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Reforming Local Government in Europe

Closing the Gap between
Democracy and Efficiency

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Local government reform in Switzerland. More for than by – but what about of?

“Government of the people, by the people and for the people”
Abraham Lincoln, *Principles of government*, 1863

1. Introduction¹

Explicitly referring to Lincoln’s famous characterization of democracy, Fritz Scharpf (1970, 1999) argues that in Western democratic thought, democratic legitimacy of the exercise of governing authority has always been viewed in a two-fold perspective. Some democratic thinkers emphasize government *by* the people, i.e. political choices are considered legitimate if and because they are derived from the authentic preferences of the members of a political community. These preferences are determined through a whole range of procedures, such as elections, votes, public debate, etc. This is what Scharpf calls *input-oriented legitimacy*. A second democratic perspective emphasizes government *for* the people, where political choices are legitimate if and because they effectively promote the welfare of the community in question. This is *output-oriented legitimacy*. Concerning the first of Lincoln’s elements – government of the people – Scharpf (1998: 85) considers the “nation” to be a preconstituted political community and therefore given, so that the debate on democratisation can concentrate on the other two dimensions. However, this contention should be re-considered, especially if we are talking of democratic institutions at sub-national level, whose boundaries do not necessarily correspond to clear-cut political communities (Blatter 2003). Hence, the discussion of democratic governance in any empirical context should not only focus on the ways in which government *by* the people and *for* the people is organised, but also on the ways in which the *people* to be governed are delimited and identified.

In Western democracies, government reforms inevitably raise issues of democratic legitimacy. Whereas the two sources of *input-oriented* and *output-oriented*

1 This paper draws on two research projects funded by the Swiss National Science Foundation in the context of its Priority Programme “Switzerland Towards the Future” which the authors conducted at the *Laboratoire de sociologie urbaine* of the Swiss Federal Institute of Technology Lausanne (Grant #5004-058522, D. Kübler), and at the *Institut für Politikwissenschaft* of the University of Berne (Grant #5004-058520, A. Ladner). The authors wish to thank Linda Shojaei for correcting their English.

put-oriented legitimacy are thought to be complementary, Scharpf also thinks that, due to limited resources, political systems cannot simultaneously maximise both. There is thus a tension between these two dimensions, a *democratic dilemma* (Dahl 1994) that also sheds light on government reforms. If they aim at increasing effectiveness, there is reason to think that this will be done at the expense of the quality of input-processes, and vice versa. Moreover, democratic legitimacy is not only a sum of input- and output-quality as independent factors, but it is also grounded on the ways in which input- and output-processes are linked to each other. More precisely, democratic legitimacy rests upon procedures that give good reasons to believe that decisions made and policies implemented are ultimately a result of public deliberations within a community of free and equal citizens (Habermas 1992). Hence, whether or not reforms of the political system impinge on democratic legitimacy, and if yes, how they do so, is a very relevant issue to consider.

In general, government reforms are not exactly one of Switzerland's favourite preoccupations. The institutional history of Switzerland since the foundation of the modern federal state in 1848 is characterised by stability. Especially in the period after World War II, some observers diagnosed a *malaise helvétique* (Imboden 1964), a Swiss disease, to describe the age-old and wide-spread scepticism towards reform and change, resulting in standstill and paralysis in the face of new challenges. This *incapacity for system reforms* (Gabriel 1999: 144) has been explained as a consequence of the nation-building process in a culturally and religiously heterogeneous country, where several parameters of the political system (such as federalism, direct democracy, independence, neutrality) have become cornerstones of the *Willensnation Schweiz*. On this background, pressure for reform of old-grown governmental institutions and informal practices provoke a profound crisis in the system of political identities and are therefore likely to encounter fierce resistance (Kriesi 1999). In spite of such system-inherent impeding factors, the last decade of the 20th century has witnessed a certain change of climate towards reform in Switzerland. Significant initiatives for reform have been undertaken, and even central features of the political system have been put into question. Although most of these reforms involved the public administration, some of them also concerned the constitutional level.² Moreover, there is evidence that the local level has been particularly concerned by this recent reform activity (Ladner 2001).

