

REGIONAL POLICY and REGIONALIZATION
IN THE EUROPEAN COMMUNITY

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I HEREBY DECLARE THAT THIS THESIS IS ENTIRELY
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ABSTRACT OF THESIS

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It is often thought that coordination of national regional policies in the European Community is very difficult because of the widely different character of these policies. However, although the functions and methods of regional policies can differ, it appears that there is a remarkable similarity between the regional policies of the Member States. Regional policy and the desire for more democratic and efficient local and regional government being the principal basis, it appears that there is also similarity between the Member States in matters of regionalization. Reforms of existing structures are marked by amalgamation of municipalities and by the emergence of a two tier intermediate structure (micro- and macro-regions). The regional policy of the EC is weakened by the absence of a coherent set of measures in the treaties but also by the lack of real coordination of national regional policies. Differences are not so large that coordination is impossible; it seems more that the political will has failed. However, if the EC institutions move further towards a new regional policy, they will probably meet the same problem which the national governments have come up against: the need for new political and administrative structures in particular at the level of intermediate government. When elaborating regionalization (establishment of micro and macro-regions) they should take account of this European dimension.

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PREFACE

This thesis aims to cast light on the main reasons for reorganisation of the structure of local and regional government in the Member States of the European Community, on the reorganisation itself and on regional implications for the institutions of the E.C.

I was fortunate enough to receive a scholarship from the University of Edinburgh, which enabled me to stay from October 1973 until July 1976 at the Centre of European Governmental Studies. Most of the research has been done there, although I was able to make some study visits in the other Member States. I am grateful that I could be three years a member of so stimulating an academic community. Because I had to return to my home country to do my military service, research was completed at the end of 1976.

I owe much debt of gratitude to my supervisors Professor J.D.B. Mitchell and Mr R. McAllister for their help at all stages in the preparation of this thesis; in particular at the end, when the Channel separated us, they have made great efforts to read and comment my drafts. They are not, of course, to be implicated either in my arguments or my conclusions. I want to express my thanks to them for their intellectual help and also for their patient refining of my English.

I must also thank Mrs E. Hendry of Fife for the typing and the final material arrangements of my thesis.

Houthalen, April 1979.

GENERAL INTRODUCTION

Since integration (1) of the West-European states really started in 1952, with the establishment of the European Coal and Steel Community soon followed by the establishment of the European Economic Community and Euratom 1957, a lot of studies, books and articles have appeared on this subject. Some discuss the progress of integration in general, others deal with specific topics such as the common agricultural policy, the European Communities' external relations, its energy problems or its social policy. It is hard to think of any political, legal, economic or social aspect of any significance for European integration which has not yet been subjected to serious examination. Structural problems too have received considerable attention from politicians, european activists and researchers. Most of their work concerns either the establishment of a European equivalent to the United States of America showing an idealistic but not too realistic approach to European integration, or ways of improving the functioning of the present institutions, i.e. the Commission, the Council of Ministers and the European Parliament. Certain improvements have been made, for example the establishment of a single executive for the three communities in 1965, but in general the institutional framework is still the same as set out in the original treaties. The greatest achievement yet would seem to be the agreement to hold direct elections for the European Parliament in 1979, which will probably give a new stimulus to European integration.

(1) As opposed to traditional international cooperation (for example the Council of Europe or the United Nations), integration implies that an organisation has some powers of its own, comparable to the powers of central government; that decisions can be taken on the basis of majority decisions; that persons which do not represent the member states can participate in the decision making process; that decisions are directly applicable in the legal order of the member states; that there is a court to protect the legal system. See P. Reuter, *Organisations Européennes*, Paris 1970, p. 35-37.

An aspect of the European Communities' structure which has received little attention so far is that of the internal structures of its Member States. It is generally acknowledged that these structures must be democratic and it seems to be generally agreed that the present nine members meet this requirement. True, the emerging European Union is an integration process of individual states and local and regional structures are still a purely internal affair; no one could seriously contemplate setting up a similar local and regional structure for the Community as a whole. However, a simple comparison of the internal structures of two or three member States seems too limited an approach. There are phenomena today at European and national state level which may be of some significance to the further development of European integration, in particular the growing concern, both at national and European level, to reduce regional disequilibria. This is usually linked with the reforms or reform proposals regarding local and regional government in all Member States. The link between regional policy and regionalization (1) is often exaggerated: regionalization is not, as sometimes seems to be suggested, necessarily the basis of regional policy. Governments in the E.E.C. have a variety of specific economic and financial tools at their disposal to reduce regional imbalances; modernisation of local and regional government can be considered as an administrative and political means of achieving more harmonious development inside the state. Regionalization is a means of achieving a successful regional policy not a *conditio sine qua non*. An analysis of regional policy and regionalization shows how a broadening of the concept of regional policy is also accompanied by the growth of regionalization. If this is so at national level, then there is good reason to take a close look at the

(1) See p.6 for a further definition of regionalization.

evolution of European regional policy and its possible repercussions regarding regionalization in the Member States. If this link is also established on the European level, the success of the E.E.C.'s regional policy would then depend partly on the further evolution of internal structural reforms in the Member States, which would point to the need for some harmonization in this field.

However, an analysis of regionalization, related to national and European regional policy, may create an impression that this process has no other aspects interesting enough to be taken into account. It is remarkable that regionalization and local reform are underway at present in all Member States, as well as in some other European Countries such as Sweden and Spain. If similar phenomena exist in the same period in the history in almost half a continent then there must be fundamental reasons. So why is this evolution taking place? Of course, there are specific circumstances in each state, but we can look for similarities among these reforms and some common causes may emerge. Given the same basic reasons, are the Member States' modernization plans evolving in the same direction, or are there contradictory tendencies? From the point of view of further integration, it would therefore be valuable to compare regionalization not just in two or three states, but in all nine. Such a comparison could also have a wider significance in the context of the integration process as a whole: the supranational institutions of a European union with federal characteristics would have great functional difficulties with widely diverse internal structures in its Member States. It is a characteristic of a federal structure to have a direct relationship with its members. Therefore too many different and perhaps incompatible internal structures in the Member States would be a complicating factor for consultation and cooperation between European and regional institutions; this concerns regional and

other policies (transport, social environment to give a few).

We shall therefore analyse the overall evolution of regional policy in the Member States and of their local and regional reforms. If we can establish the link between regional policy and regionalization and if we find some common general reasons of another nature, then it will be interesting to consider whether there is any "automatic" harmonization between the Member States and if so, what. A study of regional policy at European level will lead them inevitably to conclusions about the further evolution of the Member States' reforms, and a desirable course for this evolution to take.

In order to avoid misunderstandings and wrong expectations, it is necessary to define the method of work and some terms which are crucial to the content of this thesis and which are used by different people in different ways, in particular the terms "regionalism" and "regionalization".

1. Method of Work

Our research starts from two simple facts: all Member States have elaborated regional policies to reduce regional imbalances, mainly those of^{an} economic nature, and all Member States have carried out significant modifications in their local and regional structures. We are concerned in the first place with the second fact: the form these modifications have taken and their causes and a comparison of them in the context of European integration: regional policy will be considered only in its relationship to regionalization. This involves no real economic discussion beyond a description of the economic evolution since the reconstruction of the countries concerned after the second world war. Thus there will be no profound discussion of national regional imbalances and their origins, nor will there be a macro-economic analysis of national or European regional policy. The aim is to give an overall picture as background to our main topic which is regionalization in the E.E.C.

We have indicated already that there are other reasons for local and regional reforms. Here too the same approach will be taken as with regional policy: specific national circumstances will not be studied in depth; we are looking in the first place for reasons common to all Member States and specific causes will be mentioned only when they are of fundamental interest. The first two chapters thus give a general picture of the two main reasons for local and regional reforms in the Member States. This is followed by a comparative discussion of these reforms themselves,

which is hampered by the additional problem of the dissimilarity of terminology and institutions in the various states which makes such a comparison a hazardous enterprise. Therefore a scheme will be put forward into which we can more or less fit existing local and regional structures; this also has advantage or clarifying what we mean by regionalization.

In the second part, regional policy of the E.E.C. will be analysed, which may reveal some parallel evolution with the Member States' regional policies. Only at the end of these chapters will it be possible to make final comments about the local and regional reforms in the Member States, placing them in the full perspective of national and european repercussions. The analysis of European regional policy will be more profound than that of national regional policies because its implications for the final conclusions are more weighty, and because they have rarely been discussed.

However, first we need to define regionalism and regionalization as these words will be used in the following chapters.

2. Regional policy, regionalism and regionalization

The word "region" is so often used in many different significations and combinations that great misunderstandings would be possible if no definition were given. This is so difficult that publications have appeared on this topic alone (1). However for the purposes of this thesis it is not necessary to go into the ramifications of this word or to discuss all arguments which have been advanced. This confusion seems to have two reasons; first the word "region" is used to indicate an incredible variety

(1) F. Masart-Pierard, *Pour une doctrine de la région*, Leuven, 1974.

of territorial entities. It is used in constitutional and administrative law and in politics, economics and sociology, in history and indeed in practically all human sciences. It always refers to widely different territorial divisions. When a political scientist and a planner speak about the state, they refer certainly to the same area; when the same people speak of regions one needs to be careful: they may have a different view of territorial division. The planner may refer to a minor town and its surrounding villages, the other perhaps to areas of around 5 million people. The word region is even used to indicate economic communities and common markets; sometimes the E.C. are listed as regional institutions, for example in U.N. publications. Region seems to be a useful word every time one wishes to indicate subdivisions and their institutions: sub-divisions of the world, of a state. But it would be easier if it meant the same sort of sub-division in states; this however is not the case. If one goes out to make comparisons in a European perspective, confusion becomes more serious because its meaning varies, in different languages probably as a result of different national experiences and legal and political traditions. Thus when one studies regionalization in the Netherlands one discovers it mostly indicates suprämunicipal institutions for cooperation and coordination at the lowest tier of local government, whereas in France and Italy it indicates supra-departmental and supra-provincial levels of government; whatever their form may be, they are situated immediately under the national state level government. We are using the word "region" in a legal-political meaning; a region is an area of government which is at a higher level than the municipal level of government and at a lower level than the central government of a state. But this definition needs more refinement. The fact that the word "region" can indicate areas of various sizes has brought us to the introduction of a

distinction which originates from economic terminology in France. Economic and town and country planners there commonly use the words micro- and macro-region. There is a clear distinction of scale, between both types of regions, which has led to interminable discussions about the ideal size of the territory and the population of micro and macro-regions. This problem has some importance for economic and town and country planning as well as for the functioning of government; the advantages of larger scale government receive much attention nowadays, almost as much as its disadvantages (1). But so many factors must be taken into account for the establishment of micro- and macro-regions that it seems impossible to define ideal types. Looking for the ideal, generally valid type of region is like making the same error as the leaders of revolutionary France in 1789 who aimed at setting up identical departments. For our purposes it seems more interesting to look at the tasks which are allotted to micro- and macro-regions when they are established somewhere and to consider their size as a function of their tasks. Therefore we situate micro-regions at the second level of government, municipalities (2) being the first tier, and macro-regions as a tier immediately under the state level. We will say much more about this later on (3) but it is useful to point out already that it would seem to be true that micro- and macro-regions are not necessarily a form of territorial decentralization;

(1) This will be an aspect of discussion in chapter II of part one.

(2) Municipalities too can have widely different sizes. From a legal-political point of view, we consider municipalities as the first level of government in a state. See also chapter II.

(3) See Chapter III.

it is conceivable that one of the micro- or the macro-regional tier corresponds to the principles of functional decentralisation. This gives us then the following framework in which to study local and regional structures in the E.E.C. (4): at local level, there are the municipalities (5) in some cases with an institutionalized form of cooperation and coordination; at regional level, we find micro-regions (6) first, and above them, macro-regions (7). All this concerns territorial decentralization, but functionally decentralized institutions can fit into this framework too; not of course at municipal level, where there are no functionally decentralized institutions except in the form of supra-municipal organs for cooperation. This scheme does not relate local and regional government to size in the first place, although we may find that micro-regions correspond to provinces, counties or departments whereas macro-regions are on a much larger scale and have a few million inhabitants in normal situations. It is likely that their functions will be mainly in the field of planning, whereas those of micro-regions will be found in the sphere of services. But this is at the moment only a supposition which an analysis of existing and future structures will have to prove or disprove. Regionalization thus, means the evolution towards and the establishment of micro-and/or macro-regions. It indicates a trend towards new politico-administrative institutions

(4) A. van der Jagt, Reorganisatie van het binnenlands bestuur van Nederland in Europes perspectief, Report to the Ministry of Interior 1978, p. 6-14.

(5) "Communes" in Belgium, Luxembourg, France; "Gemeenten" in the Netherlands; "Communi" in Italy, "Kommune" in Denmark; "Kreisangehörige Gemeinde", "Kreisfreie Städte" in West Germany; metropolitan and non-metropolitan districts in the U.K.; districts in Ireland.

(6) "Provinces" in Belgium; "Amtskommuner" in Denmark; "Bezirke" and "Verbande" in West Germany; metropolitan and non-metropolitan counties in the U.K.; counties in Ireland; "Departments" in France; "Provinces" in the Netherlands, "Provincia" in Italy; Luxembourg has no other forms of territorial decentralisation.

(7) "Regions" and "Communautes Culturelles" in Belgium; "Region" in Italy; "Regierungsbezirke" in the "Länder" of West Germany.

which are taking over tasks from the old second level of local government and sometimes also from municipalities and from the state; it is not relevant in this respect whether these micro-and macro-regions are established on the basis of territorial or functional decentralization. Regionalization is thus quite different from regionalism, although it can be the result of the latter or influenced by it (8). Regionalism belongs to the vast category of -ism words indicating a broad general concept about society and life (e.g. socialism, catholicism) and a movement, a tendency towards the realization of the objectives of such concept. In its original form, in which the word appeared in the beginning of this century, regionalism indicates a movement (without giving this word necessarily and organisational content) towards guaranteeing and reviving the historic and cultural character, and the linguistic or ethnic difference of a certain area. This area was often an old feudal duchy or county or another feudal structure of the territory which had enjoyed considerable autonomy in the past but was now integrated in a new state with centralizing tendencies in many aspects of life, including cultural life. Thus the old language, for example became suppressed in favour of a national language. Regionalists worked for the preservation of the specific characteristics of their region, using the latin "regio" which is more neutral and makes identification with the old regime more difficult. Regionalists have therefore contributed towards creating the confusion about the meaning of the word "region". Regionalist organizations often came into being as a direct result of regional economic problems from which they derived their strength and influence; these problems aggravated resentment against the central government. Economic and sociological reasons can thus lead to

(8) See in Chapter III the evolution in B, I and GB.

regionalization, but even without these a state can still need local and regional reforms. In order to understand the existing reforms and plans in the Member States, we shall analyse how the evolution of regional policy has stimulated regionalization; this process has been almost equally stimulated by a variety of other circumstances, thus making reforms of the internal structures of the state a necessity.

PART I :

REGIONAL POLICY AND REGIONALIZATION IN THE MEMBER STATESIntroduction

Comparison of regional policy and of regionalization in 9 Member States involves some special problems. An approach which is too theoretical may lose touch with realities and involve too much wishful thinking. An approach which goes into all details and aims at a complete analysis of national regional policies will necessarily repeat a lot of what has already been said in books and articles about each state separately; moreover it will be difficult to discover a path leading to final comparisons among so much material.

Therefore we discuss in the first chapter the evolution of regional policy in the present Member States, but our analysis is restricted to those elements which seem to have influenced the course of local and regional reforms. Aspects of regional policy which are of national importance only and which do not have any significance for European regional policy will be left out and, as it has been stated earlier, our discussion is legal-political and not economic. And of course, most attention is paid to the general views behind the regional policies themselves, because these will be relevant for our analysis of regionalization in chapter III.

In the second chapter we have taken a brief look at other reasons which influence regionalization, in order to avoid the impression that regional policy is the only reason behind different forms of devolution in the E.E.C. This is in itself such a vast subject that a separate thesis could be written about it. This chapter, as the second, prepares the third and central chapter of part one; they both aim to give a view of the background of regionalization. In terms of architecture, the first and second chapter

describe the scene and foundations, the third the castle
itself.

CHAPTER I :

THE DEVELOPMENT OF REGIONAL POLICY IN THE MEMBER STATESIntroduction

Although regional policy as such has only been included in central government policies since the second half of this century, measures to assist distressed areas were taken much earlier; this was done mostly on an ad hoc basis, and its impact was even smaller than today. Nevertheless we think that it is useful to trace the development of regional policy from its origins, if not always in all Member States, at least in some of them in order to understand present situations better. For the same reason we give a general account of the origins of regional problems and their different aspects. Indeed for our purposes it does not seem necessary to discuss at length regional economic imbalances and other regional problems in each Member State separately. Instead we shall present a European survey; which we hope will show a clearer picture of regional policy as a common phenomenon in all of the nine.

Having done so, we shall see how regional policy starts everywhere as a sort of social assistance to very differently defined areas, some large, some small; later these are defined on a more coherent basis and according to certain specific criteria (1). When government became more interventionist in economic matters in general, its concepts about regional policy did not remain unchanged either. Gradually, the idea of regional development planning emerges. Together with it, and preceding it in some respects came the establishment of a variety of institutions which are set up to deal with the economic development of certain parts of the state in general or with certain aspects of it. As other bodies continue to be involved, such as a growing number of ministries, the need for coherence and coordination, or in other words planning on a medium and long term basis, becomes more

(1) In particular high unemployment and welfare below the average level.

pressing. Once we have arrived at that stage, we are close to the need for reforms, which seem to become inevitable for other reasons too; these are discussed in the second chapter. In this chapter the origins of regional problems in Western Europe are discussed in general terms, the first attempts to do something about them and then the development of regional policy proper; in the latter we discern two periods, the pre-planning or assistance period and the planning period.

1. Origins and aspects of regional problems

The roots of regional problems are often found in the actions of men though there are regions in the E.E.C. where natural circumstances are the origin of underdevelopment in the economic sense; this is often accompanied by other aspects of underdevelopment such as cultural and social backwardness. Dry climate, poor soil, mountainous terrain are not favourable factors for economic development, but one should not overestimate their influence. Thus underdevelopment of southern Italy for example is often attributed to natural circumstances, but these regions have been prosperous at alternate periods in their history, depending upon who was governing them and how. (1). In particular poverty of the soil is a false argument for most regions, because this is often man's fault, as in the case of soil erosion and deforestation by inhabitants or military occupiers (e.g. the massive deforestation of southern Italy by French troops under Napoleon) (2).

Cultural factors are rarely of great influence, but are often a result of other more direct causes of regional underdevelopment. Theories have been worked out to explain the underdevelopment of certain regions by supposing the inferiority of their inhabitants. Such

(1) S. Barzanti, *Underdeveloped areas in the Common Market*, Princeton, 1966, p. 29.

(2) S. Barzanti, *op cit.*

theories must be rejected, not only because of their implicit racism, but because they are contradicted by many facts. People coming from poor regions have often shown great skills once they lived in a more favourable social environment (e.g. the Irish in North America, Italians from the South who moved to the North of Italy or other countries). It is true of course that some qualities necessary for modern development are absent in backward regions, e.g. entrepreneurship. But this can not be attributed to one factor alone, as for example religion.

The social backwardness of some regions is mostly a result and a by-product of economic and/or political situations. Indeed, the continuing existence of semi-feudalism in southern Italy or the absence of a good communications system in some French regions as well as the centralization of economic life and administration in the capital result from a deliberate or silently tolerated policy. The decline of certain industries can be the result of technological progress, but the location of the new industries is a deliberate action. It is thus among the economic and/or political factors that the main causes of regional imbalances must be found.

a) The key problem in each case of regional backwardness is how to adjust out-dated economic structures. These can be inefficient agricultural UNDERTAKINGS as well as industries declining because of technological progress or new competitors.

The most obvious features pointing to out-dated economic structures are unemployment and under-employment, which in some regions are above the average figures for the state as a whole. However, it is not^{an} infallible indication because unemployment statistics for underdeveloped regions are not always complete. Young people who never found work or old people who theoretically live on a pension but

who in fact must work often do not appear in official figures. Unemployment figures have long been a political weapon and governments are tempted to give the lowest possible figure while the opposition may well overestimate it. Figures also depend on how regional boundaries are set: as soon as Corsica and Provence in France became two separate regions, it appeared that unemployment in the former was much higher than figures for the one region had indicated (1) Another example of manipulation: in Italy, the "Istituto Nazionale di Statistica" considers as full employed (in the sectors of industry, transport, communications and services) everyone who worked more than 24 hours a week, compared with a normal working week of 45 hours. (2). Such a criterion does not provide a fair picture of the situation, to say the least. Another limitation is that unemployment figures mostly indicate an average; this does not give a complete picture either. To give but one example, in the province of Limburg in the Netherlands, average unemployment is higher than the national average, though the province of South-Holland has far more unemployed people than Limburg. One should therefore not take unemployment statistics too literally but consider the economic situation as a whole.

Notwithstanding such limitations, unemployment figures which are high in one part of the country and low in another indicate a disequilibrium in the inter-regional labour market which is a result of inter-regional differences in the structure of economic activity and a differing increase in demand for labour as a result of this. It is precisely in the regions with a natural high increase in the labour force that the economic structure is not able to absorb them. Many of these people migrate to regions

(1) S. Barzanti, op cit., p. 50 et seq.
 (2) S. Barzanti, op, cit., p. 53.

where manufacturing and services are situated and shortage of labour exists. Thus already backward regions lose some of their most active, and often young, workers and employees.

The reverse process, that of capital flowing to regions of labour surplus, is slowed down. However, there are two more influential reasons for this. Nationally organised trade unions in most countries have obtained regional uniformity of wages. This restrains emigration of labour but also immigration of capital. Indeed, backward regions do not provide all external economies so that the cost of new investments, given the same wages, may be higher and productivity lower than in core regions.

Moreover, most backward regions with a labour surplus have agriculture as the dominant economic activity (e.g. the South of Italy, parts of Ireland). Some of Europe's problem regions have declining industries (e.g. Lorraine, Scotland, North-west France, Northern Ireland); some of these have also agricultural or fishing problems (e.g. Scotland). Industrially advanced regions usually have an agricultural sector with very modern equipment and high productivity. Underemployment is very low because the labour surplus is easily absorbed by industry and services.

The reason for backwardness, development or over-development of regions can be found in unequal distribution of industrial and service employment in the E.E.C. A better distribution can be achieved by government intervention (deliberate action) or by new economic factors (accidental actions) such as transport price evolution. But when large parts of the active population emigrate shortly before or at the same time as industry and services move in the regional income may not significantly increase. An unbalanced population pyramid keeps productivity per head

(1) Commission de la CEE, Rapport sur la capacité concurrentielle de la CEE, Bruxelles, 1971, II, p. 22.

low. State money transfers or money sent by emigrants remains necessary (1).

Public finance can have another effect. If a direct and progressive tax is imposed on companies, a regional redistribution of income can result because tax is higher if productivity is higher; this is, however, only true if the tax is payable in the region in which the factories of the company are situated or if head offices are distributed over the country. If not, it will benefit only the capital where most head offices are located (except West-Germany and the Netherlands, where head-offices are found in all major cities).

In this context the transport system can also be mentioned as a cause of regional disequilibria. Tariffs which are not adjusted to the real price favour certain regions and disfavour others. Certain regions of France for example became underdeveloped in comparison with the rest only after the introduction of a railway system centering around Paris. Most backward regions in the E.E.C. are frontier regions, thus regions which are peripheral to the national capital and the centres of economic activity.

Unemployment, agriculture, industrial decline, transport and state subsidies are words which will turn up often in the next chapters. Further analysis here would turn this into an economic thesis, which is not the intention, these factors are analysed in more detail in the literature given in the references. However, the political factors should not be forgotten.

(b) Economic factors do not bear sole responsibility for the backwardness of many regions in Europe. They have been accompanied and often accelerated by deliberate political measures (or the absence of such measures, which also constitutes a political act).

(1) Commission de la CEE, op. cit. p. 23.

Most 19th century states considered centralism as a means of keeping together unitary structures which were sometimes still weak (e.g. Italy, Belgium). No other decisionmaking centres of importance were allowed and lower levels of administration only received an executive or controlling role. However, the system was tempered by decentralisation, but usually on the basis of territorial divisions which were rather artificial. It worked well because the state was weak and the role of the government and its administration limited.

However, the more the role of government in public life increased, the more centralisation increased; new tasks were often given to the state assuming automatically that the decentralised authorities would not be able to perform them. Sometimes indeed they could not, because they were not designed for such tasks: 19th century local authorities were never set up with the intention that one day they would deal with economic planning and town and country planning, at local levels, or the health services etc. Local authorities had difficulties in coping with the larger scale of public life, and the increasing technicality of decision-making. However, the more the state took over or intervened, the more this centralisation was accompanied by bureaucratic congestion, inefficiency and loss of democratic control and citizen's participation.

Reforms therefore appeared to be necessary and a new evolution started.

2. The Origins of regional policy.

Governments have neglected regional imbalances for a long time in most states. It would be interesting to make a serious study of all the reasons for this, but we shall mention only the most obvious here. One of the reasons is the view of the role of the public authorities that there should be as little intervention as possible in economic

MATTERS . Another is incomplete knowledge of what was really happening in some parts of the state - which is partly a result of the same ideology of limiting public intervention, and partly due to absence of modern statistical methods. In these early industrial societies, an optimistic belief existed that the normal functioning of the economy would automatically bring similar material welfare for every municipality and province. People probably had no idea of the disastrous long term effects of policies such as the centralization of railways on the capital or the modernization of certain roads but not of others, which break up the commercial patterns of centuries. But after a few decades it was clear that certain parts of the state were beginning to lag behind the general growth pattern and that people were becoming poorer instead of better off. Regional policy started thus as a form of social policy. In order to help the poor, different forms of welfare were established in West European states, both on private initiative and by the public authorities during the 19th century. The primitive social policy worked on an individual basis until a "new" dimension was added in the form of social policy on a territorial basis: not only would poor people be assisted, but now also poor areas. Of course, it was not a real social policy as we understand it today, nor was it a regional policy in the modern sense; it was a primitive mixture of both, but nevertheless a real beginning at the end of the 19th or beginning of the 20th century. There was no coherent set of measures to stimulate economic development, there were no special institutions set up for this purpose, there was no planning of regional economic development. The government was brought to realise the poorness of certain provinces - the concept of a region had not yet emerged - and in a paternalistic way decided to do something about it, to appease the critics, to stop possible social unrest and to show its benevolence. This was shown very well in Italy, where the problems of regional imbalances were recognized earlier than in other

states; the first proper regional measures were taken in 1897 (1). This resulted from the fact that Italian regional disparities were very serious indeed.

Although history of the southern regions of Italy showed alternate periods of prosperity and depression (2), it was at the time of unification poorer than the northern regions. It had lower potential for agricultural and industrial development and was also at a disadvantage compared with the north as regards communications (3). As the general growth of the Italian economy was slow up to the end of the 19th century, the gap between north and south did not widen much. Nevertheless, unification was effected in an irrational way from an economic viewpoint (4). The weak southern industries became exposed to the more competitive northern enterprises while the tariffs of the kingdom of the two Sicilies were replaced by the lower external tariffs of Piedmont. The feudal agricultural structure of the south remained largely intact and the introduction of protective measures for certain agricultural products (grain) led to retaliatory tariffs from other states. The living standards of the population were very poor compared with the northern regions of Italy.

These very serious social problems in southern Italy led to the first state interventions (5). No control or restriction was imposed upon the functioning of the free market in the state, although this would have been the only way to prevent or heal the damage done by the forced union of an economically advanced and a backward area. Such measures were almost unthinkable in the political-economic climate of the time. Instead the government proposed

(1) It is not the efficiency of these measures but the intention behind them which classifies them as part of a regional policy.

(2) S. Barzanti, op, cit., p. 28.

(3) K. Allen and M.C. MacLennan, Regional problems and policies in Italy and France, London, 1970, p. 35

(4) K. Allen and M.C. MacLennan, op, cit, p. 34.

(5) S. Barzanti, op, cit. p. 36.

measures such as afforestation, works to regulate torrents and river courses and to supply water. These were all matters for which private enterprises showed no interest; they were regarded as collective needs falling under state responsibility. The state also began to bring communications in the south up to northern standards and to construct roads and railways. A major part of state expenditure on roads went to the south, while a large railway construction program^{me} brought these regions up to northern level by the end of the century.

This policy was followed by special laws concerning underdeveloped regions (1). These laws aimed to create favourable conditions for southern development and were concerned mostly with improving agriculture; however, they had little effect because they were applied to a deficient structure. Industry was largely forgotten, with the exception of Naples; it is quite remarkable that the state had already provided industrial sites and was offering fiscal and customs concessions for industries locating there.

However, this was not yet a real shift in policy and can therefore not be considered as a proper regional policy; they remained within the sphere of aid policy. All these measures were single, uncoordinated projects, whose implementation was far from efficient. Their isolated nature resulted in fact in a deterioration of the situation; improvement of communications between northern and southern Italy led to a further weakening of the latter's industry. A massive fall in industrial employment in the south between 1881 and 1901 and a rise in the north (2) were the immediate results of these measures. A concept of regional policy based entirely on a liberal economic role for the state proved unable to right the economic imbalances created by the same system.

(1) For Basilicata, 1904; for Naples 1906; for Calabria, 1905; for Sicily 1906; for Sardinia 1897, and 1906.

(2) K. Allen and M.C. MacLennan, op. cit., p. 37.

The economic crisis of the thirties stimulated the development of this first concept of regional policy. However, the evolution in Italy was stopped by the fascist government, which for ideological reasons denied the existence of the problem (1). One has to turn therefore to other states in order to see how assistance dominated this early beginning of the development of regional policies. The unemployment caused by the great economic crisis was higher in some regions than others. During the 1930's depression in the United Kingdom, one third of the labour force in Wales and one fourth in Scotland and Northern Ireland were unemployed, which was higher than in other parts of the country (2). As a result of continuing unemployment and the lower income per head in these underdeveloped regions (although the income gap was bridged partly by regional variations in living costs), emigration from these regions led a continuing decline of the population there. Higher death rates also account in part for the slower population growth.

Another state where the depression brought large regional disparities to the surface was France. Centralization of economic and political activities in and around Paris had led to the underdevelopment and underpopulation of peripheral and central regions. North-south differences were not so pronounced as in Italy, because of different historic circumstances and better geographical and natural conditions. However, centralization dating back to the 18th century had gradually reinforced the position of the capital, particularly the centralization of transport systems which orientated business and markets to the capital which also had the monopoly of intellectual and cultural life. Centralization of population in Paris led

(1) S. Barzanti, *op. cit.*, p. 37.

(2) J.C. Banks, *Federal Britain*, London 1971 p. 53.

to the remarkable fact that about 95% of the territory of France lost population in both absolute and relative terms during the 1851-1931 period (1).

Once prosperous regions such as Languedoc and Aquitaine declined economically, emigration made others such as the Massif Central and Alpine regions lose more than one fourth of their population, because of lack of employment facilities; regression of vinegrowing in Aquitaine was largely responsible for a population decline of one fifth. Although these regional disequilibria had been growing since the 19th century, the depression made these imbalances clear to everyone.

Reaction to the newly-discovered regional problems was different in the United Kingdom and France and this seemed to result from the fact that the United Kingdom was a more advanced industrial society at that time. The British concept of regional policy was concerned with the problem of unemployment and its social consequences. Such an approach to regional disparities, which might have been brought about under pressure of trade unions and the Labour party, could right only one of the consequences of regional imbalances. It did not aim to modify significantly the unequal distribution of industry and services, which were concentrated in a few areas of early industrial development.

