

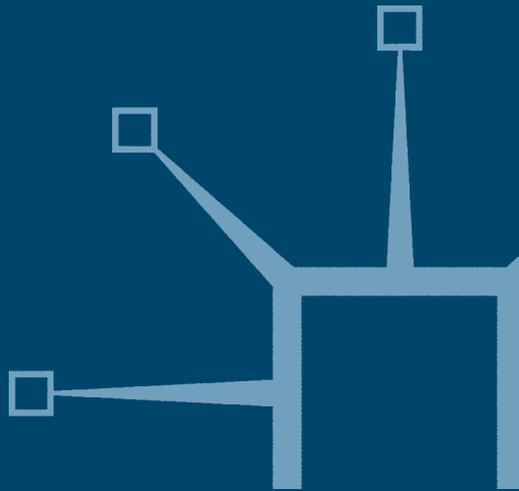
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Local Governance in Central and Eastern Europe

Comparing Performance in the
Czech Republic, Hungary, Poland and Russia

Tomila V. Lankina and Anneke Hudalla

with
Hellmut Wollmann



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Comparing Performance in the
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De Montfort University

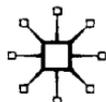
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Preface

This book is the product of a collective effort. Hellmut Wollmann provided overall project administrative management and guidance. Tomila V. Lankina is the principal author of the study. She wrote Chapters 1, 4, 6 and 7, carried out research in Hungary and Russia, and revised and rewrote the original research project manuscript for publication as a book. Anneke Hudalla wrote Chapters 2, 3 and 5 and conducted research in the Czech Republic and Poland. Sections of chapters authored by one scholar incorporate research conducted by both scholars in the respective countries. We are extremely grateful to the German Public Science Foundation for providing generous funding for the research project. We would like to thank Judit Keller for her outstanding research support in Hungary, Alexander Belousov for his research in Berlin, and Magdalena Szaniawska and Jacqueline Kuehn for their excellent research assistance. We are also very grateful to the anonymous referee for his thoughtful comments and suggestions for improvement of the manuscript. Finally, we express our gratitude to local officials, members of civil society organisations, businesses and civic activists in the cities of Staraya Russa, Balashov, Jelenia Góra, Biała Podlaska, Ústí nad Labem, Karviná, Szolnok and Sopron who provided valuable insights for our study and facilitated our research. Any errors are of course solely our own.

Hellmut Wollmann

1

Methodology and Case Selection

When we set out on our research voyage to explore municipal performance in Central and Eastern Europe, we were struck by enormous within-country variation in local outcomes. These patterns defied conventional wisdom about the role of the structural 'givens' and broader national or regional institutional frameworks in charting a town's developmental trajectory.

The cities of Sopron and Szolnok are, for example, both Hungarian towns, and yet Szolnok is more comparable to the backward towns in the less well-off post-communist east. Sopron has suffered from many of the same economic and social problems as Szolnok, but local decision-making patterns are vastly different in the two towns. In Sopron, decision-making is politicised, but there is greater continuity of administrative personnel. Here businesses and civic activists pool resources to help the local government out in times of crisis, and there are regular meetings between the civic and municipal actors. A purely local political party with strong local roots helps keep the political balance when things get too heated in national elections and threaten to spill over into the local party-political arena. In Szolnok, a massive purge of administrative personnel accompanies the election of a new mayor; decision-making is highly conflictual; there are no strong local parties; and a local 'civic culture' of cooperation among local government and civil society is all but absent.

Likewise, the Russian cities of Balashov and Staraya Russa share little in common beyond past literary fame. Both served as prototypes for towns in two masterpieces of Russian literature: Pasternak's *Doctor Zhivago*, and Dostoevsky's *The Brothers Karamazov*. Here, however, the similarity ends.

Once a charming provincial town immortalised in Pasternak's poetry, Balashov is now a monstrous sight of crumbling roads and drab buildings.

In winter, the snow lies for weeks on the main roads without any sign of clearing, and in summer the weeds proliferate through the omnipresent cracks in the drab facades. And the *Profilaktoriy* (resort), the city's pride, threatens to crush the occasional visitor with a door loosely hanging on one hinge.

