

Decentralization, Local Government, and the Welfare State

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Despite growing interest in decentralized governance, the local government systems that comprise the most common element of decentralization around the world have received little systematic attention. This article, drawing on the first systematic index of decentralization to local government in 21 countries, demonstrates a close relation between Social Democratic welfare states and an intergovernmental infrastructure that in important respects ranks as the most decentralized among advanced industrial countries. This empowerment of local government in these countries was less an outgrowth of Social Democratic welfare state development than a preexisting condition that helped make this type of welfare state possible.

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

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More systematic inquiry into this topic holds a broad and important potential. National infrastructures of local government make much of the difference for the effective substance of policy as well as for meaningful political participation. This article, employing the first systematic classification of these infrastructures, points to a close relation between decentralization to local government and the character of the welfare state itself. Our analysis focuses on the universalistic, egalitarian, publicly provided systems of social provision that have become known as Social Democratic welfare states (Esping-Andersen 1990; Huber and Stephens 2001). How it has been possible to construct and maintain this type of welfare state poses one of the enduring puzzles for the political economy of public policy. Work on this question generally identifies the Social Democratic welfare state with centralized policymaking and administration. Yet in fact, the distinctive infrastructure of local government that accompanies this welfare state is in crucial respects among the most decentralized in the advanced industrial world. Historical analysis suggests that decentralization preceded and even furnished an essential prerequisite for the Social Democratic welfare state.

The Welfare State and Decentralization: Alternative Hypotheses

One of the most deeply ingrained presumptions in the comparative literature about the welfare state has been its identification with centralized state hierarchies. This is especially true for the Social Democratic welfare states of the Nordic countries, where publicly provided, egalitarian, universalistic social services predominate. Yet Nordic authors have often pointed to a defining role for local policy choices and local participation there, in the development of welfare states (Grønlie 2004; Östberg 1996), in contemporary “postmodern” forms of administration (Bogason 2000), and even in a distinctive, localized “model of governance” (Pierre 1999).

For a public welfare state built around universalistic, egalitarian ends, territorial centralization is in certain respects essential. It offers a primary means to assure equal provision regardless of place. Comparative studies of these “Social Democratic” welfare states consistently focus on national governments and politics to explain and describe them (Esping-Andersen 1985; Heclø 1974; Huber and Stephens 2001; Sansom 1996). Centralized decisions and resources have been crucial to their administrative structure. Nationally organized parties, labor, and business interests have been prime movers in this legislation. If local and national power were mutually exclusive, these welfare states could be expected to concentrate more power at the national level than other types of welfare states built around less universalistic or egalitarian objectives.

For two reasons, however, egalitarian, universalistic welfare states may in fact have to rely more than other types on greater powers to local governments. First, strong local governments provide credible means to carry out the more ambitious ends of this welfare state. To provide public

TABLE 1
Capacities versus Supervision in a National Infrastructure of Local Government

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

Note: Predicted welfare state types in parentheses.

Types of welfare states: CD, Christian Democratic; LI, Liberal; SD, Social Democratic; WE, Wage-Earner.

services in the same way across a national territory makes special demands on any government at the local level. Effective, responsive local action can be crucial to fit national services like schools, hospitals, and housing to the diverse interests of people in different regions, neighborhoods or jobs. Strong local government capacities can counter the social and spatial inequalities characteristic of a capitalist society and discourage mobile residents from further segregating into enclaves based on relative privilege or disadvantage.

Second, strong local governments that have secured support from their communities also furnish needed political resources for the far-reaching program of an egalitarian welfare state (cf. Vetter 2002). The higher tax extraction and far-reaching social aims of the Social Democratic welfare state make greater demands on civil society than other forms of welfare states. Local governments that mobilize support from civil society can provide national policymakers with crucial allies in efforts to impose these demands. When the leading national parties also maintain a strong presence within the local political process, the central government has even more reason to entrust central elements of welfare state administration to localities.

A nonexclusive view of the relation between central and local power helps to resolve how such a strong role for local government can go along with strong national policy. Analyses of multilevel governance show that what is given to the local level need not be taken away from higher levels. Enhanced local powers could in certain respects reinforce supralocal powers, as both higher- and lower-level governments undertake different roles in an expanded state activity (e.g., Sellers 2002). To model such a relation, control or *supervision* from above needs to be separated out from local administrative and fiscal *capacities* for local governments.

Distinguishing the consequences of top-down supervision from capacities at the local level helps to clarify how an egalitarian welfare state could reconcile strong supralocal and local roles (Table 1). The highest possible

degree of supervision from above would be logically inconsistent with strong local capacities. But with a more moderate supervision, what might be termed a “nationalized” infrastructure of local government can both empower local governments to carry out policies and furnish higher-level governments with the means to assure that local governments maintain pursuit of egalitarian ends. Local government would be given administrative and fiscal capacities to implement policies. The national government would employ legal mandates, administrative supervision, and fiscal incentives to control this pursuit from above.

