

# Fiscal Responsibility in Autonomous Districts: New Profiles of Representation in the Case of the Special Regions of Italy

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## Abstract

The essay deals with the difficult relationship between fiscal responsibility and representation: it seems that the traditional rule “no taxation without representation” is less and less true, as the responsibility of the representatives, be they those of the national parliament or of the representative bodies of local institutions, is no longer a real guarantee. The case of the Italian system is significant: local taxes have been interpreted in a very singular way by the constitutional case law, as the representatives’ responsibility connected with local government levies is limited to the determining only of certain aspects of the fiscal phenomenon. One first goal is therefore to analyse the atypical fiscal and financial responsibility of local administrators.

But a specific phenomenon of the Italian Regions with a special level of autonomy deserves attention. These special Regions have negotiated with the central government a specific regime: since the constitutional implementation process of 2009, they dispose of undeniably high percentages of their territories’ tax revenue. The profiles of derived finance have been eliminated and it has been decided to return to the *self*-financing model, understood as the prevailing allocation in a fixed share of tax revenues produced within the territory. The case of the special regional revenues of Trentino-Alto Adige is a peculiar one and it is specifically studied in this essay.

This work discusses the question of representation regarding tax revenues in a different way, based on a particular type of relation between the wealth-producing context and the institutions.

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**Keywords:** Special Regions, derived finance, political representation

## Introduction

One of the more forthrightly expressive manifestations of the representational relation regards the decisions about the levying of taxes: by

virtue of the famous rule “no taxation without representation”, the power of taxation passes through the of deliberation of representatives, be they those of the national parliament or of the representative bodies of local institutions.

The guarantee of the representational relations between representatives and taxpayers surrounding the fiscal phenomenon has been partly nullified, in the Italian system, by the singular interpretation of the *tributo proprio* (local tax) that constitutional case law has given with respect to the category of local government levies, which in the case of the municipalities sees the representatives’ responsibility limited to the determining only of certain limited aspects of the fiscal phenomenon; and in the case of the regions it no longer calls for areas of autonomous identification of elements to subject to taxation. One first goal is therefore to analyse the atypical fiscal responsibility – and, consequently, financial responsibility, or regarding the sphere of expenditure as well – of local administrators.

But a specific phenomenon, linked to the particular tax regime of the Italian Regions with different levels of autonomy, may lead to a further consideration. In line with their acts of establishment and following the agreements which these special Regions have negotiated with the central government since the constitutional implementation process of 2009, they dispose of undeniably high percentages of their territories’ tax revenue. The profiles of derived finance – those which exclude the fiscal responsibility profile connected with representation – have been eliminated, and it has been decided to support a return to the *self-financing* model, understood as the prevailing allocation in a fixed share of tax revenues produced within the territory. The case of the special regional revenues of Trentino-Alto Adige is a peculiar one: they are now solely in a fixed share, and their predictability depends largely on policies adopted, especially those in the economic and social framework, apt to enhance the production of revenues. But the tendency is common amongst all areas with different levels of autonomy that retain tax revenues.

This choice puts the question of representation regarding tax revenues in a different way: if it is true that specific responsibility of the representative organ is still wanting with respect to decisions of taxation, the political and economic orientation is, however, capable of significantly affecting the amount of tax revenues, and thus a particular type of relation is established between the wealth-producing context and the institutions, whose ability to provide incentive for economic growth has a positive impact on the resources that can be spent for the region.

**I.**

*Representation and fiscal responsibility: the principle of no taxation without representation.*

The expression “no taxation without representation” comes from *laissez-faire* theory: the State upholding the rule of law at first responded to it by availing itself of the principle of legality, and in more recent times has also arranged constitutional guarantees. The expression, born in the context of the English-speaking world to state the guarantee which the British Parliament gradually won in order that decisions of public spending should not be the exclusive domain of the Government and the Crown, has been followed differently in the continental environment, and in an even more particular manner in the legal context of nineteenth-century Italy (Morana, 2007). Thus article 30 of the Statute, according to which *no tax could be levied and collected unless authorised by both Houses and approved by the King*, has ended up becoming a tool of over-centralisation at parliamentary level of public spending decisions: with the evolution of the form of government from constitutional monarchy to a parliamentary system, the meaning and the “contractual” import – between monarchy and Parliament – of the provision in question have been wholly depleted.

