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Democratic Boundaries in the US and Europe

Inequality, Localisation and Voluntarism
in Social Welfare Provision

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Abstract

Our aim in this paper is to explore three related trends which have emerged in recent years that are contributing to important changes in the way both social welfare and democratic decision making over its form and content interact. These trends are: growing inequality, an increasing devolution of powers to local authorities and institutions, and a rise in voluntary provision and contributions. These trends have important consequences for social welfare, which is essentially redistributive. On the one hand, increasing localisation can permit a much better focus on the needs of local communities and improve incentives and efficiency, while on the other it can facilitate increasing polarisation. The match between decision making and democratic control can alter either positively or negatively, depending on the context. The rise of voluntarism may be a reinforcing or offsetting factor. These trends appear strongly in North America. This paper explores them using the examples of Workfare, Business Improvement Districts and Education. In particular we consider the consequences of increasing inequality, localisation, and voluntarism for European countries and the evolution of democratic relationships in the European Union.

Keywords

Democracy — Educational Policy — European Social Model — Governance — Social Policy — Welfare State

Introduction

Recent global changes have had a pronounced effect on the nature of social welfare. Ageing populations, increased immigration and mobility, changes in technology and communication, increased inequality, voluntarism and decentralisation all create new conditions and new risks. Most advanced industrial countries have experienced changes in the nature of the welfare state. There has been a general shift away from the state as the sole provider of welfare and an interest in other kinds of welfare providers and forms of governance, as exemplified in the 'disorganised welfare mix' (see Altman and Shore forthcoming, for a discussion of this term). Civil society and private actors have become more central to welfare provision. For some, such changes constitute a radical 'crisis of the welfare state' (Jessop 1999), while others claim that changes are regime-specific.¹ Either way, such changes raise questions about how social welfare is being reformed and reshaped, and what the implications of such reforms might be for conceptions of democracy and citizenship.

Our aim in this paper is to examine three of these trends which have emerged in recent years and are contributing to important changes in the way both social welfare and democratic decision making over its form and content interact. These trends are:

- growing inequality,
- an increase in devolution of powers to local authorities and institutions, and
- a rise in voluntary provision and contributions.

These trends have important consequences for social welfare. The traditional welfare state was fundamentally concerned with providing protection and addressing inequality through de-commodification and redistribution of wealth (Esping-Anderson 1990). However, inequality is now being redressed through a range of different and more active rather than passive means. How or whether localisation and voluntarism enhance or diminish inequality is unclear. On the one hand, increasing localisation can permit a much better focus on the needs of local communities and improve incentives and efficiency, while on the other it can facilitate increasing polarisation according to income and preferences. The match between decision making and democratic control can alter, either positively or negatively. The rise of voluntarism may be a reinforcing or offsetting factor. These trends appear strongly in the US and Canada. This paper explores them and considers in particular their consequences for European countries and the evolution of democratic relationships in the European Union.

While there has been considerable concern over the challenges globalisation places on the traditional welfare state (Snower et al. 2009), a social, political and economic trend toward decentralisation has also been taking place in the same period (Rodriguez-Pose and Gill 2003). Local authorities and jurisdictions, grassroots movements, and local communities have been receiving increased emphasis in many countries. This localisation entails devolving responsibilities traditionally associated with the state such as social provision, economic stability and growth, and the smooth functioning of society, to local authorities and communities.

¹ I.e. they are linked to the type of welfare cluster a country belongs to, using Esping-Anderson's (1990) typology of social democratic, conservative, or liberal.

An emphasis upon the local is related to a further trend: the rise of a discourse of 'civil society' and a renewed interest in and visibility of volunteering and charitable giving. Though voluntarism is not a new phenomenon, the value and recognition bestowed upon volunteering and the voluntary sector has increased almost exponentially on both local and global levels (Salamon 1999). Globally, this has manifested through ideologies of humanitarianism, the development of global volunteer networks, global social movements, the rise of 'civil society' and a proliferation of celebrity do-gooders. Locally, volunteers have continued to work for social causes but have also become more involved in social service provision through working for voluntary social service providers and through charitable giving/donations to local social services such as education and health.² However, such voluntarism is not necessarily focused on the disadvantaged. It can also be a response to élitist concerns related to cultural activities, quality education, health care, and environmental protection (Horstmann and Scharf 2008).

Our overarching concern is with the effects of localisation and voluntarism on equitable and democratic welfare provision. Equality of access, opportunity and treatment is one of the defining characteristics of a socially inclusive democracy. However, the current global climate is one of increasing polarisation or inequalities (Pontusson 2005). Indeed, some have argued that 'global times' bring 'good times' only to certain localities rather than all regions (Amin 1994: 25). Disparities occur both between countries and within countries, with the rich tier of society becoming richer and the poor relatively poorer. These inequalities have been exacerbated by the recent global financial crisis.

The article is divided into two sections. The first section explores the three trends, both theoretically and empirically. First we outline definitions of inequality, localisation and voluntarism in order to delimit our scope. Second, we examine the interrelationships between the three trends. We discuss linkages between localisation and inequality in the context of the Tiebout (1956) hypothesis which claims that people form like-minded local communities based upon income and preferences, and hence that localisation may encourage social stratification. We also discuss the social science literature on localisation which draws a strong connection between localisation and democracy. Some critics have termed this 'the local trap' and have argued that there is nothing inherently democratic about the local level (Purcell 2006). We then assess the links between localisation and voluntarism, and voluntarism and inequality. We discuss the pitfalls and potentialities of voluntarism as a means to 'fill the gaps' in social welfare provision and as an avenue for increased citizen involvement and participation.

In section two, we seek to explore the trends in specific regions empirically. We follow De Vries (2000) in noting the lack of empirical studies on localisation, and argue that it is important not to make generalist claims about processes of localisation and rather to examine such processes in specific contexts. We compare the trends of the US and Europe through examining case studies of workfare, Business Improvement Districts (BIDs), and education. The US provides a clear example of the relationship between localisation, voluntarism, and inequality; indeed, it appears

² Since the 'roll back of the state' encouraged during the Thatcher and Reagan years, the voluntary sector has been afforded the room to become a more prominent actor in the delivery of social services (Wolch 1990).

from the United States that the nature of the framework for social welfare is changing (Horstmann and Scharf 2008). Localisation and voluntarism are pronounced in the US, and have been strengthened through legislation such as the *Serve America Act 2009*, employment policies such as workfare, and local community initiatives such as Asset-Based Community Development (see Altman and Shore forthcoming). The US is also characterised by general processes of competition among regions/cities and, perhaps more importantly, competition within cities between the centre and the suburbs over taxes and benefits related both to insurance and quality of life.

The European situation is less clear cut. While there is certainly scope and support for localisation, the situation is necessarily more complex due to the varying approaches of member states. Those who support the move towards devolution and decentralisation have argued that it may provide a means of alleviating the potentially alienating effects of integration (and, relatedly, globalisation). Recent Eurobarometer surveys have found that European citizens feel local-level structures and representation such as the Committee of the Regions (CoR) are the most trustworthy forms of government in the EU and are needed to provide a voice for its citizens (EC 2009). However, EU-wide advocacy and implementation of localisation may not always have even effects, and those who are in a position to be more mobile and move between countries can have a special advantage.

Through comparison between the US and Europe, we seek to highlight the tensions and trade-offs involved in social welfare provision more generally. We are also interested in exploring the possibility of 'policy transfer' (Cook 2008) from the US to Europe. We are particularly interested in the implications of increasing localisation and voluntarism for inequality and democracy in Europe; in other words, do these trends mitigate or contribute to rising levels of inequality, and hence to levels of social exclusion from the democratic process?

Inequality, Localisation and Voluntarism

Definitions and Scope

Inequality

Definitions of inequality have increasingly moved away from conceptions based on measures of poverty and deprivation, to include social concerns such as equality of opportunity, social exclusion, and affording the disadvantaged the capabilities for exiting their problems (Sen 1997). Inequality has historically been a central concern of the welfare state. A challenge for redressing inequality through welfare provision has been the need to negotiate the relationship between equality, redistribution, and social protection, on the one hand, and economic efficiency, growth, and employment on the other (Pontusson 2005: 2). This tension is a key feature of modern capitalist democracies as: 'while capitalism generates inequality, democracy is a source of egalitarian pressure' (Pontusson 2005: 2).

In recent times, inequality has been increasing (Pontusson 2005; Sen 1997). We might assume therefore that somehow the relationship between these factors has become unbalanced. However, this conclusion depends on two widespread assumptions. The first is that equality and efficiency/growth are somehow conflicting; however, recent

notions such as flexicurity³ attempt to illustrate they can be compatible, though this is as yet inconclusive (Madsen 2008). The second assumption is based on how inequality is measured. Often, inequality is measured by income.⁴ However, as we will demonstrate, there are more factors involved in measuring inequality than income alone.

When measured by income, inequality has a seemingly easy remedy: increased inequality of pre-tax incomes in the higher quantiles could easily be consistent with increased post-tax redistribution of wealth. Following the median voter hypothesis, the majority in society, who will hence tend to determine the government (providing they vote), will be on lower and medium incomes given the shape of the skew of the distribution of incomes. They hence in theory have the power to raise taxes on the higher earning group. Moreover, even without those on lower incomes exercising the ability to raise taxes, tax revenues will increase because income tax rates are progressive and a larger portion of the population will get drawn into paying the higher rates.⁵ This argument suggests that taxation systems are, in their pure form, disposed towards a redistributive model. It would hence appear that inequality can be resolved in one way or another by redistribution. Nevertheless personal income tax systems have become less redistributive in some countries, in part responding to the worries over the disincentive effects of high rates and the increasing ability of those on high incomes to avoid them by moving.

However, there are problems with using only direct income to measure inequality. Differences between welfare regimes may in fact be less pronounced than they seem, depending on what is used to judge the extent of the inequality. Some cross-national studies have ignored the effects of in-kind transfers provided by the state and only measured direct taxes when there are many indirect (value-added, sales, and property) taxes (Garfinkel 2006). When measured this way, some countries are not as unequal as they might have appeared without taking into account these factors (see Garfinkel 2006, Figure 2). There are also issues with the somewhat idealistic notion that pre-tax inequality will be solved by post-tax redistribution. Often this will depend on context. For instance, Bjorvatn and Cappelen (2003) argue that the more unequal a system is, the more likely that this will be mirrored in unequal post-tax redistribution. By contrast, they argue that the more egalitarian the system is (i.e. the more equal pre-tax incomes are), the greater the trend is to redistribution. This may be due to the effects of social and geographical segregation between rich and poor in unequal societies which lowers the propensity for the rich to support redistribution. Moreover, some authors (e.g. Borck 2007) have complicated the median voter

³ The policy of flexicurity as a central part of the European Employment Strategy (EES) aims to demonstrate that the concepts of *flexible* labour markets and job *security* need not be mutually exclusive, and can be complementary through regular and up-to-date training of workers, improved mechanisms of job search etc., to allow a smoother transition between jobs. Thus continuity of employment can be obtained for an employee without continuity with any one employer.

