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## **10. VERTICAL RELATIONS AFTER THE FINANCIAL CRISIS**

Oliver Dlabac<sup>a\*</sup>, Marta Lackowska<sup>b</sup> and Daniel Kübler<sup>a</sup>

<sup>a</sup>*Centre for Democracy Studies Aarau, University of Zurich, Aarau, Switzerland;* <sup>b</sup>*Department of Local Development and Policy, Faculty of Geography and Regional Science, University of Warsaw, Warsaw, Poland*

\*Correspondence Address: Oliver Dlabac, Centre for Democracy Studies Aarau, University of Zurich, Küttigerstrasse 21, 5000 Aarau, Switzerland. E-mail: oliver.dlabac@zda.uzh.ch

### **1. Introduction**

Vertical power relations between municipalities and upper tiers of government are not once and for all fixed in constitutional arrangements, but they underlie the dynamics of evolving practices, external shocks, and constant re-negotiations between the actors involved at all levels. Europe serves as a prime example: once the prototype for a centralist state, France has broken new ground by strengthening the autonomy of its regions and metropolises, just as the break-down of communist regimes in the eastern- and south-eastern parts of Europe has been followed by the introduction of democratic self-government at subnational levels.

More recently, the global financial and economic crisis of 2007 can be seen as an external shock, putting municipalities under financial strain, prompting national governments to issue conditional grants, but eventually also to cut national transfers, introduce new budget rules, transgress into subnational competences, or even to put regions or cities under national tutelage in order to bring subnational debts under control (Braun and Trein, 2013; 2014; Heinelt and Stolzenberg, 2014; Kim and Vammalle, 2012). Even if these events might be

temporary and leave constitutions and formal subnational competencies untouched, it is clear that they critically impinge on the power balance between actors representing various levels of the state.

In this chapter we aim to explore the dynamics of vertical power relations across Europe as perceived from below, from the perspective of the top political representative of cities, the mayors. One goal of this chapter is to give a cross-national account of intergovernmental power shifts and the strategies of European mayors facing those shifts for the time before and after the financial crisis. We are particularly interested to see whether the financial crisis has evoked similar experiences and strategies across countries, or whether countries with different state traditions differ in their paths taken. These state traditions are understood here as encapsulating traditional values of state-society relations, including the values underlying the vertical organisation of the state. The second goal of the analysis is to investigate the causal relationship between the financial crisis and the perceptions and strategies of mayors.

The chapter is structured as follows. In the next section, we present a brief overview of the theoretical background against which we develop our main hypothesis, arguing for the persisting role of state traditions in times of crisis. The next section deals with perceived shifts of power between the state and subnational levels: we identify those trends for countries departing from different state traditions and investigate whether perceived centralisation can actually be linked back to the financial crisis. Finally, we present the ‘rescaling’ strategies of the mayors from different state traditions when confronting those power shifts: the way they see the obligations of representing their city outside, attracting external resources or promoting the influence of local authorities in the political system. Here, too, we check for systematic influences by the financial crisis, but also by the individual perceptions of power shifts. The chapter concludes with a brief discussion of our findings.

## **2. After the financial crisis: Still a convergence of North and South?**

Typology building in comparative local government studies has a long tradition. Since local governments are usually subordinate to national state polities, these typologies have typically centred on the position of local government within that state architecture. Although considering only a hand full of unitary countries across Europe, Page and Goldsmith (1987) made an elementary distinction between the North and the South by considering the range of functions allocated to local government, the legal discretion enjoyed by local policy-makers, and the access of local politicians to the central state:

- Northern group: wide range of functional tasks specifically allocated to it, with low direct involvement by state officials, and a separation of the political worlds of local and central.
- Southern group: narrow range of functions, some of them shared with national government, supervision by state officials, local politicians using contacts with national politicians.

This basic distinction has since been refined – as shown in Chapter 2 of this volume. In 2010, Goldsmith and Page themselves reassessed vertical relations in Europe against the background of their North-South typology, this time including federalist countries as well as two Central Eastern European countries. The authors conclude that the distinction of North and South is no longer useful in an increasingly globalised and Europeanised context. According to the authors, EU-enlargement and regionalisation policies, urban policies, new public management rationales, and an increasing concern for local democracy and performance have led to an increased diversity within the Southern group, including Central Eastern European countries. At the same time, they find some tightening of central control in the Northern unitary countries very much resembling the earlier Southern type, whilst they observe less change in federalist countries, further emphasising the role of the regional level.

Even though the authors acknowledge the role of path dependencies, changes in vertical relations are essentially seen as a result of the varying experiences in the respective countries.

Path dependencies with regard to reforms of the state are, however, at the core of the argument made by Loughlin and Peters (1997). They propose a typology of country groups but their typology of 'state traditions' is meant to encapsulate a broader range of national experiences and values with regard to the state. They distinguish four state traditions, where different understandings of state-society relations remain important for comprehending the motives and the success of reforms directed towards the traditional organisation of the state:

- Anglo-Saxon (no 'state'): incrementalist policy style, flexible forms of governance
- Germanic tradition (organicist relations): legal corporatist, cooperative federalism
- French/Napoleonic (antagonistic relations): legal technocratic, imposed unitary state on divided societies
- Scandinavian (mixture of Anglo-Saxon and Germanic): consensual policy style, unitary welfare state with strong local autonomy

Moreover, they point out that political regionalisation motivated by demands for democracy is very different to administrative deconcentration motivated by the requirements for EU Structural Funds. National values of the state would have an impact on whether regionalisation is actually empowering local representatives or whether regionalisation is rather a means for central governments to discharge financially expensive tasks. Already back then the authors noted something of increased relevance after the financial crisis of 2007: 'given the fiscal pressures that represent a significant part of the background for the spate of administrative reforms during this [current] period, moving decisions away from central control may appear an even more risky undertaking' (Loughlin and Peters, 1997, p. 59). We might thus state our first and main hypothesis as follows: *In times of crisis, vertical power relations revert back to their traditional form, thereby sustaining the basic distinctions between North and South.*

Following Loughlin and Peters, we expect different patterns of decentralisation and recentralisation not only for North and South, but also more specifically in dependence of different state traditions. Since the typology by Loughlin and Peters does not cover all countries investigated here, we resort to the expanded typology of administrative traditions proposed by Kuhlmann and Wollmann (2014; see also Chapter 2 in this book). With the aim of explaining convergence and persistent differences with regard to state reforms across Europe, the authors highlight the distinctive common-law tradition of the ‘Anglo-Saxon’ countries, the ‘federalist tradition’ of the Germanic countries, the unitary-centralist tradition of the ‘Napoleonic’ countries, and the unitary-decentralised character of the ‘Nordic’ countries. For the newly added types for the East of Europe they identify distinctive administrative cultures, arguing that the transformed ‘Central Eastern European’ countries have successfully tied up to their Austrian and Prussian administrative traditions, whereas the ‘Southern Eastern European’ countries keep struggling with the institutional legacies of the preceding centralist regime. In terms of the North-South distinction, the typology thus covers the Napoleonic countries in the South, the Anglo-Saxon, Nordic and Federal countries in the North, and expands the scope in order to include countries in the East.