The aim of this paper is to present the central features of the reforms that the Swiss local government system has witnessed in the past decade, and to discuss the changes that democratic governance at the local level underwent

2 A revised version of the Federal Constitution was accepted in 1999. Equally, a large number of cantons completed a constitutional revision or started the process of revising their constitutions during the 1990s (Germann 1999a: 389).

in this process. Our analysis is structured around the three above-mentioned dimensions developed by Scharpf in his work on democratic theory. In the first section, we will discuss how reforms of the local government system in Switzerland have concerned the ways in which government of the people is defined, i.e. basically the boundaries of the local political communities as well as their relationship to higher level institutions. In the second section, we will turn to the input-dimension of local government reforms, by discussing changes in the procedures and practices pertaining to government by the people. The third section, is dedicated to an analysis of the multitude of local government reforms related to the output-dimension, i.e. whose agenda is to make *government for the people* more effective. Here, we will also briefly examine the ways in which reforms of local government in Switzerland address the articulation of the input- and the output dimension. Finally, we will conclude on the profile of local government reforms in Switzerland in light of the *democratic dilemma* between efficiency and democracy.

2. Government of the people: structural elements of Swiss local government

The Swiss polity is a federalist three-tier system, composed of the national state (the *Confédération*), 26 federated states (*cantons*) and roughly 2,900 localities (*communes*).³ Swiss communes are autonomous public institutions that have their own constitution, the municipal code. Their autonomy is guaranteed by (unwritten) federal law tradition, but the *dégré* of autonomy is dependent on cantonal legislation. Therefore it would be more accurate not to speak of a Swiss local government system, but rather of 26 different cantonal systems of local government. In general however, communes enjoy considerable autonomy with respect to the cantonal governments, and they have been able to maintain this autonomy over the last 150 years.

3 In this article, we leave aside the various types of special-purpose communes such as *Bürgergemeinden*, *Schulgemeinden*, *Kirchgemeinden*, *Spezialgemeinden*, *Zivilgemeinden*, *Korporationen* that exist in some cantons (see Geser 1999: 423). When we speak of communes, we mean "political communes", i.e. those municipal institutions that have an elaborated legal order, an executive with multiple competences and that comprehend all inhabitants living on their territory.

2.1 Communes: size and number

This autonomy allows first and foremost the right to exist, which generally includes the freedom to merge with other communes or, more important for most of them, to remain independent.⁴ In international comparison the Swiss communes are extremely small in size. Half of them have less than 840 inhabitants. However, only a small percentage of the Swiss population lives in these numerous mini-municipalities: Less than 10 percent of the resident population lives in communes smaller than 1,000 inhabitants.

In spite of this high fragmentation of the Swiss local government system, the number of communes has almost not changed in the last 150 years. In 1850, there were 3,205 communes, whereas there are 2,867 today.⁵ Amalgamation of communes has never been popular in Switzerland. The territorial reforms in most of the Northern European countries in the 1970s (see Albaek et al. 1996) remained without any influence on Switzerland's communes and there have never been any serious attempts to reduce their number. In the middle of the 1990s, however, initiatives were taken by several cantons (Fribourg, Thurgau, Luzern, Ticino and Graubünden) to promote amalgamation of communes. The only cantons where this movement has proven to have a certain effect to date are Thurgau, Fribourg and Ticino, where the municipalities are particularly small and where the lack of viability of some of them has become evident to everyone. Several amalgamations of small and predominantly rural communes took place in these cantons during the 1990s. In general though, a large scale territorial reform is very unlikely for the years to come.

2.2 Fiscal autonomy

Fiscal autonomy of Swiss communes is particularly salient (Linder and Nabholz 1999: 129). Communes are largely autonomous in the administration and control of municipal finances, and they have the authority to fix the rate of the local tax on income and property, which amounts to more than a third of the total tax paid by the citizens. In fiscal terms, communes thus appear as an equal player alongside cantons and the Confederation: in the overall state expenditures in Switzerland, communes account for roughly 30 percent, the cantons for 40 percent and the Confederation for 30 percent. These shares have not been subject to major change during the last two decades.