⁴ Cross national comparisons of income inequality use Gini coefficients (see Pontusson 2005, Table 1), and have observed disparities between different regimes in terms of welfare transfers. The US is found to have the highest level of inequality (Garfinkel 2006: 4).

⁵ Much of the debate in the UK for example has been characterised by 'stealth taxes', whereby taxation has risen from a low of 31.8 per cent of GDP in 1993-94 to a high of 36.4 per cent in 2007-08 without much in the way of increases in actual tax rates (Data retrieved from HM Treasury statistics at http://www.hm-treasury.gov.uk/psf_statistics.htm). The tax-GDP ratio was even higher in the early 1980s, however, at over 38 per cent.

hypothesis by noting that the majority in society (earning low to medium incomes) are not necessarily the ones voting. This majority do not necessarily possess political influence or a strong political voice. Being in the majority is not the only source of political power – access to resources and exclusive networks are other means of political influence available only to an elite few. This is particularly likely to be true when some of the decisions are administrative rather than democratically determined and the richer can be more effective in lobbying the appropriate officials.

We hence take into account the complexities of welfare provision, taxation, and other non-monetary factors when assessing inequality. Inequality is, as Sen (1997) points out, a difficult thing to measure, and ought not to be defined in terms of income differentials alone. Other factors affecting levels of inequality include the ease of access to public goods, such as schools and doctors, and the quality of a person's living and working environment. A pertinent question for this paper is how, and to what extent (if any), devolving powers to the local level has affected levels of inequality as well as democratic accountability.

Localisation

It has been widely noted that a major problem with attempting to define or label the local level is that the very concept of 'the local' is shrouded in ambiguity (Brodie in Boudreau 2003: 793). Many terms have been used to define social, economic, political, and cultural initiatives or processes which emphasise the local or sub-state level, such as decentralisation, devolution, federalism, regionalism and localism.⁶ Some authors link these processes to new forms of urban governance, citizenship, and civil society (see Purcell 2006). Literature on localisation is generally concerned with two principal groups involved in processes of localisation: local authorities, who are linked to political and fiscal devolution, and local communities, in relation to civil society and voluntarism.

A further problem stems from differences in the nature of sub-national layers of government, where some countries have regions, states or provinces with very extensive powers and others do not. Most have two levels of more local government and some more. Since nation states vary very considerably in size, so do their component lower levels of government. Each of these levels is subject to some of the forces of localisation, so we attempt to be as inclusive as possible in our discussion. It does, however, impede generalisation and requires more detail from time to time.

Most definitions and studies of localisation raise questions about democracy. Dating back to Tocqueville, 'there has been a strong normative argument within political theory that local self-government is a fundamental component of broader democratic structures and practices' (Pratchett 2004: 358). This assumption is linked to the nineteenth century ideas of theorists such as J.S. Mill, who claimed that local institutions are the most effective and accessible for political participation, and facilitate social inclusion. More recently, local government has been touted as an avenue for participatory democracy (Pratchett 2004: 360). It has been argued that local democracy enhances participatory citizenship and is in fact a necessary prerequisite for facilitating representative democracy (Pratchett 2004: 361). In fact, the rights and

⁶ The mainstream economics literature tends to discuss localisation in terms of tax competition, fiscal federalism, public goods and inequality. Mainstream political science literature, on the other hand, is concerned with localisation in terms of local governmental authorities, local autonomy and democracy.

duties encompassed by citizenship are most significant at the local level, for this is where they are concretely exercised (Boudreau 2003: 73). Local democracy has hence been viewed as an important characteristic of a wider democratic society and culture (Pratchett 2004: 161).

Recently, however, the conflation of the local (or more specifically local autonomy) with democracy has been questioned. Pratchett (2004: 368) notes that the relationship between local autonomy and local democracy represents a paradox:

On the one hand, strong local autonomy is essential to maintaining the local democracy practices that underpin broader democratic cultures within the polity. On the other hand, local autonomy threatens the viability of democratically supported national priorities. Too much local autonomy, in this sense, can destabilise the national institutions of democratic government.

Here, local autonomy can represent a threat to the sovereignty and hence the democratic legitimacy of the nation state. The most extreme form of such autonomy would be secession from the state which can take place in a democratic or undemocratic fashion and depending on this can either enhance or diminish inequality (see Boudreau 2003).

There is of course the long-standing debate between James Madison in *The Federalist* No.10 in 1787 and the anti-federalists about the merits of having a broader democracy to avoid the capture of smaller areas by interest groups. Hayek's (1944) *The Road to Serfdom*, also provides a very vivid picture of how a minority can become tyrannical.

Other theorists have argued that 'there is no necessary or obvious linkage between the local and the democratic' (Brodie in Boudreau 2003: 793). Purcell (2006) has termed this assumed linkage 'the local trap'. He assesses a wide range of literature and concludes that 'the local trap' rests on a wide range of assumptions: localisation is presented as synonymous with democratisation; 'local people' are conflated with the wider 'people', as in the popular citizenry of a democracy; 'community' is conflated with 'local-scale community'; local community-based development is conflated with participatory development; and the term 'local' is used as a euphemism for other terms such as 'indigenous', 'poor', 'rural', 'weak', or 'traditional'.

However, localisation could just as easily lead to an inferior application of democracy; 'the people' and 'community' can be defined at a number of levels; local community based development does not necessarily give way to wider political participation and there is nothing inherently local about the poor, the rural etc (Purcell 2006: 1924). In short, there is both analytical imprecision and idealisation surrounding the notion of the local. Yet as Purcell points out, there is nothing inherent about scale (2006: 1925-7). Scales are contingent strategies, dependent on particular agendas, and are only partially fixed at any given time (Purcell 2006: 1928). Further research into the local, and scale in general, should 'interrogate how the interrelationships among scales are continually fixed, struggled over and reworked by particular social actors pursuing specific political, social, economic and ecological goals' (Purcell 2006: 1929).

De Vries (2000) has similarly noted that there are no inherent qualities or characteristics attached to centralisation and decentralisation, the assumed polar opposites of scale. Taking the UN definition of decentralisation as 'the devolution of

power and responsibility over policies from the national level to the local level, and centralisation as transformation in the opposite direction' (De Vries 2000: 196), De Vries notes that the arguments made for decentralisation are very similar to those made for centralisation. For example, metaphors such as 'increased efficiency', 'democratization of policy processes' and 'effectiveness' have been attributed to both decentralisation and centralisation in different contexts. What is needed when analysing the development of de/centralisation policies is a comparative and historical perspective, as well as an awareness of the importance of the opinions of actors directly involved in such processes (De Vries 2000: 204). In this case, the opinions of local elites who may seek to benefit from increased devolution should be taken into account.

There are hence potentialities and pitfalls in both localisation/decentralisation and centralisation/statism. There is nothing inherently democratic or equitable about the local level; but neither is the local level inherently undemocratic or inequality-inducing. Therefore though some commentators, such as Prud'homme (1995) have warned against the decentralisation and fiscal federalism as inequality inducing, these same dangers could arise in a centralised system.⁷ De Vries (2000) has also questioned whether decentralisation is actually occurring to the extent it is claimed to be. Instead of seeing decentralisation as a linear, hegemonic trend, he views centralisation, decentralisation and recentralisation as caught in 'ongoing cycles in which trends and taking sides in the discussion succeed one another continuously' (De Vries 2000: 194).

Voluntarism

Voluntarism is by no means a new phenomenon but its role in social welfare provision has shifted and become more pronounced since the relatively recent move from an 'organised' to a 'disorganised' welfare mix (Bode 2006, Altman and Shore forthcoming). This shift has entailed both a larger role for the voluntary sector in welfare provision, and an increase in volunteering, charitable contributions, and civil society participation in the social services arena (Fyfe and Milligan 2003; Salamon 1999; Wolch 1990).

Paralleling the growth of voluntarism has been a burgeoning literature expounding upon its value. This literature comes from many different disciplines, and variously describes the positive effects of voluntarism as fostering social capital (Putnam 2000), creating a 'warm glow' of giving (Diamond 2006), increasing civic participation, and facilitating participatory democracy (see Purcell 2006 for examples). Often, a link is drawn between voluntarism and local communities. Indeed, the non-profit sector is seen as an important player in the new local 'urban governance' landscape (Pincetl 2003: 971).

Such literature has been termed 'neo-Tocquevillean' (Van der Meer 2009). Tocqueville saw voluntary associations as 'schools of democracy' and, by drawing a causal link between voluntary participation and wider civic participation, the neo-Tocquevillean literature does the same. However, in primarily focusing on the positive potentialities of civil society and voluntarism, this literature has largely ignored the possibility of new risks and dangers that could arise with the growth of voluntarism. Those studies

⁷ For example, Besley and Coate (2003) discuss problems with centralisation in terms of public good provision.

which do provide a more critical analysis of the role of voluntarism in social welfare provision note that it is possible for the voluntary sector and volunteers to be co-opted by state and market forces (Brown 1997; Wolch 1990), that the voluntary sector is dynamic yet volatile (Bode 2006) and that 'geographies of voluntarism' can be uneven and may 'reinforce rather than alleviate social and spatial welfare inequalities' (Fyfe and Milligan 2003: 400). We hence take a cautious approach to assessing the role of voluntarism. Furthermore, we recognise that voluntarism is a broad term, what Kendall and Knapp (1995) call a 'loose and baggy monster', and mainly use it to denote the social services and facilities that are provided through voluntary donation and participation in the fields of education, health, welfare and culture. We follow this approach and do not use voluntarism simply to denote the non-public sector as much of that is clearly for profit.

Linkages

Horstmann and Scharf (2008: 427) argue that although the three trends have independent determinants they also have a clear mutual link. They argue that people differ in both income and preferences and that localisation enables them to obtain more of what they want. Thus services tailored to local demands are likely to be less costly, and incentives for success and voluntary participation will be greater.

The framework Horstmann and Sharf use to discuss linkages between localisation, voluntarism and inequality is the Tiebout Hypothesis (1956). Tiebout's hypothesis, based on empirical observation in the United States, argues that people will tend to sort themselves into like-minded communities based upon income and preferences. In some instances the reason for choosing a particular locale is financial. For example, in situations where pressure exists for the wealthy to pay increasing taxes, a common response according to the Tiebout hypothesis (1956), is simply for them to 'vote with their feet', and move. People can move to lower tax jurisdictions or move their activities to those locations. Indeed, this is one of the objections to high rates of tax for high income individuals because tax yields actually fall as a result. Wealthy individuals or families can move between or within countries.

Concentration in particular areas will affect the demands for local goods and services. By having greater polarisation through mobility there becomes a greater matching of overall demand and the wishes of those who will be paying taxes in any particular local area. This has been revealed in the drift to the suburbs, the rise of lifestyle blocks and even in the gentrification of inner city areas once unpleasant industry has left. Horstmann and Scharf (2008) have also suggested that devolution leads to an increase in the supply of local 'public goods',⁸ both because the objectives of expenditure fit better with the needs of the local community but also because some of the responsibility will devolve on the local area for finance if the federal funds are insufficient. Thus people have an incentive to ensure that the local labour market works as they will bear a proportion of the cost if it does not.