And indeed, with the passing of time this technical phrase has shown a significant evolution, insofar as under modern constitutions it implies recourse to an extensive political process, with a range of important political forces contributing to it, of such nature that the interest in taxation ends up being the outcome of an assessment broadened to the greatest extent possible. The guarantee of a deliberation in parliament no longer engages merely the interest of the individual, as might be gathered by virtue of its origin, but also general and public interests: nowadays it is seen “no longer as a right to self-taxation but rather as a strengthening of the principle of legality”, which entails that the law will not limit itself to being the source of the executive powers but “will itself contain, in whole or in part, the governance of the matter covered by the same reserving of authority; and this is a reflection of the hierarchy of the bodies and the sources, i.e. the superordination of Parliament in relation to the Government and, by way of corollary, of the law with respect to acts of the executive” (Russo, 2002, 40).

What appears fundamental today, then, are the actual awareness and informing of public opinion in the parliamentary democracies, factors capable of weighing a good deal more than the electoral mechanism: since the conviction that governments can be controlled by politicians and by parties regularly subjected to elections is now perhaps less firm and well-founded than the wish that the providing of proper and extensive information about them for public opinion and the taxpayer may lead to a parallel control, in addition to that of the constitutional and legislative procedures, of public

institutions' decisions on tax revenues and expenditure. It is more necessary that consensus should arise from complete information than from parliamentary procedures; it must, then, come of an awareness of what legislation's goals for the benefit of the community are (Fedele, 1978), and thus of what the financial requirements involved are.

The phenomenon of the executive branch's increasing arrogation of tax matters signals a clear change of perspective. The dominant conception in the liberal era, which may be summed up in terms of relations of "coercion" between State and taxpayer, found guarantees in the reserving of authority to parliamentary deliberation, deemed to serve as a protection of the sphere of individual freedoms.

Conversely, in the republican constitution such reserving of authority has been interpreted by jurisprudence and constitutional case law as meaning that the law will compulsorily govern the elements needed to identify certain performances and the subjects bound to effect them. But above all, the reserving of authority to legislation has been reinterpreted in the light of the new solidarity-oriented approach of the constitution, which has led to an attenuation of guarantee-oriented profiles: these are no longer geared to protecting solely individual interests – those of the taxpayer – but also general interests (Antonini, 2005).

The goal-oriented dimension of fiscal solidarity has its roots in the principle of essential equality and thus in the inadmissibility, for the legislative system, to accept excessively unequal individual situations, which thwart the aspiration to effective equality between citizens. This goal-oriented constraint is not necessarily guaranteed by the method of representation; or, rather, this last guarantee does not influence the substance of decisions pertaining to the taxation of assets, but only the disposition of taxable entities to submit to the same.

Therefore an exhuming of the rule "no taxation without representation" is of fundamental importance in order to assert the desirability of a responsible and informed involvement of taxpayers in taking up the duty of fiscal solidarity, which, however, also brings itself to bear upon those whose representatives, in the parliamentary procedure, may have opposed such taxation. Moreover, it does not give a guarantee regarding the "goodness" of taxation, or the fact that taxes are aimed at producing mechanisms of redistribution, thus of equity.

The invoking of the "consensus method" is desired by those who deem that it has in part been overshadowed by the so-called "bureaucratic taxation" model which, first with the asceticism of the welfare state and then as a result of the phenomenon of the surmounting of territorial limits – the now too-often evoked "globalisation" – has set itself as an alternative to the other model, that which links tax levying to a control exercised by the very

same parties who are recipients of the taxes. It is, indeed, the “bureaucratic taxation” model which, in a context of marked growth of public spending in function of the guarantee of social rights geared towards rendering uniform the citizens’ life potential, as well as of openness and communicativeness of the national economic systems – permitting a centralisation of the power of taxation in the hands of the national government – has appeared as the decisive and primary condition for the fulfilment of public interests in abidance with the formal duty of parliamentary deliberation.

