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Eckersley, Peter Mark Civic pride and political expediency: The enduring founding principles for local government in Germany and England? In: UNSPECIFIED. (Unpublished)

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Civic pride and political expediency: the enduring founding principles for local government in Germany and England

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Abstract

This paper highlights how the contrasting founding principles of local government in Germany and England has affected the capacity of municipalities in both countries since 1800. Drawing on detailed interviews with practitioners in the 'twin towns' of Newcastle and Gelsenkirchen, as well as academic literature discussing the history of local governance in the two countries, it takes a historical institutionalist perspective (March and Olsen 1989; Pierson 2000) to show how the reasons why modern local authorities were created have shaped their future activities and capacity. For example, the British Government established municipalities in England for reasons of political expediency (primarily to deal with the public health crisis caused by the Industrial Revolution), whereas their German counterparts were set up to provide a means of civic representation and foster local pride. The result is that English local authorities have generally acted as functional agents that deliver services on behalf of central government, whilst German councils are more readily viewed as the democratic embodiment of local communities.

This perception, combined with the legal and resource parameters within which they operate, has meant that English local authorities have significantly less institutional capacity than their German counterparts – and therefore they usually require external support to address a particular public policy issue effectively. In contrast, German municipalities are much more able to exert hierarchical authority and shape their communities directly.

1. Introduction

This paper outlines how the reasons behind establishing modern municipalities in the UK and Germany continue to influence local governance arrangements in the present day, due to the path-dependent nature of political institutions. In particular, it highlights how the British Government created local authorities in order to deal with the negative side-effects of the Industrial Revolution, whereas its Prussian counterpart established municipalities to stimulate economic development and foster civic pride. These original drivers have key implications for local policy-making and accountability in the present day, because they have resulted in German municipalities having significantly more capacity than their British counterparts. As a result, they can rely much more on hierarchy (or at least the 'shadow of hierarchy' (Börzel, 2010, Héritier and Lehmkuhl, 2011)) in contemporary governance arrangements. To illustrate this contrast, the paper draws on fieldwork interviews with senior officers in the twin towns of Newcastle upon Tyne and Gelsenkirchen to highlight how the historical legacy of local government's establishment shapes the way in which medium-sized cities are able to respond to contemporary problems.

The paper begins by examining historical institutionalist theories and their implications for path-dependency in decision-making, before outlining how modern local government evolved in both countries in the early nineteenth century. This shows how the Prussian municipal model of municipalities as *civic place-shapers* became dominant across modern-day Germany – and, with the exception of the Nazi era, has remained largely unchanged for over two centuries. The abiding principle of *lokale Selbstverwaltung* (local self-administration[1]) has ensured that councils are by some distance the most important actors in local governance arrangements. In contrast, English local authorities were created as politically expedient *functional agents* of central government and were only permitted to carry out a limited number of functions on behalf of ministers. Although they extended their remit as the nineteenth century progressed, this principle has remained dominant – with the result that they need to rely much more on private and voluntary bodies to achieve their objectives.

The historical analysis of local government's creation relies heavily on existing literature, whilst the examination of contemporary governance arrangements is

[1] There is a linguistic irony here: *lokale Selbstverwaltung* translates as 'local self-administration', whereas the municipal tier is often called 'local government' in English. Yet as this article will demonstrate, subnational bodies in England are much more associated with 'administration' than 'government', whereas the converse is true in Germany.

based on a total of 34 fieldwork interviews in Newcastle and Gelsenkirchen, as well as municipal policy documentation. These 'twin towns' have similar populations (around 260,000), a shared heritage of heavy industry (particularly coal mining), and both have experienced significant economic decline in recent decades. In addition, both have sought to address this decline by re-branding themselves as forward-thinking, sustainable locations in order to attract investment and stimulate economic development (Bulkeley and Betsill, 2005, Jung et al., 2010). However, the UK and Germany have contrasting constitutional arrangements and local government systems, which have endured in spite of these common challenges to both cities.

The Newcastle interviews were conducted between early 2012 and autumn 2014, and the Gelsenkirchen fieldwork carried out in summer 2013[2]. The interviews focused primarily on each council's approach to dealing with climate change, but their findings have significant implications beyond this particular policy sector. Indeed, they illustrate how historical antecedents have shaped the way in which municipalities are able to address a range of policy problems.

2. Overview of historical institutionalist approaches

Since Philip Selznick published his seminal book on the Tennessee Valley Authority (Selznick, 1949), scholars in fields such as economics, political science and organisational sociology have sought to create theoretical frameworks that examine the role of institutions in decision-making (Williamson, 1985, Peters et al., 2005, Greenwood et al., 2008). Various sub-branches of institutionalism also developed within political science, which Hall and Taylor (1996) termed *historical*, *rational choice* and *sociological* institutionalism – in fact, Lowndes (2010) identifies a total of nine different types. The historical institutionalist literature stresses the importance of 'path-dependency' to political phenomena and demonstrates how institutions and actors are shaped by previous experience – their 'historical contingency', which 'locks-in' and restricts the options available to decision-makers (Bogumil and Holtkamp, 2006, Kropp, 2010). This institutional legacy results in 'sticky' policies that linger for a long time after they have solved a perceived problem (March and Olsen, 1989, Thelen, 1999, Jordan, 2002, Thoenig, 2003), often because dominant actors benefit from existing arrangements and therefore seek to prolong the *status quo* (Pierson, 2000).

[2] The Gelsenkirchen fieldwork was conducted in German: all translations into English are my own.