The British concept of regional policy resulted in the setting up of an Industrial Transference Board, which helped selected unemployed adults to fill specific vacancies in other areas. Those willing to do so could follow retraining courses in special Instruction Centres and could also receive help for family removals. However, as these measures were relatively small, only a fraction of the labour force profited from it and the economic effect was limited (2).

(1) R. Lafont, *La révolution régionaliste*, Paris 1967. S. Barzanti op cit. p. 61.

(2) A.J. Brown, *The framework of regional economics in the U.K.* Cambridge 1972 p. 282

The Industrial Transference Board was in existence from 1928 to 1938, but at the same time the concept of regional policy was expanding. The government no longer limited its role to remedying the consequences of regional disparities, but it made a cautious attempt to go to the roots of the problem. From 1934 onwards, incentives and assistance were given in order to promote the growth of industry in specially indicated development areas. Though the impact of this measure on backward regions was not very visible and the unemployment rates of these regions in 1940 were still higher than those of the south-east, (1) it nevertheless represented a remarkable enlargement of the concept of regional policy in the form of the state authorities implicit acceptance of responsibility for a more equitable distribution of industry over its territory. The incentives and assistance given were largely inefficient but their introduction can be seen as an indicator of the changing role of the state in economic life in general and as regards regional economic problems in particular.

A similar evolution took place in France during the same period. Industry had developed in France somewhat later than in the United Kingdom, because of agricultural reforms carried out during the 1789 revolution which permitted the farmer to stay on his land. Industrial development from the second half of the 19th century onwards had been steady, although marked by social uprisings and frequent changes of political regime. The 1930 economic crisis upset the French economy as much as anywhere else, but its effect on the concept of regional policy was modest (2).

(1) A.J. Brown, op, cit, p. 285

(2) See J. and C. Nême, *Economie Européen*, Paris 1970

In fact, French governments introduced measures to combat unemployment and undertook what was, for the times, strong intervention in economic life in general. But almost none of their intervention aimed at regional development. The aircraft industry was transferred from the Paris region to the south-west and Toulouse purely for strategic reasons. Little consideration was given to the problems of moving a firm to another region (absence of external economies, recruitment and housing of workers etc.) and therefore the experiment was not an economic success (1). French economic policy did not yet introduce special assistance for underdeveloped regions.

In other states, intervention by the government in economic life retained its social nature. Though regional disparities existed in Germany, these appeared to be less serious than in the United Kingdom or Italy; in Nazi-ideology there was also no place for such problems. The Netherlands and Belgium had a fairly balanced economic development and because of a wellspread transport system in the latter, concentration of population was limited (2). In these states no proper regional policy concept existed.

Up to the Second World War we note thus two positive points, the gradual recognition that the government could not just sit back while certain parts of its territory became poorer in comparison with the rest, and the beginning of assistance for people in these areas. Although this was in general a kind of social policy, it was accompanied (particularly Italy) by some infrastructure works which aimed to provide a healthy basis for an economic take-off for these areas. The lack of results can be explained by the relatively small scale of these measures, their uncoordinated nature and the economic

(1) K. Allen and M.C. MacLennan, op cit. p. 149

(2) J.F. Gravier, *La Révolution Régionale*, Paris 1963, p. 63.

crisis of the thirties followed by the war. A concept of region had not yet emerged; the word is used a few times in Italian literature of the time but as yet without a sufficiently clear meaning (1). In France of course there was a flourishing body of literature about regionalism and proposals for reforms were made to give the regions a new life (2). But the reference here is really to historic regions, the former provinces and states which made up the pre-1789 kingdom, regions with a modern economic administrative meaning were not present in French political thought at this period. This sort of regionalism in France had after all a negative influence; the regions of the authoritarian Vichy regime had no democratic political or economic meaning and discredited the idea of establishing regions for a long time after the war. Flemish and Wallon nationalists in Belgium also had no clear concept of region and when they used this word occasionally, it indicated the Dutch and French-speaking parts of the state; although decentralization and political autonomy were requested for Flanders and Wallonia, the main reasons were linguistic and nothing more. As they too flirted with the Nazi-regime, the concept of region, in as far as it ever existed, became discredited for a long time.

However, after the war, when the first period of the reconstruction of the economy was over (1947-48), regional problems were again to receive attention as such and the evolution which started at the beginning of the century in some states, and during the thirties in others, would continue and became more and more important for governments in the present nine Member States.

(1) See C. Palazolli, *Les régions italiennes*, Paris 1966.
 (2) See T. FLORY, *Le mouvement régionaliste français*, Paris, 1966.

3. Development of regional policy

It is almost impossible to put dates behind this title; the development of regional policy as described in this paragraph starts a couple of years after the war or even later, but it leads on gradually and at different times in the different states to the present situation of government regional policies. With some hesitation one could say that the present-day forms of regional policies emerged in late fifties or early sixties. We shall see first how in most states a variety of institutions are set up to deal with regional problems, which now not only became worse - the gap widens between rich and poor regions, to put it simply - but also become better known to the government and the public, thanks to better statistical methods and the public concern about equal distribution of welfare. These institutions were accompanied by a variety of economic-financial measures which aimed not only to assist these backward areas, but to give them a chance to catch up with the others and to become prosperous areas themselves. In the third place this period sees the emergence of a concept of regions, still embryonic, but there are signs of a growing awareness that these backward areas are not just delimitations on the map, of widely varying size, but that they have a certain internal coherence. Economic backwardness is not a problem of a few departments in the south west of France or of a few counties in the north of Britain. It is a problem of a whole section of the state showing similar social and economic characteristics and a certain coherence which does not stop at provincial borders. Backward areas become backward regions.

(a) Before the war regional policy was a matter which the central government would take care of without establishing special institutions and with little or no involvement of local authorities. This did not mean that a coordinated

action by several ministries was elaborated. Regional policy consisted of aid handed out by one or more ministries independently of each other. Any further intervention by the government would have been contrary to the general view of the role of the state in public life. The first ministries involved were those of economic affairs and of public works, whatever the name in different states might have been (in Italy, from 1904 onwards; in the other states, since the end of the first world war and in particular since the 1930 economic crisis; but the U.K. has rarely had an economic ministry). The role of the latter ministry could easily be defined: providing a better infrastructure in backward regions. It is not surprising that this ministry was more or less the first to be actively involved: private transport companies became an inefficient affair very soon in many states and the government had to take over railways and other transport networks. In Italy particularly great efforts were made after the unification of the state to bring the southern infrastructure up to northern standards (1). This was of course also necessary in order to integrate the south fully into the new state and to give a very visible proof of its benefits. Roads and railways were built but although the measures were impressive for that period, they were not adequate (2). Moreover, they left the southern regions more open to competitions from the more industrialised north and this, together with the decline of southern agriculture, weakened its economic position and widened the economic gap in the new state (3). In other states too the lack of coordination between the

(1) K. Allen and M.C. MacLennan, op. cit. p. 42

(2) K. Allen and M.C. MacLennan, op. cit. p. 44

(3) S. Barzanti, op. cit. p. 28

development of new communications and other economic measures or the absence of the latter was harmful for many regions; in France, the centralization of the railway system on Paris brought economic decline for several peripheral regions and disrupted century-old trade links (1). In Belgium, on the contrary, the relatively even distribution of the infrastructure is considered to be one of the reasons which prevented the growth of wide regional imbalances (2).

In some states the Ministry of Economic Affairs had become involved in these first attempts towards a regional policy. Special Acts were passed in the Italian Parliament in favour of the most underdeveloped regions (3). These Acts envisaged certain development projects, but not an overall plan, and were consequently a waste of money (4). Only Naples profited from it.

Another ministry which became active in regional matters was the Ministry of Labour. This is not surprising, because all over western Europe deliberations on regional problems concentrated primarily on their social consequences. During the 1930's economic depression, the Ministry of Labour in the U.K. was responsible for organizing aid for depressed regions (5). It showed the close relationship between unemployment policy and early regional policy. In other states, no regional diversification in unemployment measures was introduced by the Ministry of Labour, with the exception of Denmark where some areas in North Jutland with a particularly high unemployment rate received special assistance too.

(1) See R. Lafont, *La révolution régionaliste*, Paris 1967

(2) In particular because it was combined with cheap workers' tariffs on railways which encourage long distance commuting. Also in the Netherlands it is a means of keeping workers in rural areas.

(3) Act of 31.3.1904 for Basilicata; Act of 25.6.1905 for Calabria; Act of 15.6.1906 for Sicily and Sardinia.

(4) S. Barzanti, *op. cit* p. 36

(5) See Chapter 1.

As we have noted, the concept of regional policy became more developed after the Second World War (1). The increasing role of the state in economic life in general also brought more state involvement in solving the regional problems which by now had assumed huge proportions in several states. In Italy the devastation by the war added new reasons to the backwardness of the Mezzogiorno. Devastation by the war caused serious problems in other countries too. Another reason for the involvement of more ministries was the development of economic planning and town and country planning which necessarily demanded cooperation and coordination among ministries. Besides the Ministries of Public Works, the Economy and Labour, which continued their various involvements in regional development, other ministries also started to take the matter up, particularly the Ministries of Transport, Public Health, the Interior and Agriculture (2). Not all of these Ministries were involved in regional policy in every Member State; the Ministry of the Economy has become mostly the main state administrative body which elaborates, supervises and coordinates regional policy; in Denmark, however, the Regional Development Council operates under the Ministry of Trade and in Italy and Belgium other Ministries play an important role, the Ministry for the South in Italy and the two Secretariats of State for Regional Policy in Belgium. The distribution of regional responsibilities among various ministries is in itself an indication of the nature and seriousness of regional imbalances in the state (3). It also depends on the powers

(1) P. Randall, *Regional Policy for Ever*, London 1973 p. 19.

(2) In Denmark, the Ministry of Cultural Affairs is active in this field too, e.g. its 1965 study about the problems of islands habitation. Denmark is probably the only state where real attention is paid to sociological and cultural problems in the framework of regional policy.

(3) Except in Belgium, see further p. 33.

of local and regional authorities and of special institutions if they exist. The involvement of so many ministries is in itself already an indication of a change in the concept of regional policy. Instead of ad-hoc welfare measures, attempts are made to provide backward regions with a realistic basis for economic development.

In several states the Ministry of Finance has gradually come to be involved in the process of setting up regional policy. In France and the Federal Republic of Germany this took place automatically through the establishment of a single Ministry of Finance and the Economy. However, it is also indicative of the growing costs of regional policies. Expenditure on regional aid continues to rise and the Ministry of Finance is becoming more and more a watchdog of such state expenditure. Its participation cannot be considered negatively: it may be that in the long run expensive but not necessarily useful aid to backward regions will be reduced in favour of more comprehensive state and regional planning.

Whereas in some states (Denmark, France, Italy, Luxembourg) inter-ministerial committees are set up in order to coordinate activities of the ministries involved in regional economic development, Belgium has established a central administration dealing exclusively with regional economy. The Secretary of State for Regional Economy in Flanders and his counterpart in Wallonia do not preside over Regional Ministries, but fall under the Ministry of Economy (1). They have ministerial rank, but their powers are defined by the King and exercised under the political authority of the Ministry of Economy. The establishment of these Secretaries of State is more a result of cultural antagonism in Belgium than of severe regional imbalances. Though Wallonia is suffering from economic difficulties,

(1) A. Mast, *Overzicht van het Belgisch grondwettelijk recht*, Gent 1973 p. 276-278.

due mainly to decline of its steel and coal mining industries, and though some parts of Flanders still have an unemployment figure above average, these problems could be solved without two Secretaries of State, whose tasks are principally to attract new investments and to grant various forms of state aid. The establishment of a Flemish and a Walloon Secretary of State for Regional Economy is a typical example of deconcentration which gives an impression of responding to regionalist demands.

Italy has a Minister for the South who is also a Member of the central government. His responsibility is the control of public agencies working in the Mezzogiorno and the coordination of the economic development activities of other ministries. His position differs from the two Belgian Secretaries of State because he is not second in rank in the government.

However, in several states the Ministry of Economy was considered not to be a suitable instrument for the promotion of regional economic development. Its priorities were the national economy, its planning and growth and the strengthening of its international position. Regional development was often secondary and indeed sometimes obstructive to the full realization of such national aims. It was felt that the involvement of several ministries made coordination of each ministry's regional policy an urgent necessity; even then, waste of energy and money and contradictory measures were not always avoided. An inter-ministerial committee for regional policy can prevent many failures, but the fact remains that each ministry can and often will continue to pursue its own policies, be it only for political reasons (such as prestige, political image of the minister, favouritism etc.). Thus several states have set up special institutions whose major role is to promote the economic development of underdeveloped regions. The functioning and the powers of such institutions differ in each state

according to their specific circumstances and needs, but they have in common a search for new and more effective state administration. Their working methods differ from those of ministries in this sense, that they are in general more based on the interdisciplinary analysis of a problem and the elaboration of a more or less coherent plan of economic recovery. Since they often have considerable funds at their disposal for financing or assisting regional projects, these state institutions have become important in the conception and execution of regional policy. They are also typical of the technocratic nature of such policies. They do not replace normal ministerial work, but they deal with extra-ordinary works which go beyond the scope and resources of individual ministries. The establishment of such institutions can be considered as a link between the aid (1) and the planning concept of regional policy (in particular in Italy). These institutions all have more or less considerable sums of money at their disposal, but in practice the need soon emerges for more harmonization (i.e. planning) in the allotment of these funds in order to obtain maximum results. Although these institutions were not set up as part of a plan to reform the state's local authorities which in fact are often not associated in their work and certainly not in their decision-making, their functional character (whether their legal position is deconcentrated or decentralised) is an indication too of the search to adapt the state's functioning at central level to modern needs; regionalization arises partly for the same reasons, as will be indicated later.

(1) By aid concept we mean a form of regional policy somewhere between social assistance and real economic planning; it indicates that regions receive a lot of economic and financial aid, which is not yet fully determined by a comprehensive plan.

(b) One of the first of such institutions is the Cassa per il Mezzogiorno (development for the South) in Italy. After 1945, political pressures, such as secessionist movements, and economic necessities resulting from the devastations of war in the poor south (1), made it clear that a new and all-round approach was necessary. The almost feudal agricultural structure had to be reorganized thoroughly, the infrastructure improved and industrialization properly started. Therefore, it seemed necessary to establish a single organ on an ad hoc basis, to coordinate the policies of the different ministries concerned with the economic development of the South, to plan these policies in detail and to work closely together with all other public and private institutions and organizations involved (2). To realise these aims the Cassa was established on the 10th August, 1950 (3).

The Cassa is run by a board consisting of experts appointed by the government, and works under the control of the Minister for the South and a committee of ministers with special interests in the South. This committee is responsible to parliament for the Cassa's activities. It is remarkable that the Cassa contains no representatives from the southern regions. This may result partly from the fact that regional authorities have limited powers in economic matters, but the Cassa would be a good means of setting up the sort of cooperation between the state and the regions which is becoming more and more common in federal states (4).

(1) In the immediate post-war years, the South received considerable aid from the U.S.A. and from UNRRA, but this of course could only relieve short-term problems.

(2) S. Barzanti, op. cit. p. 109-110.

(3) Act nr. 646 of 1950.

(4) Cooperative federalism may be a solution to the difficult problems of the division of power in federal and in regional states. See D.J. Elazar et al. *Cooperation and conflict: readings in American federalism*; Illinois 1969; R. Kunze, *Kooperativen Federalismus in der BRD*, Stuttgart 1968; U. Scheuner, *Kooperation und Konflikt*, in *Die Öffentliche Verwaltung*, 1972/1977 p. 585 et Seq.

Regional and national authorities could cooperate on an equal basis to find solutions to regional development problems; decision-making and if necessary execution would be shared. With its present structure and functioning, the Cassa is nothing more than "an interesting example of functional decentralization" (1).

However, the Cassa still meets with lack of cooperation and unwillingness to coordinate from the different administration involved. Even the fact that the final responsibility for the Cassa's activity lies with the committee of ministers is not strong enough a factor to counterbalance this; most ministers continue to regard their ministry as their own fief for which they are responsible to parliament alone. The reason why is not obvious. The most likely explanation is the fact that Italian politics are dominated by favouritism, which moves every minister to do as much as possible for his constituency; this makes them unwilling to coordinate because it limits their freedom. A second reason is the influence of southern landowners, who took an arch-conservative attitude and were not favourable to modern developments. They had considerable influence in the ruling christian-democratic party. Nevertheless, it seems that even with such difficulties, which have been worse in the initial period, the Cassa plays a useful role in clearing up the mess and filling the gaps left by the uncoordinated actions of individual ministries (2).

That may seem too negative a view. The Cassa has been able to exercise a positive influence on the economic development of the South, in the first place because of its substantial funds: over the period 1950-70 it spent nearly Lire 5.000 milliard; and secondly, because it made some

(1) M. Watson, Regional development policy and administration in Italy, London 1970 p. 11.

(2) K. Allen and M.C. MacLennan op. cit., p. 48.

changes in the general attitude towards regional problems. During the first ten year period, most effort went into agriculture and the infrastructure. About 77% of the Cassa's funds were spent on improving agriculture and promoting land reforms, while 20% was spent on infrastructure works. These percentages reflect the relative importance which the Cassa initially assigned to each economic sector in the general development of the South. Agriculture was the most important economic activity of the Mezzogiorno; therefore the 1950 measures, it has been argued (1) could not aim at bringing autonomous economic development. Others have expressed the opinion that valuable time was lost in industrializing the South (2). It has also been stated that political pressures brought about this high expenditure on agriculture; medium and large scale land-owners could receive high grants for land improvement schemes, whereas the peasants profited from the land reforms (3). Later these percentages were revised: 55% and 30% of the Cassa's money was spent on agriculture and infrastructure respectively (4). The rest was spent originally on tourism (3%) and later on industrial projects (12%) and tourism (3%)

In the agricultural sector, the Cassa aimed at reducing underemployment and improving agricultural production and income. It does not cover all agricultural problems, but only these relevant to the regional development of the South; the Ministry of Agriculture continued to deal directly with other general problems (5). Over three

(1) Russell King, in H.D. Clout, *Regional development in western Europe*, London 1975 p. 98.

(2) K. Allen and M.C. MacLennen op. cit. p. 52.

(3) Russell King op. cit. p. 98.

(4) S. Barzanti, op. cit. p. 112-113.

(5) idem, p. 121. However, problems remained, as the power to intervene was divided between the E.E.C., the central governments, the regions and the Cassa. The main losers seem to have been the regions. See further, Chapter IV.

quarters of the Cassa's agricultural expenditure went on land reforms, soil conservation and irrigation scheme (1). It also spent considerable amounts of money on training of young people; during the first 12 years, 21 institutes for professional agricultural specialization were established, which coordinate the more than 100 agricultural schools already existing or newly established (2). Another activity for the Cassa concerned housing improvement; much was done also to improve social and health conditions (e.g. bringing drinking water to every village).

In matters of infrastructure, the Cassa elaborated a general plan to establish what the South needed in the way of aqueducts and sewers and then, as far as funds were available, carried out the most urgent projects (3). Another important step towards providing the South with a basic infrastructure for its economic development was the improvement of existing roads and the construction of new ones. In cooperation with FFSS, the Italian State Railroads, the Cassa planned extension and improvement of many lines. The Cassa also made improvements on seaports since these were essential for the economic revival of the Mezzogiorno (4).

From the beginning, it was accepted that tourism could be a very stimulating factor for southern development, The Cassa therefore directed some of its funds into this sector, improving the infrastructure in and towards places of touristic interest, building hotels and restaurants and restoring much of the architectural heritage of the South. As was the case in the field of agriculture, the Cassa's funds were also spent in selected areas in the tourist sector (5). It was considered that this

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- (1) K. Allen and M.C. MacLennan, op. cit. p. 84
 - (2) S. Barzanti, op. cit. p. 123
 - (3) idem, p. 124
 - (4) idem, p. 125-126
 - (5) K. Allen and M.C. MacLennan, op. cit. p. 93

would be more efficient than spreading the Cassa's funds out over so vast a territory as the Mezzogiorno. The system, however, inevitably increased internal disequilibria in the South. The Cassa was criticised for this geographical dispersion of its efforts. This resulted mainly from the dilemma between economic benefits and efficiency and social and geographical equality (1). It thus appears that social considerations also continue to exercise an important influence on the development of regional development planning.

In this initial period, the Cassa paid little attention to industry. It was not until 1957 that the industrialization of the South became a major aim of the Cassa. Though some industry was already located in the South, there was no real industrial take-off. If the Cassa had started earlier with its industrialization policy in the immediate post-war period the problems of southern development might have been less difficult to solve. By 1957, industry in northern Italy had recovered from the war and thus a chance to relocate some enterprises was missed.

The Industrial Areas Act (2), which, for political reasons, did not come into operation until 1959, introduced a wide range of measures to promote industrial development. The Cassa now aimed to attract small and medium-sized enterprises, and started to pursue an industrial growth pole policy. It was assisted very much by the I.R.I., which is a state holding for industrial reconstruction, and the E.N.I., which is a state hydrocarbons agency, who together accounted for over 90% of the annual investments by state controlled firms in Italy. Though they were already required (3) to locate 60% of their new industrial investments in the South, the impact of this provision had been relatively small up to 1957, because most of their investments concerned modernization of existing enterprises (4). Confirmation of this earlier provision

(1) Russell King, op. cit. p. 98

(2) Act nr 634 of 1957.

(3) By Act nr 646 of 1950, art. 4.

(4) K. Allen and M.C. MacLennan op. cit p. 62

given by Act nr 634 came to be of great importance for southern industrial development. The involvement of I.R.I. and E.N.I. and Italsider (iron and steel holding) helped to bring basic industries to the Mezzogiorno.

The Cassa's industrial policy, based on the growth pole concept, aimed to establish and to manage selected industrial zones in the southern regions. The entry of socialists into the government in 1960 made this growth-centre policy politically possible. Two types were envisaged: industrialization areas and industrial nuclei; the former are areas with a population of at least 200,000 and the beginnings of industrial development, the latter are smaller and envisaged for small and medium-sized enterprises. It is interesting that both types of poles were not imposed but left to local initiative although all plans had to be submitted to the Cassa for approval. By 1970, 42 areas and nuclei were selected, representing 29% of the Mezzogiorno and 45% of its population. Some nuclei were approved for political reasons and their economic viability may be doubted. In practice the difference between the aid available to both types of growth centres has largely disappeared (1). Lack of integration in a comprehensive regional plan and lack of coordination between areas and nuclei and between town and country planning and industrialization policy are the other reasons which made this policy less successful than might have been expected (2). It is worth noting that the Cassa's industrial policy was elaborated largely without the cooperation of or reference to the regions (3). Though very regrettable and a cause of much criticism and inefficiency, it could hardly have happened otherwise: regional authorities had not yet been established in the early sixties (special

(1) Russell King, op. cit. p. 100

(2) Russell King, op. cit. p. 100

(3) Martin Clark, Italy, Regionalism and Bureaucratic Reform, in J. Cornford (Ed) *The Failure of the State*, London 1975 p. 66.

regions excepted) and the attribution of overall powers to the regions, as written in the 1947 Constitution, reflected the economic situation of that period. However, the regions were responsible for agriculture and even in these matters they were by-passed by the Cassa, which was an almost inevitable result of its structure as a functionally decentralized state agency.

Although from 1959 onwards the Cassa became thus involved in all sectors of economic development in the South, the fact remains that these regions are still poor compared with the North. In many respects the Mezzogiorno has done well, but the disparity of income per head between the North and the South of Italy was only slightly less in 1967 than it was in 1951 (1). However, one cannot expect so great a disparity to be removed or reduced substantially in a period of less than 20 years. For a long time to come, southern regions will be dependent on outside help. Of course even without intervention, some economic development would have taken place in the South. The Cassa has spent 5,000 *milliard* lire in the South during 1950-1970 period, an amount which in the first place helped to prevent the gap from increasing. But the Cassa's funds are still insufficient; there is an increase in the funds available since its existence was extended in 1965 until 1980, but current allocations are lower in relation to the State's income as compared with the early '50's (2). It appears thus that the Cassa per il Mezzogiorno has had *SOME POSITIVE INFLUENCE ON* Southern economic development; its results are not more substantial because lack of funds and power to act on structural aspects have led to continuing backwardness.

This wide discussion of the Cassa seems useful because it shows the most important instrument for regional development in the country with the most serious regional imbalances.

(1) K. Allen and M.C. MacLennan, op. cit. p.111
 (2) K. Allen and M.C. MacLennan, op. cit. p. 115

It is typical of the evolution of regional policy in this period; its lack of ^{real} success is also caused by the absence of general economic and regional planning at the time, but at the same time it influenced the emergence of more comprehensive planning. The latter remark is probably the most important; the establishment of an institution with considerable funds at its disposal made the need for its efficient use very urgent, and this seemed only possible by coordinated action, in other words through planning the region's economic development. Planning in its turn is not possible on the basis of undefined areas. One cannot seriously elaborate a macro-economic development plan for a few villages here, a couple of provinces there, which change as easily as the governments which make these delimitations. A general and coherent structure is needed in the state to make general economic planning possible. Thus the establishment of institutions like the Cassa contributed to the development of the idea of regionalization. Now Italy already had a regional structure (1), while in other states no institution ^{like} the Cassa was established, but instead less powerful and less comprehensive institutions; these are the reasons why the relationship between the establishment of regional policy institutions, regional economic planning and administrative reforms is less than clear. In the one state where this relationship could have been clear (Italy), regions existed already, in other states the variety of institutions and their less powerful positions make it difficult to distinguish how much they influenced the emergence of regionalization. We will come back to this; let us first examine the evolution in other states. The significance of the Cassa is also in the fact that the

(1) For other reasons, see further Chapter III.

Italian government seemed to have asked for a "European Cassa" during the negotiations for the Treaty of Rome. Other states (Germany, the Netherlands) did not like this system and it was the European Investment Bank which emerged as a compromise.

In other states, functionally decentralised institutions have been established, but at present no institution is devoted so exclusively to regional development in particular of the state as the Cassa per il Mezzogiorno in Italy. Comparison with institutions in other states is often limited to a general characterization as functionally decentralised bodies (1). The political, economic and financial role of comparable institutions in other states is less pronounced than that of the Cassa. One type of public institutions involved, among other things, in regional development, are state holdings (2); other examples are the various funds and planning agencies.

Mention has been made already of IRI and ENI in Italy. The former was created in 1933 (3), originally in order to help private enterprises suffering under the economic crisis. A few years later, in 1937, its role was extended to allow it to manage its shares permanently (4). The IRI's existence was confirmed after the fall of the fascist regime (5); it became a corporate body under public law

(1) Other institutions, such as the Development Funds of various ministries which are not more than a matter of accountancy in the state budget cannot be considered as special institutions responsible for regional development. They lack the necessary legal, political and financial autonomy. As they are also an integral part of one or another ministry involved in regional policy, it would be irrelevant to consider them here, because they can never act autonomously in a European context.

(2) They are mentioned only if and in so far as they have been assigned concrete regional objectives.

(3) Act nr 5 of 23.1.1933

(4) Act nr 905 of 24.6.1937.

(5) Act nr 51 of 12.2.1948.

("personne morale de droit public") directed by a board and a president which are appointed by the government. Its aim is to manage the state's participations in industry; as such the IRI can be considered as a state holding modelled on the organisation and working of private holdings (1).

The ENI, whose origin dates back to a mixed economy enterprise from 1926, was established as a corporate body under public law in 1953 (2). It enjoys a monopoly of hydrocarbons and has also taken the form of a holding. As is the case for IRI, enterprises in which ENI participates remain private law companies; they cannot be considered as nationalized enterprises. A third similar holding is Italsider, which is active in the iron and steel industry.

These holdings and in particular the IRI play an important role in Italian regional policy, because they are obliged by law to direct a large part of their investment to the South. Supervisory power over both holdings is in the hands of the Ministry of State Participations established in 1956 (3) though it appears that in practice the powers of this Ministry in fact do not stand up to the power of the actual captains of industry (4).

In France two public companies have a comparable role: the "Société Sidérurgique de Participation et de Développement Economique" (Sideco), which aims to provide new jobs in areas relying heavily on steel industries, and the "Société Financière pour Favoriser l'Industrialisation des Régions Minières" (Sofirem) which pursues the same objective in coalmining areas. Investment schemes which create new jobs can be financed in other states too by specially established

(1) J. De Lanversin, Le ministère des participations de l'Etat en Italie, in Revue de Droit Public et de Science Politique, 1962 p. 632.

(2) Act nr 136 of 10.2.1953.

(3) Act nr 1589 of 22.12.1956

(4) J. de Lanversin, op cit. p. 641-642

public companies; the Netherlands and Belgium for example have a "Nationale Investeringsmaatschappij" (NIM) but in Belgium it was transformed in 1975 into a public holding. Both NIM, however, are rather indiscriminate with their investment aid from a regional viewpoint.

Some governments have made more use of nationalization practices in order to become directly involved in the economic process. This is the case of France (banks, Renault) and Great Britain (coal and steel industries) (1). From a regional viewpoint, nationalization cannot bring more benefits than a state holding operating within the economic system according to market rules but on conditions laid down by the government. However, even if a state holding or a nationalized enterprise are obliged to take account^{of} regional disparities and to invest more heavily in depressed areas, they are bound by economic rationality, though the latter can rely easily on state subsidies. They have to take account of the overall economic situation and to adapt to the state's economic policy in general. Therefore, states have established institutions more directly and more fully committed to promotion of regional economic development. These institutions enjoy a different degree of autonomy, have different supervisory powers, different functional powers and financial means at their disposal, all according to the state's own circumstances and needs, but they are both central state instruments to aid backward regions and to promote more harmonious economic development (in theory at least). In a certain sense, they are the smaller brothers of the Cassa, smaller in this sense that they have less power and financial means; but the problems they deal with are also rarely as complex and large as those of the Mezzogiorno.

(1) See further p. 49 et seq.

However, Italy takes the lead again. As was mentioned, the Cassa did not pay much attention to industrial development before 1959. In order to stimulate this, the state therefore established three credit institutions in 1953 (1): ISVEIMER (2), IRFIS and CIS operating respectively on the southern mainland, on Sicily and Sardinia. Their objective is to give industrial incentives by providing medium term loans for southern industry, in particular for the acquisition of plants and for modernization or installation of factories. Though such credits were much needed in the South, which had not sufficient capital of its own, the amount of credit given up to 1957 and the relatively high interest rates on these loans reduced the importance of these institutions significantly (3). In particular they were not able to counterbalance the negative effects of the original absence of the Cassa in the industrial sector. Later, their financial means were increased and consequently their impact on southern industrial development.

These credit institutions are linked to the Cassa, which provides almost half of their endowment; the rest of it is shared by the Banco di Napoli and various other banks.

The Cassa, which receives loans from the International Bank for Reconstruction and Development and from the European Investment Bank, makes part of these loans available to these credit institutions. The financial operations of these institutions are further made possible through income from various banking operations of Medio-credito (credit bank for the Mezzogiorno), income from a special fund created by act nr 298, from long-term loans from the Treasury and from the issue of bonds.

An important factor which hindered southern development was

(1) Act nr 298 of 11.4.1953.

(2) ISVEIMER was originally a creation by the Banco di Napoli, dating back to 1938, but it was reorganised by act nr 298.

(3) K. Allen and M.C. MacLennan op. cit. p. 50-51.

the absence of a proper entrepreneurial class. Therefore, ISAM (Institute for Assistance to Development in the Mezzogiorno) was established by law in 1961; it is composed of the Cassa and the three credit institutions. Its role is to provide small and medium sized firms with technical assistance (market analysis, fiscal and administrative advice) and advice on location and expansion. ISAM further has an important role in attracting industry to the South. It helps local authorities to develop tourist projects as well as those responsible for areas and nuclei with the legal, fiscal and administrative problems which they meet. ISRM also does a lot of applied research.