The same principle of self-taxation has acquired new prosperity and vigour in recent times, concomitantly with the strengthening of the autonomous districts, insofar as the effective exercise of the power of taxation by local bodies is often legitimised in terms of consent to taxation by the populations concerned. This is a matter falling within the broader question of fiscal subsidiarity (Buzzacchi, 2013), extolled in Italy in the previous decade (Antonini, 2005) but now, because of the weighty economic/financial crisis, evoked decidedly less often in the scientific and political debate.

The considerations that may be expressed on the relations between fiscal solidarity and consensus of the taxpayers in a context where there are perhaps several makers of tax legislation, coinciding with various levels of regional institutions, are the following. Of course the scope of parliamentary deliberation in matters of tax levying is indisputable, to the point that there are those who have observed that the old English maxim “no taxation without representation” can also be read in reverse, to stress that it is not only the democratic-representative character of those who decide that legitimises the levy, but also the levy that confers fullness of meaning to political representation. The maxim obtained with this reversal of perspective would then be “no representation without taxation”, which is an expression of the awareness that only if a political representation brings itself to bear on its constituents’ assets can the democratic supervision that they carry out be effective (D’Atena, 2009). A demonstration of the grounding of this principle – especially in its reverse version – is found in the issue of the European legislative system, where the absence of taxation power is, without doubt, closely linked to the EU institutions’ low level of representativeness.

It is therefore established that the need to constrain the “sovereign’s” power of taxation was already felt in pre-democratic times, and since then has been satisfied by the provision that a certain representation of those concerned by taxes must authorise such decisions; this need is still felt today, in an era in which the tax burden has reached levels demanding quite considerable sacrifices of taxpayers. The latter must have the ability to demand that taxes on property be established by the lone democratically legitimised body, be it parliament or the regional assembly. The observation

drawn from this is that the link between representation and the duty to pay taxes is not in doubt. Where such power shows itself in a role of imposing a burdensome performance on individuals, it is without question desirable that it be exercised in accordance with forms and methods that respect their will, even when the imposition fulfils a function benefitting the entire community.

What may appear questionable is a possible distortion of that link between taxation and representation, which indeed is usually defined in terms of “self-taxation”. If it is true that the “self-taxation” which arises from decision-making processes that have taken place in representative bodies is the desirable form of the phenomenon, it is, however, also necessary that individual communities’ decisions on tax revenues, which those communities intend to use for their own benefit, have an accurate perception of the financial requirement which a more extensive redistributive operation involves. If the self-taxation implies that the individual local communities will be able to take decisions that disregard the general interest reasons for levying the tax and instead remain anchored in strictly local evaluations, this principle and the constraint of “consensus” will cause some perplexity. The fear, indeed, is that decisions of local communities will disregard respect for the essential legitimating factor: in other words, that they will not seek to meet goals of redistribution and fiscal solidarity, but rather limit themselves to answering local-oriented interests, ensuring that resources levied remain in the district.

The functioning of regional public finance in Italy can now be analysed.

### **Local taxes and finance derived therefrom in the Italian legislative system**

With the question of the relation between consensus and taxation – which ought to be the very core of representation – being framed, our attention can now turn to the scope of local entities’ financial autonomy in terms of powers of taxation.

It can be stated that the revenues of local entities in Italy are largely made up of taxes of which national law allocates the proceeds, in whole or in part, to these entities: the latter are instituted by national law, which establishes their governance except as regards those aspects expressly remitted to their autonomy.

This is what is considered “local tax”: starting from the assumption that only a tax instituted by regional law would be regional, it has come to be recognised that the areas in such regard are quite restricted and that the phrase to be seen as prevailing is that of the “derived local tax”, i.e. of a levy established by the central government the proceeds from which are used by the Region.