4 Only the cantons of Ticino and Thurgau have imposed amalgamations of economically not viable communes so far.

5 I.e. as per 1.1.2003.

We are not aware of any attempt that would endeavour to change the central tenets of communal fiscal autonomy. However, several cantons have recently strengthened the systems of financial equalisation between poor and rich communes, in order to reduce disparities of local public resources and tax rates. In addition, in combination with reforms of the public administration (see below), it is notable that an increasing share of communal income is not tax based, but based on charges and fees which are levied from users of communal services (Geser 1999: 434).

2.3 Intergovernmental relations

Intergovernmental relations between state levels in Swiss federalism are characterised by a traditionally strong position of the cantons. The Confederation has no direct implementing capacity in its domains of competence. Implementation of federal policies is thus left to cantons and communes, whereby the cantons act as intermediaries between the Confederation and the communes. Direct intervention of the Confederation in local affairs, and even simple contacts between communes and the Confederation are exceptional. Policy making in Swiss federalism is thus highly dependent on co-operation between the three state levels, the reason it is also called co-operative federalism. Over the years, this has led to a high degree of *Politikverflechtung*⁶ in many domains of state activities (Schenkel and Serdült 1999). This is viewed as an increasing loss of autonomy by the communes. Not only have more and more governmental activities been delegated to them, but legal restrictions stemming from higher political levels have intensified and have become more complex. While arguably this led to an increased dependency on higher levels of government and infringed local autonomy (Geser 1999: 429f.) some observers claim that in certain areas local executive authorities still retain far-reaching discretion (Klöti et al. 1993: 1).

In the middle of the 1990s, after some unsuccessful attempts to disentangle the historically developed allocation of tasks to cantonal and communal levels, a majority of cantons started to consider once again, that the co-operation between the cantonal and the communal level was, due to increasing *Politikverflechtung*, far from being optimal and that any major reform of the communal systems had to clarify first what is to be done by the communes and what is in the scope of cantonal authorities. In almost all cantons there have been more or less serious attempts to allocate tasks and resources to the different layers of the state more adequately (Ladner and Steiner 1998: 24ff.). Most of these reforms try to restore fiscal equivalence, i.e. that those institutions that decide must then provide the necessary resources for implementing

6 On the term of *Politikverflechtung*, see Hesse (1978), Benz et al. (1992), Scharpf (1994).

their decisions, and that delegation of tasks to the local level should be equivalent to the communes' possibilities to raise resources.

In none of these processes of *Aufgabenflechtung*, are the principles of subsidiarity or local autonomy put into question. However, local autonomy in the future will most probably be restricted to an *operative autonomy*, whereas the strategic responsibilities will increasingly move to higher state levels. It is the canton that tells the communes what to do, and the communes decide how they want to do it.

In addition to these reforms in various cantons, the federal government has recently taken initiatives that are prone to have a significant effect on the system of intergovernmental relations in Switzerland. Particularly relevant for the local level will be the new federal policy for urban agglomerations, aiming at taking into account the issue of centrality charges in the formulation of federal policies. More than ever, these measures will involve collaboration between the Confederation, the cantons and urban communes. It is plausible to think that, in the long run, the intensification of such *tripartite* co-operation will strengthen the state of the (urban) communes in Swiss intergovernmental relations, thereby pushing Swiss hierarchic federalism increasingly towards a system of multi-level governance (Kübler et al. 2003).

3. Government by the people: communal citizen participation

In Swiss local government, citizen participation in politics is taking place via representation in elected institutions or through citizen assemblies, as well as through procedures of direct democracy. There have not been significant changes in these areas recently.

3.1 Representative democracy in Swiss communes

Within the boundaries defined by cantonal legislation, the communes exercise significant freedom as far as the organisation of their political systems is concerned. Since the organisation depends on cantonal legislation and there are substantially different preferences and varying degrees of autonomy granted to the communes from one canton to another, there is an enormous variety of communal political systems to be found.