This arrangement stands in clear distinction from several other logically possible alternatives. Supervision from above without local capacities would produce a monopoly of policy and implementation for supralocal governments. Even weak local capacities along with strong supervision would leave local government dependent on initiatives from higher-level units. With weak local capacities as well as weak supervision from above, a society-dependent local government would have to rely on alliances with local civil society or business rather than the state. Urban regime analysis in the United States points to precisely such a relation between the local state and business (e.g., Sellers 2002; Stone 1989). Under conditions of full local political and fiscal autonomy, local government would possess strong capacities without hierarchical supervision.

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

If elective affinities link welfare states to different local government systems, then which way does the causation run? Existing historical accounts suggest that strong local government institutions grew out of the egalitarian, universalistic welfare state under the influence of Social Democratic parties (Esping-Andersen 1990; Huber and Stephens 2001). But the causation could also work the other way. An intergovernmental infrastructure that already provided strong local government capacities could furnish an essential prerequisite for the emergence of egalitarian, universalistic welfare states.

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

importance of local government to the development of the Social Democratic welfare state.

Welfare States, Decentralization, and Local Government Typologies

In delineating typologies of local government systems, a number of recent scholars have pointed to dimensions of decentralization that such well-recognized comparative concepts as federalism have failed to take into account. By and large, these typologies have been delineated on the basis of cultural traditions rather than systematic institutional comparisons (Lidström 1998). Comparison among typologies nonetheless suggests a relation between local government and the welfare state that is particularly strong in Social Democratic welfare states.

The nature of this correspondence emerges from a comparison of the established typologies of welfare states with various indicators of decentralization and local government systems. Table 2 lists the four types of welfare states in Evelyne Huber and John Stephens' classification, along with the corresponding three types in Esping-Andersen's (1990) original one. As the Huber and Stephens classification represents the most recent one and is based on the most comprehensive set of indicators, the analysis that follows will generally rely upon it. Of the four countries that these authors did not classify, Greece, Portugal, and Spain have often been described as a separate "Southern European" type of welfare state (Castles 1995; Ferrera 1996). Huber and Stephens also place Japan in a distinctive category of its own.

Even considered in terms of a simple version of federalism (Elazar 1995), or in terms of Arend Lijphart's (1999) limited extension of federalism to encompass additional elements, the Social Democratic welfare states stand out from the other standard types. Although Christian Democratic, Liberal, and even Wage-Earner welfare states include both federal and unitary states, the Social Democratic welfare states are all unitary. Similarly, Lijphart's classification places all four of these states at 2 on a 5-point scale that assigns a 5 to the most purely federal countries. Compared with this consistent reading of relative centralization, other types of welfare states again vary widely.

To compare how different types of welfare states have decentralized to local government itself, however, necessitates a much more far-reaching set of indicators than these. Lijphart's (1999) indicator of "decentralization" takes local government only partly into account. In unitary states he considers it part of decentralization, but in federal states it makes no difference. All federal countries receive the highest score for decentralization without any reference to their local government institutions. Yet federal subnational governmental units could in fact maintain *more* centralized relations with their localities than unitary states do with theirs.

In the last 20 years there has been no shortage of typologies of local government systems. These typologies generally attribute the Social

TABLE 2
Welfare States, Decentralization, and Local Government: Existing Typologies

	Welfare State Types		Hierarchical Typologies			Local Government Typologies			
	Huber and Stephens (2001)	Esping-Andersen (1990)	Federalism	Decentralization (Lijphart 1999)	Lidström (2003)	Bennett (1993)	Goldsmith (1992)	Hesse and Sharpe (1991)	
Denmark	Social Democratic	(Universalistic) (Corporatist?)	No	2	Northern European	Scandinavian	Welfare state	Northern European	
Finland	Social Democratic	Universalistic	No	2	Northern European	Scandinavian	Welfare state	Northern European	
Norway	Social Democratic	Universalistic	No	2	Northern European	Scandinavian	Welfare state	Northern European	
Sweden	Social Democratic	Universalistic	No	2	Northern European	Scandinavian	Welfare state	Northern European	
Austria	Christian Democratic	Corporatist, statist	Yes	4.5	Middle European	Napoleonic		Napoleonic	
Belgium	Christian Democratic	Corporatist, statist	Yes	3.2	Napoleonic	Napoleonic	Client-patron	Napoleonic	
France	Christian Democratic	Corporatist, statist	No	1.3	Napoleonic	Napoleonic	Welfare state	Northern European	
Germany	Christian Democratic	Corporatist, statist	Yes	5	Middle European	Napoleonic	Client-patron	Napoleonic	
Italy	Christian Democratic	Corporatist, statist	No	1.5	Napoleonic	Napoleonic	Welfare state	Napoleonic	
Netherlands	Christian Democratic	(Universalistic)	No	3	Napoleonic	Napoleonic	Welfare state	Northern European	
Switzerland	Christian Democratic	Residualist	Yes	5	Middle European	Napoleonic	Client-patron	Northern European	
Greece			No	1	Napoleonic	Napoleonic	Client-patron	Napoleonic	
Portugal			No	1	Napoleonic	Napoleonic	Client-patron	Napoleonic	
Spain			No	2	Napoleonic	Napoleonic	Economic development	Napoleonic	
Canada	Liberal	Residualist	Yes	5			Economic development	Anglo-Saxon	
Ireland	Liberal		No	1	British	Anglo-Saxon		Anglo-Saxon	
UK	Liberal	Mixed	No	1	British	Anglo-Saxon	Welfare state	Anglo-Saxon	
United States	Liberal	Residualist	Yes	5			Economic development	Anglo-Saxon	
Australia	Wage-Earner	Residualist	Yes	5			Economic development	Anglo-Saxon	
New Zealand	Wage-Earner	Universalistic	No	1			Economic development	Anglo-Saxon	
Japan		Corporatist, statist	No	2				Northern European	