These processes are principally designed to ensure greater efficiency and to try to make sure that local preferences and differences are addressed. Nevertheless, such attention to local needs can encourage people to move. It well-known that people will

⁸ They have in mind quite a soft definition of what constitutes a public good, so it may be in limited supply and at a price that excludes some potential consumers.

move in order to make sure that their children are in the catchment area for better schools. Property prices will rise in those areas as a result and fall in the areas serving the worse schools, thereby exacerbating the problem. Those with higher incomes and the ability to support additional activities in the schools will gravitate to the good area. Those with limited resources cannot move home or commute long distances and hence may find they cannot exercise their preferences. The Tiebout hypothesis hence suggests that social stratification or polarisation is likely to occur.

The Tiebout hypothesis thus requires two dimensions of difference: income and preferences. If preferences are fairly homogeneous then the incentive for the rich to seek out places where their preferences predominate will be smaller. However, the greater the inequality, and hence the tax pressure on the rich, the more they will be inclined to seek out a lower tax regime.⁹ One of the most obvious concerns relates to the costs of property and the rates of property taxation. If it is possible to move to get substantial reductions in property taxation, this will influence those with higher valued properties or wishing to upgrade, given the substantial transaction cost involved.¹⁰ Thus the property values in the higher tax regime will tend to fall and those in lower tax regime rise. The former will therefore tend to see falling tax receipts and the latter rising; in the second case possibly allowing the authority to cut tax rates further. Raising tax rates for the higher tax area may be impractical and hence a reduction in services may be the only solution, thus tending to increase inequality.¹¹

Fiscal federalism is based upon such findings that localisation may encourage polarisation. Policies of fiscal federalism advocate redistribution from the richer areas to the poorer ones if the provision of public goods is to be equitable, as mobility will not solve the problem. Germany, Italy and Spain, for example, practices inter-regional transfers to try to keep public spending reasonably equal across the country. In the UK the block grants to local authorities from central government reflect both the revenue raising capability of the area and the needs of the area relative to the national average. This conclusion is particularly important at the EU level, where the extent of fiscal federalism is strictly limited, with total EU level expenditure only a little over 1 per cent of total GDP. Certainly the EU's structural funds are firmly based on the notion that such fiscal federalism is essential, especially since EU enlargement in 2004 and 2007. However, the size of these funds has gone down in relative terms in recent years as the new member states tend to be recipients rather than adding to the pool of providers.

The Tiebout hypothesis is discussed frequently in terms of capital tax competition (Perroni and Scharf 2001) as other taxes tend to be more economy wide. Clearly the appropriate choice of the taxes over which competition takes place depends on the tax system of the country concerned. Taxation of real estate is a more common source of local funding than income taxation, which is used in Sweden and Finland for example. In the US use is also made of sales taxes but in Europe a common rate of VAT is the norm across each country.¹² Competition is quite complex, because it is not just a matter of who can be more efficient and offer the lowest tax rate for a given bundle of services but also has to reflect the variety of preferences that exist over the

⁹ This is assuming that greater inequality does lead to tax pressure on the rich.

¹⁰ It would also make sense for those who wanted to release equity.

¹¹ The effects are documented in the tax competition literature (Prud'homme 1995).

¹² The level of the local authority for tax purposes varies considerably.

bundle of services to be provided. In Finland, for example, much of the competition among local areas relates to attracting employers on the assumption that population will follow if the employment opportunities exist. This interaction can be quite complex. In the Helsinki region, one of the peripheral authorities was reluctant to agree to the extension of the metro system as, *inter alia*, this would make it easier for its residents to go and work in central Helsinki hence reducing the incentive for businesses to relocate nearer the growing suburbs. (They were happy for the metro to extend from Helsinki as far as their own centres of employment to encourage the reverse flow of workers.)

So how does this provide evidence of the linkages between our three trends? The Tiebout hypothesis rests on a broad understanding of localisation, taking into account a range of factors for why and how localisation occurs, as well as its effects. Yet the key interest is the relationship between localisation and inequality or, in other words, whether localisation fosters cohesion or polarisation. Tiebout's hypothesis also presents a distinctive understanding of voluntarism, meaning charitable contributions to social welfare. People make these contributions for a range of reasons. They can be altruistically motivated, but they can also be driven by the consumption preferences of the donor (Horstmann and Sharf 2008). The poorer majority often do not vote to provide the sorts of public facilities that many of the richer group want.¹³ However, many tastes do not reflect income. Since such activities cannot in the main survive on a purely commercial basis they require donations to make them viable. Thus in supporting cultural, recreational, educational and other activities the richer are ensuring that these activities take place and are available to all those who wish to use them at a price which many of the poorer majority can usually afford. However, though cash contributions are dominated by the wealthy, social capital contributions are not only made by the rich tier of society but by people from all income groups, particularly the retired. People can make contributions in the form of utilising skills and simply providing the services.

Voluntarism has been presented by policymakers and in academic circles as a 'panacea' to social and political issues faced by contemporary liberal democracies (Fyfe and Milligan 2003: 397). However, though a wide range of socioeconomic groups engage in voluntarism, links have still been drawn between voluntarism and inequality (Fyfe and Milligan 2003). Though voluntary activity and voluntary associations can 'fill the gaps' in social welfare provision, the quantity of volunteers/associations and the effectiveness of their efforts can depend upon already existing resources and capabilities. Moreover, often voluntary activities are driven by the private allegiances and interests of the volunteers, rather than by actual needs (Fyfe and Milligan 2003: 400). Fyfe and Milligan have referred to this phenomenon as 'uneven geographies of voluntarism', which privilege some and not others and exacerbate existing inequalities (Fyfe and Milligan 2003). Localisation may be a contributing factor, as illustrated by comparison between the US and the UK (Fyfe and Milligan 2003). US welfare reforms which emphasise the local level have stimulated non-profit sector growth and allowed for more space for local differences and preferences, but have also contributed to inequalities between different places and locales - for example, wealthy urban areas versus deprived rural areas as exemplified by the lack of volunteers in the 'sunbelt' region of the US (Fyfe and Milligan 2003: 399; Wolch 1990). In the UK, a centralised government has also

¹³ Again this assumes that the poor actually have some political influence which may not be the case.

emphasised the importance of voluntarism but its implementation has been more formalised and controlled by the state (Fyfe and Milligan 2003). Whether the centralised or localised model leads to more inequality is difficult to assess, but it is clear that localisation has some effect on the form voluntarism takes.¹⁴

Some Empirical Evidence: Case Studies from the United States and Europe

Establishing or refuting the various generalisations made thus far clearly requires empirical evidence. Yet empirical investigations of the specificities of localisation are strongly affected by the particular area in which the study takes place. Country size and satisfaction with existing arrangements can influence perceptions of decentralisation- the smaller the country and the more satisfied they feel with existing arrangements, the less need for decentralisation policies (De Vries 2000). Those who occupy positions of power are often averse to change, and hence may affect decisions to centralise or decentralise governmental structures. It has also been argued that the suitability of decentralisation policies depends on specific context. Decentralisation should hence not be adopted just because it has worked well in another area (De Vries 2000: 219-20). This would appear to be an argument for caution in the use of benchmarking and best practice lessons.

Evidence is also insufficient for drawing clear conclusions even concerning the most basic hypotheses. For example, though Tiebout's (1956) hypothesis is easy to set out, it is much more difficult to test empirically (Epple et al. 1978; Epple and Sieg 1999). Tiebout's initial discussion assumes that migration is costless. This is clearly not true in reality and relaxing this assumption has little impact on the validity of the argument, although it complicates the algebra. The effect of transactions costs is first that there has to be a minimum differential in preferences before people will be prepared to move. But we also have to recognise that moving location is not something that normally occurs very frequently, although it is easier in the US than in Europe. To get the full benefit from any particular location people need to build up social capital and get themselves fully included in the new society. This takes time.¹⁵ Therefore local authorities may have the ability to move faster than migrants in changing local conditions, and the mover cannot be certain that the authorities will not change provisions and tax rates to their disadvantage.

On the other hand, one of the most obvious verifiable characteristics of the Tiebout hypothesis is the movement of house prices which acts as a clear indicator of preferences (Oates 1973). This has been substantiated in the case of schools where people will move even quite short distances to get into the catchment area of what they regard as better schools. This in turn tends to emphasise the difference between the schools, because those who are prepared or able to pay to get their children better education are also likely to pay for extra activities and facilities. Such schools will also be able to attract the better teachers. It requires very strong corrective action to

¹⁴ However, in the current 'mixed economy' of welfare provision other actors besides the state (such as the private sector) also need to be taken into account when making such observations.

¹⁵ Clearly the temporary migration that has been taking place from the new to the older EU member states in search of employment and higher incomes does not fit into this framework.

provide resources to schools with poorer performance or in disadvantaged areas, something which may prove beyond the resources of the disadvantaged. Driving up house prices will in itself increase the rateable values of the area and hence the local tax take. Indeed by raising values it is possible for the tax rate to fall despite providing increased revenues. Hence there is a danger of polarisation.

Universities offer a different aspect to the problem. Though students and staff are usually mobile and hence all can compete, universities are attractors for other local activities, e.g. through science parks. Similarly, the general public can participate in many university activities. Success tends to be reinforcing. The alumni from the better universities tend to become wealthier and provide greater resources for their alma mater. In some countries, these marginal funds have a major effect on the ability to pay staff more than competitors and finance research. However, in other countries, France, Italy and Spain, for example, academic salaries are set nationally with little scope for local variation. Thus voluntarism in the case of universities contributes to inequality.

The same incentives will of course apply if local taxation is based on incomes as it is the richer who will be able to move. Epple and Sieg (1999) show that house values do rise with the median income of communities in the Boston metropolitan area (as measured in 1980) and that, education expenditure also rises with median income. Crime rates, on the other hand, fall slightly with income of the community. Not surprisingly, population density also falls as median income rises.

Many other characteristics which make one area more desirable than another may be based on characteristics that are inherent, such as low density housing, parks, seashore and cannot be provided by others. However, much of the Tiebout hypothesis is based on competition among growing municipalities. The argument is that there is a minimum efficient scale, which will encourage authorities to compete very vigorously until they can reach that scale, otherwise their costs will be uncompetitive. However, there are limits and beyond that scale increasing concentration may make the area unattractive to the higher income residents if density is an issue for example. Tiebout uses the example of beaches. People will tolerate increasing density up to a point after which they begin to look for somewhere else to go. However, location is relevant in a different sense as commuting time and cost to areas where jobs are concentrated will also affect the attractiveness of a locality.

We make our own empirical contribution in this section by exploring three aspects of welfare - workfare, Business Improvement Districts, and education - that exemplify linkages between localisation, voluntarism and inequality in the US. We then compare and contrast this with the experience in European countries.