Notably, these scholars define 'institution' in very broad terms, so that it encompasses not only large-scale phenomena or organisations, but also social constructs – such as the traditions, habits, rules and conventions that apply to social interactions (Ostrom 1986; Fox and Miller 1995; Lowndes 1996). Indeed, examples such as the QWERTY keyboard, the combustion engine and the enduring nature of imperial measurements in the US show that path-dependency is not just a political phenomenon – and that institutions or constructions can be difficult to remove, even once they have outlived their purpose. As such, the legacy of previous behaviour, such as the approach to local governance, is likely to endure.

Indeed, the implication that institutions remain stable over long periods of time led some scholars to question how the theory can explain changes in policy (Peters et al., 2005). Historical institutionalism appeared to suggest that shifts are either slow, incremental and occur within the constrained context of the existing institutional framework – or they are precipitated by a 'radical shock' (March and Olsen, 1989) at a 'critical juncture' (Collier and Collier, 1991) that 'punctuates the equilibrium' (True et al., 1999) and leads to the creation of a new set of arrangements. Recognising that this dichotomous explanation appeared too simplistic, Streeck and Thelen (2005) expanded on these options by suggesting five modes of gradual (but nonetheless transformative) institutional change, whereas other scholars, including Olsen (2009), pointed out that many institutions contain the 'seeds of change' and thereby facilitate shifts in the policy agenda.

This article argues that institutional change in English local government *has* been overwhelmingly slow and gradual, and although two key events punctuated the equilibrium in Germany, the second of these events resulted in original institution of *lokale Selbstverwaltung* regaining its dominance. As a result, English municipalities have remained agents of central government, delivering services and doing 'dirty work' on behalf of ministers, ever since their creation in 1835. Their Prussian counterparts were established in 1808 as civic bodies and this principle remained dominant until the first 'radical shock' of the Great Depression, but was re-established in post-war West Germany and has remained prevalent ever since. These founding principles play a key role in shaping contemporary approaches to local governance in both countries.

3. Local government in England and Germany

In recent decades, a number of scholars have developed typologies for classifying local government systems in developed countries (Goldsmith and Page, 1987, Hesse and Sharpe, 1991, Batley, 1991, Bennett, 1993, Norton, 1994, Pierre, 1999, John, 2001). These categorisations are based on indicators such as the legal or constitutional status of local authorities, their average size, and their dependence on central government for financial and other resources. Notably, none of them have placed Germany and the UK/England in the same category, which illustrates the differences between municipalities in these countries. In addition, as this section will demonstrate, the initial drivers and justifications for local government in Germany and England also differ significantly – a key point that the above categorisations do not address directly. This has meant that German local authorities are much more *political* in their nature, whereas their English counterparts are more concerned with delivering *services* on behalf of the central state (Blair, 1991, Norton, 1994).

3.1 The development of local government in England

Modern local government in England dates back to the 1835 the Municipal Corporations Act, which allowed towns to petition Parliament for the creation of elected councils. Initially, these municipalities were permitted to provide policing and street lighting, as well as oversee the management of public assets and local bye-laws. As Aidt et al. (2010) have identified, central government established them primarily to deal with the negative consequences of the industrial revolution in the cities – including concerns about public health and anti-social behaviour. Crucially, the Act meant that local authorities were *creatures of statute*, and therefore could be created (or abolished) by future Parliaments. Moreover, they were only permitted to carry out those functions that were expressly permitted in legislation – they had no freedom to undertake any other activities. These two factors demonstrate how municipalities were designed to be *functional agents* of central government, and restricted to acting on behalf of ministers (Stewart, 1983, Copus, 2010). In other words, they were created for reasons of *political expediency* – because ministers viewed local sanitation and public health concerns as being somewhat beneath them and therefore established local authorities to address them on behalf of the centre.

As the nineteenth century progressed, councils took on a range of additional functions – including providing public transportation, gas works, electricity, cemeteries, highways, waste management, public toilets, housing, banking, slaughter houses, racecourses, and cultural and recreational facilities (Norton, 1994). Indeed, some scholars have argued that they were able to pursue their objectives independently of the centre, to the extent that a 'dual polity' existed right up until the early 1980s (Bulpitt, 1983). However, municipalities were only able to broaden their remit because central government passed additional legislation that enabled them to provide these services. Local authorities remained constrained by the threat of *ultra vires*, which meant that any municipality that undertook an activity not expressly permitted in legislation could be prosecuted and fined. In other words, ministers could determine the scope of their activities and continue to treat them as agents of the centre. For example, local government in England was not given any responsibility for education, which meant that England relied on a patchwork system of religious schools, private institutions and charities right up until the 1940s. As a result, English municipalities were unable to use the education system to foster civic pride and develop local economic capacity – in contrast to their Prussian counterparts.

Indeed, since the end of the nineteenth century, central government has gradually re-asserted its control over local authorities and sought to reinforce their status as functional agents rather than autonomous bodies that pursue local interests. As one critic noted, a major reorganisation in the 1970s, which reduced the number of elected councils in England from 1,300 to just over 400, was intended primarily to ensure that municipalities adhered more closely to central government instructions (Dearlove, 1979). Following further restructures in the 1990s and 2000s, the lowest statutory tier of government in England now caters for seven times the number of people of its German counterpart. As a result, many English municipalities have 'made-up' names that include no reference to the local area, because they cover numerous towns and villages. This structure illustrates how council boundaries are determined on the basis of administrative efficiency rather than identifiable local communities (Copus, 2010, Wilson and Game, 2011), and therefore highlights the fact that they are primarily agents of the centre.