In order to take shares in southern companies, a public shareholding company was set up in 1963, IN-SUD; it receives its capital from the Cassa and usually takes a majority participation. It is typical of Italian regional policy that these state institutions are all assigned limited working areas. Though there are smaller underdeveloped areas in northern Italy too, neither the Cassa nor any of these credit institutions can intervene there. Regional authorities are not officially integrated in the functioning of these institutions. The reasons are the same as those behind their absence in the Cassa's decision making bodies, but even at present after the establishment of regional government everywhere, no attempts are made to change the bureaucratic and centralized nature of regional policy in Italy. This undoubtedly accounts partly for its lack of real success (1).

Comparable institutions in other states usually extend their field of action to every backward area or region in the state. Such is the case of the "Fonds de Development

(1) See concluding remarks to this chapter

Economique et Social", established in France in 1955, (1) which replaced several other institutions, whose activities in national and regional economic development had been somewhat dispersed. The FDES thus replaced the "Fonds de modernisation et d'équipement", which had financed investments under the first plan (1946-52) and the Investment Committee, an interministerial body supervising spending of public investments voted by parliament. Several other institutions more specifically concerned with regional development were integrated in the FDES as well, among the "Fonds de reclassement de la main d'oeuvre" established in 1954 and the "Fonds d'adaptation et de développement", established in 1953.

The FDES aims to finance modernization projects and equipment plans and action programmes such as construction works, rural equipment and economic expansion, schemes for increased productivity, industrial and agricultural conversion, retraining of manpower and decentralization of industry. Its interventions thus are not limited to regional development policies, and its field of action covers all France.

The FDES is administered by a board ("conseil de direction") in which each ministry concerned with economic policy is represented together with the Bank of France, the National Planning Commission and special financial institutions (e.g. Caisse des Dépôts et Consignations). Among its subcommissions, two deal with regional problems: the committee concerned with agricultural and industrial conversion and industrial decentralization and another dealing with investments in agricultural, industrial and tourist promotion schemes as approved by national or regional plans. The FDES has thus in France many tasks

(1) Decree nr 55-875 of 30.6.1955.

which in Italy are carried out by the Cassa; its economic role is nevertheless more limited.

French regional policy makers have another fund from which to finance their projects, the FNAT ("Fonds National d'Aménagement du Territoire"), established in 1950 (1). This fund provides grants and guarantees for loans to create industrial estates and to finance infrastructure. Its aid goes directly to such projects or is used as assistance for projects carried out by local authorities; it was the first step in France towards associating local government in regional policy. Its original resources were limited, and it did not have the power to expropriate land, a serious restriction on the choice of suitable land for industrial location. Even in 1953 when the government obtained powers to expropriate land for industrial purposes, the Ministry of Reconstruction and Housing, the supervising power of FNAT, could not promote the decentralization of industry sufficiently (2). The costs of moving to the provinces were often higher than those of modernizing existing premises, even those destroyed by war in the Paris region. Nevertheless, FNAT was the first step towards the development of town and country planning in France.

A noticeable contrast appears here between France and Italy. In the latter, regional policy comprises town and country policies in the sense of providing a necessary infrastructure to promote regional development in its widest sense (social, economic, educational). In the South, the elaboration of this policy is largely in the hands of the Cassa and associated institutions; in other regions, ministries are alone responsible. In France the elaboration of this policy is much more centralized and the role

(1) Act nr 50-967 of 8.8.1950.

(2) K. Allen and M.C. MacLennan, op. cit. p. 151.

of functionally decentralized institutions can be disregarded almost. Power struggles between two deconcentrated administrations, the "Commissariat Général du Plan" (CGP) and the "Direction de l'Aménagement du Territoire" (DAT) during the fifties and confusion between town and country policies and urbanization policy (1) have made French regional policy more dependent on town and country policies (2). This situation probably also results from the fact that French regional imbalances are often caused by an inadequate or non-existent infrastructure (in a narrow sense); this argument hides other causes such as centralization of economic, social and political life in Paris.

The principal body now responsible for town and country policies, including special aspects of regional policy such as relocating manufacturing and tertiary industries outside Paris and reorganizing rural areas, is the DATAR ("Délégation à l'Aménagement du Territoire et à l'Action Régionale") established in 1963 (3). It is an interdisciplinary and technocratic, functionally deconcentrated administration attached to the Prime Minister's Office; this makes the DATAR a politically important body, because it can normally rely on the authority and arbitration of the Prime Minister in the Permanent Interministerial Committee for Town and Country Planning. Its objective is to coordinate annual aid programmes for industrial expansion and for the provision of infrastructure; the latter implies the elaboration of a policy of location of industries to decentralize congested areas and to assist industrial conversion, the former integrates the DATAR in the regionalization of the budget, which is linked with the regional "tranches" of the plan. The DATAR has its own financial means as its disposal through its participation

(1) B. Pouyet, La délégation à l'aménagement du territoire et à l'action régionale, Grenoble 1967 p. 26-29.

(3) The DAT has become the DAFU ('Direction de l'Aménagement Foncier et de l'Urbanisation').

(2) In France this means in the first place: providing or improving infrastructure.



in public financial bodies (1) and its use of the FIAT ("Fonds d'Intervention par l'Aménagement du Territoire") (2).

The establishment of DATAR has strengthened the role of the CGP which integrates (long term) town and country planning policy into economic and social development plans (medium term policy); it is assisted in this by the CNAT (Commission National de l'Aménagement du Territoire"). Other main partners of DATAR are of course the Ministry of the Economy and Finance and the technical ministries and also the regional administrative bodies (CODER).

The DATAR has considerable influence on French regional policy. The idea of economic growthpoles has led to establishment of 8 "métropoles d'équilibre" which are to counter balance Paris in some respect (economic, social cultural). When this was criticized because it did not respect the hierarchy of towns in the regions, a change of policy was introduced and since 1967 more attention has been paid to regional capitals and other medium sized towns. The DATAR also elaborated the "Plan d'Aménagement et d'Organisation Générale" for Paris (3) and is involved in programmes for the modernization and equipment of towns and the elaboration of schemes for metropolitan areas.

In other states too regional policy institutions are not conceived strictly as such but have more general objectives; the reduction of regional imbalances is integrated in a larger policy package.

Such appears to be the position of the IDA in Ireland. It was established in 1949 as an agency of the Ministry of Economy and Commerce. In April 1970, IDA became an autonomous institution under state guarantee. As is the

(1) Envisaged by decree of 14.2.1963, art 5-6
 (2) Established by decree of 14.2.1963, art 3.
 (3) See Hugh D. Clout, op. cit. p. 122-123.

case for the FDES in France, the IDA is not specifically a regional policy instrument. Its general aim is to strengthen and promote the expansion of Irish industry; it has to fulfill this task in cooperation with other autonomous institutions such as the Irish Export Board and the Industrial Training Authority. However, the future expansion of Irish industry should be based on projects which provide good employment prospects, a high export potential, growth and stability for the economy (1). Considering the regional disparities in Ireland, there can be no doubt that such aims imply action to improve the regional situation, particularly as regards employment. IDA has thus accepted as one of its concrete objectives, together with full employment and higher standards of living, a substantial reduction in regional imbalances which is to be achieved by a greater dispersal of economic activity throughout the country (2). It assumes that actions taken to this end should respect the country's present population distribution, which implies less economic, social and cultural centralization around the Dublin area and the creation of an efficient urban structure in order to counter balance Dublin. Although the terminology is different, the aim is similar to that of the "métropoles d'équilibre" in France, though on a more modest scale. IDA wants to preserve the existing pattern of community settlements by providing employment within reasonable distance (3). States such as Belgium and the Netherlands which have achieved good results in this respect, have shown that a coherent infrastructure network is a ^{conditio} sine qua non. The Irish objectives are interesting, because all too often regional policy results in the destruction of traditional population patterns and the creation of regional centralization around one or two growth centres, leaving large, depopulated and desolate areas behind. Though economic development appears to be impossible without upsetting traditional rural character

(1) IDA, Regional industrial plans 1973-77, Dublin 1972 p. 4.

(2) idem, p. 3.

(3) ibid.

of a region, IDA seems more determined to rule out the negative side effects than other similar institutions. Small and medium sized enterprises are most suitable for location in the rural regions of Ireland, according to IDA reports (1).

In this context the activities of the Gaeltarra Eireann may be mentioned. This is a deconcentrated government body responsible for the development of areas where the old Gaelic language is still spoken and which can all be considered as underdeveloped rural areas. In order to preserve the cultural integrity of these areas, special measures are taken which sometimes differ from regional policy elsewhere (e.g. the absence of tourist projects). It is a second example of the more human approach which Irish regional policy tries to take.

For each of the eight regions, IDA has elaborated regional industrial plans which envisage possible industrial development; in the 9th region, this task is carried out by the Shannon Free Airport Development Company, as an agent for IDA. IDA is further involved, in cooperation with local authorities and the relevant ministries in helping to build up the infrastructure for regional development (2). It plays also a major role in attracting new industries to the industrial estates which have been set up; as such IDA advertises Ireland overseas as a profitable location for industrial expansion, aiming often at specific enterprises suitable to the Irish environment (3).

In 1964, the An Foras Forbatha (National Institute for Physical Planning and Construction Research) was established to advise on regional policy in a stricter sense. But its suggestions for a kind of growth centre policy suffered from the absence of overall government planning of invest-

(1) *ibid.*
 (2) IDA, *op. cit.* p. 5.
 (3) *idem*, p. 4.

ment in the country (1). It nevertheless influenced the later policies of IDA.

Finally, in the United Kingdom there is the Board of Trade which *became* after 1945 (2) a functionally deconcentrated institution one of whose responsibilities is the economic development of areas. Though it has a considerable amount of money at its disposal and it can make loans (with Treasury approval), build factories and provide other necessary services, it cannot really be compared with the other institutions analysed because it does not have the same autonomy.

In other Member States, no such agencies have been created and regional policy is conceived and elaborated by the relevant ministries. This absence may be explained by internal political reasons, though it is worth noting that Ireland, France and Italy are the states with the most serious regional problems; only the U.K. seems to have equally grave regional disparities. However, the institutions described so far are all central state bodies. In some states, attempts have been made to associate decentralised authorities in regional development by the establishment of regional institutions with similar objectives.

In the economic field, this has often resulted in the establishment by regional or local authorities of institutions aiming to promote the development of their region. These regional development bodies are often more restricted with regard to funds at their disposal, but that does not mean that they are not useful. It is not possible to make a clear cut distinction between development resulting from state intervention and development brought about by a region's own efforts, but the part played by the latter may well be considerable. Not only

(1) James H. Johnson, in Hugh D. Clout, op. cit. p. 226.
 (2) Distribution of Industry Act 1945.

do the regions stimulate regional development by the projects which they carry out, but they may also have a positive influence on the sociological environment of the region by making people more aware that it is possible to improve the region by their own efforts thereby stimulating local entrepreneurship. Some of these regional bodies are established on the initiative of the government, others result from local or regional initiatives.

An outstanding example of such a regional institution for economic development is the Shannon Free Airport Development Company. Though it also acts as one of the regional offices of the IDA, it is responsible for the planning and management of the airport of Shannon and the industrial estate around it. Since its establishment in 1959, its success has influenced Irish regional policy more towards the growth centre concept, which became fully accepted in 1965 (in theory, that is: the practice came much later).

In Belgium, regional development agencies ("Sociétés de développement régional") were established in 1970 (1). In each province, or in two or more provinces together, an SDR may be established. Their board is composed of provincial authorities and representatives of trade unions and employers' organisations. Their aim is to study, plan and promote economic development of their region. In Flanders, each province has established its own SDR; this results less from a dominance of the micro-region concept as from fear that one SDR would further strengthen economic centralization around Antwerp. In Wallonia, one SDR has been established (macro-region concept) - the SDR's make up an inventory of the region's needs and of works already in execution according to previous acts for economic expansion or arranged by other authorities concerned

(1) Act of 15.7.1970 art. 15

with regional policy. The SDR can make proposals and encourage public and private authorities to promote productive activities, town and country planning, and the provision of social amenities and regional infrastructure. They have the power to expropriate any premises or land and to purchase them from their own resources and to start any action which stimulates private or public investment envisaged in the plan. They can also expropriate and carry out works by delegation and at the expense of the state. The SDR can even carry out industrial projects itself, if private enterprises should not be interested.

The regional development companies in France (SDR) which were established in 1955 have the same name but not the same powers as their Belgian counterparts. In order to overcome the obstacles of an inflexible capital market and the centralization of credit institutions in Paris, the SDR may acquire shares in firms which set up in regions with a high level of unemployment or inadequate economic structures. The capital of the SDR is subscribed by private and state banks, and to a much lesser extent by some large firms and by local authorities. The SDR were later given power to grant 5-year loans to the firms in which they had shares; they could also underwrite long term loans by such firms (1). The projects in which the SDR invest need approval by the FDES as being useful for regional development. It is typical again of the centralized nature of French regional policy; the government seems to be really afraid that something may be done without its direct knowledge and approval. Such an attitude can kill all regional initiative.

In order to improve and to rationalize existing agricultural structures "Sociétés d'aménagement foncier et d'établissement rural" (SAFER) were created in 1960 (2).

(1) Decree nr 55-876 of 30.6.1955
 (2) Act of 3.8.1960.

The SAFER were intended in particular to try to re-establish farms of an efficient size and to counteract the division of agricultural land into smaller units as a result of the law of succession (1). At national level SAFER's policies are coordinated by a central body.

In Italy all funds and credit institutions are established by the central government, except of course those of private origin such as ISAP, which subscribes capital in enterprises setting up in the South. However, there is one regional institution, namely in Sardinia, Finsarda, which operates under the control of the regional government. Its objectives are similar of these of IN-SUD on the southern mainland (2).

There is therefore a great variety of state and regional institutions active in the field of regional development. Their legal position, political autonomy and powers differ and make comparison difficult, and their eventual integration into some kind of European regional policy scheme will be even more difficult. It is remarkable that despite such diversity in the institutional framework in the various Member States incentives for regional development show a marked similarity. This fact alone is not sufficient basis for any major conclusion, but it seems an indication that concepts of regional policy are more or less shared by the Member States (as will be shown even more clearly in the following pages). The diversity in institutions results from each state's legal-political circumstances. But in matters of regionalization, the economic evolution plays an important role too; perhaps some common basic concepts or tendencies can be found among the Member States in this context? It is too early to give an answer; first a closer look at regional policy measures is needed to establish whether or not there are some

(1) S. Barzanti, op. cit. p. 98.

(2) On the centralized nature of Italian regional policy, see previous remarks.

common factors.

(C) Although it would seem to be an exaggeration to say that the role of the financial mechanism is of prime importance for regional economic development (1), its influence cannot be denied. No region which is backward in comparison with more industrially and technologically advanced regions can bridge the gap by its own efforts alone. Assistance needs to come from the central government in order to achieve a more harmonious distribution of wealth in the state. Financial resources are needed to improve infrastructure and to make investments in backward regions more attractive. The absence or inadequacy of external trade plus the psychological reasons often make private investors hesitate to expand into less developed regions. The state, interfering more and more in economic life, has taken over these former tasks of the private investor by providing different sorts of aid.

The amount spent on regional aid is not the only factor determining its success, the origin of this aid can be of equal importance. If the region relies heavily on private resources, then a certain lack of coordination may occur if central or regional authorities (if the latter exist) do not intervene. Even though such assistance has a philanthropic element, it is still an economic necessity to ensure a normal return on investments; therefore a risk exists that a regional economy may rely too much on one industrial sector which provides short or medium term benefits, or that developments take place in one or a few isolated areas, which will then merely transfer all the problems of centralization to the regional level. One can see indeed in many states, in particular in Italy, France, that inter-regional disequilibria appear or even increase; they are as harmful in society as intra regional imbalances. If on the other hand the region relies heavily on state assistance; then it might happen that its development

(1) Documentation Française nr 4088-4090, 1974, p. 8.

is not as autonomous as could be wished; the state will be tempted to set itself priorities and determine the nature of the region's economic development. If decisions are taken over the heads of regional authorities, if no official expression of regional requests is possible, if planning is carried out without the advice of the responsible regional bodies, in all these cases the central government will by nature of its responsibilities be tempted to place national interests above regional ones; this is all the more likely if these underdeveloped areas are only a few peripheral regions or isolated areas which are politically not interesting (or indeed vote the wrong way). The greater the diversity of aid available, the better, on condition that all measures are integrated in a global and coordinated plan.

Another factor likely to influence the effectiveness of financial aid to backward regions is the nature of this aid. During the past decennia states have elaborated a great variety of measures; some envisage direct granting of financial aid for regional development, others consist of manipulating fiscal policy or special reforms. While the latter are usually open to governments alone, except where regions have been granted fiscal power, the former can more easily be applied by state and regional authorities alike.

In the industrial sector, financial inducements are a major form of aid used by governments to stimulate the economy of backward regions. Special provisions are made, by law or regulations, to stimulate public and private investments in designated areas. Such measures can have a positive influence but in practice they need to be complemented by other types of assistance.

A first form of financial inducement is the state guarantee for loans. If a private enterprise envisages establishing itself in an area or region in which the state does want to stimulate economic development more than in other

areas or regions, then the state can offer its guarantee for such a loan. Though a state guarantee does usually not require any expenditure from the state, because such a guarantee will normally be given only to economically healthy enterprises, its influence should not be underestimated. Investments in a backward region may involve, or may seem to involve, more risks than in economically advanced regions; therefore, firms may find it more difficult to obtain loans at a normal interest rate. A state guarantee given to such a firm is likely to remove such obstacles and to allow it to obtain a loan and at favourable interest rate.

State guarantees are used as a means of helping regional development in Belgium, Luxembourg, Denmark and France. In 1958 Denmark introduced state guarantees for loans granted by normal lending institutions (1). Loans granted for the construction of new industrial enterprises or to extend or modernize existing firms can receive a state guarantee for up to 90% of the total costs (Act nr 211 art 4). Loans to finance the purchase of new machines can receive a guarantee for up to 45% of the total price (art 5). These loans may not exceed 15 years for the former or 10 years for the latter (art 6). Although these measures were aimed in particular to assist certain areas in northern Jutland suffering from high unemployment, no clear geographical definition is given. These guarantees were recently extended (2) to industrial, commercial and service enterprises whose expanding activities would contribute to regional development; state guarantees given by the Ministry of Commerce may not exceed a total of 100 million DKr (Act nr 172 art 5). A new extension of state guarantees came in 1967 (3)

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- (1) Act nr. 211, 16.6.58.
 (2) Act nr. 172, 16.5.62.
 (3) Act nr 228, 3.6.67.

1969 (1) and 1972 (2). These laws modify previous provisions with respect to some details. In 1967, an outline was also given of the areas where these guarantees could be given. These areas remain the same today, except for some small technical alterations due to the modification of municipal boundaries.

At about the same time as in Denmark, state guarantees were introduced as one of the tools of regional policy in Belgium. The Act of 1959 offered state guarantees for loans granted to finance the establishment or expansion of industrial and artisanal enterprises in areas with economic and social difficulties (3). These areas, though they are called development regions, are in fact groups of communes suffering from high unemployment, emigration and the decline of important economic activities. Some areas were composed only of three communes; 15 such areas have been designated, comprising 325 communes (4). They were considered to suffer from the same problems of economic growth such as employment or industrial conversion, i.e. structural problems rather than general problems arising from the economic climate. These communes are also considered to contain growth poles whose economic development would be beneficial for the entire area (5).

Although there was already some anxiety in 1959 about the threat of a coal crisis, only two mining areas were included in the royal decree designating the areas to benefit from this law. In 1966, however, the aid measures provided for by the 1959 Act were extended (6) and in

(1) Act nr 56, 25.2.69

(2) Act nr 219, 7.6.72

(3) Act of 18.7.1959

(4) Royal Decree of 26.11.59

(5) J. Beaufays, La politique économique régionale de la Belgique, in Centre Interuniversitaire de Droit Public (Ed), Etudes sur le régionalisme, Bruxelles 1973, p. 269.

(6) Act of 14.7.66.

678 communes, representing together 35.3% of the total Belgian population (1), loans taken out by industrial, artisanal and certain distribution enterprises can now receive a state guarantee if they are in the interests of economic expansion. All coal mining areas are now included together with other areas affected by high unemployment and declining industries.

As was the case under the 1955 law, the application of this Act is limited in time, originally up to 31.12.68; later it was extended to 31.12.70. It would appear, however, that the effectiveness of these state guarantees at least as far as regional development is concerned, has been reduced by another Act of 1959 (2), whose aim is to stimulate economic expansion and the creation of new enterprises. A new element in this law is that the application of the aid measures envisaged by this law is not limited to certain areas. Therefore, enterprises which cannot benefit from the regional economic Act of 18.7.59 are able to claim a state guarantee under the Act of 17.7.59, provided that the loans in question contribute directly to the establishment, extension, conversion or modernization of industrial or artisanal enterprises, that these operations are carried out by the enterprises themselves or by other persons or corporations under public or private law and that they serve the general economic interest (Act of 17.7.59, art. 1, a). Almost inevitably, by providing the possibility of state guarantees outside the areas designated as development regions, the stimulating effect of this measure becomes reduced, because enterprises can in fact benefit from state guarantees in every part of the state

(1) Act of 17.7.59
(2) Royal Decree § 17.2.67.

of the state.

A new law providing state guarantees was passed when the temporary aid measures expired (1). Its application was also limited to development, but now enterprises of the tertiary sector can benefit from it as well.

Luxembourg, introducing in 1962 (2) a comprehensive act to improve the general economic structure and the regional equilibrium and to stimulate economic expansion (art. 1, act of 2.6.62) also turned to state guarantees as one possible form of aid.

As in Belgium, state guarantees in Luxembourg can be obtained for investments in the whole country, thus significantly reducing the effect of this measure on regional development. This and other aid measures, which were originally introduced for a period of five years, were extended in 1967 (3) and 1973 (4). The latter act introduced a further category for which state guarantees can be given: investments aiming to prevent or to solve environmental and pollution problems (art. 3, 1, Act of 1973). However, this extension of the field of application of state guarantees is likely to further reduce the impact of this measure on the economic development of the northern part of Luxembourg, as pollution problems seem more acute in the mining and steel area in the south of the country.

The state guarantees given in France differ from those in other states both as regards their nature and their application. These guarantees are not granted directly by the ministry responsible for economic policy and regional development, but granted by a public fund, the FNAT ("Fonds National d'Aménagement du Territoire"). This can provide guarantees for the establishment of industrial

(1) Act of 31.12.70
 (2) Act of 2.6.62
 (3) Act of 5.8.67
 (4) Act of 28.7.73

estates by local authorities or cooperatives; these guarantees are merely for the purchase of land and for the financing of infrastructure (1).

Without assessing the role of the FNAT in French regional policy it appears that this kind of guarantee does not have the same importance and stimulating effect which can result from the direct state guarantee available in other states. The reason for this seems to be not so much the fact that the guarantee is given by a public fund, but that its field of application is more limited. On the other hand, enterprises may be more attracted by a well equipped industrial estate than by a state guarantee for a loan.

A further financial involvement in regional aid is the granting of interest rebates and interest subsidies practised in some states (Belgium, Luxembourg, the Netherlands and France). Investments in economically less developed regions may appear likely to give a slower return than a similar investment in another region and thus to make payment of the interest on loans more difficult. Interest rebates by the state can help enterprises to overcome their hesitations to invest in backward regions under such circumstances. Different systems of according such interest are practised.

In Belgium, interest rebates have been introduced by the Act of 18.7.59 and their application extended by the Acts of 14.7.66 and 31.12.70. Loans are made available at a reduced rate of interest in order to stimulate the creation, extension, conversion or modernization of enterprises (art. 6, Act of 59); the rebate is 4%, but exceptions are possible and no time limit is set. Interest rebates are also possible under Act of 17.7.59, but they are normally 2% in order to give an advantage to regional aid.

(1) Barzanti op. cit. p. 97.

This ensures that the advantages for the regions from a regional aid measure are not cancelled out by offering the same aid under the same conditions for the benefit of overall economic expansion, everywhere, as is the case with the Belgian state guarantees. In 1966, the interest rebate was raised to 5%, but its duration is now limited to 5 years. The 1970 Act has not modified this provision.

The Grand Duchy of Luxembourg introduced interest rebates in 1962 and subsequently prolonged their application in 1967 and 1973. Subsidies can be given by the relevant ministries to certain credit and public financial institutions which have been granted permission to give loans at a reduced interest rate; these loans must serve to finance investments in building or equipment, to finance investments such as market studies, research, elaboration of new products and their commercialization, to finance retraining of workers and to cover the cost of specific investments made by existing enterprises in order to prevent or to solve environmental or pollution problems (Act 1973, art. 31.). The level of these subsidies is calculated according to the normal interest rate for such operations and to reduce interest rate actually paid by the enterprise (art. 3.2), but in no case may the interest rate be reduced more than 3 units. (art. 3.3).

The French measures are related to the policy of industrial decentralization away from the Paris region. Enterprises setting up or moving to areas considered as priority areas or firms expanding in such areas are eligible for various forms of aid, according to legislation passed in 1955 (1). These measures are administered by the FDES. However, the interest subsidies are also available to firms which do not move into a priority area; although this reduces the effect of this measure. The reason for this appears to be the importance

(1) Decrees of 30.6.1955.

given to economic decentralization, the achievement of which was thought for a long time to be sufficient in itself to create a more harmonious economic structure.

In the Netherlands interest subsidies for the establishment of new industrial enterprises are available only for projects of exceptional importance for the strengthening of the industrial structure in the provinces Groningen, Drenthe, Friesland and in parts of Limburg and Overijssel. The maximum subsidy is 3% a year over a period of a maximum of 15 years. The decision to grant such a subsidy to capital loans must be taken by the Ministry of Economic Affairs.

Interest rebates or subsidies are certainly more effective than state guarantees in bringing more and better economic development to backward regions, but success depends on its method of application. If they are available in the whole country, as is the case in Belgium, Luxembourg and France the regional effect is reduced, though a difference in rebate can enhance again the efficiency of this measure. However, it is clear that interest rebates or subsidies can only be applied if a firm has been able to obtain a loan, and for investments in backward regions loans are not easily available. Other aid measures are therefore needed.

Loans for the purpose of regional economic development are available in most E.E.C. states though in different forms and under different conditions. Sometimes they are combined with other forms of aid, such as interest rebates or tax reduction.

In Belgium loans are made available at a reduced interest rate by the Act of 18.7.59, art. 6. It stipulates that such loans must be used for the creation, extension, conversion or modernization of enterprises in the so called development regions. The application of this provision has

been extended by the Acts of 14.7.66 and 31.12.70.

Long term loans can be obtained in the Netherlands from the NIB; both principal and interest are guaranteed by the state. This possibility is open for investments outside the Randstad Holland. A further distinction is made between areas to be stimulated (Northeast, Northern Holland, Zeeland, part of Noord-Brabant) and areas to be restructured; in the latter aid is more extensive to stimulate conversion and attract new industries after the closure of coal mines (Limburg) and the difficulties of the textile industry in the Tilburg area. These restructuring and stimulation areas are included in the overall town and country planning, which in the Netherlands has been developed earlier and more fundamentally than in any other Member State; this of course results not least from the high population density and the limited space available. In a certain sense, regional policy in the Netherlands is dependent on town and country planning, which is elaborated largely at municipal and provincial level, though coordination of these plans as well as the need to tackle new problems at higher levels has led to various administrative innovations (1).

Loans constitute the most important part of Italian incentives to regional economic development. Most loans are medium term (max. duration 15 years) with an interest rate below market rates; there is also the possibility of exemption from paying interest over the first two years. These loans are issued by special credit institutions (CIS, IRFIS, ISVEIMER) which benefit from subsidies from the Cassa per il Mezzogiorno in order to be able to offer a low interest rate. These loans are available to small and medium sized enterprises, setting up, modernizing or expanding in the South. Besides these loans, so called special loans with an even lower interest rate have been made available since 1959, but the difference between the

(1) See chapter IV.

two types of loans seems to be nebulous.

Act n^o 717 of 1965, which prolonged the existence of the Cassa and allocated new funds, also introduced a change in its policy, putting more emphasis on general development. Loans are available at reduced rates for the implementation of farm improvement plans, for construction of plants for the conservation, improvement and distribution of agricultural products and for new or expanding enterprises. Loans are also available for construction, modernization and expansion of hotels, hostels and tourist villages. The Italian system is in this respect probably the most comprehensive.

Loans available in France have more restricted aims namely to relocate industries into the provinces, and are granted in particular for factory construction, transport and other costs of dismantling machinery from Paris factories, training or retraining of workers.

In Ireland credit facilities have improved since 1958 (1) but this was done to stimulate economic expansion in general and the regional consequences are thus negligible. Indeed, if no difference is made between loans available in Ireland's developed areas (e.g. Dublin) and those available in backward areas, for example by different interest rates, then enterprises will of course set up preferably in those areas where the external economies are best.

As we have noted before, the idea of regional policy developed early in the United Kingdom. As early as 1934 the Special Areas Act made loans available in particular to assist migration. They continued after the war (2) but with more specific economic purposes; loans could be made by the Board of Trade to industrial enterprises in development areas (a redefinition and extension of the

(1) First programme of economic expansion 1958-63.
 (2) Distribution of Industry Act 1945.

pre-war special areas). It is important that the same Board of Trade has also the authority to issue industrial development certificates which were needed for the extension of setting up of factories. In combination with loans, this could be a strong stimulus to economic development in backward regions and indeed for a time it did. This policy slackened during the early fifties but was reinforced in 1958 (1). Again the number of areas qualifying for loans was extended (2).

Of all the various forms of state aid to regional development, grants are the form which imply the highest degree of financial involvement by the state. Such grants are available in Belgium, Italy, the Netherlands, France Ireland, Denmark, Germany and the United Kingdom. They are an important instrument for regional development because their influence on the profitability of an investment is likely to be higher than other aid measures intended to attract investments to a certain region. However, their direct impact on the state's budget limits their application. Grants can be provided in several forms; in cash, or by providing industrial estates free or at reduced prices, or by preferential tariffs for public industrial and commercial services. It happens more frequently that such grants are not made by the state alone but in cooperation with local authorities, European or international financial institutions.

In the Netherlands investment premiums of 25% of the capital expenditure on fixed assets, including cost of land and acquisition of buildings and machinery, can be granted since January, 1967 to firms setting up in new buildings, up to a maximum of D. Fl 3 Million. Enterprises whose investments are to be eligible for this premium must set up outside the western part of the state (Randstad Holland) in the stimulation areas of south-Limburg and

(1) Distribution of Industry Act 1958.

(2) They form now more homogenous areas. Unless regional imbalances are weak, it is important to create large enough areas in order to be able to provide all the necessary external economies. See also page 76 et seq.

the provinces Friesland, Groningen, Drenthe and part of Overijssel. Within these areas, certain centres are indicated where financial incentives are applicable in order to obtain maximum results.

To obtain a premium, industries must fulfill certain conditions. This premium is available not only for industrial enterprises but also for establishments in the private service sector, provided that they fulfill the conditions and are of more than regional importance. Different regulations apply to investments in Leystad, the center of the new Zuiderzee polders. A Company investing there can receive a subsidy of 10.000 fl. per male employee brought in, but the total may not exceed 25% of the capital expenditure on fixed assets or D. fl. 3 Million.

In 1969 the application of this system of premiums was extended. Industrial enterprises located in the above mentioned areas and expanding there are eligible for a premium of 15% of their new capital expenditure on fixed assets; there is a maximum of D.fl.10 million, but the Minister of Economy can decide to exceed it. The conditions under which this premium is granted are in general the same as under the 1967 regulations. An interesting supplement to the loans and grants provided by the government is the fact that Dutch multinational companies have made considerable efforts to conform to the objectives of regional policy and to invest in areas where otherwise high unemployment would have existed.

