He or she is responsible for overseeing the daily sessions of the body. The third-highest official and the head of government is the Chancellor. He or she is nominated by the President of Germany and elected by the *Bundestag*. If necessary, he or she can be removed by a constructive motion of no confidence by the *Bundestag*, where "constructive" implies that the *Bundestag* needs to elect a successor.

3.4 Administrative Divisions

During the initial occupation of Germany after World War II, the territory in each Occupation Zone was re-organized into new *Länder* to prevent any one *Land* from ever dominating Germany (as Prussia had done). Initially, only 7 of the pre-War *Länder* survived: Bavaria, Bremen, Hamburg, Baden, Saarland, Saxony, and Thuringia. The rest were amalgamations of Prussian provinces and smaller *Länder*. For example, the Prussian Province of Saxony and the *Land* of Anhalt were merged to create Saxony-Anhalt.

Initially, in 1949, West Germany had eleven states, which were reduced to nine in 1952 as three south-western states (Baden, Württemberg-Hohenzollern and Württemberg-Baden) merged to form Baden-Württemberg. Since 1957, when the French-occupied Saarland was allowed to join (the "small reunification"), the Federal Republic consisted of ten states. West Berlin was in many ways integrated with West Germany, but due to its special status *de jure* under the sovereignty of the Western Allies, did not officially constitute a *Land* or part of one.

In East Germany, originally five *Länder* (Mecklenburg-Western Pomerania, Brandenburg, Saxony-Anhalt, Thuringia and Saxony) existed, until 1952, when the GDR divided them into 14 administrative districts (*Bezirke*). Soviet-controlled East Berlin, despite officially having the same status as West Berlin, was declared capital of the GDR, as a (15th) district.

Just prior to the German reunification on 3 October 1990, 14 of the East German districts (not including East Berlin) reconstituted themselves, mainly along the old borders, into the five New *Länder*. The former district of East Berlin joined West Berlin to form the new *Land* of Berlin. Thus the 10 old states plus 5 new states plus Berlin add up to 16.

Later, the Grundgesetz was changed to state that the citizens of the 16 states had successfully achieved unity in freedom, and that the basic law now covers all German people. Article 23, which had allowed 'other parts of Germany' to join, was abolished as its continued inclusion might have been regarded as an invitation for other German-

speaking states and areas to join (e.g. Austria, South Tyrol, Liechtenstein, the Swiss cantons, Alsace, Luxembourg, and Eastern Belgium).

Unlike other federations, the German States retain the right to act on their own behalf at an international level. They retain the status of subjects of international law, independently from their status as members of a federation. This unique status is enshrined in Articles 23, 24, and 32 of the Basic Law.

Germany has a strong tradition of regional government dating back to the founding of the German Empire in 1871. Since unification in 1990, the Federal Republic has consisted of sixteen *Länder*. Germany is divided into sixteen states. It is further subdivided into 439 districts. The Basic Law divides authority between the federal government and the *Länder*, with the general principle governing relations articulated in Article 30: 'The exercise of governmental powers and the discharge of governmental functions shall be incumbent on the *Länder* insofar as this Basic Law does not otherwise prescribe or permit.'

Legislative power is divided between the federation and the state level. The Basic Law presumes that all legislative power remains at the state level unless otherwise designated by the Basic Law itself. In some areas, federal and state level have concurrent legislative power. In such cases, the federate level has power to legislate "if and to the extent that the establishment of equal living conditions throughout the federal territory or the maintenance of legal or economic unity renders federal regulation necessary in the national interest" (Art. 72 Basic Law for the Federal Republic of Germany, 1949). Any federal law overrides state law if the legislative power lies at the federal level.

All policy areas not assigned to federal jurisdiction are within the legislative purview of the *Länder*. These areas include education, law enforcement, regulation of radio and television, church affairs, and cultural activities. The *Länder* retain significant powers of taxation. Most federal taxes are collected by *Land* officials. The *Land* governments also exercise power at the national level through the Bundesrat, which is made up of representatives appointed by the *Land* governments. In this way, the *Länder* affect the federal legislative process.

3.5 Local Government

The Basic Law of the Federal Republic of Germany, the federal constitution, stipulates that the structure of each Federal State's government must "conform to the principles of republican, democratic, and social government, based on the rule of law" (Article 28[1]).

After the end of the Second World War, the *Länder* in the western part of the former

Deutsches Reich were constituted as administrative areas first and subsequently federated into the *Bund* or Federal Republic of Germany. This is in contrast to post-war development in Austria, where the *Bund* was constituted first, and then the individual states were created as units of a federal system. In Austria, the states are also referred to as *Länder* in the constitution.

The use of the term *Länder* (countries) instead of *Staaten* (states) is in accordance with German political tradition, where the concept of Germany as an entity has always existed, either as a confederation or an alliance of several smaller independent kingdoms and duchies dating from the 9th century. Many of the current *Länder* have the same names and generally occupy the same areas as their namesakes, the former sovereign countries (for example Bavaria and Saxony).

The cities of Berlin and Hamburg are states in their own right, termed *Stadtstaaten* (city states), while Bremen consists of two urban districts. The remaining 13 states are termed *Flächenländer* (area states).

Most of the *Länder* are governed by a cabinet led by a *Ministerpräsident* (Minister-President), together with a unicameral legislative body known as the *Landtag* (State Diet). The relationship between the legislative and executive branches mirrors that of the federal system: the legislatures are popularly elected for four or five years (depending on the state), and the Minister-President is then chosen by a majority vote among the *Landtag*'s members. The Minister-President appoints a cabinet to run the *Land*'s agencies and to carry out the executive duties of the *Land*'s government. The governments in Berlin, Bremen and Hamburg are designated by the term Senate. In the three free states of Bavaria, Saxony and Thuringia the government is referred to as the *State Government* (*Staatsregierung*), and in the other ten *Länder* the term *Land Government* (*Landesregierung*) is used.

Before January 1, 2000, Bavaria had a bicameral parliament, with a popularly elected *Landtag*, and an appointed Senate made up of representatives of the state's major social and economic groups. The Senate was abolished following a referendum in 1998.

The *Länder* of Berlin, Bremen, and Hamburg are governed slightly differently from the other states. In each of these cities, the executive branch consists of a Senate of approximately eight selected by the *Land*'s parliament; the senators carry out duties equivalent to those of the ministers in the larger *Länder*. The equivalent of the Minister-President is the *Senatspräsident* (President of the Senate) in Bremen, the *Erster Bürgermeister* (First Mayor) in Hamburg, and the *Regierender Bürgermeister* (Governing Mayor) in Berlin. The parliament for Berlin is called the *Abgeordnetenhaus* (House of Representatives), while Bremen and Hamburg both have a *Bürgerschaft*. The parliaments in the remaining 13 *Länder* are referred to as *Landtag* (State Parliament).

The powers of the state governments and legislatures in their own territories have

been much diminished in recent decades due to ever-increasing federal legislation. A commission has been formed to examine the possibility of instituting a clearer separation of federal and state powers.

□ Cities and Towns (Tunec)

The bigger cities are organized into urban counties. The government includes a city assembly, a mayor, an executive council, a planning council and a housing council. The urban counties have their own school system, so they have education councils. The smaller cities of course are subject to the government of the county they are located in and therefore have less power. Most towns and villages conduct all their affairs with one city council and a mayor.

The city is divided into self-governing wards or arrondissements, each with a council that fix streets and sidewalks, approves minor zoning changes, allocates parking, maintain the local park and market, maintain the neighborhood watch, and in many cases control the allotment of housing.

□ Autonomous Counties (Zhubon)

Ethnic groups concentrated into compact geographical areas too small to justify the formation of a state are sometimes included in a larger state but given special autonomy. These autonomous counties are called zhubon. The bulk of the European population resides in self-governing autonomous counties. Some of these are actually autonomous cities.

The zhubon control education and communications, including the licensing of radio and television stations (though the allocation of frequencies is done by a neutral national body according to purely technical considerations.) The zhubon also promote culture and arts specific to the ethnic group. The zhubon also designates its own official languages, including languages for signs. Otherwise, Zhubon exercise the same powers as counties.

□ Further subdivisions¹⁴

The city-states of Berlin and Hamburg are subdivided into boroughs. The state of Bremen consists of two urban districts, Bremen and Bremerhaven, which are not contiguous. In the other *Länder* there are the following subdivisions:

□ Landschaftsverbände

Landschaftsverbände ("area associations"): The most populous state of North Rhine-Westphalia is uniquely divided into two Landschaftsverbände, one for the Rhineland, one for Westphalia-Lippe. This was meant to ease the friction caused by uniting the two culturally quite different regions into a single Land after World War II. The

Landschaftsverbände retain very little power today.

□ Regierungsbezirke

Regierungsbezirke ("governmental districts"): The large states of Baden-Württemberg, Bavaria, Hesse, North Rhine-Westphalia and Saxony are divided into administrative regions, or *Regierungsbezirke*. In Rhineland-Palatinate, the *Regierungsbezirke* were dissolved on January 1, 2000, in Saxony-Anhalt on January 1, 2004 and in Lower Saxony on January 1, 2005.

□ Kreise

Kreise (administrative districts): Every state (except the city states Berlin, and Bremen) consists of rural districts, *Landkreise*, and urban districts, *Stadtkreise* (also: *Kreisfreie Städte*), cities which are districts in their own right. The state of Bremen consists of two urban districts, while Berlin and Hamburg are states and urban districts at the same time.

There are 313 *Landkreise* and 116 *Kreisfreie Städte*, making 439 districts all together. Each consists of an elected council and an executive, who is chosen by either the council or the people, depending on the *Bundesland*, and whose duties are comparable to those of a county executive in the United States, supervising local government administration. The *Landkreise* have primary administrative functions in specific areas, such as highways, hospitals, and public utilities.

□ Ämter

Ämter ('offices'): In some states there is an administrative unit between districts and municipalities. These units are called *Ämter* (singular *Amt*), *Amtsgemeinden*, *Landgemeinden*, *Verbandsgemeinden*, *Verwaltungsgemeinschaften* or *Kirchspiellandgemeinden*.

□ Gemeinden¹⁵

Gemeinden ('municipalities'): Every rural district and every Amt is subdivided into municipalities, while every urban district is a municipality in its own right. There are (as of 30 September 2007) 12,291 municipalities, which are the smallest administrative units in Germany. Cities are municipalities as well, which have city rights (*Stadtrecht*). Nowadays, this is mostly just the right to be called a city. However, in older times it included many privileges, such as the right to impose its own taxes or to allow industry only within city limits.

Gemeinden are ruled by elected councils and an executive, the mayor, who is chosen by either the council or the people, depending on the *Bundesland*. The 'constitution'

for the *Gemeinden* is created by the *Länder* and is uniform throughout a *Bundesland* (except for Bremen, which allows Bremerhaven to have its own constitution).

Gemeinden have two major policy responsibilities. First, they administer programs authorized by the federal or *Land* government. Such programs typically might relate to youth, schools, public health, and social assistance. Second, Article 28(2) of the Basic Law guarantees *Gemeinden* "the right to regulate on their own responsibility all the affairs of the local community within the limits set by law." Under this broad statement of competence, local governments can justify a wide range of activities. For instance, many municipalities develop and expand the economic infrastructure of their communities through the development of industrial parks.

Local authorities foster cultural activities by supporting local artists, building arts' centres, and by having fairs. Local government also provides public utilities, such as gas and electricity, as well as public transportation. The majority of the funding for municipalities is provided by higher levels of government rather than from taxes raised and collected directly by themselves.

In five of the German states, there are unincorporated areas¹⁶, in many cases unpopulated forest and mountain areas, but also four Bavarian lakes, that are not part of any municipality. As of January 1, 2005, there were 246 such areas, most of them in Bavaria, with a total area of 4167.66 km², or 1.2 percent of the total area of Germany. The following table gives an overview.

State	01. Jan. 2004		01. Jan. 2000	
	Number	Area in km ²	Number	Area in km ²
Bavaria	216	2725.06	262	2992.78
Lower Saxony	23	949.16	25	1394.10
Hesse	4	327.05	4	327.05
Schleswig-Holstein	2	99.41	2	99.41
Baden-Württemberg	1	66.98	2	76.99
Total	246	4167.66	295	4890.33

The table shows that in 2000 the number of unincorporated areas was still 295, with a total area of 4890.33 km². Unincorporated areas are continually being incorporated into neighboring municipalities, wholly or partially, most frequently in Bavaria.

Only four unincorporated areas are populated, with an aggregate population of about 2000.

3.6 References [Relevant Websites are given in 4.4]

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Unit – 4 □ Local Government in France

Structure

- 4.1 Introduction
- 4.2 Administrative Divisions
- 4.3 History of Local Government in France
 - 4.3.1 The regions
 - 4.3.2 The Prefects
- 4.4 References
- 4.5 Exercises

4.1 Introduction

France is a country whose metropolitan territory is located in Western Europe and that also comprises various overseas islands and territories located in other continents. Metropolitan France extends from the Mediterranean Sea to the English Channel and the North Sea, and from the Rhine to the Atlantic Ocean.

The name France originates from the Franks (*Frances*), a Germanic tribe that occupied northern Europe after the fall of the Western Roman Empire. More precisely, the region around Paris, called Île-de-France, was the original French royal demesne. The first King of the Franks, Clovis, is regarded as the forefather of the French kings.

France is bordered by Belgium, Luxembourg, Germany, Switzerland, Italy, Monaco, Andorra, and Spain. Due to its overseas departments, France also shares land borders with Brazil and Suriname (bordering French Guiana), and the Netherlands Antilles (bordering Saint-Martin). France is also linked to the United Kingdom by the Channel Tunnel, which passes underneath the English Channel.

The French Republic is a democracy that is organised as a unitary semi-presidential republic. Its main ideals are expressed in the Declaration of the Rights of Man and of the Citizen. It is a developed country with the sixth-largest economy in the world.^[12] France is the most visited country in the world, receiving over 79 million foreign tourists annually (including business visitors, but excluding people staying less than 24 hours in France).^[13] France is one of the founding members of the European Union, and has the

largest land area of all members. France is also a founding member of the United Nations, and a member of the Francophonie, the G8, and the Latin Union. It is one of the five permanent members of the United Nations Security Council; it is also an acknowledged nuclear power.

According to its French constitution, France has 3 levels of local government :

- 22 Régions and 4 Régions d'outre-mer (Réunion, Martinique, Guadeloupe and French Guiana).
- 96 départements and 4 départements d'outre-mer (Réunion, Guadeloupe, Martinique and French Guiana).
- There are 36,679 municipalities (in French: Communes).

However, inter-communalities are now a level of government between municipalities and departments.

Corsica and Paris (both a commune and a département) are local government sui generis.

4.2 Administrative Divisions

The 22 regions and 96 departments of metropolitan France include Corsica (*Corse*, lower right). Paris area is expanded. France is divided into 26 administrative regions. 22 are in metropolitan France, of which 21 are on the continental part of metropolitan France and one is the territorial collectivity of Corsica, and four are overseas regions (Guadeloupe (since 1946), Martinique (since 1946), French Guiana (since 1946), Reunion (since 1946)).

The regions are further subdivided into 100 departments. The alphabetically arranged numbers are used in postal codes and vehicle number plates. Four of these departments are found in the overseas regions and are simultaneously overseas regions and overseas departments and are an integral part of France (and the European Union) and thus enjoy a status similar to metropolitan departments. The 100 departments are subdivided into 341 arrondissements which are, in turn, subdivided into 4,032 cantons. These cantons are then divided into 36,680 communes, which are municipalities with an elected municipal council. There also exist 2,588 inter-communal entities grouping 33,414 of the 36,680 communes (i.e. 91.1% of all the communes). Three communes, Paris, Lyon and Marseille are also subdivided into 45 municipal *arrondissements**.

* Subdivisions of the departments.

The regions, departments and communes are all known as territorial collectivities, meaning they possess local assemblies as well as an executive. *Arrondissements* and cantons are merely administrative divisions. However, this was not always the case. Until 1940, the *arrondissements* were also territorial collectivities with an elected assembly, but these were suspended by the Vichy regime and definitely abolished by the Fourth Republic in 1946. Historically, the cantons were also territorial collectivities with their elected assemblies.

In addition to the 26 regions and 100 departments, the French Republic also has six overseas collectivities, one *sui generis* collectivity (New Caledonia), and one overseas territory. Overseas collectivities and territories form part of the French Republic, but do not form part of the European Union or its fiscal area. The Pacific territories continue to use the Pacific franc whose value is linked to that of the euro. In contrast, the four overseas regions used the French franc and now use the euro.

France also maintains control over a number of small non-permanently inhabited islands in the Indian Ocean and the Pacific Ocean: Bassas da India, Clipperton Island, Europa Island, Glorioso Islands, Juan de Nova Island, Tromelin Island.

4.3 History of Local Government in France

A complex system aims to bring French local government closer to the people. While local government in France has a long history of centralisation, the past 20 years have brought some radical changes.

France is a type of unitary system that makes substantially less provision for territorial decentralization of authority and the central supervision of locally elected governments is quite stringent. Until March 1982, when a law on decentralization went into effect, the French administrative system was built around *departments*, each headed by a *préfet*, and subdivisions of the départements, termed *arrondissements*, each headed by a *sous-préfet*. The *préfets* and *sous-préfets* were appointed by the government in Paris to serve as agents of the central government and also as the executives of the divisional governments, the *conseils généraux*, which were composed of elected officials. The system thus combined central supervision of local affairs through appointed officials with territorial representation through locally elected governments. (Following the passage of the decentralization law, the executive powers of the *préfets* were transferred to the *conseils généraux*.)

At first sight, the French system of local government may seem complex with four

tiers of government - the state or central government, region, department and 'commune'. The decentralisation law of 2 March 1982 and the following legislation expressed French government's desire to alter the balance of power between the state and local authorities (regions, departments and communes). It opened far greater space in decision-making for sharing administrative and budgetary tasks between central and local authorities. There are three main tiers of local administration in France: the commune, department and region. In the districts administrative decisions made at national level are carried out. Local authorities have powers of their own. Legally speaking, a local authority is a public-law corporation with its own name, territory, budget, employees, etc. and has specific powers and a certain degree of autonomy vis-à-vis central government. In addition, there are France's overseas territories and regional bodies (*collectivités territoriales*) with special status (Paris, Marseille, Lyon, Corsica, Mayotte and Saint-Pierre-et-Miquelon).

The communes originated from 1789 and these are the lowest tier of the French administrative hierarchy. There are nearly 37,000 communes, unlike in the other countries of the European Union. In France the term commune is applied to all municipalities. Eighty per cent of them have fewer than 1,000 residents. This situation has led the government to encourage smaller communes to merge to form urban communities (*communautés urbaines*) or group together in associations of several communes (*syndicats intercommunaux*). In addition, the law of 6 February 1992 suggested new forms of co-operation to rationalise municipal administration by taking common interests into consideration. To make it a reality, however, both residents and local councillors must come out of their egoist sense of identity with their communes. Like the department and region, the commune has a deliberative or decision-making body (the municipal council) and an executive (the Mayor), elected by the municipal council. The number of municipal councillors is proportional to the population. Municipal councillors are elected for six years by direct universal suffrage. Municipal councillors lay down guidelines for municipal policy, adopt the budget, manage municipal assets, notably primary school buildings and equipment etc. The Mayor is both the commune's elected authority and the state's representative in it. As the commune's chief executive, the Mayor carries out the decisions of the municipal council. As the municipality's legal representative, the Mayor proposes and implements the budget, ensures the conservation and management of the commune's natural environment and built heritage and issues building permits. Mayors also have powers in their own right, being responsible for security and public health and having at their disposal the municipal administration. As the state's representative, the Mayor is the registrar of births, marriages and deaths and is an officer of the police '*judiciaire*' and so entitled to

exercise special powers in connection with the repression of crime under the authority of the public prosecutor. Finally, he/she is responsible for various administrative tasks including publicising laws and regulations and drawing up the electoral register. Mayoral acts are unilateral administrative acts, generally orders, whose legality is subject to a control by the courts when they are issued by the Mayor as the commune's chief executive and to the approval of the Prefect to whom the Mayor is subordinate when acting in the capacity of the state's representative. The commune's own powers cover activities which affect its inhabitants' daily lives. Its economic and social brief, long limited to granting aid for job creation and helping needy families, has been broadened to enable it to play an important role in combating unemployment and social exclusion and engage actively in economic restructuring and development of new activities. There are 100 departments in France, 96 in metropolitan France and four overseas (Martinique, Guadeloupe, Réunion and French Guiana). Since 1982 these are the expressions of a partially decentralised local authority to one with full powers of its own. It has played a prominent role in the country's administrative and geographical organisation. The department essentially has competence in health and social services, rural capital works, departmental roads, and the capital expenditure and running costs of colleges.

4.3.1 The regions

France has 26 regions, 22 in metropolitan France and four overseas. Four overseas regions have a special status, being at the same time departments and regions. They were created in 1955 to provide a framework for regional town and country planning; the region became a local authority in 1982. Its main spheres of action are planning, regional town and country planning, economic development, vocational training, and the building, equipment and running costs of schools (*lycées*). The decision-making organ is the regional council whose members are elected for six years. They are assisted by an economic and social committee. This committee is a consultative assembly made up of representatives of businesses, the professions, trade unions and other employees' organisations, regional voluntary organisations, etc. This committee must be consulted on the preparation and implementation of national plans, the establishment of the regional development plan and the major guidelines for the regional budget. The committee is also free to comment on any regional matter. At the initiative of the regional council's chairman, economic and social committee comments on any economic, social or cultural proposal. The regional council chairmen, elected by the councillors, are the region's executive authority. Their responsibilities are identical to those of the general council chairman in the areas within the region's sphere of competence.