Swiss government systems at the various state levels are comprised of the executive and the legislative. In some communes, the *legislative function* takes the form of a communal parliament, whose members are elected through proportional voting. But in roughly 80 percent of the Swiss communes, the

legislative function is not served by an elected communal parliament, but by the assembly of local citizens.⁷ One might suppose that it is mostly smaller and rural communes that have this system. This is profoundly false: rather, it is cantonal traditions that determine whether a commune has the citizen assembly-model or the local-parliament-model (Ladner 1991: 79-85). Regional differences in this matter show a west-east divide: in western cantons, even small communes tend to have a local parliament, whereas in eastern cantons, the citizen assembly-model is found in most of the communes, even in the bigger ones.⁸ A recent survey of Swiss communes showed that this situation has not changed much in the last decade (Ladner et al. 2000: 33). Whereas ten communes have created a new communal parliament, seven have abolished it. In addition, 15 communes reported failed attempts to create a communal parliament. It is thus plausible to think that the share of communes featuring a local parliament is unlikely to change in the near future.

All Swiss communes have an executive body heading the communal public administration, and all communes utilize the function of a mayor for one member of this executive. Due to the size and electoral system of the local executives there are differences between and even within cantons (Ladner 1991: 56 ff.). The size of the local executives varies greatly. In many cantons, the communes are free to choose the appropriate size of their executive, in some other cantons, the size is linked to the size of the population. On average, the executive has six members; it ranges from executives with three members in small rural communes, to executives with 30 members. The members of the executives, including the mayor, are generally designated through direct election.⁹ Nearly 30 percent of the communes elect their local executive with proportional vote, whereas all the others use a majority system. In the recent decade, there have been attempts to make decision making easier and more efficient by shifting more authority to the executive. And, communes with rather large executive bodies tend to reduce the number of seats. Moreover, there is a slight tendency to replace majority through proportional rule (however, there are also shifts from proportional to majority voting). All these changes can be considered minor reforms, hardly capable of affecting the overall performance of the municipalities.

7 More precisely, this means that citizens are invited several times a year to the town hall (or the church, when the town hall is not big enough), where they are to debate on issues and decide about policy matters brought up by the local executive. Participation in such assemblies is usually very low (especially in bigger communes), and highly socially stratified.

8 Actually, some cantons (especially in the french-speaking part of the country), compel communes above a certain size to institute a local parliament, whereas in others, this decision is left to the individual communes. For example, in the French-speaking canton of Vaud, communes with more than 800 residents are obliged to institute a local parliament. In the German-speaking canton of Zurich, communes above of 2.000 residents can institute a parliament, if they want.

9 Except in the canton of Neuchâtel, where the mayor is elected by the local parliament.

3.2 'Direct democratic procedures

The debate on Swiss direct democracy: Digression

In Switzerland, direct democracy is extensive on all state levels. Direct democratic procedures are the *mandatory referendum* (obligation to submit a government decision to a popular vote), the *optional referendum* (a quota of citizens can force the submission of a government decision to a popular vote) and the *initiative* (a quota of citizens can propose a new bill to be submitted to a popular vote). This leads to numerous occasions to vote. Switzerland is the world record holder in popular votes: of the 799 national referenda that have taken place all over the world between 1848 and 1993, 499 took place in Switzerland (Papadopoulos 1998: 42). At the local level, the number of popular votes are countless. On average, the Swiss citizen is invited to vote on up to 30 subjects of local, cantonal or federal relevance every year.

Long considered a source of inefficiency because of slowing down the decision making process, direct democracy has recently been granted absolution by Swiss public choice scholars. Based on extensive empirical analysis involving comparisons between cantons with high and low degrees of direct democracy, they found a high extent of direct democracy to be associated with high government performance (see Eichenberger 1999; Freitag and Vatter 2000), low tax evasion (see Pommerehne and Weck-Heckmann 1996; Frey 1997) as well as with high individual happiness (Stutzer 2000).

However, the Swiss case also illustrates the *broken promises* (Papadopoulos 2001) of direct democracy. Direct democracy reinforces corporatist schemes of decision making, since political parties and organised interests cooperate in order to minimise the risk of negative votes (Neidhart 1970). Moreover, referenda tend to be used by groups who defend the status quo and thereby have a structurally conservative effect (Papadopoulos 1994). Analyses of political participation also inspire sobering thoughts. Turnout in popular votes is low, averaging roughly 40 percent, and participation is socially stratified: the heavenly chorus of Swiss direct democracy sings with a clear middle and upper-class accent (Linder 1999: 284).