From this has resulted the delineation of a “mixed” system, within which the regional tax revenues have come to be made up mainly of derived taxes (Amatucci, 2013) and of regional-national partnerships, whereas a smaller, residual, space has been reserved for the autonomous taxes, since there are few remaining sources of wealth not yet taxed by the central government and therefore available to the Regions.

The outcome of this evolution is thus that of a phenomenon which can hardly be defined as true autonomy (Gallo, 2015). The local entities’ space of autonomy for taxation is in fact remitted to the legislator who, whilst having accorded to the Regions the power to establish their own taxes, at the same time has limited that power by instituting the prohibition of double taxation, i.e. excluding any tax imposed on the same element by both the national and regional authorities.

This state of things is causing the Regions’ legislative taxation powers to shrink, and they will probably be able to act in exercise of genuine autonomy only within the framework of the so-called “fees” and “special purpose charges”, or in the fixing of local derived tax rates between the minimums and the maximums set by national law. And, from the standpoint of a meaningful connection between the responsibility for taxation and that for spending, the situation does not seem consistent (Winer, Kenney, Hettich, 2010); nor does it seem consistent with local political autonomy – as understood by the Italian Constitution – as a freedom of the Regions to carry out their own policies within the scope of their authority (Gallo, 2015).

The development of local taxation towards a greater responsibility is proving to be, for the moment, purely theoretical, even with respect to the spontaneous orientation of the Regions and local entities themselves, which have prevented the imposition of local taxes from increasing the already heavy overall tax burden, for which the national taxes in force are certainly not intended to be substituted.

The item to stress, therefore, is that of a legislative framework and, indeed, that whereby spending decisions are ascribable to the Regions and local entities, decisions financed by shares of national taxes and by derived local taxes, thus, overall, from national sources. This fact cannot fail to pose questions at the level of the representation/responsibility cycle, especially in light of the considerations expressed regarding the phrase “no taxation without representation”. But the particular situation of the Regions with differentiated autonomy, and specifically of the two autonomous Provinces, seems to indicate a different scenario and alternative solutions.

## **The financing of the special Regions: the centrality of the allocation of tax revenues**

The singular episode that will now be recounted is that of the agreements which the two autonomous Provinces, and then, on their model, other Regions with differentiated autonomy, have negotiated with the central government so as to establish a financial regime apt to ensure them adequate resources. If indeed the legislative framework of approximately fifteen years ago seemed that of a situation providing greater benefit for the special Regions, the evolution of the past few years has instead shown a strong subjection, even for these Regions, to unilateral interventions of the central government. Their authority regarding tax revenues had initially been framed as abstractly more extensive and limited “only” by the general principles of tax legislation; and the question of local taxes, which has been described above in general terms with respect to all the autonomous entities, seemed to present fewer restrictions than those of the special entities. But the case law of the Constitutional Court in these years of economic and financial crisis has come to include principles of financial coordination amongst the constraints to which the entities with different levels of autonomy are subject.

The special status Regions’ need for certainty and stability of tax revenues – plainly apparent if one considers that the resources administered by these regions are hardly insignificant, exceeding, overall, €40 billion per year, amounting in 2013 to 23% of the entire expenditure commitment concerning them – has led them to seek negotiation procedures with the central government, potentially useful both in obtaining help both for their differentiated autonomy to attain the objectives of stability and alignment and in taking up direct coordination of the local entities’ finances.

In 2009 negotiations seeking to determine the financial relations between the Government and the individual Regions and autonomous Provinces were begun. It was the Trentino Alto Adige Region that initiated the process: in particular, since 2009 three agreements have been made, converging with the 2009, 2013 and 2014 laws on stability.