Democratic welfare states the most consistent configurations of local government institutions. Yet these classifications have typically relied on historical and cultural classifications rather than on consistent analytical criteria and have arrived at varying conclusions about how distinctive local government in these countries is. For Michael Goldsmith and Edward Page (1987) and Jens-Joachim Hesse and L.J. Sharpe (1991), the four Nordic countries share a “Northern European” model of local government with such other countries as Austria, Germany, the Netherlands, and Switzerland. This model differs from Napoleonic systems that rely on administrative centralization but are politically decentralized. Other classifications derived by Anders Lidström (2003) and Robert Bennett (1993) from historical differences treat the local government systems of Nordic countries as a type distinct from other Northern European systems. In a rare deductive classification, Goldsmith (1992) goes so far as to identify the type of local government in the Scandinavian countries by the delivery of welfare state services. However, he classifies local government under very different welfare states in this category as well and offers no explanation of the relation between welfare states and local government in other countries.

These existing typologies suggest a more consistent relation between the Social Democratic welfare states and a distinctive type of local government than under other types of welfare state types.¹ Yet these typologies of local government ultimately require recasting in more analytical, transparent metrics. A more precise comparison will also enable a closer analysis of local government systems and their relation to welfare states.

Local Capacity and Supervision in the Infrastructure of Local Governance: An Indicator-Based Comparison

A comparative classification of local government can start from the many specific indicators that have increasingly become available in parallel form for all advanced industrial countries. The following comparison will build both on quantitative indicators and on qualitative ones coded in quantitative terms. These indicators, encompassing fiscal as well as political and administrative dimensions of empowerment and supervision, enable a more systematic view of the ways that these characteristics of local government in Social Democratic welfare states compare to those of other Organisation for Economic Co-operation and Development (OECD) countries.

Distinct from federalism or such efforts to measure decentralization as Lijphart’s, these indicators focused specifically on the local level of government in relation to those at higher levels. Relations of localities to the federal and central units within federal states could thus be classified in terms of supervision and capacities in the same way as local relations with central governments in unitary states. Along with municipalities, the units

classified as local encompassed the somewhat wider scales of government at the county level in such settings as the Nordic countries, the United Kingdom, the United States, and Germany.²

Quantitative data made it a straightforward matter to derive comparative indicators for several dimensions of these concepts. An array of qualitative indicators captured national institutional variations along principal dimensions of local capacities and local supervision. Where coded qualitative assessments were largely derived from existing secondary literature or potentially subjective assessments, an online working paper explained individual results and gave detailed citations by country (see Sellers 2006). Where possible, these results were checked and verified through a blind duplicate coding procedure.³ For a number of other indicators, including institutional ones such as the legislative constraints on local taxation, the indicators had to assimilate results for federal units into a parallel indicator to those for countries with a single, unitary higher-level government. For this purpose, results for federal units were generally averaged, with equal weights given to the result for each federal unit.⁴

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

To assure “construct validity” (Adcock and Collier 2001, 537), individual measures must be commensurable and receive proper weights in relation to each other. Each quantitative indicator was standardized on a scale from 0 to 2, where 2 measured the highest level of local capacity or supervision. Qualitative indicators were standardized to a parallel 0–2 scale. Aggregation proceeded by averaging the indicators for a given category. To avoid privileging any single dimension, each individual indicator received equal weight. For similar reasons, the aggregated politico-administrative and fiscal dimensions of empowerment and supervision were also weighted equally in the overall index.