For investigating our main hypothesis we implicitly assume that the financial crisis of 2007, with the ensuing fiscal pressures all across Europe, indeed qualifies as a ‘crisis’ potentially re-configuring vertical power relations by emphasising traditional values of the state. By means of a sub-hypothesis we try to find evidence for a causal link between fiscal pressures and centralisation of power relations within single countries. Our second hypothesis states that: *centralisation trends are most felt in cities and regions particularly hit by the financial crisis.*

Even though the literature is not unanimous about the impact of the financial crisis of 2007 on intergovernmental relations, public opinion in general supports the thesis on recentralisation as a reaction to the crisis, and various researchers have endeavoured to verify

this opinion. The results are not clear, yet they do not deny centralisation happening after the crisis.

In their article, Braun and Trein (2013) state that indeed, in all federal countries under investigation centralisation and de-solidarisation took place as a reaction to the problems emerging during the crisis. Nonetheless, they stress that the crisis ‘has not been the initial stimulus for centralisation tendencies and only partly for de-solidarisation tendencies’ (ibid: 21). They also explain that centralization does not mean shifts of authority, but rather reduction of discretion of sub-federal governments, especially with regard to their fiscal behaviour. Braun and Trein call attention to the fact that in the Eurozone, we observe centralisation towards the EU and its regulations rather than towards the federal level. They report losses of local power in favour of the EU, but not in favour of any domestic governmental tiers.

On the other hand, Bolgherini (2014) investigated whether the crisis has impacted on the previous trend of decentralization in Italy and concludes that recentralisation is clearly visible. She distinguishes an ‘intersection’ period (2007-2011), when some decentralization policies were still being conducted, but recentralization had already started. The following period (2007-13) is called ‘a step back for local governments’ due to decreased numbers of provinces and inter-municipal institutions and due to public expenditure cutbacks between 2009 and 2011.

Leaning on differences in state traditions and cultures of intergovernmental relations, we assume that different federal states may react to the crisis in various ways (resulting in various perceptions of shifts of power). An illustrative example of such differences is given by Börzel (2001), comparing the way of Spanish and German regions to gain political influence within the EU multi-level system. She distinguishes between cooperative federalism (regionalism) where an agreement is reached by the means of cooperation, also among all federal states, and competitive federalism, where the changes result out of a long way of confrontations between

the central government and the regions as well as the competition among the regions themselves.

Finally, in the third part of the chapter, we analyse mayoral strategies of ‘rescaling’, that is the mayors’ strategies for preserving or even enhancing their political influence in view of globalised economic processes (Swyngedouw 2004; Brenner 2004). If convergence between North and South was really under way, we should also expect a convergence in terms of rescaling strategies. Departing from our assumption of path dependencies, we would however rather postulate a third hypothesis (kind of a counter-hypothesis): *mayoral choice of rescaling strategies critically depends on traditional values of the state, but also on perceived power shifts and the financial conditions of a city.*

### **3. Changes in perceived subnational influence**

#### **3.1 National trends**

Our point of departure for discussing changes in vertical power relations are institutional measures (see appendix, Figure A) – the ‘local autonomy index’ (Ladner et al., 2015) and the ‘regional authority index’ (Marks et al., 2008). Comparing the changes in regional authority and local autonomy in the decades before the first and the second surveys of European mayors (appendix, Figure B), we make some interesting observations. While countries with federalist tradition were very stable with regard to institutional powers at local and regional level over both past decades, Napoleonic countries generally tended to strengthen local governments between the mid-1990s and the mid-2000s, with Spain and particularly Italy additionally strengthening their regional authorities. Regionalisation was also high at the institutional reform agenda in two of the surveyed Central Eastern European countries – the Czech Republic and Poland. A similar regionalisation trend was also encountered in England (but not in Ireland). Over the more recent decade (2004-2014), however, rigorous decentralisation and regionalisation efforts have faltered in most of the investigated European countries. In

some countries, we even notice a relative weakening of their local governments, most strikingly in Hungary and Spain, but also in England and Ireland. Regional competences, however, were only diminished in Denmark. Since the regional authority index has not been updated since 2010, we miss important territorial reforms that have taken place since then (e.g., reforms in Hungary, Greece and Portugal).

Compared to these institutional measures, the perceptions of vertical power changes between local, regional and national government levels are more encompassing, since mayors' evaluations might reflect the relative degree of authority, but also their personal perceptions and experiences with the relative importance of various actors in intergovernmental relations.<sup>1</sup> Also, rather than the exact dates when reforms become effective, their evaluations might actually anticipate the result of ongoing reform processes. Moreover, even though mayors were asked about changes over the last decade, their evaluation might be under the impression of the more recent developments, or a more fundamental reform dating back from the 1990s (e.g., local democratisation in Central Eastern European countries, federalist reforms in Belgium). Lastly, when comparing between countries, we must be aware that the extent of change as expressed on an ordinal scale are contextually dependent upon previous developments and expectations.

**<Figure 10.1 about here>!**

From the upper panel in Figure 10.1 we see that mayors' perceptions of changes in power relations are heavily influenced by changes of local autonomy and regional authority as measured by the institutional indices discussed above.<sup>2</sup> Around the millennium turn, local government representatives from *Napoleonic countries* generally felt strengthened in relation to the regional level, and they generally also observed a strengthening of the subnational vis-à-vis the national level. Interestingly, French and Belgian mayors did not feel particularly

empowered with regards to the regional level, which might be explained by their impression that the regions were the actual winners of national decentralisation or federalisation.

During the more recent decade (lower panel, Figure 1), the ceding of decentralisation reforms in Napoleonic countries is also noted in a more cautious mayoral estimation of their locality's relative position towards the regional level, most notably in Spain, Italy and Greece, where mayors had been particularly enthusiastic about local empowerment. However, not even the Spanish mayors would in general perceive a relative loss of influence in comparison to the regional level, notwithstanding the drop of local autonomy reported in the institutional index (appendix, Figure B). More importantly, mayors from Napoleonic countries do generally not any longer sense a significant strengthening of the regional level in relation to the national level. In weakly regionalised Portugal the previous impression of regionalisation even turned over to a clearly perceived centralisation trend, which can be attributed to the recent local government reforms undertaken in response to the EU bailout agreement (Teles, 2016). Exempt from these trends are French and Belgian mayors who continue to perceive a strengthening of their regions.