Crucially, the fact that English local authorities are not institutionally embedded within a codified constitutional framework has meant that they are much more vulnerable to central government interference than their German counterparts. In

addition to the reorganisations mentioned above, this lack of legal stability has allowed ministers to remove responsibility for many functions from local government, including utilities, hospitals, further education, training and urban regeneration (Stoker, 2003). In particular, from the early 1980s onwards ministers imposed a number of 'New Public Management' (NPM) reforms on municipalities, with a view to improving the efficiency and effectiveness of local services (Hood, 1991). This included the Compulsory Competitive Tendering (CCT) initiative, which required all local authorities 'to assess whether their services could be delivered more cheaply by private providers' and put them out to tender if this proved to be the case (Eckersley et al., 2014). Ultimately, this led to the outsourcing of functions such as waste collection, school meals provision and street cleaning, and meant that municipalities had less direct responsibility for local public services.

Although the Labour Government that took office in 1997 abolished Compulsory Competitive Tendering, ministers introduced a series of comprehensive monitoring frameworks and performance targets in their place, in order to ensure that central government priorities were delivered at the local level (Eckersley et al., 2014). Once again, this architecture of inspection illustrated how ministers viewed local authorities as essentially functional bodies for implementing central government policy. Indeed, there was an overwhelming assumption that many councils could not be trusted with additional freedoms or powers: only those municipalities that performed well against the Government's targets were exempted from some future inspections ('earned autonomy' in the Whitehall jargon (Hatter, 2005)), or given additional grants to spend as they wished.

In addition, these centralised frameworks did not reverse or halt the outsourcing trend, as councils began to rely on partnerships, joint ventures, mutuals and 'co-production' with residents to deliver services (Bovaird and Löffler, 2012). In this way, private companies and voluntary bodies have become increasingly involved in local public services since the 1980s, and local government's role as a service *provider* has evolved into that of a service *commissioner*. This has resulted in a much more fragmented model of service delivery that citizens find difficult to navigate and policy-makers struggle to co-ordinate (Stewart, 1993, Dunleavy and Margetts, 2006). More importantly, it has weakened the extent to which municipalities can directly influence outcomes within their localities, because they are increasingly dependent on other governance actors – much more so than their German counterparts. Therefore, the status of local authorities as essentially

functional agencies of the UK Government has resulted in them becoming even less able to shape their local communities.

Furthermore, central government has been able to exercise its dominance over municipalities by controlling the funding system and thereby determining the scope of local activities. In the immediate post-war period this began by increasing the number of 'ring-fenced' grants that had to be spent on services that were deemed a national priority, such as education, social services and policing. As the 1970s progressed, ministers began to insist that municipalities must inform them how this money was spent (Jones and Stewart, 1983), highlighting the fact that local authorities were treated as mere agents of the centre. Further legislation also increased central control over municipal revenues: in 1982 councils were prevented from levying 'supplementary' rates on their residents to plug budgetary gaps in the middle of the financial year (Pearce and Stewart, 2002), and two years later ministers assumed the power to 'cap' rate increases that they felt were excessive. Finally, the 1988 Local Government Finance Act abolished the rates altogether and replaced them with the Community Charge, which became known as the 'poll tax'. Under the new system, every adult in the locality received a bill for the same amount (although students and the unwaged were given a discount): the level of their contribution was no longer determined by the rental value of their property. This demonstrated the extent to which ministers viewed the relationship between council and citizen as being purely *transactional*, in that the individual pays a fee and expects to receive public services as a result. Such a characterisation contrasts sharply with a definition of taxation, which holds that citizens contribute towards public goods for the benefit of all in society. In this way, it illustrates how ministers viewed municipalities solely in terms of service delivery rather than civic representation and local *government* in the full sense of the word.

The 1988 Act was important for another crucial reason: it meant that the future level of non-domestic rates (the local business tax) would be determined at a national level by ministers, rather than individual municipalities. Although the Community Charge was replaced by the Council Tax shortly afterwards, ministers have retained the power to set the level of NNDR and can still exert significant influence over proposed Council Tax rises (Ferry and Eckersley, 2011). As a result, local government in the UK has very little room for manoeuvre in terms of income generation compared to other major European countries, including Germany (Ferry et al., 2015). Indeed, central control over local revenues has

enabled ministers to significantly reduce the size of direct grants to municipalities as part of its current austerity programme – and thereby ensure that local politicians (rather than those in London) have had to take potentially unpopular decisions to cut public services. Indeed, they reduced municipal income by 27% between 2010 and 2014, and further funding cuts are in the pipeline as part of the government's austerity agenda (Lowndes and Pratchett, 2012).

Ironically, these reductions occurred at the same time as the 2011 Localism Act introduced a 'general power of competence' that allowed municipalities 'to do anything that individuals generally may do' and therefore (theoretically) gave them the freedom to broaden their remit away from merely administering service delivery on behalf of the centre. However, the *de facto* financial situation means that most municipalities have had to scale back their existing activities, because they are not permitted to levy additional taxes and are still highly restricted by central constraints on their revenue. Indeed, local authorities in England (particularly in deprived northern cities such as Newcastle) have faced much more substantial reductions than most other parts of the UK public sector. This illustrates how central government is once again devolving its 'dirty work' to the local level – in this case, the responsibility to decide where to cut public services (Ferry and Eckersley, 2015). As such, it illustrates how municipalities are fulfilling the role originally envisaged in the 1835 Municipal Corporations Act – namely to act as politically expedient agents of central government by implementing a limited range of policies that ministers do not wish to pursue.

Although central government does rely on municipalities to implement its policies at the subnational level (Rhodes, 1981), the relationship between tiers is highly asymmetric. This is partly due to the significant control that the centre exerts over local revenues, and also because municipalities are creatures of Parliament and therefore largely subject to ministerial decisions about the scope of their activities. These factors have contributed towards the fragmentation of the local state through outsourcing and privatisation, which has substantially weakened the position of municipalities *vis à vis* other actors in their areas. As the next subsection will show, this situation does not apply in Germany, with the result that municipalities are able to play a very different role in their communities.

