

NUG papers - Essay 04 (May 2015)

URBAN GOVERNANCE IN EUROPE: COMPETITION, SELF-RELIANCE, AND INNOVATION

By **Jon Pierre**

Jon Pierre is a Research Professor in the Department of Political Science, University of Gothenburg and Professor of Public Governance at the Melbourne School of Government, University of Melbourne. He is also Adjunct Professor at the University of Pittsburgh.

Introduction

Urban politics and governance is an intensely dynamic area of development and change, and has been so for quite some time. Change certainly does not come overnight but there are several concurrent processes underway continue to reshape the landscape of urban governance. Once these processes gain momentum they soon become institutionalized, requiring new institutional choices, new strategies and essentially new ways of governing the city. This short commentary will briefly discuss some of these urban governance ‘megatrends’ and what they mean to European cities.

While cities remain an integral part of the domestic institutional arrangements their role in those arrangements is changing, as is indeed the working of the institutional system. The previous rather strict hierarchical order between central and subnational governments has gradually given way to a negotiated, contextually defined and multi-level institutional arrangement where jurisdictional borders—including national borders—mean less and less in terms of shaping actors’ behaviour. This is the development described by Neil Brenner some time ago as a “rescaling of statehood” (1999, 2004; see also van der Heiden, 2010). Nowhere is this development easier to detect than in the European Union.

I will suggest that urban governance in the EU is to a large extent characterized by three features; inter-

city competition, increasing self-reliance in economic terms; and a strong emphasis on innovation in governance and service delivery. The wording “in the EU” is not intended to suggest that there is a uniform pattern of urban governance across the Union but rather to point out that there exist similarities in some respects among several of the member states. I would argue that these similarities are less the outcome of EU policy in relation to the cities but more of domestic policy and institutional choice.

Competition

Competition is a ubiquitous phenomenon assumed to “shape up” organizations, drive specialization and identify best practice. Applied to state-local relationships competition dovetailed with central government’s objective in several European countries in the 1980s and 1990s to reduce public expenditure including subsidies to local government. Introducing a competitive dimension and allowing for “uneven development” among cities was the Thatcherite strategy to rid central government of its responsibility for urban development and equal standard across the country. Other European countries were soon to follow suit, thus fundamentally altering state-local relationships. True, subsidies still exist but they are now more tied to specific services (but see below) and are less intended to ensure equal standard and similar living conditions in all corners of the country.

The emerging competition among cities clearly favoured some cities while others struggled to cope with cuts in central government subsidies. Locales embedded in metropolitan regions with a future-oriented economy saw opportunities to growth in this new landscape while cities burdened by a declining industry and decreasing population faced significant challenges. These developments coincided with the deregulation of markets, opening up domestic markets for overseas competition. Thus, these cities were hit twice, as it were; once by central government telling signalling that they were now more or less on their own, and then from a rather sudden exposure to the full force of international competition. Again, there were certainly winners and losers.

Competition has had several significant consequences for cities. By introducing competition central government could to some degree divide and conquer since it now became more difficult for local authorities to “speak with one voice” with central government. Certainly, there are still issues where cities can unite against central government but it is overall significantly more difficult to create collective action among cities that are pit in competition with each other. Competition has also placed national local government associations in an awkward position where they should either cater to the interests of all their members or none.

More importantly, the domestic competitive environment has induced cities to build strategic partnerships with cities overseas. Let us now turn to the issue of subnational actors’ internationalization.

Self-reliance

By pitting cities in competition with each other, embracing “uneven development” and reducing subsidies to local governments, central government instilled a sense of urgency among local political leaders to devise a strategy for their development in the new political and economic context.

The bad news for the cities did not end here, however. Central government’s inclination to compensate local governments for their delivery of state services had in some countries for a long time been contested; local governments insisted that they were not fully compensated for delivering those services and had to cover part of the costs through

local taxes. In 2006 I surveyed local authorities in Japan, Sweden and the United States to gauge, among several issues, the nature of state-local interactions. Just below 80 percent of US cities reported that was indeed happening. The corresponding figure in Japan was 94 percent and in Sweden a staggering 99.5 percent (see Pierre, 2013).

Unfunded mandates have been a source of friction between central and subnational government in many countries for a long time. For central government, devolving financial responsibility is a means to help achieve a balanced national budget. For cities and regions, however, these mandates exacerbate economic imbalances and eradicate the often limited discretion available to these institutions.