When looking with specific attention at the model constituting the reference for all the special autonomous districts – that of the Trentino Alto Adige Region (Guella, 2015; Postal, 2011) – one may begin with the Milan agreement of 2009 and its subsequent transposal into the 2010 budget, in accordance with which that region has established a system of relations with the central government that seems rather novel, and which should be able to shelter it in part from a development presenting some quite burdensome prospects for the autonomous districts. The novelty consists in the establishment of revenue sharing, against a waiver of proceeds previously anticipated; in the broadening of powers of taxation with respect to national



and local taxes; in the acquisition of the exclusive authority in matters of local finance and, above all, in a particular mode of assistance in meeting public finance goals: the Region and the Provinces have agreed to take on competencies devolved by the central government and to finance them, thus realising their solidarity contribution to the broadened public finances.

The primary goal pursued with the aforementioned successive agreements has been an affirmation of the connection between resources and functions. This presupposes a system of necessary ascertaining of the adequacy of the allocations of means compared with competencies. The model derived therefrom is, in essence, based exclusively on jointly controlled tenths, correlated with a broad responsibility of a distinctly “functional” nature: this means that the special Region and the autonomous Provinces have relinquished various other non-tax revenue items, which over time had been allotted to them, to link the sum of the jointly controlled fixed share items prescribed in the acts of establishment to the financing of a set of functions much broader than the original. In this way the principle of connection has been respected and realised.

The regional revenues for Trentino-Alto Adige are once again only those in fixed share, with the advantage of predictability and the particular characteristic of being dependent on public policies capable of generating and producing revenues and on the fiscal policies pursued in the Region: this has eliminated the dimension of apportionment depending on the central government, which was highly discretionary. Thus the goal of stability and programmability of resources is favoured, and there is also a further participation of the autonomous entity in remediation and equalisation, having taken the form of assumption of new competencies without weighing on the treasury. The Provinces have taken on new functions within the sphere of authority of their autonomy, with no subsequent parallel transfer of resources. The central government has derived benefit from this, having relinquished functions without needing to allocate any resources related thereto: the district has been allocated the set of public activities that it is capable of taking on by reason of the amount of the funds anchored by the act of establishment in the autonomous Region or Province.

The special local body has also benefited, more on the qualitative than on the quantitative level: the special nature, that is, should not reside in greater availability of resources for equal responsibility, but in the particular capacity to take on a broader set of competencies (to which the correlated allocation of optimally managed resources corresponds) (Guella, 2015).

Special financial autonomy is thus characterised by a significant proportion of autonomous resources – which remain in the territory – enabling the realisation of the fullest possible autonomy in terms of correlated allocation of competencies. The functions not exercised at the

national level – where only those which by definition cannot be regional remain – are growing, and for them the challenge is to operate an efficient management so that decentralised exercise of the functions turns out, concretely, to be less costly than is observable when the competencies are kept under national authority (on the qualitative level).

The logic behind this model is that the resources will “remain” for the special Region, in that either they are produced locally or their most “productive” use will be local. There is no longer merely a conception of “financial” speciality, to which in fact is added an “instrumental” view of the autonomy of revenues and spending: the resources are instrumental in acquiring the broadest possible range of functions, with the intention of exercising them at costs lower than those incurred by the central government (Postal and Guella, 2011).

The system for guaranteeing the linkage of resources and functions developed by the first reform of 2009-10 was therefore based on the waiver of regional and provincial resources, and on the two Provinces’ acquisition of further competencies. To this was added the lever of local financing, set under the full responsibility of the two autonomous Provinces, as is consistent with a special regionalism wherein local autonomy makes up an essential factor of the “Region system”. The next reform to the act of establishment was in the same direction: an Agreement at the end of 2013 merged into the stability law for 2014. This has entailed further delegations, once again without prejudice to the national treasury, as well as new precision on provincial competencies regarding local financing.

The result is that “the whole local government financial system – including municipal finance – has been placed under the responsibility of the special autonomous entity, which answers to the central government only for its overall balances (on the expenditures side, with its own internal stability pact), and becomes responsible also for governing local taxes (on the municipal revenues side)” (Guella, 2015, 27).