4.3.2 The Prefects

For almost 200 years (1800 to 1982), regional department, 'Prefects' held the executive power in the departments, but the law of March 1982 modified their powers. Appointed by the government, the Prefect is still the sole person empowered to act on the state's behalf in the department. Prefect acts as the spokesperson of the Prime Minister and all the members of the government, has authority over the state's external services in the department and ensures the administrative supervision of the department's local authorities. However, the law of 2 March 1982 conferred executive authority for the department on the chairman of the general council. The general council is the department's decision-making organ. Its members are (general councillors) elected for a six-year term in a two-ballot uninominal majority poll. Each department is divided into cantons which serve as the constituencies for the election. France has 3,500 cantons. The chairman is elected by the councillors for a six-year term. He prepares the council's debates and implements its decisions, including decisions on budgetary matters. The chairman looks after the legal aspects of the department, heads the department's staff and services and, finally, as the person in charge of running the department, exercises certain police powers in the areas of conservation and departmental highways without disturbing the domain of the powers of the mayors and prefect in these areas.

So while basic principles and structures have not changed and there is a clear distinction between the spheres of competence of the different tiers, the decentralisation legislation did bring in some innovations, especially regarding supervision. Some degree of ex post facto monitoring of local government action is necessary in order to reconcile the fact that the authorities are self-governing with the need for coordinated action within a unitary state and ensure that the principle of equality of all citizens does not override the general interests of the nation as a whole. The March 1982 law also made several changes concerning financing. Any transfer of state competence to a local authority must be accompanied by a transfer of resources (chiefly fiscal). In practice, local taxes have tended to rise. The reform also extended the responsibilities of the communal, departmental and regional accountants, giving them the status of chief accountant directly responsible to the treasury. Lastly, the 1982 law assigned to a new court, the regional audit chamber, responsibility for a posterior auditing of local authority accounts.

The process of decentralisation has profoundly altered local government in France. The new system is indisputably more costly than the old for the public purse and has led to some fragmentation of tasks and objectives, as local authorities act primarily in their own rather than the national interest. However, decentralisation is helping to ensure that tasks are carried out at the most appropriate level of responsibility in all sectors of

public life, so bringing greater democracy to the country's administration and management.

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4.5 Exercises

I. Long Answer based Questions.

- a. Describe how local government arrangements vary in different countries.
- b. Write an essay on the structure of American government.
- c. Write an essay on the evolution of local government arrangement in Germany.
- d. Describe the form and nature of administrative divisions in Germany.
- e. How decentralisation in local level is enabled in France ?
- f. What make the main point of differences in system of distribution of powers and allocation of authorities in the Unitary and federal form of governments ?
- g. Write a note on the evolution of local governments in United Kingdom.

- h. Write an essay on the structure of local government in United Kingdom.
- i. Write a note on the local government personnel system in United Kingdom.
- j. Examine the role and future of local government in Great Britain.

II. Medium Answer based Questions.

- a. How reforms can make local governments work more according to context ?
- b. Do you think that in United Kingdom, France and Germany there are identical local government arrangements ? Justify your answer.
- c. Write a note on the history of local government in United kingdom.
- d. Write an essay on the structure of local government in England.
- e. Write a note on the future of local government in England.
- f. Write an essay on the federal arrangements in USA.
- g. Write a note on the structure of American Government.
- h. Write notes on -
 - (i) Country government - USA
 - (ii) Municipal government - USA
 - (iii) Special district government - USA
- i. Write a note on the division and reunification of German state through the ages - 1945 to 1990.
- j. Write an essay on the system of government in Germany.
- k. Write an essay on the subdivision of the structure of local government in Germany.
- l. Write a note on the administrative subdivisions in France.
- m. Write an essay on the history of local government in France.

III. Short Answer based Questions

Write short notes on :

- a. Election in England & Wales
- b. Election in Scotland & Northern Ireland
- c. Parishes and communities
- d. Boroughs
- e. Local government officers
- f. Joint - boards in England

- g. Country government in New Jersey
- h. Local government entities in New York.
- i. 'Lander' in Germany
- j. Government in 'Lander'
- k. 'Tuncc'
- l. 'Zhubon'
- m. Communes in France
- n. Regions in France
- o. Prefects in France
- p. What are the function & powers of the councils in UK ?
- q. What are the functional departments of local municipal government in USA?
- r. What are the function of Board of Education ?
- s. What are the function of country government ?
- t. When and how Germany emerged as a modern nation state & in 1971 ?
- u. What made the rise of Nazism in Germany ? What are the levels of local government in France ?

County Government in New York

Local Government in New York

County Government in New York

County Government in New York

County Government in New York

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County Government in New York

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County Government in New York

MODULE - III
POLITICS AND LOCAL GOVERNMENT

MODULE - III

POLITICS AND LOCAL GOVERNMENT

Unit – 1 □ Centralist — Localist Tension

Structure

- 1.1 Introduction
- 1.2 Decentralization
- 1.3 The Need For Decentralization - Advantages and Disadvantages
- 1.4 Forms of Administrative Decentralization
 - 1.4.1 Administrative Decentralization
 - 1.4.2 Political Decentralization
 - 1.4.3 Civil Service Decentralization
- 1.5 References
- 1.6 Exercises

1.1 Introduction

Growing demand to reduce the status and role of the state since the 1970s, had added a new fervor to the centralist – localist tension. It was so designed to decentralize power and control. Local government with its major promise of being more responsive to people's needs through people's participation and government accountability offered an attractive development strategy. Local government with local community support in implementing their programmes, seemed to be more responsive to local needs. It was thought that the local level decision making based on participation and accountability, would create community's sense of belonging and responsibility inspiring the community to contribute to local government while at the same time creating legitimacy for local government.

Since then it has been argued that

1. Local government provides an opportunity for broad-based political participation
2. It ensures efficient service delivery
3. It expresses a tradition of opposition to an overly centralised government.

Differences among the above arguments gave rise to competing paradigms on local government especially between the proponents of political participation and those who

stress the technical aspect based on efficiency as the most ultimate justification for the role local government.

The early advocates of local government and their followers, stressed on the argument that political participation serves as the basic motivation for local government. The liberal and radical approaches see the devolution of power to local government as a means of promoting a new communitarian spirit and laying the foundation of democratic practice. The societal value of citizen participation is that it allows each citizen the right to influence governmental decision making. Citizen participation is viewed as revitalizing democratic practice in general by giving opportunities for local self-government to the average citizen.

The reformists argue that the role of local government as service provider is more important than to enhance the cause for political democracy. In the 1950s the concept of decentralisation was focused on the technical managerial term in public administration which neglected the component of democracy. Efficiency became the fundamental concept in implementing decentralisation. There is a tendency to separate the technical component and political component of decentralisation. In this approach local is perceived as 'a function of economic space to achieve efficient service delivery'. Participation by the people is considered as inefficient in this approach. Therefore, under this approach efficiency is the strongest point for local government through its role as coordinator of services in the field level.

This approach has neglected the component of participation in state decision making by perceiving participation as market transaction, thus reducing the value of the people into merely as consumers. By focusing on the narrative of capital and efficiency, this rational choice theory is considered as 'creating narrative capital rather than narrative community'. The utilitarian argument can be formulated in more general terms going beyond mere calculations of gains through effectiveness and efficiency that derive from people's participation in decision making. The state and the market have their limits as mechanisms for organising society and the economy. Giving people and their communities a stronger participative role and rights can help to address market and government failure.

There are two main contending agenda on this :

1. One approach highlights the need for openness and responsiveness of bureaucratic processes to individuals and communities.
2. The efficiency agenda tends to privilege guidelines and techniques for controlling inputs and for ensuring outcomes in line with centrally imposed priorities.

These competing values of efficiency and participation frequently come into conflict. Since 1980s the debate has shifted from contribution of local government as service provider to the political value of local government as a bulwark against over centralised

state. The liberal and radical theorists of local government argue that local government function cannot be viewed merely in technical terms of efficiency. In this view democracy cannot be subsumed under an efficiency consideration. Democracy is valued because it is the only form of government which can allow for the expression of interests, even if it may be inefficient on non-democratic terms.

1.2 Decentralization

Decentralization became the strategy for participation and gender equity. Growing demand for participatory development began to be viewed as crucial for enhancing equity and self-reliant development. This people centered approach has political implications, since it requires considerable decentralization of decision making and can thus lead to empowerment. It does not only provide the driving force for collective development, but also reaffirms the fundamental right to self-determination. Cultural differences and variation in livelihood of individuals raise demand for collective empowerment over citizen's lives and more direct involvement of citizens in the policy making process.

1.3 The Need For Decentralization - Advantages and Dis-advantages

All states have territorial units and local communities. Multi layer structure for the transition mechanism for technical implementation of decisions, leading to deconcentration has become a necessity, keeping in view the enhanced need for sharing of power among levels of government guaranteed local functions autonomy in their implementation. The need for decentralization has been felt more in the context

- democratization in Latin America ;
- break up of communism and transition to market economy in Central Europe ;
- spread of multiparty political systems and demand for more local voice in decision making in Africa ;
- challenge of Ethnic and geographic diversity in South Asian and elsewhere ;
- need to improve service delivery in large cities in East Asia ;
- advancement in economic theory and new financing and management tools ;
- researches have proved that a representative government works best the closer it is to the people and people should have the right to vote for the kind and amount of public services they want. Public goods can be provided in a better way by the level of government that most clearly represents the region that benefits from such service. World Bank, 1999 : Decentralization, notes that decentralization of democracy is the best way to build local capacity. Local self-governance can only provide people with the right and

ability to regulate and manage substantial share of public affairs in the interest of the local population. Therefore, government powers should be exercised at the lowest level of government possible. Free elections are the only mechanisms for assuring accountability to the citizens at local level through which a country has to become fit through democracy.

Decentralization disperses power, both geographically and institutionally: Decentralization inevitably changes the location of power and jobs. Movement geographically or across tiers of government is often impeded by issues related to statute, prestige and poor labor mobility. In the Eastern European transition economies, for example, de-legitimation of the central state and the emergence of representative government at local and intermediate levels of government have complicated human resource allocation. Incentive programs and mechanisms for inter-post mobility, which compound the costs of decentralization, may be required in order to introduce flexibility.

Decentralization creates new responsibilities for inexperienced actors. Decentralization creates more opportunities for local autonomy and responsiveness to more specialized constituencies, but it also gives sub-national governments more room to make trial and error ultimately enhancing local technical and managerial capacity.

Decentralization schemes boast up the possibility of empowering local self-governments units to form associations and pool their resources in order to cover activities requiring specialized personnel.

Local self-governance enhances the use of local knowledge and information, includes new resources and secures more sustainable services, promotes greater participation, enhances transparency and accountability and strengthens democracy at national level as well.

Local self-governance politically is more capable for ensuring civil liberties, political rights, democratic pluralism. It produces some fiscal benefits in the form of better allocation of fiscal resources, securing fiscal autonomy and effective fiscal decision-making.

On administrative part local self-governance ensures participation down to the grassroots level through decentralized administrative structures and systems. Other administrative benefits include

- Responsive services
- Effective services
- Efficient services
- Sustainable services

It helps ensuring

Political accountability

Political transparency

Political representation

Better resource mobilization
Enhanced fiscal capacity
Better resource allocation
Enhanced administrative capacity

- (i) Administrative transparency
- (ii) Administrative accountability

❑ ADMINISTRATIVE BENEFITS OF DECENTRALIZATION

- ◆ Improves administration of some services because of improved information
- ◆ Provides opportunity to adapt technologies to local circumstances
- ◆ Encourages innovations
- ◆ Decreases risk from innovations

❑ ECONOMIC BENEFITS FROM DECENTRALIZATION

- ◆ Enhances revenue mobilization
- Willingness to pay increases when services correspond to local demand
 - Improves accountability, responsiveness and legitimacy
 - provides opportunity to more closely link the mix, level and quality of services provided with the "price" paid by local residents
 - Encourages experimentation and innovation in the provision of public goods and services
 - Promotes efficient and effective delivery of services
 - Increases "competitiveness" of government

❑ POLITICAL BENEFITS OF DECENTRALIZATION

- Increases democracy through direct participation
- Educates citizens about the process of political decision and develops political skills
- Provides good political school for national political leaders
- Promotes national unity in a multiethnic or multicultural environment

It leads to creation of

- o Effective division of mandates
- o Coordination of local financing and fiscal authority to service provision responsibility
- o System of accountability based on transparent information

- Mechanism to express community preferences in a way that is binding to politicians Decentralization is preferred because it
- Moves government closer to people
- Can improve willingness to pay
- Can improve revenue mobilization and allocative efficiency
- Welfare is maximized
- Reduces corruption at government structures
- Allows and encourages innovation
- Brings decisions closer to citizens
- Increases participation
- Allocates better the -
 - o Tasks / Responsibilities
 - o Expenditure assignments
 - o Resources
 - o Revenue assignments
 - o Amount / Degree of decision making rights

Local strategies must be introduced for effective implementation of decentralisation, for example,

- local management as methods of policy formulation and implementation must be evolved
- Clear division of responsibility must be established
- Adequate resources are needed to cover tasks
- System which exploits the benefit of different levels must be evolved
- Harmonization of interests must be secured
- National, local and private interests
- Local information advantage must be secured
- Flexibility and adjustment to needs and demands
- Possibility of micro management
- Local aggregation of policies for better synergy
- Revenue mobilization through better services must be secured

There is the need to ensure

- Equity: Uniformity of service vs. local variance
- Adjustment to local needs
- Local efficiency gain
- accountability and incentives vs. subsidies for equity
- Local financial independence vs. Macro-economic risk must be better managed
- Intergovernmental Fiscal Relations as a system and all of the pieces must fit together.

➤ It is needed to fix the assignment of expenditures, then to assign revenues in amount that will correspond to the expenditure needs.

➤ Accountability of local government officials requires significant local fiscal autonomy.

It may have some ill effects too:

- ⊖ the focus on economic efficiency can be in conflict with other legitimate values
- ⊖ Potential destabilizing effect on macroeconomic objectives
- ⊖ Benefits may fail on local corruption or limited capacity of local official
- ⊖ Creates a tension between local autonomy and national standards.
- ⊖ Can increase administrative costs; creating additional layers of government is an expensive proposition, and while the central government can shed personnel in the context of decentralization, empirical evidence suggests that these workers are often reabsorbed by local governments. There is thus no net change in public sector employment. In the worst of cases, central government employment remains unchanged, while local government employment grows.

Contrarily it is argued that centralization ensures

- macroeconomic control, stabilization
- coordination problem
- Equalization
- Administrative competence
- economies of scale
- reduces local government corruption

Actually the system is to mediate local and national interests,

- central government representing the national
- local government representing the local interest
- inherent cooperation & conflict is to be accommodated.
- There is no universal best practice optimal arrangement. Contextual decision is needed to capture the benefits of national vs. local planning.
- Flexibility of central government in inter-governmental finance vs. security of local forecasts and planning is to be secured.

Decentralization relaxes national control and creates the potential for more regional variation in civil service conditions. Some forms for variation allow regions the flexibility to hire a civil service that matches a community's needs and budget constraints. National salary, eligibility, and performance standards can ensure consistent quality, but they can also lead to personnel expenditures beyond some local capacities. The Philippines, Indonesia, and Pakistan are examples of decentralized states with essentially uniform terms and conditions of service for government employees in different regions.

For effective local self governance

- ✓ The central government must honor its commitment to decentralization by following the rules it makes or get out of the way.
- ✓ Recognize that intergovernmental systems are always in transition, and plan for this
- ✓ Be transparent
- ✓ Local government must be allowed to flourish
- ✓ Institutional structures must be clear, unambiguous
- ✓ Political autonomy and legal status of local government officials must be ensured
- ✓ Fiscal autonomy of local governments must be ensured
- ✓ Transparent intergovernmental relations and transfers must be ensured
- ✓ Managerial reform of public administration practices must be introduced
- ✓ Stability of relations and resources must be ensured
- ✓ Clear expenditure assignment must be pursued
- ✓ Local government's control on own revenue sources must be ensured
- ✓ Local government's power to borrow local discretion must be made more flexible
- ✓ Accountability, credibility and transparency must be ensured
- ✓ Central government's ability to monitor must be enhanced
- ✓ Optimization through better informed decision must be made the practice
- ✓ Government must become more responsive to the differences that exist among communities

The tendency towards essentialising the local in participatory development is considered as neglecting the problems which arise from the structure. Over emphasis on the value of the local tends to underplay both economic and political issues which mean that local social inequalities and power relations are downplayed. Further if 'the local' is viewed in isolation from broader economic and political structures in which the national and transnational economic forces, is neglected, then local development is bound to be hampered. Such a local participation can underplay the role of the state and transnational power holders and can put emphasis on the politics in local terms at the cost of all round development of the nation. It is women who are often particularly marginalised and disadvantaged in benefiting from the participation. Women are still not a part to mainstream development. Since the 1980s, special programs have been designed to generate benefits among the poor women by ensuring their participation in the development process. There has been a shift from the welfare approach, viewing women as reproducers and home managers. Local government institutions and self-help groups have opened spaces for their participation, whereby poor women can reflect on their situation, can identify problem and can fight against injustice.

The transfer of power from the central government to local government provides a site for women to represent their interests and needs by entering the arena of local politics. Rejecting the increase of central government control over local government expenditure, and the privatization of public services, many women become involved in local government as a significant site of resistance and reaction. Local Government is considered as providing more space and opportunities for women to represent their needs and interest than Central Government. There are several significant factors in determining the affinity between local government and women. These are the competing values of participation and efficiency in local government, and the bureaucratic mire of local government.

The state influences women's lives both positively and negatively. Influence of the state on gender relations are crucial in understanding the complexities women face at the local level. Women's struggle at the local level lays stress on the need for their participation at local level. The introduction of women's initiatives and enhancing women representation into local government can be a prime strategy from a liberal feminist perspective.

Foucault's concept of power, post-structuralist perspectives view the state as a hierarchically arranged multiplicity of power relations. The state is a by product of political struggle rather than a unified structure.

As a site of struggle, it does not lie outside of society and social processes, but has on the one hand, a degree of autonomy from these which varies under particular circumstances, and on the other, it is permeated by them.

Viewing the state as the location for the struggle of diverse actors and structures may lead us to a better understanding of the relationship between the centralist and localist power structure of the state. The post-structuralist perspective has contributed in the theorising of the state through its insistence that the state cannot be viewed as a unity.

The manifold structures of state provide the possibility of the combination of various strategies by various actors and at various levels to be used in enhancing quality of life of the people.

1.4 Forms of Administrative Decentralization

1.4.1 Administrative Decentralization

Administrative decentralization seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of certain

public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities.

There are three major forms of administrative decentralization — deconcentration, delegation, and devolution — each have different characteristics.

Deconcentration - Deconcentration is often considered to be the weakest form of decentralization and is used most frequently in unitary states— redistributes decision making authority and financial and management responsibilities among different levels of the central government. It can merely shift responsibilities from central government officials in the capital city to those working in regions, provinces or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries.

Delegation - Delegation is a more extensive form of decentralization. Through delegation central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, regional development corporations, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be excluded from constraints on regular civil service personnel and may be able to charge users directly for services.

Devolution. A third type of administrative decentralization is devolution. When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to local bodies that elect their own chairperson/Pradhans/mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization.

1.4.2 Political Decentralization

Political decentralization aims to give citizens or their elected representatives more power in public decision-making. It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies. Advocates of political decentralization assume that decisions made with greater partici-

pation will be better informed and more relevant to diverse interests in society than those made only by national political authorities. The concept implies that the selection of representatives from local electoral jurisdictions allows citizens to know better their political representatives and allows elected officials to know better the needs and desires of their constituents.

Political decentralization often requires constitutional or statutory reforms, the development of pluralistic political parties, the strengthening of legislatures, creation of local political units, and the encouragement of effective public interest groups.

1.4.3 Civil Service Decentralization

Civil service decentralization is usually a supporting strategy for more general decentralization in government operations or service delivery. One does not decentralize the civil service as an end in itself — one does so in order to provide services better, manage resources more efficiently, or support other general outcome goals. The civil service as a whole can be seen as one of the main instruments with which the government fulfills its obligations. In the context of decentralization, this tool must often be reshaped in order to perform a new set of duties efficiently, equitably, and effectively. Reform of the civil service, therefore, is the process of modifying rules and incentives to obtain a more efficient, dedicated and performing government labor-force in newly decentralized environment. Civil services at all levels of government need a capable, motivated, and efficient staff in order to deliver quality services to its citizens. When civil service functions and structures are decentralized, existing bureaucratic patterns must be reorganized as roles and accountability are shifted. Decentralization thus intensifies the need for capable staff and increases the importance of capacity-building programs.

Decentralization can be a way of improving access to services, tailoring government actions to private needs, and increasing the opportunities for state-society interactions. Subnational governments, however, will only be effective when they have access to the necessary human and financial resources to undertake the services they have been conferred.

Local capacity is one of the most important factors creating a well-functioning decentralized civil service. In countries where local institutions already exist, the challenge will be to reinforce them institutionally and legally as well as to strengthen their personnel management capacities. In places where local government institutions exist only at an informal level, the institutional and legal framework will have to be created before any type of reform of the administration is undertaken.