Whereas in the Netherlands the grant is given by the Ministry of the Economy, in Italy the authority to make grants has been conferred upon the Cassa per il Mezzogiorno (1). It does so to small and medium sized enterprises which are located or expanding in the South. These

(1) Act nr 637 or 1957.

grants can range from 25% of building costs such as a factory and supply road and up to 40% for water storage and supply systems. The Cassa decides autonomously on these grants in cooperation with the special credit institutions associated with it.

Several factors are decisive for the size of the grant. The first one is the size of enterprise and the industrial sector in which it is active. Modern industry, involving new technology, receives a higher grant than traditional industries. Other factors are investment per employee and location. The last criterion is closely linked to the Italian growth policy, on which the grant system is largely based. Industries locating or expanding in growth areas and nuclei receive preferential treatment: even within these growth poles, grants are higher for industries located in industrial zones. Growth areas and nuclei are classified in 3 categories, according to their level of industrialization; the least developed are the most favoured (1). Later, large firms were also given grants, though to a maximum of 6000 million lire.

As interesting and unique variation on the grant system is the provision of risk capital. Entrepreneurship was quite absent in the South, and to develop it, specially created bodies subscribe capital in southern firms. Financial and technical assistance is given. If these firms do well, they are expected to pay back the capital subscribed. Institutions using this sort of assistance are ISAP (Istituto per lo Sviluppo delle Attivita Produttive) which is a private body, and IN-SUD (Nuove Iniziative per il Sud). In Sicily, SOFIS and in Sardinia Finsarda carry out similar operations (2).

In France, FDES is responsible for giving grants. They have been available since 1955 in the first place to

(1) It must be said that there are also some smaller development areas which outside the Mezzogiorno, in the central regions of Italy.

(2) In fact this system tries to offer the benefits of a grant at the same time as those of a loan.

decentralize industry away from the Paris region. Although this is not the case with other incentives, a firm receiving a grant is obliged to move into an underdeveloped area (and not just anywhere). Firms establishing or expanding in one of the priority areas are eligible for an investment grant of a maximum of 20% of the capital costs involved. These priority areas are small groups of communes with a high unemployment rate, similar to those selected later in 1959 in Belgium and not really growth centres as in Italy or the Netherlands. Since 1959, grants have been given in large zones too "(zones spéciales de conversion)" and in 1960 the policy of financial incentives was enlarged again to include any person with bad employment prospects. But to link the level of the grant to the level of unemployment makes entrepreneurs uncertain of what they can expect. Therefore, the government introduced in 1964 two categories of grants; adaptation grants, available in old industrial areas, and development grants at three possible rates, available in rural areas. Since 1972 these grants have been replaced by regional development grants, also with three different possible levels of assistance.

Irish regional policy started with the introduction in 1952 of grants for buildings and equipment for small industries setting up in the Western part of the Republic (1). This policy was later modified and its measures extended to include tourist activities; grants to manufacturing enterprises in these backward areas were increased too. However, these grants were available throughout the country, so that the regional effect was negligible. In the Gaelic speaking areas, supplementary aid from the Gaeltarra Eireann has been available since 1957; these measures were inspired by cultural motives and the economic results were consequently not as had been hoped (2).

(1) Underdeveloped areas act 1952.

(2) James H. Johnson op. cit. p. 218.

The system of grants to industry was again improved in 1958 (1); whereas at national level this policy stimulated the annual growth of the GNP, it did not prevent relatively high unemployment and a population decline in the economically backward western countries (2).

In Denmark grants have been granted since 1958 (3) for the establishment of factories in development areas; if a new factory experiences a temporary loss of efficiency in such an area, a grant is also available for up to 3 years. In other states, state grants are normally terminated once an enterprise is set up in a backward region though other forms of aid e.g. tax concessions often continue. The government grants to local authorities which establish industrial buildings for lease or for sale instead of making such grants directly to the entrepreneur are typical of Denmark's approach.

In the Federal Republic of West Germany where economic policy is less interventionist than in other Member States and where the concept of "Sozialmarktwirtschaft" (4) has brought great economic and social success in a relatively short period, regional policy has not played a role of any great importance. Though a federal regional development programme existed since 1951 (5), its influence is limited because municipalities and "Länder" have the principal authority in these matters. Since 1963, investment subsidies have been granted in development areas; they can reach 25% in the "Zonenrandgebiete" (frontier zones) which suffer from the disruption of their traditional hinterlands (now occupied by communist regimes).

(1) Industrial Grants act 1958.

(2) James H. Johnson op cit. p. 219-223.

(3) Act nr 211 of 16.6.58 extended and modified by Act nr 172 of 16.5.62, Act nr 228 of 3.6.67, Act nr 56 of 25.2.69 and Act nr 219 of 7.6.72.

(4). Can be translated as socially responsible market economy.

(5) This programme was linked to the problems resulting from war devastations and refugees from East Germany. Thus in 1951 emergency areas were scheduled and in 1953 renewal areas.

This policy was changed in 1969 when a constitutional amendment (1) made joint regional actions by federal and Lander governments possible. Growth poles have been introduced where investment subsidies can be obtained varying between 10% and 25%; outside these centres it is almost impossible to obtain any government assistance for setting up new industrial enterprises.

Although we shall return to it later, it seems important to the general theme to say a few words about this change of policy here. The amendments to the Federal Constitution art 91 a, 1, 2 and 3 aim to provide a constitutional basis for cooperation between the Lander and the Federation. In other states, the central government is vested with the legal and financial authority to elaborate regional measures; only in Italy could the regions have been involved in this, but when the Cassa per il Mezzogiorno was established and the regional development plans drawn up, the regions were still non-functional (2). In West Germany regional economic policy, improvement of agricultural structures and coastal protection fall under the authority of the Lander, though they lack sufficient money to elaborate these policies and are thus dependent on federal subsidies. This has given birth to "Mischverwaltung" which is an administrative practice whereby the central government gives subsidies and wants a say in how this money is to be used (3). Strictly speaking, this changed the division of powers between the Länder and the Federation, which was unconstitutional. The amendment put it

(1) S. Schepers, Regionale politiek en constitutionele problemen in de Bondsrepubliek Duitsland, in Tijdschrift voor Bestuurswetenschappen en Publiekrecht, 1975 nr 1.

(2) See Chapter III.

(3) Quite normal, but in many a centralized system of government, local authorities have very little influence on the government's regional measures.

right again. It is an interesting example illustrating the fact that the development of regional policy does touch the existing political administrative structures in a state, even in a Federation set up in 1949, and therefore probably to greater extent in much older state structures.

The German aid is probably the smallest package of regional aid made available by the government of any Member State of the E.E.C. and yet it appears to be the most successful: most developed areas are catching up (1). This proves that the quality and not the quantity of regional aid is decisive but it cannot be doubted that it is also the decentralized nature of West German regional policy that accounts for its success (2).

Grants ^{have} existed in the United Kingdom since 1934 (3); the strong social impact of regional policy at that time was shown by the fact that they were merely used by commissioners appointed for the depressed regions to assist migrations. The increase in regional problems during the fifties prompted the government to enlarge the system of subsidies. Thus in 1960 (4) the old development areas were replaced by development districts, which were based in the first place on high unemployment figures. Large parts of Scotland, Wales and England became included so that it was felt necessary to be more selective and to concentrate efforts in growth centres. In 1966 (5) development areas were reinstated and special development areas added; in the latter, government assistance was more extensive. However, the system of grants and loans was not really integrated into the physical planning, which was the main reason for its lack of

(1) Mark Blacksell, in Hugh D. Clout, op. cit. p. 187.

(2) idem, p. 174. See also R. Dahrendorf, *Society and Democracy in Germany*, London 1968.

(3) Special Areas Act of 1934 and 1937.

(4) Local Employment Act 1960, renewed and completed 1963.

(5) Industrial Development Act, 1966.

success (1). The Highlands and Islands Development Board aimed to combine both functions. This gives of course more possibilities and the fact that it was done in this case indicates that the central government was not unaware of it. So why was this integration not effected for other regions too? Perhaps because of opposition from various ministries (as has happened in other countries)? Regional policy also remained the responsibility of central government (with all the negative consequences of this).

However, attempts to give regions a say in their economic development tried to remedy this shortcoming (2).

(e) A further form of aid which is less important than loans and grants are the various forms of tax concessions. Though it can be doubted whether it will attract much industry to underdeveloped regions, the system can have an indirect regional benefit if it is applied on a sufficiently large scale. Indeed, there are equalising effects of public expenditure and taxation : they reduce regional disequilibria in per capita income (by, on average, about 40 %, more in France, less in West Germany). (3) The redistribution through public finance between regions tends to be reflected to a large extent in corresponding deficits in the balances of payments on current account of the poorer regions, with corresponding surpluses in the richer regions. These deficits and surpluses are of a continuing nature. (4)

Until now tax concessions have been used only on a limited scale. Luxembourg managed to attract some important industries by its favourable fiscal legislation of 1962; they located in areas in need of new employment. But the Luxembourg fiscal laws also strengthened the tertiary sector, which is entirely located in the capital and so

(1) David Thomas, in Hugh D. Clout, op. cit. p. 207.

(2) See Chapter IV.

(3) Commission of the E.C., Report of the study group on the rôle of public finance in European integration (MacDougall report), Brussels 1977, I, p 12.

(4) However, overdeveloped areas are often in need of enormous state subsidies too. See P. Uri, L'Europe se gaspille, Paris 1973, p 141 et seq.

much of the effect of the measure regarding the redistribution of economic activities and population was lost.

To a lesser extent, the Irish government gave tax concessions to tourist and manufacturing enterprises locating in the western and north western counties. A reduction of certain taxes could be granted by the commission set up under the Special Areas Act to enterprises setting up there.

In France exemption from taxation for a certain period was possible in the western region and in some eastern regions in addition to other financial inducements. Belgium too, introduced tax exemption in 1959 for enterprises in development areas (ar. 11 and 12 of the regional expansion act of 1959).

(f) The incentives mentioned so far all concern industrial aspects of regional development. In some E.E.C. States attention is also paid to services i.e. the tertiary^T sector; its increasing economic importance requires its inclusion in any regional policy which aims to be global and long term in its approach. Closely related to this problem is the growth of state administrations; they are usually located in the capital and reinforce its economic domination over the rest of the country (1). France and the United Kingdom have given considerable attention to decentralization of tertiary employment. In the former an effort has been made to reduce the almost total educational and cultural domination of Paris by the establishment of new Universities in the provinces and by building "Maisons de Culture" in the equilibrium towns. Research centres have been set up near major production cities (e.g. Toulouse for Aerospace). Some branches of the civil service have been relocated, but much remains to be done. Since 1971, the tertiary sector has been receiving more positive attention; control on office development in Paris has been

(1) Possibly by the only exception is Bonn (D), though the city is linked to the Koln-Dusseldorf area.

increased; a special tax is levied on new offices and 3 categories of rates are applied for the center, eastern parts of the city and suburban areas respectively. At the same time, incentives for industrial developments in the equilibrium towns are extended to the tertiary sector. However, French policy in these matters remains ambivalent. Although the need to give other cities a share in the tertiary sector is officially recognized. Paris is also a symbol of French grandeur and the government will miss no opportunity to increase its international status. Hence the recent construction of enormous office buildings and the rise of planning permissions granted 17000 m² floorspace in 1969 to 656.000 m² granted in 1971.

The United Kingdom has attempted to solve these problems more strictly with town and country planning policies. New towns were established (1) to decentralize in particular London and Glasgow but also to stop these and other major cities from absorbing more and more of the rural land around them. Together with more than 30 new towns, which now total more than 2 million inhabitants together, expansion schemes are worked out for other medium sized cities. However, whereas the growth of London has been reduced, that of the London region has not, just ^{as} the Paris region, where modern transport facilities permit people to live on the outskirts, thus creating a huge megalopolis, comparable to the Randstad Holland (but worse). Attempts have also been made to decentralize the Midlands and the North, but again with only limited success. However, Great Britain has been more successful than for example France or Italy. To conserve and improve the international status of major cities in the Benelux, nothing has been done there to discourage the private tertiary sector; on the contrary,

(1) New Town Act 1946.

Brussels has a deliberate policy of attracting office jobs, at the cost of congestion, destruction of the urban and social environment and increasing the imbalance between income per head in the capital and the rest of the state. Only in the Netherlands a start has been made on the decentralization of the public tertiary sector; between 6000 and 7000 jobs in the civil service will be transferred from the Hague to Limburg and to northern cities. Though it concerns relatively small number of mainly lower rank jobs, the cumulative effects of this sector can contribute considerably to regional development. But as yet (1977) not so much has happened. There have been transfers to Maastricht, Eindhoven and Groningen, but on a smaller scale than planned, mainly because of strong civil service union opposition. The financial terms were as generous as those offered in private industries to moving employees, but an important reason for this opposition was the fear that an employee's promotion chances will be less once he is installed far away from the decision center. In other words, moving personnel is not easy if it is not accompanied by decentralization of powers too.

The state least affected by these problems is doubtless West Germany, where the federal structure of the state and the existence of several large cities minimize the need for decentralization in the public and private sector.

Although the importance of the agricultural sector is diminishing in the economies of many states, reforms in this field are a valuable and necessary part of regional policy. Indeed, with the exception of old industrial regions, most others had a dominant but deficient agricultural system: heavy underemployment persisted as do small farms, little mechanization, low productivity and a low income per head. (1)

(1) See J. Bourrinet, *Le probleme agricole dans l'intégration européenne*, Montpellier 1964.

Worst off in this respect was again the Mezzogiorno in Italy, where an almost feudal agricultural structure had continued to exist until after World War II. A widespread land reform was therefore elaborated, which also included regions in the north of Italy. Besides expropriation above a certain ceiling (varying around 200 to 300 ha) and redistribution of this land, the reforms were completed with land improvement schemes, irrigation, setting up of cooperatives and provisions for the marketing of products. The reform was an economic success in some areas of the South, a failure in others, in Sicily in particular. Despite all the money invested through the Cassa (1), it did not fundamentally change the socio-economic structure of the Mezzogiorno (2). The main reason was political: the ruling Christian - Democratic party did not want to destroy the basis of its power among the peasants and landowners of the South. The land reforms was a one-dimensional operation; some farmers and areas profited from it, many did not. The unforeseen economic boom of the North and the lack of parallel industrialization in this period reduced the positive effects.

French measures to renovate agricultural structures are not basically different; they too envisage modernizing farm equipment and improving infrastructure and social facilities. Major land reforms were not necessary as in Italy but mixed economy planning cooperatives (3) did a lot of land clearance, in particular in north eastern areas and in the Landes forest. In 1967 zones for rural renovation were defined, covering over a quarter of France; special financing is available there to modernize agriculture and to increase output. Unlike the Italian policy makers in early days French planners paid more attention from

(1) See 36 et seq

(2) Russel King, op. cit. p. 96-97.

(3) State and private capital are participating in it.

the start to the establishment of small and medium sized enterprises in rural areas in order to reduce under-employment and unemployment; migration continued to a lesser extent than in Northern Italy.

In Ireland too industrialization ^{has been} attempted, in particular in those rural areas where the nature of the climate and soil mean that the possibilities of improving the agricultural output are limited. In some places tourism can become an important economic activity and investments are made in this sector, except in the Gaeltacht areas in order not to endanger the linguistic purity.

Other E.E.C. states do not have agricultural problems of such gravity, not even in backward regions. States like the Netherlands and Denmark have long had a highly productive agricultural sector and policies there are very much concerned with the protection of rural areas and the conservation of green belts around the cities. It must be noted that in France too nature conservation (national and regional parks) is included in the elaboration of regional policies, also as part of tourist developments.

The situation in West Germany provides a remarkable contrast: agriculture is inefficient in its use of land, capital and labour (1) consequently underemployment persists in this sector, in particular in Bayern and Niedersachsen. Federal and state governments are making efforts to modify this situation. Annually the federation spends over 1.2 million DM to raise agricultural incomes by subsidising machinery and other necessary goods (e.g. fuel oil), by improving marketing and by giving cheap loans and grants for retraining and retirement. A similar amount of money is used for land reforms (2), to form larger units. The Lander have contributed by attracting small and medium sized enterprises.

(1) Mark Blacksell, op. cit. p. 179; A. Mayhew, Structural reform and future of West German agriculture, in Regional Studies, 1970 nr 3 p. 54.

(2) On the basis of the "Flurbereinigungs-gesetz" 1953 (Land Consolidation Act).

CONCLUSIONS

This survey of the development of regional policy in the Member States seems to reveal a few interesting points with respect to our general theme.

1. Institutions for regional economic development are set up by the central government and controlled by it; the exceptions are all institutions of lesser importance.
2. Regional aid is granted mostly by the central government or by bodies which it controls.
3. Regional economic development is thus promoted from "above". The only country where lower authorities are really associated in the elaboration of regional policy is West Germany, which managed to obtain better results thanks to its federal structure and the concerted actions of the Länder and the Federation (1).
4. In every state attempts are made from the beginning of the emergence of regional policy to concentrate aid on areas most in need. Thus areas are defined all over the country, which can range from a few municipalities (Belgium) to several departments or counties (France, Great Britain). Only Italy applied its aid from the beginning to a large area, the whole South, but here underdevelopment was very apparent; in the rest of the country, the Italians were originally no better than the others in that they also dealt with widely different areas.
5. Gradually it becomes clear that regional economic development entails coordination between all ministries and other institutions involved and coordinated policy. Coordination leads to planning;

(1) M. Blacksell, *op. cit.* p. 167

but this needs coherent areas, and coherence means larger areas. Regional economic development planning leads to regionalization and in the third chapter we shall see how this developed in the Member States; this development was not really parallel but influenced clearly by the need for planning.

6. This survey makes it evident that regional policy is thus not a phenomenon which takes place in one or two Member States, but in all Nine. What is even more important, there seem to be no wide or fundamental differences between the objectives and the means of these nine regional policies. This "parallelism" may be a good argument against those who argue that coordination of national regional policies is extremely difficult because of "fundamental differences"; it appears that one must look for other reasons to explain the weakness of European regional policy coordination. (1) Another important conclusion concerns the relation between regional policy and regionalization. Although it is certainly not the only reason for regionalization, it is one of the most important, and in some Member States, the most important reason for reform of local and regional government. (2) As soon as the development of regional policy has come to the need for regional economic planning, one must also define coherent planning areas. Even if it is not stated as such, it is clear that this is one of the main reasons for reform of sub-national government in the Member States. However, it would be an exaggeration to say that the development of regional policy leads automatically or unavoidably to regionalization, as there are clearly other reasons too. But it will appear (3) that these other reasons are only in one Member State of fundamental importance (Belgium), and even in that case, economic disequilibria play a more important role than one normally recognises. (in other words, the absence of a successful regional policy can also be an influential factor).

(1) See part II, in particular chapter I and II.

(2) This will appear most clearly in the case of France. See chapter III.

(3) It is of course impossible to define precisely which reasons are most influential (regional policy or those described in chapter II). There is always inter-action.

CHAPTER II. WHAT ELSE IS BEHIND STATE REFORMS?

Introduction

In this second chapter our intention is to indicate some facts which have also influenced the emergence and development of regionalization. Because it is so vast a subject and because it is more sociological than legal-political, we will aim to complete the picture given in the first chapter. Without the remarks following here, the reader could be left with the impression that the emergence of regional policy and its contemporary development are alone responsible for regionalization. This is not the case, as we will try to clarify in this chapter.

The Member States of the E.E.C. are characterized by an enlargement of the scale of social life, in particular since the second World War. The development of science and technological progress, the growth of population, urbanization, industrialization, professional specialization, greater mobility of the population and better communications: all these elements are inter-related and have contributed to create this enlargement of the scale of social life. In the past, the life of most people did not extend beyond the narrow boundaries of the village where they were born; they had less contact with the rest of the nation and expected nothing from it. This situation has changed profoundly. Because new means of communication bring people into contact with new developments, they expect the same infrastructure wherever they live. These higher expectations as regards living conditions, and the social environment have enlarged and intensified the tasks of public authorities. Whereas people had a low degree of involvement in public life in the past, people nowadays expect a whole range of specialized services from their local, regional or

national authorities. These bodies were thus confronted with new problems of how to meet these popular expectations; in general local and regional authorities did not have a sufficiently large area under their charge, nor the organizational capacity to elaborate efficient policies in all fields. Administrative organization dated from the last century and had not been adapted fundamentally to new times. In most countries (the Benelux, France, Italy, Denmark) territorial boundaries and the functions of local government were still the same as in the 19th century, but the scale of social life and the tasks of public authorities have changed fundamentally. Consequently, the administrative tasks of local government, its powers and its financial means are no longer in accordance with present needs (1). Having thus indicated the major problems, a closer look is needed now before we start a full comparison in Chapter III.

1. General comparison of local and regional government

As we have indicated already, it is easy to describe regionalization in each Member State separately, but it is difficult to make a comparison which is useful for the European perspective of this thesis. Therefore a scheme has been worked out (2) which will now be developed further. In order to clarify the other causes of regionalization apart from those connected with regional policy, four aspects of local government seem to be relevant: territory, organization, tasks and powers, finances.

The territorial aspect can be divided into the local, micro-regional and macro-regional levels of government. A government body can be considered as a tier or level of local government if it has its own legislative and executive body, its own fiscal powers and a separate budget; if

(1) "Memorie van Toelichting" (Explanation Memorandum) to the Dutch proposals on the reorganization of local government, 1967-77, nr 14.332 p. 36.

(2) See introduction.

it is obliged to cooperate with a higher level of government and can in its turn oblige a lower level to cooperate as well; if it is subject to supervision from a higher power and is itself vested with supervisory powers over local levels (1). There is thus a distinction between these bodies and those which may also have a territory over which they exercise some powers, but which do not fit the description of a tier of government in other respects. This concerns in other words the difference between territorial decentralization and functional decentralization.

Territorial decentralization implies the delegation of powers to autonomous public authorities in a certain part of the state territory (2). These powers usually cover local and regional interests which can be better dealt with by local and regional authorities, although under the supervision of the central authority. The latter decides which matters are of local and regional interest and which are not, but decentralized authorities can deal with matters falling under their responsibility as they consider appropriate and they can set up all services necessary to the execution of their tasks. Clearly territorial decentralization has political significance, in particular if decentralized authorities are elected by the people of their electoral area (municipality, provinces etc.) (3). However, there can be territorial decentralization, according to some scholars (4), even if local or regional authorities are not elected or if

(1) G. Burdeau, *Traité de Science Politique*, Paris 1969, p. 393 et seq; A. Mast, *Overzicht van het Belgisch administratief Recht*, Gent, 1973 nr 77.

(2) A. Buttgenbach, *Droit Administratif*, Bruxelles 1966 p. 132; J. Dembour, *Droit Administratif*, Bruxelles, 1970, p. 113; J. de Meyer, *Staatsrecht*, Leuven, p. 20; A. Sandulli, *Mannale di Diritto Amministrativo*, Napoli, 1969 p. 254 et seq.

(3) A. Mast, op. cit nr 68; J. Prelot, *Institutions politiques et droit constitutionnel*, Paris 1969 p. 235-237; G. Vedel, *Droit administratif*, Paris 1962 p. 460.

(4) G. Burdeau, op. cit. p. 399-401; J. Dabin, *Doctrine générale de l'Etat*, 1939 p. 308.

they are nominated by the central authority. It appears that in such a case, autonomy is more legal than real. Although it is not necessarily so, the principle of territorial decentralization is usually entered in the constitution.

Functional decentralization on the contrary is usually introduced by law. It implies the delegation of specific powers to a public body whose institutions have organic autonomy from the authority by which it was established (1); in most cases such public bodies have legal personality. Functional decentralization differs from deconcentration in that the former implies a degree of autonomy, and from territorial decentralization in that it is specialized. However, there is a school of thought which suggests that functional decentralization may only be the outward and visible form of decentralization; it is related to material power, whereas centralization and territorial decentralization concern personal power (2). The difference is that territorial decentralization establishes a relation with other levels of authority in the state whereas functional decentralization concerns an internal structure with no correlative relation between the functionally decentralized organs and other levels of authority in the state. In the first case, the organs have the same material but different personal powers; this establishes the relation with other levels of authority in the state. In the latter case, they have different material but the same personal powers, which concerns the internal structure. (3) According to others, the difference between territorial and functional decentralization concerns merely the number of the functions, the former implies, general powers and autonomy, the latter a

(1) A. Buttgenbach, op. cit. p. 141-142; G. Burdeau, op. cit. p. 396.

(2) C. Eisemann, La centralisation et la décentralisation, in: *Revue de droit public et de science politique*, 1947 p. 48-50.

(3) idem, p. 51 et seq.

specific public interest which can be national or municipal or departmental, provincial etc. (1)

Both forms of decentralization can exist in practice without any relation. When they do exist, it implies the recognition of local public services and institutions under public law; within the regional or local administration, another decentralization can be created by the establishment of local or regional public institutions. Such decentralized services can be established on the decision of one competent authority or by more than one authority in association (e.g. inter-communal associations). In several states services with a mixed administration have also been introduced in practice (2).

They are created by a public authority to deal with a particular public service, but in cooperation with private individuals or legal corporations which provide part of the capital or know-how and which sit on the board (3).

Territorial decentralization is considered to have many advantages of a social administrative and political nature. It permits better arrangements for specific local or regional interests as well as better contacts between citizens and public authorities. It facilitates the functioning of the state administration, to an even larger extent than deconcentration, and is a means of providing political training for citizens and politicians. In general, it reconciles authority and freedom but maintains at the same time the unity of the state because of the hierarchy of legal rules. The disadvantages are held to be for example the lack of technical knowledge of locally or regionally elected people and the politicisation of their administration; however, this also happens at state level.

(1) A. Buttgenbach, op. cit. nr 140.

(2) For example, air transport in Belgium (Sabena), West Germany (Lufthansa) the Netherlands (K.L.M.); radio and television in Luxembourg.

(3) A. Mast, op. cit. p. 71-75.

Sometimes decentralization is considered to be more expensive than deconcentration, though it can reduce central state expenditure too; it is difficult to assess whether this argument is really valid. The most important advantage probably lies in the guarantee it offers for democracy and liberty. Recent developments in decentralized states show a tendency towards "co-management" between lower and higher decentralized authorities whereby the former cooperate in the execution of laws and regulations of the higher authority (1). Detailed instructions are often given by the higher authority which in practice make decentralization resemble deconcentration (2).

Functional decentralization also has advantages. It provides each public service with a statute in accordance with its aims; it can limit interventions by public authorities and allows a decentralization of power and financial means. On the other hand, the variety and large number of functionally decentralized services sometimes makes democratic control difficult. Its regional repercussions can show some aspects of deconcentration.

At the local government level, municipalities exist in all Member States. A special situation must be mentioned in the United Kingdom which has two sorts of government at local level: non-metropolitan and metropolitan districts; the matter can be compared with non-metropolitan counties, existing at the micro regional level of government in the United Kingdom, because they have some powers in common (in the field of public services for example). Capital cities, Brussels, Copenhagen, London and Paris have special regimes, as do some other large cities

(1) For example, town and country planning in Belgium and the Netherlands, regional policy in West Germany, municipal schools in Belgium and France.

(2) C.A.J.M. Kortmann, Decentralisatie en aanwijzingen, uitnodigingen en bevelen, in: Tijdschrift voor Overheidsadministratie, 1974, p. 1-9.

(Milan, Rotterdam). Between the local and micro regional level, there is a special, intermediate form we might call cooperative local government. By this we mean those bodies which are established by municipalities on their own initiative or under the instructions of a higher authority, and which come close to territorial or functional decentralization. Among the first category, i.e. those concerned with territorial decentralization there are the federations and agglomerations of municipalities (1) in Belgium, the "Verwaltungsgemeinschaften" in West Germany, which in some Lander have almost taken the place of municipalities, the "communautés urbaines et rurales" in France; examples of the second category i.e. of functional decentralization are the "Nachbarschaftsverbände" in West Germany, the "syndicats à vocation multiple" in France, the "sociétés inter-communales" in Belgium, the "gemeenschappelijke regelingen" in the Netherlands. The difference is that in the first category these bodies are supra-municipal (very clearly so in West Germany) while in the second category they are inter-municipal. In both cases they aim to provide specific services as a joint effort or to work out together more general policies (such as, town and country planning) which the individual municipalities cannot handle effectively alone because of technical, financial or organizational problems or because problems have gone beyond the municipal borders and become interrelated. As we are concerned only with regionalization, the local level is mentioned here only to complete the picture and will not be studied more deeply. At micro-regional level, there are forms of territorial and functional decentralization as well. Micro-regions cannot be considered as local government, because their area and population are usually larger than those of municipalities and because their tasks and powers are different (2). As a form of territorial decentralization

(1) The first are in rural areas, the second in urban areas, but they are really identical.

(2) See below.

at micro-regional level, one can consider the provinces in Belgium, Italy and the Netherlands, the counties in Britain, Denmark and Ireland and the departments in France. In West Germany the "Bezirke" and "Verbande" are also put into this category. It must be noted that West Germany has a very complicated structure of local and regional government. The powers concerning administrative organisation belong to the "Länder" and organisation and powers of local and regional government vary considerably. However, one can say that at local level there are in every "Land" "Kreisfreie Städte" and "Einheitsgemeinden" which cooperate within "Kreise". These "Kreise" belong to the level of local government as a special, more developed form of cooperative local government. Therefore, we consider as micro-regional government in West Germany the "Regierungsbezirke", which exist in every "Land" (except in Saarland and Schleswig-Holstein) as a form of deconcentration and the "Verbände". The latter are a complicated institution which have a different position and different powers in every "Land". However, in the context of a European comparison, it seems enough to agree that there is a proper micro-regional government in West Germany too. Functional decentralization at micro-regional level seems to be absent except ^{for} some examples which are less relevant to this analysis (1).

Macro-regional government is at a level immediately under the level of central government and above micro-regional government. In Belgium, economic regions can be considered as a form of territorial decentralization, and cultural councils as a form of functional decentralization. However, distinction is somewhat arbitrary in this case (2). The "Länder" in West Germany and the regions in Italy are macro-regional forms of government. The regions in Britain

(1) For example the "waterschappen" (bodies concerned with water protection) in the Netherlands, the districts for (town and country) planning in Belgium and the "Plannings regionen" in the "Länder" of West Germany.

(2) See Chapter III.

and France belong to the category of functional decentralization on a macro-regional scale.

These three levels of local and regional government also have different tasks and powers. Municipalities have small scale planning tasks, although these are often delegated to the level of cooperative municipal government. They are autonomous in these matters in all Member States, but micro-regional authorities usually exercise supervisory powers. Municipalities are also responsible for a variety of public services. At the level of cooperative municipal government, one finds tasks of municipal origin, but which are beyond the scope of a single municipality; these tasks can concern matters of local planning as well as public services.

The micro-regional level also mainly involves a variety of public service tasks which are beyond the scope of local government. They also execute planning tasks, although it happens in more than one country that these tasks are actually performed within macro-regional bodies (functional decentralization). It seems indeed that in all countries where macro-regions are established, planning occupies a considerable part of their responsibilities. However, if they are territorially decentralized units, other powers are added often concerning social, cultural and economic matters (1).

The size of the State can have some influence on its internal structure, but this is not necessary. If one compares France and West Germany, the former has a very simple scheme, the latter has a very complicated scheme of local and regional government. If one compares Belgium and the Netherlands, the former has introduced some form of macro-regions, the latter does not consider it. State size is only one factor (among many others) which can influence the system of local, micro-and macro-regional

(1) All this concerns regionalization proper and will be discussed at length in the following chapter.

structures. In larger states, however, opposition against four levels of government (including the national one) may not be so strong as in smaller states, (except Belgium).

2. Main problems

A problem present in every Member State concerns the scale of local and (micro) regional government. Both levels of government were established in the 19th century and, although some modifications have been worked out since, these were of such a minor nature that these bodies have remained ill-adapted to contemporary social and economic situations. Existing municipalities and micro-regions (1) were designed for the needs and concepts of the 19th century society, but the developments of social, cultural and economic life, of communications, technology, and the concept of the role of public authorities made fundamental renovation necessary. But this has been very difficult to achieve.