Finally, with the third Agreement of 15 October 2014 *between the central government, the Trentino-Alto Adige/Südtirol Region and autonomous Provinces, with waivers of fiscal areas and guarantees of predictability of resources*, an additional quantitative contribution for the needs of remediation of the national public accounts was planned. The Trentino-Alto Adige Region and the two autonomous Provinces agreed, with the central government, the amount of a specific aid package for the public accounts, taking place through the negotiation of a precise quantum of assistance for public financing objectives. The Provinces’ contribution is thus on a voluntary basis, without unilateral imposition, obtaining the result of respect, in the future, of the stability of the structure by virtue of the

detailed forecast of the quantitative profiles of the assistance for public financing objectives.

To recapitulate, the 2009 agreement has been followed by a triple revision, a fact which demonstrates that the goal pursued – a reassuring financial stability – has still not been attained, but that this is precisely the outcome sought. The process has continued and is reflected in the 2014 and 2015 stability laws, extending the scope of central government functions to be transferred and expanding the exclusive authority in matters of local finance.

In a scenario of precarious and unstable overall financial relations for the autonomous districts, such a structure of reciprocal relations between the central government and the autonomous Provinces clearly appears to be a result of effective “guarantees” for the latter. The extent to which this model is the coherent outcome of financial autonomy, and the manner in which it relates to the subject of representation and fiscal responsibility, must now be ascertained.

### **The particular mechanism of responsibility in the special Regions’ political and economic policy in relation to revenue maximisation.**

The assessment that can be formulated shows that the prevailing nature of the finances of the special Regions and the autonomous Provinces remains that of a sharing in national tax revenues: indeed these make up the predominant source of finance, and there is now little ambition to switch to a structure based on genuine power of taxation. This guarantees a substantial maintaining of the autonomous entities’ authority in revenues, achieving certainty and stability thereof; but it also marks the waiving of the use of taxes that can be called local.

It can thus be stated that, overall, the Regions with different levels of autonomy have obtained a structure quite distinct on the financial level from that of the other administrations; they have the assurance, for a few years at least, of a different treatment in terms of help in meeting goals in public finances and the internal stability pact; in many cases they acquire authority with respect to local taxes and, finally, agree to drop their litigation with the central government. One may wonder whether this can be called financial autonomy, and whether these Regions can be content with a system of funding for their expenditure that still depends on mechanisms of simple transfer. Given the condition of the ordinary Regions, this new season of the special Regions’ finances is indubitably more favourable; but for all of them the model of real financial autonomy, based on the local taxes category – the role of which, in our system of public accounts, is becoming more and more irrelevant – is fading in the distance.

Thus it seems that the conclusion to be drawn, and which the Court of Auditors itself suggests, is that the special Regions count, at least, on the constituting of a unitary framework of fundamental principles and general criteria for all Regions, surpassing the present phase marked by bilateral agreements not confirmed by the acts of establishment: such a change would already contribute to an enhancement of their autonomy. With the attainment of a model of effective fiscal autonomy still awaited, the question remains whether the regime that has been negotiated in the special Regions for the coming years wholly evades any logic of representation or at least of responsiveness, or whether, to some degree, the working of such a principle, even in a context of absence of a traditional mechanism of responsibility linked to the vote, can be discerned.

Legal theory is quite rigorous on this point, condemning the failure of the federalist fiscal model and the departure from the principles and mechanisms of financial responsibility. Indeed, it has been observed that “financial autonomy should make it possible for the body having rights to obtain directly the necessary means through its own levying of tax, approved by the local community which benefits from such functions, independently of the choices made by the central government; even if this may never occur absolutely, because the resources so obtained are not necessarily sufficient for the exercise of the functions falling to the local body”. But above all, it has been noted that “a democracy cannot function without the community’s being responsible for its activities, as pertains to obtaining the financial resources required for the exercise of the functions which it resolves to exercise: the freedom to levy tax is essential in order to involve the lesser territorial group in the administration of the local power, in accordance with the greatest exigencies of democratic life” (Catelani, 2013; Uricchio, 2013; Gallo, 2015).