Also the perceptions in the *Central Eastern European countries* covered around 2004 partially reflect the institutional reforms that had taken place since the transition. The regional level was generally perceived to have expanded its influence, even though in Hungary the significant regional reform took place directly after the transition. At the same time, mayors in these countries did not seem to perceive the regional layer as a challenge to the local autonomy granted with the political transition, they actually felt an increasing role in relation to the regional level. This is particularly surprising in the case of Hungary, where institutional measures actually suggest a decline in local autonomy already back then (appendix, Figure B).

Similarly to the trends in the Napoleonic countries, the decentralisation euphoria in Central Eastern European countries during the first survey round (see upper panel) has at least

partially evaporated (see lower panel). In the Czech Republic, although mayors perceive no further strengthening of the local level with regards to the regional level, they perceive the regional level as incrementally expanding its influence vis-à-vis the national level. In contrast, in Hungary mayors still perceive some enhancement of the local position, even though the institutional index of local autonomy reveals an even more drastic cut of local autonomy during the more recent decade. On the other hand, the previous perception of regionalisation in Hungary has – after the launch of the territorial administration reform in 2010 – very clearly reversed to perceived nationalisation.

Developments over the past two decades were perceived quite differently in the *Nordic* and *Anglo-Saxon* countries. Mayors of Sweden, Denmark and England had over the turn of the millennium (upper panel, Figure 1) rather perceived a centralisation from the subnational to the national level, whereas a relative increase of influence by the local level was noted in Ireland and Denmark (thus a trend of centre-local polarisation in the latter case). For Sweden and Ireland we can refer to corresponding changes in their institutional measures, whereas mayors in Denmark seem to have anticipated the later reforms weakening their regional authorities (see appendix, Figure B). It is less clear, however, how to account for English perceptions of centralisation, given the regionalisation reforms registered by the institutional measure during that time period. During the second period developments in the Nordic and Anglo-Saxon countries mirror the ones of the Napoleonic countries: perceived power shifts between regional and national level come to a halt, but coming from the opposite direction, namely, coming from a previous trend of centralisation.

Lastly, although the countries with *federalist tradition* experienced no institutional reforms significantly enhancing regional or local authority, cities already during the first decade perceived a relative centralization from the local to the regional level. At least in Germany and Switzerland this perception has endured also during the recent decade, which is now also captured by an increase of the regional authority index (appendix, Figure B).

So, while the picture around the millennium actually fits the thesis of an increasingly fading distinction of North and South, as predicted by Goldsmith and Page (2010), the convergence is clearly coming to a halt since the financial crisis. Moreover, the analysis also highlights the sustained value of established typologies, showing how historically-geographically defined country groups have followed common trends with regard to vertical power shifts. This is particularly evident for the Napoleonic countries, with the important qualification that France and Belgium have resisted the change of course in the other Napoleonic countries. Present-day France, for that matter, might thus no longer serve as the prototype for the Napoleonic country group.

On the other hand, we also have to refute our main hypothesis of countries reverting back to earlier forms of vertical relations, if confronted with a crisis. From the mayoral perspective, previous regionalisation in Napoleonic and Central Eastern European countries was only reversed in Portugal and Hungary. In all other countries, perceived regionalisation just came to a halt, not to a reverse. At the same time, the Nordic and Anglo-Saxon unitary countries that were purportedly being centralised already around the turn of the millennium seem to have actually refrained from further centralisation (Sweden), or even decentralised towards the local level (England). And although mayors in Federalist countries have indeed perceived centralisation towards the region, this trend was actually even more widespread in the decade preceding the financial crisis. To conclude, our observation is an evident halt of decentralisation, but without reaching its counterpart of perceived outright centralisation.

### **3.2 Shares of mayors actually perceiving centralisation**

Even if there is no general perception of (re-)centralisation, this does not preclude the possibility that centralisation actually did happen in regions or cities particularly hit by the financial crisis. So while for most Napoleonic and Central Eastern European countries the country-means would only suggest a perceived deceleration of regionalisation and

decentralisation, a substantial share of mayors in these countries might nonetheless have perceived substantial losses of local or regional influence in comparison to the national level.

Figure 10.2 (left panel) shows that the share of mayors perceiving centralisation towards the national level has diminished or stayed constant in Nordic countries, in England and the Federalist countries. On the other hand, their share has dramatically increased in the Napoleonic and Central Eastern European countries that have abandoned their regionalisation reforms. This is most clearly visible in reformed Hungary as well as in the four countries that were most severely hit by the financial crisis: Portugal, Spain, Italy and – less markedly – Greece. That trend does not affect Belgium and France, however, where the general perception of continued regionalisation has actually become more widespread (also, in Belgium the EU fiscal measures were implemented at regional rather than national level).

**<Figure 10.2 about here!>**

Similarly, the right panel in Figure 2 reveals a similar trend regarding the perceptions of the power shifts from the local towards the regional level. We see that in federalist Germany and Austria the previous majority perceiving such a bottom-up regionalisation has now become a minority. In England, the previous fears of regional domination have largely given way to a new confidence in local autonomy. And yet, it is again in the Napoleonic and Central Eastern European countries, where the loss of local influence has now become more of an issue than it was before the financial crisis. While France is again exempt from this trend, local autonomy continues to be an issue in federal Belgium, and it is clearly becoming one in financially troubled Italy, Portugal and Spain. Greece now clearly deviates from this general pattern, which might possibly be explained by the far-reaching Kallikratis reform of 2011 (see Hlepas and Getimis, 2011), with the now merged cities enjoying a stronger political weight within their regional jurisdictions. Within the Central Eastern European region, however, the more

widespread perception of a strengthened regional level is observed, which is to a large extent explained by regional control over the EU Structural Funds programmes.

### **3.3 Explaining perceived relative centralisation**

Considering the increasing shares of mayors in Napoleonic and Central Eastern European countries who are perceiving centralisation to the national and regional level, we shall analyse the role the financial crisis might have had for these developments (see our second hypothesis). As the two surveys resulted in different samples of cities and mayors, it is not possible to perform a longitudinal analysis. Also, since there is no European database with economic or fiscal data for the complete sample of cities from which mayors responded to the questionnaire, we rely on the newly added survey item asking mayors about their municipality's financial situation.

While financially troubled cities of Greece, Portugal, Spain and Italy come to mind, at least from a subnational perspective, Figure 10.3 shows even higher shares of mayors concerned with their municipality's financial situation in countries as diverse as Germany, Iceland, Hungary, and a majority of the surveyed Southern Eastern European countries.