In Staraya Russa one relives the charm of Dostoevsky's beloved spa city. The streets are clean, the plants trimmed, and historical monuments and churches carefully preserved. The visitor-friendly city dwellers share a pride in the past and a confidence in the future of their city.

Although both are Russian towns, Balashov is in fact more similar to Szolnok, and Staraya Russa is more similar to the success-story cities in Central Europe, struggling against and overcoming the communist legacies of central planning, the socialist architecture that scarred their faces, and the immense social costs of change. What then explains the stark differences, however impressionistic, in the paths that these cities have taken?

To date, most studies of local government in Central and Eastern Europe have focused on cross-national variations in local institution-building and performance. This study seeks to explain both cross-national and *within*-national variations in local outcomes. In other words, it aims to understand not only why post-communist states have differed markedly in their local government developments, but also why they have had such contrasts between their cities even though they have ostensibly created broadly similar local government institutional frameworks. To the extent that cases are drawn from states in both Central and Eastern Europe – both some that have acceded to the European Union (EU), namely Poland, Hungary and the Czech Republic, and one that has no such prospect, namely Russia – the study also differs from many other works on post-communist local institution-building. In fact, we show how individual cities within Central Europe may have more in common with their counterparts across national borders and with those in less developed countries of Eastern Europe than with their next-door neighbours within the same state. The following sections identify and briefly discuss the theoretical and methodological approaches that have been advanced to explain local performance in various national settings.

Theoretical approaches

Socio-economic contexts

The most straightforward set of explanations for variations in local performance may be loosely grouped under the label of socio-economic

contexts. It refers to both the narrower, locality-specific structural endowments, and the broader social-economic structures of the larger area. The locality-specific factors may be the availability of or proximity to roads or other transportation arteries. They may also include structures inherited from the communist or even pre-communist periods, such as giant industrial enterprises or tourist resorts, or the degree of economic concentration and constellation of industries (Stoner-Weiss 1997).

Structures of the larger area have also been referred to as the 'ecology' of place or location.¹ The localities, according to such approaches, are parts of broader socio-economic environments which significantly affect the local socio-economic structures and development (Friedland and Bielby 1981: 140). As Paul Peterson suggests, because cities, unlike states, are 'open systems', they are particularly sensitive to contextual socio-economic changes, such as labour flows. While states have a variety of instruments for protecting themselves against potentially negative external influences, cities are legally constrained in the choice of the relevant defensive mechanisms (Peterson 1981: 69).

The 'ecology' of the locality has been particularly salient in post-communist settings, considering the persisting legacies of the 'company town' syndrome with its high industrial concentration and large mono-structures. Not only does the nature and constellation of local industries per se have an impact on general developmental outcomes, but it has also been suggested that it influences local elite constellations, their propensity to cooperate and economic decision-making. One study found, for example, that a small number of larger industries and a limited number of key economic players are associated with better performance outcomes than a more 'dispersed' and conflictual constellation of industrial versus agricultural players. The dispersion of economic power, it is suggested, leads to the dispersion of political power, leading to conflicts and bad decision-making (Stoner-Weiss 1997).

Other scholars of transitional economies have likewise suggested that 'an economy with highly concentrated assets offers greater potential for elite enrichment, while dispersed assets offer fewer such opportunities'. Scholars have also specified the assets that are particularly likely to lead to successful efforts in elite capture. They are oil, minerals and large real estate, that is, resources already under government control and organised in 'corporate form' (Walder 2003). Alternatively, examples of dispersed assets would be small-holding agriculture or a small-scale entrepreneurial economy with manufacturing and services carried out by small private or household firms. While unattractive to the old elite, these assets might be highly attractive to elite newcomers; such an economic structure is

therefore more conducive to the influx of new forces. These structural inheritances arguably continue to influence efforts to transform the post-socialist economies and the overall well-being of localities (Grabher and Stark 1997: 16–18). Accordingly, our inferences about performance variations should take these factors into account.