The degree of local capacity determines the kind of human-resource management strategies that will be feasible and desirable. Decentralization of human resource management is more likely to succeed in cases where lower-level authorities have the finan-

cial and managerial ability to set competitive compensation packages and salary levels that will attract local talent. Where talent and skills are lacking at the local level, a unitary hiring system might be preferred to ensure that the necessary skills are present locally in all regions. In these cases where the center retains more control over human resources, caution should be paid to ensure that the management options of local stakeholders are not curtailed.

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1.6 Exercises

I. Long Answer

1. Elucidate the main thrust of the debate between centralized and participatory democracy.
2. Do you think that participatory development is more effective than state- centric development? Justify your answer.
3. What may be the main motivating factors for devolution of power at local level?
4. 'Local government is considered as providing more space and opportunities for women.' Do you agree? Justify your answer.
5. How the reformists focused on the role of local government? What were the main problems in the concept of decentralization, as approached in 1950s?
6. What are the forms of administrative decentralization?
7. Why decentralization is preferred? Write an essay on the benefits of decentralization.
8. What conditions are to be created for effective local self governance?

II. Short Answer

- a. 'Foucault's concept of power, post-structuralist perspectives views the state as a hierarchically arranged multiplicity of power relations'. What does it mean?
- b. What is meant by the societal value of citizen participation?
- c. Do you think that citizens' participation makes decentralized democracy an inefficient one?
- d. What may be the aims political decentralization? Does it inevitably lead to democratization?
- e. Write short notes on:
 - i. Deconcentration
 - ii. Delegation
 - iii. Devolution.
 - iv. Administrative decentralization
 - v. Civil service decentralization
 - vi. Political decentralization

Unit – 2 □ Local Power Structure

Structure

- 2.1 Local Power Structure in India**
- 2.2 Participation as a Corrective Process to ensure Efficiency in Local Government Power Structure**
- 2.3 References**
- 2.4 Exercises**

Introduction

A government is a body that has the power to make, and the authority to enforce rules and laws within a civil, corporate, religious, academic, or other organization or group. In its broadest sense, 'to govern' means to rule over or supervise, whether over a state, a set group. Government is also a system of social control under which the right to make laws, and the right to enforce them, is vested in a particular group in society.

The government consists of different levels: local government, regional governments and national governments, depending on closeness to those who are governed and their responsibilities. The governments can be classified in various ways: The classical way of classification is according to the number of people who hold the power (one, a few, or a majority). The more recent classification bases itself on the institutional organization (parliamentary or presidential systems) or the distribution and the degree of control exercised over the society.

Government may also be classified according to the distribution of power at different levels. It may be unitary—i.e., with the central government controlling local affairs—or it may be federated or confederated, according to the degree of autonomy of local government. Modern governments perform many functions besides the traditional ones of providing internal and external security, order, and justice; most are involved in providing welfare services, regulating the economy, and establishing educational systems.

Different levels of government typically have different responsibilities. The level closest to those governed is local government. Regional governments comprise a grouping of individual communities. National governments nominally control all the territory within internationally recognized borders and have responsibilities not shared by their sub-national counterparts. Most governments exercise executive, legislative, and judicial powers and split or combine them in various ways. Some also control the religious affairs of their people; others avoid any involvement with religion. Political

forms at the national level determine the powers exercised at the sub-national levels and these determine whether the political system will take the form of autocracy, democracy, fascism, monarchy, oligarchy, plutocracy (government by the wealthy), theocracy, and totalitarianism.

Participatory democracy, a newer conception, holds that citizens should participate directly, not through their representatives, in making laws and policies. Proponents of participatory democracy offer varied reasons to support this view. Political activity can be valuable in itself, it socializes and educates citizens, and popular participation can check powerful elites. Most importantly, citizens do not really rule themselves unless they directly decide laws and policies.

The political use of the local by hegemonic and counter-hegemonic interests contributes in highlighting both the external and the internal community obstacles to participation.

In the developing world along with the external factors, structural and societal actors are characterised by the domination and dependence upon local elites. These create fatalism and the incapability of the people to make decision. Thus, it is the local traditional patrons who are more frequently benefited and take control over development process. It is women who are often particularly marginalised and disadvantaged in benefiting from the participation.

Local governments in Asia and Pacific also point out problems of participation which arises from the limited capability and willingness of the people to participate in governance. In these cases the community has little knowledge on the nature and function of local government. People at the grassroots need something more than the mere provision of institutional mechanisms for participation. They need government intervention in establishing empowering techniques for community participation. Even community participation only in the election is dominated by traditional stronger members of the society.

Power structures at the city level are different from the national power structure. They are not junior editions of the national corporate community, because local power structures are land-based growth coalitions. They seek to intensify land use.

The city-level theorists in some cases rely on classical free-market economics, ignore the fact that growth does not benefit everyone in the city, and downplay or ignore the genuine conflicts that exist at local level. There is little or no concern with power structure in their theory.

Marxist theory fails at the local level because it focuses almost entirely on finance and industrial capital, treats local level merely as a place to reproduce the working class and interprets every conflict as a 'class conflict'. They often ignore the fact that land-based interests shape a local power structure and determine as to how to increasing intensive use of land. It is a set of property owners who see their futures as linked together because of a common desire to increase the value of their individual property.

A successful local elite is one that is able to attract the corporate investors, the federal and state agencies, and/or the educational and research establishments that lead to an expanded work force. An expanded work force and its attendant purchasing power in turn lead to an expansion of retail and other commercial activity, extensive land and housing development, and increased financial activity developing the locality as a 'growth machine', and those who dominate it are a 'growth coalition' (Growth-coalition theory*, which grew out of Molotch's (1976; 1979; 1998; 1999) critical reading of the urban sociology and the community power structure literatures).

There is tension between growth coalitions and corporate sectors because corporate sectors have the ability to move if they think that local regulations are becoming too stringent or taxes and wages too high. A move by a major corporate sector can have a devastating impact on a local growth coalition. Thus, growth coalitions can fail. Moreover, this ability to move on the part of corporate capital contributes to the constant competition among rival localities for new capital investments, creating tensions among growth coalitions as well as between individual growth coalitions and the corporate community. Therefore, the most important activity of a local growth coalition is to provide the right conditions for outside investment.

Although the growth coalition is based in land ownership, it includes all those interests that profit from the intensification of land use. Thus, executives from the local bank, the savings and loan, the telephone company, the gas and electric company, and the local department store are often quite prominent as well. The media is also found deeply committed to local growth so that its business continues to rise.

In reality, local growth does not create new jobs in the economy as a whole, which is a function of corporate and governmental decisions beyond the province of any single community. However, local growth does determine where the new jobs will be located, which is what matters from the point of view of the building trades unions. For that reason, it is in their interest to help their local growth coalition in its competition with other localities.

Due to the separation of local, state, and national government at the state and national levels local growth coalitions support those politicians who oppose, in the name of fiscal and monetary responsibility, the kinds of government policies that might create more jobs, whereas at the local level they talk in terms of their attempts to create more jobs.

Although a concern with growth is at the basis of each local power structure, local growth coalitions enter into the competition with a different set of priorities and strategies for achieving it. The heart of a local power structure is provided by those businesses concerned with local real estate values.

The growth-coalition hypothesis leads to certain expectations about the relationship between power structures and local government. Rather obviously, the primary role of

government is to promote growth according to this view. It is not the only function, but it is the central one. Local government promotes growth in several ways, the most visible of which are the construction of the necessary streets, sewers, and other public improvements and the provision of the proper municipal services. In addition, government often provides the funds for growth. Government officials are expected to be the growth coalition's ambassadors to outside investors for possible investment.

- *Growth-coalition theory provides a new perspective on local power that is compatible with what power structure researchers found for the national level. It preserves the pluralists' emphasis on markets, which is an essential starting point in a capitalist society, but it shows how markets are sociologically constructed and explains how land markets differ in important ways from commodity markets. It explains the very real conflicts at local level. At the same time it stresses that these conflicts are analytically distinct from struggles between capitalists and workers.*

2.1 Local Power Structure in India

With the exception of one decade, 1911-1921, India's population has galloped ahead from 238.3 million in 1901 to 846.3 millions in 1991.

Table 1. Census Year Population and Population Increase

Census year	Population	Population change
1901	238,396,327	
1911	252,093,390	13,697,063
1921	251,321,213	-772,177
1931	278,977,238	27,656,025
1941	318,660,580	39,683,342
1951	361,088,090	42,420,485
1961	439,234,771	77,682,873
1971	548,159,652	108,924,881
1981	683,329,097	135,169,445
1991	846,302,688	162,973,591

Population Growth Rate 1981-91 - 23.85%

Table 2. Main Religions

Groups 1991 census	% Total population	% Increase since 1981
Hindu 672,599,428	82.41	22.78
Muslim 95,222,853	11.67	32.76
Christian 18,895,917	2.32	16.89
Sikh 16,243,252	1.99	25.48
Buddhist 6,323,492	0.77	35.98
Jain 3,332,061	0.41	4.42
Other religious persuasions 3,131,125	0.38	13.19
Religion not stated 405,486	0.05	573.46

Table 3. Million Plus Cities (1991)

City	Population (in millions)
Greater Bombay	12.6
Calcutta	11.0
Delhi	8.4
Madras	5.4
Hyderabad	4.3
Bangalore	4.1
Ahmedabad	3.3
Pune	2.5
Kanpur	2.0
Lucknow	1.7
Nagpur	1.5
Surat	1.5
Jaipur	1.1
Kochi	1.1
Vadodara	1.1
Indore	1.1
Coimbatore	1.1
Patna	1.1
Madurai	1.1
Bhopal	1.1
Visakhapatnam	1.1
Ludhiana	1.0
Varanasi	1.0

Keeping this variation in view, local bodies are supposed to be formed as democratic institutions based on the principle of self-government and should represent people's desires and strengths. Due to massive urban growth during the past two decades, the urban quality of life has deteriorated and creates an urgent necessity for having vibrant and efficient urban local government bodies that can deliver adequate services and improve living conditions.

Traditionally it is the responsibility of elected councilors to bring about public participation in the decision-making process. However, direct public participation is difficult to realize due to various reasons such as time available to the council and the public and the large number of people living in cities and towns. In general, people contribute and participate through media such as letters in newspapers, posters and books.

There are a number of tasks specific in every city that concentrate on the fight for certain developmental or remedial issues. People are involved in such activities and contribute to the council and state level decision-making process. The Seventy-Fourth Constitutional Amendment Act (CAA-1992) and the Conformity Municipal Legislation by different state governments have paved a new path for public participation through the ward committees, which are supposed to act as public auditor in the development process.

In a modern development setting involving urbanization (26.13 % - 1991 census), it is necessary to take note of urban local government as it is through establishing a strong local government structure that full fledged democratic decentralization can be brought about. The CAA-1992 in India is a step towards bringing about changes in the existing framework of urban local bodies and is in conformity with the world process of democratic decentralization. It is expected to be a harbinger of a new era, by making the urban local bodies an efficient and democratic form of government in the true sense.

The reforms required by urban local bodies are multifaceted encompassing political, social, administrative, financial and technological dimensions. The act provides a constitutional form of the structure and mandate for municipal bodies to enable them to function as effective democratic institutions of local self-government. However, it is worth mentioning that the constitutional status alone is not sufficient to make the municipal bodies vibrant and effective institutions of democracy. A new structure of municipal authorities with additional devolution of functions, planning responsibilities, new system of fiscal transfers and empowerment of women and weaker sections of the society is to be implanted.

The following reforms may be initiated to make the municipal bodies vibrant and effective institutions of democracy:

1. Off-year elections. It was argued that local elections should not be held in the same year as national elections because local issues are different.

2. Non-partisan elections. Parties should not play a role at the local level because the citizens of a community have common interests that should not be overshadowed by partisan politics.

2.2 Participation as a Corrective Proprocess to Ensure Efficiency in Local Government Power Struture

Participation and decentralization have a symbiotic relationship. On the one hand, successful decentralization requires some degree of local participation. Local governments' proximity to their constituents will only enable them to respond better to local needs and efficiently match public spending to private needs if some sort of information flow between citizens and the local governments exist. On the other hand, the process of decentralization can itself enhance the opportunities for participation by placing more power and resources at a closer, more familiar, more easily influenced level of government. In environments with poor traditions of citizen participation, decentralization can be an important first step in creating regular, predictable opportunities for citizen-state interaction.

The symbiotic relationship between decentralization and participation leads to somewhat contradictory policy guidelines. On one hand, mechanisms for citizen participation could be considered a helpful pre-condition when evaluating the prospects for successful decentralization. Accordingly, the design of decentralization should take into account the opportunities and limitations imposed by existing channels of local participation. On the other hand, lack of participatory mechanisms could be considered a motivation for decentralization and can help create local demand for more participatory channels to voice local preferences. This note discusses each of these dimensions — participation as a means to successful decentralization and as a goal of decentralization. These incremental changes can eventually evolve toward broader opportunities for citizen participation and democratic governance.

Participation means a continuous & active involvement of the people, which is at the same time indispensable for good governance in a liberal democratic political structure. It is defined as — 'deep & continuous involvement in administrative process with the potential for all involved having an effect on the situation.'

For many years the conventional growth oriented, top-down strategy of development was not producing the desired result and at the same time the failures in the field of administration motivated the planners to decipher the complex field problems. Even in routine electoral process also the rate of participation was lowering. During 1960 presidential election about 39 million eligible voters did not vote in the United States of America. In 1964 the number of non-voters was 43 million & in 1968 it increased to 47

million. In the off year congressional elections & in state & local election it was almost 25 percent lower than the presidential election. Most of the people were occasional participants in the political process. It is now being observed that until & unless the common people are participating in the development process, the developmental programs cannot become successful.

In other countries as well this particular trend was present. The reason could be many; one of them might be poor planning & execution of it or might be professionalism-based administration which kept the people more separated from it. Even in the industrialized nations like Britain, the Netherlands the apathy existed among the people. In developed countries it was found that people were more involved in economic activities and participation in the political process lost its significance for them, creating crisis in democracy.

The next decade saw the gradual expansion of state activity. Public administration was embracing daily life of the individual as well as the community. In every nation starting from the capitalist United States of America to former communist Soviet Union (presently Commonwealth of Independent States) or in the developing countries of Asia, Africa and Latin America, the need to extend the area of public administration was felt. Now the "Administrative state" was replacing the Laissez Faire state, which was responsible only for maintenance of law & order. The modern

"Administrative State" was acting as the accelerator for economic & social changes; it was also responsible for providing modern amenities of life, education, health, and transport along with the opportunity for employment. The most important reasons for the amplification of this state function were—

- Growth of industrialization and urbanization change in the political philosophy of the state i.e. a shift from individualism to social welfarism.
- Two world wars and the resulting international situation gave rise to several other international institutions such as the World Bank, the IMF which were responsible for advancing the elite ideology of neo-liberal economics.
- Vast increase in population was posing a problem of providing food, shelter & other necessities of life.

These factors led to the emergence of 'Great Society', which again in turn helped to form

'Big Government' in almost all industrialized & advanced nations. Now the fundamental principles of the welfare state were transforming the functions of public administration. But this did not affect the level of participation in the political process. Welfare activities became mostly the government's headache.

During later part of the twentieth century a growing concern for people's participation in decision-making is being highlighted which was mostly absent during a few decades ago.

During 1970s the scholars felt the need to search for suitable methods in national as well as in international sphere to meet the challenges coming out from illiteracy, deficiencies & other kinds of pauperization; several management strategies were introduced to fit local situation.

Throughout this decade several community development projects were taken up which integrated rural development and in this way participation as an intervention methodology evolved. At the same time a kind of realization was felt in the society that without the common people's participation decision making is bound to be ineffective. Moreover in the 'post modern' public administration the common people were considered as an integral part.

As a result of this working towards empowerment of common mass was felt indispensable which sought to restructure the government enabling common men & women exercise greater influence over matters of their concern. A tool to promote responsiveness in public administration was the citizen's charter introduced both in Britain & India in the 1990s. It implied people's participation in administration.

The 1993 UNDP Human Development Report comments that: "people's participation is becoming the central issue of our times." Therefore, the community participation is part of a wider strategy to promote savings to target services only towards those who have been identified as being most desperately in need of them and to shift the burden of resource provision away from the public sector towards communities, including communities in greatest need themselves.

With respect to the recent trend of community based development, which came to exist replacing state led development, the South Asian Commission on Poverty Alleviation observed in 1992 that the focus then shifted to development activities of locality rooted, participatory micro development organizations. At the formal level, this shift was evident in the increasing attention being paid to voluntary & non-governmental organizations, in asserting the positive value of participation of the poor in development and bringing about social changes within a democratic political framework.

The commission also stated that the 'participation' emerged as a corrective process. Participation here is seen not in narrow terms pointing towards formal activities effected through representatives. Instead it is defined as a socially vibrant grass roots process whereby people identify with the process as their own, with occasional help from facilitators. The process is inherently educative, leading progressively to a higher level of consciousness, which evolves through newer experiences of facing reality. They are then able to participate as active subjects in the development process rather than passive objects.

Therefore, now people's participation in public administration is part of the larger process which emphasis on the values of accountability, responsiveness and

representation. It establishes that people would be provided with the congenial atmosphere so that they can participate both in policy-making & policy implementation. The administrators are also becoming obligated to the public for their actions & concede to people right to information. In most democratic countries the government represents the people's choice and administration has become an instrument for the welfare and service to the people. Now in almost all the countries the public administrators are considered as servants of the public, devoted to the realization of public interests and general well being.

The democratic ideal in local government implies that active participation of the citizens in local affairs is both a goal in itself and an instrument for strengthening society at large.

Participation represents a real occasion to influence the decisions about everyday life; it narrows the gap between the rulers and the ruled.

It creates the possibility for political education. Active participation in local affairs might be perceived, as the most important training ground for democracy. By participating in administration of districts and counties, directly or indirectly, the citizens become familiar with public issues. They become, the argument goes, more sensitive to the need for setting priorities and for reaching compromises between different legitimate interests.

There is an assumption in this argument of a connection between local participation and the feeling of solidarity in community.

The achievement of a democratic participation depends on its contribution in securing greater popular control over collective decision making, and greater equality in its exercise. Genuine participation in everyday economic and social activities is a major dimension of human, legal and political rights which includes all those who are affected. In this kind of participation a partnership built upon the basis of a dialogue among the various actors (stakeholders), during which the agenda is set jointly, and local views and indigenous knowledge are deliberately sought and respected are the most crucial elements. In India, joint management between Local Government agencies and the community, has enabled local government to be more participative.

The transfer of power from the central government to local government provides a site for women to represent their interests and needs by entering the arena of local politics. Rejecting the increase of central government control over local government expenditure, and the privatisation of public services, many women become involved in local government as a significant site of resistance and reaction (Pringle & Watson 1998). Local Government is considered as providing more space and opportunities for women to represent their needs and interest than Central Government.

Administrators have to know management, economics, sociology, history, law, politics all at the same time. It is so because they have to manage the complexities emerging out of societal changes. It is because common people are becoming more sensitized towards politics and the number of people participating in politics are becoming higher and higher day by day. Several factors act as determinants for political participation.

There are three main dimensions to participation :

1) Civil Society; 2) Decentralization; and 3) Democracy

People participate by forming civil society organizations and taking part in activities that are decentralized to commune and village levels and being involved in democratic processes.

Key stakeholders are government agencies and disadvantaged and marginalized people (as individuals and representatives of organizations).

There is the need for good governance for poverty reduction. With regards to participation, the national development strategies referred to above clearly articulate the need to:

- *Create* conditions for people to fully participate in the development process and to have equal opportunities,
- *Strengthen* the capacity and create opportunities for all people to bring into full play their talents
- Participate in the development process and to enjoy the fruits of development.

In Asia and Pacific problems of participation arises from the limited capability and willingness of the people to participate in governance. In these cases the community has little knowledge on the nature and function of local government. People at the grassroots need more than the provision of institutional mechanisms for participation to change the dimension of participation. They need government intervention in establishing empowering techniques for community participation. As country report from Sri Lanka notes that the community participate only in the election. Thereafter, this participation is dominated by traditional stronger members of the society.

From the foregoing discussion it is obvious that we cannot assume that the concept of participation in local government will automatically enhance popular participation. On the one hand local government may misdirect participation and on the other local government may offer attractive major promise that popular participation and accountability will be more responsive to people's needs and more effective in delivering services for the community. At this point, rather than differentiate participation as a means to achieve efficient and effective development project and goal, and participation as an end in which as a process people control their own development process, it is

crucial to view the rationale for participation in local government as both instrumental and final.

Citizen participation in some form is an essential part of successful decentralization. It is becoming a more common element in developing country political environments, but the flow of information is by no means undistorted. Planning decentralization policies should take these informational imperfections into account and attempt to improve the depth and degree of citizen participation in local government action. Local government responsiveness, one of the main rationales for decentralizing can not be realized when there are no mechanisms for transferring information between the local government and its constituents.

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2.4 Exercises

1. Write an essay on the forms of government.
2. Write an essay on the Participatory democracy.
3. Why Marxist theory fails at the local level ?
4. Write an essay on the concept of local growth coalitions.
5. What is Growth-coalition theory?
6. Do you think that participation and decentralization have a symbiotic relationship?
Justify your answer.
7. Write an essay on the urgent necessity for having vibrant and efficient urban local government bodies.
8. What reforms may be initiated to make the municipal bodies vibrant and effective institutions of democracy?
9. 'Participation means a continuous & active involvement of the people, which is at the same time indispensable for good governance'. Explain.
10. What are the most important reasons for the amplification of this state function
11. Write an essay on the main dimensions to participation.