**<Figure 10.3 about here!>**

As we see from the regression in Table 10.1, the variation of mayoral perceptions within single countries (fixed effects) cannot be accounted for by structural city variables like city size and the hierarchical position within the national urban landscape. Since perceived deceleration of regionalisation was an issue particularly in Napoleonic and Central Eastern European countries, we calculate separate models and compare them to the more stable group of federal countries (no systematic patterns found for Nordic, Anglo-Saxon or Southern Eastern European countries). The only significant relationship regards the cities in Napoleonic

countries, and it is a particularly telling one: those experiencing financial hardship are less likely to perceive decentralisation and more likely to perceive centralisation towards the national level – as compared to the more fortunate cities within their respective country (first model, Table 10.1). The feeling of relative centralisation then does not pertain to all cities to the same degree, but centralisation is perceived more punctually depending on the reported financial situation of a particular city.

Since for Napoleonic countries we find a significant positive effect of financial distress on a mayor's likelihood to perceive centralisation, it appears plausible that the financial crisis has contributed to the deceleration of the regionalisation process as well as the growing shares of mayors actually perceiving a centralisation in this country group (see Figure 10.2).<sup>3</sup>

**<Table 10.1 about here!>**

**<Table 10.2 about here!>**

We reach a second important finding when turning to the relationship between the local and regional level (Table 10.2). Whereas financially troubled cities in countries with a Federalist state tradition have not experienced any nationalisation tendencies, they have perceived higher levels of centralisation towards the regional level – significantly more so than the better positioned cities within their respective country. For the other country groups, none of the variables of interest seem to have explanatory power, except city size in the case of Central Eastern European countries. It is very interesting to see that mayors of larger cities have perceived a clear shift of influence in their own favour, supporting the thesis of regaining the political power by the largest cities under the realm of globalisation and Europeanisation (Lackowska, 2014).

The next regression models juxtapose the contrary patterns of centralisation perceived for federalist and Napoleonic countries, by comparing two countries in more detail, both

exhibiting high shares of financially troubled cities: federalist Germany and quasi-federal Spain. Additional detail is introduced by adding their regional levels into the analysis. Table 10.3 shows two-level models regarding local-regional relations in Germany and regional-central relations in Spain.

From the regressions we see that the perceived centralisation towards the German Länder is actually clustered by region, where it is the financial conditions of a region – and not of the particular city – shaping the perceptions of centralisation towards that region. This might partially be explained by actual centralisation in terms of competences or finances, and partially by the regional discourse on single cases where troubled cities have been put under tutelage by the respective Land authority. Within these regional clusters, mayors of the single financially troubled cities do not longer perceive higher levels of regional centralisation than their fellow peers. While one might argue that the regional clustering actually depicts the German East-West divide, the findings persist also after inserting a dummy controlling for Eastern Germany, this distinction even being irrelevant with regard to perceived regional centralisation.

**<Table 10.3 about here!>**

This is very different to the perception of relative national centralisation in Spain, which remains clearly a characteristic of single cities in dire financial conditions, rather than of entire autonomous communities being particularly hit by the financial crisis. Independently from a city's financial situation, our control variable for Catalonia shows more pronounced feelings of national centralisation among the mayors of this region (no such effect for mayors of the Basque community).

To conclude, we have found indications for a certain convergence between North and South before the financial crisis, whereas the financial crisis seems to have triggered mayoral

feelings of recentralisation in Napoleonic countries, while in Federalist countries it has helped to perpetuate the cities' concerns of a loss of power vis-à-vis their regional authorities. We can thus assume a causal role of the financial crisis as postulated in our second hypothesis. Just as importantly, the diverging effects of the financial crisis in Federalist and Napoleonic countries further speak to our main hypothesis, since state traditions seem to have important moderating effects.

#### **4. Rescaling strategies of mayors**

So far, we have investigated the issue of convergence of North and South only under the aspect of perceived vertical shifts of influence. Irrespective of institutional reforms and perceived power shifts, mayors across Europe also entertain very different strategies for extending their role not only in the institutional hierarchy of the state, but also within the European and global economy. Globalisation and Europeanisation have been seen as putting the nation states in crisis, presenting an unprecedented opportunity for cities to engage in rescaling strategies, aiming to strengthen their position with regard to higher state levels (on Europeanisation of urban politics see Atkinson and Rossignolo, 2008; Bagnasco and Le Galès, 2000; Brenner, 1999; Hamedinger, 2010; Le Galès, 2002). Reaching beyond local boundaries (Baldersheim and Ståhlberg, 1999) has become not only an important instrument for reaching local goals (e.g. by absorbing external funding), but also as a policy per se aiming at increasing city visibility on the national and international political arenas.

In so doing, rescaling does not necessarily mean changes in local autonomy (centralisation-decentralisation), as power must not necessarily be treated as a zero-sum game. The sociological approach treats power as a positive sum game (Bache, 2008), which is closer to the origins of the rescaling concept (Brenner, 2004; Swyngedouw, 2004). Building cross-tier relations to achieve political goals of local governments does not necessarily mean being dependent on those tiers. It rather indicates that achieving local goals requires (or is more effective when) mobilising external resources (Baldersheim and Ståhlberg, 1999).

In order to see what the important external relations of the cities are and what importance external resources have for them, we account for three dimensions of rescaling that were captured in both surveys:

- Importance of the mayoral task to defend and promote the influence of local authorities in the political system (political lobbying);
- Importance of the task to attract resources from external sources (European, national, or regional government, foundations, private investors and business);
- Importance of the task to represent the city to the outside world.

Of the three rescaling strategies considered, promoting the position of the local government more clearly relates to vertical power relations, and we may speak about the political lobbying undertaken by a mayor, whereas the search for external resources might rather depend on the economic situation of the city. Leaning on the literature claiming the regaining of the political by the cities (Bagnasco and Le Galès, 2000; Le Galès, 2002), we define rescaling by urban authorities as any action aiming at reaching political benefits for the city (wanted decisions, increased political power, visibility or market position). The three-fold notion also covers the rescaling aspects raised by Lefèvre and d'Albergo (2007), distinguishing between economic, social and political urban internationalization activities.

#### **4.1 National trends**

From Figure 10.4 we can see that, notwithstanding the financial crisis, little has changed with regards to national patterns of rescaling strategies. Mayors from the North, that is of Nordic and Federalist countries still give preference to political lobbying for expanding their influence, whereas mayors from the South clearly prioritise the search for external resources. At best, we can notice a trend of an intensifying need to represent the city to the outside world, what can support the bold thesis of Bagnasco and Le Galès (2000) or its recent

reformulation by Barber (2013), speaking about the foreign political activity of the cities (see also van der Heiden, 2010; van der Heiden et al., 2013).