Another example of the contextual influences on smaller localities is the variable of the ‘spillover’ effect of regional collective goods (Bennett 1990: 231). While national collective goods may be evenly distributed across all territories, regional collective goods may vary substantially depending on the broader region-specific economic or structural factors, or the fiscal policies of a given region. This factor should play a strong role in countries where regional economic disparities are very pronounced, and/or where regions – or in federations, federal constituent units – are endowed with substantial powers to devise their own fiscal policies.

A crucial ‘ecology’ factor is also what we might call the east–west effect. Not only are there wide economic disparities at a sub-national level in the countries we are investigating, but there is also a pronounced east–west dimension observed in some aspects of post-communist development. For example, scholars have shown that civil society is more likely to be developed in more western locations than in eastern ones, even within one national setting. The more western located countries of the post-communist world were also shown to be more likely to pursue democratic political reform. The very pattern of democratization – from the Central European countries that have now acceded to the EU, to the subsequent Rose and Orange Revolutions in Georgia and Ukraine – would suggest a sequencing of democratisation patterns that has a west-east dimension (Kopstein and Reilly 2000; Lankina forthcoming 2007; Fish 1999; Bunce 2003; Kubik 2005).

‘Historical legacies’ and patterns of imperial incorporation of the various territories have been commonly advanced to explain these current disparities (Fish 1999). For example, whether a locality had been part of the Austro-Hungarian and Russian Empires or Prussia arguably impacted on patterns of the development of bourgeoisie, property rights or local autonomy. Long-term religious tradition, Protestant, Orthodox or Catholic, which also has a pronounced geographic dimension, may likewise influence contemporary political outcomes in terms of political authority patterns. Finally, institutional legacies, more versus less bureaucratic or centralist, likewise related to imperial rule over certain territories, may have an impact on current institutional choices and practices.

Recently scholars have proposed a complementary explanatory framework for analysing the impact of geographic location on political or

economic performance. The framework, while not discounting the role of legacies, incorporates current patterns of geographic diffusion conceptualised as 'flows', as well as prospects for EU accession and EU developmental efforts, as key factors in explaining post-communist developmental outcomes. The theory, advanced by Jeffrey Kopstein and David Reilly, draws on political geography and globalization literature. In the diffusion analysis framework, 'flows' refer to exchanges of information, ideas, technologies, trade and commerce through human interaction and facilitated by the geographic proximity or contiguity of one country to another. In addition, EU accession prospects are powerful stimulants for elites in formerly communist countries to pursue political reform (2000). In another study, the authors of this book have refined the Kopstein and Reilly framework to include sub-national territories (Lankina forthcoming 2007). It is argued that sub-national territories are likewise experiencing the variable effects of these flows, alongside the targeted efforts of Western donors, such as the EU. This results in 'geographically incremental' patterns of development and reform proceeding from the west eastwards.

For the purposes of this study, if such patterns do exist, then a more western location would be more propitious for better performance outcomes. In some settings, such as Poland, a west versus east location might overlap with the variable historical legacies of belonging in such distinct entities as the Russian Empire, Prussia or Austro-Hungary. Even in Russia, there are areas which boast a historical legacy of engagement with the West going back to the Middle Ages and contrasting with the legacy of isolation characteristic of other, more eastern located areas.

Contemporary geographically conditioned factors are also extremely important for local outcomes. Local governments in more western locations, we may surmise, are more likely to experience the positive spillover effects coming from their western neighbours. Examples of such effects would be foreign investment or tourism that would facilitate their developmental efforts, or progressive ideas about social service delivery that would be diffused through interaction with EU donors.

Accordingly, in an effort to account for the possible impact of contextual factors on local performance we consider such factors as the geographic location of a given town and historical legacies of imperial incorporation; the density of local transport infrastructure networks; the structures of local economies; the degree of their diversity at the outset of post-communist economic transformations; and broader regional economic variations. We examine the possible impact of the structural factors in Chapter 4, as well as in the sections on regional finance in Chapter 5.

The impact of historical legacies on politics and performance in the various locations is explored in Chapter 6.