Unit – 3 □ Linkage Politics

Structure

- 3.1 Introduction**
- 3.2 A Viable Local Political Process Through Deconcentration (Of Resources and Personnel), Devolution (Of Authority)**
- 3.3 Relevance of Studying Linkage Politics**
- 3.4 Conceptual Overview of 'Linkage' in Politics.**
- 3.5 Agencies & Processes of Linkage**
- 3.6 Types of Linkages**
- 3.7 Exercises**
- 3.8 Reference**

3.1 Introduction

The world's urban population has been growing rapidly from under 300 million in 1950s to 2.7 billion in 2000. Currently, the urban growth rate stands at 2.5% annually adding around 55 million people to urban areas. Natural demographic increases have begun to overtake migration as the main cause of urban growth. Growing unemployment & poverty, malnutrition, social exclusion and environmental degradation are now the main issues to be tackled by urban decision-makers.

The capacity of the nations to pursue their economic and social goals has begun to depend more and more on their ability to govern their cities. As a result, urban management has assumed increasing importance. This is largely due to the quantum and quality of contribution that urban centers make to the national income and to other spheres of development such as the creation of social and political ideals, transfer of information and technology, and creating social capital through fostering of human resources, arts and culture.

As opposed to conventional functions, most city governments are today engulfed by many different demands by their citizens. Most of these are new and techno-centric functions. While handling the day to day management of the city within a macroeconomic framework over which the city governors have no direct control. Urban

local bodies are now expected to plan and coordinate and manage a plethora of urban facilities and activities. They include urban environment, urban transport, anti poverty measures, facilitation of urban economy and productivity, and human settlements development.

Meanwhile, the nature of state too is changing towards democratic and administrative decentralisation, greater local autonomy & control and community empowerment & community-based management. These are challenging new flight-paths for local governments.

In an era of continuing economic problems and structural adjustment, national governments have been forced to reduce the services they provide. While the private sector may pick-up some of these, collective and non-profit-earning social goods must be delivered or funded by sub-national governmental units if they are to be provided at all. Further, research over the last two decades has suggested that highly centralized and top-down service delivery is expensive, cumbersome, inflexible, adapts slowly to change, and is prone to be politically abused. Incapacity of governments and, on the other hand, spontaneous patterns of local initiative in education, sanitation and marketing, suggest there is an untapped local capacity to make collective choices and take collective action. All these lead us to say that democracy must be rooted in functioning local, participatory self-governance institutions. There is therefore, undoubtedly the importance of the growth of civil society, development of public ownership of political institutions, mobilization of talents and resources into constructive patterns, and countervailing power vis-à-vis national institutions.

These new responsibilities have been thrust on local administrations by national governments suddenly and without the necessary power, authority, resources and training to manage them as desired. With or without these new responsibilities, urban local administrations everywhere have generally shown a serious lack of ability and capacity to carry out their statutory responsibilities. They have failed to maintain their cities as clean, caring and responsive habitats. Also, there is much to be desired in the maintenance of the rule of law. In the Eighties, local governments attributed their failure to their lack of local autonomy. But the Nineties saw a substantive, though not adequate, transfer of authority from central to local governments yet, without much corresponding improvement in local government. Local democracy and governance has failed in virtually everyplace it has been tried.

In some countries, some actions by higher levels of government have resulted in serious erosion of the existing municipal revenue base. An example is India where the State Governments have taken over the collection of transport tax, which has been the main revenue earner of the urban local bodies for a long span of time. The local bodies are compensated for by a static annual payment in lieu of it. At a most critical time of

the country's economic expansion, urban local bodies thus have lost an expanding revenue base.

In most countries, central governments have been creating special statutory bodies, over the past thirty years or so, particularly for water, drainage, and transport, causing serious shrinking of power and revenue base of the municipalities thereby further impeding the development work of urban local governments.

Under the circumstances, effective governance within the available frame of power and resources appears to be the only solution to minimizing the managerial stress and maintaining an adequate level of urban services and facilities appears to be.

The response to these challenges lies in good governance. This better governance is not just national - it is local, regional and it is global. Good governance makes accountability, transparency, participation and rule of law based mandatory administrative functions. They are vital pre-requisites for sustainable urban development.

The primary call is for attitudinal changes. Municipal and national governments will not be able to meet peoples' aspirations unless their decision-makers are prepared to look anew at urbanization, urban form, urban poverty and urban management systems. Such change in perspective must be accompanied by an in-dwelling change in their attitude, leadership style and goals. Only then will they be inspired and motivated to make the many changes required to the cantilevers of urban governance - the laws, institutions, and administrative processes & procedures.

Obviously, harmonizing the attitudes, structures and processes of government with the aspirations and needs of its urban citizens would not be enough. Such change will not necessarily or automatically lead to good human progress unless operationally-dynamic administrative mechanisms and legally valid checks & balances are in place to ensure that the peoples' aspirations are met through (a) productive facilitation of opportunities and (b) unimpeded enforcement of policies and legislation that such systems promulgate. In doing so, care must also be taken to ensure that their results will contribute to build a society that upholds justice, equity and peace. governance must not only appear to be effective but should also be measurably effective.

'The World Bank has identified three distinct aspects of governance: (i) the form of political regime; (ii) the process by which the authority is exercised in the management of a country's economic and social resources for development; and (iii) the capacity of governments to design, formulate and implement policies and discharge functions.' (World Bank, 1994) 'Governance is viewed as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes, an institutions through which citizens and groups of articulate their interests, exercise their legal rights, meet their obligations, and mediate their

differences.' (UNDP, 1997) Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken. It includes formal institutions and regimes and informal arrangements empowered to enforce compliance. Good governance is both a goal and a process. It only can help us find solutions to poverty, inequality and insecurity. It creates an environment in which civil organizations, business community, private citizens and other institutions can assume ownership of the city development process and the management of their communities. Governance is good and effective when it subscribes to, promotes and ensures following characteristics:

Participation	Strategic Vision	Rule of Law
Consensus Orientation	Responsiveness	Transparency
Effectiveness & Efficiency	Equity Building	Accountability

The primary yardsticks for measuring governance lead us to measure the extent to which the governance of a particular urban local body is: participatory; sustainable, legitimate and acceptable to people, transparent; promotes equity and equality; able to develop the resources and methods of governance; promotes gender balance; tolerates and accepts diverse views and perspectives; able to mobilize and efficiently use resources for social purposes; operates by rule of law; commands public trust and respect; accountable; sensitive to the needs and aspirations of citizens; regulatory rather than controlling; and facilitating instead of providing. In this context, the factor that has been found to be important for effective local governance is a viable local political process. Substantial decentralization efforts in India during the later 1980s and early 1990s have been weakened by the absence of viable local political processes to convey information to the public about government decisions, to organize publics to be attentive to government actions, to mobilize public opinion regarding local government, and to hold local officials accountable for their performance. The absence of attentive local population and of close linkages between officials and citizens has caused many of the problems found in local governmental performance.

The political process provides an arena for political entrepreneurs to explain and market their activities, trying to build support and raise additional resources. When they fail, the political process is the mechanism that reviews and replaces them. Usually a viable local political process includes an active civil society, some general political organizations (e.g., factions, parties or their surrogates), a legislative arena, opinion leaders and their publics, and mechanisms to gather and spread information. With all this in mind, it may appear reasonable to hypothesize that effective local governance requires deconcentration (of resources and personnel), devolution (of authority) and

development of a viable local political process which requires democratic development of the representative institutions (council) and linkage institutions (political parties and civil society) between the population and the municipality. However, they are still underdeveloped, for which the established local political process is largely rendered irrelevant. Furthermore, institutional arrangements now in-place to facilitate these are flawed in their design, while the interest groups organized at the "grass-roots" level are still weak and fragmented. The representative body at the local level, with a civil servant from the town as the effective chief executive is main source of this flaw. The body does not have full authority over local budgetary and programatic decisions and its effectiveness in encouraging and focusing a local political process remains unclear.

3.2 A Viable Local Political Process Through Deconcentration (of Resources and Personnel), Devolution (of Authority)

It was important to distinguish between devolution and deconcentration in analyzing local government systems, and in describing patterns of "decentralization" reforms. Devolution refers to the distribution (or re-distribution) of authority to make decisions and to take action by local governments independently of central administrative oversight. Central governments might retain overall legal control (equal protection under the laws, voting eligibility, allocating authority to raise revenue, ensuring general law and order, and regulating fraud and corruption) and the authority to alter local government powers. Within those boundaries, devolution exists if local entities have substantial authority to hire, fire, tax, contract, expend, invest, plan, set priorities, and deliver the services they chose. Deconcentration, in contrast, occurs when local entities act largely as the local agents of central governments, manage personnel, and expend resources allocated to them by central government authorities. Deconcentration refers to essentially the redistribution of central resources to localities on the sufferance of those central authorities.

Advocates of deconcentration emphasize the fiscal, skill, and personnel poverty of localities, and their need for central resources to function. They also emphasize the problem of providing effective direction for local administrators. Advocates of devolution emphasize that the residents of local governments will be unlikely to participate, invest attention or resources, or learn many of the lessons of governance unless their local governments can make real decisions with effective consequences. The same applies to local officials as well, who, furthermore, are unlikely to invest extra attention and energy in local affairs and programs unless they are accountable to

localities rather than the center. Local authorities with inadequate sources of revenues generating fund and mostly untrained personnel have remained either largely passive or only spasmodically active.

The argument regarding a viable local political process combines both of these perspectives. Such a process is necessary to provide policy direction for local officials, information to allow learning and fine-tuning of policies and programs by local officials, and accountability regarding performance. Resources provide the "raw material" of local governance, authority provides the structure that allows local political entrepreneurs to combine resources to produce local services, and a viable political process energizes, directs, and redirects political entrepreneurs in their activities expanding beyond the dimension of central vs. local. Here it becomes necessary to study the essence of linkage politics, trying to create a bond between the needs of globalization and localization, between individuals and institutions, public and private, individual and common affairs, formal institutions and regimes, or between central and local. Linkage politics is to be looked at as a continuing process through which conflicting or diverse interests may be accommodated and collaborative drives may be taken to entertain changes in the direction of development.

□ Central-Local Links In India

The central government controls the overall development initiatives in urban areas through the Ministry of Urban Affairs and Employment. However, state governments have a significant control on the staffing, finances and administration of the Municipal Corporations and councils. The state governments exercise control through their urban development departments. The directorates of municipal administration also have a town planning (and valuation) department to exercise control on the physical planning of the urban areas as this department prepares the development plans for the cities and towns in their respective states. There is an increasing emphasis on the training of municipal employees. There are a number of renowned training institutions that provide training to elected and executive personnel in local authorities in different subjects such as engineering, human resources development, capacity-building, solid waste, water supply and information systems. These include the Indian Institute of Public Administration, the National Institute of Urban Affairs, All India Institute of Local Self-Government and the Regional Centres for Urban and Environmental Studies (Mumbai, Lucknow and Hyderabad are the major institutions in India.

3.3 Relevance of Studying Linkage Politics

In the modern form of democracies, there have been some major changes in local

self government, which requires linkages through the period of changes. These trends of changes must be analysed. There are three main trends : The change of the substance of local decision making, the change of the decision making power of the elected council and the change in the role of the citizens. These changes lead to a transformation of local self-government and require new approaches to democratic control and legitimacy.

Local affairs as the mater of local self-government have become increasingly vague. This goes for the principle of territory, the principle of universality and the separation of community affairs and private concerns. Local affairs tend to extend in regional contexts, regional aspects overlap with local interests and decisions, Citizens not only live in one municipality, they fulfil their needs for working places, shopping, sports, culture and leisure facilities in several municipalities all over the region. Because of this interweaving of interests local bodies cannot decide on local affairs as if their community is an island. They have to consider different and mutual influences.

Furthermore we have to ask the question, whether all the local bodies have to produce all the necessary services or whether it is possible and useful to produce some services at a central place and only deliver them locally. Keeping this in view, linkage role finds additional weightage to be recognised as a vital mechanism for ensuring effective governance at local level.

Political parties are undoubtedly the most important agencies of linkages, because they seek to hold office. They are particularly important at the local level as this is where their roots must be grounded.

The parties and party organisations follow six types of linkage processes. These six types are participatory, representative, clientelistic, recruitment, organisational, and electoral. While a range of conditions for each type of linkage have been outlined, there are also a number of common themes running through each type. The openness of parties to members and external organisations is a vital condition of all six types, while membership strength, activity and influence are also important indicators of most but not all types of linkage. Moreover, the concept of exchange in its various different forms is common to clientelistic, recruitment, organisation and electoral linkage.

3.4 Conceptual Overview of 'Linkage' in Politics.

Parties and other political organisations play a linkage role in advanced industrial democracies. As a concept, linkage is usually used to imply that parties have become less

important in terms of the linkages that they provide. It is said that when linkage between parties and citizen fail, a 'broken linkage' exists between politically interested citizen and decision-makers.

Linkage has become a motion with a variety of uses. In international relations, it was started being used as synonymous with the diplomacy of Henry Kissinger and his efforts to match concessions in one field of international negotiations with benefits in other areas. In domestic politics elite theory of democracy identify eight different types of linkages in American political context. These range from the linkage between federal and state units to voters and press or fascist varieties where linkage essentially means elite control of public opinion. Institutions providing linkage vary from the electoral system for Presidency and Congress, through states and elected officials at all levels, to the press and government.

Linkage, however, is most appropriately applied to political organisation, like political parties, interest groups, social activist groups, who in one way or the other primarily act as intermediaries between government and citizen.

The term linkage may be used to refer to the types of bonds which exist between individual citizens, social organisation and the political system. It may also denote a more subjectives, individual feelings of attachment to organisation and the political system. The role of the political parties in interest articulation and interest aggregation is described as linkage role. It is also described as a mechanism to channelise the views of the electorate towards the party leaders. The term linkage often covers the function of participation, meaning both internal party activism and electoral turnout, and communication.

3.5 Agencies & Processes of Linkage

In representative democracies it is not enough to suggest that the government reads to be responsive to public opinion. Some described linkage as any means by which political leaders act in compliance with the aspiration and needs of the people in respect of government policy. This is done by intermediate organisations who aggregate and represent the opinions of section of people to government. Three main organisations act as the agents of linkage in this respect :

- (a) Interest and pressure groups
- (b) Rise of new social movements
- (c) Political parties, the most prominent actor.

There are two processes of linkage :

(i) Reactive process, where there are reactions in one unit. This model fits with the notion that linkage is fulfilled by government or party responsiveness to public opinion.

(ii) The Penetrative Process

The penetrative process means that parties are key agencies in providing political linkage in modern democracies. Unlike pressure groups or social movements, parties are active in both society and government and, if elected, have the authority to make legislation. Moreover, it is the grassroots / societal level that is the vital end of the linkage chain if parties are to continue to hold office. Although most work on parties and linkage has looked at this from the perspective of members, a key, and relatively ignored, element in the linkage chain is the role that local parties play in this penetrative process. In particular, local parties play a vital role in political socialisation and integration, political recruitment, representation and in helping parties adapt to environmental challenges. Moreover, they provide legitimacy for parties.

3.6 Types of Linkages

Lawson (1980 : 13-14 ; 1988 : 14-17) identifies five types of linkage. First, participatory linkage is when parties serve as agencies where citizens can participate in politics. Second, electoral linkage is where party leaders control various elements of the electoral process. Third, policy responsive linkage is when parties serve as agencies for ensuring that government officials are responsive to rank and file voters. Fourth, clientelistic linkage is where parties act as channels for favours in exchange for votes. Fifth, directive linkage is used by those in office to control the behaviour of citizens. A sixth variant is identified by Poguntke (1998 : 156-179). Organisational linkage is based on an exchange between party elites and organisational elites who can mobilise or withdraw the support of their organisation for a political party.

However, if parties are to 'penetrate' government successfully, they must also be oriented towards society for no other reason than the need to recruit members and activists, convince them to stand for office and run the campaigns that will hopefully bring them electoral success. The societal end of the linkage chain remains vital for parties, their organisational maintenance and, ultimately, their survival. Indeed, to the extent that there is any agreement in the organisation - as - linkage literature, it is to note the importance of grassroots recruitment and activity in intermediary political organisations. Rothenberg (1992 : 262-264), for example, highlights the grassroots motivational and resource-based factors that can prevent effective mobilisation in interest groups.

This model fits with the notion that linkage is fulfilled by government or party responsiveness to public opinion.

The second type of process is the crucial one for parties. This is known as the penetrative process. A penetrative process occurs when members of one polity serve as participants in the political processes of another. That is, they share with those in the penetrated polity the authority to allocate its values. While the first part of this definition could conceivably include pressure groups active in the policy process, it is the second part of the statement that is vital. Competing for office is a core function of political parties (Sartori, 1976 : 64). By seeking office, parties aim not only to 'penetrate' the apparatus of government, but, if successful, they have the authority to make policy and pass legislation.

3.7 Exercise

1. What is linkage politics? Describe the context for its necessary growth.
2. Why the study of linkage politics seems relevant in current decade local governance studies?
3. What do you understand by the term 'linkage' in the context of studying politics?
4. Write a note on the agencies and processes of linkage.
5. What do you understand by 'penetrative process'?
6. Describe the types of 'linkage'.
7. Do you think that linkage politics is meant to create a bond between the needs of globalization and localization?
8. How linkage politics create a bond between the individuals and institutions, public and private, individual and common affairs, formal institutions and regimes, or between central and local.
9. How linkage politics strives to accommodate conflicting or diverse interests leading to the creation of a viable local political process?
10. Do you think that deconcentration (of resources and personnel) and devolution (of authority) alone can create a viable local political process? Justify your answer.

3.8 Reference

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Unit – 4 □ Globalization and Local Politics

Structure

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4.1 Introduction

The “first era of globalization” came to an end with the shocks of the First World War, the collapse of the Gold Standard, and the Great Depression. Neo-liberalism is associated with the contemporary “second era of globalization,” the seeds of which were planted after the Second World War. In between, during the period from 1915 to the 1960s, different versions of more statist liberalism guided the economic and social policies of many nations.

International monetary stability was re-established with the Bretton Woods Agreement. As a ideological movement, it became increasingly prevalent based on the work of Robert Mundell and Arthur Flemming. The Mont Pelerin Society, founded at about the same time by thinkers such as Friedrich Hayek, Milton Friedman, and Michael Polanyi spawned free-market think tanks and advocacy groups in the UK and the US during the 1960s and 1970s. They drew upon the theories of the Austrian School of economics and monetarism. Neo-liberalism argued that protectionism produced economic inefficiencies, and that developing nations should open their markets to the outside, and focus on exporting. Neo-liberalism suggested that the liquidation of state-owned corporations, and the relaxation in rules designed to hinder business could only improve the economic condition of the developing nations. Neo-liberal ideas found expression in a series of trade talks to form the General Agreement on Tariffs and Trade as well as regional free trade agreements such as the European Union and the North American Free Trade Agreement. These agreements encouraged the free movement of capital funds and direct private investment and limited national restriction on business privileges.

Development of neo-liberalism became more rapid in the 1970s. For example, General Augusto Pinochet's Chile began with a CIA-backed coup, violently ousting the

democratically-elected government of Salvador Allende in Chile. The Allende government had pursued radical social-democratic policies and has sometimes been labeled 'Marxist.' 'Free market' policies, including privatization of state assets, were imposed by Chicago school economists inspired by Milton Friedman. These policies were later imitated by the Bretton Woods institutions operating in many other poor countries, particularly in Latin America.

Neo-liberalism laid stress on the crucial role of the "market" as against the state as the key regulator of society & economy. Emphasis was given on de-governmentalization and privatization. But government's role as a guardian in the life of common people cannot be undermined & particularly in developing countries the role of in brining socio-economic changes & multidimensional development remained supreme.

The movement of liberalization got its initiation by Margaret Thatcher in Great Britain and by Ronald Reagan in the USA. The rise of this wave of neo-liberalism culminated with the fall of the Soviet Union and the fading of social democracy. The Reagan and Thatcher governments not only shifted their own countries' policies toward laissez-faire but used their control of the major Bretton Woods institutions to impose their policies on the rest of the world. The impact also expanded to Europe, Asia & Africa. Significant changes were made & several other important measures were adopted by the govt. of those countries even China & India showed their enthusiastic welcome to LPG i.e. Liberalization, Privatization & Globalization.

For this reason, some regard neo-liberalism as synonymous with the "Washington Consensus," the dominant policy view at the International Monetary Fund (IMF), the World Bank, and the U.S. Treasury at the end of the 20th century and the start of the 21st. A major axiom of the neoliberal school is that "There Is No Alternative" to globalize capitalism. This slogan is often abbreviated as "TINA".

Another commendable attempt was made by two American Scholar David Osborne & Ted Gabler in 1992 was to re-invent the govt. to hold the pace with the cross national competitiveness in the economic system. Along with the concept of re-inventing the governmental system almost in the same year the concept of Good Governance was introduced by the World Bank for the third World countries having democratic form of government. Against this backup we have to first look at what the new form of governance is after its re-invention. The new govt. is more adaptable, effective, efficient & all the more it is more responsive able to produce high quality goods and services. There are several other axioms of reinventing govt. These are -

- a) Governments have to be reinvented by making it more entrepreneurial which means that they should "run like a business".