Whereas Southern and Eastern mayors seem to be catching up with regard to representative tasks, political lobbying within the political system has clearly not become part of the mayoral repertoire in Southern and most of the Eastern countries, further undermining the assumption of a dissolving divide between North and South as portrayed by Goldsmith and Page (2010). For cities from Central Eastern European countries this strategy may be explained by the fact that they have joined the democratic world (and ability to perform their own political action in the national and international context) relatively recently. Therefore lobbying might be considered as less important than in the cities of the old democracies. Regarding external resources, cities within Central Eastern Europe use a lot of EU Funds, and numerous studies show that this is important for their development (e.g., Scott and Kühn, 2012; Rink et al., 2014). The similar pattern in the cities from Napoleonic countries also draws our attention to the usage of the EU Funds by those states.

Yet some of the countries escape the clear-cut division of the two country groups: mayors in Hungary continue to give equal importance to political lobbying and outward representation, and we have evidence for similar attitudes in today's Slovenia and Serbia. On the other hand, at least the English case deviates from the Northern pattern, by giving moderate importance to political lobbying while at the same time giving increasing priority to attracting external resources, much like Napoleonic and Central Eastern European countries – or, looking from a different perspective, cohesion countries (Portugal, Spain, Central Eastern Europe). Moreover, within the Southern group, mayors in fiscally troubled and centralising Portugal are now increasingly considering political lobbying as a rescaling strategy.

**< Figure 10.4 about here!>**

## 4.2 Explaining individual rescaling strategies

While we find clear patterns for relative centralisation trends in the Napoleonic and Federalist countries, it proves more difficult to explain the use of different rescaling strategies. This is not surprising, given that at the national level we find only little shifts with regard to rescaling strategies (see Figure 10.4). Whereas the Nordic and Federalist countries rely on political lobbying rather than attracting external resources, the Napoleonic and Central Eastern European countries tend to give more importance to the resources than to political lobbying, what partly may be linked to the second group being eligible to the EU Funds. We also noticed, however, an increased importance to political lobbying signalled in single countries from the Southern and Eastern group.

Interestingly, the regressions in Table 10.4 show some signs of a more proactive political rescaling strategy on the part of financially troubled cities in the Central Eastern European countries, as well as on the part of cities perceiving a centralisation towards the regional level, which are most likely to be found in Serbia (see Figure 10.2, right panel). In other institutional contexts, however, political lobbying seems not to be related to either the city's financial situation or perceived vertical shifts of power.

< **Table 10.4 about here!**>

We also tested analogous models for the other two rescaling dimensions – representing the city and attracting external resources – but we found no systematic effects that would explain the variation of rescaling strategies within single countries. While the search for external resources will probably depend on a mix of local needs, economic opportunities, and local capacities for acquiring grants, political representation might include more ceremonial functions which are probably also rather to be explained with national patterns of local government functions.

## 5. Conclusions

In this chapter we set out to investigate the dynamics of vertical power relations as they are actually experienced by political actors involved in these power relations, in our case, mayors of municipalities with more than 10'000 inhabitants. Rather than solely relying on constitutional analysis and institutional measures of local and regional authority, we take the financial crisis as an opportunity for investigating mayoral perceptions of vertical power shifts as well as their rescaling strategies for expanding their scope of action beyond the confines of their countries constitutional arrangement. Quite contrary to the suggestion that historically-geographically defined country groups may have lost their potential for explaining changes in vertical power relations (Goldsmith and Page 2010), we find that the distinction of North and South and, more specifically different European traditions of the state, remain critical for understanding common reform trends and common responses to external shocks as posed by the financial crisis. Even though we cannot confirm a complete reverse of the perceived centralisation in the North or of the perceived decentralisation in the South (our first hypothesis), these trends of convergence between North and South have suddenly terminated after the financial crisis. Mayors in Portugal and Hungary are even observing a reverse from regionalisation towards recentralisation, and also in other Southern and Eastern countries the shares of mayors concerned with centralisation have clearly increased against the shares measured before the financial crisis.

The assumption of converging vertical power relations in countries of the North and the South of Europe is even more seriously challenged by our investigation of mayoral choices of rescaling strategies. Before and after the financial crisis we find two separate country blocks quite neatly fitting the North-South typology. Just as it was a decade ago, mayors in the North still invest more efforts in defending their position in the national political system, whereas mayors in the South and in the East still give more importance to attracting external resources in order to improve their situation.

Since both, perceived vertical shifts of power as well as rescaling strategies vary within single countries, in our cross-sectional regression we demonstrate for the Southern countries how the financial crisis contributed to a widening perception of recentralisation, while having no systematic effect on mayoral rescaling strategies. Mayors of financially troubled cities share stronger feelings of centralisation, but they do not engage more in rescaling efforts, neither politically nor economically. This is very different to their peers in Federalist countries, generally engaging more in defending their role within their federal system. Here, mayors continue to perceive centralisation not towards the centre but towards their Länder or cantons, particularly in those regions with increased financial problems. A slight indication for an approximation is found for Eastern Europe in relation to Northern Europe, at least in terms of rescaling strategies. Mayors from Eastern cities in dire financial conditions or perceiving a centralisation towards regions seem to rather engage politically for defending the economic and political position of their city.

The analysis presented here has allowed for interesting insights on the mayoral sentiments and strategies in highly turbulent times. By relying on subjective estimates of mayors, we identified fine-grained and place-sensitive changes that are hardly grasped by institutional indices alone. Whereas research on regionalisation has lately been preoccupied with territorial demands of regional communities (Hooghe et al., 2016; Keating, 2013), dynamics of decentralisation and mayoral rescaling activities clearly deserve more theorising and more detailed systematic analysis in the future.

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## **Appendix**

**<Figures 10.a and 10.b about here>**

**Table 10.1: Ordered logistic model for explaining the perceived deceleration of regionalisation within Napoleonic countries and Central Eastern European countries – compared to federalist countries, 2015**

	Perceived centralisation towards national level					
	Napoleonic		Federalist tradition		Central Eastern European	
	Coefficient	Std. Error	Coefficient	Std. Error	Coefficient	Std. Error
(Rather) poor financial situation of the municipality	<b>.439**</b>	.168	.007	.176	.074	.750
City population (log.)	.116	.105	-.048	.151	-.645	.412
(Greater) city of a functional urban area	.041	.200	.111	.369	.179	.682
Commuting zone of a functional urban area	.088	.162	-.202	.161	-.810	.545
Not part of a functional urban area (reference)						
Countries included	BE, ES, FR, GR, IT, PT		AT, CH, DE		CZ, HU, LT	
Number of observations (cities)	698		550		113	

*Note:* Fixed country effects and controls for mayors' characteristics: Leftist self-positioning, age, gender, educational background (coefficients not reported). Probability distribution: Multinomial; Link function: Cumulative logit. \* $\leq .05$ , \*\* $\leq .01$ , \*\*\* $\leq .001$ .