All these developments have induced cities to pursue strategies towards internationalization, either on their own or in regional collaboration (van der Heiden, 2010). These strategies help cities and regions reduce their dependency on central government support and enable them to extract resources from international institutions such as the EU. Furthermore, internationalization also aims at helping local or regional businesses to identify and explore overseas markets or to team up with cities sharing similar problems or to stimulate innovation in service delivery and governance. This leads us over to the third feature of contemporary urban governance in Europe: innovation.

Innovation

If necessity is the mother of invention European cities had all the incentives required to engage in innovative processes. With shrinking subsidies from central government; increasing costs in service delivery; rising levels of immigration; and a demographic development that drives demand for public service.

Innovation here refers both to designing new concepts in public service delivery and to rethinking the roles and interactions of local government, local NGOs and the market. Innovation does not necessarily mean that local authorities acquire new knowledge; it can also refer to new forms of collaborative governance which utilize knowledge harboured by NGOs or businesses and to delegate service delivery to these actors. Cities today work

extensively with external actors, partly to utilize their knowledge and partly to be better able to provide service to targeted social groups like for instance immigrants, senior citizens, HIV-positive individuals or people with disabilities. Collaboration that began as an institutional arrangement to deliver service frequently morphs into a governance arrangement with “shared discretion” (Donahue and Zeckhauser, 2011:18) between the city and its societal partners.

A slightly different way to describe this process would be to say that innovation in governance drives innovation in public service delivery. Given the growing social complexity and the tight budgets for local authorities, it makes much more sense to team up with NGOs and other groups in society that have the connections and expertise necessary to deliver good public service instead of trying to generate that knowledge in-house.

Discussion

This brief resume probably raises as many questions as it answers. For instance, to what extent are the drivers of urban governance change in Europe related to the EU, and how much should be attributed to domestic policy choice or the overall neo-liberal ‘turn’? The EU seems to provide a set of opportunity structures to cities in Europe which they may or may not explore; they could seek to mobilize funds from the structural funds or join networks or committees or apply for funds from specific projects in the environmental sector, just to give a few examples, but there is no imperative for them to do so. In this respect the EU encourages political and administrative entrepreneurialism in the cities. The EU also provides, through committees and projects, important arenas for cities to meet, collaborate and learn from each other. In these respects, the EU indirectly promotes urban governance without imposing or dictating it.

References

- Brenner, N. 1999. Globalisation as reterritorialisation: The re-scaling of urban governance in the European Union. *Urban Studies* 36:431-51.
- Brenner, N. 2004. *New State Spaces: Urban Governance and the Rescaling of Statehood*. Oxford: Oxford University Press.

Competition, self-reliance and innovation all stress the importance of open organizations and that the city increases its points of contact, with the community, other cities and with national and EU institutions. A quick look at the organigram of a modern European city displays at a glance a high degree of functional specialization and autonomy, frequently also corporatization and numerous hybrid bodies to bridge the gap between the city and the market. Essentially all cities of any size have international divisions. Many of them have their own representation in Brussels.

If we also include regions to this context, we see a multi-level governance arrangement where a variety of actors—cities, regions, national governments, EU institutions and actors, international associations for cities and regions, and so on—engage each other in contextualized, often ad hoc ways to provide programs to address societal issues. This wide cast of actors thus help shape multi-level governance while at the same time developing their own governance. Functions and interests, not institutional position or nationality, become the chief criteria for relevance.

With all this being said, it is extremely important to be aware of the vast differences among cities and local authorities in Europe in these regards. Not all cities have embarked on bold strategies of internationalization. Behind the Barcelonas or Amsterdams or Stuttgarts of European cities stand a large number of second- or third tier cities and towns to whom the notion of “going international” is daunting and simply incomprehensible. Entrepreneurialism benefits those actors which have the capabilities and vision to exploit opportunities. The EU has a responsibility to cater not just to the interests of the pioneers but also to the laggards.

Donahue, J. D. and Zeckhauser, R. J. 2011. *Collaborative Governance: Private Roles for Public Goals in Turbulent Times*. Princeton: Princeton university Press.

Pierre, J. 2013. *Globalization and Governance*. Cheltenham: Edward Elgar.

van der Heiden, N. 2010. *Urban Foreign Policy and Domestic Dilemmas*. Colchester: ECPR Press.