

## Coercive Municipal Amalgamation Today – With Illustrations from Estonia –

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### ABSTRACT

This essay presents coercive municipal amalgamation as one of the most serious threats to local government today. But this is without rational base, as all recent empirical investigations deny a connection between size and efficiency in such cases; theory, likewise, speaks against automatic efficiency gains, as efficiency is task-dependent and thus a function of appropriateness. Then the Estonian case is reviewed, finding that the current, traditional attempts at coercive amalgamation are a typical example of non-rational public-sector reform. Finally, the essay makes the point that matters so fundamental for democracy as municipal autonomy are beyond expert opinion anyway, which necessarily has the habit of changing, but they need to be decided by the citizens involved themselves.

**Keywords:** municipal autonomy; municipal-unit reform; Estonian local government

### 1. Coercive Municipal Amalgamation

One of the greatest threats to Municipal Autonomy and the principle of Local self-governance today – in the primarily “Western” countries which have such a legacy and tradition to begin with, be it Anglo-Saxon or Continental-Steinian – is and remains the coercive amalgamation of municipalities, i.e. forcing of municipalities together without the consent of either their governments or the people. This has been a tendency for almost fifty years now, and the stated purpose of this is, by and large, presumed efficiency gains through economies of scale, followed by greater competence and better service provision of the larger units. In the general pro-amalgamation discourse, issues of democracy and self-administration are then counter-balanced by the claim that in the end, it is the nation state in which any genuine authority rests, and that small municipalities would need transfer payments from bigger ones, i.e. they would live at the expense of others. In this discourse, the social engineering inclinations of experts, a hallmark of the late 1960s and 1970s, came together with the savings imperative of the New Public Management in the 1980s

and 1990s, which was, in claim, all about “efficiency” (but practically actually just about cheapness). And while the New Public Management declined and became delegitimized during the 2000s, it returned with a vengeance in 2008 as a reaction to the global financial crisis, and the decline had also not made it to all levels of expert and general society either. So, the central argument in the general (and political, rather than scholarly) discourse today remains one simple assumption: Bigger is better; larger municipalities are more efficient than smaller ones.

This, however, is manifestly false, both on the empirical and on the theoretical level. In fact, we never had a clearer image than in 2012 that altogether the sentence remains true that there are no automatic efficiency gains when enlarging administrative units.

Empirically, all recent studies suggest this very clearly. *Smarter, Faster, and Cheaper – An Operations Efficiency Benchmarking Study of 100 American Cities by IBM Global Business Services* (IBM 2011) – as good an address as one could want for this – created a highly sophisticated efficiency indicator and then looked at which cities are the best on that scale and why. The result is that efficiency is created by management – “there appears to be no economies of scale at work: city population does not correlate with efficiency.” (7)

The Australian Centre of Excellence for Local Government – and Australia is tendentially favoring forced amalgamation – produced a large-scale study called *Consolidation in Local Government: A Fresh Look*. (Aulich et al. 2011) The report includes a good meta-study in which empirical investigations of many countries’ local amalgamations during the last decade were reviewed and evaluated. The result: “It is clear that there is insufficient, robust research to provide a sound basis for the assertion that economies of scale will generally accompany amalgamation.” (12)

Earlier, a meta-study by Rutgers University, led by Marc Holzer, had come to the result,

If the question is “Do we consolidate and where?”, the literature review shows there is not adequate information to say “yes” or “no,” and there are certainly not concrete criteria to follow through on a “yes” answer. The literature indicates that governments have achieved only a small portion of the attempted consolidations, and the results of those achieved are mixed. ... The literature does not consistently support the general belief that increasing the size of municipalities will lead to cost savings. The overall U-Shaped curve relationship between population size and costs per capita masks the details of size relationships that vary with the nature of the service being delivered. (Holzer et al. 2009, 22)

Most interesting and most recently, perhaps, in one of the empirically soundest investigations (a Dutch case study), scholars from the University of Groningen showed just a few months ago

that municipal amalgamations increase spending before and during amalgamation, and also in the long run. The local tax burden is temporarily reduced just before amalgamation. We find no evidence that amalgamations enable municipalities to better exploit economies of scale. Based on our results, we

cannot recommend amalgamating municipalities as an instrument to curb local government spending. (Allers and Geertsema 2012, 1)

We can, therefore, assume quite safely that empirically, bigger does not mean better. But while this is more or less accepted by now by those up to the discussion, it may still be argued that this is clear for a certain size of municipalities, but that smaller ones, including of course very small ones, are both costly (inefficient) and incapable of good service provision (ineffective). This is, however, already logically wrong and can be simply falsified by stating that efficiency gains depend on the tasks that the administrative unit has to accomplish. Local Government tasks can be and are completely different in aim and scope, and one can envision models in which there are almost no tasks (in which case a micro-budget and a part-time mayor would do, but we could then also have very small communities), while on the other hand, as in some Scandinavian models, public-service provision is provided mainly by municipalities. That one needs bigger units if one wants to provide health care, schools, even colleges and universities, and so on, is rather obvious. But the optimal local-government size is the one that is appropriate to its tasks, which do not only depend on legacy and context but which can definitely change and be changed, and so, without knowing the latter, any absolute statement about the former becomes completely meaningless.