Moreover, certain economic studies that have analysed the *political economy* models of taxation consider, amongst the determinant factors, the existence of certain democratic institutions – the foremost of which being the right of citizens to participate in competitive elections –, just as they take into consideration the existence and protection of property rights (Padovano, Petretto, 2010). It is therefore undeniable, both from the standpoint of public law jurisprudence and from that of studies in economics, that the dimension of political representation is crucial in order to affirm mechanisms of virtuous financial autonomy, as much on the side of the dynamics of taxation as on that of the spending choices. Such an approach would lead one to express an almost disparaging assessment of the solutions attempted of late in the special autonomy districts, where the role of derived local taxes and of local taxes strictly speaking is henceforth non-existent.

And yet such a conclusion appears too reductionist, especially in light of the good working of autonomy within the Region that has opened this approach, Trentino-Alto Adige, and rather leads one to wonder whether there exist mechanisms of political representation, other than the traditional ones, capable of providing support for and confirmation of the productivity of a tax system.

The investment – in terms of negotiation with the central government – that the Region and the two Provinces have put in place in order to attain the financial status described above counts on the ability of these territories to demonstrate their “administrative” capacity in the arena of the functions involved. The tax regime sought seems to wish to be compared only with parameters of a functional nature; therefore it will be the assessment of its management efficiency that gives rise to any surplus for the benefit of the local government, which in this manner will see confirmation of the validity of the model of resources-functions linkage.

The management efficiency, and more generally the administrative capacity, will be reflected in a single and significant parameter: the sum of tax revenues, which is transferred to the Region in a fixed portion the amount of which obviously increases by virtue of growth in the Region’s wealth. Where economic growth, result of the improvement of social well-being, gives rise to higher incomes, it will cause greater revenues, of which a fixed portion will be transferred to the Region and the Provinces. They will therefore have every interest in carrying out functions – i.e. policies – under a system of efficiency but especially under highly efficacious policies, i.e. capable of giving results amounting to real improvement in economic and social terms. The productive capacity to administer will entail a dual effect: that of generating possible surpluses, if the functions cost less than as defined in line with the principle of linkage; and that of inducing well-being and fostering the production of greater wealth, from which will arise the induced effect of a more plentiful tax revenue. Revenue that flows into the central government’s treasury, and which the central government guarantees in a fixed proportional share.

The mechanism therefore appears to be grounded in close relations between virtuous administrative activity and size of tax revenue, which is unquestionably intended to produce a high degree of satisfaction amongst the citizens, whose fiscal capacity increases if policies are well conceived and implemented, with a view to fostering economic growth in the district. And here, the particular factor of local taxation must also be considered, remitted to the governance of the regional authority, which in this perspective becomes true director of a productive and social system that, in the interest of all institutional levels, must bring about a strong capacity of administration.

It seems that in these districts there is a switch from the fiscal responsibility typical of the representation mechanism to a different responsibility, of “functional” nature, where the citizen’s control of the use of fiscal resources does not occur to a very significant extent as a result of the vote but has as its reference the progress of the district’s growth, which produces tax revenue. The efficacy of regional spending, which translates into policies and functions apt to give impulse to development and well-being, finds in the tax revenues generated a parameter by which the administrators’ capacity may be assessed in its quality and productivity. Put in a different way, taken to the extreme – but at the same time effective –, financial responsibility seems to find its most important comparative element in tax revenues, the growth of which is symptomatic of good local policies and establishes a relationship of responsiveness between administrators and administered that seems to function outside of the model of political responsibility connected to representation. The latter, according to this view, is deployed when the fiscal system of these districts is bound to local or derived taxes, with respect to which the representatives make choices for which they must answer to their citizens in various ways, but especially at elections; but it does not work if the choice of the fiscal model is based on the fixed portion of tax revenues, of which the increase or decrease is the responsibility of institutions, institutions which can determine that increase – or decrease – with an exercise of political-administrative functions able to conform to those revenues.