One means used to modernize local government has been the introduction of legal provisions to enable municipalities to create bodies for inter municipal cooperation on specific matters (municipal transport, fire protection, ambulance services, provision of water and electricity); in some countries this form of solution has grown to such proportion that a supra municipal level of local government has been built up ("gemeenschappelijke regelingen" and "gewesten" in the Netherlands, "Nachbarschaftsverbände" in West Germany, federations and agglomerations of municipalities in Belgium). However, this brings no fundamental solution to the problems of local government: their technical administrative and financial means remain weak and they cannot handle effectively new demands by the population (for example for social, cultural, educational infrastructure) or new tasks given to them by the central government as a result of growing intervention of public authorities in public life

(1) "Existing" relates to local authorities as they were before recent reforms.

(for example increasingly strict rules on town and country planning, increasing controls in social and economic matters). Therefore, in all Member States we see the central administration taking care of these matters or being obliged to give considerable subsidies to local government. In both cases there is undoubtedly a loss of local autonomy and of significance of local government. Even if micro-regional government has been brought in, local government has been weakened. In all Member States there seems to be a tendency towards centralization which has not yet been stopped. The establishment in West Germany of the "Gemeinschaftsaufgaben" there has introduced a form of co-participation between the Länder and the central government, which is also practised between "Regierungsbezirke" and Länder. There seem to be two reasons behind these reforms: the powerful CSU wing of the CDU has always been very much in favour of the rights of the Länder and opposed to strong central government; what was given to Bavaria could not be refused to other Länder. Secondly, the West German State structure is relatively new and therefore more flexible than older, undisturbed systems where different levels of government and administration seem to be entrenched. But of course, this is not in itself an adequate explanation, although one should not underestimate this factor of immobility and opposition to fundamental changes on the part of local and (micro-) regional government. This becomes very clear every time reform proposals are tabled (in the Netherlands, France Belgium). However, as the Belgian reforms of 1975 or the Danish reforms of 1974 show, if the ^{central} government is determined to bring about much needed reforms, local opposition quickly disappears once the "inevitable" has happened. Another, less open form of opposition comes from those political and other forces which are organised and firmly involved in policy making at national level (political parties, but also trade unions and organizations of industry and commerce). It is not unlikely that these

forces are not very enthusiastic about municipal autonomy or new transfers of powers to local and regional government, because this would weaken their influence. As long as political forces are not regionally organized and have not established firm control over municipal and regional party organizations, decentralization may be hard to achieve. In Belgium it was quite remarkable to see all major parties re-establish their organizations for municipal and regional council representatives soon after the amalgamation of municipalities (1975) this is clearly intended to establish control by the central party apparatus before a new constitutional reform transfers more powers and financial means. On the contrary, one sees the central government delaying regionalization and/or municipal reforms when it is feared that this would provide a power base for opposition parties (France, Italy) or when parties are locally not very well organized (the Netherlands) or not sufficiently controlled. This is probably one of the main reasons why municipal and (micro-) regional reforms in Britain, Denmark and Ireland have not led to real decentralization (1). In Germany, where political forces have organized themselves very well at all levels of government at the time of the establishment of the federal state structure, opposition against reforms is very moderate (2).

A clear example of the problems of scale at local level is found in the relations between urban centres and surrounding rural areas. Many towns have developed a central function for industry and commerce, shopping facilities, schools, health services; rural areas tend to become dormitory areas, with some recreational functions,

(1) The other reason is that nobody seems to have clear ideas about a new division of tasks and powers between the different levels of government: a problem which also exists in other states.

(2) But a remodelling of Länder, proposed in the early '70's by the federal government, could not take place, probably for the same reason that it would upset the established power basis and channels too much.

although these are found in the towns too. Administrative divisions between these social units are an obstacle to effective government (1). This is even more so if a pluriform local government structure exists, with a distinction between the tasks and powers and supervisory powers of urban and rural areas (Britain, Denmark, West Germany).

The problems mentioned here exist in all Member States, as is proved by amalgamations of municipalities or by the establishment of inter-municipal cooperation. This can take the form of territorial or functional decentralization; in the former there is more or less all-round government taking care of several tasks; in the latter there is cooperation on a specific matter. However, inter or supra-municipal bodies for cooperation receive quite a lot of criticism.

First of all, whatever the possibilities for municipal cooperation, their practical realization always depends on the willingness of municipal authorities to cooperate. Personal reasons or politically different council majorities often prevent inter- or supramunicipal bodies from working effectively and sometimes they can be a reason not to cooperate at all. But even if it works, not always the right scale can be found; some municipalities may not wish to participate in one group because only part of their territory is concerned and therefore they may choose to participate in a group of other municipalities. This often happens in municipalities consisting of several parishes, spread over a large territory; one of the parishes can be orientated to^a different neighbouring municipality from the others. It also seems that all-round policy becomes jeopardized by this splitting of responsibilities at one government level, and that priorities cannot easily be defined. In many countries

(1) See H. Rottier, *Stedelijke Structuren*, Muiderberg 1978.

complaints about lack of coordination are to be heard. Criticism comes from the point of view of democracy too. Control over the activities of specialized inter municipal bodies or over a supra municipal institution becomes difficult, both for elected councillors and for the citizens; it often becomes unclear who decides what.

It should be noted that this sort of criticism is not heard very loudly everywhere, but it is common with respect to local government in the Nine. There seems to be a widespread uneasiness about the ineffectiveness, the weakness and the loss of autonomy of local government. Regional government (micro and macro) seems to be considered differently in this respect (1). In the Netherlands much attention is paid to democracy in local, regional and national government and reform proposals seem to be as much dominated by this concern as by problems related to the scale of government (resulting in amalgamations) and its effectiveness. In other countries, a more balanced approach exists and these three aspects mentioned are considered on a more equal basis.

Another related problem is that of the powers of each level of government; it is thought that existing structures can no longer fulfill their tasks. This results then in inter-municipal cooperation, which has been mentioned already, but also in open or more often concealed centralization. There is not so much a change in the division of powers among the different levels of government, but a change in their financial scope. The more local and regional authorities depend on centrally provided financing, the more their autonomy weakens; very often they depend so much on subsidies from the central government that they cannot have much influence even in matters within their legal powers (France has probably the worst situation in this respect). However, this is not a

(1) See below.

general rule. It happens too that legal guarantees and a strong feeling of autonomy can make local autonomy real, even if one depends on government grants. It depends also on the system of receiving subsidies: if a general subsidy is given to a local authority, which can decide freely how to spend^{it}, autonomy is larger than if subsidies are given for each specific aspect of local policies. Access of local authorities to other sources of finance (e.g. existence of municipal banks, access to the capital market) also influences their autonomy. The division of tasks and powers is outdated in most countries too. The existence of too many levels of government (as in West Germany) and of different authorities at each level can make it difficult to see where responsibility lies; powers can be exceeded both in the horizontal and the vertical direction (1). Tasks closely related may be treated in an uncoordinated way (2). The distinction between rural and urban areas only aggravates this problem and makes coordination between an urban centre and its "hinterland" difficult (3).

In the discussions about local and regional reforms, decentralization has become a key word in almost every country; it is related to three other aspects. First of all, centralization is thought to be at least partly, responsible, for the economic difficulties of several regions (in France, Italy, Britain, Belgium); it prevents (macro or micro) regional public and private authorities from playing an effective role in the economic development of their area (4). We have said in the previous

(1) Interference by the central government in West Germany in matters of regional policy before the 1969 constitutional amendment.

(2) The establishment of industrial estates by municipal, provincial and national authorities in Belgium.

(3) One advantage is, however, the protection of rural areas from easy absorption by a town.

(4) J. Conford (Ed), *the Failure of the State*, London 1975 p. 9-11.

chapter that planning activities need new structures; the request for participation in decentralization inevitably leads to demands for new structures as well. The central government or its agencies become aware of the need for local and regional reforms because effective social, economic and town and country planning demand it; at the lower levels, the desire for more effectiveness in order to achieve more equal welfare in all parts of the state, or in other words the desire for more planning, is linked to the wish to participate in it; decentralization is requested to achieve more democracy and more effectiveness.

To achieve this a new distribution of tasks and powers and financial means is thought to be necessary: but this new distribution is not possible with the existing structures which have proved to be no longer adequate for contemporary needs. Structures inherited from the 19th century cannot maintain the type of modern administrative and technical apparatus which could handle with efficiency all tasks entrusted to it. What general solutions are offered for all these problems?

3. Solutions at local and regional level

One of the first problems which needs to be solved in most countries is that of the scale of government. In every country one sees a tendency to respond to a larger scale of social life by establishing a larger scale of government, in particular at local level. At micro-regional level this tendency is less pronounced, although there have been amalgamations at this level too (Britain, Ireland, Denmark). However, let us look now at the municipal level where fusion of municipalities seems to have become almost a rule; some countries have already drastically reduced the number of municipalities (Britain, Denmark, Ireland, Belgium, West Germany), others have plans to do so. A territorial regrouping of municipalities

is considered to be a sine qua non for a possible redistribution of tasks and powers; the latter seems even more difficult to realize than the amalgamation of municipalities. *R* political philosophy is *lacking* about the role of local government and *there is* no clear view about its functions either; too little serious research has been done on this matter until now. However, *two main facts are usually stated* about local government: it is a provider of services to a local community and an instrument of self government, not just an agent of the state and the central government (1). All government reports on local government include similar statements. They are easy to agree with in a democratic tradition.

Together with amalgamations there is an effort to eliminate or reduce the differences (in tasks, powers, supervisory power) between urban ~~and~~ rural areas. The evolution in this respect *is* not clear: sometimes rural and urban areas are brought together to form a single territorial unit (Denmark Britain but with exceptions), sometimes inter-municipal bodies for cooperation are set up (Belgium, Italy, France, Netherlands). A pluriform structure at municipal level seems to be disappearing but the evolution is not finished yet. Inter-and supra-municipal cooperation seems to continue even after fusions, except in the Netherlands where amalgamations are carried out in order to eliminate this much criticised practice of functional government.

It must be mentioned that metropolitan areas often receive a special status (London, Brussels, Copenhagen) because of the social, political, cultural economic and demographic significance of these urban area. Their tasks,

(1) Lord Redcliffe - Maud and Bruce Wood, English Local Government reformed, London 1973, p. 10.

powers and financial position become more like those of a micro region; Paris even approaches the status of macro region. Although this is ^{not} relevant for our thesis, it does show the problem involved in reforming structures overtaken by the social and economic evolution.

However, it is not at municipal level that all social and economic problems can be solved and that planning can be elaborated. Municipal reforms are merely a first step or an aspect of wider reforms which also include the micro-and macro-regional level (or the introduction of the latter) for those specific tasks which cannot be dealt with as municipal tasks. It is here that regionalization comes into the picture.

As has been mentioned already, the desire for more democratic government is one of the reasons for reforms, but it is not a major reason in any country and certainly less important than the demand for effective government. Even in the Netherlands, where an impression is created that democracy is the main reason for reform proposals, this seems more camouflage than anything else; if one considers the proposals, they deal with new structures which are not more democratic than in other countries (1). Democracy is a word which is used with a different meaning in each country to "sell" reform proposals easily. However, the execution of tasks at an unnecessarily high level of government is not only undemocratic but often inefficient too; the execution at too low a level of government is always inefficient. The first problem can be solved by decentralization, the second by centralization. People want effective government in the first place; political involvement is always possible in a democratic system at any level of government (local, micro, macro, regional,

(1) For example, they do not propose to change the system of centrally appointed mayors; in other countries mayors are elected by the members of the municipal council.

national). The proportion of people who wish to be involved actively in government is probably not higher at municipal than at national level. The idea that municipalities and regions must be a counterbalancing power is illusory in the present situation, because of party structures and party politics and because of the weak financial position of the lower levels of government.

This will be discussed further in the context of the relations between Lander and federal government in West Germany (1). And we have mentioned before that party controls over local sections are tightened before a redistribution of powers, for example, by the establishment or renovation of party organisations for local and regional councillors. Even in a country like the Netherlands, with its old tradition of mayors appointed by the Crown, one sees a rapid decrease of neutral appointments and an increase of party appointments particularly in the more important municipalities.

Functional bodies become more ^{acceptable} at both local and regional level in most Member States. Indeed, they can be a way to more effective government, but from a democratic viewpoint "government intégral" must be preferred to "government partiel". Because all problems are so closely linked, it is in the long run probably more effective too. Functional solutions (inter or supra municipal cooperation, inter-micro-regional cooperation, functionally decentralized (macro-regions etc.) are short-term solutions for a central government which is unwilling or too weak to create a sufficiently large scale for local and regional government by amalgamations.

Laments about the weakening of democracy are nonsense

(1) See Chapter III.

because the present situation brings more centralization and/or functional government, neither of which is very democratic, and because internal decentralization and deconcentration of services can bring more democracy at municipal level. The crucial problem is not one of democratic government, but one of effective government; the crucial problem is therefore: which tasks and powers can be given to each level of government, and on what scale. To redistribute tasks and powers between different levels of government is one thing, to give each level an appropriate scale is another. Fusion of municipalities seems to be the step taken first in most countries, in order to create a proper scale for a later redistribution of powers; if the latter is done at the same time, it comprises mostly tasks and powers of supra-municipal and to lesser extent of micro-regional origin which are given to the new municipalities. Reduction of the number of micro-regions seems already a more difficult operation, perhaps because tasks and powers of central origin could go to micro-regions with a more suitable scale? There is also the problem of whether these should be functional or integral forms of government. The latter would mean the creation of five levels of government (local, micro-regional, macro-regional, national, European) if a macro-regional level is introduced. There is much opposition to this idea in the smaller states (Belgium, the Netherlands) in particular. According to this view, only one of the regional levels should become integral government, the other functional. So one sees the Netherlands in favour of functional macro-regions (if any are set up), Belgium in favour of functional micro-regions (according to the latest ideas for a new revision of the constitution). Other countries maintain micro-regional integral government for the moment, and seem to favour functional macro-regions (France); the

latter are not so strong (no directly elected regional council, no regional image) and more easily controlled (because of the lack of democratic justification: and so the vicious circle arises, in France for example.) These tendencies of regionalization, the proposals and structures made in each Member State, the new structures and their powers will all be examined in the next chapter. Such an examination is necessary now that we have seen that regionalization is brought about by the development of regional policies but also for other reasons mentioned (in a more general way) in this chapter. The background is similar in each Member State, although of course the emphasis is different according to national circumstances and traditions. The detailed discussion in the next chapter will enable us to see whether or not, and if so, to what extent, similar structures have been established or similar proposals made.

CHAPTER III: REGIONALIZATION IN THE MEMBER STATES

Introduction

In the two preceding chapters we have studied the background of the reforms of the local and regional levels of government in the Member States. We have seen thus that the evolution of regional policy from aid to underdeveloped regions to planning of their social and economic development has led to the need for new local and regional government structures. Besides this major reason, there are other reasons mentioned in the second chapter which have more to do with effective and democratic government at these levels and with adaptations of its scale to fit contemporary circumstances. In the preface it has been mentioned that cultural reasons (renaissance of nationalism, or linguistic differences) can also be a stimulus to state reforms. Local government reform has already been mentioned in the second chapter; we shall return to it here although our thesis concerns in fact only regionalization: i.e. the intermediate and not the local (municipal) level of government. However, in some countries reforms were carried out at both levels simultaneously which we have to discuss in order to avoid an incomplete picture of these reforms. Another reason is that the problems of these levels of government are often linked and are frequently, if not invariably, dealt with by the ^{central} government together (1).

In this chapter an analysis will be made in particular of the micro and macro regional levels of government, regardless of whether they comprise territorial or

(1) In Belgium for example, amalgamation of municipalities is considered without any reference to regionalization; Italy too has introduced a regional level of government without touching existing municipalities or provinces.

functional decentralization, because we think that both forms at both levels can be relevant in the European perspective (which is discussed in the second part of the thesis). At municipal level we discuss briefly only those forms which are relevant to an understanding of the reforms at regional level. After the discussion of the Member States' reforms we will make general, concluding comments about the major characteristics of regionalization in the Nine.

First we consider those countries where reforms have taken place at local and micro-regional level, then the countries where reforms have occurred more at micro- and macro-regional level; but this is not a strict division, because in the first group there are countries which also planned reforms at macro-regional level (for example Britain) and in the second group there are countries which have reformed the municipal level too (for example Belgium) which has also not touched the provinces.

1. Local and micro-regional reforms.

A) Reform of existing local government has been carried out very consistently in Denmark. Since the reorganization of local government in 1867-68, no basic changes had occurred and the state was left with too many and inefficient administrative units (1). Not only the geographical structure but also the financial resources and the distribution of powers among state, counties and municipalities necessitated adaptation to new economic and social circumstances. Regional considerations appeared only at the end of the preparatory work, which lasted from 1958, when a local Government Act Commission was appointed as a commission of inquiry, until 1967, when a local Government Reforms Commission started work on the elaboration of reforms; at this point it was argued that the

(1) E. Harder, Local Government in Denmark, Copenhagen, 1973, p. 122

counties too were not large enough to carry out present and future tasks efficiently. These reforms *came into effect* on 1st April, 1970.

a) The aim of these reforms is to modernize the state structure and in particular local government. As Denmark enjoys a more harmonious distribution of wealth among its regions than other states, regional pressures are very weak (1). The relative absence of this economic factor is the reason why demands for more participation are not put in regionalist terms. The work of the reform commission aroused a lot of interest, not only from local authorities but also from the population, which was not always the case in other states (2). Main topics were the redistribution of powers among the three levels of government and the equalization of the fiscal burden of local government (3). It is surprising, though, that the establishment of macro-regions was not raised particularly because the geographic situation of Denmark as well as its aim of redistributing powers in general could lead in that direction (4).

Together with a considerable reduction of municipalities (from 1197 to 276), the number of counties was reduced from 25 to 14; the metropolitan area of Copenhagen and Frederiksborg is given a special status. A classic problem with amalgamations is to find objective criteria for determining new boundaries; in Denmark the amalgamation and partition of county boundaries was done on the basis of the responsibilities which the new counties

(1) All three major regions of Denmark are above the E.E.C. average GNP. Our analysis does not include the Faroe Islands, which have an autonomous status and are attached to Danish Crown and Greenland, whose internal structure is organised by Act nr 441 of 22.12.1966.

(2) E. Harder, op. cit. p. 126-130.

(3) S. Mohring-Andersen, Local Government Reform in Denmark, in Comparative Local Government 1973, vol. 7, nr. 2, p. 48.

(4) At one moment there was discussion about 8 regions, but the idea was dropped mainly because of resistance from local authorities.

would be given. Even such a functionalist approach made it necessary to envisage additional but minor alterations in order to take account of popular request or to facilitate the functioning of the new communities (1).

The 1970 reform did not apply to the metropolitan area, comprising the county of Copenhagen and the central corporations of Copenhagen and Frederiksborg. The population in this area is so high that only minor boundary adjustments were required (2). However, the problem is to organize decision-making and administration of matters common to the whole area. Urbanization and economic development in this metropolitan area have spread over the boundaries fixed in the beginning of this century and necessitate an overall administration. The Copenhagen Local Government Reform Commission, appointed in May 1970, offered two alternatives to the ^{central} government in its conclusions, agreed upon in April, 1971 (3). One would be the establishment of an ordinary county authority embracing all local authorities in the metropolitan area, the other the installation of a metropolitan council. The adoption of the first solution would require a change in the legal positions of the corporations of Copenhagen and Frederiksborg, whose powers are comparable to those of county councils; but the new Copenhagen authority would then be in line with the newly established counties. The adoption of the second solution would create problems concerning the determination of its powers though it was agreed that the metropolitan council would have to be responsible for economic and infrastructure planning. Political disturbances held up a final decision until 1973. In fact the Copenhagen problem poses the question of

(1) Act nr 194 of 24.5.1972.

(2) E. Harder, op. cit., p. 144.

(3) Hovestads omradet, Betaenking, Kobehavn, 1971.

whether a state must give itself a uniform structure or whether certain areas can have an organization distinct from the rest. With ^{the} exception of West Germany, ^{the} other Member States' capital is also the largest city of the State, where income per head is highest and where all or the most important political, economic, social and cultural functions are centralized. This creates particular problems connected with planning, service provisions and the financial income of the capital. Even Jacobin thinking agreed that uniformity had to be abandoned, as the case of France will illustrate. In Denmark too the capital was given a special status; though pragmatic reasons often lead to the abandonment of uniformity, it may enforce the dominating position of a metropolitan area over the rest of the state. But not enough time has passed to give a final judgement.

Together with new boundaries, the 1970 reforms introduced direct election of the county councils. The councils elect their own chairman, who becomes county president: under the previous system, the council head was appointed by the ^{central} government. This innovation marks a desire to make the county more democratic and more attractive (for citizen and politician alike).

b) The powers of the county councils are defined in relation to the traditional powers of local authorities in Denmark. These powers can be statutory, such as social and health services, primary and secondary education, adult education and spare time activities, roads and maintenance of water, protection against pollution and sewerage (1). Other activities result from the definition which local authorities have given concerning local interests. This led them to provide for local transport, cultural and sports activities, housing schemes and for supply of water, gas and electricity (2).

(1) E. Harder, op. cit., p. 156-169.

(2) idem, p. 170-175.

Recently, they have also become active in economic development, particularly by carrying out public works in periods of high unemployment; ^{however,} they may not engage in specific activities for attracting industry and commerce, for example by providing grants or other economic benefits. Only in areas scheduled as backward may local authorities intervene together with the state in order to help industrial development by construction of industrial sites.

Most of these powers are shared now between the municipalities and the counties; there has thus been no strict redistribution of powers, but rather a tendency towards cooperation among different levels of government. Amalgamation of communes has indeed left communes too small to handle efficiently all the tasks mentioned above. Supervision of municipal activities, which was exercised by the state, has been transferred to the counties under the 1970 reform, but the counties remain under supervision of the Ministry of the Interior; in both cases supervision is of course limited to legality of acts. Some powers have been transferred from municipalities to counties e.g. in the health sector (hospitals). Though in principle deconcentration was rejected in favour of decentralization, it should again be emphasized that the redistribution of powers is not yet complete (1). No powers of significance have been transferred from the state to the counties, though in future they may receive more powers in matters of coordination and planning.

Reforms concern also municipal and county income. The old system, much criticised because it restricted local expenditure autonomy and led to fiscal inequalities among local communities, has been replaced by equalization schemes on a local tax basis or on necessary local expenditure which is determined by criteria such as inhabitants, areas, etc.

For the Copenhagen areas a solution has been worked out

(1) S. Mohring-Andersen, op. cit. p. 50.

which differs from anything in the rest of the state (1). The idea of one county was rejected because it would be too big (2) and too distant from the citizens. A Metropolitan Council has thus been established, composed of members of the municipal and county councils of the metropolitan area. The Metropolitan Council has received binding powers in matters of town and country planning, environmental protection and certain health services (e.g. hospital planning). Supervision is not uniform and is exercised by the Ministers of Housing, the Interior and Environmental Protection. The metropolitan council has no direct powers in matters of public transport. The Metropolitan Transport Act of 1973 has set up a functionally deconcentrated body, the Metropolitan Transport Council; members are appointed by the Minister of Public Works and by the Metropolitan Council. It is an example of insufficient coordination (and unwillingness?) among ministries, a phenomenon which we have also observed in regional policy issues; clearly some ministers are not enthusiastic about decentralization.

It is significant that Danish regionalization, in contrast with other E.E.C. states, was not initiated as a result of strong regional pressures or as a complement of regional economic development. It started as a local government reform to improve efficiency and it remained within this sphere. Consequently Danish regions are typical micro-regions, to which some of the powers of lower authorities (communes) have been transferred but none or very few from the higher authority (state). This tendency may result from the fact that the communal reform still leaves a large number of small municipalities: out of 267, 167 have less than 10.000 inhabitants (1). From a point of view of participation and democracy, this can be wished for, but it brings almost inevitably a tendency of centralization, even though the state remains basically decen-

(1) E. Harder, op. cit. p. 135.

tralized. Power moves away from the population, towards a second level of government. The powers of those micro regions regardless of whether they exercise them exclusively or share them with municipalities, are clearly in the sphere of public service. They have little general economic planning functions and are restricted too in matters of regional development; absence of any significant regional pressures could be one reason, but the size of the new counties does not seem suitable for proper planning functions either.

Another characteristic which is also found in other states is the search for a special status for metropolitan areas. The Copenhagen area has grown so much in population and economic domination that it is considered no longer ^{possible} to give it the same legal status as other cities in the country. However, special status for the metropolitan area carries a serious risk of reinforcing its position and its growth, though of course, a solution must be found for its problems. If this solution must be a special status, it should be accompanied by provisions to limit its growth. This is not the case in Denmark perhaps because development of the Copenhagen area as a whole is slowing down compared with other areas. Nevertheless its economic importance continues to increase, in particular in the tertiary sector.

Finally, regionalization in Denmark has not yet been accomplished. Micro-regions may learn that they are not a satisfying answer to demands for participation (to be performed at municipal level) nor for decentralization in economic and political matters (to be performed at macro-regional level). But in the near future macro-regions will be excluded in Denmark. It can be argued that this is a good thing, because a division of a country of less than 5 million people in two or three macro-regions would create too heavy an administrative structure. Even

in larger countries such as Belgium and the Netherlands, there is considerable opposition against the establishment of three levels of local government (municipalities, micro-regions, macro-regions). Thus macro-regional functions (in particular planning) may well continue to be performed at national level (1). In Denmark, there is also no socio-cultural stimulus towards the establishment of macro-regions (as there is in Belgium)

B) Regionalization in the Netherlands is still in a preparatory phase and therefore no concrete structures can be analysed. Nevertheless, traditionally decentralized structures of the state, province and municipalities are questioned. Reasons for this search for modernization and for the different proposals tabled are instructive both as regards the possible final outcome of Dutch regionalization and for the discovery of different trends in matters of regionalization in the E.E.C.

a) As in Denmark, regionalization in the Netherlands does not find its major stimulus in regional economic imbalances. This does not imply that population and economic activities are distributed harmoniously throughout the country; on the contrary. Both are very much concentrated in the Randstad Holland and adjacent areas; the provinces North and South Holland and Utrecht, together comprise 21% of the territory, have 40.1% of the total population and produce 52.3% of the GNP. This concentration has not led to serious economic underdevelopment in other parts of the state, even though certain agricultural areas in the north suffer from emigration and industry declines in a few other places. Southern, eastern and northern provinces have a GNP which is under the average E.E.C. GNP = 100, whereas the three western provinces are above

(1)The same applies to Ireland, See further D.

it (1). However, these differences do not seem to be large enough to give rise to proper regional demands. The idea that regionalization is a structural complement of regional policy does not really enter into the debates in the Netherlands either.

The starting point in the Netherlands is similar to that in Denmark: the inadequate functioning of decentralized authorities, in particular municipalities (2). Though the number of communes has decreased considerably since 1850, there are still many which cannot fulfil all the tasks which have been entrusted to them (3). Prevailing attitudes towards the communes, which are considered to be the basis of democracy and participation in public life, and resistance from local authorities have held off a drastic program of amalgamations until now. Instead a solution has been sought in inter municipal cooperation in order to deal with specific common interests (4).

This 1950 Act allowed communes to establish joint public corporation which have been given the name of regions ("gewesten"). Though their tasks are only municipal (5), their acts have the validity of communal regulations (6) and their institutions and working methods are similar to those of municipalities (7). These "gewesten" are in fact not fundamentally different from the "syndicats de communes" in France or the agglomerations and feder-

(1) P. Romus, *Economie régionale européenne*, Bruxelles, 1975 p. 96.

(2) S. Schepers, *Loopt de Nederlandse gewestvorming uit de Europese pas?*, in: *Tijdschrift voor openbaar Bestuur*, 1976, nr 15, p. 338-339.

(3) D. Simons, *Het probleem van de gewestvorming in Nederland*, *Tijdschrift voor Bestuur wetenschappen en Publiekrecht*, 1970, nr 3 p. 150.

(4) *Wet van 1 April 1950*.

(5) J.J.M. Festen, *Gewestvorming in Nederland, een weg van lange adem*, *Tijdschrift voor Bestuurswetenschappen en Publiekrecht*, nr. 1, 1975 p. 5.

(6) G.W. van der Pot, *Handboek van Nederlands Staatsrecht*, Zwolle 1972, p. 520.

(7) J. de Bres, *Het gewest in werkelijkheid*, in: *Instituut voor Bestuurswetenschappen (Ed.) Onderzoek naar de bestuurlijke organisatie*, I, Rijswijk 1972, p. 209.

ations of municipalities in Belgium.

This Act and its application are the subject of much criticism nowadays. This form of cooperation among municipalities makes it difficult to see who is responsible for what, thus it is harmful to the public (6) character and harmony in administration. At the same time it has not improved efficiency in planning and coordination as was hoped at the time (1). Indeed, municipal cooperation, even municipal reforms, though a necessary complement, cannot be a substitute for regionalization. Modifications made in 1966 in the 1950 Act, allowing the "regions" to care for several common municipal interests together, could not basically improve the situation.

b) Nevertheless, further developments towards the establishment of regions are based on these experiences. The Dutch regions, in a Government paper on administrative re-organisation (2) remain "municipal regions"; they are considered to be an alternative for amalgamations of communes by establishing a structure which does not replace them but takes over certain common tasks (3). These regions are thus placed above the communes but under the provinces, which will play a similar administrative role for the regions as for the municipalities (4). This concept was worked out in a Bill put forward in 1971 (5), which did not however reach the statutebook. Whenever a proposal pleased the powerful Dutch association of municipalities, the Government thought it to be unsuitable; when a proposal was to the Government's taste, it aroused opposition from local authorities.

(1) E.H.A. Kocken, Het gewest als wenselijkheid, in: Instituut voor Bestuurswetenschappen (Ed.) op. cit. p. 253-254.

(2) Nota Bestuurlijke Organisatie 1969.

(3) D. Simons, op. cit. p. 152.

(4) Nota Bestuurlijke Organisatie 1969 p. 53.

(5) Memorie van toelichting bij het wetsontwerp p. 3.

(6) *Easy access^{to} and easy understanding of the administration are the two main aspects of its public character in the Netherlands.*

In this Bill the organization of regions remained closely associated with the administrative structure of municipalities and provinces (1). Their establishment is put in the hands of municipal authorities, though in certain circumstances, the government can help them (2). The region's role is to coordinate, stimulate and direct the activities of member communes and it can therefore lay down binding rules (3). The region would also be allowed to levy taxes as the communes do, on the basis of the *Municipal Act*, art. 273a-277 (4). The powers of these regions would concern town and country planning (5) and different aspects of public responsibilities which are better dealt with cooperatively than in the municipalities separately (6). The regions would take the decisions, but the execution of these matters would be left to the communes. Though Dutch municipalities have always dealt with physical planning, general rules need to be established at higher levels of government (as the proposal implicitly admits).

In later proposals one sees a tendency to enlarge the powers of the "regions" and to strengthen their institutions. However, regions as seen by the Dutch authorities are not real micro-or macro-regions; they are supramunicipal bodies, improperly labelled as regions. This creates a lot of misunderstanding if one attempts a comparison with the evolution of regions in other Member States (7). The major reason for the failure of the 1971 proposals and of later ones is the strong opposition to introduction of a fourth level of administrative decentralization which, it is assumed, will serve neither democracy nor efficiency. Similar opposition to a fourth tier of local government existed in

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- (1) idem, p. 8
 (2) idem, p. 6
 (3) idem, p. 19
 (4) idem, p. 15
 (5) J. De Bres, op. cit. p. 214.
 (6) Memorie van Toelichting, op. cit. p. 9
 (7) J.J.M. Festen, op. cit. p. 6

Denmark too. It reflects clearly that citizens everywhere in Europe are in favour of efficient and open government, technocratic if necessary but not bureaucratic. In the larger states, however, the question of a fourth tier of local government is a different matter, because of the size of the country. In the larger states, central government is further remoted from the citizens than in smaller ones. Rome, Paris and London are felt to be far away, more so than Brussels, the Hague or Copenhagen. Although it is difficult to prove it, it seems likely that this is an important general reason for (popular) opposition against a fourth level of government in smaller states. It is certainly used as an argument in the Netherlands.