Local Capacities

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

As the clearest measure of formal institutional guarantees for local authority, an indicator classifies the many constitutional textual

TABLE 3
Local Government Capacities

	Constitutional Protections on Local Autonomy (a)	Corporate Representation for Local Governments (b)	Local Government Employment as Percent of Public Employment (%) (c)	Politico-Administrative Capacities (Average) (d)	Local Government Expenditure as Proportion of Public Expenditure (%) (e)	Local Tax Revenues as Proportion of Total Tax Revenues (%) (f)	Fiscal Empowerment (Average) (g)	Average of Fiscal and Politico-Administrative (h)	Welfare State Type (i)
Denmark	2.00	2.00	72	1.99	44	31	1.93	1.96	SD
Finland	2.00	2.00	69	1.96	34	22	1.59	1.81	SD
Norway	0.00	1.33	74	1.11	32	20	1.58	1.30	SD
Sweden	2.00	2.00	73	1.99	31	33	1.99	1.99	SD
Austria	2.00	2.00	23	1.49	17	11	0.53	1.10	CD
Belgium	1.00	0.00	24	0.49	11	5	0.37	0.44	CD
France	1.00	0.67	24	0.72	15	7	0.42	0.60	CD
Germany	2.00	1.33	29	1.33	17	7	0.52	1.00	CD
Italy	0.00	0.67	22	0.37	10	4	0.30	0.34	CD
Netherlands	2.00	2.00	29	1.55	24	3	0.37	1.07	CD
Switzerland	1.00	1.33	25	0.96	21	3	0.70	0.85	CD
Greece	2.00	0.67	8	0.89	17	15	0.00	0.53	SE
Portugal	2.00	2.00	17	1.42	8	6	0.27	0.96	SE
Spain	2.00	0.67	17	1.42	12	6	0.27	0.96	SE
Canada	0.00	0.67	22	0.37	16	10	0.49	0.42	LI
Ireland	0.00	1.33	10	0.47	24	2	0.07	0.31	LI
UK	0.00	1.33	45	0.82	22	4	0.65	0.75	LI
United States	0.00	0.67	59	0.74	21	13	1.14	0.90	LI
Australia	0.00	1.33	8	0.45	5	3	0.07	0.30	WE
New Zealand	0.00	1.33	14	0.50	10	5	0.21	0.39	WE
Japan	2.00	0.67	60	1.42	54	24	1.52	1.46	JA

Sources: Almy (2000), Auld (1989), Bush (1984), Chapman and Wood (1984), Commerce Clearing House (2002), Coughlan and Builteir (1996), Council of Europe (1993, 1997, 1998a, 1998b, 1998c, 1998d, 1998f, 1998g, 1999a, 1999b, 1999c, 2000a, 2000b, 2001), CLAIR (2000), Craig (1997), Deutscher Städtetag (2002), Due (1994), European Commission (2001), French Ministry of Finance (2002), Hy and Waugh (1995), International Bureau of Fiscal Documentation (2001), International Monetary Fund (2000), Japanese Ministry of Finance (2001), Krelove, Stotsky, and Vohorn (1997), Mullins and Cox (1995), Neudorfer (1998), OECD (1997, 1999, 2001), Sansom (1996), Stotsky and Sunley (1997), Ter-Minassian and Craig (1997), Treff and Perry (1997), Victorian Local Governance Association (2002), United States Advisory Commission on Intergovernmental Relations (1994), and World Bank Group (1997). For detailed citations and explanation of (a) and (b), see Sellers (2006).

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

protections on local autonomy. An array of qualitative indicators captured the national institutional variations along principal dimensions of local capacities and local supervision. The first measured the constitutional provisions for local autonomy that have increasingly become the rule among new as well as established democracies (Table 3[a]). All of the Social Democratic welfare states but Norway share such a provision.⁵ Even in Norway, it might be argued that local government has a status of equivalent importance despite the lack of such a formal guarantee (cf. Grønlie 2004). Although these provisions appear in other countries as well, they are totally lacking in the Liberal and Wage-Earner welfare states.

Social Democratic welfare states stand out more consistently with the other two administrative measures. A second (Table 3[b]), based on estimates derived partly from a range of empirical studies and other data, uses the place of the national local government associations in policy as an indication of how far localities find effective representation in national policymaking processes.⁶ This indicator highlights a common feature of what amounts to a kind of corporatist representation for local governments in the four Social Democratic welfare states.

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

Indicators of fiscal relations between local and higher-level governments (Table 3[e]–[g]) measure analogous dimensions of hierarchical control and local capacities. As the high levels of expenditures by local governments as a percentage of total governmental expenditures (Table 3[e]) show, national governments in the Nordic countries have also delegated distinctively high proportions of expenditures to the local level. If the large proportion of national programs routed through local government leaves these figures much lower than those for personnel, the proportion remains much higher than in other countries. Similarly, localities collect a larger proportion of tax revenues than elsewhere (Table 3[f]).⁷

Principal components analysis shows these indicators to capture largely parallel variations (cf. Adcock and Collier 2001, 539; see Sellers 2006). Among the Social Democratic welfare states, local fiscal and administrative capacities stand out from every other country but Japan. Except for formal constitutional powers, Norway clearly falls within this group.

Although Liberal and Wage-Earner welfare states generally possess the lowest capacities, only the two countries of the latter type constitute a uniformly distinctive group.