The three trends we examine are very obviously exemplified in the US but rather differently in Europe. Both regions have been exposed to the same global shifts and changes, and have sought to adapt or amend their welfare systems. This has especially been the case in the United States, where changes in the framework for social welfare have been advocated in quite a radical form, as illustrated in the 1996 statement by then-President Clinton, 'welfare has ended as we know it' (Handler 2004). The US welfare reforms clearly encompass the three trends we are examining. Strong emphasis has been placed on local level social provision and voluntary contributions; clear links can be drawn between these and inequality. The intersection

of the three trends is less clear cut in the European case. Generally, there have been similar shifts towards devolving responsibility to local authorities in Europe, and EU-wide legislation such as the European Charter for Local Self-Government 1985 and the establishment of a Committee of the Regions have further legitimised both regional and local levels. However, forms of localisation vary between member states. Voluntarism is present but less pronounced, and it is more difficult to draw direct causal links from localisation and voluntarism to inequality. Nevertheless some have posited that localisation and voluntarism are linked to segregation along socioeconomic lines in both the US and Europe (Sellers 1999). We turn to our case studies to test this hypothesis. We have deliberately chosen three examples which illustrate strong localisation in the US to investigate the extent of potential policy transfer to Europe.

Workfare

Most OECD countries have institutionalised active welfare programmes that are to varying extents classified as workfare (see Handler 2004; Lødemel and Trickey 2001). Workfare has a 'broad and elastic meaning, both as a pithy, generic label for work-enforcing welfare reform and as a rather vague umbrella term for a wide range of welfare-to-work policies, job-training and employability programs, and active-benefit systems' (Peck 2001: 1). We take the view that there are different variants of workfare, and want to establish to what extent European countries have adopted US-style (often labelled Anglo-Saxon although it has not generally been adopted in other Anglo-Saxon countries including the UK) workfare as this variant embodies our three trends.

Workfare encompasses the general shift from passive, benefit-focused welfare regimes, which have been criticised as encouraging cultures of dependency, to active welfare regimes, which require the welfare recipient to engage in employment, job training, and job seeking. The prevalence of such active welfare/workfare programmes has implications for our three trends. Firstly, workfare regimes or programmes deal with inequality differently from traditional social welfare policies. Workfare policies accept a certain level of inequality, and are more concerned with the 'work disincentives' fostered by the welfare state than with wage inequality (Handler 2004: 7-8). Workfare is also more concerned with equality of opportunities than equality of outcomes (Handler 2004: 7). Secondly, local authorities, agencies and economies are the key actors. Workfare entails the 'decentring of welfarism', a move from nationally based welfare regimes to locally based workfare regimes (Peck 2001: 11). Thirdly, there is a move away from the state, and its so-called 'culture of dependency', to private and civil society actors such as employers, agencies, and communities. This shift entails an increasing reliance on voluntarism as a first step to improving the employment prospects of participants. Therefore the spread of workfare indicates the increase of and potential linkages between localisation, voluntarism and inequality.

The literature on workfare can be divided into two schools: the regulation literature and the mainstream welfare state literature (Vis 2007). The regulation literature sees workfare in broad terms as the subordination of social policy to the demands of a competitive and flexible labour market. The mainstream welfare state literature sees workfare as a mandatory supply-side programme aiming for full employment combined with market flexibility and reduced public expenditure. While the regulation literature claims that there has been a radical global shift from a Keynesian

Welfare State to a Schumpeterian Workfare Regime, the mainstream welfare state literature argues that such shifts correspond to specific regimes classified using Esping-Anderson's (1990) typology of liberal, conservative and social democratic regimes.¹⁶ Both literatures identify three key principles of workfare which distinguish it from broader activation programmes: the obligation to work; the aim of maximal labour market participation; and minimal income protection (Vis 2007: 109). Workfare reforms also represent a wider shift from status to contract, from a language of rights and entitlements to one of obligations (Handler 2004). It is worth noting that while most countries do follow workfare programmes, there is a difference between a country having a workfare programme and it constituting a workfare regime (Vis 2007: 118-9).

The United States

In the last thirty or so years, workfare has proved to be a policy field of immense dynamism, especially in the US (Peck 2001: 1). The US workfare system exemplifies the 'work first' approach to Active Labour Market Programmes (ALMPs) (Daguerre 2004). The work first approach is often juxtaposed with the 'human capital' approach which is prominent in Scandinavia and some other European countries (discussed in the next section). The former approach uses both carrots and sticks to achieve the ultimate aim of full employment. This form of workfare has been criticised as entailing exclusion and a narrow understanding of inequality which only focuses on providing equality of opportunity, not outcomes (Handler 2004).

The most prominent legislation to date which enabled the growth of workfare programs through fiscal and administrative devolution is the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. The logic behind the Act is straightforward. There is an incentive for both the unemployed and the local authorities to get them back into work. Local authorities receive strictly defined funds in the form of block grants, and are no longer able to increase funding simply on the basis of the number of unemployed. Thus their focus is going to be on getting as many people into work as possible rather than on those with the greatest disadvantage. Local authorities focus on means of improving the opportunity for people to find jobs (and employers to fill vacancies) including self-employment.

The incentive structure of benefit payments has also changed to encourage welfare recipients to seek employment actively. Higher-rate benefits are time limited; benefits are dependent on the recipient making demonstrable efforts to obtain a job, whether through search or retraining; and the reward to working is increased by lessening the taper of the removal of benefits once earning starts (Horstmann and Sharf 2008). This is in contrast with some of the older systems in which all benefit was immediately cut once a person started earning again. Given that there are increased costs from having to go out to work, from commuting, childcare and the potential loss of medical benefits (Dulmus et al. 2000), the effective tax rate in the past has sometimes been more than 100 per cent on the extra income, thereby acting as an effective disincentive to work. Tax credits act as an effective remedy by enabling those who have successfully made the transition from welfare to work to pay less tax on the new income.

¹⁶ Others have suggested that workfare can take social democratic, labourist, and socially conservative forms (Dostal 2008).

The US welfare system is a unique mixture of public and private welfare provision which relies on government as well as non-state actors (Handler 2009: 79). These non-state actors include private companies who are often directly involved in contracting the unemployed, as well as a large number of non-profits and religious charity organisations (Dostal 2008; Handler 2009). This encourages a tighter relationship between local authorities and employers, and there has been a large role to play for voluntary or non profit providers and the community in general (Handler 2009). The role of the community and voluntary sector is further strengthened by the fact that workfare programmes offer local subsidised jobs, often related to community projects that enable people to have many of the characteristics of employment even if they cannot get back into the fully competitive market (Horstmann and Sharf 2008). Pay is low and subsidised by state benefits to bring it up to a 'living wage'. Furthermore, where people are not deemed 'job-ready' due, for example, to health problems or drug addiction, they may be required to do unpaid work experience as a transitional step towards employability. Welfare recipients under this arrangement engage in work that, similar to subsidised jobs, is seen to benefit the wider community (such as care work or working in a thrift store). This is sometimes described as 'coerced voluntarism' from the point of view of the employee. However, it strengthens the role of the voluntary sector in the system. Furthermore such community jobs can be inherently localised.

There is of course a difficulty in making sure that the next step of moving to a normal job takes place, but where training and work experience are involved the chance is increased, especially if the initial unemployment was cyclical. Most new employment under the PWORA is not subsidised from the point of view of the employer but it is easy for the jobs to be more marginal and for these workers to have a fragile employment position. To gauge the full effect on welfare it is therefore necessary to appraise such schemes over a reasonably long period, in case it is disproportionately the more vulnerable group that goes back into unemployment at the next adverse shock.

The combined measures ensure that employment becomes the key objective for authorities and welfare recipients, and in tight economic times, this work first approach could represent a practical solution to strained national and local budgets. However, an emphasis on employment is also related to the stigmatisation and racialisation of welfare in the US and a belief in some quarters that certain groups of poor people have an ingrained low work ethic. Hence some forms of welfare, such as social security programmes, are seen as routine and normalised, while others, such as food stamps and Temporary Assistance for Needy Families (TANF), are stigmatised (Daguerre 2004). An artificial divide has been created between a 'deserving' and 'undeserving' poor (Handler 2009). Within workfare programmes themselves, some are also more disadvantaged than others. The most employable are prioritised and less emphasis is placed on the most difficult or disadvantaged cases. These problems are referred to in the literature as the 'cherry picking' or 'creaming' of the best clients by job agencies, and the 'parking' of difficult clients in dead-end, low paid positions or unemployment (Bredgaard and Larsen 2007). This reinforces existing inequalities as those who are most in need often do not receive the extra aid and resources they require to find better paid, skilled employment.

Sole discretion for the implementation of the work first model is at the state rather than the federal level (Daguerre 2004). Authority at the state level has been formalised to the point where the federal level has been unable to interfere or to intervene in the

policies and practices of state programmes. This has had an impact on inequality in the US. For example, in the case of the TANF programme, the federal government wished to ensure that all recipients were granted equal access to childcare services. Clinton stated that affordable, good quality childcare was essential to the success of welfare reforms. However, this proved impossible to enforce in practice as state authorities were responsible for administering the programme (Daguerre 2004).

Much depends on the local context, and on the range of opportunities that exist for job-seekers to find work in the local economy. In Hasenfeld and Weaver's (1996) study of welfare-to-work programmes in four Californian counties, the authors uncovered distinct differences in the approaches adopted by programme staff in rural/agribusiness and urban/suburban areas. Given the discretion allowed to county governments in the ways each chose to implement the state's welfare programme, there was a greater emphasis on improving the work skills of welfare recipients living in the more affluent suburban and urban areas. In contrast, the emphasis in the rural/agribusiness areas was primarily on getting the unemployed off welfare and back into work.

These distinct approaches owed much to the local political economy and how it shaped attitudes to welfare (Hasenfeld and Weaver 1996). In the urban/suburban areas where unemployment and poverty levels were relatively low and where skilled labour was in greater demand, welfare recipients were more likely to be identified as in need of training and education to help them compete in the local labour market. In the rural/agribusiness counties where the labour market was less reliant on skilled workers, there was less incentive for programme staff to offer clients the opportunity to improve their job skills. The higher incidence of unemployment in these counties also meant that staff had a heavier caseload of clients and had less time to discuss long-term options with them. Furthermore, it is likely that the local authorities were more restricted by funding limits on welfare spending. This situation contributed – most notably in the rural county – to greater tensions between staff and job-seekers as staff-client relations became more about compelling people to work, through the use of threats, and less about counselling or advocacy. This reinforced the stigma attached to being on welfare, and increased feelings of hostility on both sides.