- b) New form of govt. should respond effectively to the knowledge based, global economy.
- c) Government should be more competitive & should be able to vie with the private sector based economy.
- d) Government should become more catalytic which would inspire guide & help communities, private sector & the people.
- e) Rule driven public organization should be transformed into a mission driven govt.
- f) Constant reform & continuous innovative measures to be taken by the government.
- g) Public organizations must become quality conscious & introduce total quality management.
- h) Govt. should create more profit – earning organizations & should control wastage.
- i) Emphasis should be given to people's participation & team work.

The movement of re-inventing the government got an overwhelming welcome throughout the world. There were several changes also brought by the government of African & Asian nations during 90s. These are as follows –

- 1) In policy making the role of the technocrats & the economists also increased.
- 2) Recruitment & promotion of civil servants became more stringent throughout the world & particularly in Japan & South Korea.
- 3) Remuneration, prestige etc. of civil servants became almost similar to that of private sector.
- 4) More emphasis was given to honesty of civil servants
- 5) Responsiveness of bureaucrats towards the need of the people was given more emphasis.

According to Osborne & Gaebler the following principles are of crucial significance for a fundamental transformation in the organization of government. Instead of running all aspects of programmes administrators should encourage people to participate in managing the governmental programmes.

- 1) Competition should be injected into the governing process.
- 2) Alternative to in-house delivery like public – private partnership, contracting out should be introduced.
- 3) In making services convenient customers have to give choices, provide other facilities for better services.
- 4) By using shared savings, funds, fees, loan pools, the government should earn money.

- 5) Review of agency performance and fund allocation should be based on policy outcomes.
- 6) Rules like line-item budgeting year-end fund expiration should be eliminated.
- 7) With participatory management, labour-management, quality circles & employee development programmes centralized institutions should become decentralized
- 8) Government should also prevent the needs like – fire prevention, preventive maintenance.
- 9) By subsidized health insurance, incentive for inner city investment the govt. should restructure the market & meet the goal.

These principles enumerated by the scholars Osborne & Gaebler showed a feasible solution for the obstructions of classical systems of government and the suggestion is for a better government and for that an entrepreneurial government is preferred over a bureaucratic government. At this juncture the field of public administration got some threat due to the governmental changes globally. Some theoretical concerns tended to renovate the discipline are as follows –

- a) To empower grass-root level people and decentralization and democracy – enhancing institutional measures to be introduced at the work places.
- b) Consumers were given more opportunity to 'choice' which was better than imposition. Suggestions like privatization, decentralization & people empowerment, encouragement of NGOs in the voluntary sector were also applied in the governmental procedure.
- c) Reconceptualization of government role like policy orientation & re-examination along with neo-institutionalism in the form of institutional capacity building is being encouraged.

Every society contains certain sectors in its economy in which state ownership with limited competition is a way of ordering economic activities. Empirical evidences show that the boundaries between competition and sectors with externalities are not permanently fixed with the practice of deregulation and market competition, the boundaries may change.

Very recently a view against state ownership & in favour of private ownership is gaining support the basic reason for which is the sudden transformation of world economy due to the impact of globalization, which is again bringing far reaching changes in the political, economic social & cultural spheres across the societies. It refers to processes by which particular societies are getting incorporated into a single world-wide market society resulting in a formidable global spread of goods, services, technology & processes which is leading to new societal expectations & changing value system.

Globalization believes in a global market which is due to the impact of pressures generated on the countries by global institutions, information technology and other sorts of technological advances. Critics of globalization dub it as the imposition of worldwide consumer monoculture. Today markets are trying to occupy a prominent place in public service delivery. The earlier traditional welfare state is transforming into a corporatist state. Therefore it is natural that globalization is weakening local ties and local identities, giving birth to a global society along with a global culture.

The new wave of changes is aimed at reinventing the government with significant transformations which evolved during 1980s and are customized as 3 Es – Economy efficiency & effectiveness. This enables the government to produce quality goods and services and be responsive to the citizens. In this context it can be pointed out that Osborne & Gaebler, two American scholars envisaged the need for a particular type of government which is not so much concerned with what the government does instead it is concerned with how the government does it. Following are the models of government Conceptualized by Osborne & Gaebler –

- a) **Catalytic Government** - It does not only provide services but also catalyses all other sectors of the society into action in giving a solution of the problem.
- b) **Competitive Government** - It promotes competition amongst various service providers.
- c) **Community Oriented Government** - It empowers the citizens in delivering the services.
- d) **Mission – Driven Government** - It is not being driven by rules & regulations but by mission.
- e) **Enterprising Government** - It mobilizes efforts towards earning money and not only spending.
- f) **Result-oriented Government** - It measures the performances of the organizations on the basis of their outcomes.
- g) **Customer Driven Government** - It defines clients as customers & offers them choice in service delivery.
- h) **Decentralised Government** - It is to decentralize the authority with a view to taking decision making closer to the citizen.
- i) **Market Oriented Government** - It relies on market mechanism in providing the services.
- j) **Anticipatory Government:** - It is more proactive in preventing problems before they emerge.

The reinventing government model presented by two American scholars reaffirms the pursuance of the reform agenda of increased efficiency, decentralization, accountability and marketisation.

Scholars consider that the emphasis on efficiency is negating the values of social justice and equity. The anti-state ideology can lead to decline in basic social services. In many developing countries public welfare programmes, social security schemes are not being implemented. For instance in India the National Renewal Fund (NRF) which has been created with a view to provide a safety net for workers affected by the divestment process, has been wound up. Social policies in many countries are not being pursued as a part of broader economic reform politics.

This challenge of social transformation came from two sources : first the process of globalization & its domestic face, economic reforms leading to liberalization and the loosening of the grip of the state on the economy and secondary the emergence of a discourse of civil society defined substantially in terms of the mushrooming of Non-governmental organizations, aspiring to take on many of the developmental functions. Both these posed a challenge to the state. Along with this two particular models of governance posed a fundamental challenge to the state – first the roll back the state and the second the contestation of state projects, practices arguing for a radical participatory democratic politics.

By diminishing the role of the state, the contemporary scenario does not call for less government but a better government able to show results in the competitive world, with a public service orientation. There is need to evolve the concept of valuing citizenship and public service orientation and ensuring accountability not just to market but to constitutional law, community, and citizens interest. There is need to build responsive organization, working towards enhancing the opportunities for the well being of not only the customers but of all citizens.

Critics of neo-liberalism in both theory and practice are numerous. This is particularly true in developing nations whose assets have been sold off to foreigners and whose domestic political and economic institutions had been undermined by the effects of being exposed to trade and rapid flows of capital. Even within the neo-liberal movement there is intense criticism of how many developed nations have demanded that others liberalize their markets for manufactured goods, while protecting their own domestic agricultural markets.

Anti-globalization advocates argue that neo-liberal policies push back a race to the bottom by their imperialist approach.

Some economists argue that neo-liberal policies simply encourage further risk-taking

and crises. They point to the string of currency melt-downs in the – Mexico, Russia, Eastern Europe, East Asia and Argentina – as proof that there is a danger to allowing risk-taking without sufficient penalty or regulation. The United Nations Development Program's Human Development Report, 2000 tells that at the end of the 1990s, eighty countries had lower per capita incomes than at the end of the 1980s. The record is even worse when we consider that the average per capita measure obscures the grotesque and growing inequality and poverty evident in almost all of these countries. Poverty in most countries is rising because: debt payments to foreign financiers continue to eat up a major part of the income the country earns through exports each year; foreign investment is not creating the needed jobs; and, tax forgiveness and incentives to transnational corporations deplete local social spending budgets, just as they do increasingly in the richer countries.

Additionally, global economic growth rates have slowed even as neoliberal policies have squeezed living standards. Instead of increasing economic stability, financial liberalization has caused financial crisis in most of the world's economies. An IMF study found that 133 of the fund's 181 member countries suffered at least one crisis involving significant banking sector difficulties between 1980 and 1995. The World Bank identifies more than one hundred major episodes of banking sector insolvency in ninety developing countries and former communist nations from the late 1970s to 1994. The fact that two-thirds of the fund's members experienced such crises cannot be altogether coincidental but rather is connected to the fact that these were the years the IMF imposed financial liberalization.

None of this is really surprising. The neoliberal agenda (or "Washington Consensus") calls for trade and financial liberalization, privatization, deregulation, openness to foreign direct investment, a competitive exchange rate, fiscal discipline, lower taxes, and smaller government, none of which could plausibly lead to mass prosperity, to stimulate growth, produce a decline in poverty, or generate greater economic stability.

It is to be up to the local governments to do a better job of carrying out the program. The good governance measures now advocated by the World Bank and the IMF are not to be confused with genuine democratic empowerment. Their strict enforcement would redistribute power from incumbent elites to foreign capital—facilitating multinational capital's economic penetration of the poorer countries. The political strategy has shifted from allying with rent-seeking local elites to a new emphasis on diminishing the share going to these costly local liabilities. That these elites oppress their people is now admitted and even condemned by a West which has suddenly discovered human rights abuses. Blaming local elites for the failures is the new strategy for neoliberals. The free market answer to the problem is for foreign capital to take over the dominant role in

these economies, not to foster real democracy. Next stage neoliberalism stresses the importance of transparency, the rule of law, and a level playing field in the marketplace but not in the society as a whole. Unequal access to government would continue for the vast majority of citizens.

It is far too insensitive to local context and needs and it does not correspond to the empirical reality of how development really takes place. The problem from this perspective is that the global economic governance institutions are still trying to fit all countries into a single development model. This is inappropriate because there have been many routes to success, most quite unexpected and combining unpredictable elements of sectoral specialization and governmental support arrangements.

The neoclassical model assumes universally available knowledge, capacities to apply existing technologies, and transparent access to all market information. These assumptions are surely unrealistic. For most participants in low income developing countries, adoption and adaptation are problem areas. Uncertainty is pervasive, access to resource markets is limited and often on unattractive terms. Success depends on a proper balance between state regulation and the role of the market in these states. Critics of the neoclassical approach suggest that this problem in the less developed countries can be addressed by protecting local producers and the autonomy of local governments so that international exchange is truly based on mutual consent and fairness. There may two mechanisms to ensure this fairness. One is to initiate reform in the existing structures and institutions and the other is to bring more fundamental change based on transforming class relations.

NGOs and civil society groups offering a more basic critique of corporate globalization and capitalism, oppose the domination of social needs by market criteria, and the power of transnational capital and the most powerful governments (above all, the United States) to establish rules for their own benefit at the expense of the weaker subordinate nations and classes. To the social justice movements, class power and imperialism are at the core the problem. From this critical perspective, it is being suggested that the system of class rule and imperial domination must be replaced.

In globalization era, problems of democracy in low income developing countries starts with uneven power sharing in the global economic governance institutions. The United States enjoys the most dominant position in the IMF and the WTO, and the only real impediments to its designs come from the handful of other significant players. Most of the countries of the world play little role in the decisions which severely affect the life of their people. In many cases, the governments themselves are so undemocratic that the people of the nations have little or no say as to the role of their governments in the global economic governance institutions. The United States and the Euro-

pean powers have been responsible for installing and perpetuating the rule of most of the local elites.

If discussion of democracy is extended beyond the undemocratic nature of the global economic institutions (IMF and the WTO) to a larger discussion of democracy, it will be found that votes are not counted fairly, opposition candidates are not often allowed to participate on an equal basis, and the voices of ordinary people are hardly heard by their elected leaders. Democracy needs finally to be discussed in relation to class rule in capitalist societies. If the political system by which a body of people is administered and regulated is shadowed by the imposition of the will of a set of policy makers who have usurped power, democracy is bound to be ruined. In such a situation problems arising out of the threats of globalization will persist even in the apparently most democratic nation.

4.2 Exercises

1. Write a note on the effect of Neo-liberalism on local governance.
2. Identify the main axioms of 'reinventing govt'.
3. Do you think that at this juncture of globalization bureaucratic government is not preferred? Justify your answer.
4. Write a note on the models of government conceptualized by Osborne & Gaebler
5. Do you think that globalization is weakening local ties and local identities? Justify your answer.
6. '... social transformation came from two sources' : Elucidate.
7. 'The good governance measures now advocated by the World Bank and the IMF are not to be confused with genuine democratic empowerment'. Explain
8. 'NGOs and civil society groups offering a more basic critique of corporate globalization and capitalism, oppose the domination of social needs by market criteria...' Do you agree with this view? Justify your answer.

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MODULE- 4
LOCAL GOVERNMENT FINANCE

MODEL 4

LOCAL GOVERNMENT FINANCE

Unite 1 □ Nature of Local Government Finance

Structure

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- 1.2 Benefits of Local Sources of Revenue**
- 1.3 Possible Revenue Sources for local Governments**
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1.1 INTRODUCTION

Decentralization is more likely to be effective when a local government can raise a relatively large share of its revenues locally. If the transfer of responsibilities from the central government is not matched by the ability to finance the carrying out of these responsibilities, there is a risk of creating a largely fictional decentralization. In such a case, local governments will tend to remain overly dependent on the goodwill of the central government to finance them. Since the central government sets the rules and generally takes the highest yielding taxes for its own use, local governments tend not to have access to tax revenue and sources that would effectively free them from dependence on transfers. Inter-governmental transfers are vital for local governments but they should

not be used to prevent local governments from attaining an appropriately independent status. Without an adequate revenue source under the control of local government, a suitable degree of fiscal autonomy cannot be realized.

The fiscal functions of central and local governments are traditionally analysed in terms of their respective roles and responsibilities for income redistribution, expenditure provision, tax assignments and tax transfers. Questions about the extent of centralization and decentralization are critical when addressing the issue of inter-governmental finance.

Distributional and macroeconomic considerations generally argue against extremes that, on the one hand, assign all or most taxing powers to local governments or, on the other hand, assign such taxing powers to the central government. The option that is most frequently observed in countries around the world is one that assigns revenue sources such as taxes to each level of government, in combination with various types of inter-governmental transfers to bridge any gap between expenditures and locally-raised revenues.

There is no universally accepted solution as to how decentralization and local government investment should be financed. Lessons learned from numerous countries suggest that the first step is for the transfers of revenues and of expenditures on service to be matched as closely as possible from the start of the decentralization process. This implies that decentralization should be a fiscally neutral devolution of responsibilities. In order to accomplish fiscal neutrality, estimates should be prepared for the full costs of the services that are to be devolved to the local governments. This estimate should form the basis for an agreement on the mix of services and revenues that will ultimately be transferred.

The most direct way to finance infrastructure and to support decentralization is to turn over to local governments both the responsibility for providing services and the capacity for raising revenues. Many of the central and local governments in developing countries have tended, however, to resist this approach. On the one hand, central governments are reluctant to relinquish control over the principal national taxes as it suggests losing control of the revenue side of the national budget. On the other hand, most local governments are not eager to take on the major responsibilities of a taxing authority, and they do not want to establish locally generated taxes simply because they do not have the capacity to administer such taxes. However, much can be done to increase local capability and capacity to the point where local governments can administer the assessment and collection of local taxes under the regulatory supervision of the central government.

A strategy adopted by many countries is to attempt to strengthen local governments by giving them greater responsibilities in terms of the services they have to provide. While this may appear to create more independent local governments, the reality is that local governments will not be able to apply their new powers unless they are properly

financed. The assignment of more responsibilities for expenditure to local governments than they can finance from their revenue sources results in the mismatching of functions and finances. This mismatch is referred to as 'vertical imbalance' and it results in local governments being highly dependent upon transfers from the central government. Therefore, it is essential that those responsible for the design of local government responsibilities should be aware of the revenue sources that will be needed to fund them.

An additional problem that is at the heart of inter-governmental finance in many countries is the existence of 'horizontal balance'. This occurs when local governments are not equal in terms of population, geographic area, level of urbanization and per capita income. Designing fiscal decentralization and equalization programmes to cater for this complex reality is a major challenge.

1.2 Benefits of Local Sources of Revenue

- Local taxes are necessary to enable a local government to meet the local needs according to local preferences.
- Local taxes can compel the local leaders to spend the money more efficiently and effectively. If a local government relies on grants there is a danger that local politicians can spend the money inefficiently and local autonomy is discarded.
- There tends to be greater accountability for money raised locally than with fiscal transfers from the centre.
- Grants from the central government often come with pre-conditions attached and constrain the way the grant is spent.

Local governments should be able to raise revenue to finance the costs of proposed services from the beneficiaries of those services. The connection between beneficiaries and tax-payers is relevant from the perspective of public finance: public services should be decided by the beneficiary group who should also pay for their costs. Locally raised revenues that are spent locally for the benefit of local tax-payers illustrate the direct link of the tax to the benefits received by the community as a whole. This means that the local citizens should pay higher taxes if they want better services or if the local government is inefficient. This gives the right incentives for the local citizens at election time. A high level of own taxation also deprives the local government of the excuse of lack of money from the central government for any failure to deliver local services.

In practice, there is great variation in the proportion of resources raised locally, or over which local governments have a significant decision-making authority. This proportion is difficult to measure because such measurement requires an assessment of the share and nature of government transfers as well as the actual degree of autonomy of local governments in setting the level of locally raised resources (both tax and non-tax). However, there is a broad consensus that the autonomy of local governments in devel-

oping countries is still weak compared with practices in other countries. The advantage of increasing local taxes compared with increasing tax-sharing arrangements is that control over 'own taxation' increases accountability. It affects the behaviour of the local population and the local governments in a positive way.

The choice of a good tax for local governments is limited compared with the choices for central and even regional governments. This is because the higher levels of government cover jurisdictions having larger populations and have a greater capacity for tax administration. A number of conditions should be met for a tax to be a good 'own local tax':

- The revenue or local tax should increase over time in order to match the growing need for local public services.
- Local taxes should not be too sensitive to cyclical fluctuations.
- The size of the potential revenue is important. If the local governments are allowed only relatively small yielding taxes, vertical imbalances will result (i.e. the assignment of more responsibilities to local governments than they can finance from their local revenue sources).
- There should be a close relationship between the citizens who pay and the citizens who benefit.

As local taxes normally represent the greatest source of autonomous income for local governments, the ability to influence the local government finance is a very important condition. With such ability, a local government is able to adapt the service level to its financial circumstances.

Property tax is an effective local tax because the nature of property makes it relatively simple for local governments to identify tax-payers and to collect the taxes. Property tax is generally less attractive for central government because its revenues are usually much less than income tax, sales taxes and corporate taxes. Moreover, property tax is typically not considered as an instrument for broader social and economic policies which tend to be the domain of central government.

1.3 Possible Revenue Sources for Local Governments

Municipal bodies (corporations and councils) are prescribed to perform a vast array of functions (obligatory and discretionary) for which adequate financial resources should be available. However, there is no separate list of taxes exclusively for municipal bodies. Many Commissions like the Local Finance Inquiry Committee (1951) and Taxation Inquiry Commission (1953-1954) have been set up from time to time to look into the issue of municipal finance. However, municipal finance was left to the discretion of the respective state governments to specify by law matters relating to imposition of taxes.

Municipal Revenues are basically of the following types:

- Tax revenue;
- Non-tax revenue;
- Grants-in-aid;
- Borrowings or loans
- Octroi

1.3.1 Octroi

It is the tax levied on entry of goods into a local area for consumption or sale therein. Octroi is the most traditional tax and a major source of local revenue. It accounts for about 60 to 80 per cent of total revenue of the urban local bodies where it is imposed. In the states of Rajasthan, Gujarat and Maharashtra for example, this tax is the major source of revenue. However, due to scathing criticism from many front states such as Andhra Pradesh, Assam, Bihar, Karnataka, Kerala, Madhya Pradesh, Nagaland, Sikkim, Tamil Nadu, Tripura, Himachal Pradesh, Manipur and Meghalaya have abolished octroi. The state of Gujarat has taken a policy decision to abolish octroi and introduce an entry tax.

1.3.2 Grants-in-aid

An important element of municipal finance is grants-in-aid. There are two types of grants: a general purpose grant (GPG) and a specific purpose grant (SPG). The GPGs are intended to augment the revenue of the local bodies for discharging their normal functions. The SPGs are used for specific requirements, e.g. the increase of wage bills due to inflation, education grants, public health, road maintenance etc. Grants are ad-hoc and discretionary in nature.

1.3.3 Borrowings and Loans

Municipal bodies can borrow from the state government and other agencies when they cannot afford to meet their expenditures with their existing revenues for development activities and for payment of debt charges. Local bodies may be permitted to borrow for the following activities:

- Construction of municipal works;
- Provision of relief and the establishment or maintenance of relief work in times of scarcity or famine;
- Prevention of the outbreak of any dangerous epidemic disease;
- Acquisition of land;
- Repayment of outstanding loans.

1.3.4 Typical Municipal Finances

The Bombay Municipal Corporation is the largest Municipal Corporation in India in

terms of population. The details of its finances over 1996 and 1997 will throw some light on the typical income and expenditure pattern of million plus cities.

1.3.5 Finance Commission

With the increasing pace of urbanization, municipal bodies are finding it difficult to deliver the required level of services. Moreover, with the Constitutional Amendment Act (1992) and the addition of eighteen functions in the Twelfth Schedule, the functional responsibilities of municipalities have increased beyond the provisions of only civic amenities. Local Bodies are expected to play a crucial role in the preparation of plans for local development and in the implementation of development projects. In view of this, proper assessment of the resources of the municipal bodies is required. Thus, the Seventy-Fourth Constitutional Amendment Act under article 243O-I proposes the setting up of State Finance Commission. The Governor of the State constitutes a State Finance Commission within one year from the commencement of the Constitutional Amendment Act. Its term is for 5 years. The recommendations of the State Finance Commission will be in the following aspects:

- Distribution between the state government and municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the state;
- Allocation of a share of such proceeds between the municipalities at all levels in a state;
- Determination of taxes, duties, tolls and fees to be assigned or appropriated by the municipalities;
- Grants-in-aid to municipalities from the consolidated fund of the state;
- Measures needed to improve the financial position of municipalities.