**Table 10.2: Ordered logistic model for explaining the degree of perceived centralisation towards the regional level within countries with federalist state tradition – compared to Napoleonic and Central Eastern European countries, 2015**

	Perceived centralisation towards regional level					
	Napoleonic		Federalist tradition		Central Eastern European	
	Coefficient	Std. Error	Coefficient	Std. Error	Coefficient	Std. Error
(Rather) poor financial situation of the municipality	-.103	.163	<b>.343*</b>	.175	.452	.366
City population (log.)	-.057	.108	.023	.157	<b>-.636**</b>	.243
(Greater) city of a functional urban area	-.253	.210	-.222	.370	.703	.514
Commuting zone of a functional urban area	-.178	.169	.119	.168	.340	.295
Not part of a functional urban area (reference)						
Countries included	BE, ES, FR, GR, IT, PT		AT, CH, DE		CZ, HU, LT, PL	
Number of observations (cities)	697		551		230	

*Note:* Fixed country effects and controls for mayors' characteristics: Leftist self-positioning, age, gender, educational background (coefficients not reported). Probability distribution: Multinomial; Link function: Cumulative logit. \* $\leq .05$ , \*\* $\leq .01$ , \*\*\* $\leq .001$ .

**Table 10.3: Ordered logistic two-level model for explaining the perceived centralisation towards the German Länder, and the perceived deceleration of regionalisation across the Spanish autonomous communities, 2015**

	Perceived centralisation towards regional level		Perceived centralisation towards national level	
	Germany		Spain	
	Coefficient	Std. Error	Coefficient	Std. Error
<b>Level 1: city</b>				
(Rather) poor financial situation of the municipality	.300	.1918	<b>.464*</b>	.1984
City population (log.)	-.099	.1100	.296	.2485
(Greater) city of a functional urban area	.025	.4089	-.511	.4661
Commuting zone of a functional urban area	.003	.1191	.123	.2445
Not part of a functional urban area (reference)				
<b>Level 2: regions</b>				
Regional share of cities reporting (rather) poor financial situation	<b>1.072*</b>	.4845	-.895	.9951
Germany: Eastern (dummy)	-.120	.1444		
Spain: Catalonia (dummy)			<b>.566**</b>	.1799
Spain: Basque (dummy)			-.221	.2710
Number of cities	433		236	
Number of regions	13		17	

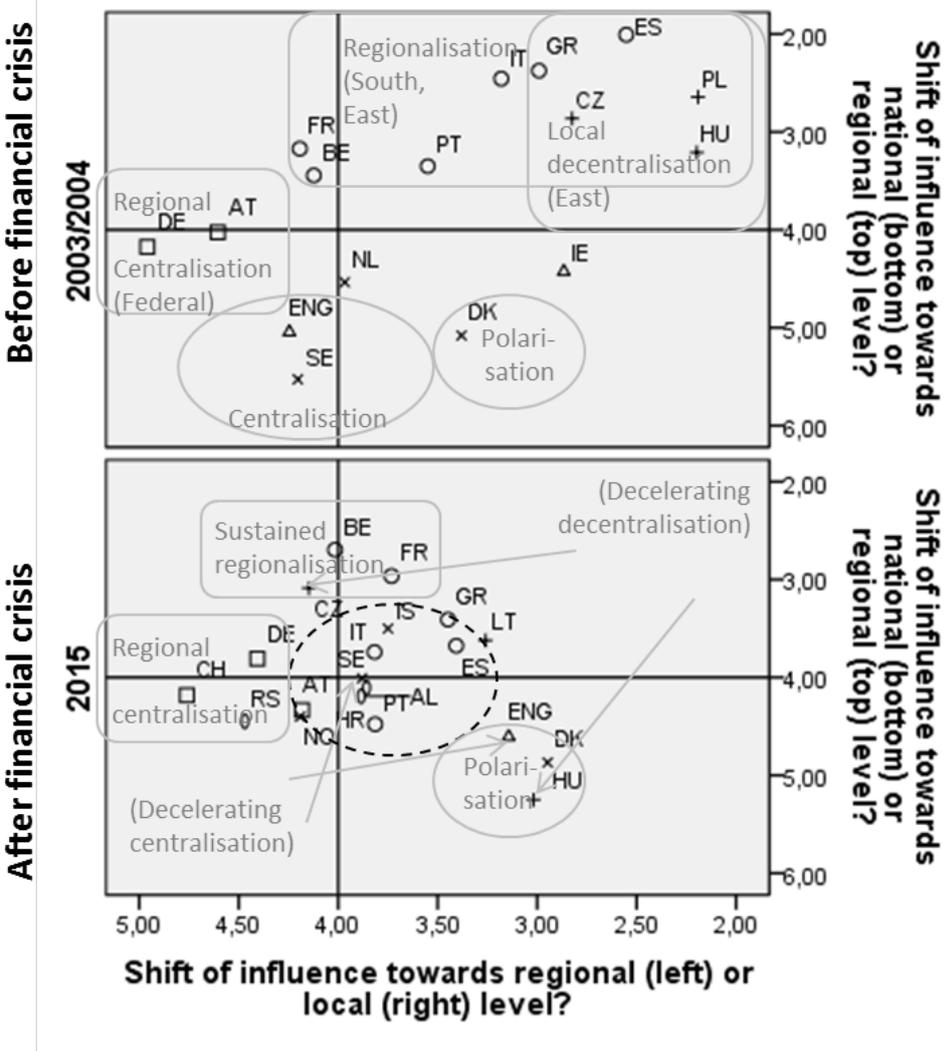
*Note:* Random regional effects. Controlled for mayoral characteristics at level 1 (coefficients not reported): Leftist self-positioning, age, gender, educational background. Probability distribution: Multinomial; Link function: Cumulative logit. \* $\leq .05$ , \*\* $\leq .01$ , \*\*\* $\leq .001$ . For Germany, the missing Länder are the city-states Berlin, Hamburg and Bremen, consisting of one or two municipalities only. In Spain, all autonomous regions are covered, but not the exclaves Ceuta and Melilla (autonomous cities).