Hasenfeld and Weaver's study painted a mixed picture of workfare.¹⁷ It nonetheless illustrates how regional inequalities may be further widened by different approaches to implementing workfare. The rural and agribusiness cases offer another perspective into the reasons why some welfare recipients find it difficult to escape the poverty trap, particularly in regions hit by cyclical unemployment during periods of economic downturn. It is precisely these welfare recipients who might benefit from appropriate training and work experience in order to break the cycle of being in and out of work. Yet, the 'work-first' approach to welfare reform limits their long-term prospects by failing to assess the suitability of the work offered, assuming that any work is better than none. As Handler (2004: 74-5) writes:

The more successful welfare-to-work programmes [have] a flexible, balanced approach that offers a mix of job search, education, job-training and work activities. They have more individualized services, a central focus on

¹⁷ Albeit a blurred one as we do not know the long-term employment outcomes of the job-seekers who participated

employment, ties to local employers, and are intensive, setting high expectations for participants. Some of these mixed strategies have not only increased employment but also succeeded in helping welfare recipients find better jobs.

These 'success' stories appear, however, to be relatively few in number. Even programmes that emphasised education and training were not found in a national evaluation of welfare-to-work strategies to have lifted participants out of poverty (Hamilton 2002). Several studies quoted by Handler (2004: 36-7) concluded that welfare reforms, whilst bringing net gains for government through cuts in welfare payments, had not raised the standard of living of workfare participants. The loss of some benefits upon taking up a job, even when these are not cut entirely but steadily reduced, was not sufficiently compensated by the wages earned. Workfare participants were simply unable to access higher-paying jobs.

The structure of the modern US economy in part explains this lack of upward mobility. With a distinctive 'hourglass' form in which there are far fewer mid-level jobs than low or highly skilled positions, the labour market offers few opportunities for workfare participants, most of whom are low-skilled and on low wages, to move into better-paid jobs. In another study (Scott et al. 2000), working mothers engaged in workfare had quite modest work expectations about their future job prospects. Most were unable to see beyond the type of positions that they had previously held: unskilled or semi-skilled jobs that were highly gendered, offered only low pay, no medical benefits and little flexibility at times of family crises or illness. A lack of affordable childcare, limited welfare support and the workfare mandate to go to work once their infant was three months old ruled out training, education or alternative job options. To quote the authors, the women's perspectives had been 'profoundly shaped by the structural constraints of class, gender, motherhood and the labour market' (Scott et al. 2000: 733).

Whilst the decentralisation of welfare policy in the form of workfare may offer local authorities the opportunity to help people move from passive welfare recipients to more independent workers, interviews with workfare participants often suggest otherwise. Particularly when welfare recipients are employed in subsidised jobs, workfare can contribute to other, more precarious, forms of dependency and to greater financial and personal insecurity. In research by Collins (2008) into women employed in Community Service Jobs (CSJs) in Wisconsin, they remained dependent on welfare such as food stamps because their jobs did not pay a living wage. The mandate to go out to work in return for state aid brought additional dependency on jobs that offered little employment protection and few benefits such as sick leave or health insurance. Whenever crises occurred in their lives, many felt that they had no choice but to quit or, in some instances, were dismissed from their jobs. The interviews also revealed that some workfare participants suffered downward mobility when they were assigned to inappropriate jobs that were not commensurate with their skills or past experience.

Workfare in such cases appears to be more akin to a policy response to labour shortages in marginal jobs, reinforcing wage inequalities in the US labour market. It is, according to Peck, about creating 'workers for jobs that nobody wants' (2001: 6). It can entail exclusion from the private welfare benefits that are attached to more stable, flexible and higher-paid work, and an ongoing dependence on state aid that becomes

acute during times of personal crises. At the same time, tighter welfare criteria, strict time-limits and sanctions coincided with cuts in welfare rolls but also with strong economic and employment growth in the United States.¹⁸ Since the recent global economic crisis, however, welfare rolls have only increased slightly despite the unemployment rate more than doubling in the last two years to over 10 per cent of the labour force in early 2010. The slower rise in welfare rolls may suggest that fewer people are eligible to claim benefits, and instead are turning to charity to meet their basic needs. It may be that the willingness to claim benefits has also declined but this is not likely to be such an important determinant. The US's largest food bank network, Feeding America, noted in its 2010 report a 46 per cent increase since 2006 in the number of people – or one in eight Americans – who sought food assistance in 2009 from food banks, soup kitchens and emergency shelters (Mabli et al. 2010).

It is also worth exploring the impact of workfare on mobility as *prima facie* one might expect that, since workfare offers greater discretion to states in the way that they implement welfare reform, the more generous states will attract welfare recipients from states that have adopted stricter welfare policies. Echoing Tiebout's hypothesis, this would lead to competition between states to lower their welfare provisions to avoid becoming welfare magnets. On the other hand, welfare benefits are time-limited in all states; so migration is therefore unlikely to bring sufficient lifetime gains to people on low income to induce them to move. Indeed, Kaestner *et al.* (2003) found no evidence that low-income women had moved to another state in search of better benefits, in fact noting a small decrease in interstate migration. More noteworthy was their claim that the effect of welfare reform was to 'motivate' people to relocate within the same state in search of better employment prospects. As an unintended consequence of the reforms, it emphasises the perverse effect of enforcing strict workfare mandates in a local labour-market context that lacks appropriate job opportunities. Where people are for personal or financial reasons unable or unwilling to move, workfare offers few alternatives to lift the most disadvantaged out of a cycle of dependency on state aid and marginal employment. One might expect this to be a greater problem in Europe where mobility is noticeably lower. However, the recent fall in house prices in the US has made moving more difficult for many as they have negative equity.

Europe

In Europe, ALMPs are common practice. However, they are not often explicitly defined as workfare. There are connotations attached to the label 'workfare' which have made certain countries uneasy or opposed to the term (Daguerre 2004). Workfare has been widely labelled an Anglo-Saxon phenomenon, prominent in the US, Canada, the UK, and Ireland (Peck 2001; Vis 2007). An exception is Denmark, which exemplifies one of the most radical workfare regimes outside this cluster (Vis 2007). Yet despite this, workfare-style programmes were implemented in most European countries in the 1980s and 1990s, and have become a feature of European welfare.¹⁹ Often types of welfare/workfare programme adopted vary across member

¹⁸ The number of people in receipt of Temporary Assistance to Needy Families' (TANF) benefits in 2008 was cut by a third in a decade. Data retrieved from http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/caseload_recent.html. The decline in the welfare rolls has also been attributed to the expansion of the Earned Income Tax Credit (EITC) which can be claimed back by low-income workers (see Meyer and Rosenbaum 1999).

¹⁹ See Lødemel and Trickey (2001) for a list of workfare programmes in Europe.

states, or can be regime-specific (using Esping-Anderson's typology) (Vis 2007). European welfare reforms also continue to differ from those in the US due to uniquely European concerns, histories of welfare and understandings of social citizenship (Handler 2004). Such differences continue to be clear in the policy choices the EU makes today; for example, Europe appears to be more concerned with wage equality than the US as exemplified in the European Employment Strategy's call for better as well as more jobs (EC 2009).

Workfare programmes in the UK incorporate many elements of the US 'work first' approach, to the point where some have heralded the 'Americanisation of British social policy' (Daguerre 2004: 53). The US-style work first approach was promoted in the UK as a way to focus on Third Way empowerment rather than dependency and to end the 'something for nothing' culture (McDowell 2004). This approach was implemented through the 'New Deal' legislation of 1997, which took the form of six new policies targeted at youth, unemployed, lone parents, disabled, partners of unemployed, and elderly (Daguerre 2004: 49). Through the New Deal policies, the emphasis on achieving full employment was key. This occurred through a combination of job retraining and subsidised employment. The resemblance between the US and British systems can be attributed to Anglo-Saxon ideological climates as well as similar labour markets (Daguerre 2004: 52). British opposition to an overarching European social policy may be another factor (Daguerre 2004: 52).

However, some differences can be found between the British and US approaches (Daguerre 2004). Dostal (2008) has labelled US workfare as socially conservative, and UK workfare as labourist. The British system is much more centralised, with programmes being subject to national eligibility criteria; some New Deal policies remain voluntary; and the UK aims to incorporate human capital elements to combat social exclusion (Daguerre 2004). Spending on job retraining in the UK is also higher than in America, but is still much less than in other European countries. Hence whilst in some senses the US and the UK do exemplify a distinctive Anglo Saxon workfare approach, in other ways UK workfare is milder than workfare in the US. Some scholars have grouped the UK not with the US but with the Netherlands and Denmark as one of the 'European centralised programmes', which emphasise universalisation of welfare benefits, standardisation, and strongly codified sanctions (Trickey 2001). Whilst the codification of sanctions does leave less room for compromises, it can also be a potential deterrent to the problems of 'creaming' mentioned in the US decentralised system by clarifying participants' rights and accommodating heterogeneity (Trickey 2001: 288).

The 'human capital' approach to ALMPs is more common in other European countries and is most prevalent in Scandinavia (Dostal 2008). This approach seeks to reskill the labour force through training and education to improve their chances of long term employment, rather than focusing on getting people into work as quickly as possible (Daguerre 2004: 42). Sweden provides a classic example. Sweden has a long tradition of ALMPs dating back to the 1950s and currently spends the most out of all the EU countries on ALMPs and training programmes (Daguerre 2004; Dostal 2008). Swedish ALMPs make strict demands of welfare recipients, but balance these with high level benefits and high quality labour market training programmes (Daguerre

2004). Therefore though there is pressure to find employment, this is balanced with social protection and support, as well as national coordination.²⁰

Countries on the continent exemplify different mixes of the work first and the human capital approaches. France and Germany occupy a middle ground, having undergone 'buttressed liberalisation' (Vail 2008). This process has seen liberalisation of labour market regulations accompanied by supportive, 'buttressing' ALMPs and subsidies. ALMPs are administered in a decentralised manner in Germany, while in France there is more coordination between central and local levels (Trickey 2001). Also in France, unemployment benefits are not conditional upon participation in work programmes and the French are careful to distinguish themselves from Anglo-Saxon workfare (Daguerre 2004; Rees 2000). However, recent reforms have brought the country much more into line. For spending on labour market training, France falls somewhere in between Sweden and the UK/US (Daguerre 2004).

In terms of our three trends then, European welfare systems do incorporate elements of Anglo Saxon workfare to some degree. However, whether workfare is administered centrally or locally is dependent on the country (Trickey 2001). Voluntary or non-state actors are important, but are not relied upon to the same extent as in the US, where there is a whole private welfare system (Handler 2009). Finally, equality and social inclusion are key priorities in European social policy and welfare regimes, though in practice there continue to be a number of marginalised and excluded groups (Handler 2009: 84).