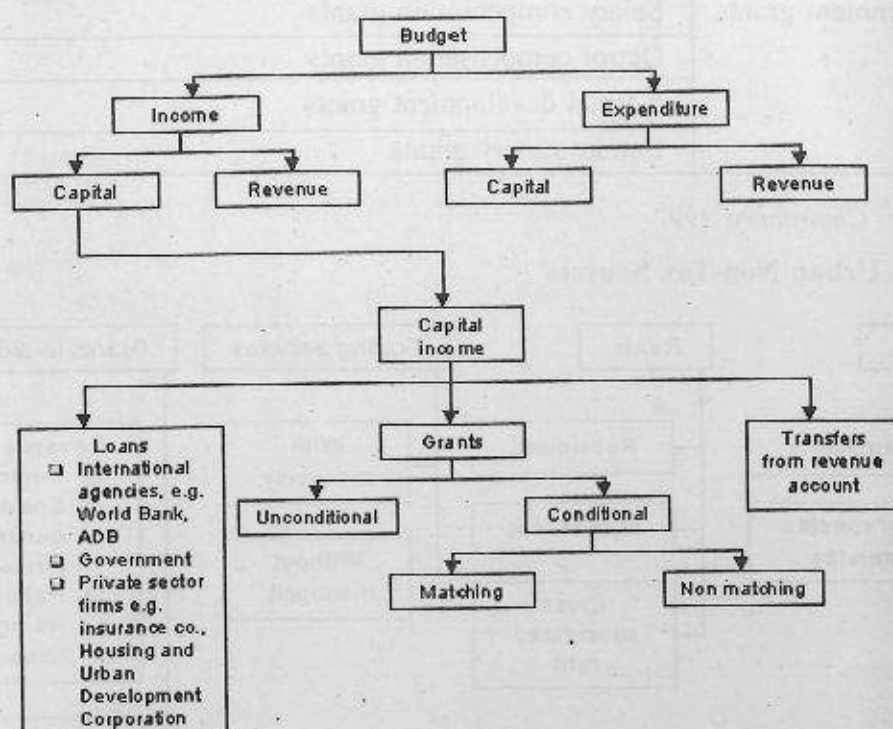
Under the new Amendment, it is at the discretion of the Governor to refer any matter to the Finance Commission. This Commission chalks out its own procedure within the framework of powers given to it by state law. Another important aspect is that the Governor has to present to the state legislature every recommendation made by the Finance Commission along with explanatory notes on the actions taken. The setting up of a Finance Commission as proposed by the Constitutional Amendment Act will thus help the urban local bodies to deliver the increased level of services, which are required in the context of increasing urbanization. These additional responsibilities allotted to them under the twelfth schedule also make it imperative to make regular assessment of financial resources of the local bodies. Regular assessment of the financial resources, would help in the proper channelization of resources as well as the devolution of resources from state to local government and give the local bodies a firm footing.

In pursuing decentralization objectives, it is important to ensure that existing municipal structures are updated to undertake added responsibilities. Thus, local governments are required to provide for services irrespective of their administrative capacity to do so if such capacity does not exist or is inadequate, it needs to be created or strengthened.

1.3.6 Taxes Leviable under the Constitution

Government of India	State Governments
Income tax, wealth tax, corporate tax, customs duties and excise tax	State excise, professional tax, sales tax, entertainment tax and land revenue tax
Urban Local Bodies (as permitted under state acts) Tax on land & buildings, taxes on vehicles, entry tax on goods (octroi) for use consumption and sale, theatre/show tax and tax on advertisements other than in newspapers	

Local Urban Financial Set-Up



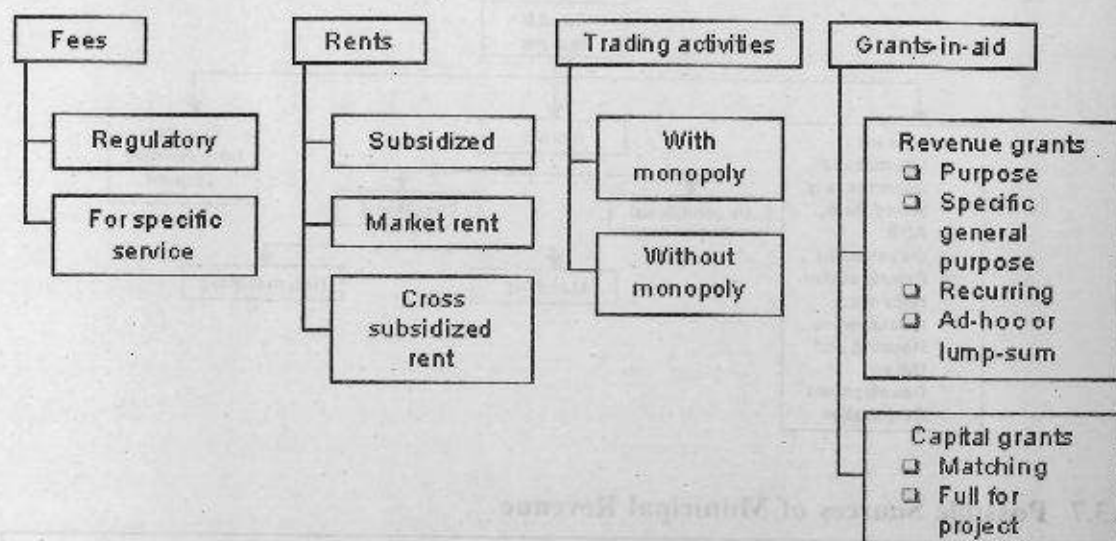
1.3.7 Possible Sources of Municipal Revenue

Source	Sub-components
Property tax	Property tax on annual value of buildings and lands
	Conservancy rate
	Water rate (except Dhaka and Chittagong)
	Lighting rate

Shared property tax	Surcharge on the transfer of property ownership
Other taxes	Tax on professions, trade and callings
	Tax on vehicles and animals
	Tax on cinema, dramatic and entertainment
	Tolls and minor taxes (on advertisement, marriage etc.)
Non-tax source	Fees and fines
	Rents and profits from property
	Other sources
Loans	Internal, from banks, etc.
	International agencies
Government grants	Salary compensation grants
	Octroi compensation grants
	Normal development grants
	Extra ordinary grants

Source: Chowdhury, 1997

Local Urban Non-Tax Sources



1.3.8 Tax Revenue

Major taxes levied by urban local government are the following:

- Tax on property including service levy for water supply, conservancy, drainage, lighting and garbage disposal;

- Tax on entry of goods into a local area for consumption use of sale therein, popularly known as octroi;
- Tax on Professions;
- Tax on vehicles (other than motor vehicles).

The scope of taxation of Municipal Corporations is broader; they are generally empowered to impose or increase taxes within the limits laid down in the State Acts.

The composition of revenues varies greatly from one country to another but the main types of local government revenues are typically the following:

- Revenue from the sale of services (non-tax revenues and user charges/fees).
- Borrowing, e.g. for investment expenditure.
- Different types of grants (e.g. general and specific) made available to local governments from the central government.
- Tax revenues: local taxes (e.g. property tax) or shared national taxes.

Service fees are an important source of revenue, especially if local governments are viewed primarily as service providers. In part, this view is in agreement with the concept of decentralizing certain responsibilities to the local level by using efficiency criteria for the allocation of resources. Such services could therefore be financed through a charging system.

Grants from the central government are a key factor. While grants are declining they still remain a significant revenue source for local government. In a number of countries, 50 percent or more of a local budget is represented by transfers from the centre. Grants will remain important given the breadth of new local government responsibilities and the generally inadequate level of local revenue sources. Grants should normally provide only part of local revenue because local governments are usually more accountable for revenues that they raise directly, and because tax-payers are better able to link the receipt of public services and the payment of the taxes if both are housed within a single government.

Automatic revenue sharing of national (or regional) taxes to local governments is seen as a solution to financing decentralization in many countries. This approach allows central governments to retain control of tax rates and tax administration, while simultaneously ensuring that local governments receive a higher flow of revenues. However, automatic revenue sharing does not always provide a stable basis for financing decentralization and local infrastructure projects. Where the central government retains the power to adjust annually the share of centrally collected taxes, local governments continue to face a fundamental uncertainty about their revenues, which in turn makes it difficult for them to do advance budgeting and planning of capital finances.

Income tax rates have grown during the last two centuries, particularly in times of

war, until reaching historically high levels in the 1980s. Since then individual tax rates, particularly those relating to the top slices of income, have fallen. There are democratic and economic pressures that are likely to inhibit any significant change in the present situation.

Corporation taxes were once seen as an easy tax target. There were few votes to be lost if corporation taxes were increased. This has now changed as a consequence of the intense international competition to attract business to national or regional locations. Corporation tax rates are a significant factor in decisions by multilateral corporations of where to locate their businesses. This is therefore a major constraint preventing national governments from increasing corporation tax rates.

Social security contributions have tended to rise in response to increasing social benefits.

Consumption taxes are also a good source of. The emphasis is now on value added taxes. There are economic, competitive and democratic constraints that governments have to take into account when considering increasing consumption taxation rates.

Property taxes show a large variation in the ratio of property tax to total tax revenue. If wealth taxes and certain other taxes are included in the definition, property taxes account for more than ten percent of the total in the United Kingdom, United States of America, Canada and Japan. In previous centuries taxes on property formed the most important source of tax revenue for both national and local taxes. However, the importance of the property tax is not in relation to the national tax base, but instead to the tax base of local governments.

□ Charges for Goods and Services

Charges for goods and services may come from local sources of income over which local authorities have a considerable measure of control, while specific and general purpose grants are paid annually to local authorities by the State. Taxes are levied annually by different authorities within its own jurisdiction. Local authorities have powers to charge for services which they provide, for example, commercial water charges, housing rents, waste charges, parking charges, toll fees. In most cases the charge or fee is set locally although certain charges or fees are fixed at national level.

□ State Grants

State grants are paid to local authorities in respect of specific services/schemes, for example higher education grants, road maintenance grants, etc by a number of government departments.

1.4 Possible Expenditure for Local Governments

In terms of local government finance, the focus is on the financial well-being and effective financial management and accountability of local authorities and the promotion of value for money principles in the sector. The impact of local government on the social and economic life of the country both as providers of service and purchasers of goods and services is very substantial. Capital and current expenditure are funded in different ways.

□ Capital Expenditure

Capital expenditure differs significantly from current expenditure in that it is expenditure that results in the creation of an asset beyond the year in which that asset is provided. Examples would include construction of local authority houses, road construction, provision of water and sewerage facilities, library and swimming pool facilities. Capital expenditure is financed largely by state grants. In the case of some projects (e.g. local authority offices) they may be funded entirely by local authority own resources and borrowing.

Current Expenditure

A local authority's annual budget represents current expenditure (sometimes referred to as revenue expenditure) which covers the day-to-day running of the local authority. The annual budget is adopted by the elected authorized body at its budget meeting. Current expenditure is funded from a variety of sources, as set out below, although the specific contribution of income from the different sources may vary between authorities.

The accounts of local authorities, both current and capital, are audited by constitutionally or legally authorized government auditors who are independent in the performance of their functions. Local authority staff and elected members have a statutory duty to co-operate with them. An auditor may report against any illegal or unfounded payments, surcharge such payments on the persons responsible whether on members or the manager, and charge on the person the amount of any loss or deficiency incurred through misconduct or negligence.

1.5 Transformation of The tax Structure

The tax system is being restructured in all the industrial nations. Tax regimes vary considerably from country to country. However, two trends are common to all nations in the West. One is the shift to an increasingly larger percentage of total tax revenue being

drawn from individual rather than corporate income. The other is the growing repressiveness of taxes on the side of wages and salaries, in the form of two sub-trends: the lowering of higher rates on high income and the reduction of the number of tax bands; and the increased reliance on indirect taxes, including consumption taxes, social security levies, lotteries, and state-run gambling.

Taxes are the "economic expression of the state"; wherever the state has existed, so too have taxes. But the state arises only in class-divided societies, in which the interests of one class prevail and those of other classes are subordinate. The central role of the state as the embodiment of these conflicts has been to perpetuate these relations. In the name of "society" the state ensures subordination and advances domination by means of reform, coercion, "bread and circuses," and other means at its disposal. All its functions are financed principally by taxes.

In capitalist societies the state similarly perpetuates the unequal relations between the owners and managers of capital and subordinate classes, and it also finances its activities mainly by taxes. But here, several factors such as an organized working class, the possibility of alternating political access to state power, and a long period of national economic expansion have produced a certain limited "sharing" of the tax burden between corporations and individuals. After World War II this sharing began to decline as taxes on individuals increased and taxes on profits fell relatively, especially with the coming of the 1980s.

The trend closely follows the rise of transnational corporations, or the progressive denationalization of capital. As long as capital remained distinctly national, it had an interest in allowing a part of its revenue to be collected as taxes for the purposes of maintaining the national state or, more precisely, the general conditions of production. When capital began to lose its character as a national existence, it began to find fewer advantages in contributing tax revenues to the "nation" and to perceive state ownership and production as restrictions to its own private accumulation. Their enormous size, economic power, and increased mobility have allowed companies to reduce taxation by playing nations off against nations. Everywhere the result has been the restructuring of tax regimes in which the working class bears the larger and rising share of tax with capital responsible for a smaller and declining share.

These trends have several implications. They may mean the expansion or simply maintenance of the public sector being disproportionately financed as a tax burden on the working classes rather than on the corporate sector or the rich. If a portion of state revenue, moreover, goes to corporations in the form of grants, loans, guarantees, tax expenditures, and allowances, the trends also mean that some of the disposable part of wages and salaries that goes into taxes is benefiting the business sector. In short, the changes in tax structure are obliging the working class to finance increasingly all

the functions of a state that in the final analysis acts mainly in the interests of another class.

As the tax burden on the working class, particularly its middle and lower strata grows, the trend reinforces certain negative ideological views about the state. An increasing tax burden can be used, then, as a rationale to build pressure for the dismantling of the welfare state and for the reduction in the size of the state or the minimization of the nation-state itself. There is an argument in favour of a certain "distributive justice" and work to justify more easily the attacks on the welfare state.

The increasing tax burden also means a reduction of the purchasing power of the working class, which can help generate economic crises and also lead to pressure for wage increases to maintain its accustomed standard of living. Attempts to place a cap on or roll back increasing personal taxes can create additional pressure to decrease the size of the state and its services (because of falling revenue), as well as reduce pressure for wage and salary increases.

The trends are in part a product of the worldwide harmonization of national tax regimes. They comprise an approaching conformity of tax policy around the world to accommodate the needs of internationalized capital. The point is more obvious within free-trade areas and the more integrated the world market becomes the more there must be a harmonization of tax policy at the global level. For one reason, transnational corporations are able to demand from national or local governments not only tax concessions but also a variety of other incentives to invest.

In the neo-liberal agenda, tax revenues must be at least sufficient to provide for the maintenance of infrastructure, "local" assistance to capitalist accumulation, and security, that is, the protection of private property. Beyond these functions, they represent a diversion of revenue from capital accumulation.

State and local government finance contains current estimates of government financial activity. Data include estimates of revenue by type, expenditure by purpose and function, debt, and financial assets by type. Estimates are shown for state and local governments combined, as well as for local governments.

New financial management systems have been implemented in almost all country by the local authorities in recent years. These new systems are based on up-to-date and best accounting principles in local authorities. The new financial management systems give local authorities greater financial control and analysis of their expenditure programmes and provides enhanced management information, which will assist local authorities in developing and implementing further value for money initiatives. Creation of posts of financial/management accountant may strengthen the finance function in local authorities.

1.6 Exercises

1. Why the study of local government finance is necessary in respect of decentralized state system?
2. How fiscal autonomy is measured?
3. What are the benefits of local sources of revenue?
4. What are the possible revenue sources possible expenditure for local governments?
5. How tax system is being restructured in all the industrial nations? And why?
6. Taxes are "economic expression of the state" or "economic repression by the state"-explain by providing adequate justification in favour of your answer.
7. What prompts for worldwide harmonization of national tax regimes?
8. Write a note on the need for fiscal autonomy of local governments.
9. What do you understand by transformation of the tax structure? Explain.

Short Notes

Benefits of local sources of revenue ;

Conditions should be met for a tax to be a good 'own local tax' ;

Types of municipal revenues ;

Local urban financial set-up ;

Local urban non-tax sources ;

Capital expenditure ;

Current expenditure ;

Unit 2 □ Local Taxation (Property Tax and Other Taxes)

Structure

- 2.1 Introduction**
- 2.2 Economics of Taxation**
- 2.3 Local Government Taxation¹**
 - 2.3.1 Local Property Tax**
 - 2.3.2 A Public - Choice Perspective**
- 2.3 Exercises**

2.1 Introduction

A *tax* is a financial charge or other levy imposed on an individual or a legal entity by a state or a functional equivalent of a state. Taxes are also imposed by many subnational entities. Taxes consist of direct tax or indirect tax. A tax may be defined as a "pecuniary burden laid upon individuals or property to support the government a payment exacted by legislative authority. A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority and is any contribution imposed by government whether under the name of toll, tribute, duty, custom, excise, subsidy, aid, or other name.

In modern taxation systems, taxes are levied in money, but in traditional or pre-capitalist states taxes were levied in-kind. The method of taxation and the government expenditure of taxes raised are often highly debated in politics and economics. Tax collection is performed by a government agency such as Canada Revenue Agency, the Internal Revenue Service (IRS) in the United States, or Her Majesty's Revenue and Customs (HMRC) in the UK. When taxes are not fully paid, civil penalties or criminal penalties may be imposed on the non-paying entity or individual.

Taxes are compulsory contributions exacted by a government for public purposes, other than for employee and employer assessments and contributions to finance retirement and social insurance systems and for special assessments to pay for capital improvements. These include personal and corporate income taxes, franchise, gross receipts, sales and use, excise, property, and utility taxes. They do not include taxes to fund unemployment insurance, workers' compensation, worker or employer pension contributions, and Social Security and Medicare taxes.

Governments use different kinds of taxes and vary the tax rates. This is done to

distribute the tax burden among individuals or classes of the population involved in taxable activities, such as business, or to redistribute resources between individuals or classes in the population.

A country's tax system is often a reflection of its communal values or the values of those in power. To create a system of taxation, a nation must make choices regarding the distribution of the tax burden—who will pay taxes and how much they will pay—and how the taxes collected will be spent. In democratic nations where the public elects those in charge of establishing the tax system, these choices reflect the type of community which the public wishes to create. In countries where the public does not have a significant amount of influence over the system of taxation, that system may be more of a reflection on the values of those in power.

Historically, the nobility were supported by taxes on the poor; modern social security systems are intended to support the poor, the disabled, or the retired by taxes on those who are still working. In addition, taxes are applied to fund foreign and military aid, to influence the macroeconomic performance of the economy (the government's strategy for doing this is called its fiscal policy - see also tax exemption), or to modify patterns of consumption or employment within an economy, by making some classes of transaction more or less attractive.

Funds provided by taxation have been used by states and their functional equivalents throughout history to carry out many functions. Some of these include expenditures on war, the enforcement of law and public order, protection of property, economic infrastructure (roads, legal tender, enforcement of contracts, etc.), public works, social engineering, and the operation of government itself. Most modern governments also use taxes to fund welfare and public services. These services can include education systems, health care systems, pensions for the elderly, unemployment benefits, and public transportation. Energy, water and waste management systems are also common public utilities. Colonial and modernizing states have also used cash taxes to draw or force reluctant subsistence producers into cash economies.

Taxation has four main purposes or effects: Revenue, Redistribution, Repricing, and Representation (Four "R"s).

The main purpose is revenue: taxes raise money to spend on roads, schools and hospitals, and on more indirect government functions like good regulation or justice systems. This is the most widely known function.

A second is redistribution. Normally, this means transferring wealth from the richer sections of society to poorer sections, and this function is widely accepted in most democracies, although the extent to which this should happen is always controversial.

A third purpose of taxation is repricing. Taxes are levied to address externalities: tobacco is taxed, for example, to discourage smoking.

A fourth, consequential effect of taxation in its historical setting has been represen-

tation. The rulers tax citizens, and citizens demand accountability from their rulers as the other part of this bargain. Several studies have shown that direct taxation (such as income taxes) generates the greatest degree of accountability and better governance, while indirect taxation tends to have smaller effects.

The resource collected from the public through taxation is always greater than the amount which can be used by the government. The difference is called *compliance cost*, and includes for example the labour cost and other expenses incurred in complying with tax laws and rules. The collection of a tax in order to spend it on a specified purpose, for example collecting a tax on alcohol to pay directly for alcoholism rehabilitation centres, is called *hypothecation*. This practice is often disliked by finance ministers, since it reduces their freedom of action.

Libertarians argue that most or all forms of taxes are immoral due to their involuntary and therefore eventually coercive/violent nature. The most extreme anti-tax view is anarcho-capitalism, in which the provision of *all* social services should be a matter of voluntary private contracts. Libertarians, individualist anarchists, and anarcho-capitalists, see taxation as government aggression.

One counter-argument is that in a democracy, because the government is the party performing the act of imposing taxes, society as a whole decides how the tax system should be organised. Similar arguments can be made to justify taxation under any form of government, including dictatorships and oligarchies. Defenders of taxation argue that taxation of business is justified on the grounds that the commercial activity necessarily involves use of publicly established and maintained economic infrastructure, and that businesses are in effect charged for this use. Compulsory taxation of individuals, such as income tax, is argued to be justified on similar grounds.