Supervision

In practice, it is difficult to separate out indicators of supervision from measures of local capacity. Withholding of resources for local governments, for instance, may provide higher-level governments one means to assert hierarchical control. Nonetheless, several indicators can be assigned with relative specificity to supervision. The patterns here are more complex and less consistent among Social Democratic welfare states as well as overall. Although the Nordic countries possess comparatively strong supervisory elements, the highest overall levels appear in Christian Democratic welfare states (Table 4).

Many countries under the influence of the Napoleonic tradition have territorial offices of administrative supervision over local government that correspond fully or partly to the French prefect (Table 4[a]). Although the Social Democratic welfare states share a version of this type of field official, none follow the central government practice of the Benelux countries to appoint the chief executive within local governments (Table 4[b]). Despite some recent alterations to be discussed later, national frameworks of legislation in the Nordic counties also give localities comparatively little leeway to choose their own forms of local government (Table 4[c]). In three of the four countries, a national civil service for local government also furnishes added means of obligations and incentive structures within local governments that promotes the carrying out of national policy (Table 4[d]).⁸ Local supervisory officials also distinguish the Christian Democratic and Southern European welfare states from the Liberal and Wage-Earner welfare states. The other indicators vary within these groups.

The indicators for fiscal relations with local governments (Table 4 [f]–[i]) measure analogous dimensions of hierarchical control and local powers. Intergovernmental grants, as a proportion of local government revenues (Table 4[f]), ensure the supralocal governments more means of control over local governments. Although borrowing can offer local governments financing beyond the limitations of supralocal financing, requirements of hierarchical approval or other conditions for local governments (Table 4[h]) to borrow furnish a further mechanism of fiscal control. Even when local governments raise large proportions of overall national revenues through taxes, governments at higher levels can still assert control over the conditions of local taxation. An index of local tax autonomy, elaborating a set of categories developed by the OECD (1999), rated control of this sort for each type of local tax (Table 4[g]). The overall rating for each country weighted these individual ratings by the overall proportion of each type within the total of local taxes.⁹

TABLE 4
Supervision of Local Government

	Local Supervisory Officials (Préfet or Equivalent) (a)	Supralocal Appointment of Local Executive (b)	Supralocal Control of Governmental Form (c)	Translocal Civil Service (d)	Politico- Administrative Supervision (Average) (e)	Grants as Percent of Local Revenue (%) (f)	Local Tax Autonomy (g)	Supervision of Local Borrowing (h)	Fiscal Supervision (Average) (i)	Fiscal and Politico- Administrative Supervision (Average) (j)	Welfare State Type (k)
Denmark	1.00	0.00	2.00	1.60	1.15	44	1.14	0.00	0.75	0.98	SD
Finland	2.00	0.00	2.00	1.60	1.40	33	0.95	0.00	0.60	1.06	SD
Norway	2.00	0.00	2.00	0.40	1.10	39	1.94	2.00	1.64	1.33	SD
Sweden	2.00	0.00	2.00	1.20	1.30	19	1.20	0.00	0.56	0.98	SD
Austria	2.00	0.00	2.00	2.00	1.50	12	1.85	2.00	1.45	1.38	CD
Belgium	1.00	2.00	2.00	2.00	1.75	54	0.73	2.00	1.37	1.59	CD
France	2.00	0.00	2.00	2.00	1.50	32	1.01	2.00	1.01	1.29	CD
Germany	1.62	0.00	2.00	2.00	1.41	53	1.36	1.00	1.06	1.26	CD
Italy	2.00	0.00	2.00	0.40	1.10	57	0.80	0.00	0.75	0.93	CD
Netherlands	1.50	2.00	2.00	1.60	1.65	70	0.80	0.00	0.86	1.25	CD
Switzerland	1.00	0.00	1.00	0.00	0.63	17	0.83	0.00	0.42	0.52	CD
Greece	2.00	0.00	2.00	2.00	1.50	0	2.00	2.00	1.33	1.42	SE
Portugal	2.00	0.00	2.00	1.60	1.40	48	1.44	0.00	0.89	1.15	SE
Spain	2.00	0.00	2.00	0.00	1.40	36	1.64	2.00	1.52	1.46	SE
Canada	0.00	0.00	1.00	0.00	0.25	43	0.12	1.40	0.87	0.56	LI
Ireland	0.00	0.00	2.00	0.40	0.60	78	0.80	2.00	1.60	1.10	LI
UK	0.00	0.00	2.00	1.60	0.90	72	0.80	2.00	1.55	1.23	LI
United States	0.00	0.00	0.52	0.00	0.13	38	0.82	0.02	0.67	0.38	LI
Australia	0.00	0.00	1.00	0.40	0.35	16	0.34	2.00	0.92	0.64	WE
New Zealand	0.00	0.00	2.00	0.00	0.50	9	0.45	1.00	0.56	0.53	WE
Japan	1.00	0.00	2.00	0.80	0.95	33	1.67	2.00	1.50	1.23	J/A