It may be suggested that this objection to "municipal regions" has been an important factor in keeping the debate going on other forms of regionalization which are more worthy of the name. Thus the establishment of 22 or 28 provinces has been suggested (instead of 11 as at present)(1). However, the idea of proper macro-regions is not absent totally; a preliminary Bill of 18.11.1974 suggests establishing 5 regions and 44 macro-regions but, according to the same document, the provinces would continue to exist. Opposition to such a complicated administrative structure led then to another suggestion, i.e. replacing the provinces by 4 or 5 macro-regions and the municipalities by micro-regions (2). None of these proposals has become law; it is most likely that the present Government will not push any reform before the elections in 1977. The new government continued discussions for a while and then decided to start with amalgamation of municipalities before reforming the provinces. In marked contrast with Belgium, amal-

(1) J.M. Polak, Gewesten en provinces, in Nederlands Juristenblad, 1975 p. 822 et. seq.

(2) Eindrapport van het Instituut voor Bestuurswetenschappen, 1975.

amalgamations in the Netherlands are not worked out by the Ministry of Interior, but by municipal and provincial authorities. However, not much concrete has happened yet.

In any case, the Dutch attempts at regionalization do provide another illustration of our contention that the absence of serious regional economic imbalances gives a different dimension to regionalization. No reference is made in any of the proposals to regional policy or harmonious regional economic development; the relationship of the latter with regionalization is not brought forward in the debate. Instead, regionalization is considered solely in relation to the problems of restructuring the state, primarily at municipal level.

The Netherlands and Denmark do not differ fundamentally regarding regionalization; in broad terms the same reasons are at the basis of reform proposals and reforms, namely in the first place a better provision of public services. But the Danish reforms have led rather easily to the establishment of micro regions, whereas the Dutch experiences with municipal cooperation, improperly called regions, make such a process more difficult. However, it is still possible that the outcome may be the establishment of micro-regions, probably by creating more provinces; but amalgamation of communes is therefore not excluded because a micro-region also needs viable municipal structures.

C) The Grand Duchy of Luxembourg can be considered to be similar in size and population to a micro-region; there is thus no question of regionalization in the sense in which it is generally understood. Though administrative reforms will appear as necessary, they will have to be on different levels than the decentralization reforms in other states.

However, on this small scale, serious disequilibria in economic development and distribution of population exist. In order to build up a more harmonious structure, successive governments have used regional policy measures as well as town and country policies . The latter in particular seems to have brought into the open the deficiencies of Luxembourg's administrative structure. The municipalities, which are the sole level of territorial decentralization in the state (1), are mostly unable to deal efficiently with the new tasks (2); moreover, a majority of them cannot even fulfil their normal responsibilities. Indeed, more than 60 communes have less than 1000 inhabitants; most of these are situated in the less developed northern part of the state. It may be assumed that the inevitable failure of these municipalities to provide adequate services for their population is one of the reasons behind the slow development of that area and in particular the departure of a large part of its younger population (3).

In order to remedy these problems, Luxembourg too has established inter-municipal institutions ("syndicate de communes"); they can help to solve a single, specific problem, but are inefficient if more general local matters have to be dealt with. Amalgamations of communes come up again as an appropriate means of preventing the lowest tier of decentralization from losing its political significance and its effectiveness. Though the need to reform the existing administrative structure has been recognized, no fundamental reform has yet worked out. There is an agreement on the principle, but still some dissent as to the number of new communes(4).

D) The three states studied so far have in common, among other things the absence of functional regions. This is

(1) P. Majerus, *l'Etat Luxembourgeois*, Luxembourg 1970, p. 282.

(2) *Ministere d'Etat, Programme directeur de l'aménagement du territoire*, Luxembourg 1971. p. 55.

(3) S. Schepers, *Examen des problèmes régionaux au Grand Duché de Luxembourg*, in *Revue d'Economie Politique*, 1978 nr 5 p. 673-674.

(4) S. Klein, *Regionale Einheiten Statt Gemeinden*, in: *Luxemburger Wort*, 1970 nr 325-326.

a remarkable contrast with another small E.E.C. Member Ireland, where local government reform was carried through without reference to existing forms of functional regions.

a) The basic unit of local government are the districts, which include mostly an urban area or municipal town with its hinterland. Below these territorial units there are community councils, which are of a purely voluntary nature; their goal is to represent the interests of the people of a small community, say the size of a parish. Although they differ in size in rural areas as compared with urban areas, community councils can be useful to increase participation. It has therefore been suggested that the state and its agencies as well as local authorities should be obliged to consult them in matters affecting the area (1). They should also be allowed to nominate or to elect a few members in the district councils.

The district is suggested as the municipal or local level of government which can provide certain public services, and create a harmonious structure instead of the present borough and urban district councils. In fact, a number of services are already organised on a sub-county or district basis, including roads, housing, health and cultural services, agricultural advisory services and education (2). However, the district boundaries used by these various administrations as well as by some state agencies such as the Post Office or electricity supply are not always the same which leads to confusion for the citizen, ineffective democratic control and lack of coordination.

Therefore, the establishment of districts, each having an elected council, is suggested as one part of the local government reforms. These district councils will be responsible for the running of services and admin-

(1) Institute of Public Administration, More local government, Dublin 1975 p. 4.

(2) idem p. 20-21

administration of local affairs, but district personnel remains county personnel assigned to the district. This considerably reduces the district's influence, as its staff will of course respond first of all to county council's orders and wishes. The Gaeltacht areas become districts where all matters are conducted in the old Irish language (1).

The counties can be considered as a micro-regional level; their functions and legal status remain essentially the same. County councils are responsible for the planning and execution of all major local government tasks, including housing, transport, social and cultural services and economic development plans; this range of public services can be extended. At present 26 counties exist, each with a council whose membership varies according to the number of inhabitants and whose members are directly elected.

Quite clearly Irish counties are no easy case. We consider them as a micro-regional level of government because we think that the districts can best be compared with municipalities elsewhere; their institutions and functions have really a municipal or local character. But the counties have not so evidently the legal and political character of micro-regions, be it only because they are far too small compared with micro-regions in other countries. But they cannot be considered as supra-municipal institutions either; they have some characteristics of both (supra-municipal and micro-regional). Like the Netherlands, Ireland is somewhat out of the European mainstream of local and regional government reforms. Ireland seems too small a country to be divided into macro-regions.

Much importance is given to the counties from a point of view of democracy, but it cannot be doubted that they are

(1) Final Report of the Commission on the Restoration of the Irish language, Dublin 1965.

too small to be adapted to modern local government requirements. Already in 1963, the Second Programme for Economic Expansion (1) envisaged larger areas and established regional development organizations for 9 regions formed by grouping of counties. These institutions brought some functional deconcentration; other ministries also introduced in a dispersed way, regional boundaries for some services (2). Lack of coordination is obvious, as is lack of democratic control and participation. In the framework of local government reforms, however, harmonization of regional boundaries is now envisaged (3). It will be necessary to modify them in order to make them identical with the nine planning regions.

b) These planning regions have a board composed of elected members and officers of the member countries; their representativity is thus of a second degree. The board exercised control over the regional executive officer and its personnel. Under the new proposals, the board will have limited statutory powers, in order to stimulate economic planning and development in the region, coordination of public services and provisions of certain services (4). Such a reform could also bring a solution to the Dublin area, which is now in a special position, and give it the same regional powers as other regions. In Ireland the aim is thus to establish an identical structure for the whole state (which is not the case in some other E.E.C. Members). These nine regions are established clearly because the counties are not suited for economic planning (5), but local government reform does not take account of this at present. The nine regions approach the concept of functional regions, but (in comparison with France or Britain), they are functional

(1) In fact, the 1963 Act made no precise provisions for regional planning, but the concept emerged as necessary during its execution.

(2) Eg. the Irish Tourist Board, regional health boards, each with different boundaries.

(3) Institute, op. cit. p. 28.

(4) idem, p. 5.

(5) James H. Johnson, op. cit. p. 224.

micro regions.

E) The United Kingdom is a special case. As in other states analysed so far, there has been a move towards modernization of local government which has resulted in replacing a complicated and inefficient structure by a new set of counties and districts. This reform is interesting because it comprises a thorough reform of the two tiers of local government (as in Denmark and as proposed in the Netherlands), while functional regions also exist (as in Ireland) of the macro type (as in France). The latter have not been developed as a proper tier of local government. At the same time, a search started for devolution, a rather vague term whose outcome could be a form of political regionalization in favour of Wales and Scotland (and maybe Northern Ireland). (1)

a) Several factors made a review of existing local government structures necessary. In England and Wales it was established mainly by two Acts of 1888 and 1894, which laid down two principles for local government: its democratic nature and the distinction between urban and rural areas. Whereas the former became gradually eroded through lack of interest from the electorate, the latter came to be seen as a major weakness of local government which was responsible for a great deal of ineffectiveness and the consequently apathy of the people concerned (2)

(2) Lord Redcliffe-Maud & Bruce Wood, English Local Government reformed, London, 1974 p. 3.

(1) The problems of Northern Ireland are not discussed in this thesis, because they are rather unique and therefore less relevant in a thesis which is first of all a comparative study. However, it seems useful to mention some basic facts in order to complete the picture of what is happening in the E.C. Northern Ireland ranks among the poorer regions of the E.C., but it is better off than the Republic of Ireland or the Mezzogiorno in Italy. See Commission doc. (73), 550 final, 3.5.1973 (the Thomson report). In the 1930s, unemployment had risen sharply in Northern Ireland, but the region was not included in the Special Areas Act of 1934, but this Act was not very efficient. See Hugh D. Clout, *op. cit.*, p.196. When new Development Areas were defined (Distribution of Industry Act, 1945), Northern Ireland was included too. Government action led to a substantial degree of industrial diversification within the economy of Northern Ireland, but it was not sufficient to solve all economic problems: the shipbuilding and steel industry for example continued to have problems. When economic regions were established, Northern Ireland became one economic region. As Wales, Scotland and the eight regions established in England, it received a council and a board. The economic planning council is composed of individuals selected by the Government for their knowledge and experience of the region, the board is composed of senior civil servants, who have the technical expertise. Together they draw up regional development plans and make recommendations for their implementation. See Hugh D. Clout, *op.cit.*, p.205-208; and further p.134 (thesis). In matters of regionalization, Northern Ireland is a special case. In 1920 the region received Home Rule, which meant extensive autonomy in internal affairs and included a parliament (with two Houses) and a government for Northern Ireland. The Crown was represented by a Governor. Northern Ireland received also a representation in the House of Commons (in London), and its own Supreme Court. See T. Wilston (Ed.), *Ulster under Home Rule, 1955*. However, terrorism made this system unviable and in the early 1970s the British Government introduced Direct Rule by Westminster. For these reasons, it does not appear appropriate to study Northern Ireland, which is a special case outside the European mainstream.

Indeed, together with greater London, another 79 cities and towns were withdrawn from the ordinary county structure and given the status of county boroughs. They combined thus the powers of counties and districts. Much more than the uniform system practised on the continent, this distinction/^{which} cut off cities from their natural hinterland resulted in many difficulties concerning the provision of adequate services (e.g. housing). Districts were divided into three categories: municipal boroughs and urban districts, both small towns but the former with charters, and rural districts, which in turn had parish councils or parish meetings for each village composing the districts. All these authorities were elected (with the exception of the parish meetings in very small villages). Obviously such a structure results in smallness and consequently loss of effectiveness; it was very complex too, as services were often provided by different authorities; in some cases a particular service was provided by two or more neighbouring authorities together, in other cases the counties had deconcentrated services or part of them at district level. For the citizen it was difficult to see who was responsible for what. A regrouping of the powers of local authorities was thus as necessary as a reduction of their number. Another result of this situation was that authorities had become too dependent on the central government (1) which, as usual had to provide subsidies but which also provided instructions as to their use.

It became increasingly clear that, in order to preserve the functional and democratic characteristics of local government, adaptation of the 19th century structure to present day realities was needed. A first step in that direction was taken with the appointment in 1958 of the Royal Commission on Local Government in Greater London

(1) Even to such an extent as to create doubts about the validity of local government's constitutional position. See J.D.B. Mitchell, Constitutional Law, Edinburgh 1968, p. 207-208.

(the Herbert-Commission). It is another striking example of the special status which capital cities receive whenever local government reforms are undertaken now. Its aim was to study reform of local government in reater London, but the old idea of a distinction between urban and rural areas still influenced the government; thus the Commission could only conclude on the main built-up area of London (1). The commission itself found that the city's influences extended far beyond the review area (2). The Herbert-Commission was followed in 1959 by the Local Government Commission for England, set up in order to examine boundary changes, which was very difficult to achieve because of acts from 1926 and 1929. The Commission too worked on established principles of separate authorities for town and country (3).

The appointment of the Royal Commission on Local Government in England and Wales on 31.5.66 (the Redcliffe-Maud Commission) aimed to review the structure and areas of local government and to recommend a new pattern suited to modern conditions. It marked a turning point: the principle of separate governing bodies for urban and rural areas was abandoned. The Commission received considerable means to conduct its research which was undertaken within wide terms of reference. As the Herbert Commission, the Redcliffe-Maude Commission was faced with the classic problem of all local government reform everywhere: the search for functional efficiency and democratic viability. As for the first problem, it is related to size and population. For some personal services, such as education and housing, the Commission found that a minimum number of inhabitants is necessary, whereas for town and country planning and transport, the geographic area must be taken into account too (4). However, it

(1) Cmnd. 1164 par. 902.

(2) Cmnd. 1164 par. 896.

(3) Lord Redcliffe-Maud & Bruce Wood, op. cit. p. 27.

(4) Cmnd. 4040 par. 257.

became generally evident that separate authorities for town and surrounding rural areas were no longer in accordance with conditions of modern society. This meant in fact the abolishment of county boroughs, a measure which reduced the complexity of local government structures. Another Commission, the Seebohm-Commission on Local Authority and Allied Personal Social Services, appointed in 1968, came to similar conclusions and recommended that different services should be brought as far as possible under a single authority (1). Reducing complexity and the number of small units has of course healthy effects on the democratic nature of local government. It allows elected representatives to comprehend problems of their area, to set priorities and to take qualified policy decisions.

Since the passing of the London Government Act in 1963 and the Local Government Act in 1972, the two tiers of local government in England and Wales have been modernized independently from a possible further development of regions. It is however proposed in the Redcliffe-Maud report that some regional coordination should take place, in particular to provide a necessary link between physical and economic planning.

The metropolitan area is thus restructured on its own; the London County Council is replaced by the Greater London Council, but its area is not extended as far as the Herbert Commission proposed. Several districts at the outskirts of London are not included as a result of political pressures by the inhabitants. The GLC is a kind of inter-municipal institution (2) with powers distributed between the GLC and its 32 boroughs. The GLC is responsible for a variety of social services (fire, ambulance), transport (main roads, driving licences, approval of traffic schemes and since 1970 also buses and

(1) Cmnd. 3703
 (2) 1972 Act; 2nd schd. par. 1.

tubes) for economic matters such as Thames flood prevention, refuse disposal, land drainage, main sewers and sewage disposal and for education in the former GLC area, now run by the Inner London Education Authority (ILEA), a special committee to the GLC London; boroughs are empowered to deal with cultural matters, social and health services (welfare, children's and personal health services, public health inspection), for sports facilities, refuse collection, cemeteries and crematoria and for some other minor functions. The GLC and the boroughs share responsibility for some services; the former is responsible for overall planning, the boroughs for local plans and most of the development control; they also have full housing powers except for the houses constructed by the LCC for which the GLC is responsible. In the other London boroughs, those are not covered by the ILEA, the boroughs are also empowered to deal with education matters. Some aspects of transport (minor, roads, car parks, road signs and marking) are also devolved to the boroughs, as is the responsibility for parks (except the former LCC parks). Since the 1963 Act, the Government has transferred some new powers to the GLC, in particular in matters of transport; the GLC itself has transferred to the boroughs responsibility for a large number of council houses. The GLC can borrow money without loan sanction, as is required for other local authorities; it promotes its own money bills in Parliament annually (1). The rest of England and Wales is reorganized by the 1972 Act, taking full effect on 1.4.74. The recommendations of the Redcliffe-Maud report to end the town country dichotomy were followed by the Government. However, when put into practice, the great metropolitan areas outside London find themselves still limited to little more than the built-up conurbation, mainly because of political pressures from nearby rural areas (2). Instead of being

(1) 1969 Act, 2nd schd. par 26.

(2) Lord Redcliffe-Maud & Bruce Wood, op. cit. p. 47

county boroughs six metropolitan areas now become metropolitan counties, each divided into metropolitan districts. In these metropolitan counties, the division of power is similar to that in London: the county is responsible for important works and planning, the district is the main provider of services (1).

This two-level system of government is extended to the rest of England and Wales, adding thus 39 counties to the 6 metropolitan counties and London. Many small counties ^{were} amalgamated and the boundaries of others were changed in order to reflect social and economic realities; three new counties were created too. Districts are also amalgamated and their number reduced from 930 to 296 which gives them an average population of 90,000, none being under 40,000. The only previous local government institution which continues to exist are parish councils and parish meetings and some new ones have even been created in small towns. But they do not govern and have purely advisory tasks. In order to ensure continuous adaptation to changing situations, a local government boundary commission may propose reviews of existing boundaries; it can also suggest the creation of a new metropolitan county to the government.

The 1972 Act lays down the powers and responsibilities of counties and districts. The former are responsible for public order, roads, refuse disposal, consumer protection and planning; they have some limited powers regarding housing, which is mainly in the hands of districts, together with public health, minor roads, refuse collection

(1) Thus the Act takes up the important recommendations of the Report, but it does not follow the Report completely. For our purpose it is relevant to see that they are in agreement about the introduction of a local and micro regional level of government. The Act conserves, however, the distinction between urban and rural areas, which leaves Britain and Germany as the only countries in the E.E.C. with this much criticised difference.

and local planning. Counties and districts are responsible for leisure activities such as sport facilities, museums and parks. But a distinction exists concerning education, social services, libraries and transport; in metropolitan counties, they are the responsibility of the districts, but elsewhere the county itself is responsible for these matters. However, subject to county policies, non metropolitan districts can retain some powers in transport matters.

All counties and districts have a directly elected council. The council is composed of a number of councillors, depending on the number of inhabitants; they elect a chairman among them. Councillors are elected for four years but the chairman is chosen annually (1). Such an annual election is likely to prevent the emergence of a real county president, a strong personality who can rally the (micro-) region around him except when the same person is re-elected several consecutive years, which is a frequent practice. France too uses annual election with the same aim (see further). The council meets as often as necessary, but at least once a year. In order to be able to perform the tasks of the county, or district permanently, they employ their own staff. Coordination of the different departments is in the hands of the clerk of the council, whom can be considered as the chief executive of the county or district.

Local authorities are largely dependent on government grants and loans to finance part of their activities. In order to meet costs of expenditure on schools, housing, roads and on projects of local social or cultural interest, local authorities can obtain loans from public institutions. Further they have their own income through rates on houses and land; determination of the level of these rates and its "management" is in the hands of the district councils. However, the state has to add money;

(1) 1972 act, § 3, 7, 22 and 26.

grants from the government constituted in 1971-72 36% of the annual income of local authorities; this percentage seems to increase almost every year (4)

Rates are fixed annually, as is the budget, both without government interference, though some limits on spending are set by Acts of Parliament; sometimes ministerial approval is needed (1). The accounts of the councils are checked annually by an approved auditor; the audit is public. This financial control has not the same legal nature as administrative supervision, which in the United Kingdom does not exist in these matters as in other E.E.C. states (2). There is of course control by government departments, even to an unreasonable degree sometimes (3). It can be said thus that the reforms are typically European; they modify the scale of local and micro regional government, but they do not bring real decentralization (in the sense of taking away functions from the central government) nor an improvement of their financial situation or of their financial autonomy. The British situation is in this respect not different from other E.E.C. countries.

New local authorities in England and Wales are thus much larger than previously although some still fail to match some minimum criteria set by the Redcliffe-Maud Commission (e.g. a population of 250,000 for effective education and social services). Town and country are brought under a single authority in many cases, but again an artificial separation continues in many parts of the country. Complexity too is greatly reduced, certainly in theory. But the division of powers between counties and districts is difficult to understand, for example, the division of planning powers. On the point of distribution of powers in particular, weakness appears due to the fact that new counties, which because of size and functions can be considered as micro-regions, are not yet integrated in an overall regionalization plan. Clearly there has been

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- (1) In 1978 for example, rate limites were imposed.
 (2) Lord Redcliffe-Maud & Bruce Wood, op. cit. p. 120.
 (3) J.D.B. Mitchell, op. cit. p. 452.
 (4) See p. 131 *lis.*

(4) The proportion of the GNP for which local expenditure accounts has risen to more than 16% (1973). By controlling expenditure undertaken locally and supplementing local revenue by grants, central Government exercises a great influence on local spending. Local authorities can make only minor changes in their only local tax (the rates) and in their charges for services. Local rates and local charges account for about 60 % in the financing of local revenue expenditure; the rest must come from Government grants. Capital expenditure is financed largely through loans; a major source is the Public Works Loan Board. In 1971-72, local authorities spent about 2,100 million pound on capital account; most of it was raised through loans, but over 110 million pound came from government grants. Obviously, a lot of money goes to repay loans (20% of annual revenue expenditure or more than 1,200 million pound in 1971-72). Central government money comes through the rate-support grant (most of it), which aims to support all council services which do not receive specific grants and are not self-financing (there is a tendency away from specific grants and towards block grants). In 1969-70 these subventions reached 1,500 million pound, in 1973-74, they reached already 3,000 million pound. This increase indicates that there is a steady increase in the proportion of council expenditure met from grants. Nevertheless, it seems that central Government must seek the cooperation of local authorities and can not impose its views. For more details, see Lord Redcliffe-Maud & Bruce Wood, *op.cit.*, p 102-118.

no decentralization of state powers to these micro regions (as was the case in Denmark and Ireland too).

Local government reform in Scotland was initiated by the appointment in 1966 of the Royal Commission of Local Government in Scotland (the Wheatley Commission). Reform was carried through by the Local Government in Scotland Act, passed in June 1973. The existing structure, dating from 1929 (Local Government of Scotland Act) was largely similar to the English ^{and} Welsh structure and showed the same deficiencies: smallness, complexity and apathy of the population (1). The evolution of society needed to be matched by appropriate changes in local government structure in order to maintain a wide range of services effectively administered according to democratic principles (2). The objectives of the proposed reform are therefore basically the same as in the Redcliffe-Maud Report. Local authorities in Scotland should be enabled to play an efficient and important part in the running of the country (3).

As in England and Wales, the Commission ruled out the parish level as inappropriate for local government (4) and also rejected a separate status for town and country. Instead, a two tier system was recommended, with districts and regions. The latter are rather smaller than regions in European sense, but larger than the micro type regions as represented by English and Welsh counties; some are larger in territory, others in population. Though the Wheatley Commission, like its English counterpart, had favoured uniformity in size and type, it was clearly difficult to achieve because of the unequal distribution of population in Scotland.

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- (1) Wheatley Report p. 48-52.
 - (2) idem § 122.
 - (3) idem, p. 128
 - (4) idem, p. 665.

The nine regions of Scotland are responsible for planning and all related services such as industrial development, transport, water supply, river purification, flood prevention, countryside and tourism, social and personal health services; ^{education} housing, protective services (police, fire); consumer protection, coast protection, some cultural services and sport facilities, refuse disposal and some minor functions (1). Some of these powers are exercised together with the districts, such as cultural services and sport facilities, countryside and tourism, civil defence, industrial development and planning. The districts are further responsible for building control, community centres, environmental health services (refuse collection, clean air, burial and cremation etc.), for regulation and licensing, licensing courts and the administration of justice (2) (3).

Region and district have a council directly elected by the local population. The functioning of these councils, and their administration and financing are similar to those in England and Wales. The major difference is thus the division of powers. Regions in Scotland have some important functions which the English and Welsh counties do not possess, because they have been given partly or wholly to the districts. A further difference concerns the absence of metropolitan counties; the two major built-up areas (Edinburgh and Glasgow) are both districts within their region, with no further internal division in the city (4), except wards for electoral purposes.

What appears to be missing in the United Kingdom is the upper tier of local government, macro-regions. However, they may emerge one day.

b) A regional structure was indeed already introduced

(1) Wheatley Report, § 723.

(2) idem, § 780.

(3) This concerns certain types of courts which cannot be considered as local government properly speaking but whose functions are within its responsibility.

(4) Wheatley Report, § 792.

in the United Kingdom in 1946: 12 regions were established within which external services of different ministries were organized. These regions also coincided with the regional demarcations used by nationalized enterprises and of the National Health Service. However, this structure was gradually abandoned in the early 1950's.

New regions were established on 10.12.64, 13 in total (9 in England, 3 in Scotland and Wales). Each of them is responsible for economic planning and development. The external services of ministries are organized within this new framework. They have a regional council composed of members representing local authorities, employers' and employees' organisations and experts. Members are appointed by the ^{central} Government. These councils have only advisory powers in matters of economic and social planning. They can be considered as functional regions, more developed than in Ireland but less important than in France.

The Redcliffe-Maud Report proposed to give these regions, though with some boundary modifications, responsibility for strategic planning in a wider sense than the counties can do (1). It found that planning by counties could result in not much more than planning of land use. If the regional councils could be transformed into more representative local authorities, they could perform a useful function regarding the necessary coordination and overall regional planning; their function would, however, not be operational.

But Government and Parliament did not follow the more radical proposals of the Commission (2).

At the same time, some functions could have been decentralized from congested departments in London to the regions, in particular to the regional offices of departments of industry, employment, health and social security and the environment.

(1) Lord Redcliffe-Maud & Bruce Wood, op. cit. p. 156.
 (2) Which would have meant no districts but 61 unitary areas outside London.

The findings of the Royal Commission on the Constitution 1969-73 (the Kilbrandon Commission) in a way emphasize the necessity for a further evolution. The Commission was concerned in the first place with the constitutional position of the major components of the United Kingdom. The multiplying functions of the government have brought about a complexity and growth of bureaucracy with the inevitable negative effect on the working of democracy; it is the same phenomenon as seen everywhere in Europe. This has been exacerbated by the centralization of main government functions in London. It has apparently led to dissatisfaction in general and particularly from a regional point of view. The Commission found that complaints are made about lack of participation by the regions in the determination of policies affecting them and lack of coordination between the regional policies of various departments (1). This, together with uniformity, has negative effects on political, economic and cultural life in the regions and on their identity in general(2). The commission therefore suggested devolution of legislative and executive powers to elected regional assemblies, at least for Scotland and Wales, and possibly for the regions of England as well. Each region would have an assembly directly elected by a system of proportional representation (3). This assembly should have power to make legal acts in all matters for which the region has been made responsible (4); this would probably have been comparable to the legislative powers of Italian regions as far as its legal nature was concerned (5). Even matters not within its powers could be debated by the assembly

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- (1) Kilbrandon Report, I § 274-278.
 (2) idem, § 288.
 (3) idem, § 783-784
 (4) idem, § 734
 (5) See further § 3.

if they were of interest to the region (1). However, even within the sphere of powers transferred to the regions, Parliament retains sovereignty and can intervene if thought necessary (2). This should ^{not} necessarily lead to confrontation, but hopefully to coordinated action on specific problems. Such a provision can lead to continuous central government interference, though strong regional feelings can limit it. On the other hand, it opens up the possibility of common planning between the central state and the regions, in this case Scotland and Wales. Regional autonomy is a good thing in itself, so is regional diversity, but it should not lead to incoherence and contradiction among the policies of the regions and between the regions and state policy (3). Cooperation between two levels of government, (e.g. the Member States and the E.E.C., the Länder and the federation in West Germany), can reduce the need for (too) much central decision making. The remoteness of the government can thus be reduced and "bringing government nearer to the people" becomes less illusory.

Executive authority in the opinion of the Commission would be exercised by ministers elected within the regional assemblies and appointed by the Crown. They would operate as a Cabinet in the same way as the U.K. Government does and responsibility for the regional civil service would be theirs (4). The present offices of

(1) idem, § 774

(2) idem, § 762

(3) See J.D.B. Mitchell, Decentralization, Devolution or Deconcentration in the United Kingdom, in Tydschrift voor Bestuurswetenschappen en Publiekrecht 1970, nr 5, p. 452 et. seq. In this article, the need for central management of certain matters is often stressed, because of "the style and business of modern government".

(4) Kilbrandon Report, § 1144-1146.

Secretary of State for Scotland and for Wales would disappear, because most of their functions will be transferred to the regions. (1)

The powers given to Scotland and Wales would include local government, town and country planning, health and social services (such as housing, youth and community services), education, cultural matters (sports arts etc.); agriculture, tourism, roads and harbours and some minor functions. Moreover, the Scottish assembly would be responsible for police and fire services, the administration of justice, sea transport and Highlands and Islands development; this list would not be exhaustive and other powers can be transferred, at least partly (2).

Whereas this form of devolution should apply to Scotland and Wales, in England the 8 regions should become more responsible for coordination and overall planning. This will imply that they must be partly elected by local authorities and partly nominated (3). Their powers would not be legislative but merely executive, decisions being taken by Parliament and Government. It seems however unfair that Scotland and Wales would continue to have a certain number of MP's in the United Kingdom Parliament who will thus have a say in English regional affairs.

It is particularly the reform of local government at district and county level which is interesting. Regionalization is limited for the time being to functional regions, whose role is not very strong. In the Scotland Act and the Wales Act on devolution put before Parliament, it was proposed to establish two elected assemblies, the

(1) In later proposals, the Secretaries of State for Scotland and Wales would not disappear.

(2) Kilbrandon Report § 1131-1133.

(3) idem, § 1195.

Scottish consisting of about 150 members, the Welsh about 80. But representation of the people of Scotland and Wales at Westminster would continue as at present. This seems to be closer to the federal idea than regionalization in Italy or Belgium.

The Scottish Assembly would have powers of primary legislation and an executive body would be established to administer devolved matters. Within the devolved areas, the Assembly would be able to pass new laws and amend or repeal provisions of existing Acts; its Bills would need the Royal Assent. However, the ultimate sovereignty over all matters would remain in Westminster. If measures passed by the Scottish Assembly would be considered by the Government to exceed the Assembly's legal powers, it would be able to refer such measures to the Judicial Committee of the Privy Council, whose decision as to their legality would be binding. It would also be possible to challenge Scottish Assembly Acts in the courts on the ground that they fell outside the Assembly's legislative competence. The Judicial Committee would act as the final court in such cases. Even more, if the Government would consider a Scottish Assembly Bill or an executive measure of the Scottish or Welsh administration to have unacceptable repercussions on matters which were not devolved, it would be able to set them aside. But Parliament would need to approve such action. The Government can also do so if Assembly measures would be incompatible with Britain's obligations to the European Community.

The Welsh Assembly would have no powers of primary legislation and no separate executive would be established (of the kind proposed for Scotland). It would receive powers of subordinate legislation and executive functions. Therefore there would be an executive committee. The most important powers to be devolved to the assemblies

would be local government matters, health, social welfare (but not the national social security system), education housing, planning and development, transport and road traffic and Scottish law functions. In certain devolved matters the powers of the Scottish Executive or the Welsh Assembly would only be exercisable with the consent of or concurrently with a central Government minister.