Business Improvement Districts

Originating in Canada and the United States, Business Improvement Districts (BIDs) are 'self-assessment districts that are initiated and governed by property or business owners and authorised by governments to operate in designated urban and suburban geographic areas' (Morçöl et al. 2008: 2). BIDs have been variously described as new forms of urban governance, as public private partnerships, private governments, and tools of public policy (see Morçöl 2008: 4). Taxation is a distinctive and fundamental component of BIDs as they derive their funding from compulsory taxation of commercial property owners (Cook 2008: 774). Commercial property owners vote to establish a BID in a certain locale and upon its establishment are legally required to pay the tax (Brooks 2008). BIDs then use the levies to provide a range of local services which are designed to promote urban regeneration (Brooks 2008: 389).²¹

BIDs are becoming an established feature of local governance in the US, and aggressive marketing has also led to the policy transfer of a US-style BID model to Europe and more globally. The spread of BIDs is of relevance to our interlinked trends because they provide an example of radical localisation. BIDs provide a fascinating example for our purposes as they encompass both voluntary and

²⁰ However, there has been increased localisation in the implementation of ALMPs in some other Scandinavian countries, notably Norway (Trickey 2001).

²¹ The range of services BIDs provide has expanded over time, and includes providing marketing and economic development assistance to local businesses; policy advocacy; traditional local government services such as cleaning and maintenance, safety and security; land-use planning and regulation; and the running of community courts (Morçöl et al. 2008). BIDs are publicly sanctioned through the passing of legislation (Brooks 2008).

involuntary localisation. They occupy a middle ground between voluntary participation in the BID organisation and involuntary taxation (Caruso and Weber 2008). BIDs could hence be construed as entailing a kind of coerced voluntary donation. For those residents of the local area who are not business owners and are hence excluded from the decision making process, BIDs are an example of forced localisation. This means that BIDs also have implications for inequality as they may promote exclusion and hence polarisation. BIDs are often undemocratic in the way they are established as only a small section of the population is involved in the voting and decision making process.

Proponents of BIDs (often using rational choice theories) see them as efficient and effective due to their private, unbureaucratic nature (Morçöl et al. 2008: 4). Critics (often taking social constructionist or political economy approaches) point out the undemocratic ramifications of the neoliberalisation or privatisation of public space (Mitchell and Staeheli 2006). A major issue is that BIDs are unaccountable as the wider public do not have the power to either participate directly in their activities or to vote on their establishment in the first place (Cook 2008; Briffault 1999). As commercial property owners fund BIDs through taxation, they are the only ones able to vote on the establishment or dissolution of a BID, and on decisions about its activities. In effect, this means that the voices of residents and citizens are ignored (Ross and Levine 2006).

From another perspective, BIDs have been cited as a potential solution to the collective action problem of free-riding. In order to solve this problem, economists have tried to determine the optimal size for efficient extra-governmental provision of public goods (Alesina et al. 2004, Tiebout 1956, Brooks 2008). There are two ways to get around this difficulty in large-scale settings (Olson 1971). One is to exclude non-members from the benefits of the public good, and the other is to coerce all members into making a contribution. BID legislation draws on the second principle by providing all neighbourhoods with the opportunity to provide themselves with local public goods (Brooks 2008: 393).

The United States

BIDs have a history spanning at least thirty years in Canada and the US. However, they only became a widespread and well-known phenomenon in the 1980s and 1990s (Mitchell 2008). As of 2008, between 800 and 1200 BIDs existed in the US and Canada in a variety of geographical locales (Morçöl et al. 2008: 2). The proliferation of BIDs in the US in the 1980s may have been a response to economic decline in cities combined with the tightening of federal funds made available to local governments (Morçöl et al. 2008: 8). The strong privatist tradition in the US may have further enabled their development (Morçöl and Zimmerman 2008).

Legislation for BIDs in the US is passed at the state level and is then enacted by local authorities (Brooks 2008). The local authorities legally establish the BID, collect the taxes, and then pass them on to the BID organisation to use as they see fit within the agreed framework for action (Mitchell 2001). BID initiatives have in general been concerned with boosting the local economy through downtown renewal and revitalisation (Mitchell 2001). This has occurred through the provision of services such as cleaning, security, and consumer and events marketing (Mitchell 2001: 116). Most BIDs are not directly involved in the provision of social services (for example,

homeless shelters), but some bigger BIDs like the Grand Central Partnership in New York City operate social service units (Mitchell 2001: 121).

BIDs diverge in form and legal status depending on which state they are established in. For example, in New York, where BIDs are most numerous, not to mention wealthiest and most established, BIDs are incorporated as non-profit organisations (Morçöl and Zimmermann 2008: 37). However, in Pennsylvania they are treated as public authorities; in the District of Columbia, they are non-profit corporations; in California they are public-private partnerships; and in Georgia they are local governments (Morçöl and Zimmermann 2008: 37). This places BIDs at different points along the continuum between public and private entity, ultimately blurring the distinction between public and private completely. BIDs also vary in size and budget, and this influences the kinds of services and/or activities they provide (Gross 2008). The status of residents and home owners in relation to BIDs also varies between states, but is always problematic (Morçöl and Zimmermann 2008: 39). The major issue is that BIDs are not legally obliged to consult with everyone who falls within their district, and therefore the decisions they make may suit some members of the community more than others. In such situations, it is often those most in need who miss out, as Cook (2008: 789) points out, '...the US BIDs ability (or inability) to improve either employees' work conditions and pay or the public space and "shopping experience" for those with low or no consumer power [are] rarely, if ever, of interest to on-looking policy makers and advocates'. Moreover, this inequality extends to the areas in which BIDs are established too:

BIDs in low-income communities are faced with a wider range of needs, a wider range of stakeholders, and limited resources (revenue and expertise) to respond with. . . . conversely, BIDs in high-income neighbourhoods face fewer socioeconomic problems, have fewer stakeholders, and have greater resources that enable increased investment in the physical infrastructure of the area.

(Gross cited in Kreutz 2009: 315)

There is great potential for BIDs to affect community development positively if they so choose. The problem is that under the current legislation there is no way to ensure any kind of consistency across BIDs in different states and locales. Too much of the quality of BID delivery is dependent on already established local resources and interests, and hence the positive outcomes of BIDs are entirely uneven. Due to such issues, BIDs have experienced varying success in the US. The East coast district BIDs (for example New York, Philadelphia and Washington) have been labelled the 'success stories' (Cook 2008). In New York, BIDs have statistically reduced crime and increased the cleanliness of streets. Times Square is held up as an example of the success of BIDs. A study of BIDs in the Los Angeles area also showed that they have been successful at reducing serious crime (Brooks 2008). However in more rundown areas of the US such as Detroit and Camden, New Jersey, downtown areas have not undergone an 'aesthetic transformation' under BIDs (Cook 2008). An important point is that although BIDs can indeed contribute to improving local conditions, they are 'not a magic wand for urban regeneration', and areas with 'chronic unemployment, high crime rates and urban blight' will generally need multiple sources of funding and resources (Symes and Steel 2003: 311). If this fact goes unacknowledged, BIDs could contribute to further polarisation and inequality by creating an illusion of local sufficiency and hence blocking other much needed funding.

Europe

BIDs in Europe are a very recent phenomenon, and are by no means as widespread as in the US. At this early stage it is hence difficult to assess how they will develop and what kind of outcomes they may yield. Yet even so, some scholars argue that over the past ten years a steady process of BID policy transfer from the US to Europe has been occurring (Cook 2008; Ward 2006; Peel and Lloyd 2005). Since 2002, Germany, Ireland, Serbia, Albania, England, and Wales have implemented BIDs (Cook 2008: 774). Austria and Holland are considering the prospect (Hoyt 2008). These European BIDs have been modelled on the US-style BID, even though other countries with BIDs such as Canada, New Zealand, Jamaica and South Africa could easily have been selected as blueprints (Cook 2008).

The implementation of an American-style BID model has been clearest in the UK. UK BIDs have been openly branded by the UK government as 'New York-style schemes' (Ward 2006: 68). BID legislation was introduced in the UK in 2003 through the passing of the Local Government Act (Cook 2008; Peel and Lloyd 2005). Under this Act, 22 pilot BIDs were set up in different locations around the UK (Ward 2006). In the lead-up to this legislation, a concerted effort was undertaken to orchestrate policy transfer from the US to the UK. A number of visits, conferences and seminars were organised by the Association for Town Centre Management and the Local Government Association which featured BID policy experts from cities on the East Coast of the US. These East Coast BIDs were promoted and marketed as the most 'successful' and therefore 'appropriate' for introduction into a UK context. They were regarded as successful due to their perceived success at urban regeneration through reviving economies and public space and reducing crime (Cook 2008: 782). The variety of services they provided and their sheer numbers and pervasiveness also made them more attractive (Cook 2008: 781).

However, significant differences in the 'welfare regimes, scalar divisions of the state, and urban political-economic trajectories' in the two countries have resulted in differences between UK and US BIDs (Ward 2006: 69). The UK has a much more centralised governmental system, and BIDs have been implemented from the top down, in contrast to the decentralised US system where BIDs were pursued as a bottom up solution to the perceived failings of government (Ward 2006). A need to adapt and respond to local contexts and relations when introducing BIDs in the UK has been increasingly recognised in their implementation (Cook 2008: 788).

In Scotland too, responses to a 2003 Consultation Paper which sought to elicit views from organisations, authorities, trade unions, and business owners on how BIDs could be implemented indicate a need to tailor BIDs to national and local context. In particular differences from the US in tax regime and institutional capacity were cited (Peel and Lloyd 2005: 94). Additional points of concern were that BIDs are resource intensive to initiate and manage, may not be as effective in rural contexts (i.e. may be sensitive to spatial economic context), and may accrue benefits only to those retailers who funded them (Peel and Lloyd 2005).

In Germany, BID legislation was implemented in 2004 (Kreutz 2009). In 2007, a Neighbourhood Improvement District (NID) model was adapted to make BIDs more

applicable to suburban contexts (Kreutz 2009).²² BID laws in Germany are highly decentralised, similar to their US forerunners. They are administered at the state level and there is no federal policy on BIDs except for a general regulation in the Federal Building Code (Kreutz 2009: 307). So far, six out of the 16 states have chosen to implement BID legislation (Kreutz 2009). Kreutz (2009: 306) notes that BIDs are part of a 'general policy turn to less public provision and more private initiative, individual responsibility and self-help supported through public regulations'. Using Hamburg as a case study, Kreutz notes that the four BIDs currently active in Hamburg are uneven in size, funding, and priorities. Unlike the UK and US versions, German BIDs are funded by real estate proprietors rather than local businesses. BID law clearly states that they are to supplement rather than replace public services (Kreutz 2009). However, Kreutz notes that a problem with this caveat is that the standard of public services to begin with is not clearly defined. This means that adding another provider to the mix may cause declining standards unless issues of jurisdiction and responsibility are sorted out between local authorities and the BIDs. Furthermore, ensuring BIDs are successful in Germany will be more than a matter of simply 'copying and pasting' from the US (Kreutz 2009: 315). Unlike the US with its strong privatist tradition, post-war Germany invested much weight in the sovereignty and rights of the state.