Direct democracy in Swiss communes

Compared to the national and cantonal level, direct democracy at the local level is even more elaborate. Again, there is a west-east divide between cantons with respect to the extent given to direct democracy (Joye et al. 1995): German-speaking cantons (in the East) have a long tradition of intense direct democracy with many referenda and initiatives, whereas French-speaking cantons (in the West) give direct democracy less room.

The extent of direct democracy at the local level is, however, not necessarily linked to whether the legislative function is assumed by a parliament or by a citizen assembly. Even in communes that have the citizen assembly model, voting still occurs, e.g. on assembly or executive decisions that involve significant expenditures for the communes (the so-called *Finanzreferendum*). Thus, to introduce or to increase direct democracy is, if we consider the already existing possibilities, not really an issue in Swiss communal forms. If there are changes, they are aimed at making mandatory (financial) referenda optional. This leads to a reduction in the number of the referenda to be held: if no opposition against a project arises no ballot has to take place. However, there have been attempts to increase the involvement of citizens in local politics, particularly also with the aim of committing people to a project and preventing a failure in the final decision. In a survey conducted in 1994 (Geser et al. 1996), almost two thirds of the communes claimed that they organise more meetings to inform their citizens and try to integrate them in the planning process for municipal projects. In comparison, only about 15 per cent claimed that they have increased the scope of initiatives and referenda.

4. Government for the people

On the output-side, two factors have traditionally been viewed as crucial for the efficiency of local government in Switzerland: co-operation between municipalities, and the functioning and the organisation of the communal public administration. Both domains have witnessed important changes in the last decade.

4.1 Inter-communal co-operation

It is true that Swiss communes are autonomous on policy issues that are of major relevance for local problem solving, such as public transportation, land use zoning, technical infrastructure and the like. However, research on local government in Switzerland consistently shows that voluntary co-operation between communes is common in policy issues on a supra-local scale.

Inter-communal co-operation, i.e. joint implementation of certain public services, has a long tradition in Switzerland (Meylan et al. 1972: 220f.), not only in small communes but also in urban areas (Arn and Friederich 1994). A recent survey showed that inter-communal co-operation has steeply increased in the period from 1993 to 1998 (Ladner 2001). In general, local executives

consider cooperative arrangements between communes as a means to economise on investments and thus to keep communal expenditures low. Through the setting up of joint services with other communes, local executives hope to realise economies of scale and, hence, increase efficiency. Indeed, where large infrastructures are concerned (e.g. waste disposal), it can be profitable for all partners to jointly construct one big project instead of several small ones. Moreover, in policy issues which imply the setting up of territorial networks (e.g. public transportation, water supply, etc.), simple common sense makes clear that coordination and co-operation with other communes is beneficial.

The traditional form of inter-communal co-operation is the administrative union (*Zweckverband*), an association under public law. Increasingly in recent years communes started to co-operate on the grounds of private law, which offers them more flexibility.¹⁰ In 1998 at least half of the communes in Switzerland worked together with at least one other commune in areas like schools, medical care, refuse disposal, sewage/sewerage system, civil service, care for elderly people and water supply. In some areas such as support for the unemployed, civil service, fire-brigade and medical care co-operation has been especially intensified within the last few years (Ladner 2001).

For inter-communal co-operation in general, it seems obvious that in larger territorial units quite a few services profit from economies of scale. But co-operation also raises questions of political steering and democratic decision making and control. How can decisions be made within a union of communes of different size, if the principle of *one man one vote* places smaller communes at a disadvantage? How can delegates on the boards of an inter-communal body be controlled democratically and how, in the case of co-operation based on private law, can contracts be formulated and property rights be regulated? Research on local government in Switzerland consistently shows that these issues are far from being resolved. In general, there is no citizen involvement in structures of inter-communal co-operation. With respect to the legal structure of inter-communal arrangements, Arn and Friedrich (1994) have shown that there is only one of those forms (the *Ge-meindeverband/Zweckverband*) where the possibility of citizen involvement theoretically exists – the constitution of a legislative body with elected representatives from member communes. In reality however, such a body is only rarely constituted. Most of the other legal forms of inter-communal co-operation only include a representation of the executives of member communes, but no direct citizen participation. The latter forms of inter-communal co-operation are much more popular with communes, because they are

10 Public law regulates the organisation of the state and the administration in terms of sovereignty and is necessarily of binding character, private law regulates the relation between organisations and individuals on equal terms and offers the possibility of specifications through contracts.

viewed as more flexible: not only communes but also private actors (firms and associations) can become members, and decision processes are not unnecessarily slowed down by participation. Hence, citizens only have limited possibilities to influence the course of things relating to inter-communal co-operation.