A libertarian response is that government services used by people are either already paid for directly or are services that ought to be provided by a free market. Such taxes, they argue, are a way for the rulers to exploit the people.

An important feature of tax systems is the percentage of the tax burden as it relates to income or consumption. The terms progressive, regressive, and proportional are used to describe the way the rate progresses from low to high, from high to low, or proportionally. The terms describe a distribution effect, which can be applied to any type of tax system (income or consumption) that meets the definition. A progressive tax is a tax imposed so that the effective tax rate increases as the amount to which the rate is applied increases. The opposite of a progressive tax is a regressive tax, where the effective tax rate decreases as the amount to which the rate is applied increases. In between is a proportional tax, where the effective tax rate is fixed as the amount to which the rate is applied increases. The terms can also be used to apply meaning to the taxation of select consumption, such as a tax on luxury goods and the exemption of basic necessities may be described as having progressive effects as it increases a tax burden on high end consumption and decreases a tax burden on low end consumption. According to many

political views, activities funded by taxes can be beneficial to society and progressive taxation can be used in modern nation-states to the benefit of the majority of the population and social development.

Taxes are sometimes referred to as direct tax or indirect tax. The meaning of these terms can vary in different contexts, which can sometimes lead to confusion. In economics, *direct* taxes refer to those taxes that are collected from the people or organizations on whom they are ostensibly imposed. For example, income taxes are collected from the person who earns the income. By contrast, *indirect* taxes are collected from someone other than the person ostensibly responsible for paying the taxes. In law, the terms may have different meanings. direct taxes often refer to poll taxes and property taxes, which are based on simple existence or ownership. Indirect taxes are imposed on rights, privileges, and activities. Thus, a tax on the sale of property would be considered an indirect tax, whereas the tax on simply owning the property itself would be a direct tax.

2.2 Economics of Taxation

Taxes are most often levied as a percentage, called the *tax rate*. An important distinction when talking about tax rates is to distinguish between the marginal rate and the effective (average) rate. The effective rate is the total tax paid divided by the total amount the tax is paid on, while the marginal rate is the rate paid on the next amount of income earned.

In economic terms, taxation transfers wealth from households or businesses to the government of a nation. The side-effects of taxation and theories about how best to tax are an important subject in microeconomics. Taxation is almost never a simple transfer of wealth.

Economic theory suggests that the economic effect of tax does not necessarily fall at the point where it is legally levied. For instance, a tax on employment paid by employers will impact on the employee, at least in the long run. The greatest share of the tax burden tends to fall on the most inelastic factor involved - the part of the transaction which is affected least by a change in price. So, for instance, a tax on wages in a town will (at least in the long run) affect property-owners in that area.

□ Value Added Tax (VAT)-Ad valorem

An *ad valorem* tax is one where the tax base is the value of a good, service, or property. Sales taxes, tariffs, property taxes, inheritance taxes, and value added taxes are different types of ad valorem tax. An ad valorem tax is typically imposed at the time of a transaction (sales tax or value added tax (VAT)) but it may be imposed on an annual basis (property tax) or in connection with another significant event (inheritance tax or

tariffs). An alternative to *ad valorem* taxation is an excise tax, where the tax base is the quantity of something, regardless of its price.

❑ Capital gains tax

A capital gains tax is the tax levied on the profit released upon the sale of a capital asset. In many cases, the amount of a capital gain is treated as income and subject to the marginal rate of income tax. However, in an inflationary environment, capital gains may be to some extent illusory: if prices in general have doubled in five years, then selling an asset for twice the price it was purchased for five years earlier represents no gain at all.

❑ Consumption tax

A consumption tax is a tax on non-investment spending, and can be implemented by means of a sales tax or by modifying an income tax to allow for unlimited deductions for investment or savings.

❑ Corporate tax

Corporate tax refers to a direct tax levied by various jurisdictions on the profits made by companies or associations and often includes capital gains of a company. Earnings are generally considered gross revenue less expenses. Corporate expenses that relate to capital expenditures are usually deducted in full. They are often deducted over the useful life of the asset purchase. Generally, industrialized countries also use a regressive rate of tax upon corporate income.

❑ Excises

Unlike an *ad valorem*, an excise is not a function of the value of the product being taxed. Excise taxes are based on the quantity, not the value, of product purchased.

Excises (or exemptions from them) are also used to modify consumption patterns (social engineering). For example, a high excise is used to discourage alcohol consumption, relative to other goods.

❑ Income tax

An income tax is a tax levied on the financial income of persons, corporations, or other legal entities. Various income tax systems exist, with varying degrees of tax incidence. Income taxation can be progressive, proportional, or regressive. When the tax is levied on the income of companies, it is often called a corporate tax, corporate income tax, or corporation tax. Individual income taxes often tax the total income of the individual (with some deductions permitted), while corporate income taxes often tax net income (the difference between gross receipts, expenses, and additional write-offs).

Personal income tax is often collected on a pay-as-you-earn basis, with small corrections made soon after the end of the tax year. These corrections take one of two forms: payments to the government, for taxpayers who have not paid enough during the tax year; and tax refunds from the government for those who have overpaid. Income tax systems will often have deductions available that lessen the total tax liability by reducing total taxable income. They may allow losses from one type of income to be counted against another. For example, a loss on the stock market may be deducted against taxes paid on wages. Other tax systems may isolate the loss, such that business losses can only be deducted against business tax by carrying forward the loss to later tax years.

□ Inheritance tax

Inheritance tax, estate tax, and death tax or duty are the names given to various taxes which arise on the death of an individual.

□ Property tax

A property tax is a tax imposed on property by reason of its ownership. A property tax is usually levied on the value of property owned (either realty or personalty). Property taxes may be charged on a recurrent basis (e.g., yearly). A common type of property tax is an annual charge on the ownership of real estate, where the tax base is the estimated value of the property.

2.3 Local Government Taxation¹

Local government taxation is a complex system which may involve payment to lowest levels of government. Local government taxation includes local government, possibly including one or more of municipal, township, district and rural governments.

Local government taxes in the United States are now typically financed by value-based property taxes, mainly on real estate. Additional taxes may be in the form of fixed sales taxes and use taxes. Local government fees such as building permit fees may reflect the added capital cost and operating costs of services such as schools and parks. Local governments may also collect fines (parking and traffic tickets), income tax, gross receipts or gross payroll tax, or a portion of sales taxes (such as meal taxes) collected by the state. In California, seeds, bulbs, starter plants and trees obtained from a garden center are taxed if adjudged for decorative purposes while plants for food production are untaxed, as is food in California.

Cities and counties in the individual states may levy additional taxes, for instance to improve parks or schools, or pay for police, fire departments, local roads, and other services. As in the case of the IRS, they generally require a tax payment account number.

Other local governmental agencies may also have the power to tax, notably independent school districts.

Local government taxes are usually property taxes but may also include sales taxes and income taxes. Some cities collect income tax on not only residents but non-residents employed in the city. This tax can even be incurred when a non-resident works temporarily in the city. For example, in 1992 the city of Philadelphia began enforcing the collection of city wage taxes on visiting baseball players who played games in Philadelphia.

Over the past three decades, systems of local property taxation have been the subject of intense public attack accompanied in some instances by court decisions requiring their replacement or reform. The basis for these attacks is primarily an equity issue arising from disparities in the size of the tax base across different localities. In several states, the system of school finance, based on local property taxes, has been declared unconstitutional because of the sometimes large differences in the property tax base per pupil across local school districts; this can result in large differences in per-pupil expenditure. A little reflection, however, suggests that this problem of disparities is not a problem intrinsic to the property tax *per se*. It is really a result of virtually any system that relies heavily on local taxation. A system of local sales or income taxes, for example, would surely involve major disparities in tax bases across local jurisdictions—probably at least as large as those associated with local property taxes. The basic point is that fiscal and other economic conditions vary across local areas. This, incidentally, is a major rationale for local finance to cater to these differences. Thus, taxable resources at the local level are bound to vary significantly across jurisdictions. Two major tax bases offer themselves as alternatives: sales taxes and income taxes. Both, however, have serious shortcomings as the primary source of tax revenues in a nation of many small local governments. The base of a local sales tax is likely to vary dramatically across local jurisdictions. Communities that are largely residential would have small bases and would have to set a relatively high rate to generate the requisite revenues. Significant sales tax differentials would give rise to costly trips among jurisdictions, as consumers seek to purchase goods and services in jurisdictions with low tax rates. Moreover, sales taxes do not get very good marks on a fairness or ability-to-pay criterion. In addition, they do not stack up at all well on the public-choice criterion of providing the electorate with accurate and visible signals of the costs of public programs. Income taxes have a good deal more appeal on equity grounds, although most state and local income taxes are not very progressive. They also have the advantage of visibility. But, like sales taxes, they encounter the mobility problem to some extent. A jurisdiction that opts for relatively high income tax rates runs the risk of deterring the entry of new households, especially those with above-average incomes that would face relatively large tax payments. More generally, there is something to be said for avoiding excessive reliance in the economy as

a whole on a single tax instrument. The governments rely on income taxation as a primary source of revenue, and there is considerable concern that marginal tax rates on income have become sufficiently high to discourage various sorts of productive activity. From this perspective, local government may contribute to an improved overall tax system by avoiding heavy use of income taxation and staying instead with the revenue source that has been historically its own—the property tax. The other appealing source of local revenues is user fees, which represent a form of benefit taxation and provide almost a kind of market test for the provision of the service. The problem is that they are limited in their application. It may be possible to charge for the use of certain public services like refuse collection, but it is much more difficult to employ charges for collectively consumed services like police protection and local roads. Fees can be used to finance a limited number of local services, but they cannot supplant the need for a major local tax. For local fiscal choice to have real meaning, it is essential that local residents bear the costs of their decisions to adjust levels of local services. The populace must be in a position to weigh the benefits of public programs against their costs. For this to occur, local governments must have their own revenue systems with some discretion over tax rates. There is surely some scope for mitigating fiscal disparities across jurisdictions with an appropriately designed system of equalizing intergovernmental grants. However, the grants must not be so large as to undermine local fiscal autonomy, and they should, in principle, be lump-sum in form so that localities bear the cost of their fiscal decisions at the margin.

As the foundation of local government autonomy, and as a means of financing some single function authorities, there is often sound justification for the introduction of the tax. Property tax offers the greatest promise for effective local fiscal decision making.

2.3.1 Local Property Tax

Generally property tax is the largest single source of revenue for municipal bodies in the states. Property tax is levied on buildings and lands. Its basis of taxation is the annual rental value or market rent. A municipal body can impose, suspend, reduce or abolish the tax or partly/wholly, exempt any person or class of persons of any such tax on any property or description of property by a resolution passed at a special meeting and confirmed by the state government. It is a vital part of decentralization.

A property tax can be a good local revenue stream that is relatively predictable, stable and non-distortionary with regard to its impact on economic decisions. Of course, a property tax should not be considered on its own, but should be looked at in relation to other local and national taxes. The taxation system of a country is subservient to national social and economic aims.

Property tax is an annual tax on real property. It is usually, but not always, a local

tax. It is most commonly founded on the concept of market value. The tax base may be the land only, the land and buildings, or various permutations of these factors. For the purposes of this guide, property tax is restricted to annual taxes and excludes annual wealth taxes and once-off taxes on transfers and realized capital gains.

Rural property tax is usually applied to commercial, industrial and residential properties located in rural areas, in addition to agricultural land and buildings. The use of rural property taxes is not unique. Many countries around the world tax agricultural land and other rural properties. When agricultural and forestry land are taxed, it is typically done at relatively modest rates in comparison to urban land. However, the inclusion of rural property for tax purposes in developing countries should be seen as an important policy directive to make the property tax base as extensive as possible. Such a broadening of the tax base creates one of the few stable revenue sources available to local governments. Property tax is a vital instrument in improving conditions in rural areas. The rural tax base will always be comparatively small in comparison with the urban tax base. The importance of property tax in rural areas is of local significance. The benefits to the national economy are indirect.

□ Advantages of Property Tax

- Property tax is technically and administratively possible to introduce and maintain in almost any circumstances.
- It is very difficult to avoid or evade, and collection success rates of 95 percent are readily achievable.
- It is transparent.
- The public understand the concept of market value (whether capital value or rental value) and therefore appreciate the basis of assessment.
- In general, there is a good correlation between assessed value and the ability to pay.
- If designed correctly, the tax can be marginally progressive.
- The revenue is predictable.
- It is very well suited as a source of locally generated revenue for local governments.
- It imposes political accountability on local elected officials. If they decide to increase the property tax, they face direct criticism from voters.

In addition to being a primary source of revenue for local governments, property tax can provide support for other functions of government. Valuation lists compiled for local government may be used by other bodies, particularly those that can be termed 'single function authorities' such as water boards.

□ Disadvantages of Property Tax

Property tax is not perfect and is often not popular.

- The transparency of the tax reveals any inconsistencies which may become magnified in public perception. These inconsistencies will be both those of and those of ability to pay.
- The difficulty of avoiding or evading property tax may make it unpopular. This is particularly the case in societies where the rich and powerful are accustomed to manipulating the tax system for their own advantage. These people tend to be the most articulate and politically influential and may effectively oppose or undermine the equitable operation of the tax at the political level.
- If non-tax-payers greatly outnumber tax-payers, the link between democracy and taxation at the local level will be damaged. The adverse effects of this will be magnified if property tax forms the only local revenue over which the local authority has control. In this case, a modest increase in total revenues may require large increases in individual property taxes because of the small number of tax-payers.
- There is also the problem of building 'buoyancy' into property tax. Buoyancy refers to a change in tax revenues and, in the context of property tax, is a function of two mechanisms. The first of these is the revaluation of properties at regular intervals; in situations of rising market values, such a revaluation results in an increased tax base. The second is the increase in the rate of tax to produce the needed revenue. Both are highly political. There is always resistance to revaluations and the more out-of-date the valuation list, the greater the resistance. Political determination is therefore essential.
- The difficulties of implementation should not be underestimated. Although the technical difficulties can be overcome, they can restrict progress, especially in the early stages of implementation. Such technical factors include:
 - The system is dependent upon a pool of technical expertise to create and maintain a valuation list, and to establish and conduct the appeals process. In many jurisdictions, there is a shortage of skilled personnel, especially at the local level.
 - Parts of the process can be time-consuming and expensive. Examples are compiling a comprehensive list of taxable properties (especially where records are poor or incomplete, or where there are large numbers of legal status issues).
 - While it is true that the public generally understands the concept of market value, confusion does arise in the relationship between 'taxable value' and setting the 'tax rate'. This is particularly so where revaluations take place after a long interval, or where there has been political unwillingness to increase the tax rate. This often results in large numbers of unjustified appeals.

2.3.2 A Public-Choice Perspective

The public-choice approach to issues in public finance has focused attention on another dimension of tax systems: their role in promoting effective decision making in the public sector. In this framework, a critical function of a tax system is to provide an accurate set of signals, or "tax-prices," that make clear to local taxpayer-voters the costs of public programs on which they must make decisions. In a local context, this implies that the local tax system should generate tax bills that are highly visible and that provide a reasonable indication of costs so that individuals have a clear sense of the financial commitment implied by proposed programs of public expenditure. If taxes are largely hidden or don't reflect the cost of local services, they are unlikely to provide the information needed for good fiscal decisions. For example, if a local government were to finance its budget through a local corporation income tax, the residents would have little idea of the true cost of local public programs to their household. Hidden taxes with uncertain incidence are not conducive to good fiscal choices. From this vantage point, the local property tax comes off quite well as a source of local revenues. Property tax bills are highly visible and they promote a high degree of voter awareness of the cost of local programs. In fact, local property tax rates are often tied directly to proposed programs on which the voters must decide in a local referendum.

The local property tax thus appears to function well in its public-choice role of providing a reasonably accurate set of tax-prices to residents. There is, however, one important reservation here: renters. Owner-occupants receive regular property tax bills that indicate the cost to them of the local services they receive, but occupants of rental dwellings receive no such tax bills. Under the present administration of the property tax, tax bills go to the owner of the unit, not the occupant, so that renters never see the exact amount of property tax assessed on their residence. This does not, of course, mean that renters avoid the burden of the property tax. There is good reason to believe that property taxes on rental units are (eventually at least) shifted onto tenants.

Moreover, there is considerable evidence to suggest that renters behave as if they think they pay no local property taxes. They appear to provide much more support for public expenditure programs than they would if they owned their own homes and knew exactly what they paid in property taxes. The impact of this "renter illusion" on local public budgets needs to be studied further. If it is large, there may be a strong case for reforming the administration of the tax so that property tax bills go directly to occupants rather than to landlords.

2.4 Exercises

1. What is a tax? Examine its nature.
2. Why taxes are imposed?

3. What is the view of the libertarians and anarcho-capitalism regarding taxation system? What may be the counter argument against this view?
4. What are known as **Four "R"s**?
5. What are known as direct tax and indirect taxes? Highlight their differences.
6. What is known as progressive tax? How it differs from regressive tax? What are the implications of these terms?
7. Write a note on the 'Economics of Taxation'?
8. Why taxation at local level is essential?
9. What is the significance of property tax as a local tax base?
10. What is the significance of rural property tax?
11. Write a note on the advantages and disadvantages of property tax as a local tax base?
12. What is the effect of public choice perspective on local tax base.

II. SHORT QUESTIONS

1. What is *compliance cost*?
2. What is hypothecation ?
3. What is known as *tax rate*?
4. What is known as Rural property tax?

Unit 3 □ User Charges in Local Finance

Structure

- 3.1 Introduction**
- 3.2 Advantages of User Charges**
- 3.3 Disadvantages of User Charges**
- 3.4 Conditions for the Effective Use of User Charges in State and Local Government Finance**
- 3.5 Reference**
- 3.6 Exercises**

3.1 Introduction

User charges are charges imposed for providing current general government services. Common examples include tuition at state colleges and universities, computer, library and other extracurricular activity fees at public elementary and secondary schools, highway tolls, public transportation charges, and parks and recreation charges. User charges are the equivalent of the operating portion of the state budget, not the capital portion of the budget. In other words, user charges pay for current consumption of goods and services and do not include fees for capital costs.

In order to examine changes in state and local reliance on taxes, fees and other revenues, it is necessary to define these terms and identify the types of revenue sources they include. In diverse state and local revenue systems, the distinction between taxes, user charges and other miscellaneous revenues can become blurred. Some revenue sources—like sales, income and property taxes, for example—clearly fall into the tax category. Park entrance fees, sewer charges, and highway tolls—payments for government services used—clearly fall into the user charge category. Lottery revenues, court-imposed fines, and sales of state property are neither taxes nor user charges for services, so they fall into the miscellaneous revenue category.

There are also numerous examples of revenue sources that are not so easily categorized. Impact fees on developers are much like user fees, but because they are used to finance infrastructure and not to pay for current government services, they are categorized not as user charges but as miscellaneous revenues. Some local governments in some countries charge telecommunications companies a user fee for the use of public rights-of-way. Other examples include special property assessments that are levied on the basis of property value (just like property taxes) for specific services like street lighting or fire protection.

Every Municipal Act has provisions, for issuance of licenses. Likewise, every local authority is empowered to charge and collect fees both regulatory (for license issued) and for services provided. There is a vital difference between tax and fee: tax is a compulsory levy, while a fee is a charge made in return for a benefit allowed or conferred. When the service is extensively used and it takes on the character and form of a public utility, then the fee charged is called a user charge or user fee. Normally a user fee is to be charged for public utilities, parking, entry fees for play ground, swimming pools etc.

User charges fall into four major categories: education, transportation, environment and natural resources, and other.

The local governments that have turned to user charges in the wake of the property tax revolt may now have maximized their use. This theory provoked questions for more detail about the types of user charges and non-tax revenues that state and local governments were using to finance public services. The question is also on growing reliance on such revenues over time and its consequent effect on the stability, sufficiency and fairness of state and local revenue systems.

Local governments also may charge fees to cover their costs of building and maintaining public rights-of-way, frequently in connection with cable, telephone and electric utility corridors. Such fees and charges often do not require the express statutory authority of a state legislature. Also, these fees do not face the same level of due process, equal protection and other legal scrutiny as taxes.

Legal distinctions between taxes and fees are very important, however, because many states have constitutional or statutory restrictions on the ability of local governments to levy taxes—restrictions that usually do not apply to fees. But they may not impose similar restrictions on fees. For these reasons, courts in many states have tried to create a clear distinction between taxes and fees.

3.2 Advantages of User Charges

It is argued that user charges allow governments to impose the cost of services on the citizens who demand those services. This prevents general fund tax money from subsidizing government services where benefits accrue to specific individuals without benefit to the public at large. Using general fund taxes to subsidize such services poses two problems. First, the benefit principle is violated if a service is subsidized throughout the state even if the taxpayers of any area do not receive it. Second, subsidies allow the government provider to undercut the prices of private sector providers, leading to unfair competition, violating the rules of market economy. For example, a municipal health and fitness facility that is subsidized by general fund taxes may be able to offer lower rates than private facilities.

User fees, by assessing all or a portion of the cost of such services upon users, allow market forces to set an economically efficient level of services.

User fees may be particularly appropriate when state or local governments provide services that also are provided by the private sector, particularly if they are not core government services. User charges also may be an effective method of reducing consumption of scarce resources. For example, many municipal water and sewer systems have switched from unmetered water service funded from general revenues to metered services where customers are charged based upon consumption. User fees provide strong incentives to conserve water, reduce wastewater discharge by industrial users, and reduce the volume of solid waste that requires landfill disposal.