3.2 The development of local government in Prussia and Germany

Germany's pre-unification history as a patchwork of principalities, duchies, kingdoms, city states and bishoprics meant that it was perhaps always more likely to favour subnational autonomy than England (Conradt, 2001). In addition, Napoleon's occupation of much of modern-day Germany resulted in an overwhelming desire for a system of local administration that rejected centralism and instead devolved power to localities. Indeed, Baron Karl vom Stein, the Prussian First Minister for much of the early nineteenth century, sought to construct a 'system of urban government in accordance with a philosophy contrary to that of Napoleon' (Norton, 1994, p238).

In line with this approach, a Civic Ordinance of 1808 gave Prussian towns and cities responsibility for overseeing economic modernisation and nurturing civic pride. Crucially, it included two important powers that enabled municipalities to achieve this, both of which eluded their English counterparts for well over a century. Firstly, they were granted a power of general competence, which meant that councils had the freedom to undertake any function that they considered to be in the interests of the locality, unless that task was specifically assigned to another government body in law (Norton, 1994, Wollmann, 2004). This principle of *Allzuständigkeit* has since become almost synonymous with the idea of *lokale Selbstverwaltung* (local self-administration) and – with the exception of the Nazi era – has remained a dominant constitutional principle in Germany ever since. The contrast with nineteenth-century English municipalities, which operated under the threat of *ultra vires*, is instructive.

Secondly, the Prussian government gave councils responsibility for public education, in order to achieve its twin aims of modernising the country's economy and instilling 'moral' values such as civic pride in the local population (Gildea, 1987). Indeed, the Prussian education system was widely-admired[3], and helped to transform Prussia from a feudal to an industrial country (Gerlach, 2010). As Palmowski (2002) suggests, Prussians felt a stronger (and increasing) sense of civic pride and community spirit than their counterparts in England. In 1908 for example, the 110 largest Prussian cities only needed to employ 45,000 salaried officials, because their work was supplemented by the efforts of 37,000 volunteers (Bogumil and Holtkamp, 2006, p19).

[3] Ironically, Victorian reformers in England were amongst these admirers. Liberal governments under William Gladstone tried to adopt the Prussian secondary education system as a model but were blocked by established interests keen to continue with the limited nature of schools at the time (see Gildea 1987).

To illustrate the different context within which local government was created in the two countries, it is also crucial to stress that councils became firmly established in Prussia before the 1835 Municipalities Act in England, and at a time when the country was still overwhelmingly rural. Table 1 shows how urbanisation occurred much later in Prussia, when compared to England and Wales. Therefore we can conclude that German municipalities were not created to deal with the urban problems that were caused by the industrial revolution – in contrast to the situation in England. Indeed, they were established in order to be *pro*active in industrialising Prussia from the bottom-up, rather than *re*acting to its consequences.

	1800	**1850**	**1871**	**1911**
England & Wales	9.7	22.6	32.6	43.8
Prussia	1.8	3.1	4.8	21.3

Table 1: The percentage of the population in Prussia and England & Wales who lived in cities of over 100,000 inhabitants (all figures from Gildea, 1987)

As the nineteenth century progressed, and in keeping with the idea of *lokale Selbstverwaltung*, Prussian municipalities began to provide an increasing range of other services, including parks and recreation, sanitation, infrastructure, utilities, refuse collection, public transport, sports facilities, hospitals, cemeteries, slaughterhouses and cultural services. As was the case with their English counterparts, these services were overwhelmingly municipalised in both countries – that is, owned and delivered by the local authority – which provided councils with valuable revenue streams and gave them significant control over the future of their areas (Palmowski, 2002). In contrast to the situation in England however, councils were able to determine which functions to undertake – they did not have to rely on central legislation that permitted them to carry out a particular activity.

Notably, since most of the other German states wanted to emulate Prussia's economic, political and military success, many of them adopted Stein's philosophy of civic governance and efficient bureaucracy (Bogumil and Holtkamp, 2006). Indeed, in spite of the upheaval caused by the unification of 1870, World War I and the Weimar Republic, the idea of *lokale Selbstverwaltung* was incorporated into both the *Second Reich* and Weimar Republic constitutions and remained dominant right up until the 1930s. Although the Weimar Republic did curtail local

autonomy in some financial areas (Elsner, 1979), it nonetheless endorsed the principles of local autonomy and civic pride. Indeed, Bogumil and Holtkamp (2006) highlight how this period saw the return of 'municipal socialism' in many German cities.

However, the Great Depression *did* result in major changes, because it led to a municipal financial crisis and ultimately the Nazi dictatorship. Local government was responsible for paying state benefits during the Weimar era, and the number of welfare claimants in Germany doubled between 1930 and 1932 at a time when municipal revenues from business taxation plummeted. This left numerous cities with unmanageable levels of debt. In response, the federation passed emergency legislation in 1931 that enabled *Länder* governments to intervene directly in the financial affairs of individual municipalities. Amongst other things, the *Länder* now had the power to stipulate how an authority should reduce its spending, including by making staff redundant – and over 600 Prussian municipalities had been subjected to this treatment by the beginning of 1933 (Bogumil and Holtkamp, 2006). Notably therefore, the prevailing institution of *lokale Selbstverwaltung* was already being displaced by a more centralised hierarchical approach towards the end of the Weimar Republic.