Sources: UDITE (2001), Barzel (2002), Bush (1995), Commonwealth Local Government Forum (2002), Council of Europe (1993, 1997, 1998a, 1998b, 1998c, 1998d, 1998e, 1998f, 1998g, 1998h, 1998i, 1998j, 1998k, 1998l, 1998m, 1998n, 1998o, 1998p, 1998q, 1998r, 1998s, 1998t, 1998u, 1998v, 1998w, 1998x, 1998y, 1998z, 1999a, 1999b, 1999c, 1999d, 1999e, 1999f, 1999g, 1999h, 1999i, 1999j, 1999k, 1999l, 1999m, 1999n, 1999o, 1999p, 1999q, 1999r, 1999s, 1999t, 1999u, 1999v, 1999w, 1999x, 1999y, 1999z, 2000a, 2000b, 2001), CLAIR (2000), Cusack (1999), De Fátima, Mendes, and Miguéis (2001), Finnish Local Government Act (1995), Gravel (1987), International City/County Management Association (1997), Kingdom (1993), McManus (1999), Meylan (1986), Mouritzen and Svava (2002), OECD (1992), Synnesström, Lalazarian, and Manning (2001), United Nations Economic and Social Commission for Asia and the Pacific (2002), U.S. Advisory Commission on Intergovernmental Relations (1993), Utro and Markov (1986), and Canadian provincial local government legislation. For detailed citations and explanation of (a) and (g), see Sellers (2006).

a. 2 = local administrative/supervisory official; 1 = local administrative official, elected locally or possessing limited powers; 0 = no local supralocal representative.

b. 2 = supralocal appointment of executive; 0 = local appointment

c. 2 = supralocal determination of local structures; 1 = significant but limited elements of local self-determination; 0 = widespread local choices of government forms.

d. 2 = national civil service for local personnel with full coverage (job duties, tenure, discipline, rewards, closed recruitment); 1.6 = national civil service for local personnel with four of five items (job duties, tenure, discipline, rewards, closed recruitment); 1.2 = national civil service for local personnel with 3 of 5 items (job duties, tenure, discipline, rewards, closed recruitment); 0.8 = national civil service for local personnel with two of five items (job duties, tenure, discipline, rewards, closed recruitment); 0.4 = national civil service with job duties, tenure, discipline, rewards, closed recruitment; 0 = no national civil service for local personnel with four of five items (job duties, tenure, discipline, rewards, closed recruitment); or separate, national local civil service with limited conditions; 0 = separate local or other subnational civil service, without national rules.

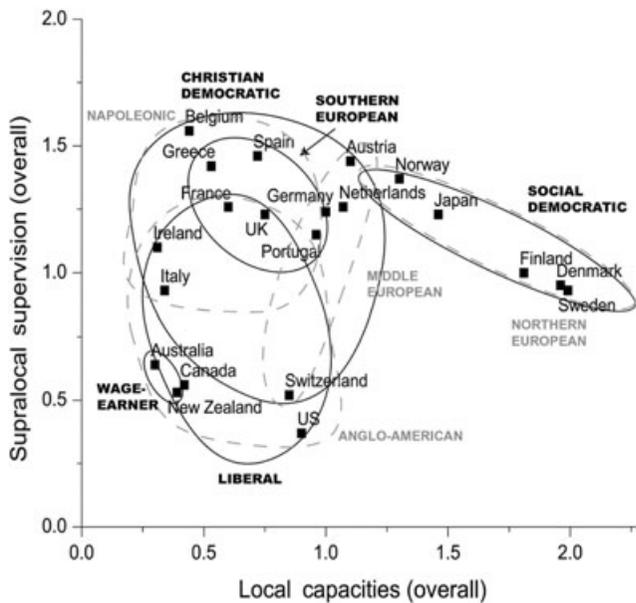
e. 2 = highest; 0 = lowest

f. 2 = Central or intermediate government sets rates, base; 1.60 = standardized or strictly limited rates with some discretion, but no discretion as to base; 1.20 = No discretion as to base, and range set for rates; 0 = no discretion as to base, and diversion of revenues to other governments; or informal constraints on rates; 0.8 = no discretion as to base/assessment, or informal constraints on rates, or sharing;

g. 2 = autonomy to set base/assessment, and procedural or insignificant constraints on rates; (e.g., requirement of local majority vote); 0 = full autonomy to assess and set rates.

h. 2 = approval required; 1 = Almost free; 0 = Free, or requirement of local majority vote (from Council of Europe ratings).

FIGURE 1
Capacities and Supervision by Categories of Local Government Systems (Gray) and Welfare States (Bold)



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

Overall, the position of the countries with Social Democratic welfare states not only varies more with the specific indicators of supervision than with the indicators of empowerment, but also stands out much less from that of other OECD countries. Denmark, Finland, and Sweden cluster at an aggregated index of around one, around the median for all countries. Although the index in Norway ranges significantly higher at 1.33, this remains well below the measure in several Christian Democratic and Southern European countries. Although the Liberal welfare states cluster mostly toward the less supervised end of this scale, neither these nor the Christian Democratic welfare states follow a consistent pattern. Only the two Wage-Earner welfare states clearly resemble each other as a group.