In the past, the local elites displayed a clear opposition against the introduction of citizens' rights in inter-communal co-operation. This negative attitude was linked to the strong valorisation of communal autonomy by the local elites. Indeed, the introduction of regional citizens' rights in inter-communal co-operation schemes would equally incorporate a decision structure where individual member communes could be outvoted by a regional majority (Meylan et al. 1972: 244). In a way, the introduction of citizens' rights would institute a supra-local level of government – a thing to which the local elite is strongly opposed in the name of local autonomy. This attitude seems to have changed, as is shown by more recent surveys. Today, there is a consciousness among communal elites that inter-communal collaboration schemes tend to produce a disenfranchisement of local citizens and parliaments (Ladner et al. 2000). At least in certain cantons, a willingness to democratize inter-communal co-operation schemes has emerged (Ladner and Meuli 2002).

4.2 *The communal administration and the New Public Management hype*

The heterogeneity of the Swiss local government system also concerns the public administration. Population size seems to be the most important explanatory factor for variation in the organisational structure of local public administration (Linder 1991: 420). Whereas the bureaucracy of large cities can be as differentiated and specialised as the ones of mid-sized cantons, local public administration in smaller communes may partly or even entirely rely on a (part-time) employed communal secretary who is supported by a handful of volunteers.

During the 1970s and the 1980s, reforms in (local) public administration in Switzerland were limited to specific projects. This has dramatically changed in the 1990s, when the wave of *New Public Management* (Osborne and Gaebler 1992) swept across the Atlantic. Some of the first pilot projects were launched towards the middle of the 1990s with communes in the cantons of Bern, Basel-Land and Zurich (Hablützel et al. 1995). Since then, the number of NPM reform projects has risen considerably. A survey of the cantons in 1998 showed that NPM reform projects were underway in 24 out of 26 Swiss cantons (Ladner and Steiner 1998: 23), and at the end of 1998 a survey of the Swiss communes revealed that over a third of them had already considered NPM reforms (Ladner et al. 2000: 128 ff.). Although it cannot be said

that NPM is an issue throughout Switzerland, NPM theory has met with good response in practice. Approximately a quarter of the communes claim that they not only have considered NPM reforms but that they even have taken initial steps with NPM.

In international comparison, there are a great many ways in which the general idea of NPM is implemented (Pollitt 2000; Hood 2000). Not all countries have started from the same point, either in terms of the shape of their public sector or in terms of what they think about the role and character of the state. Not all governments possess the same capacities to implement reforms (see for example the difficulties in federalist countries). And finally, many OECD countries have welfare state organisations that are not organised along strict bureaucratic lines: state schools, hospitals and social and community services agencies have a variety of forms in which autonomous professionals and not bureaucrats are the key actors. The Swiss version of New Public Management relies on three core elements: product definitions, global budgets, performance agreements and controlling. These elements are considered essential, in order to run a public administration in a performance- and outcome-oriented way (Schedler 2000).

As the 1998 communal survey showed (Ladner et al. 2000), only a small portion of the communes claiming to have already taken initial steps with NPM actually implemented core elements (see table 1). Very popular changes in the Swiss communes are in the human resources area (elimination of the civil servant status, performance-related pay, and personnel development measures). This is related to the goal of adjusting working conditions in the public sector to those of the private sector. The fact that human resource management is increasingly seen as an important factor of success, is in accordance with the principle of NPM (Schedler 2000: 215-255), but NPM is far more comprehensive.

Alongside human resource management, normative strategic management is gaining in importance in the municipalities. This trend can be seen in the creation of mission statements, and the delegation of operational tasks from politics to administration.