Nonetheless, the pace of change accelerated considerably after the Nazis took power in early 1933. The policy of *Gleichschaltung*[4] meant that virtually all aspects of German state and organised society were brought under the influence of the party: municipal governments were incorporated into the *Deutsche Gemeindetag* (the German Council of Municipalities). Following the Municipal Government Act of 1935, local government essentially ceased to exist, since this legislation abolished local elections and replaced the constitutional principle of *lokale Selbstverwaltung* with the *Führerprinzip* – an obligation that all municipalities had to implement the will of the *Führer*. The Act also stipulated that local officials would be appointed by higher-level Nazi party or governmental agencies (Conradt, 2001). Although local elections had become fairly meaningless since the banning of all non-Nazi parties in July 1933, this was the final nail in the coffin of decentralised government because it meant that subnational officials were required to act in the interests of *Reich* rather than their locality or region.

[4] *Gleichschaltung* is normally translated as 'co-ordination', but in the context of the Third Reich might be better understood as 'synchronisation', 'assimilation' – or Layton's (1992) term of 'honeycombing'.

As such, within a very short space of time the Nazis had completely displaced the institution of autonomous decentralised government with a new paradigm – the *Führerprinzip*. Indeed, as Passant et al. (1962) have argued, the German state of the Third Reich was centralised to a similar extent as Napoleonic France – the very model that Stein had rejected so consciously in the early nineteenth century. The purpose of local government was now solely to implement *Reich* policy, and municipalities were *de facto* and *de jure* part of the central state with no freedom to shape their areas according to perceived local priorities.

Notably however, West Germany's post-war municipal and state structures developed to become very similar to those of the early Weimar Republic, almost as though the Depression and Nazi era had never happened (Norton, 1994, Roberts, 2000, Conradt, 2001). Indeed, the Allied powers resurrected the principle of *lokale Selbstverwaltung* and enshrined it in Article 28 of the post-war *Grundgesetz* (Basic Law) (Conradt, 2001). Other constitutional provisions – such as an unrestricted right for municipalities to levy and raise the *Gewerbesteuer* (business rate) and *Grundsteuer* (property tax) in their areas, and the inclusion of *lokale Selbstverwaltung* in the individual *Länder* constitutions – also confirmed how Stein's principles had re-emerged as the dominant institution.

However, the *Grundgesetz* also requires the federal government to ensure that all citizens enjoy 'equivalent living conditions' (*gleichwertige Lebensverhältnisse*). This has resulted in a complex system of financial transfers between *Länder,* and increasing interdependence between tiers of government. This 'interweaving' of political interests and co-operative approach to governance, which has become known as *Politikverflechtung*, was first identified by Scharpf et al. (1976) but has since become part of the political-administrative culture within Germany (Hesse and Benz, 1990, Norton, 1994). In theory, this interdependence threatens the ideal of *lokale Selbstverwaltung*, since it suggests that higher tiers of government might exert significant influence of municipal decision-making. In the case of Gelsenkirchen however, it meant that the council received extensive support from the *Land* of North Rhine-Westphalia via its regional *Bezirk* office (interviews 19, 23 and 27). This increased the municipality's capacity and helped it to achieve policy objectives without having to rely on private and voluntary bodies.

In spite of this system of financial transfers, many local authorities experienced serious financial problems in the early 1990s following German unification – particularly those like Gelsenkirchen that were suffering from economic decline

and therefore had to cope with falling revenues from the *Gewerbesteuer*. In response, the *Land* government of North Rhine-Westphalia introduced legislation targeted at those municipalities that were unable to generate sufficient annual income to fund their expenditure. Since 1991 each such municipality has had to submit a 'budgetary assurance programme' (*Haushaltssicherungskonzept)* to the regional *Bezirk* authorities, in order to set out how it would deliver a balanced budget within the next five years. If the plan is approved, the council can receive additional financial help from the *Land* government – but if it is not, it may only borrow up to one-quarter of the amount borrowed in the previous year and is only permitted to perform statutory or urgent duties.

The law has been invoked with increasing regularity since then, as the financial situation for local government across the state has become ever-more precarious (Gerlach, 2010, Holtkamp, 2010). It has had a significant impact on municipal decision-making in the state, as councils have reduced staffing levels, increased taxes where possible and sold off assets such as land and buildings in an attempt to balance their budgets (Timm-Arnold, 2010). In addition, many municipalities reformed their structures and processes in line with NPM thinking, in order to try and improve their internal efficiency, scale down the scope of their activities and reduce expenditure. However, the fact that such reforms were not mandated has meant that the overall picture within German local government is extremely mixed in terms of NPM reform. For example, although a significant minority have outsourced energy provision and waste disposal, water privatisation has proved extremely controversial and public transport remains overwhelmingly in municipal hands. Furthermore, where municipalities have sold off some public assets, they have often retained a significant stake in the controlling organisation (Bogumil and Holtkamp, 2006). As such, German municipalities retain significantly more influence over many local services when compared to their English counterparts.

In addition, as Kost (2010) has argued, municipal staff and local politicians benefit from an aura of professionalism and competence that comes from being part of the '*Expertokratie*'. This means that Germans are more likely than the English to respect council decisions and trust local officials to act in the interests of the area, in accordance with the principle of *lokale Selbstverwaltung* and the legacy of municipalities as representative civic bodies. This also contributes towards German municipalities being much more powerful actors in local governance arrangements than their English counterparts.

Indeed, local government is often labelled as the 'school' or even 'cradle' of democracy (Blair, 1991, Bogumil and Holtkamp, 2006, Schieren, 2010), emphasising its representative nature and status within German society. A high proportion of senior German politicians began their careers in local government and there are strong bonds between party members – from the municipality right up to the European Parliament (Wonka and Rittberger, 2013). To illustrate its comparative societal importance, the percentage of Germans casting a vote in local elections has consistently exceeded the British figure since the data began to be collected systematically in England in 1979. For example, the average turnout at local polls in North Rhine-Westphalia over this period is 60.5%, compared to the English average of 45.5% (Wilson and Game, 2011, p. 252)).