But even if there are, in a specific case, economies of scale as regards public-service delivery on the local level, it is easy to reap them without touching municipal autonomy. One classic way to reap these benefits is municipal cooperation, and another is Anwar Shah's well-known suggestion that those services where economies of scale do exist are delivered on the cooperative, county or state, level, and those where this is not the case on the local one. (Shah 2006) It is actually rather easy if one has good will. If it is possible to get similar efficiency gains with less intrusion into Municipal Autonomy, surely this is the path to be taken.

So much for the efficiency, but even if it did generally increase through forced mergers, would it be worth the loss of Municipal Autonomy? In a democracy, people should have the right to determine how they are governed and by whom in the smallest functional, cohesive unit they really and actually live in (Shah 2006) – the unimagined communities, to some extent. That is the municipality – the municipality as it really exists, not as it is decreed top-down from the central government which, generally, has its own institutional interests at heart, and this sees local government, and local identity, as a challenge or even as a threat. That, however, if we believe in horizontal as well as vertical separation of powers, is a good thing, not a bad one. If municipalities grow together, if borders become fluent, if there is urban sprawl, and so on, certainly some institutional redesign may be in order, based – as the Australia report suggests – on a highly individual approach founded on complex evaluation, steady development of the amalgamation and early inclusion of all stakeholders. (Aulich et al. 2011, 124-125)

And finally, e-governance particularly opens many new avenues in this respect – from the citizens and village mayors who can get an answer to any question on their smartphone in real time, thus making unnecessary an increased presence of specialists in any small community and thus enabling even very small communities

to be efficiently self-administered, to new forms of local initiatives and consensus-creation. This may be the future, especially of rural-municipal autonomy. The idea to have the need for a fully-manned office in any village is a mid-20<sup>th</sup>-century one, and so, in the end, is coercive municipal amalgamation.

## 2. The Estonian Case

This very issue which I have once called the Loch Ness Monster of Estonian administrative (Drechsler 2008a), forcing the allegedly too many and too small local governments of Estonia into less and bigger ones, surfaced again in 2012. This time, the protagonists of such a reform, active ever since Estonia regained independence, use a study by an employee of the Ministry of Regional Affairs (whose minister, Siim Kiisler, belongs to the nationalist, market-radical Union of Pro Patria and Res Publica party, which has always been the harshest enemy of municipal autonomy in Estonia, and which has the usual party-political motives for this; an attitude the minister fully shares). This study argues that the voluntary fusions of local governments that have happened so far have improved efficiency by reducing costs. (Viks 2012)

One might assume that this is indeed correct, because after all, this is a statistical result on the level of saying that more than 50% of all English Queens have been women. Of course it is likely that municipalities that wanted to join made some gains – that is probably why they wanted to join. But how would that translate, as is assumed, into the argument that one would have good results in forcing municipalities together that do not want that?

The kind of efficiency addressed here seems to be the old-fashioned concept of micro-efficiency anyway that just talks about cost-cutting on the input level, without even checking what the macro-efficiency output, including effectiveness and actual service delivery, has been. In addition, the findings stand in stark contrast to the Dutch study already mentioned, which is especially relevant here because in the Netherlands, too, the process was a slow and individual one and not one of fast, overall forced amalgamation. (Allers and Gertsemaa 2012)

It may well be, as has been argued recently from the same background, as well, that the bureaucrats in the newly-enlarged municipalities liked the enlargement (Viks, Sootla and Kattai 2010) – not only because it was voluntary, but because, as we know since the 1970s (William A. Niskanen's bureaucracy theory), one of the main drivers of civil servants is to maximize the budget over which they rule. (Niskanen 1975)

On the one hand, in Estonia, municipal autonomy is constitutionally guaranteed. (Art. 154 *Estonian Constitution*) Theoretically, as the very first – very much Steinian – Estonian public-management book, written in 1835 by Georg v. Brevern, has claimed, one can also argue that both theoretically as well as in the concrete Estonian case, municipalities, historically, came even before the nation states, and that their autonomy co-evolved with the state's; it is not just delegated from the latter. (Brevern 1835, § 6) And would anyone in Estonia seriously argue (as some foreign experts did in the 1990s) that this country should be merged with Latvia and Lithuania to raise efficiency and produce economies of scale?

