

Lecture 16

**Regionalism and
regionalization II: A
challenge to the nation-
state and to the EU?**

The transfer of power from the nation state to the regions

- **Regionalization has brought about important changes in governance and policy making structures across the EU**
 - Increase of transfers of powers from the centre to regional governments
 - Even the regions with the lowest level of autonomy (i.e. regions in France) are responsible for a considerable array of policies
 - The expansion of regional powers has not always been matched by a similar increase in regional resources
 - With the exception of Spain, the expenditure balance between central and regional and local governments has remained relatively stable

Share of total government expenditure by different tiers of government (1980-97)

	1980			1990			1997		
	Central Government	Regional Governments	Local Governments	Central Government	Regional Governments	Local Governments	Central Government	Regional Governments	Local Governments
Austria	68.7	13.3	18.0	69.8	13.5	16.7	69.4	15.4	15.2
Belgium	85.9	..	14.1	88.9	..	11.1	89.1	..	10.9
Denmark	47.5	..	52.5	55.6	..	44.4	56.0 ^a	..	44.0 ^a
Finland	61.6	..	38.4	60.2	.	39.8	61.4	..	38.6
France	84.0	..	16.0	82.5	..	17.5	82.5	..	17.5
Germany	56.4	25.5	18.0	59.0	24.0	17.0	62.5 ^c	23.7 ^c	13.9 ^c
Ireland	..	..	..	76.3	..	23.7	74.7 ^b	..	25.3 ^b
Italy	..	..	..	77.2	..	22.8	76.7 ^c	..	23.3 ^c
Luxembourg	..	..	..	83.4	..	16.6	85.5	..	14.5
Netherlands	74.7	..	25.3	76.7	..	23.3	78.3	..	21.7
Portugal	..	..	..	92.2	..	7.8	89.9	..	10.1
Spain	89.0	0.3	10.7	70.0	16.8	13.2	69.0 ^b	19.3 ^b	11.7 ^b
Sweden	63.2	..	36.8	63.3	..	36.7	64.1 ^c	..	35.9 ^c
UK	74.2	..	25.8	74.9	..	25.1	77.7 ^c	..	22.3 ^c

^a 1995

^b 1996

^c 1998

The transfer of power from the nation state to the regions (II)

- Recent steps are, however, going in the direction of granting greater resources to regional governments
 - The tax varying powers accorded to the Parliament award the Scottish executive a significant capacity to raise revenue
 - During the 1990s Spanish regions have been granted access to 30 per cent of the income tax revenues generated within their territory
 - Fiscal federalism is advancing in Italy with the introduction of new forms of regional taxation

The roots of the regionalization process

- **What are the factors behind the drive towards devolution in Europe?**
 - The revival of nationalism and regionalism across Europe since the 1960s
 - The sources behind this regeneration were of historic, linguistic, and cultural nature
 - Regions with a strong identity led the way (Catalonia, Basque Country, Scotland, Flanders, Brittany, Sicily)
 - Demands for autonomy were centred around the need to protect and promote regional culture, languages, and identity
 - The use of economic arguments in the 1990s
 - Globalization is undermining the capacity of nation states to control economic development processes within their territories
 - The region is becoming a key actor in a global setting

The roots of the regionalization process (II)

- **Globalization also poses challenges to regions**
 - The greater mobility of factors of production is forcing regions to adopt more pro-active development strategies
 - Regions and cities are forced to compete with one another for mobile assets
 - Regional success increasingly depends on the capacity of each region to adopt pro-active policies and to form a complex web of public and private institutions
 - Devolution is regarded as a way of guaranteeing economic survival in an increasingly competitive world

Towards a 'Europe of the regions'?

- It is claimed that transfers of powers to supranational and subnational bodies is contributing to the 'hollowing out' of the nation state
 - Taken to its limits, this implies that the nation state in the European context no longer matters (O'Brien, 1992; Ohmae, 1995)
 - Emergence of a 'Europe of the regions'
- But is a 'Europe of the regions' really emerging?
 - For some (Milward, 1999) European integration has not only not weakened, but is reinforcing the power of the nation state

Towards a ‘Europe of the regions’? (II)

- **The transformation of the nation state**
 - Capacity to shape matters that go beyond their national boundaries
 - States as power brokers between subnational and supranational levels of government (Hirst and Thompson, 1995)
 - Regional economic performance still very much embedded in national economic performance
- **We seem to be closer to a ‘Europe with the regions’ than to a ‘Europe of the regions’**

Conclusion

- **The revival of regionalism has triggered a profound transformation of the territorial organization of European states**
- **Devolution processes have both advantages and disadvantages**
 - Advantages:
 - Greater diversity of policies and possibly greater transparency and adjustment to local and regional needs
 - Disadvantages:
 - Greater competition among regions
 - Possibly a lower capacity of poorer regions to compete in a globalized world