Up to now, NPM has not been widely used in the smaller and medium-sized communes, those with less than 5,000 inhabitants, but most of the larger communes with more than 5,000 inhabitants have already taken the first steps with NPM in one form or another (table 1). It is worth highlighting, that four-fifths of the communes numbering more than 20,000 inhabitants have already implemented initial NPM elements. As far as the introduction of product definitions as an indication of increased outcome orientation is concerned, the data show that of those communes that have taken the first steps with NPM, as yet only a few (and primarily the larger communes) actually work with this instrument. Until now, small and medium-sized communes hardly use it at all.

It is noticeable that the frequency begins to rise in communes with more than 10,000 inhabitants.

Table 1: First steps with NPM, and implementation of Product Definitions (as a core element), according to size of commune

size of commune	First steps with NPM			Product definitions		
	No in % of row	yes in % of row	N	no in % of row	yes in % of row	N
- 249	96.6	3.4	410	99.8	0.2	430
250-499	88.9	11.1	406	99.5	0.5	417
500-999	80.9	19.1	444	98.5	1.5	475
1,000-1,999	73.1	26.9	427	96.4	3.6	440
2,000-4,999	56.6	43.4	403	94.3	5.7	419
5,000-9,999	40.6	59.4	138	86.4	13.6	147
10,000-19,999	33.8	66.2	77	70.4	29.6	81
20,000-...	17.9	82.1	27	57.1	42.9	28
Total	74.7	25.3	2,333	95.7	4.3	2,437

Source: Ladner et al. (2000).

The reason why the bigger communes implement NPM more often, is not due to a more conservative, or sceptical attitude towards reforms on the part of the smaller communes. Rather, it is due to the nature of the larger communes and towns which have a bigger and more complex administrative structure, a need to bridge the gap to the general public, simplify work processes, and maintain an efficient administration. On the other hand, it seems likely that only the larger administrations can afford to implement NPM, because in contrast to small communes, they have the necessary human and financial resources, as well as the necessary know-how.

In the 1990s, there used to be a gap between language regions, NPM reforms being implemented more often in German-speaking than in French- or Italian-speaking communes. One explanation for this could be that the main Swiss advocates of NPM are German-speaking, and German-speaking Switzerland has traditionally been far more open to innovations from Germany, Holland and the Anglo-Saxon nations (e.g. Great Britain, USA, New Zealand). French-speaking Switzerland is more strongly oriented to France, a country in which NPM is not widely recognized (Steiner 2000b). In the meantime however, NPM has spread equally throughout the country (Widmer and Rieder 2003).

What has led the communes to start NPM reforms? Apparently, it is not the lack of resources or financial problems only that pushed the communes to

start with NPM. The relationship between the first NPM steps and financial strength is far from definite. Of those communes that, on average, closed their books with a budget surplus over the last three years,¹¹ 30 percent have already taken the first steps with NPM. For the communes with a budget deficit, the proportion is slightly lower than 30 percent, while of the communes that, on average, presented balanced results, less than 20 percent have introduced NPM. Based on these results, there are obviously communes that turn to NPM reforms in reaction to their difficult financial situation (budget deficits) and others (with budget surpluses) that introduce NPM for other reasons. These communes may be thought of as proactive rather than reactive, taking advantage of the resources they have.

The effect of NPM reforms on democratic decision-making has for a long time been a hot topic of debate in Switzerland. Many political scientists argued that, being geared towards increasing policy efficiency and driven by a market-oriented logic, NPM inevitably leads to a disenfranchisement of the democratic bodies (see especially Knoepfel 1995). However, after some experience with NPM reforms, it is also argued that if market is *in*, politics does not necessarily have to be *out*. Indeed, to achieve goal oriented political steering – one of the main aims of the NPM reforms in Switzerland – these goals must be defined in the political process. Thus, the theoretical model of NPM *à l'helvétique* does reserve an important *strategic role* for democratically elected bodies, as well as for direct democratic procedures. However, some observers are sceptical as to whether this *revived dogma of the American Progressive Era, according to which politics should clearly be separated from administration* (Germann 1999b: 209) can be maintained. Indeed, empirical analysis shows that up to now, NPM reforms have more often involved the implementation of elements of deregulation, whereas measures aimed at facilitating the task of political steering by democratic bodies are somewhat in retreat (Ladner 2001: 7).