State and local governments also impose user fees on businesses under the benefit principle—that is, firms that benefit from government services should pay for them. For example, some states impose user fees on regulated firms like electric utilities that cover the cost of the regulatory agency. Building permit fees imposed by some local governments are designed to cover the cost of building inspectors and personnel necessary to process permit applications.

3.3 Disadvantages of User Charges

User fees may not be appropriate to finance core government services, particularly social services and education programs where services and benefits are provided based upon social objectives like reducing poverty or providing equal educational opportunities. In fact, many state constitutions require states to provide an “equal” or “adequate” free education to all resident children. User fees for public education would contradict this constitutional principle.

Opponents of user charges argue that these fees may make state and local revenue systems more regressive—that is, low-income households may pay a greater proportion of their income for taxes and fees than do higher income households.

Another drawback of shifting from tax funding of services to user charges is the lack of federal deductibility. User charges are not deductible, while state and local income and property taxes are deductible.

3.4 Conditions for the Effective Use of User Charges in State and Local Government Finance

1. User charges may be appropriate when government is performing a service that narrowly benefits an individual taxpayer, or for certain government activities that compete directly with private sector providers.
2. User charges may be appropriate to provide market-based incentives to encourage or discourage the use of public resources.

3. Policymakers need to consider the impact on low- and moderate- income citizens of shifting reliance from broad-based taxes to user fees.
4. User charges may not be appropriate to fund services when states have a constitutional or statutory obligation to provide those services to all citizens.
5. User charges should cover the cost of the services provided. They should not be used to generate excess revenues that are diverted to unrelated programs or services.

Property-related assessments may be appropriate to finance services tied to new development, but should not be used to subsidize new services for existing residents. Rapid growth in some major metropolitan areas has overwhelmed available infrastructure for transportation, education and natural resources. Impact fees and special property assessments have become more prevalent as a means of funding infrastructure development, raising issues of inequities between current and new residents and effects on housing affordability. Impact fees, applied appropriately, enable growth to occur in areas where existing residents are unwilling or unable to pay for new infrastructure costs.

Property-related assessments also provide local governments with a tool to steer development to areas where infrastructure can accommodate additional growth. Property-related assessments may be lower or nonexistent in areas where existing infrastructure can accommodate new development. Property-related assessments are not appropriate for upgrading the neglected infrastructure needs of current residents by forcing the costs onto new residents. Neither should they be used to generate additional general fund revenues for local governments.

Policymakers should be mindful of how property-related assessments for new school construction are integrated within the state and local school construction programs.

3.5 References

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3.6 Exercises

1. What is known as user charge? Examine its nature and significance.
2. What are the advantages and disadvantages of user charges?
3. What are the conditions for the effective use of user charges?
4. Write short notes on the categories of user charges.

Unit 4 □ Non-Tax Sources of Local Finance (Commercial venture and local bonds)

Structure

- 4.1 Introduction**
- 4.2 Non-Tax Revenue**
- 4.3 Non-Tax Revenue Other Than Voluntary Required Payments : Principles**
- 4.4 Problems with Assessing Non-Tax Revenue Performance**

4.1 Introduction

Local bodies are in constant shortage of funds. West Bengal that had implemented decentralization more thoroughly than others, in 1977 adopted a three-tier system of local government with directly elected officials at every tier with mandatory elections every five years since 1978 still suffer from lack of own sources of revenue.. In contrast to other Indian states, the Left Front government substantially increased the authority of local governments at the expense of the state bureaucracy. But here also the tax management of local bodies is weak, resulting in poor collection .There are many reasons for this, including a poor assessment system, lack of efficient manpower and legal issues. Corruption is however, another major reason for low collection of taxes. Limited local expenditures are mainly geared towards physical infrastructure. Therefore more attention should be paid to better and efficient collection, providing the local bodies with financial autonomy. Non-tax revenues cover a wide array of government revenue sources, ranging from proceeds from the sale of communications bandwidth, to mineral royalties, to interest on loans by governments, to fines and penalties. The first mentioned is a potentially lucrative source of revenue for the Centre, as pointed out by the Kelkar Task Force on Implementation of the Fiscal Responsibility and Budget Management Act (Government of India, 2004). The other three examples provide revenue to both centre and states.

The sources of their income are generally taxes, rates, fees and charges levied by the local body as well as rents and profits accruing from properties of the local body and sums received through its services. Contribution from individuals and institutions, government grants, profits from investments, receipts accruing from the trusts placed with the local bodies, loans raised by the local body and proceeds from such services are another source of income governments may direct to be placed at the disposal of a local body. Holding taxes is the most important source of own income of local bodies. Loans and voluntary contributions are rare.

Non-tax revenues are of two kinds: fees and tolls and rents and profits on properties of the local bodies. The Karnataka Revenue Reforms Committee (2003) has recently estimated that potential for additional resource mobilisation from non-tax revenue in Karnataka to be as much as 900 percent of current levels. If this is also the case in other states, non-tax revenue could, in time, become a more important source of revenue than taxes.

4.2 Non-Tax Revenue

Taxes are compulsory, unrequited payments, in cash or kind made by individuals, institutional units and government units. Non-tax revenue includes payments made to the government that are:

- i. Compulsory and requited, (fines or penalties- Fines and penalties are "requited" in the negative sense that they are payments exacted for non-compliance with the law.)
- ii. Voluntary and unrequited, (contributions made to the government, the best known examples being contributions to the Prime Minister's Relief Fund (again an example from the Centre) and unclaimed deposits with the government or unclaimed excess payments for services.
- iii. Voluntary and requited.

Some examples are revenue for mining, forests, irrigation, roads, housing and public buildings, health, education and services for weaker sections, tourism revenue and revenue from husbandry services etc. The major categories of non-tax revenue can be further classified into three broad sub-groups:

- i) Revenue from assets,
- ii) Revenue from the sale of goods and services
- iii) Revenue from the sale of licences and permits for regulated activities.

Though conceptually distinct, there is some overlap between these groups. Assets from which the government derives revenue include sub-categories.

1. Common property resources of which the government acts as a custodian include forests, wildernesses, marine and riparian habitats and wildlife as also historical monuments from earlier times. From these resources the government derives revenue by way of fees from the sale of usage rights including admissions fees, from the sale of (e.g.) pollution permits, and fees or royalty payments from assigning the right to harvest and sell other exhaustible or renewable natural resources to which private property rights are not assigned. The most important example of this is mineral exploration and exploitation of public mineral resources for which the government receives royalty and rental payments. In many Indian states this is the most important source of non-tax revenue. This is also the most important source of non-tax revenue worldwide.

2. Assets created from earlier government investment or which have earlier been nationalized may be another source. The most important examples of such assets are public sector undertakings, irrigation, roads and other infrastructural capital, equity investments in private concerns and loans provided by the government. Revenues of the government from these assets are by way of dividends and interest receipts. These may, however, can lead to a distorted picture of non-tax government revenue (and expenditure).

3. Revenue from the sale of goods provided directly by the government, including sale of infrastructure services commonly termed user charges may be another source of non-tax revenue. In addition there is revenue from the direct sale of naturally occurring produce such as forest produce.

4. Revenue from licences for regulated activity cover a wide array of sectors and include business and shop licences, construction and land use permits, examination and inspection fees, and so on. Three types of fees and charges are reported as a part of tax revenue in state budget accounting in India. First, registration fees for documents and related fees such as for title searches. Second, judicial stamp "duties" including revenue from sale of judicial stamps are accounted for as a part of stamp duties. Third, there are transport sector related fees for licences, permits and vehicle registration as also some portion of road tolls.

Different criteria must be adopted to assess non-tax revenue performance of different components

4.3 Non-Tax Revenue Other Than Voluntary Required Payments : Principles

Conventionally, if a payment made to the government is required by future repayment or by a transfer of other assets, this is accounted as a capital receipt and not as non-tax revenue. Such receipts include government borrowing, money creation and privatization proceeds. In this context, the scope of government needs to be clearly specified. This presents difficulties as the legal scope of government may be easily changed without affecting the underlying economic reality. For example, this can be done by converting a departmental undertaking (such as the Indian Railways) into a public sector corporation. This will not change the economic scope of government, or rather the public sector, but will alter the government's legal boundary. Differences in the scope of government across jurisdictions like states in India will then limit the comparability of cross-state data. The basis of accounting for receipts has a bearing on the scope of non-tax revenues. Additionally, not all receipts by the government are necessarily accounted for in its consolidated fund. There is a problem which arises most importantly in the case

of state lotteries in budgetary accounting in Indian states. In principle, the same problem arises with any receipt of the government which is partly matched, or overmatched, by expenditure. Further there is a distinction between commercial and non-commercial undertakings. The former should be accounted for on a net basis, since their purpose is to raise revenue and not to provide public services. A distinction is made between gross and net non-tax revenue. Fifth, there is the problem of notional receipts, such as in the case of interest on capital works in irrigation. The notional return on these investments forms a large chunk of non-tax revenue in the budgets of many Indian states, this being matched by a contra-entry signifying national expenditure. Here gross non-tax revenue is taken to include non-capital cash or in-kind receipts excluding taxes of governments of Indian states as legally defined excluding notional receipts matched by contra expenditures on a gross basis.

Net non tax revenue is also defined as gross non-tax revenue less expenditure on commercial activities undertaken for the purpose of revenue raising, if net receipts from these activities are positive. Greater attention to non-tax revenue is needed because of the likely decrease in the ability of governments to tap important tax bases in the wake of globalization. Reduced government bargaining power will lead to decreased taxation of these bases both in developed and developing countries.

4.4 Problems with Assessing Non-Tax Revenue Performance

Major problems with assessing non-tax revenue performance include

- (a) Unspecified recovery norms
- (b) Very severe distortions in budgetary data and
- (c) Major differences in institutions across states.
- (d) Major distortions in estimating the magnitude of non-tax revenue in states arising from state government budget accounting practices.
- (e) Data on non-tax revenue is totally unreliable.
- (f) Non-tax revenues (lotteries, interest) are not correctly reflected in budgets.
- (g) No measuring benchmarks are available to assess non-tax revenue performance.

A separate and contextual study is required to do even minimal justice to these issues and arrive at a useful assessment. Explicit subsidies are the largest component of total non-tax revenue. Some implicit subsidies also exist. Subsidies due to poor cost recovery are particularly large for farmers and for informal and rural households. Overall, these subsidies benefit richer sections disproportionately. Inefficient utilization of subsidies and ill-designed quantity rationing retain the problems.

Some promising institutional reforms in some states have begun to lead to improved cost recovery from non-agricultural firms and households, though farm sector cost

recovery, a political issue, remains poor. Sustainable, improved cost discipline at all levels is the key to improved performance, with or without privatization.

LONG QUESTIONS

What is meant by non-tax revenue? What may be the types of non-tax revenues?

What may be the sub-categories of non-tax revenues?

Non-tax revenue other than voluntary required payments: principles.

What are the problems with assessing non-tax revenue performance?

SUMMARY

Traditionally it is the responsibility of elected councilors to bring about public participation in the decision-making process. There are a number of tasks specific in every city that concentrate on the fight for certain developmental or remedial issues. People are involved in such activities and contribute to the council and state level decision-making process. The Seventy-Fourth Constitutional Amendment Act and the Conformity Municipal Legislation by different state governments have paved a new path for public participation through the ward committees, which are supposed to act as public auditor in the development process.

The most direct way to finance infrastructure and to support decentralization is to turn over to local governments both the responsibility for providing services and the capacity for raising revenues. Many of the central and local governments in developing countries have tended, however, to resist this approach. On the one hand, central governments are reluctant to relinquish control over the principal national taxes as it suggests losing control of the revenue side of the national budget. On the other hand, most local governments are not eager to take on the major responsibilities of a taxing authority, and they do not want to establish locally generated taxes simply because they do not have the capacity to administer such taxes. However, much can be done to increase local capability and capacity to the point where local governments can administer the assessment and collection of local taxes under the regulatory supervision of the central government.

A strategy adopted by many countries is to attempt to strengthen local governments by giving them greater responsibilities in terms of the services they have to provide. While this may appear to create more independent local governments, the reality is that local governments will not be able to apply their new powers unless they are properly financed. The assignment of more responsibilities for expenditure to local governments than they can finance from their revenue sources results in the mismatching of functions and finances. This mismatch is referred to as 'vertical imbalance' and it results in local governments being highly dependent upon transfers from the central government. Therefore, it is essential that those responsible for the design of local government

responsibilities should be aware of the revenue sources that will be needed to fund them.

An additional problem that is at the heart of inter-governmental finance in many countries is the existence of 'horizontal balance'. This occurs when local governments are not equal in terms of population, geographic area, level of urbanization and per capita income. Designing fiscal decentralization and equalization programmes to cater for this complex reality is a major challenge.

Decentralization is more likely to be effective when a local government can raise a relatively large share of its revenues locally. If the transfer of responsibilities from the central government is not matched by the ability to finance the carrying out of these responsibilities, there is a risk of creating a largely fictional decentralization. In such a case, local governments will tend to remain overly dependent on the goodwill of the central government to finance them. Since the central government sets the rules and generally takes the highest yielding taxes for its own use, local governments tend not to have access to tax revenue and sources that would effectively free them from dependence on transfers. Inter-governmental transfers are vital for local governments but they should not be used to prevent local governments from attaining an appropriately independent status. Without an adequate revenue source under the control of local government, a suitable degree of fiscal autonomy cannot be realized.

As local taxes normally represent the greatest source of autonomous income for local governments, the ability to influence the tax base, the tax rate or the collected revenues is a very important condition. With such ability, a local government is able to adapt the service level to its financial circumstances.

The above discussion focuses on the evolution, structure, functions and finances of urban local bodies. It also highlights the changes that are sought to be brought about by the Constitutional Amendment Act (1992). In a modern development setting involving urbanization, it is necessary to take note of urban local government as it is through establishing a strong local government structure that full fledged democratic decentralization can be brought about. The present CAA in India is a step towards bringing about changes in the existing framework of urban local bodies and is in conformity with the world process of democratic decentralization. It is expected to be a harbinger of a new era, by making the urban local bodies an efficient and democratic form of government in the true sense.

The reforms required by urban local bodies are multifaceted encompassing political, social, administrative, financial and technological dimensions. The act provides a constitutional form of the structure and mandate for municipal bodies to enable them to function as effective democratic institutions of local self-government. However, it is worth mentioning that the constitutional status alone is not sufficient to make the municipal bodies vibrant and effective institutions of democracy. Expectations are high that it will refurbish the whole system of local self-government by implanting a new

structure of municipal authorities with additional devolution of functions, planning responsibilities, new system of fiscal transfers and empowerment of women and weaker sections of the society.

With the increasing pace of urbanization, municipal bodies are finding it difficult to deliver the required level of services. Moreover, with the Constitutional Amendment Act (1992) and the addition of eighteen functions in the Twelfth Schedule, the functional responsibilities of municipalities have increased beyond the provisions of only civic amenities. Local Bodies are expected to play a crucial role in the preparation of plans for local development and in the implementation of development projects. In view of this, proper assessment of the resources of the municipal bodies is required. Thus, the Seventy-Fourth Constitutional Amendment Act under article 243O-I proposes the setting up of State Finance Commission. The Governor of the State constitutes a State Finance Commission within one year from the commencement of the Constitutional Amendment Act. Its term is for 5 years. The recommendations of the State Finance Commission will be in the following aspects:

- Distribution between the state government and municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the state;
- Allocation of a share of such proceeds between the municipalities at all levels in a state;
- Determination of taxes, duties, tolls and fees to be assigned or appropriated by the municipalities;
- Grants-in-aid to municipalities from the consolidated fund of the state;
- Measures needed to improve the financial position of municipalities.

Under the new Amendment, it is at the discretion of the Governor to refer any matter to the Finance Commission. This Commission chalks out its own procedure within the framework of powers given to it by state law. Another important aspect is that the Governor has to present to the state legislature every recommendation made by the Finance Commission along with explanatory notes on the actions taken. The setting up of a Finance Commission as proposed by the Constitutional Amendment Act will thus help the urban local bodies to deliver the increased level of services, which are required in the context of increasing urbanization. These additional responsibilities allotted to them under the twelfth schedule also make it imperative to make regular assessment of financial resources of the local bodies. Regular assessment of the financial resources, would help in the proper channelization of resources as well as the devolution of resources from state to local government and give the local bodies a firm footing.

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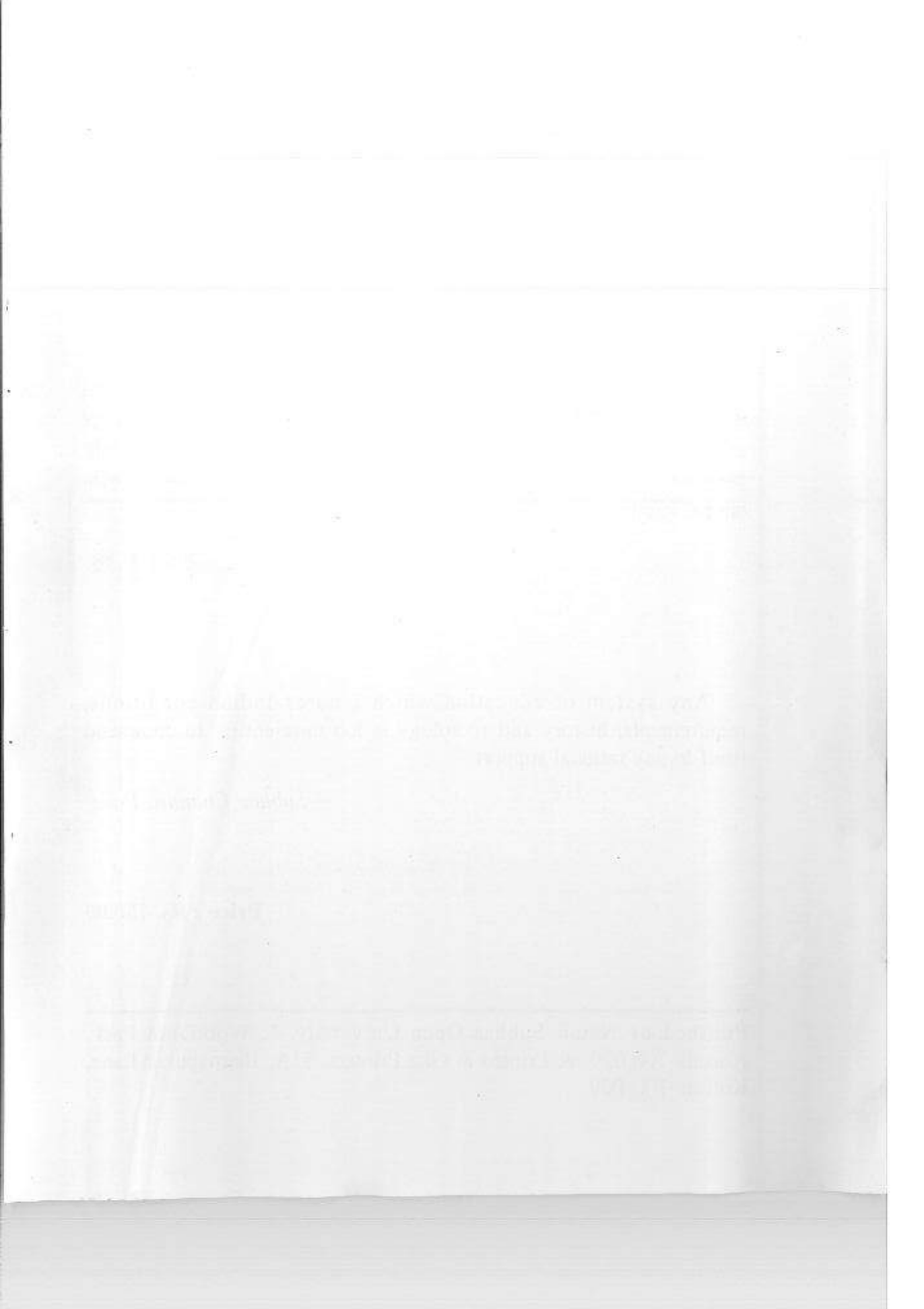
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মানুষের জ্ঞান ও ভাবকে বইয়ের মধ্যে সঞ্চিত করিবার যে একটা প্রচুর সুবিধা আছে, সে কথা কেহই অস্বীকার করিতে পারে না। কিন্তু সেই সুবিধার দ্বারা মনের স্বাভাবিক শক্তিকে একেবারে আচ্ছন্ন করিয়া ফেলিলে বুদ্ধিকে বাবু করিয়া তোলা হয়।

—রবীন্দ্রনাথ ঠাকুর

ভারতের একটা mission আছে, একটা গৌরবময় ভবিষ্যৎ আছে, সেই ভবিষ্যৎ ভারতের উত্তরাধিকারী আমরাই। নূতন ভারতের মুক্তির ইতিহাস আমরাই রচনা করছি এবং করব। এই বিশ্বাস আছে বলেই আমরা সব দুঃখ কষ্ট সহ্য করতে পারি, অন্ধকারময় বর্তমানকে অগ্রাহ্য করতে পারি, বাস্তবের নিষ্ঠুর সত্যগুলি আদর্শের কঠিন আঘাতে ধূলিসাৎ করতে পারি।

—সুভাষচন্দ্র বসু

Any system of education which ignores Indian conditions, requirements, history and sociology is too unscientific to commend itself to any rational support.

—Subhas Chandra Bose

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