Institutions

In the last two decades, a large body of literature has explored the role of institutions in accounting for cross-national variations in political outcomes (March and Olsen 1989; North 1990; Evans, Rueschmeyer and Skocpol 1985; Ostrom 1990). Institutions are understood both as formal structures and as 'rules of the game' affecting the incentives and behaviour of political actors (Przeworski 1991). Scholars have suggested various ways of manipulating local actor incentive structures through institutional design by imposing more or less centralist arrangements, changing the size of municipalities (Keating 1995: 117–34), changing local electoral legislation, or the formal relationships between the representative and the executive bodies, to name just a few (Jones 1995: 85).²

A starting point for institutional debates on local government is whether decentralisation is a desirable goal in itself. Broadly defined, decentralisation refers to a dispersion of authority to smaller sub-national units, as opposed to concentration of political decision-making in the central government (Wolman 1990: 30). There is much agreement on the *normative* desirability of local government as one that is close to local communities and that can best engage, represent and serve the grassroots (De Tocqueville 1994; Stoker 1996). There is much less consensus as to whether greater local autonomy always in practice matches expectations with regard to both its representative and service aspects. That local government bodies are often unrepresentative of the relevant communities or not very responsive to their needs, even in advanced Western democracies, is a fact well documented in numerous studies (Newton 1976; Bachrach and Baratz 1962; Schattschneider 1960). Much less straightforward and methodologically more complicated is an assessment of local government performance in more versus less autonomous local governments. For example, more autonomous local governments may be more responsive to the local populations and may serve them better, but they may also be subject to local corruption that, if left unchecked by the central or regional authority, may significantly damage the interests of the local population.

If the degree of institutional autonomy from the central state matters for local performance, we need to outline some basic criteria for comparing institutional variations in our respective states. Following an established tradition in public administration and social science we use several yardsticks to assess the degree of local autonomy vis-à-vis the

central state (Goldsmith and Newton 1988; Page and Goldsmith 1987). The first yardstick is the nature and scope of local functions. The second is the mechanisms of judicial and/or state supervision and control over local government. The third set of measures relates to the fiscal aspects of local government: the degree to which local governments rely on own sources of revenue; the amounts they spend in proportion to overall state expenditures; the amount of central grants and other central funding; and the conditions attached to such funding. The assumption is that central funding with strings attached can increase the likelihood of national state intervention into local expenditure decision-making (Oates 1990). Another simple formula for distinguishing between more and less centralised systems is whether the central state endows municipalities with general competence powers allowing actions not explicitly prohibited (more decentralised) or whether only activities explicitly authorised by the national government are permitted (more centralised) (Wolman 1990). The impact of the variable institutional arrangements on local performance is discussed in Chapters 5 and 6.

The politics of local performance: leadership, values, and partisanship

A related set of variables could be grouped under the label 'politics of local performance', which have a particularly rich tradition in urban policy analysis. Classical studies of community decision-making in American cities from those of Robert Dahl, to Nelson Polsby, Floyd Hunter and Kenneth Newton's work on Birmingham have examined the political aspects of local governance (Dahl 1966; Polsby 1963; Hunter 1968, 1980; Newton 1976). The primary concern of these studies has been an identification of 'who rules', and the related question of 'who benefits', which is distinct from the question of 'with what effects', that is, performance. Thus, scholars would explore the social, economic, ethnic, racial or gender characteristics of the local 'power elite', as well as 'leadership' or other qualities of local actors (Moyser and Parry 1989; Meadcroft 2001; Newton 1976; Szuks 1998).

The question of 'who rules' has been the preoccupation of the first generation of scholarship on newly decentralising post-communist states. For example, scholars analysed party-political affiliations of local councillors in an effort to ascertain the proportion of communist 'old-timers' versus newcomers in the local bodies, and the values associated with the respective backgrounds (Gel'man et al. 2000; Matsuzato 1999; Friedgut and Hahn 1994; Le Huérou 1999; Lallemand 1998; Lankina 2001, 2002, 2004a; McAuley 1992, 1997; Mendras 1998, 1999;

Young 1994; Baldersheim et al. 1996; Horváth 2000). The effects of the composition of the ruling groups on local performance, other than allocation ones (who benefits) have been secondary to much of the above analyses, however.