Thus functional responsibility seems to replace the fiscal responsibility typical of the phrase “no taxation without representation”: the consistency of the governors’ decisions with the will and interests of the governed still obtains through the dynamics of the vote, which, however, does not convey a mandate or an indication regarding the quality and quantity of the tax levy, but rather expresses the level of the citizens’ satisfaction with policies the success of which produces growing wealth and, consequently, increased tax revenues available for spending that fosters the district’s well-being. It is clear that the mechanism of political representation is not lacking in these autonomous institutions, but rather conveys an intention different from that which later determines financial responsibility. Given the nature of the financial revenues, there is no mandate that voters can give to elected officials regarding tax decisions; but the vote that produces representation can still be a statement of approval or disapproval for an autonomy in spending which may or may not have been able to produce growth, and thus financial wealth and, in the last analysis, tax revenue.

Here the definition of “democratic supervision” given above becomes valid again: only from a correct and broadened informing of public opinion

and the taxpayer can there spring a parallel control, beyond that of the constitutional and legislative processes, of the decisions on public institutions' revenues and spending. As already stated, it is incumbent that consent emanate, even more than from procedures in parliament or councils, from a complete informing, and thus from an awareness of what the institutions' objectives – in this case local institutions – for the benefit of community are; of what spending decisions are adopted; of what effects these decisions may have on the lives and productive relations of people in the community and district.

The argument holding that “in the autonomous entities democracy can be said to be realised at government level when there is full awareness of the functions that are exercised by the local bodies” is thus applicable also in this context of financing not based on local decisions regarding tax levies, although this is formulated with respect to the situation in which the voter controls the local institutions' freedom to levy tax (Catelani, 2013, 2), which instead will become a secondary phenomenon in the framework of the Trentino-Alto Adige Region's finance system. But if mechanisms operated for transparency and information on the system for the gathering of resources and on the channels of redistribution thereof through several public offices at the service of the citizens and the region, one may assume that the supervision of the spending capacity of the regional and municipal levels would in any case be assured, allowing the recipients of such spending to assess its quality and productivity. It could be asserted that political responsibility would come into play especially around the spending decisions which, however, when judged on their aptitude to create wealth, were also apt to give information on the capacity to collect financial resources, insofar as the fixed share of revenue slated to remain in that district provided a measure of the “good governance” exercised there: and thus the entire financial circuit could succeed in being subject to an atypical, but not non-existent, procedure of democratic supervision.

Finally, this particular financial structure should be evaluated in relation to questions regarding fiscal solidarity. If the system worked only on the basis of retaining tax revenues generated in the district, and thus allocating them to functions benefiting the community located there regardless of the fact that similar functions, in other parts of the country, were not adequately provided, it would be not be compatible with the constitutional framework inspired by aims of solidarity through financial equalisation. The novelty of the agreements examined above consists, however, also in their precise and concrete attention for assistance in attaining the objectives of national public finance, which translates into allocations to the treasury but, above all, in obtaining functions from the central government and the exercise of those functions, the conduct of which

becomes the task of the autonomous Provinces without the transfer of financial resources dedicated to them – thus anticipating that the efficient management by the Provinces will render those functions just as realisable as those administered by the local institutions, and that this will also translate into significant savings on expense at central government level. We have here an altogether new and original arrangement to foster solidarity between entities, which proceeds with balancing the new mode of allocating resources to these districts, a mode which thus not only appears useful for guaranteeing resources for the communities having produced them, but is also oriented towards achieving targets of fiscal solidarity with respect to the national community as a whole.

### **Conclusion**

It will be possible to judge the success of the model that we have analysed here only after a certain time, as the system gradually becomes operational and prepares to carry out all the tasks requested of it; thus there is no presumption of pronouncing an assessment now. It is certain that, at least in the abstract, it amounts to a rather particular option for establishing the financial relations between the central government and the autonomous entities; and that it opens the prospect for methods of democratic control different in character from those tried thus far and deemed indispensable. The good performance of the financial framework described above may be able to open new avenues of accountability and responsiveness of administrators, as well as new mechanisms of supervision and appreciation for citizens, on the basis of which will stand the quantum of objective significance that is tax revenue.

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