**Table 10.4: Ordered logistic model for explaining the importance of the task to promote the influence of local authorities in Central Eastern European/Southern Eastern European countries – compared to Napoleonic and federalist countries, 2015**

	Napoleonic		Federalist tradition		Central Eastern European		Southern Eastern European	
	Coefficient	Std. Error	Coefficient	Std. Error	Coefficient	Std. Error	Coefficient	Std. Error
Perceived shift of influence from regional to national level (dummy)	.169	.1900	-.009	.2007	.099	.4638	-.632	.5361
Perceived shift of influence from local to regional level (dummy)	.149	.1743	.067	.1768	.112	.4924	<b>1.061*</b>	.5337
(Rather) poor financial situation of the municipality	.181	.1903	-.208	.1732	<b>1.039*</b>	.4753	-.161	.4605
City population (log.)	.003	.1121	.202	.1494	-.333	.3585	.326	.3157
(Greater) city of a functional urban area	<b>.479*</b>	.2375	-.167	.3487	.847	.6836	.997	1.0827
Commuting zone of a functional urban area	<b>.369*</b>	.1740	-.219	.1921	1.158	.6201	-.511	.4729
Not part of a functional urban area (reference)								
Countries included	BE, ES, FR, GR, IT, PT		AT, CH, DE		CZ, HU, LT		AL, HR, RS	
Number of observations (cities)	681		515		109		96	

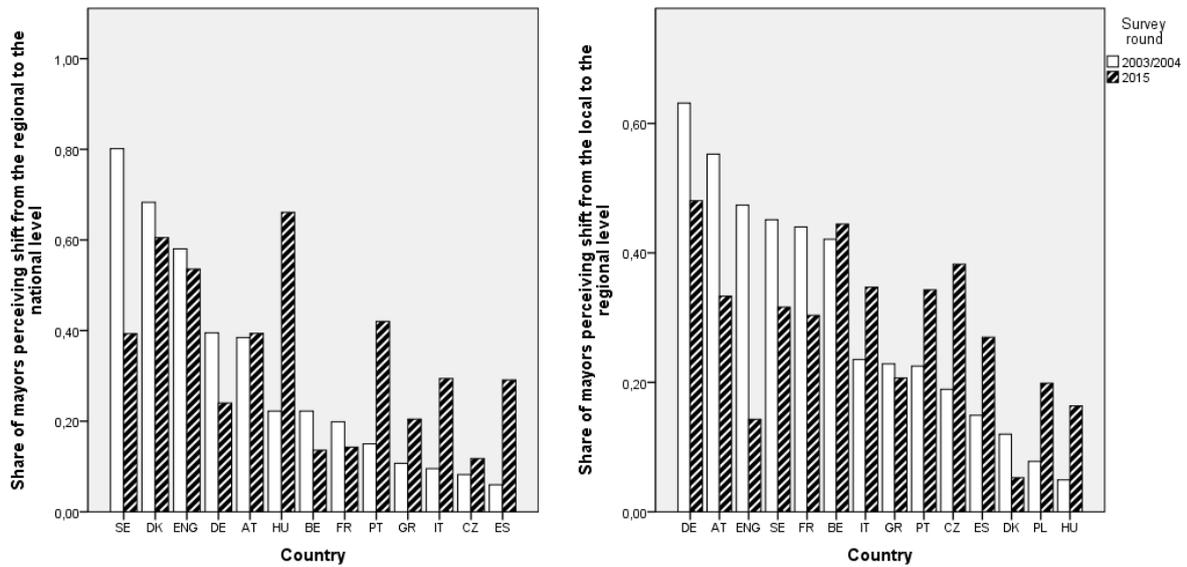
*Note:* Fixed country effects and controlled for mayoral characteristics (coefficients not reported): Leftist self-positioning, age, gender, educational background. Probability distribution: Multinomial; Link function: Cumulative logit. \* $\leq .05$ , \*\* $\leq .01$ , \*\*\* $\leq .001$ .

Figure 10.1: Mayoral perceptions of power shifts between state levels over decades preceding the two survey rounds, country averages



Note: The axes were reverted for better comparability with the institutional power shifts presented in the appendix. No data is available for Switzerland in the first round and for Poland, Netherlands and Slovenia in the second round.

**Figure 10.2: Shares of mayors perceiving a centralisation towards the national and regional level, comparative sample for first and second survey round**



*Note:* For Poland the item regarding power shifts between regional and national level was not asked (left panel).