5. Conclusion

At the end of the 20th century, the Swiss local government system doubtlessly experienced a wave of reforms and change. With respect to the main elements of democratic governance – government of, by and for the people – the Swiss

reform movement clearly emphasizes the third of these elements. Indeed, the boundaries of the local government system (government of the people) are not expected to change. Amalgamations do take place, but they are mainly limited to minuscule communes in remote rural areas.¹² Therefore, the institutional fragmentation of the local government system in Switzerland is likely to remain high for the years to come. Similarly, rules and practices of citizen participation in politics at the local level (government by the people) are not subject to significant change or transformation. Given the already very elaborate possibilities for citizens to participate in local politics via election, popular votes or by getting directly involved in citizen assemblies, a further extension of citizen participation is definitely not on the reform agenda. If anything, the Swiss local government system suffers from a democracy overload rather than from a legitimacy deficit. Above all, the reform movement that the Swiss local government system experienced in the last decade of the 1990s is directed at improving government *for* the people. Both the increase in inter-communal co-operation and the introduction of New Public Management reforms in a large number of communes aim at increasing efficiency of policy outputs.

The profile of Swiss local government reforms in the last decade thus shows a clear *efficiency bias*. Whereas this is likely to increase output-oriented legitimization, it is as yet unsure whether input-oriented legitimization suffers from these transformations; possibilities of participation are still extensive and are likely to remain so in the years to come. Moreover, we have seen that NPM reforms do not, as such, necessarily mean that the control of democratic bodies on the public administration will wither away. However, what does seem to be problematic from the point of view of democratic governance is the articulation of the political communities institutionalised within local government institutions to the *relevant territorial levels* of decision-making. Inter-communal co-operation has always been an important element of the Swiss local government system and its importance has increased during the 1990s. But the question of the democratic control of these co-operation schemes has just started to be addressed. The Swiss local government thus saw a growing number of supra-local bodies that are factually autonomous in the shaping and the making of policies that are relevant to the inhabitants of the participating communes. This results in a disconnection between the territorial scale of policy-making and the arena of citizen participation as defined by the boundaries of local government institutions. In urban areas, where schemes of inter-communal co-operation for the provision of public services are particularly wide-spread, there is already evidence of a *democratic deficit*,

12 Amalgamation of eight communes in the agglomeration of Lugano in December 2002 cannot be seen as part of a general trend. The extremely favourable constellation found in Lugano (core city without financial problems, same political majorities in core city and in amalgamated communes, strong incentives by the canton) is absolutely unique in urban Switzerland.

11 Out of the 2,403 municipalities taking part in a 1998 survey (Ladner et al. 2000) and providing an answer to this question, 39 percent closed their books, taken the last three years prior to 1998 together, with a surplus, 32 percent with a deficit and 29 percent presented balanced results. No strong relationship between surplus/deficit and the size of the municipalities is to be found.

in the sense that citizens do not perceive a relationship between the work of local authorities on the one hand, and the provision and management of public services which they use on the other hand (Kübler et al. 2002).

Turning back to Blatter's idea (2003) these considerations point to a more fundamental issue with respect to democratic governance at the local level, and which has to do with the difficulty of drawing territorial boundaries (government of the people) in a context of de-territorialisation of socio-economic activities in the wake of globalisation at the beginning of the 21st century. In such a context, the social, economic and political significations of *space* are totally changed: space can no longer be seen as a common denominator that is able to provide effective integration between various socio-economic activities. Rather, space must be seen as a functional category, situationally defined according to various dynamics of exchange. In the words of Manuel Castells, modern societies increasingly function in terms of *spaces of flows* thereby superseding the traditional *spaces of place* (Castells 2000), putting under strain institutions of democracy which remain structured according to fixed territorial categories. Thus, the challenge of democratic governance in the *network society* (Castells 2000) is to organise citizen involvement not on the basis of *place*, but on the basis of purpose-oriented *flows*. Of course, how this is to be achieved, is a wholly different question. Nevertheless, posing this question equally points to a research agenda which would put more evidence on non-territorial logics of participation and citizen involvement, i.e. on the functioning of political arenas where problems can be collectively discussed and addressed, with a spatial scale of reference that may be defined and redefined according to the issue under discussion.

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