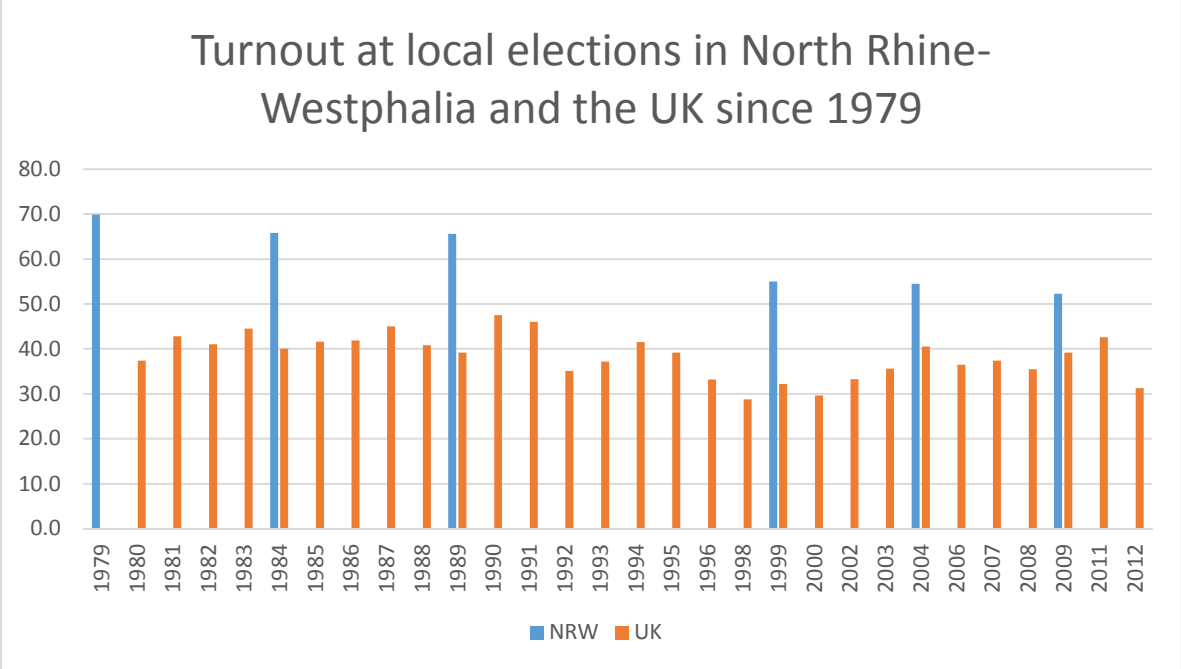

Figure 1: Levels of turnout in local elections in the UK and North Rhine-Westphalia since 1979[5] (Kost, 2010, adapted from Rogers and Burn-Murdoch, 2012)

Overall therefore, although developments since the 1970s have challenged the independence of German municipalities (Herrschel and Newman, 2002, Timm-Arnold, 2010), they retain much more control over local services than their English counterparts – and this gives them greater capacity to shape their areas and implement policy. The result has been that German cities have been able to

[5] Note that local elections occurring on the same date as national polls have been excluded to prevent the results from appearing skewed.

continue developing as distinct 'local democracies' in spite of having to operate under financial constraints (Bogumil and Holtkamp, 2006).

	England since 1835	Prussia/Germany	
		1808-1933 and 1945- present	1933-45
Prevailing paradigm	Delivery/commissioning of local public services	*Lokale Selbstverwaltung*	*Führerprinzip*
Purpose of local government	Politically expedient agent of central government	Civic representation and place-shaping	Agent of central (*Reich*) government
Constitutional status	Creature of statute subject to ministerial whim	Embedded into constitution	Required to implement the will of the *Führer*
Capacity to act in the interests of the locality	Increasingly limited	Moderate	Very limited

Table 2: The role and status of local government in England and Germany

Table 2 summarises the underlying principles behind local government in Germany and England since the early nineteenth century. It highlights how English municipalities are created as politically expedient *agents* of the centre with a remit to oversee local public services and undertake the 'dirty work' on behalf of ministers, and how this institution has remained dominant since the early Victorian period. The result is that many residents see municipalities in overwhelmingly functional terms (rather than as democratic representative bodies) and have a transactional (rather than a citizen-state) relationship with their council. Indeed, a recent study found that elected councillors themselves perceive their role as being more concerned with service provision than 'governing' in any overtly political sense (Copus, 2014).

In contrast, German municipalities have their roots in nineteenth-century Prussian notions of civic pride, community representation and *lokale Selbstverwaltung* – ideas that were temporarily displaced during the Third Reich, but returned to dominance after World War II. These issues have contributed to German councils having more capacity to implement policy objectives for two key reasons. Firstly, they are able to exercise more direct control over public services because fewer functions have been outsourced or privatised. Secondly, they have higher status in local governance arrangements, which allows them to exert greater influence in policy-making processes.

4. Historical contingencies and their contemporary implications

This section draws on fieldwork interviews to illustrate how these dominant institutions shape contemporary policy-making in the 'twin towns' of Newcastle and Gelsenkirchen. In particular, it analyses the methods that each municipality has adopted to encourage residents and business to rely more on renewable energy sources and to improve the thermal efficiency of privately rented housing. These examples are used to highlight how the legacy of local government's establishment in both countries means that the English city has significantly less capacity to implement its objectives than its German counterpart. More specifically, this legacy has meant that Newcastle has a much lower status in local governance arrangements than Gelsenkirchen, which means that external actors can exert more influence over decision-making. This has significant implications for democratic accountability, since private companies could be skewing the agenda in their favour and elected representatives may not have the power to shape policy in the public interest.