Fully aggregated, these indicators point to institutional patterns that only partly correspond to any of the classifications among local government system, or to types of welfare states. Figure 1 maps these variations

in relation to both the historical and cultural classification of traditions from Lidström (2003) and the classification of welfare states by Huber and Stephens (2001). As predicted, no country registers high levels of both local capacities and supralocal supervision, or low enough supervision and high enough capacities for local government to qualify as autonomous. For three of the four Social Democratic welfare states, each with the Northern European system of local government, the highest measures of local capacities combine with moderate degrees of supralocal supervision. These most clearly fit the model of nationalized local government. Norway, with greater supervision and lower empowerment, remains one of the closest countries to this group.

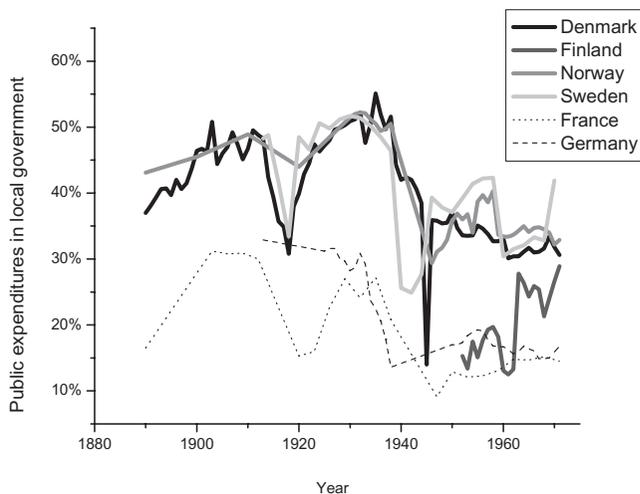
The other types of welfare states generally correspond with local governments in the less consistent ways the initial hypotheses predicted. Several Middle European local government systems with Christian Democratic welfare states (Germany, Austria, the Netherlands) stand closest to the Social Democratic group. But lower local capacities and in some instances more supervision make local government in these systems more state-dependent. Christian Democratic or Southern European welfare states in the Napoleonic tradition, such as Belgium and Greece, come closest to supralocal monopolies. Local governments of Liberal and Wage-earner welfare states besides the United Kingdom and Ireland fall into a largely distinct category. At the same time the infrastructures there subject local government to less supervision from above, local governments there also receive fewer capacities than Northern European counterparts. Switzerland, although Christian Democratic, also belongs to this category. The UK and Ireland, although also Liberal welfare states, score higher for supervision.

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

Local Government and the Development of the Social Democratic Welfare State

Cultural and institutional conditions common to the Nordic countries have fostered favorable conditions for both Social Democratic welfare states and the nationalized local governance infrastructure. Cultural and religious homogeneity has fostered less division over policy than that in many countries. Unitary central institutions and executive–legislative relations have encouraged fewer veto players in national policy (cf. Tsebelis 1995). Yet other countries with similar homogeneity and national institutions have developed neither nationalized local governments nor Social Democratic welfare states. This distinctive form of local government

FIGURE 2
Local Government Proportion of Public Expenditures, 1890–1971



Source: Flora, Kraus, and Pfennig (1975).

in Scandinavia might seem to be a historical outgrowth of welfare state development and of the Social Democratic parties and other forces that contributed to it. But strong local government capacities were already a hallmark of the Nordic democracies at the time that the welfare state began to emerge. These capacities appear to have been a historical prerequisite for the emergence of the Social Democratic welfare state.

Although the full range of indicators is lacking for this earlier period, those available make clear the importance of local government. Even before the welfare state emerged to dominate local expenditures, government expenditure in Denmark, Norway, and Sweden centered more at the local level than that in other countries for which records are available (Figure 2). With the exception of the periods immediately surrounding the two world wars, local government expenditures in these countries consistently comprised a 40% or greater proportion of all government expenditure. This proportion persisted at 20% higher or more than in either France or Germany during the same period. Welfare state institutions thus built on the foundations of a local government system that already granted strong local fiscal capacities.

