LOCAL GOVERNMENT ECONOMICS

Also by Stephen J. Bailey

PUBLIC SECTOR ECONOMICS: Theory, Policy and Practice

Local Government Economics

Principles and Practice

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Softcover reprint of the hardcover 1st edition 1999

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First published 1999 by
MACMILLAN PRESS LTD
Houndmills, Basingstoke, Hampshire RG21 6XS
and London
Companies and representatives
throughout the world

ISBN 978-0-333-66908-2 ISBN 978-1-349-27415-4 (eBook)
DOI 10.1007/978-1-349-27415-4

A catalogue record for this book is available
from the British Library.

This book is printed on paper suitable for recycling and
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10 9 8 7 6 5 4 3 2 1
08 07 06 05 04 03 02 01 00 99

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Preface

This book is designed for students with a good understanding of public sector economics. It provides progression from the author's earlier book *Public Sector Economics: Theory, Policy and Practice* (Bailey 1995), addressing many of the same themes but at a more advanced level, and specifically within the context of local government. Suitable for both UK and international readerships, it reflects the multidisciplinary nature of local government and is aimed at final year students on economics or multidisciplinary degrees, and at postgraduate taught Masters students.

There is an inherent tradeoff between aiming at a wider or a more specialized readership but the author hopes that this text achieves a reasonable balance in being accessible to non-specialists as well as those specializing in economics. The introductions to Chapters 1 and 15 and the list of contents provide the reader with an immediate indication of the ultimate objective of this book and of the topics covered within it.

Local government economics is taught on an increasingly wide range of courses in many countries. However, there is a marked sparsity of current teaching texts. The existing literature is notable for its concentration on edited works of research and conference papers and its focus on the traditionally narrow field of fiscal federalism.

The last UK teaching texts in this area were published many years ago (Foster *et al.* 1980; King 1984). An edited volume of research papers has been published more recently (King 1992), but this is not a teaching text. Other related UK books are in the area of local government finance and concentrate on administrative or public policy aspects, with little or no consideration of economics.

There is a similar marked absence of recent American teaching texts in this area. Wallace Oates' classic work *Fiscal Federalism* dates back almost three decades (1972). Oates subsequently published two edited volumes (Oates 1977, 1998) and a set of his own published papers (Oates 1991). See also Wildasin (1986).

Other publications in the field include a research volume based on a doctoral thesis (Levaggi 1991), sets of edited papers (Owens and Panella 1991; Pola *et al.* 1996; Ahmad 1997), and a series of research monographs on fiscal federalism published by the Australian National University in the 1970s. There are also a number of other American books dating from that decade. More recently, the International Monetary Fund published an edited text on fiscal federalism (Ter-Minassian 1997).

Fiscal federalism covers a much narrower field than is covered in this book. The area of local government economics has become much broader during

the last decade or so, such that fiscal federalism, though still an important component, is no longer the principal focus in many countries. In particular, increasing attention has been paid to the impact of local government spending and taxation on macroeconomic policy, to supply-side initiatives, to use of charges, to privatization, to the purchaser-provider split, to efficiency and to the quality of services. All of these new policy areas are considered in this book.

In summary, this book provides a much-needed, up-to-date treatment of local government economics, broadly defined. While it focuses on local government economics *per se*, it attempts to demonstrate the relevance of the discipline to principles and practice. Specifically, the approach adopted in a number of the chapters is intended to demonstrate how economics can be used to provide theoretical justification for the some of the principles contained within the European Charter of Local Self-Government.

The European Charter is increasingly being adopted throughout the European Union, including those countries which have recently entered the EU or are in the process of doing so. More generally throughout Europe, the breakup of the former Soviet Union and subsequent further disintegration into smaller nation states has led to the rapid creation of local governments and a consequent need for training and education programmes at universities. Such countries often look to Western Europe and North America when examining alternative systems of local government structure, functions and finance. English is almost invariably their second language and is increasingly being used in graduate and postgraduate teaching programmes in European universities. Hence, it is hoped that this book will fulfil the need for a teaching text covering local government economics.

It is hoped that the student, having read this book, will have a detailed understanding of the importance of economics for this crucial component of the public sector and of the welfare state. Put simply, there is a lot of economics in local government, much more than is generally appreciated by non-economists. Therefore any teaching of local government which does not include relevant economic theory can only be regarded as seriously deficient in its coverage of the multidisciplinary basis of local government.

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Acknowledgement

Chapter 11 was written jointly with Stephen Connolly and is incorporated in this volume with his permission.

S. J. B.