Such a focus is distinct from the more recent Western urban studies and decentralisation literature, which has experienced a shift from the question of 'who rules' to 'with what effects', in both theory and empiricism (Judge, Stoker and Wolman 1995; Bachrach and Baratz 1962; Banfield and Wilson 1963; Clark 1973; Dahl 1966; Hunter 1968, 1980; Mabileau 1989; Newton 1976; Polsby 1963; Schattschneider 1960). Moreover, there has been a much greater emphasis on contextual – institutional or other – factors affecting political actor preferences and behaviour, and ultimately local outputs. This shift of focus to performance has been less felt in the scholarship on post-communist local settings, perhaps understandably so considering that those 'who rule' have had little time to study 'with what effects'. Moreover, in defence of the above studies one may say that local government reforms continue to be at the implementation stage and local bodies weakly institutionalised, complicating an assessment of the longer term impact of institutional factors on actor preferences (Horváth 2000).

In terms of effects on governance, Robert Putnam's work on 'social capital' in particular has sensitised us to the importance of a set of historically conditioned values and traditions in accounting for local government performance variations.³ Putnam defines social capital as 'features of social life – networks, norms, and trust – that enable participants to act together more effectively to pursue shared objectives' (Putnam 1995). Social capital arguably affects the orientations and decision-making patterns of local officials and their relationships with the local constituencies. It might affect the degree of tolerance of alternative views and positions, and actors' propensity to cooperate, or alternatively, pursue conflictual modes of decision-making. Communities with greater levels of social capital of a 'bridging' kind are characterised by horizontal relations of 'reciprocity and cooperation', not 'vertical relations of authority and dependency'. This in turn ensures active participation in public affairs by the broader citizenry, likewise affecting local performance. Civic associations are crucial for social capital because cross-cutting membership in local associations serves to instil in members 'habits of cooperation' (Putnam 1993).

In its stress on value systems social capital is similar to what other scholars conceptualise as political culture (Almond and Verba 1963). Generally, political culture refers to 'the *subjective understanding of politics*

and is concerned with people's *values*, their *perceptions* of history – as distinct from history *per se* – and with their *foci of identification*' (Brown 2005: 182). These cognitive patterns in turn affect 'dispositions of actors to act in certain ways in sets of situations'. According to Harry Eckstein, culturalist theory is postulated on 'oriented action', whereby 'actors do not respond directly to "situations", but respond to them through mediating "orientations"' (Eckstein 1988: 790). Social capital and political culture have proved to be powerful explanatory frameworks accounting for various political outcomes, from institutional choices to the durability and stability of political institutions, and to the quality of governance.

The post-communist contexts we are investigating should make us particularly sensitive to the importance of cultural values of the local administrative personnel and other actors influencing local performance (Lamentowicz 1990). In circumstances of uncertainty, legal vacuum, institutional change and weak institutionalisation of local government rules and procedures, culture is bound to play a strong role. Cultural orientations have been in particular juxtaposed to 'rational' calculations when there is great uncertainty about decision-making outcomes. As Nicolai Petro writes, 'the greater the degree of socio-economic turmoil, the less people will believe that decisions should be made on the basis of what worked in the past'. It is during such times in particular that 'people turn to culture for meaning' (Petro 2004: 96). At the same time, while cultural orientations are durable, they do change (Eckstein 1988; Hahn 2005). It has been suggested that 'fundamental normative orientations' might be more important during the early phases of post-communist transformation, while more instrumentalist actions would be associated with later periods when people will have had more experience with post-communist settings and would be able to make more informed cost-benefit calculations, or indeed ones based on changing value orientations. Cultural orientations might be important for the kinds of institutional choices that are made at a local level – for example, a stress on strong executive rule versus strong council – or policy preferences (for example, social welfarism versus market liberalism) (Whitefield 2005). At the same time, people's self-identifications are likely to influence their attitudes to the non-post-communist West and their receptivity to external economic reform and democratic institution-building programmes. This would be particularly relevant for our EU accession candidate states, Poland, Hungary and the Czech Republic, but also Russia, which is not a candidate, but has been a recipient of a large volume of EU aid (Lankina forthcoming 2007).