In Europe more generally, Town Centre Management (TCM) has constituted the common framework for urban revitalisation (Coca-Stefaniak et al. 2009). Most encompass some form of public private partnerships, with various levels of voluntary and community involvement, and a majority are retailer led (Coca-Stefaniak et al. 2009). Coca-Stefaniak *et al.* have come up with a classificatory model which shows their differing characteristics. Some exhibit characteristics of a US-style BID while others do not. In general privatising space has become the norm, as has various retailer-led initiatives for economic revitalisation, but it remains to be seen to what extent these initiative will shape urban governance in Europe and if so how much they will draw from the US and how much will be adapted to national and local contexts. At the very least it appears that the approach in most European countries (with the exception of Germany) is more centralised.

Education

Education provides a poignant example of the intersection of our three trends. First, since the late 1970s educational provision in many countries has undergone radical decentralisation and localisation (Karsten 1999; Power et al. 1997; Zajda 2006). Decentralisation originally gave greater power to local authorities, but has recently been focused right down to the level of the school itself in the form of school based management programmes (Power et al. 1997). In the social science literature, the move towards decentralised education has commonly been described as part of a globalising neoliberalism, entailing processes of marketisation and privatisation (Astiz et al. 2002; Davies and Quirke 2007; Zadjia 2006; Jones et al. 2008). Hence the issue of decentralisation in the field of education has become highly politicised. The neoliberal reforms 'dismantled centralised educational bureaucracies and created in their place devolved systems of education entailing significant degrees of institutional autonomy and a variety of forms of school-based management and administration' (Whitty et al. 1998: 3 in Karsten 1999:303). However, often this purportedly neoliberal

²² Together, BIDs and NIDs are referred to as Urban Improvement Districts or NIDs.

decentralisation has also been accompanied by new forms of centralisation, making the current process a complex interaction between centralising and decentralising forces (Power et al. 1997).

Second, voluntarism often plays a large part in education, whether through donation, community and family involvement and participation in schools, or voluntary relocation in order to attend certain schools. Third, as is the case in the literature on decentralisation more generally, the education debate centres on questions of equity. Schools are sites for the production and reproduction of social and cultural capital (Bourdieu and Passeron 1977). Education can hence act to reinforce and/or perpetuate existing divisions, class and ethnicity being the most commonly referred to. Differences in the funding and perceived quality of education become particularly pronounced at the level of higher education, where prestigious universities often attract students who either are from wealthy families or possess high earning potential, and perpetuate the institutions' prestige by going on to become alumni with the ability to make generous donations. In some countries this is limited by state control of universities. However, education can also provide opportunities for class mobility through equality of opportunity. Hence the perpetuation of inequality is not a fixed outcome.

Our key concern is not the decentralisation of education per se but rather what such localisation might facilitate. Has the decentralisation of education led to greater polarisation and segregation? Or has it indeed fulfilled its aims of being:

democratic, efficient, and accountable; more responsive to the community and to local needs; empowering teachers, parents, and others in the education community while improving the effectiveness of school reform; and able to improve school quality and increase funds available for teachers' salaries through competition?

(Astiz 2002: 21)

United States

The US system represents a radical case of decentralised education, with 50 separate state education departments and approx 15,000 semi-autonomous school districts in 2002 (Astiz 2002). Education has been decentralised both in terms of funding/resources and decision making. However, such decentralisation has always coexisted with centralisation. In fact, over the past two decades, there have been two simultaneous and contrasting forces – the first being the centralisation of national curricular goals and the second being the decentralisation of curricular implementation (Astiz 2002: 77). Recently, a greater emphasis has been placed on individual schools at the same time as centralised policy, indicating the extreme ends of the continuum. Some schools, called charter schools, have circumnavigated the state system altogether and have a direct relationship with the federal government (Van Langen and Dekkers 2001).

Decentralisation in the US has been enabled by the political and administrative federal system, but also by American cultural norms. For example, there is a strong emphasis placed on the importance of parental and student choice (McDermott 1999). The prevalence of choice is related to American individualism, but also to notions of equal opportunity as a means to achieve equality. Another push towards

decentralisation has come from what Plank and Boyd (1994) term 'the antipolitics of education'. By this they mean that Americans have become disillusioned with direct democratic governance, so they have begun to advocate alternatives institutional arrangements outside the realm of the 'political' (e.g. legislatures, school boards), in favour of more 'authoritative' arenas such as courts and markets (Plank and Boyd 1994: 264). This 'antipolitics' has arisen out of continuing conflicts over the structure and content of education (Plank and Boyd 1994). Some advocate increasing the power of parents and local communities through decentralisation, privatisation, local control, and parental choice. Others seek to defend larger communities by equalising resource distribution and regulating educational practices to create more equitable conditions for the disadvantaged (Plank and Boyd 1994: 267).

In this sense, support for educational decentralisation in the US is by no means unanimous. In fact, over the past two decades decentralisation has been found to have its problems. The 1980s saw great polarisation between the states in terms of financing, with some school districts finding it easier to mobilise local resources through property taxes etc than others (Bray 1999: 224).²³ Problems also occurred in the realm of decision making. In NYC, decision making was decentralised to community boards in the hope that they would be more democratic and representative, but they turned out to be at least as factionalised and exclusionary as city politics (Bray 1999: 225).

Perhaps as a response to some of these issues, in some states authority was rescinded from local boards to state legislatures in the 1980s (Plank and Boyd 1994: 265). This had the appearance of somewhat reversing the decentralisation but still in effect retained the decentralised system. Recently, in a climate where 'the achievement gap on standardised tests increasingly is viewed as the most significant educational change facing American society in the 21st century' (Kim and Sunderman 2005: 3) there have been more overt centralised attempts to remedy educational inequality.

The most significant of these is the No Child Left Behind Act 2001 (NCLB). The NCLB Act, an updated form of the Elementary and Secondary Education Act 1965, has institutionalised a standardised accountability system which uses high stakes testing and adequate yearly progress (AYP) assessments to reward or punish school districts, schools, and teachers for the academic performance of their students (Dworkin 2005: 170). It sets national targets to close the gaps in test scores among racial/ethnic, socioeconomic, home-language, and special education students by the year 2013-14 (Dworkin 2005).²⁴ A school can fail to make AYP if a single subgroup does not meet the performance target or participation requirements. Schools that fail to make the targets for two consecutive years are identified as 'in need of improvement' (INOI) and are subject to sanctions that become more severe the longer the school retains this status (Kim and Sunderman 2005: 3).

In this way the Act embodies the polar relationship mentioned earlier, where extreme centralisation of policy is accompanied by extreme decentralisation (to the level of the school) of implementation. Advocates of the Act argue that such high expectations are

²³ For example, in 1989-1990, Alaska had average per pupil expenditures of US\$7,918 while Utah's were \$2,606 (Bray 1999: 224).

²⁴ The Act labels such students as 'subgroups', and requires 95 per cent of students overall and 95 per cent of each subgroup to take the standardised reading and mathematics tests.

needed to tackle the learning needs of public school students who have been segregated by low expectations, and to create incentives to address this underachievement (Kim and Sunderman 2005: 4). Others have argued that the Act actually hinders and stigmatises those high-poverty schools that it is trying to help (Kim and Sunderman 2005: 4; Dworkin 2005). Supporting this conclusion is a study by Kim and Sunderman (2005) of the effects of the NCLB Act in six states who note that ‘an accountability system based on mean proficiency is likely to over-identify many high-poverty schools as underperforming schools’ (Kim and Sunderman 2005: 8).²⁵ They hence recommend the use of multiple indicators and some state specific performance goals. Widespread opposition to these ‘one size fits all’ elements of the NCLB Act indicate that it appears to have moved too far in the direction of centralisation, punishing rather than accommodating diversity.

Europe

In many European countries, a concerted effort was taken post-war to universalise and democratise education provision (Jones et al. 2008). The method of universal provision has generally been cited as a means to combat inequality; however, in the first instance it may lead to a widening of inequalities as middle and upper classes are able to use their cultural capital to take advantage of the new opportunities (Paterson and Ianelli 2007). The trend towards decentralising education gained momentum in the 1970s, with England leading the way. Devolution in England took place through Local Education Authorities (LEA), which remain the key executive body in the education field (Teelken 1999: 286). However, decentralisation of finances and resources in England was also accompanied by increased centralisation of curriculum (Daun 2006). Throughout the 1980s and 1990s, the process of decentralising education in England became part of a modernising and neoliberalising project, leading to quasi-marketisation (Jones et al. 2008: 20-22). This had the effect of ‘strengthening competition and differentiation within the school system, empower[ing] middle-class parents with “school choice” and, via the decentralisation of financial control, creat[ing] a new class of school managers’ (Jones et al. 2008: 17). This effect can be witnessed with the empowerment of individual schools through the Local Management of Schools (Teelken 1999), which has provided a challenge to the LEA’s authority. Legislation allowing schools to apply for funding directly from the national level, similar to US charter schools, has provided another avenue for schools to opt out of LEA control (Teelken 1999: 286).

Throughout the rest of Europe, decentralisation of education has also occurred, though the process varies between countries. In many countries, decentralisation has been accompanied by the notion of educational choice (Teelken 1999; Ambler 1994; Power 1997), which some critics have labelled empty rhetoric that intensifies class segregation (Ambler 1994). The Netherlands took an approach to restructuring education that was labelled by some as a middle ground between the fairly decentralised systems in England and the USA and the more centralised continental systems of France and Germany (Cummings & Riddell, 1994; Karsten 1999: 304).²⁶ The Municipal Educational Disadvantage Act 1998 provides an interesting case study from the Netherlands. This Act was devised at the central level with the objective of

²⁵ The six states in the study were Arizona, California, Georgia, Illinois, New York, and Virginia.

²⁶ Though the extent to which these latter two systems can be classified as centralised is debated (Daun 2006).

decentralised implementation (van Langen and Dekkers 2001). The aim of the Act is to combat educational disadvantage stemming from economic, social and cultural factors, with a focus on native Dutch pupils from lower socioeconomic background as well as ethnic minorities (van Langen and Dekkers 2001: 368). The education minister constructs a 'national policy framework' every four years, which is then used as a guideline by local municipal authorities when they draw up their own four yearly plans. These local plans involve consultation with local state and private school governing bodies and are based on an analysis of local problems (van Langen and Dekkers 2001: 368). Resources are also allocated to local authorities who are expected to equitably distribute them amongst local stakeholders.

Decentralised reforms in the Netherlands were subject to debate. The education minister claimed that decentralisation would enable an integrated policy, would be tailor-made for local conditions, would allow for greater decisiveness and efficiency with regard to changing conditions, and would allow for better prioritising basis on local analysis (van Langen and Dekkers 2001: 368). Others argued that the factors that create educational disadvantage are not necessarily local or even national, and that a centralised programme would be more effective. There was also concern over the loss of money through fragmentation across local municipalities, and that local authorities lacked the expertise to implement policy. Of most relevance to our study is the observation that due to the different starting points of localities decentralisation could result in a two-tier system, with some wealthy local authorities producing affluent schools and poor authorities reinforcing poor schools (van Langen and Dekkers 2001).