On the other hand, “lesser evils”, such as municipal cooperation, are vastly underexplored in Estonia – as most effects are; the claim to the contrary by the local academic protagonists of amalgamation (Viks, Sootla and Kattai 2010) basically lists their own work and that of a consulting firm, Geomeedia, that is hardly disinterested in the matter and that outright argues for a top-down approach as a matter of technocratic principle. (Noorkõiv 2012) And finally, the entire debate regarding municipal amalgamation is perhaps the only area of the Estonian governance discourse where the *e-riik* – Estonia’s famous self-fashioning as the world leader in e-governance, much of it even valid – is not even mentioned. The new forms of local initiatives and consensus-creation, which actually have recently been introduced to Estonia, do not enter the amalgamation discourse either.

It may very well be true that the situation of the Estonian countryside is not pretty, that the future for rural municipalities is not very bright, and that some serious structural policy and other measures are necessary. But fighting municipal autonomy generally, in the name of an efficiency that actually does not exist, is hardly the way. One of the great successes of Estonian policy of the last two decades has actually been that such reforms were avoided. It is to be hoped that good sense, and understanding what is really efficient, effective, and democratic, will prevail further on, as well, and that it will be possible to build on that success in a future- and citizen-oriented way.

### 3. The Limits of the Expert

I will, however, not end with this rather normative admonition, but rather, I will utilize the Sunday speech atmosphere it created to look into the matter of coercive municipal amalgamation from a more philosophical perspective as well, which is rather timely also because of the Greek state crisis, and the general European one, we are currently witnessing. These observations relate to the abovementioned phenomenon that Municipal Autonomy is a high good, a part of democracy, one that is guaranteed in many “Western” constitutions, including the Estonian one; one that is in line both with the principles of self-determination and of subsidiarity, but also with the separation of powers. The threshold to abrogate such a principle in the name of efficiency gains, even if they do actually materialize, should necessarily be very high.

Of course, in times of financial crisis and against a background of neo-liberalism, which, by definition, is anti-state, the incentive to lower this threshold becomes strong indeed, and that is what is currently happening. As Jürgen Habermas has observed, the image created is that “less Democracy is better for the markets”, and that this is one way to understand the European and generally “Western” crisis management vis-à-vis Greece. (2011) But as he asks, “Is it really the fortuitous victory of expert knowledge over the dreaded stupidity of the people?” (2011) “Just when there is only the choice between pestilence and cholera, the decision must not be made above the heads of a democratic population.” (Habermas 2011) The same is the key question regarding coercive municipal amalgamation as well: Local citizens, or so it is said, if they are against amalgamation, just want to selfishly preserve their lifestyle at the expense of everyone else, and so one cannot give them a say, especially as the experts say otherwise.

As we have seen *supra*, however, the experts actually do not know better. All experts on the subject matter know that amalgamation does not generally lead to efficiency gains and that empirically, usually it has not done so. But even if it did, expert knowledge is not really relevant for matters of genuine Democracy – to the contrary, one may say. As Nikolaj Berdjajew has pointed out – and this is as unsettling as it is true – the decision for Democracy is one against “truth”, because what matters is majority (1927, 105-113), and that is as it should be, and part of the genius of Democracy, because it is so difficult to ascertain what the truth is. And even beyond that, Hans-Georg Gadamer has pointed out that the expert, the symbol and symptom of our times who links science theory and political praxis, does not know the final truth, as there are no final truths in public arrangement, but just choices to be made by the citizens. The expert “is forced to say the last word, although a scholar in truth does not know something like a last word.” (Gadamer 1995, 139) In a Democracy, we as citizens must and can make the final decision; we cannot delegate it. (152) Even in matters that seem so clear-cut to us now, because experts tell us how bad or good certain options are, we need to realize that much of this knowledge is probably just fashion, “pragmatically-arbitrarily oriented towards *Zeitgeist*-based goal ideas.” (Schnellenbach 2012)

The idea of a Democracy is that at its basis is the autonomous citizen, capable of making choices. As long as we retain this idea, he or she must make their own decisions in fundamental matters of living-together; they cannot be delegated, because there is no expert knowledge, no truth that would count. The basic unit of actual living together, the least imagined and most “real” one, is the community in which one lives, and that is the municipality. To have a say in this community and about that community can easily be called the most basic idea of autonomy at all – today in the globalized world as much as it was already in the Middle Ages. Coercive municipal amalgamation is therefore not only generally inefficient and ineffective; it is also a threat to Democracy and even to the autonomous individual as such.

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