Although the Government had stated that it was not opposed to giving the Scottish and Welsh administrations some marginal tax powers, most of the money would have to come from block funds voted by the House of Commons (1). It was estimated that these block funds would have to meet about 70% of devolved expenditure in Scotland and 75% in Wales. Expenditure on services proposed for devolution would amount to about £2,640 million in Scotland and £1,160 million in Wales (in 1975-76).

During the debates, some changes emerged such as restriction of the Government's power to override actions of devolved administrations, the devolution of responsibility for implementing E.C. and other international obligations and provision for legal proceedings to establish whether the provisions of a Scottish Assembly Act are within its competence and some other changes.

Devolution for Scotland and Wales seems to be proposed as a result of a variety of regional pressures, not as a step towards a general reorganization of the State. Indeed, the Government dropped the idea of a major constitutional change in England (2). In Northern Ireland, a constitutional convention was elected in 1975 to recommend to Parliament a system of government for this region, but it was unable to reach agreement. Thus direct rule remains

(1) White Paper on Devolution, Financing the Devolved Services, July 1977, Cmnd 6890.

(2) Consultative Document on Devolution, The English Dimension, HMSO 1976.

The proposals concerning Scotland and Wales resemble the Belgian reforms on some points: no real tax powers for the regional assemblies but a system of block funds; no proper judicial but government control of the working of the regional assemblies. However, the lack of success of these proposals in the referendums held in Scotland and Wales have held up introduction of devolution.

2. Functional regions

The existence of serious regional disequilibria, together with popular demands for local government reform and decentralization, does not automatically lead to the establishment of regions as a new tier of government. It seems to promote the idea of larger regions more easily, because regional economic planning normally occupies a more prominent place. However, this also depends on the role of planning in general, and the reasons for the establishment of regions are thus different in every state. Macro-regions can take various forms, ranging from functionally decentralized to political regions (1).

a) Although probably only Italy has experienced such intense and prolonged pressures to modify its structure and to establish regions (2), the first step in France dates from the times of the Vichy-regime (1940-44). Many proposals were made during the Third Republic, none of which succeeded with the exception of the introduction by each Ministry of regional boundaries and the establishment in 1938 of the beginnings of economic regions in the form of regional regroupings of the chambers of commerce (3). Nevertheless, many ideas from this period were to be taken up again during the 1950's. The Vichy-regions themselves cannot be considered as regions, designed as they were to fortify the central authority rather than to achieve any genuine decentralization (4). On that basis commissioners of the Republic were established after the Liberation (5); they took over

(1) As we have seen, functional regions exist elsewhere too, but only in France the concept has been really developed.

(2) Flory T., *Le mouvement régionaliste français*, Paris 1966.

(3) *Decret-loi of 14.6.1938.*

(4) M. Bourjol, *Les institutions régionales de 1789 à nos jours*, Paris 1969, p. 186.

(5) *Decree of 10.1.1944.*

services of the regional Prefets (1) which were abolished. These Commissioners were empowered to deal not only with administrative and economic matters, but also with police and certain regulatory tasks. They could have provided a basis for further developments, but they too were abolished (2), mainly because General de Gaulle favoured their existence and parliament therefore opposed them (3). This early experiment had another negative effect: the idea of regionalism became associated with the Vichy regime and therefore rejected (4).

From now on evolution goes towards functional macro regions (5) avoiding administrative and political decentralization. Several suggestions made during the 1930's were realised in a more or less adapted form.

However, the new Constitution of 27.10.1946 jeopardized further advances towards regionalization by restricting decentralization of municipalities and departments: only these two are territorial collectivities (art. 85). But the limits of their territory are fixed by law (art. 86) which in fact leaves the possibility open for fundamental reforms through amalgamations of municipalities and departments. In particular the departments were strengthened in the new Constitution, but proposals to reduce their number are not followed. Opposition in parliament to the idea of changing the "great invention of the great Revolution of 1789" was very strong. The president of the departmental council, elected by universal suffrage became its executive, though at the same time the powers of the Prefet were strengthened (art. 88) by giving him adminis-

(1) Decree of 3.6.1944.

(2) Act of 22.3.1946.

(3) M. Bourjol, op. cit. p. 208.

(4) M. Bourjol, op. cit. p. 212

(5) The concept is typically French: as long ago as 1911, Vidal de la Blache, a geographer, proposed linking departments together in functional regions. It was the first technocratic answer to the request of French regionalists.

trative control over local authorities in the department and making him responsible for coordination of activities of state offices in the department. An evolution towards deconcentration (rather than decentralization) appeared clearly, but regional deconcentration other than regional delimitation of ministries was considered unconstitutional (1). The deconcentration measures favoured only the Prefet and interdepartmental structures.

However, economic and political pressures make the introduction of new institutions necessary, and these are conceived on a regional basis. A first step was the appointment of the IGAME ("Inspecteurs généraux de l'administration en mission extraordinaire") established in 1948 (2). The IGAME were an instrument of the central government to secure information, and provide coordination and leadership. As such, they were a form of administrative (and to a limited extent, political) deconcentration on a regional basis; the areas within which the IGAMES operated were the same as the 9 military regions of France. In the beginning, the IGAMES were resident in Paris, but later their powers were conferred on the Prefet in the capital of the military region.

The powers of the IGAME were considerable; they not only informed and advised the government, but in particular they controlled and coordinated the personnel, services and institutions of the Prefets of their regional area (3); 6 to 13 departments were included in such an area. They also controlled administration and commands of police (4) and cooperated with the military authorities in order to ensure internal security.

Although IGAME's were not intended as regional institutions (5), the fact that military regional boundaries are used

(1) M. Bourjol, op. cit. p. 218.

(2) Act of 21.5.1948.

(3) Decree of 24.5.1951.

(4) idem.

(5) M. Athanassopoulos, *Le fait régional dans la vie politique française*, Paris, 1960 p. 199.

as the most convenient, seems to indicate that the idea of regions has not completely vanished. Regionalization in a proper sense is still out of the question.

But the establishment of some form of regions would clearly happen through economic pressure (1). A serious effort had to be made, after World War II, to modernize the French economy, develop national production and foreign exchange, increase output, ensure full employment and raise the standards of living. An important role in the fulfillment of these aims was assigned to the state, which from 1946 onwards became responsible for economic planning. It was realised that the objectives of the first and following plans would be jeopardized if nothing were done to remedy the grave regional imbalances in economic development, income per head and distribution of the population. Regional policy and planning are considered to have positive effects in that respect, particularly in combination with an overall economic plan. However, it soon became clear that, for the purpose of these new policies, the traditional administrative structures of communes and departments were not suitable. Regional structures were needed but they would inevitably have different characteristics from normal decentralized communities. The demarcation of these regions would be drawn up on technical grounds, without taking much account of historical or natural situations. However, this does not necessarily imply that these regional demarcations are artificial; most of them correspond to economic and social realities, particularly because they are designed for economic and town and country planning reasons (2).

The institutions of these emerging economic regions appear to be technocratic and orientated towards centralism. The IGAMEs see their tasks enlarged to include the general coordination of measures envisaged by economic programs

(1) M. Bourjol, op. cit. p. 227.
 (2) M. Bourjol, op. cit. p. 230

for their region (1). It is carried out together with a new officer of the government, the IGEN ("Inspecteur général de l'économie nationale"), whose regional areas are similar to those of the IGAME (2). The IGEN assists the elaboration of regional action programs in the framework of the national plan. These IGAME and IGEN provide the basis of the further development of economic regions; they also indicate its dominant tendency, that is these regional institutions serve to inform the government, to be consulted by it and to execute its decisions. Deconcentration remains thus the main characteristic.

An interesting fact about these bodies (IGAME and IGEN) is that they are based on a considerably larger type of macro-region than the 1972 economic regions; there are 9 of them, as against 22 later. This idea of very large regions was abandoned in the 1972 reforms, but is reappeared (unofficially) in French central planning (3). The idea of regions comparable to West German "Lander" has thus continued to exist in France, but there is much apprehension in the central administration and government about instituting them as a level of macro-regional government (even as functional decentralization and controlled by the Prefet).

Another institution which must be mentioned to explain the development of functional regions in France are the "Comités d'expansion". These economic expansion committees are created in each department by private initiative, mostly by local industrialists and businessmen; their aims are purely economic and therefore quite different from the aspirations of regionalist movements. These committees are instituted under private law and composed of representatives of industry, banks, commerce and agriculture,

(1) Ministerial decree of 13.7.1956.

(2) The IGAME fall under the Ministry of the Interior
IGEN FALL under the Ministry of the Economy.

(3) See p. 157.

trade unions, chambers of commerce and professional and industrial organizations, advisers of external trade and representatives of local authorities; sometimes, Prefets and IGENS also participate in their work. Though they received governmental recognition in 1954 (1), they remain private law institutions. Since their role is essentially that of studying economic development in their department, on their own initiative or on request they can become thus an instrument for two way information and permanent dialogue between administration and regional economic representatives (2). These expansion committees can be considered as a response from the base to the needs of regional policy and planning; their composition and objectives fit in well with the functionalist approach.

Together with the IGAME and IGEN they constitute another step towards the definition of the objectives of French regionalization; the French regions emerge as bodies for consultation and advice; decision making is reserved for the government and its regional agents. These expansion committees are coordinated in regional commissions ("commissions régionales de coordination") which were at the basis of the later creation of the CODER.

In 1959 another reform established 21 regional action areas later increased to 22 in order to make Corsica a regional area on its own. These areas are based on the planning regions established in 1956 to elaborate regional economic planning. They show again that, to be effective, the government is obliged to gradually abandon the department and move towards regionalization in a pragmatic way. The relationship between regional policy, *regional economic* planning and regionalization is shown very clearly here. Amalgamation of departments remains pol-

(1) Decree of 11.12.1954.

(2) Documents de la Conférence Nationale des Comités d'Expansion Economique, Metz, 1954.

itically impossible for a variety of reasons: attachment to existing structures, opposition of French top civil servants and the "corps préfectoral" (often coming from the same school, the famous ENA) and a typically French nationalist fear of splitting up the nation by creating too powerful and autonomous local and regional authorities. Although these 22 areas were intended to be provisional (1), they would continue to exist.

Within each region, a "préfet coordinateur" (2) and a "conférence inter-départementale" (3) were established, to coordinate the preparation and implementation of regional economic plans. In the inter-departmental conference, the Prefet of each department and the IGEN responsible for the region as well as representatives of the regional services of different ministries took part. The powers of this conference were very limited and each Prefet remained autonomous in his department (4). The coordinating Prefet was only a chairman of these meetings and in no way in a hierarchical position over his colleagues.

However, this cautious beginning of a new regional administration, which it in fact is, although the government denies it, has been given tasks of a certain importance, in particular the preparation of public investment programs in the region (the so-called "tranches opératoires" of the plan). After their approval by the national planning authorities, the interdepartmental conference is responsible for their elaboration. These reforms which improve the effectiveness and rationality of regional planning (5), also underline the very technical and economic viewpoints behind them (6).

In 1963 the coordination Prefet formally became the

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- (1) Assemblée Nationale, 11.12.1968, p. 5331.
 - (2) Decree of 7.1.1959.
 - (3) Circular of 20.1.1960.
 - (4) Circular of 26.1.1961.
 - (5) K. Allen & M.C. MacLennan, op. cit. p. 224.
 - (6) J. Lajugie, Politique de développement régional pour les pays du Marche Commun, in Revue d'Economie Politique 1959, mai, p. 333.

regional Prefet (1) and the interdepartmental conference changed its name into "conférence administrative régionale" but its composition was not modified. However, the regional Prefet now has a position of authority over his colleagues in the region: he can give them instructions but has no powers of execution. The regional Prefet himself can receive instructions too from relevant ministers. He coordinates the activities of the other Prefets and the heads of administration. Later the regional Prefet becomes the person to whom ministers normally delegate certain tasks regarding both economic and administrative matters (with a few exceptions mentioned in the decree of 14.3.1964, art. 3) (2). Since this decree of 1968, the functions of the regional Prefet and the departmental prefet are clearly separate; the secretary general of the head department represents the Prefet in the administrative regional conference, leaving the Prefet more completely in his regional role. The regional Prefet is obliged to consult the conference and a new body, the CODER.

A CODER ("Commission de développement économique régional") is established in each region (3) replacing officially the departmental committees for economic expansion (4). Their composition resembles the latter, with representatives from industry, commerce and agriculture, economic, scientific and social or cultural organisations; further members include mayors, departmental councillors, M.P.'s elected in the region, members chosen by the Prefet for their particular qualifications. Though this composition seems to make the CODER fairly representative of the "forces vives de la région," none of its members is directly elected on a

(1) Decree of 29.7.1963.

(2) Decrees of 10.5.1968.

(3) Decrees of 14.3.1964

(4) These committees for economic expansion in each department continue nevertheless to exist in a private capacity.

regional basis, which makes their representativity one of the second degree only. In particular the presence of MPs introduces government influence and it strengthens the influence of national parties.

The CODER must be consulted by the regional Prefet and since the 1968 decrees it is particularly involved in the preparation and implementation of regional planning. Its members participate in working parties set up by the Prefet and in administrative regional commissions. At the same time, the bureau of the CODER has found official recognition.

Regions established in this way mark further progress in French regionalization. The 1968 decrees envisage deconcentration in economic and administrative matters and thus mark a new step forward in the direction of the region as a general administrative entity (1).

Such a regional organization has been established first in Paris which requires a special statute, according to the government, because of its political, economic, social and cultural domination. In 1961 (2) the Paris district was established its powers were enlarged two years later (3) and its name changed to the Paris region. In 1966 a regional Prefet was appointed (4). The region is administered by a "conseil d'administration" whose members are appointed by the government (one half) or indirectly elected (one half). The "délégué général" of this council acts as its executive and represents the corporation which the region in fact is; this power is formally in the hands of the regional Prefet, who is the state's representative.

The powers of the Paris region are the same as those of other regions, but it can also levy taxes ("taxe speciale

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- (1) M. Bourjol, op. cit. p. 329.
 - (2) Act of 2.8.1961.
 - (3) Act of 10.7.1964.
 - (4) Decree of 10.8.1966.
 - (5) Decree of 10.5.1968.

d'équipement"). It can also conclude conventions with the communities which fall under its authority in order to provide public services. As in other regions, the regional Prefet is the normal receiver of powers delegated by ministers (1). The major difference is thus the recognition of this region as a corporation as well as the more extensive powers of the regional Prefet.

The 1969 referendum aimed to make all regions decentralized communities responsible for the economic, social and cultural development and town and country planning in the region. The regional council would be composed of MP's elected in the region, members elected by municipal and departmental councils and socio-economic and cultural organizations. The regional Prefet would remain the representative of the government but would become also the executive of the regional council. The region would have its own budget, provided by sectoral subsidies out of the general budget; the regional council would decide how to use this money in accordance with its 5-year plan.

However, the negative result of the referendum, which came about for reasons not connected with the regional reform proposals (2), was used by the Pompidou government to undermine any movement towards regionalization (3).

The referendum of 27th April, 1969 rejected the proposals by 52% against 47%. This happened above all because the electorate voted on a pro-or-anti-de Gaulle basis. Other reasons were that it was linked to the reform of the Senate and because it was opposed by many local notables. Thus art 72 of the Constitution of 1958 is still in force and thus municipalities and departments continue to be the only decentralised communities in France. However, the further establishment of regions has not been abandoned, but remains in line with past

(1) Decree of 10.5.1968.

(2) R. Irving, in J. Cornford, *The failure of the state*, London 1975, p. 26.

(3) J. Baguenard, *L'organisation régionale*, in *Revue de Droit Public et de Science Politique* 1973 p. 1411-1414.

experiments.

b) The Act of 5.7.1972 represents this timid attitude by leaving untouched existing structures, except the CODER. Although a more fundamental reform of communes and departments is necessary, the regions are firmly based on the departments; it is thought that they are a sociological entity while the regions are not yet seen as such (1). If this is true, it may be the result of the rather artificial regional boundaries elaborated in 1960, which continue to exist, and of the functionalist nature of these regions. Two or more regions can agree to study, finance and execute together certain investments of common interest. In the long run, this can lead to the modification of regional boundaries in accordance with economic evolution.

The regions have been given three institutions: the Prefet, the regional council and the economic, social and cultural committee. The principal institution is the Prefet, who is at the same time the delegate of the government and the executive of the region (2). He attends the meetings of the two regional assemblies (3), can introduce in the debates any official or qualified person (4) and decides the agenda of the regional council (5). However, the regional Prefet remains also the Prefet of his department, which is not the most practical solution. It reflects the political attitude of government and majority in parliament: the region does not receive its own head as decentralized communities do, but the Prefet of one of the member departments of this inter-departmental construction presides over it, which is typical of functional decentralization (used in inter-municipal institutions also)

(1) P. Cremion & J.P. Worms, *Les institutions régionales et la Société locale*, in *Groupe de sociologies des organisations*, 1968, p. 248-249.

(2) idem, p. 1425.

(3) decree of 5.9.1973, art. 27.

(4) idem, art. 15.

(5) idem, art. 18.

In the exercise of his functions, the regional Prefet uses the state's services; no regional administration is established (1). This can strengthen his position even more because the two assemblies do not have a regional administration under their control. The Prefet alone enjoys the help of substantial technical means. The functioning of the region thus depends on the way he permits his administration to function; as a state civil servant, his loyalties will certainly be split, to say the least.

Regional participation is provided for through the regional council and the ESCC. The former is indirectly elected; its members include all MPs elected in the region, representatives of departmental and municipal councils. The presence of MPs in the regional council has given rise to doubts about its conformity with the constitution, which declares that MPs represent the Nation and not a particular section of the country. Practical realities have given them an important role in the regional economic and social life, so that their absence in the regional council might have made them less truly representative and effective (2). Moreover, the regions are not territorially decentralized communities which would have made the argument more valid. It is also noticeable that mayors must be chosen within the departmental council; this illustrates the fact that the regions are based on the departments only.

The ESCC replaced the CODER in representing the socio economic and professional activities of the region. Its composition is laid down by decree (3).

The regions thus established are not a new tier of territorial decentralization: such a solution would have created a new level of local government while at the same time reducing the significance and role of the departments. The government was opposed to both ideas (4)

(1) Act of 1972 art 16.

(2) J. Baguenard, op. cit. p. 1429.

(3) Decree of 5.9.1973.

(4) Senat, debates of 30.5.1972 intervention of prime minister Chaban-Delmas.

as it was to the remoulding of departments. It might have given rise to strong, well equipped and well functioning regions, which would not be liked in centralist France. Maybe these functional regions can be considered as a transitional institution, which could open the way to territorial decentralization at regional level (1). The functioning and powers of the French region seem to underline this.

Each of the three regional institutions has its particular role, with the most important role for the Prefet. Detailed provisions regarding the bureau of the council leave the region little freedom and reveal the fear that the bureau may become too dominant a body. Its short term of office reflects the will of the government to make it representative of the council, whose composition changes according to local elections, but it aims also to prevent the president of the council becoming a regional personality and therefore a competitor of the regional prefet.

The major task of the council is to vote the budget and to regulate matters within the powers of the regions. Its deliberations may not be contrary to law and regulations (2); this makes it clear that the establishment of this form of region does not alter the hierarchy of legal norms.

The ESCC is only a consultative body, but its role should not be underestimated. It advises on all matters of interest to the region which fall under the powers of the region; with that aim it may establish working parties and associate specialized persons or organizations. Employers and employees are represented equally in the bureau of the ESCC. Later decrees have given more importance to the ESCC than the 1972 act.

(1) J. Bagueard, op. cit. p. 1440.
 (2) Act of 1972, art. 7, 2 al.

This is probably a result of the predominantly economic nature of the regional powers and the need to associate regional representatives of economic and social life in its planning. Common meetings with the regional council are possible on the request of both presidents.

As would be expected from their development the French regions enjoy economic powers only, but these are significant for regional development since responsibility for both conception and coordination is left to the region. Therefore, it can carry out any study which stimulates regional economic development. As the council has no administration, it will have to leave this task to the ESCC or specialized institutions or agencies, which will reduce proper contribution largely to providing financial means. Another responsibility concerns the coordination and where necessary rationalization of investments by local authorities in the region (1). However, since the council can only make proposals and has no power to enforce them it may encounter difficulties in executing these tasks. Inevitably, by performing these studies and coordination tasks the region takes over responsibilities from communes and departments and becomes a new type of "administration de mission" (2).

What appears to be more important are the region's powers concerning the provision of collective amenities for the good of the region (3). The region can participate in the financing of these amenities but not in their administration, which remains with the local authorities or in private hands; in the latter case, the region may participate only if the provision of such amenities would stimulate regional employment. By decree (4) collective

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- (1) 1972 act, art. 4, I, 2.
 - (2) It can be translated as functional agency.
 - (3) 1972 act, art. 4, I, 3 + 4.
 - (4) Decree of 23.12.1970.

amenities have been divided into four categories: according to whether they are of interest on a national, regional, departmental or local scale. The regions are responsible in particular for the second and third category.

The regional council itself must be consulted on economic development and town and country planning (1). It also participates in studies concerning regional improvement, in the preparation and execution of the national plan in every phase of its elaboration, by putting forward draft proposals regarding general orientation (2). The Prefet must give an annual report on the execution of the plan in the region as well as on investments of national or regional interest made by the state or with its help (3). This report, together with observations made by the regional council, is sent to the government, which puts forward a synthesis to parliament. Advice put forward in this way by the regional council carries some political weight. When its consultative function is exercised with regard to deconcentrated credits (4), the decision remains with the Prefet, who is in no way obliged to follow the advice of the council.

However, the 1972 Act did not set up a state regional structure. New powers can be transferred from the state by decree (5), which implies that the government exercises an almost absolute control over the further evolution and development of the French regions. Departments or local authorities' groups (intermunicipal bodies or urban districts) can also transfer powers to the region but in this case the region has to agree. This sort of transfer may not include "taches de gestion" (6) a rather

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- (1) 1972 Act art 8.
 (2) 1972 Act art 8 2 al.
 (3) 1972 Act art 10
 (4) 1972 Act art 9
 (5) 1972 Act art 3,1.
 (6) 1972 Act art 4, 3 2°

nebulous notion which can be explained in a restrictive sense; only exceptional operations with a strong impact on the region should then be transferable. Nevertheless the possibility of new transfers of powers gives a certain flexibility to French regionalization.

The regions have their own resources (fiscal and others). The state has transferred the tax on driving licences to the regions; this tax was chosen because it was considered easy to locate and to give each region a fair deal (1). But it remains a modest income, which in particular maintains divisions between rich and backward regions (the latter being often under populated, which means fewer cars). The regions also have other non fiscal sources of income, such as state subsidies, mostly given in connection with a certain activity carried out by the region (2). As this is rather vaguely defined, it can stimulate regional authorities to develop an active policy in order to receive more money e.g. in matters of economic development. Transfer of powers by local authorities can also be accompanied by transfer of income. The regions can subscribe loans; any profits from their own services will of course also be theirs.

As all this leaves the regions probably with a very limited income, they can levy additional taxes (on cars and property) (3). Both taxes may prove to be unpopular, and thus not enhance the popularity of regionalization, and they will not bring any redistribution of income among regions either. Moreover, the government has imposed a maximum limit on these additional regional taxes. Major criticism concerns thus the limited income of the regions and the fact that they continue economic and financial inequalities; they may in fact even increase these inequalities because the more developed regions will be able to be more efficient than others, thus improving further their economic position.

(1) J. Baguenard, op. cit. p. 1457.
 (2) 1972 Act, art 19.
 (3) 1972 Act, art 17-18.

A general assessment of French regionalization is difficult to make. We have already drawn attention to the fact that regionalization started with the idea of really large regions (9) and then made a step backwards with the establishment of 22 regions, which are considered as macro-regions. It is striking that these 22 regions were regrouped in 8 regions in the regionalization of the sixth national plan. This is interesting because it indicates that the central planning agency does not consider the 22 regions as the best possible territorial divisions; the idea of regions of "Länder" size is not dead. This can lead to a further evolution in the long run. French municipalities need to be reformed; in the first place their number should be greatly reduced. If this happens one day and more and more Frenchmen seem to agree that this is necessary - it will be hard to leave the departmental structure untouched. One has seen indeed that the other countries have reformed the municipal and micro-region level of government together. It is impossible to foresee how this will evolve in France, but it seems not unlikely that there will be 8 macro-regions in the end with major planning and economic functions; according to the evolution of French regionalization as a whole, it seems likely that they will continue to have a functional nature. The present regions might then well become a new level of territorial decentralization, instead of the departments; the latter could continue to exist as supramunicipal institutions. But although this hypothesis is based on a logical continuation of the evolution of French regionalization, it is still no more than speculation at this point.

3. The introduction of macro-regions

In some states, reforms have led to the introduction of new concepts which combine aspects of traditional territorial decentralization with aspects of federal structures. The concept is considered to be typical for Italy, but in

Belgium too the third revision of the Constitution (1970-71) has introduced a form of regionalization which, with certain reservations about its functional character, could be similarly described.

A) Because of the nature of Belgian regional problems, where cultural and economic problems are mixed to an extent unknown elsewhere, parliament did not create one single type of region, but made a distinction between cultural and economic regions.

a) Cultural regions do not have a territory in the traditional sense of public law but they have a double foundation in the form of the institution of four language regions (Constitution art 3 bis) and three cultural communities (art. 3ter). Geographically, the kingdom is divided into four language regions: a French, a Dutch and German and a bilingual area (art. 3 bis). The boundaries of these four language regions cannot be changed except by law passed with an outright majority in each linguistic group of both chambers provided that a majority of the members of each group is present and that the total number of votes cast in favour in both groups amounts to $\frac{2}{3}$ of all votes cast (1). Every commune of the kingdom is part of one of these regions.

The sociological criterion for the cultural regions is provided by art 3 ter which declares that Belgium has three cultural communities: the Dutch speaking, French speaking and German speaking communities. The cultural communities are not just geographical divisions. This becomes particularly clear in the case of Brussels, which exists geographically as a bilingual region (art 3 bis) but whose inhabitants belong to the French or Dutch cultural community.

The normative institutions of the cultural communities are the cultural councils (art 59 bis) which are composed

(1) More details about this so called qualified majority will be given later.

of the members of their respective language groups of both chambers (1). Constitutional provisions concerning parliament are also applicable to the cultural councils (art. 59 bis I), except that they meet one week after the opening of the ordinary session of parliament.

Their powers *ratione materiae* concern all cultural matters and education (with some exceptions e.g. the structure of the education system, subsidies) as well as cooperation between the cultural communities and international cultural cooperation. They are also empowered to deal with linguistic matters in administration, all schools, and in social relations between employer and employee (art. 59 bis § 2 & 3). This provision has been clarified by an executive Act (2) which has described these powers in more detail: the defence and embellishment of the language; the encouragement of the scientific research; the arts, the theatre and the cinema museums and of scientific or cultural institutions; libraries and similar services; radio and television (with the exception of commercial publicity); youth policy; permanent education and cultural activities: entertainment and tourism.

The decisions taken by the cultural councils take the form of decrees. Drafts of all decrees must be submitted for comment and approval to the Council of State (3).

If the latter should advise that the proposed decree exceeds the powers of a cultural council, it can only be adopted after having been passed by both Chambers (4).

The *ratione loci* powers are laid down by art 59 bis § 4.

(1) This situation in which MP's represent the Nation (art. 23 constitution) and a cultural community (art 59 bis) has been qualified as "personal union". P. Maystadt, *Les communautés culturelles et les régions*, in: *Annales de droit*, 1972, p. 121.

(2) Act of 21.7.1971, art 2.

(3) Act of 3.7.1971, art 10.

(4) Act of 3.7.1971 art 11.

Regarding the powers mentioned in art 59 bis § 2, the French and Dutch cultural councils are each responsible for their linguistic region. The decrees of each cultural council also apply in Brussels for these matters which by their nature must be considered as falling under their authority (e.g. the Dutch or French language theatres in the capital). Regarding the powers referred to in art 59 bis § 3, the councils each have authority in their own region, with the exception of services which also affect other language regions; national and international institutions whose activities are common to the cultural communities and the municipalities with linguistic facilities; in these cases, parliament remains the authority.

The decrees of cultural councils have the same force in their respective cultural communities as an ordinary law; they differ only in the sense that their powers are limited to those listed in the constitution, but in these matters the authority of the cultural councils is exclusive and parliament cannot intervene. There is thus no gradation between laws and decrees but only a difference *rationae materiae* (1). Decrees are confirmed by the King (art 69) and published in the Official Gazette (art 129) just as other acts. There is, however, one restriction on their autonomy: the application of art 67 on decrees implies that the government is made responsible for any executive measure (2). For this reason and because cultural councils are composed of MP's, cultural communities are not subject to supervision by the government (3).

In order to develop cooperation between cultural councils, a commission of 15 members is established in each council (4); when they sit together, they form the joint

(1) W. Ganshof van der Meersch, *Réflexions sur la révision de la constitution* in: *Journal des Tribunaux*, 9.9.1972.

(2) *idem*, p. 485.

(3) P. Maystadt, *op. cit.* p. 130.

(4) Act of 21.7.1971, art. 4.

commission for cooperation. Its advice is needed if decisions are taken in one council affecting education matters in communes with protected minorities. Inside each council, each political party must be represented proportionally in the bureau and the commissions of the council (1)

Cultural councils do not have their own financial resources. Each year a law is passed in parliament to fix the amount of the grant they are to receive, but the councils decide by decree how to spend it. This grant must be fixed on the basis of objective criteria and if these cannot be found, each council must receive the same amount. This act also must state how much out of this grant each council must spend to develop both cultures in the metropolitan area (art. 59 bis 6). In the beginning there were some heated arguments over the definition of objective criteria especially from regionalist parties; in general problems have been solved but for some matters the 50/50 system is applied (e.g. radio and television).

The preceding applies only to the Dutch and French cultural councils. According to art 59 ter, a German cultural council has been established; its powers and composition are defined by law. The German council will thus be different from the two others and will not have the power to issue decrees. There is a practical reason; the German council would have only two members if it were to be composed only by German speaking MP's (2).

The introduction of cultural autonomy, as this system is called, is a major innovation which is difficult to define in traditional terms; it has indeed elements of both functional and territorial decentralization, though the first prevails.

(1) Idem, art 21.

(2) There are only about 100,000 German speaking Belgians.

In order to compose the councils, the elected members of each chamber are divided into a Dutch and a French linguistic group every time it is required by the Constitution (1) and as determined by law (art 32 bis). Representatives and senators elected in a Flemish or Walloon constituency and senators elected by a Flemish or Walloon provincial council become automatically member of the Dutch or French linguistic group. Those representing a German constituency take part in the French group. Representatives elected in the constituency of Brussels belong to the group corresponding to the language in which they chose to take the oath of office. The same applies to senators elected in the constituency of Brussels, by the provincial council of Brabant or to senators coopted nationally. Normally, the composition of a regional council by national MP's reduces its significance considerably, whatever the councils powers may be; because of the strong feelings about the cultural communities in Belgium; the cultural councils are considered to be politically representative even though they are not directly elected. Though they are not true regionalization measures as such, two reforms concerning parliament are associated with regionalization in that they too aim to reduce tensions between the two cultural communities. One concerns a new type of majority voting which is made obligatory in several cases (const. art 1, 14, 3 bis, 59^{bis}/1 & 2, 107 quater). This is the so called double majority: it implies that, in order to be adopted, a proposal or Bill must receive a simple majority in each linguistic group of each chamber, on the condition that a majority or members of each group are present and that the total number of votes in favour in both groups considered together amounts to 2/3 of all votes cast. This system aims to prevent, in certain delicate cultural matters,

(1) Constitutional art 1, § 14, 3 bis, 59 bis § 1 and § 2, 107 quater require such a division into linguistic groups.

bloc voting of one cultural community against another, whereby the Flemish majority could over-rule the others.