**Figure 10.3. Mayors' evaluations of the financial situation of their municipalities, 2015**

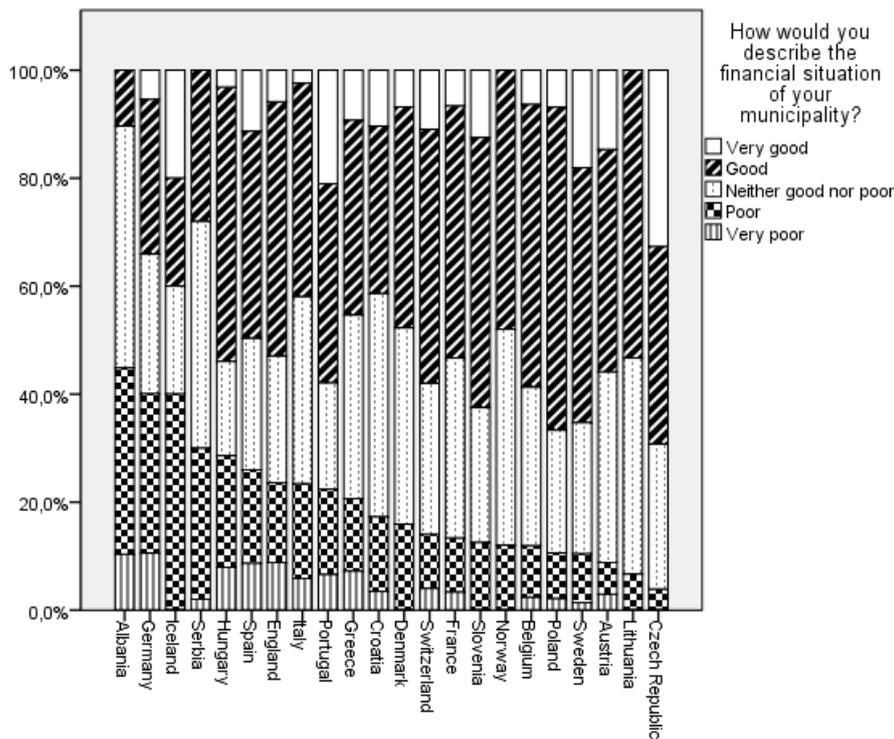
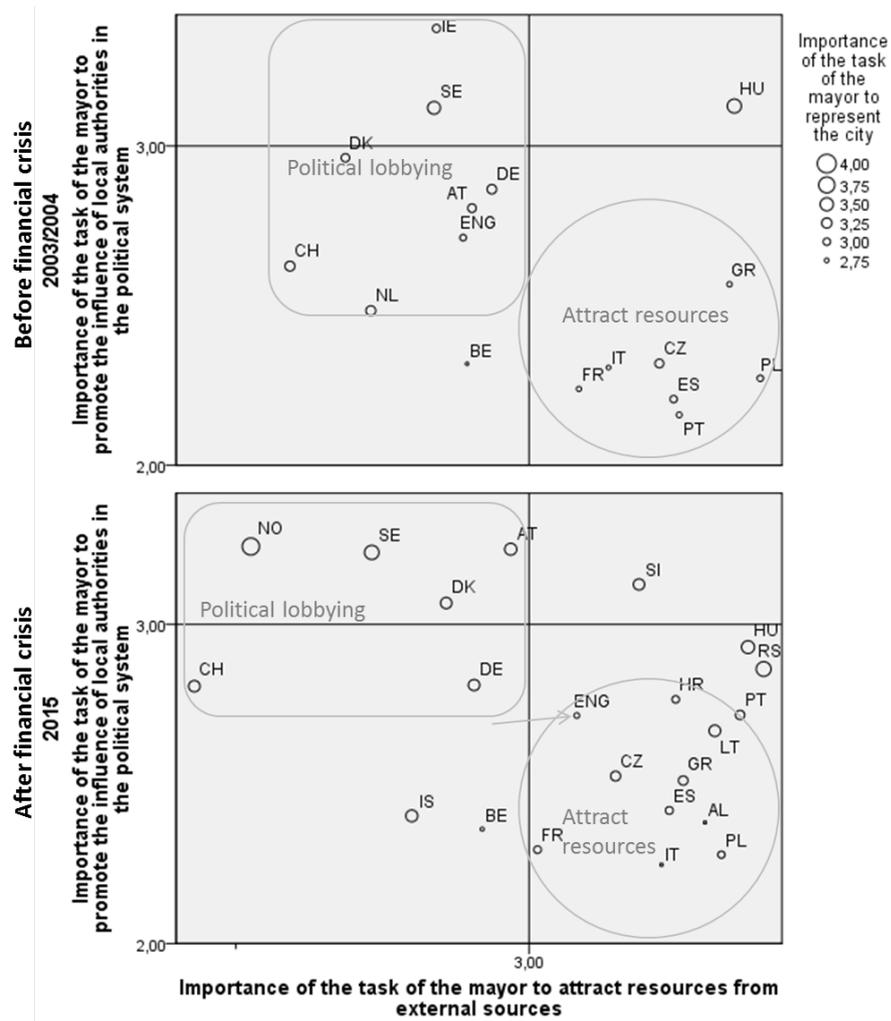
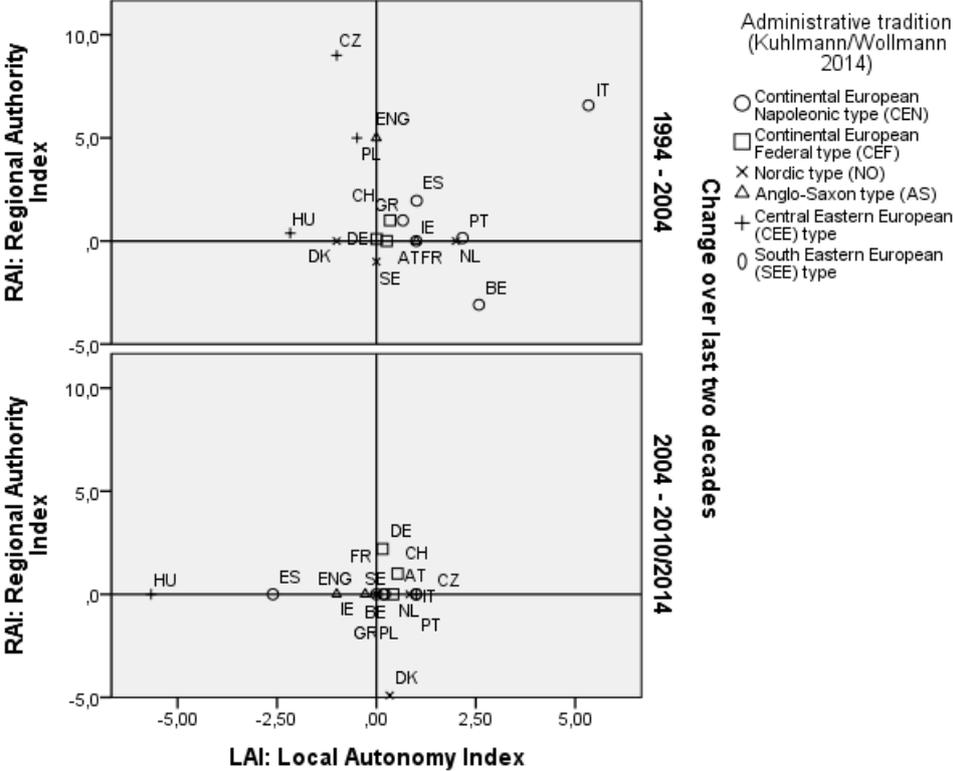


Figure 10.4: Mayoral rescaling strategies in first and second survey round, country averages





**Figure 10.B: Relative changes of the values of the Local Autonomy Index/Regional Authority Index over decade preceding the two surveys on European mayors, only countries participating in both surveys**



*Note:* For the Regional Authority Index the most recent values are for 2010, therefore, the change before 2015 encompasses only six years, rather than a decade. For England, the underlying scores were calculated on behalf of the regional scores of the Regional Authority Index. Regarding local autonomy, the values are taken from the UK score and must not be valid for England.

**Notes**

1 We rely on two survey items, asking for the perceived shift of influence between a) "regional" and "national" and b) "local" and "regional" level. On both these axes, respondents were asked to indicate whether the balance of influence has remained "identical" (4), or whether it has shifted "much more" (1) towards the first mentioned level or "much more" towards the second mentioned level (7). In between these extremes and the middle-category, "more" and "a little more" influence towards either direction was offered as an answer. The wording of the question was very similar in both surveys. 2015: "Consequently, drawing on your experience of local political life, how would you characterize the changes in influence that have occurred in the last decade among the main

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actors in local affairs?" 2003/2004: "Could you characterise briefly the changes in influence that have occurred in the last decade among the various actors in local affairs. Indicate which, in the following couples, acquired relatively more influence drawing on your experience in your work as a mayor."

- 2 Unfortunately, neither of the two surveys included an item on perceived power shifts on a direct axis between 'local' and 'national'. Particularly for countries where regional authorities have no supervision over local governments, we must be aware that centralisation needs not to involve regions as intermediaries (e.g., Denmark, Greece, Hungary, Poland, Sweden; see Table 16.4 in Bertrana and Heinelt, 2011). Nonetheless, even in these countries the regional level can serve as a benchmark against which the influence of local and national level is being assessed.
- 3 We also calculated a separate model only for Greece, Portugal, Spain and Italy, equally finding a significant positive effect of a city's poor financial situation, as in the model shown for all Napoleonic countries.