As the Swedish example demonstrates, numerous other attributes of the nationalized local government infrastructure also predated the first steps toward construction of the welfare state in the 1930s. Local government powers and personnel comprised an important component of the state even in the predominantly rural Swedish society of the nineteenth century (Aronsson 1997; Wetterberg 2000). Parishes assumed responsibility for local social welfare functions as early as the 1760s (Lidström 2001,

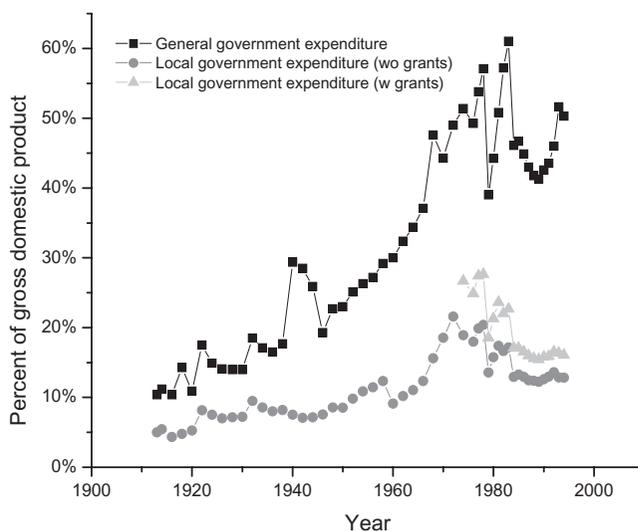
Forthcoming). From their formal establishment in 1862, Swedish localities possessed general powers to act autonomously. Over the late nineteenth and early twentieth centuries they acquired increasingly extensive powers in planning, infrastructure provision, road-building, educational, and social services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

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

Only in Finland, where the Social Democratic welfare state developed later, did this process build on a local government system that did not already absorb nearly half of public expenditure (Figure 2) and possess strong politico-administrative capacities. But the Finnish welfare state was also exceptional. Following the later industrialization of Finland, it was constructed only after the patterns in all three other Social Democratic welfare states were well established (Djupsund and Ståhlberg 1981; Ståhlberg 1990). To a degree that would be difficult to imagine without the common culture and previous examples of all three other Scandinavian countries, the builders of the Finnish welfare state drew extensively on these established models (Karvonen 1981). Even in this exceptional case, it proved necessary to expand local government capacities drastically to make the Social Democratic welfare state possible.

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

FIGURE 3
General and Local Government Expenditure in Sweden, 1913–1999



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

Sources: Flora Kraus, and Pfennig (1975), International Monetary Fund (1978, 1981, 1986, 1992, 2000), and Nordic Council of Ministers (1988).

Strong local governments also help to account for the more recent resilience of the Nordic welfare state. At the same time that local administrative capacities help to maintain support for many welfare services, local government associations have emerged as a potential veto player (cf. Tsebelis 1995) in national policymaking toward welfare services (see Table 3[b]).¹⁰ In Sweden as well as in the other Nordic countries, then, empowered local government has been much more than a simple outgrowth of the welfare state or a product of social democratic policy. Pre-existing local government infrastructures laid the foundations for Social Democratic welfare administration and have helped assure its continued survival.

Conclusion

The Social Democratic model has long retained a fascination for students of comparative politics and public policy. How is it possible, many have wondered, for such an egalitarian, extensive system of social service provision to emerge and persist in a capitalist society? This examination of local government systems points to a nationalized local government with

strong local fiscal and politico-administrative capacities as an essential prerequisite for this form of welfare state. Only countries with this infrastructure of local governance possess Social Democratic welfare states. With the sole, partial exception of Finland, no country without the preexisting local capacities of this infrastructure has succeeded in constructing this kind of welfare state. Social Democratic party programs were no less crucial to the egalitarian, universalistic project of Social Democratic welfare states. Yet Social Democracy could not have realized this objective without strong local government.

Traditional institutional distinctions between federal and unitary states, or even many general analyses of centralization and decentralization at higher echelons of states, fail to capture this crucial local dimension of the state. Yet without it, no realistic account of the public policies that have become the stock-in-trade of twenty-first-century governance, and no account of how they emerged and developed, can be complete.

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Notes

1. Analyses based on selected fiscal indicators affirm this finding (e.g., Mouritzen 2003).
2. Subnational governments at scales beyond that of metropolitan areas (in France, Italy, and Spain) were classified as higher level. National capital regions as well as the three German city-states were excluded.
3. More information on the precise bases for the qualitative assessments may be found in Sellers (2006).
4. Where national surveys enabled overall estimates of the frequency of local institutional practices, as in the United States (e.g., Svara 1999), these were preferred. Other estimates were based on legislative authorizations at the national or intermediate level.
5. Both gamma and Spearman correlation tests of a blind recode revealed high statistical significance ($p < .001$) for items in Table 3(a) and (b) and in Table 4(g).
6. Specific sources used to classify each country for purposes of this index may be found in Sellers (2006).
7. Territorial consolidation of local governments has also been used to enhance local government capacities in the Social Democratic welfare states as well as in other countries.
8. Categories used here are derived from Synnersstrom, Lalazarian, and Manning (2001).

9. The index applied the following formula:

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

where

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

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

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

C_i = the total local tax revenues in country i .

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

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

where

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

RT_j = the rating of tax autonomy for tax j .

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

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

where

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

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

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

Only the predominant taxes in each OECD category were used in these subnational calculations. In a few cases of inadequate subnational information, the calculation employed alternative formulas based on the means ratings for the known types of taxation (see the section on federal and local unit variations).

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

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