In the Czech Republic and Sweden, decentralisation occurred rapidly and radically (Daun 2006). In Sweden, the reforms moved away from a central and regulated system traditionally associated with the social democratic model to one which gave increased freedom and responsibility to the local level, particularly to teachers and school leaders (Lundahl 2002: 626). These reforms included establishing independent schools, introducing vouchers, and providing state subsidies to municipalities (Lundahl 2002: 626). The changes have introduced new social risks and costs, including particularism, polarisation, and social differentiation (Lundahl 2002). Nevertheless, the changes are seen by most as necessary and reasonable, and it has been argued that the Swedish system is still much more equitable than any other European national education system (Paterson and Ianelli 2007).

Education in Sweden is representative of the Nordic approach more generally. In comparison with the rest of Europe, the Nordic countries still present a distinctive social democratic approach to schooling (Arnesen and Lundahl 2006). However, as the process of Europeanisation gains speed, education has become a key priority and hence educational approaches may become more and more integrated. This has been expressed through EU social policy objectives such as the competitive knowledge-based economy (Jones et al 2008). At this level, educational policy becomes caught up in wider tensions in Europe between the forces of the market and those of social inclusion and protection.

Discussion

The three sectoral comparisons show that Europe has adopted many of the main characteristics of the US approaches to workfare, business improvement districts and

education, reflecting the interactions of the concerns of inequality, localisation and voluntarism.

	US	Europe
Workfare	<p>LOCALISATION States/local authorities/businesses granted more authority than Federal ✓ Face-to-face programmes ✓</p> <p>VOLUNTARISM Strong private welfare system ✓ Emphasis on community and self-help, voluntarism ✓</p> <p>INEQUALITY Work first approach ✓ Coercive, involuntary sanctions ✓ Uneven implementation ✓ Problems of creaming, cherry picking ✓ Some forms of welfare routinised while other stigmatised ✓</p>	<p>LOCALISATION “European Centralised Programmes” * Localised (Germany) ✓ Centralised (UK, Scandinavia) * Mixed (France) * Face-to-face programmes ✓ Some policy transfer from US to UK ✓</p> <p>VOLUNTARISM Strong public welfare systems * Empowerment/active citizenship (UK) ✓</p> <p>INEQUALITY Human Capital approach * Voluntary sanctions * Emphasis on social inclusion * Some groups excluded/marginalised ✓</p>
	EVIDENCE OF TRENDS: YES	EVIDENCE OF TRENDS: MIXED
BIDs	<p>LOCALISATION Formed by local businesses ✓ State legislation ✓</p> <p>VOLUNTARISM Established voluntarily ✓</p> <p>INEQUALITY Success appears dependent upon high socioeconomic status in area ✓ Exclusive (decision making process only available to business owners) ✓ Can improve quality of life for communities and neighbourhoods *</p>	<p>LOCALISATION Established and legislated locally (Germany) ✓ Established locally, Centralised top-down legislation/implementation (UK) * ✓ Town Centre Mgmt, Centralised (Europe) *</p> <p>VOLUNTARISM Established voluntarily (UK, Germany) ✓ Some pressure from the government to introduce BIDs (UK) *</p> <p>INEQUALITY Exclusive ✓ Issues with US model noted (Scotland, Germany) * Can improve quality of life for communities and neighbourhoods *</p>
	EVIDENCE OF TRENDS: YES	EVIDENCE OF TRENDS: MIXED
Education	<p>LOCALISATION Centralised curriculum * Focus on school level, school managers ✓</p> <p>VOLUNTARISM Parents and community involvement ✓ Emphasis on choice ✓</p> <p>INEQUALITY No Child Left Behind Act creates polarisation, punishes diversity and poor performing schools ✓</p>	<p>LOCALISATION Local management of Schools (UK) ✓ Municipal Educational Disadvantage Act (Netherlands) ✓ Decentralisation (Scandinavia, Czech) ✓</p> <p>VOLUNTARISM Parents/other organisations more involved ✓</p> <p>INEQUALITY Universalisation of provision can lead to inequalities (rich having more opportunities to use cultural capital) * ✓ EU competitive knowledge economy can create tensions between market/social protection*✓</p>
	EVIDENCE OF TRENDS: YES	EVIDENCE OF TRENDS: YES

However, in the European environment the approaches have been 'softened' in key respects, which have resulted in many of the negative aspects being left out (Table 1). Thus while 'workfare' has placed a greater emphasis on an active localised approach to getting people back into employment and has limited the costs of income support, minimum wage legislation has helped to maintain standards and the stigma about 'undeserving' groups has been avoided to a greater extent. BIDS are much less developed in Europe but even in education, where localisation and voluntary efforts may have contributed to some inequalities it has usually been a stimulus for intervention to provide special encouragement for the most deprived. Thus as a generalisation, Europe has accepted the incentive advantages of some of the US approaches but has attempted to use them in a way that reduces rather than increases inequality.

Conclusion

We have seen over recent years in the US that three trends have combined to alter the nature of the welfare environment.

- (a) Inequality has been increasing (Horstmann and Scharf 2008). However, this has largely been achieved by the richest few getting relatively richer rather than the poor getting poorer relative to some absolute standard. Redistribution of wealth may have been a reasonable description in the Clinton era and again with the Obama administration, but taxation over much of the recent period has been characterised by Republican presidencies where the emphasis has been more on tax reduction.
- (b) Charitable giving has been increasing much faster than incomes, so at least some of this new wealth is being redistributed. Yet some of this increase comes from making 'voluntary' contributions to schools and to elitist purposes, such as opera, so the public goods that are being produced are not necessarily consumed by the poorest groups in society.
- (c) Responsibility for more of social spending is being devolved to more localised levels, which has had mixed consequences.

In many respects this US experience has been positive, with improvements in employment and welfare. A focus on the local level has improved both deliveries and incentives. However, employment has not always ensured a reduction in inequality, poverty, or deprivation. Some of the policies have been controversial and even the name 'workfare' has had adverse connotations to it.

In this article we have explored the evidence both for the success of these US changes and also for their implementation in Europe. We use three pertinent examples: workfare, business improvement districts and education. These ideas have indeed been adopted in Europe but there has been care to avoid some of the most negative features and to focus on the improved incentives, greater effectiveness and greater efficiency that these initiatives can offer.

As a result there has been a clear manifestation of the trend towards localisation that is observed in the US but the trend towards voluntarism is rather weaker. What has been actively resisted, at least in the dominant policy rhetoric, is the consequences

that either of these might have for increasing inequality. Yet this does not mean that inequality has been completely circumvented, as Handler (2009: 84) notes.

Some authors are cautious of the risks to equitable and democratic provision posed by the trends. Forces of globalisation and neoliberalism are closely linked to all three trends and they also inject a politicised element.

However, at least in the case of localisation, outcomes are not fixed. Bray (1999: 223) says: 'In general, decentralisation is likely to permit and perhaps encourage social inequalities. Conversely, centralisation provides a mechanism for reducing inequalities; but whether that mechanism is actually used depends on goals and willpower at the apex of the system'. Here what really matters are the political agenda and goals of those in positions of power, and the ends to which they seek to employ spatial arrangements. As Purcell (2006: 1925-7) has argued 'there is nothing inherent about scale' in and of itself.

The Tiebout hypothesis offers further insights into the uses to which scale can be put. The hypothesis represents a non-cooperative equilibrium (Perroni and Scharf 2001) and hence endogenously determined jurisdictions will be somewhat smaller than optimal. It is in any case observable from recent years that the ability for people to set their own jurisdictional boundaries tends to lead to secessions (Alesina and Spolaore 1997) and, if boundaries could be freely chosen, jurisdictions would be inefficiently small. As a result it is possible by redistribution to improve welfare but it is not clear whether this would be delivered by a majoritarian system. To some extent this can happen in so far as both labour and capital are mobile. Tax competition will then encourage such movements (Edwards and Keen 1996).

The underlying trade off is between the benefits of increased size and the costs of heterogeneity, up to the point that diseconomies of congestion and over-crowding cut in (Barro 1991). However, the redrawing of geographical boundaries by democratic consent in the EU is on the whole only possible within member states. A Europe of the Regions (De Rougement 1966; Hepburn 2008) is likely only in terms of devolved responsibilities, such as those in the UK and Spain and in overtly federal countries such as Germany. National boundaries between member states are not on the agenda and in so far as they might be, relate to readily identifiable groups and not the choice of the demarcation of municipal boundaries which can follow geographic, fiscal and other considerations. The number of cross-border workers is of course increasing with the accession of the new member states.

What is noticeable is that municipal boundaries are often not determined by local democracy, except in so far as people vote with their feet. The new boundaries for the Auckland region are being introduced against the wishes of many of the areas involved. The main arguments advanced for the larger area are not efficiency but the inability of a group of independent authorities to agree on essential major projects that will benefit the whole region. Evidence from Canada²⁷ suggests that similar agglomeration in both Winnipeg and Toronto have led on the one hand to higher tax rates than in competing cities and on the other to a slower rate of economic growth, not simply in terms of income per head but through emigration and lack of population growth.

²⁷ Presented in a LEANZ seminar

There are thus many issues for democracy still to be addressed. Our analysis suggests that the selective adoption of the better facets of the US experience are enabling European countries to obtain a greater net benefit and that the facets of localisation will continue to appeal. The key implication of the three trends as seen in the US and applied in Europe for democratic arrangements are thus rather more muted and relate primarily to the increase in localisation. Localised delivery does not imply localised democracy. Nor indeed does the rise in voluntary motivation. What is most pertinent is in fact an old question reflected in Tiebout's (1956) discussion. Where people are relatively mobile they can move to neighbourhoods of the like-minded. It is the richer in society who find that easier and hence they will tend to do better, if they can afford to move into the catchment areas for the better schools or hospitals or can move to pleasanter neighbourhoods. Of course this can be offset to some extent by central provision to the less fortunate but not entirely.

To some extent the framework has been upset in recent years by the enlargement of the EU. The income differentials between the new and the older member states are sufficient that there is encouragement to move, even temporarily, on a scale not seen in earlier enlargements. A wide range of income and skill groups are taking up this opportunity. Further research is needed to assess these newly developing spatial relationships and their implications for social welfare in the EU.

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2007/08

Dawid Friedrich

Old Wine in New Bottles?

The Actual and Potential Contribution of
Civil Society Organisations to Democratic
Governance in Europe

2007/07

Thorsten Hüller

Adversary or 'Depoliticized' Institution?

Democratizing the Constitutional Convention

2007/06

Christoph Meyer

**The Constitutional Treaty Debates as
Revelatory Mechanisms**

Insights for Public Sphere Research and
Re-Launch Attempts

2007/05

Neil Walker

Taking Constitutionalism Beyond the State

2007/04

John Erik Fossum

Constitutional Patriotism

Canada and the European Union

2007/03

Christian Joerges

Conflict of Laws as Constitutional Form

Reflections on International Trade Law
and the *Biotech* Panel Report

2007/02

James Bohman

Democratizing the Transnational Polity

The European Union and the
Presuppositions of Democracy

2007/01

Erik O. Eriksen and John Erik Fossum

Europe in Transformation

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