4.1 Local energy provision in Gelsenkirchen and Newcastle

Crucially, although some German councils also experimented with NPM ideas, including the privatisation and outsourcing of public functions to private companies, they were not mandated by higher tiers of governance. Indeed, in recent years a number of authorities have actually 'remunicipalised' services in order to regain more control over their areas (Burgi, 2009, Einhellig and Kohl, 2010, Provost and Kennard, 2014). This contrast is a consequence of the reasons why each country created municipalities in the first place, because British ministers viewed local authorities in terms of service delivery and therefore ignored any political concerns about how localities ought to be governed – whereas German councils retained the right to decide for themselves. However, it has had a significant impact on the way in which councils in Newcastle and Gelsenkirchen have tried to reduce their respective cities' reliance on fossil fuels.

In particular, following the nationalisation (and subsequent privatisation) of utilities such as water, electricity and gas, Newcastle City Council has had very little influence over energy provision in the city. Although the authority does run some small district heating networks, these only account for a very small amount of the energy consumed in the area. More recently, in recognition of the problems associated with leaving 'general interest' public services to the vagaries of the market (Héritier, 2001), the council has investigated various ways of re-asserting

greater control over energy provision, by extending these heating networks or working with other large English cities to re-establish municipal energy companies. However, these ideas were very much in their infancy in the mid-2010s and local authorities face a number of large obstacles to entering the energy markets (interview 12).

As a result, the council has to try and encourage greater energy efficiency and use of renewables in an environment that is dominated by the 'Big Six' companies (British Gas, Npower, SSE, Scottish Power, E.On and EDF), which together supply around 95% of domestic gas and electricity in the UK (BBC, 2014). These companies are subject to various regulations that require them to generate a certain proportion of energy from renewable sources. However, these regulations are determined at the national level and therefore municipalities are not in a position to influence any of them – or indeed ensure that their residents buy any green electricity at all. In this way, Newcastle City Council is almost entirely dependent on the goodwill of power companies and private customers (which are perhaps unlikely to purchase more expensive green energy without being incentivised or forced to do so) to take decisions that might help to reduce carbon emissions in the city. Other than favouring renewable sources through its own procurement policies, the council can offer very little in return that might encourage green electricity. As one officer put it:

> The idea behind utility privatisation was that it would drive down costs, but actually it is very difficult to develop policy… because the relationship is between consumers and energy companies [rather than between residents and the state] (interview 1).

In response to its financial problems in the mid-1990s, Gelsenkirchen did sell off some shares in its *Stadtwerk* (municipal service provider) that delivered various services to the city's residents. However, it decided to collaborate with the neighbouring municipalities of Bottrop and Gladbeck to ensure that the public sector retained a joint 49.9% stake in the local energy provider, Emscher Lippe Energie (ELE). Although the remaining 50.1% of shares in the company are held by RWE, the organisation is led by two executives, one of which is employed by the energy giant and the other by the three authorities combined – and any major decisions must be approved by both of these individuals.

Indeed, the three municipalities were able to include a clause in the most recent energy contract that requires ELE to generate up to 20GwH of its annual

electricity provision from renewable sources by 2020 (interview 20). Although the risks associated with re-municipalising energy provision may be very high (interview 24), it was nonetheless raised as an option during contract negotiations and thereby served as an example of the state casting its 'shadow of hierarchy' (Héritier and Lehmkuhl, 2011) over a powerful market actor. This example illustrates how Gelsenkirchen has retained much more control over local energy provision than Newcastle – a position in line with its traditional role as a civic body. It has been able to use this influence to force the energy provider to adopt an ambitious position on renewable energy, and thereby help to achieve the council's policy objectives. In contrast, the UK energy sector has been almost wholly privatised and the prospect of local (or even national) government asserting significant control over gas and electricity provision is extremely unlikely.

4.2 Retrofitting privately-rented housing in Gelsenkirchen and Newcastle

As part of their climate change strategies, both Newcastle and Gelsenkirchen councils place a high priority on retrofitting residential properties to improve their thermal efficiency – thereby reducing the city's overall carbon footprint and helping residents to lower their fuel bills (Newcastle City Council, 2010, Stadt Gelsenkirchen, 2011). There is an obvious incentive for owner-occupiers to pay for measures such as roof or wall insulation, draught-proofing, double-glazing or more efficient boilers – because they will benefit from warmer homes and lower energy bills. In addition, state-sponsored schemes exist in both countries to help homeowners invest in these retrofits and pay back the capital cost over a long period of time (Boardman, 2012, Dowson et al., 2012). However, since private landlords will not live in the property and (in most cases) do not pay their tenants' energy bills, both Newcastle and Gelsenkirchen have had to try persuade these property owners to contribute towards achieving local policy objectives.

Although Newcastle's proportion of owner-occupiers (at 50%) is lower than the English average, only around one-sixth of the city's 120,000 homes are rented out privately – the remaining third are in the hands of social landlords or the arms-length management organisation that oversees housing on behalf of the council (interview 4). However, a significant proportion of these 20,000 privately-rented homes are occupied by students on short-term lets – typically for 12 months – and most landlords are confident of finding new tenants once students graduate and/or leave the city (interview 1). As a result, neither these tenants

nor their landlords have much incentive to invest in retrofits, despite the fact that many homes date from the late nineteenth-century and have a significantly lower level of thermal efficiency than more recently-built properties.