While culture may be an important explanatory factor for local performance during the first post-communist decade, we here concur with Archie Brown that it is 'just one of the elements to be explored in political analysis, alongside institutions, interests, leadership, power, and ideas. The centrality of one or other of these components to an explanation of *particular* political change or continuity will vary greatly from case to case' (Brown 2005: 180; Rose et al. 1996; Rose 1994, 1997).

Accordingly, while sensitive to the role of normative and other qualities of individual leaders and other local actors in discussing the politics of local performance we largely focus on the explanatory factors that our own field research suggested to be most powerful, namely party political factors. These variables have been in fact linked to performance in a tradition that goes back to Dahl and Polsby, and continues with the neo-institutionalist stress on institutional engineering as a determinant of performance. There is a large body of local government scholarship that distinguishes between partisanship and non-partisanship. Partisanship refers to electoral arrangements placing parties at the centre of local electoral politics, while non-partisanship is a 'system of elections ... in which no candidate is identified on the ballot by party affiliation' (Banfield and Wilson 1963: 151; Tarrow 1977). The idea that partisanship can be damaging to local efficiency and performance is part of a century-long debate rooted in American history and practice. The notorious machine politics of the late nineteenth and early twentieth centuries generated a reform or 'progressivist' movement which sought to make local government more service oriented and less partisan and politicised, the latter seen as damaging to its efficient operation. A radical reform of local government institutions was seen as crucial to reducing local conflict and improving local administration. The key aspects of the reform involved setting up more professional and managerial local executive structures, and an electoral system to the local councils based on largely non-party based elections. Although the theory and practice of depoliticised 'reform' local governments are rooted in the American and, to a lesser extent, West European contexts, their implications are wide ranging for various national settings.

Central to the definition of partisanship are political parties. While their role is marginal in smaller townships, they become more important in larger urban settings, which are the focus of this study. Local government institutional design and the nature of the party system in a given country are seen as key determinants of whether parties will play a strong role in local decision-making, or whether their role will be marginal or non-existent (Gottdiener 1987; Banfield 1961, 1985; Lineberry

and Fowler 1967; Domhoff 1998; Eisinger 1973; Leif and Clark 1972). Some yardsticks for establishing cross-national variation in local government institutional structures are the mechanisms for election or appointment of the key local executive and his or her administration; and the way the local council is elected, in particular, whether any mechanisms exist, electoral or other, for the representation of political parties.

In discussing the role of formal institutional arrangements, we also consider the role of leadership (Stone 1995), social capital and political culture discussed earlier in this section. As Putnam's study reminds us, when institutions are put into place, the variable leadership qualities, value systems and behavioural styles of individuals operating within these institutions might result in quite different outcomes even if, say, electoral arrangements and party systems are identical in two different settings. Harry Eckstein's concept of 'congruence' likewise sensitises us to the link between authority patterns at social and political institutional levels (1988). No matter how good the institutions, they might be dysfunctional if they are not supported by appropriate cultural patterns at a broader social level. Social capital or political culture might therefore be important, if not central, to the way parties operate and the degree of partisanship and conflict in local councils. Our chapter on the politics of local performance, while focusing on parties, seeks to take all of these factors into account. The impact of party political factors on performance in settings with variable institutional arrangements and levels of party institutionalisation, from the highly party-competitive Hungarian case, to Russia, where parties have played a negligible role in local politics during the period we are investigating, is discussed in detail in Chapter 6.

Evaluating performance

This study seeks to explain variation in institutional performance, our key dependent variable. Local government performance may be defined as the ability to address local social needs and improve the well being of the locality as a whole. Evaluating and measuring performance has been the thorniest issue of local government studies (Clark and Ferguson 1981; Bish and Ostrom 1973).

Scholars have argued that public services measurement instruments designed for a particular urban setting may be inappropriate in others and may yield unreliable or even distorted results. For example, the same production inputs may result in different outputs in an area with