Indeed, although the local authority has sought to engage with landlords to try and persuade them to retrofit their properties, they have been unable to make much progress. This is partly due to the fact that central government has led the agenda by introducing regulations to encourage the 'Big Six' energy companies to improve thermal efficiency. However, it is also a consequence of Newcastle City Council's weaker position in local governance arrangements, which means that landlords do not feel obliged to comply with the municipality's wishes (interview 12).

At around 16%, the percentage of homes in Gelsenkirchen that are occupied by their owners is much lower than in Newcastle (interview 14). In addition, because Gelsenkirchen's population has declined markedly in recent decades (from a peak of around 400,000 in the early 1960s to approximately 260,000 in the present day) there is a surplus of housing stock in the city and therefore landlords are reluctant to increase rents in order to fund retrofitting projects. Furthermore, one-fifth of the city's homes belong to hedge funds or firms listed on the stock market, which one officer characterised as 'businesses that have *purely* financial interests in the city' because they are legally required to act in the interests of their shareholders rather than the municipality (interview 14). As such, we might expect the local authority in Gelsenkirchen to find it more difficult to encourage property owners to invest in retrofits than its counterpart in Newcastle.

As of summer 2013 however, the hedge funds and listed companies *were* engaging with the council and seeking to improve the energy efficiency of their housing stock. Officers at the municipality attributed this to the council's status and its authority as the democratic voice of local residents, pointing out that private companies often look to the state for leadership and are willing to comply with its requests (interview 14). As such, Gelsenkirchen was able to use its democratic resources and status as the local *authority* (in every sense of the term) to persuade them to invest in building retrofits. Indeed, council staff were not particularly surprised by the fact that these landlords agreed to participate in governance processes, even though the city was not in a position to coerce or incentivise them in any way. This illustrates the high regard in which municipalities are held in Germany as civic bodies that represent the interests of

their local communities. It also highlights how Stein's legacy and the principle of *lokale Selbstverwaltung* continues to shape local governance arrangements.

5. *Conclusions and implications for local accountability in England and Germany*

As this article has demonstrated, the contrasting drivers for the creation of modern municipalities in England and Germany mean that Newcastle City Council is not able to exert as much hierarchical authority *vis à vis* other local actors as its German counterpart – even if it wanted to. Stein's philosophy of civic pride and bottom-up development in nineteenth-century Prussia is still relevant in modern-day Germany, where the council accords greater respect in the locality and can therefore exert more power in governance arrangements. In contrast, local authorities in England were created primarily for reasons of political expediency, namely to deliver services on behalf of central government that would ameliorate the public health crisis triggered by the industrial revolution. This legacy of municipalities as overwhelmingly *functional* organisations (rather than democratic civic bodies) has ensured that English councils have remained highly dependent on the centre for resources, and are often required to carry out 'dirty work' on behalf of central government.

As the fieldwork interviews highlighted, this means that Gelsenkirchen Council much more internal capacity than Newcastle. This additional legitimacy and authority has meant that it can (and does) take a more hierarchical approach to policy-making than Newcastle – and it is supported in these endeavours by higher tiers of governance. As a result, it is better placed to respond to citizens' preferences, and is less reliant on outside bodies that are likely to further their own interests in decision-making processes. This state-led approach raises fewer concerns about local democratic accountability, because elected representatives exert more influence over policy.

Indeed, interviewees in each case study city responded in noticeably different ways to identical questions about their council's willingness to pursue more radical climate change policies. As the following quote illustrates, the Newcastle officer was most concerned about how *large companies* in the city might respond to particular initiatives:

> I think at a very basic level, we can't tell the big partners what to do… There's a real balancing challenge there around how we use our strategic powers to further

> the green agenda, whilst at the same time taking businesses with us (interview 30).

In contrast, the Gelsenkirchen interviewee stressed the potential *electoral impact* of such policies:

> A politician who came out strongly on climate protection here would not do well at the next election… The policy is always a bit more advanced than the average voter, but it cannot lose touch from them. I think the policy in Gelsenkirchen is where it is able to be (interview 25).

These quotes highlight how Newcastle considers the interests of businesses and other powerful actors in the area, whereas Gelsenkirchen is more concerned with the views of local citizens. This contrast reflects how private and voluntary organisations are more prominent in Newcastle's governance arrangements, whereas they play a much more subordinate role in Gelsenkirchen (as indeed they do in Germany more generally (interview 28)). In addition, the language used by interviewees in the two cities is also instructive. As the above quote illustrates, officers at Newcastle referred consistently to local 'partners' that help to develop and implement climate protection policies. This term was noticeably absent from discussions in Gelsenkirchen, where interviewees would instead refer to specific organisations by name or mention the general economic sector within which they operated.

Overall therefore, the institutions associated with local government's creation in nineteenth-century Prussia and England have shaped the way in which the municipalities of Gelsenkirchen and Newcastle are able to address policy problems in the present day. The German principle of *lokale Selbstverwaltung* and the English model of local government as a politically expedient agent of the centre remain dominant, and mean that Gelsenkirchen council is in a much stronger position to shape local outcomes and exert hierarchical influence over other actors than its Newcastle counterpart. Although Newcastle has responded to its lack of capacity by working more closely with the private and third sectors, this potentially compromises the democratic relationship between elected representatives and voters because it may result in private interests exerting undue influence over policy-making. However, English municipalities have very few other options to pursue in response to deep austerity cuts – and therefore this accountability gap will probably widen further. In contrast, German authorities continue to receive more support from higher tiers of government,

and – by virtue of being embedded in the constitutional framework – it is likely that they will continue to operate a local civic bodies for the foreseeable future.

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