Another novelty with similar aims is the so called "alarmbell procedure" (art 38 section 2). With exception of the budget and those laws requiring a special majority, a petition giving reasons and signed by at least 3/4 of the members of a linguistic group, may be introduced stating that provisions of a draft bill or of a motion which it cites are of such a nature as to have a serious effect on relations between the communities. Such a petition must be tabled after presentation of the parliamentary commission's report on the draft bill or motion and before the final vote in plenary session. Parliamentary proceedings are suspended and the motion is passed to the Council of Ministers which has to give its opinion and the reasons behind it within 30 days. The chamber where the law was proposed originally must decide then over this opinion or over a possible amendment or draft Bill. Such a motion may be presented only once by the members of a linguistic group concerning the same proposal or draft bill. Such a motion is not a veto. In fact, the council of Ministers has two options; it can amend the text or it can declare that relations between the communities are not affected. If no agreement can be reached, the government can resign, because its political responsibility is at stake. Indirectly this procedure results in a weakening of the role of parliament and strengthening of the position of the government. However, the high number of signatures required implies that the members of the parties forming the government have to support the motion too. Therefore such a motion would not be considered necessarily as a vote of no-confidence, but merely as a weakening of the position of the government if the procedure is used. It is a typical Belgian solution but it may nevertheless offer a useful example for other European states with difficult relations between various communities.

b) Whereas the establishment of cultural councils concerns state powers, the reform of traditional decentralized structures (communes and provinces) also seemed to be necessary. Though several hundred small municipalities had disappeared, many escaped, often for party political reasons; even those which had merged, did not always meet the requirements of scale to carry out their tasks efficiently. A much practised solution to solve practical problems was inter municipal cooperation in the form of functional bodies. It was proposed to provide a constitutional basis for the establishment of agglomerations and federations of communes (1); at the same time a special provision concerning cultural matters in the metropolitan area could be elaborated.

Thus art. 108 bis allows the legislature to establish 'agglomerations' and 'federations' of communes and to determine their institutions and powers. Each 'agglomeration' and 'federation' must have a council and an executive, whose chairman is elected by the council and confirmed by the king. The members of the Brussels 'agglomeration' council are divided into a French and a Dutch linguistic group for those matters specified by law and the constitution (art. 108 ter). Each linguistic group will have an equal number of members in the executive, not counting the president (2). The so called "alarmbell procedure" is also applicable in the agglomeration council of Brussels. Separate Dutch and French

(1) Agglomerations are formed in urban areas, federations in the countryside; only the name differs. An 'agglomeration' consists thus of all municipalities which make up a city (for example Brussels consists of nineteen municipalities).

(2) Thus parity in the council of ministers, where the Flemings should normally be in majority, was exchanged for parity in the executive of the Brussels agglomeration, where they normally should be in a minority. This over-evaluation of the agglomeration council of the capital reveals the emotional state of affairs which often existed during the revision procedures.

cultural commissions are responsible for education and some cultural matters, each for its cultural community. Here too the personal alliance prevails thus. Sitting together, they form the joint cultural commissions with responsibility for matters concerning the national and international function of the Brussels' agglomeration' and matters of common interest. Parliament, cultural councils and the government can attribute other tasks to these cultural commissions.

Since 1.1.77, Belgium has drastically reduced the number of municipalities: from 2,359 to 587. Sometimes against strong opposition from local authorities, amalgamations were enforced by law. It is expected that the new communes will be far better able to carry out their tasks; the powers of the communes have not been changed and neither the state or provinces have transferred any new powers so far. This very efficient reduction raises doubts as to the usefulness of agglomerations and federations, except in those cities where amalgamations have not yet been carried out (Brussels and Antwerp, delayed until 1980 for political reasons).

c)The uncoordinated approach to regionalization becomes more evident with the establishment of economic regions. In 1970 regional economic councils were set up; they could be consulted for certain economic matters or could issue recommendations on the economic development of their region. Since cultural autonomy was now provided for in the constitutional revision, why not some form of economic decentralization too? Thus three economic regions are established: Flanders, Wallonia and Brussels. Parliament must pass an act with a qualified majority to define their institutions, which will be composed of elected officials, and their powers and how they are to be exercised, with the exclusion of all powers mentioned in art 23 (concerning the use of languages in the state) and 59 bis; it also fixes the boundaries of these regions.

According to art 107 quater, these regional institutions

may make regulations, But their power is more limited in this respect than that of the cultural councils; it is of the same nature as the powers of provinces and communes to make regulations (1). This implies that regional economic regulations must be submitted to the government for approval; if the government wants to make their autonomy real in these matters, it should not exercise a "controlled' opportunité" (i.e. a control on the "suitability") of the regulations. (2). It is not yet clear in what sense art 107 quater will be interpreted in practice as it is a matter of great controversy between political parties.

By the Act of 15.7.70 three regional economic councils have been established, one for Flanders, one for Wallonia and one for the province of Brabant (including Brussels). They are composed of MPs and members of the provincial councils and an equal number (3) of representatives of social and economic organizations, as well as experts. The governors of the provinces have consultative status in their respective regional economic councils.

The economic councils have only advisory powers, but in some cases their advice can be binding. They advise in particular about the geographic area to be covered by the regional development companies (SDR-GOM), how the money for regional economic expansion should be shared out, the determination of development areas, coordination of the activities of the regional development companies and further all problems which it considers important for regional economic development. The regional economic councils participate thus in the elaboration of regional plans by the national planning administration.

Like the cultural councils, they have no fiscal powers. Each year parliament determines the budget of the regional

(1) Chevalier P. de Stexhe, La révision de la constitution belge 1968-71, Bruxelles 1972 p. 189.

(2) idem, p. 190.

economic councils; money available for the regions must be shared out according to criteria such as population, tax income and territory, which makes 50% for Flanders, 40% for Wallonia and 10% for Brussels. This lack of any financial autonomy does not prevent the regional economic councils from giving useful advice in such matters as town and country planning, regional economic expansion and employment.

A general assessment of Belgian regionalization is difficult to make because evolution has not come to a standstill. Unlike other small states, Belgium has made a clear choice for macro-regions, not just for cultural matters but also for economic affairs. The powers of the cultural councils are significant, but its lack of financial autonomy reduces the effective use of this power. Its composition is a result of a unique situation: two cultural communities in one state with their own social and historic background. The economic regions are no more than a form of functional decentralization, with only advisory powers. The fact that Belgium is thus divided into two cultural and three economic regions is often criticised.

Cultural autonomy is accepted by everyone, but a fear exists that the economic regions may harm the economy of the country, which uncontrovertibly forms a unity, because in Wallonia collectivist tendencies are stronger than in Flanders. Besides this different approach, no procedures are envisaged for the coordination of regional economic policies with national economic, commercial and financial policy. More and more people request that the structure of the state, which is very complicated indeed, at present should be simplified. If the amalgamation of municipalities is also introduced in Brussels and Antwerp, it may make federations and agglomerations (1) of communes unnecessary. Proposals are also made to abandon the provinces and to make a new second tier of government at the regional level.

(1) After all, only five federations (around Brussels) and five agglomerations have been established.

Whether this will lead to a federal state is an open question.

B) Whereas political regionalization has not been fully achieved in Belgium, Italian regionalization is considered generally to provide a classic example of this concept. The reasons for the establishment of regions lie in the economic imbalances between north and south, both from the historic angle (autonomist movements) and with respect to the immediate post war circumstances under which democracy had to be re-established.

Political regionalization is based on the Constitution (1948) and not on an ordinary act of parliament; thus regions are established as autonomous bodies with their own constitutional powers and functions (art 115). They have their own legislative and executive authority and can make laws which are only subordinate to the constitution. Their autonomy is of different nature from that of the provinces and communes which are autonomous within limits laid down by general laws of the republic which determine their functions (art 128) (1). A regionalized state of this type is still a unitary state, as explicitly stated in the constitution (art. 5). The state remains thus the only source of sovereignty (2); every aspect of the autonomy of regional and local communities is granted unilaterally and by the state. Local or regional communities have thus no residual sovereignty and no original powers.

A further distinction is made between ordinary regions (art 115) and regions with a special charter (art 116); the latter are established by constitutional laws and enjoy a degree of autonomy different from the ordinary regions. This distinction is a result of specific circumstances; some of these special regions had significant regionalist movements (e.g. Sicily), others have cultural and linguistic reasons for a special status (e.g. Val d'Aosta,

(1) C. Esposito, *La Costituzione Italiana*, Padova 1954 p. 67.
 (2) G. Baschieri, L. Bianca d'Espinoza, C. Giammattosio, *La Costituzione Italiana*, Firenze 1949, p. 24.

Trentino-Alto Adige, Friule-Venezia Giulia).

For political reasons the setting up of these regions was delayed until 1970, when the first regional elections were held on seven and eight June to install the regional councils, which had to elaborate the charters of the regions. These political reasons are interesting. The ruling Christian-Democratic party wanted to build up the party organizations in the regions before any further elaboration of regional autonomy and to establish a constitutional Court (in 1956) to rely on to safeguard the central state. On the other hand, people (also inside the Christian-Democratic party) were pressing regional administration as an essential aid to planning and to more efficiency (1).

a) According to art 123 each region must give itself a charter, which is a sort of regional constitution. However, there are limits to this: each charter must be in harmony with the constitution and laws of the state and with art 121, which lays down the basic organization of each region. They must have a regional council to make regional laws and regulations and to perform other functions conferred upon them by the constitution or by national laws; and an executive committee and a president to act as the regional government. The organization of elections for the regional councils is laid down by national law, in order to have the same system everywhere.

The regions may draw up their charters as they wish but taking account of the general principles of the state. Each charter must be approved by law in the national parliament. The president of the regional council therefore sends the

(1) M. Clark, Italy: Regionalism and Bureaucratic Reform in J. Cornford (Ed). The failure of the State, London 1975, p. 51-52.

(2) This procedure was established by art 6 of Act nr 60 of 10.2.53 and not abrogated by Act nr 1084 of 23.12.70. The provisions of Act nr 60 were considered to be partly unconstitutional and were also the main legal reason for the delay in establishment of the regions. See F. Bassanini & V. Onida, Gli statuti regionali di fronte al Parlamento, 1971 p. 197 et seq.

charter to the president of the council of ministers, who passes it to parliament within fifteen days, accompanied by any observations made by the government (2). Parliament can refuse to approve a charter if it is contrary to the constitution, the laws of the Republic or the interest of other regions of the state. In practice, this introduced a "suitability control" which was not the intention of art 123. It could have allowed the parliamentary commission examining the charters to interfere and to make informal proposals for the modification of the charters. Regional councils were almost bound to accept these amendments since they, otherwise ran the risk of not having their charter approved. In general, however, there was not much interference and charters were approved rather easily (1).

The legal nature of these charters is quite different from that of regional laws. Indeed, as they have to be approved by national law in order to take force, they can be considered as a supra-regional legislative act (2).

Most charters give an enumeration of the general principles which will stimulate regional activity; they thus accept fundamental principles of the constitution to regional situations and to matters which come under their authority. It is a clear expression of regional autonomy. A prominent place is also given to participation and planning for the elaboration of regional policies. Almost all charters envisage planning in order to orientate economic life towards social aims and to make economic development more harmonious (3). It is also a means to allow the regions to participate in the elaboration of the national plan. Regional plans are coordinated where necessary at national level and fundamental objectives are laid down in a general outline

(1) Charter of Abruzzi was approved by act nr 480 of 22.7.1971, of Calabria by act nr 519 of 28.7.1971; all others by acts nr 338-350 of 22.5.1971.

(2) P. Ferrari L'évolution du droit public italien en 1971-72, in: Revue de droit public et de science politique, 1973, p. 1238.

(3) idem, p. 1241.

law. These are worked out again by the regions.

Such a system of planning in three stages allows the regions to organize extensive participation of all interested parties. All charters envisage the participation of citizens in public authorities. With that purpose, some regions even installed a regional ombudsman. More traditional forms are used too: the right of initiative has been given not only to private citizens but also to local authorities and trade unions. It may be exercised on regional laws and administrative measures; only budget laws and in some charters expropriation laws are excluded. Some charters have provided for the active participation of people concerned with the proposals under examination in a regional council's commission. Abrogative referendum is possible in every region, though often more rigorous conditions have been laid down than those of art 75 concerning the national referendum.

On a modest scale, there are thus quite interesting attempts to make regional government attractive for the citizens and to invite his interest and involvement (2) However, more experiments would have been possible if the constitution had left the regions more autonomy for the elaboration of rules concerning their internal organization.

The regional council has the authority to make regional laws and regulations with respect to matters within its competence. It performs other functions conferred upon it by law and by the constitution; this is a reference to art 83 (election of the president of the republic), art 75 (national referendum), art 132 (regional referendum and detachment of provinces and communes) and art 133 (change of provincial and communal boundaries). Regional councils can propose legislation to the national parliament (art 121), which allows it a form of participation as a regional community in national politics (though to a far more limited extent than would be

(1) G. Baschieri and others, op. cit. p. 396.

(2) The first elections (1972) in ordinary regions were disappointing in this respect, there seemed to be not much popular feeling in favour of the regions and the elections were fought on national issues. See M. Clark, op. cit. p. 54.

the case in a federation). All deliberations of the council must take place in public; this is not stipulated in so many words, but it is a logical consequence of the political and legal nature of the regional councils (1).

The president represents the region and promulgates regional laws and regulations. In this sense, he has similar characteristics to the president of the republic. But he is also the head of the executive committee and directs the administrative functions delegated by the state to the regions. It is understood that this also includes the region's own administrative functions. The function of president has thus a certain similarity with the function of the prime minister too.

Although regional autonomy in these matters is limited, there is still room for a search for more efficient forms of government and different relations between the regional legislative and executive than those found at national level. Some regional councils opted for a semi-presidential form of regional government, others aimed at an intermediate solution between a dominant legislative and a semi presidential regime (1)

Many charters provide for the election of the president independently from the election of the executive committee ("junta"); sometimes the latter can be dismissed while the president remains in office. In order to protect stability, dismissal of the executive requires a special majority in most cases. But no charter endows the president with such powers as to place him in a dominant position over other bodies (2). His powers are restricted to coordination and supervision, while the work of the executive is usually based on the principle of collegial responsibility. The executive elaborates the general direction of policies and stimulates the council's activities. As the powers of the council are enumerated in many charters, it leaves the executive

(1) P. Ferran, *op. cit.* p. 1246.

(2) *idem*, p. 1247.

rather wide and flexible powers and makes it more independent of the council than the government is of parliament.

Further innovations concern the installation of a permanent commission within the council to supervise the execution of the executive committee's decisions by the regional administration. In a few regions these commissions are even associated in the elaboration of regional planning. They can request any information they need from the executive committee or from senior officers of the regional administration of politically important administrative acts; in others, the council appoints directors of the regional administration. There is thus a tendency at regional level for relations between the legislative and the administration to be very direct, probably as a reaction against negative experiences in this respect at national level. Regional administrations themselves copy the structure of the state administration to a large extent (1); too much divergence here could make cooperation and contacts difficult.

If the objective was to make the regions a centre of political autonomy and democracy, the results are not negative; many of their shortcomings originate from the limitations imposed by the constitutions, laws or government. However, regional autonomy does not depend on structure alone; the powers with which the regions are endowed are at least as important.

b) Since Italian regions have no original powers, they receive theirs from the constitution or from constitutional laws. Their powers are enumerated and all others remain with the state.

A distinction must be made between the legislative powers of ordinary regions and of regions with a special charter; the powers of the latter differ in their legal nature and content. This is a result of stronger regional pressures as well as of specific circumstances. Thus exclusive legislative powers are conferred upon Sicily, Sardinia, Val d'

(1) P. Ferrari, op. cit. p. 1251

Aosta, Trentino-Alto Adige and Friule-Venezia Giulia, which have extra powers in addition to those common to all regions. They may enact local legislation regarding commerce and industry (1), the organization of provinces and municipalities (2), social affairs (3), education (4), credit, assurance and savings (5), expropriation for public purposes (6) as well as some less important matters such as conservation of works of art of charitable works. Ordinary regions have no powers in some of these fields (e.g. industry and commerce); for others they have fewer powers (e.g. education, social affairs). Some regions with a special charter have powers relating to particular circumstances; Trentino-Alto Adige has far reaching powers concerning the German speaking population of Sud-Tirol (7) and Val d'Aosta has special powers with respect to alpine sports (8). There is much variety among the regions with a special charter: Sicily enjoys more autonomy than any other region because of the exclusive nature of most of its powers; its position is close to that of a member state in a federation (9).

But the Constitution and most special charters (except Val d'Aosta) lay down "normes d'application"; their aim is to specify and interpret the provisions of the special charters in order to make them applicable they can also provide for

(1) Charters of Sicily art 14, Sardinia, art 4, Val d'Aosta art 3, Friule-Venezia-Guilia art 4.

(2) Charters of Sicily art 15-16, Sardinia, art 43 & 46 Trentino-Alto Adige art 5, Friule-Venezia Guilia art 5, Val d'Aosta art 43.

(3) Charter of Sicily art 17.

(4) Charters of Sicily art 14 & 17, Sardinia, art 5, Friule-Venezia Guilia art 6, Val d'Aosta art 3, 38-40.

(5) Charters of Sicily art 17, Sardinia, art 4, Trentino-Alto Adige art 5, Friule-Venezia Guilia art 5.

(6) Charters of Sicily art 14, Sardinia, art 4, Val d'Aosta art 3, Trentino-Alto adige art 4, Friule-Venezia Guilia art 84-87, 96.

(7) Charter of Trentino-Alto Adige art 84-87, 96.

(8) Charter of Val d'Aosta art 2.

(9) C. Palazzoli, *Les régions italiennes*, Paris 1966, p. 67.

the transfer of relevant parts of central state administration to the regions. Such "normes d'application" have the legal nature of ordinary laws (1) though they must be adopted by special majority. They have resulted in some restrictions of regional powers, particularly Sicily (2).

Regions with a special charter and ordinary regions have the powers enumerated in art 117: regarding organizations of regional offices and administrative agencies, boundaries of communes, local police, urban and rural fairs and markets, public welfare, sanitation, hospital assistance, professional and technical schools and scholarships, museums and local libraries, town planning, tourist and hotel industry, regional tramways and motor transport services, regional roads, water supply, public works, navigation and port on lakes, mineral and thermal water, quarries and peat-bogs, hunting and *shooting* of game, fishing in inland waters, agriculture and forestry, artisan trades. Some of these matters have little importance in a modern state, others have lost some of their importance, such as agriculture; in 1948 Italy was still an agricultural country to a large extent and at that moment it was a significant power to be given to the region. Tourism on the contrary has become an important economic activity in Italy since the late 1950s: But regional legislation must remain within the limits of general fundamental principles established by laws of the state and may not conflict with the interests of the state or of other regions (art 117). Parliament has thus powers to enact outline laws which regional councils can elaborate. However, the adoption of an outline law is not necessarily required before a region may enact legislation regarding the matters listed in art 117; otherwise the national parliament could paralyse regional councils. Regional legislation has to conform, in the absence of an

(1) idem, p. 75.

(2) Martin Clark, op. cit. p. 47. Further restrictions result in practice from the centralized nature of regional policy and associated policies (See chapter I).

outline law, to the general principles of law as laid down in existing laws of the state (1); any other explanation would indeed reduce regional legislation to the level of secondary rules. But major innovations by regional councils are not possible.

The administrative powers of the regions reflect both the degree of autonomy they enjoy as well as their intermediate role between the state and local communities. According to art 118, regional administration deals with the matters set out in art 117. The regions' administrative and legislative powers are thus parallel but with one legal difference; the administrative powers of the regions are exclusive; they are not subordinated to any rules elaborated by the state, which has given up all administrative powers in these matters (2).

However, two restrictions are laid down in art 118. Matters of purely local interest may be delegated by law to provinces, communes and other local bodies and the regions will normally perform their administrative functions by delegating them to provinces or communes and using their offices for the purpose. Though one can understand the purpose of this provision, namely to bring administration close to the people, the provinces and communes are in their present form anything but efficient and modern instruments of government.

Besides their own administrative powers, the regions can exercise administrative functions delegated by the state. In that case, the regions are considered as ordinary decentralized authorities acting under the direction and control of the state (3). Their task is restricted to issuing detailed rules regarding the matters delegated.

The basis for the transfer of administration to the regions is provided in art 17 ⁽¹⁹⁷⁰⁾ Act nr 281, which leaves this power

(1) F. Lorenzoni and F. Merloni, *Les régions en Italie*, in: Centre Interuniversitaire de Droit (Ed), *Etudes sur le régionalisme*, Bruxelles 1973, p. 200.

(2) P. Ferrari, *Les régions italiennes*, Paris 1971, p. 26.

(3) F. Lorenzoni & F. Merloni, op, cit p. 198.

with the government. This procedure is intended to exclude the opposition parties from transfer discussions and proceedings. After consultation with the regions, the parliamentary commission for regional affairs and the relevant ministers, such transfer decrees are signed by the President on the proposal of the Prime Minister (1). These decrees define in detail those functions transferred to the regions and those which remain with the state. Some administrative powers have been left with the state on the grounds that they are of national or international interest; also matters of inter regional interest have been reserved for the state. Functions which should normally be within the regions' powers but which are exercised by state agencies such as IRI or ENI have not been transferred either. The state has also retained all international responsibilities, which reduce the regions power in agricultural matters considerably because the state reserves for itself all dealings with the E.E.C. (2). Moreover, the decrees stipulate that the inter ministerial planning committee of the council of ministers remains responsible for the general management and coordination of the regions' own administrative activities. Another technique used to restrict the regions powers is the delegation of administrative tasks; this still leaves the various ministries the possibility of sending directives to regional officials who in fact are former state officials working in regional offices (waiting for promotion to Rome...). Although it looks like decentralization at first sight in practice it functions otherwise. The regions are often seen as a means of reforming the Italian civil service; making it less centralized and more effective and functional. These decrees are a step in this direction, but much remains to be done, even to give the regions the administrative powers to which they are entitled according to a flexible interpretation of the constitution.

(1) Decrees nr I-II of 14-15.1.1972.

(2) The problems arising from direct E.E.C.-regional relations will be dealt with in Part II.

In order to be able to carry out their functions, the regions can levy taxes and have a share of state taxes which will be assigned to them (1). Some regions will also receive money from special state funds, particularly the regions of the Mezzogiorno. Art 119 provides also that the regions have their own domain and property which is another source of income.

The system permits both the state and the regions to levy and administer their own taxes, but guarantees the regions a share in the state income. The fiscal powers imply that the regions determine regional fiscal systems autonomously (2); otherwise their financial autonomy would be reduced to fixing tax according to national laws. There are two restrictions on the regions' powers: their financial autonomy must be exercised in the form and within limits established by the laws of the state and must be coordinated with the financial system of the state, provinces and municipalities (art 119, 1).

Thus art 1 of Act nr 281 (3) provides that the regions take over from the state a number of existing taxes to prevent the creation of new ones. Some of these have been attributed to the regions because of their increasing income (e.g. road tax), others because they are related to regional activities (e.g. tax on regional concessions). Restrictions are imposed on the increase of rates in order to prevent the differences between regions from becoming too wide and to protect the citizen from the possibility of too heavy a burden of taxation (4); this might indeed reduce enthusiasm for regionalism.

A National Fund has been set up which collects the income from six taxes. A decree from the Ministry of Finance decides the division of this money between the regions, according to certain criteria: 6/10 of the sum in function

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- (1) See below.
 (2) P. Ferrari op. cit. p. 1365.
 (3) Act nr 281 of 16.5.1970.
 (4) P. Ferrari, op. cit. p. 1367.

of population, 1/10 in function of territory and 3/10 in function of emigration, unemployment and income per capita. The last criterion has been introduced to produce some redistribution among regions, though the effect is rather limited. Therefore special contributions to the development of southern Italy are envisaged (art 12 of ~~Act~~ Act nr 281); however, most money going to the Mezzogiorno will continue to be channelled through state bodies such as the Cassa per il Mezzogiorno where regional authorities have no direct influence or participation in decision making. The regions may also issue securities and public loans.

All this still leaves the regions with limited fiscal powers and insufficient income; this will reduce their scope for making the best of the matters for which they are responsible. Indeed, the National Fund accounts for about three quarters of the ordinary regions income. It is estimated that their total annual income will be enough to carry out their day to day administrative tasks, but it leaves not much to have an important influence on regional economic development (1)

The intermediate position of Italian regions between states in a federation and traditional decentralized communities becomes more apparent in the system of control on legislative and administrative activities and on the institutions.

The approval of regional charters by parliament is a legal and political control which takes place only once. The Constitution has instituted a control on every law passed by the regional council. It has therefore appointed a government commissioner for each region, residing in the regional capital (art 124). Every regional law must be communicated to him (art 127). He examines the law in the light of the region's powers and that of the state and other region's interests. If the government commissioner endorses the law within thirty days of such communication, it can be

(1) M. Clark, op. cit. p. 56.

promulgated within ten days of endorsement. It takes force not earlier than fifteen days after promulgation, unless the regional council claims urgency and the government consents; in that case the procedure is speeded up.

If the government commissioner refuses to give his approval ("visum") he must pass the regional law to the government, which returns it to the regional council within the time limit fixed for its endorsement (art 125 3aL). The government delivers its opinion giving its reasons and asks the regional council to re-examine the law. In this re-examination, the regional council may take account of the government's motives and modify the law. But it may also refuse to do so, and approve the law again but with an absolute majority of its members voting in favour. In this case another control is possible, but posterior to promulgation and thus after the law has come into force.

The government may, within fifteen days after the communication of the government commissioner, raise the matter before the Constitutional Court (art 127 paragraph 4), if there are doubts about the legality of the law. Another regional council can do the same. If the court considers that the law infringes the constitution or national laws, it declares it to be invalid "erga omnes"; its judgement takes effect the day after its publication.

But the government has a second possibility if it considers the law to be undesirable on grounds of a conflict of interests: it can raise the matter before parliament. This procedure is not open to other regions. The law is examined by the commissions for regional affairs of both chambers and by permanent commission responsible and then discussed in plenary session.

The latter procedure is dangerous for regional autonomy, particularly if the political majority in a regional council is different from the majority in parliament. Where-

:as a control of the legality of regional laws by the constitutional court is perfectly normal, the provision of art 127 give the government the possibility of exercising a "suitability control" (1) although this is in principle forbidden. But the formulation "undesirable on grounds of conflict of interest" is so vague that almost anything can come under that heading.

The regions have only one means of controlling the legality of state laws which infringe their powers, namely starting proceedings in the constitutional court.

The constitutional court is also competent if a conflict arises between two regions or between a region and the state over an administrative regulation. The court renders it void if it is found to infringe the division of powers. This provision is more favourable to regional autonomy, because it leaves state and region the same rights to defend their administrative powers.

Art 125 institutes another control on the legality of administrative acts of the regions. It is exercised by a decentralized state agency, called the commission of control and installed in the region's capital. Its members are the government commissioner, a magistrate of the court of accounts, three state civil servants and two experts in administrative law. In regions with a special charter, the composition of these commissions is different and is constituted by a section of the court of accounts (2) or a delegation of it (3). In Val d'Aosta a mixed commission ^{has been} created (4) and in Sardinia and Trentino-Alto Adige there is nothing of that sort envisaged by the charters. The commission controls legality, but as state servants are in a majority, this control can in some cases look like a kind of supervision.

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- (1) F. Lorenzoni & F. Merloni, op. cit. p. 215.
 (2) Charter of Sicily art 23.
 (3) Charter of Friule-Venezia Guilia, art 58.
 (4) Charter of Val d'Aosta art 45-46.

The commission can also examine an act on its merits with a view to satisfying a request; they can send it for re-examination to the regional council. If the regional council confirms its decision by an absolute majority, it takes force. But such a majority may be difficult to obtain, in which case execution is obstructed.

Administrative control over provinces and communes is exercised by the regions themselves as normal supervision (art 130). The region can substitute itself for the province or communes and, except in the case of proceedings before an administrative tribunal, a decision by the regional council concerning control of legality of local decisions is final.

Clearly fearing differences between the majority in the state as a whole and in individual regions, the constitutional fathers have provided another control. Thus art 126 provides for the dissolution of a regional council in the case of acts contrary to the constitution or grave breaches of the law. A regional council may also be dissolved for reasons of national safety or if a regional council cannot perform its functions through resignations or the impossibility of forming a majority. The matter is completely in the hands of the government, which decides. But elections must be organized within three months of such a dissolution.

This ill-designed article can become a weapon in the hands of a centralist-minded government; its vague formulation leaves the government very wide scope for exercising (illegal) pressure on the regions without ever coming before court.

Italian regions are thus clearly in an intermediate position between traditional decentralized authorities and states of a federation. Their weakness is shown most clearly by the powers they received in 1948; a new redistribution of powers between the regions and the state, taking account of the economic and social evolution, would strengthen their role but is at the moment politically impossible. Another weakness is the control mechanism which the central govern-

ment has built into the system and which reflects typical centralist mistrust of regionalization; this is strengthened in Italy by political circumstances since some regional governments are in the hands of parties which are members of the opposition at state level. But in spite of these weaknesses, the Italian system is most interesting and may provide some extremely useful examples.

4. Federal systems

For the time being, only one E.E.C. state is a federation: West Germany. This is as much a result of German history, where federal or confederal structures were always present, as of recent events. As in Italy, after the fascist dictatorship, too strong a central state was seen as a danger for democracy and the decentralization of power as a means of guaranteeing it (1). Unlike Italy, which had no federalist tradition (only federalist movements) the restructuring of the western part of Germany was closely linked with Germany's federal past, through there was also a lot of American influence.

The constitution of the Federal Republic gives to the states, Länder, all powers which are not transferred to the federation (art 30). The states also administer matters determined by federal acts unless the constitution provides otherwise (art 83). However, the federal government retains a certain degree of control and supervision over these matters without reducing the strict division of federal state administration (art 84-85).

In matters which are the exclusive responsibility of the federation, states cannot interfere unless invited to do so by federal law (art 71); in other matters, the state can legislate in so far as the federation has not yet done so (art 72) but there are conditions to be fulfilled by the federation in such a case; there must be a real need for a federal act, for example the states separately cannot solve

(1) Entscheidungen des Bundesverfassungsgericht, 12, p. 205 (229).

a problem efficiently or if the legal or economic unity of the federation requires it. However, the federal parliament itself decides whether the conditions for federal interventions are fulfilled, which is a political act without constitutional control (1). Thus the federation makes the framework for municipal and other local structures in the states; it also intervenes in matters of regional policy in order to try to harmonize living standards throughout the federation.

Judgements of the constitutional court have somewhat enlarged the legislative powers of the federation, but in administrative matters the states retain a dominant position (2).

They execute their own laws but also federal laws, except where federal administrative powers are explicitly provided for. The strict distinction between the two legal orders (as in the USA) does not exist here as far as execution is concerned. For the execution of federal acts, the federal government has control over the legality of states acts and over their acceptability; this resembles the position of the Italian regions to which certain administrative tasks can also be delegated by the state but which are then in the position of ordinary decentralized communities. Regarding the state's own administrative acts, the only control on their legality is through the constitutional court (though the federal government can open the case if necessary). West Germany also has mixed administrations of both federal and state authorities; in such cases, both authorities participate in decision making (3). However, this form of administration is only permitted if expressly provided for in the constitution.

In jurisdictional matters, powers are distributed vertically between the states and the federation. The same principle as for legal and administrative powers applies here: the states are competent unless the constitution expressly states otherwise. Disputes between states, between a state and the

(1) Entscheidungen des Bundesverfassungsgericht, 12 p. 230 (233).

(2) A. Fisher, le fédéralisme allemand, in: Centre Inter-universitaire de Droit public (Ed), Etudes sur le fédéralisme, Bruxelles 1973 p. 35.

(3) F. Mayer, Verwaltung Von Bund und Landern in der bundesstaatlichen Ordnung, in Zur Struktur der Deutschen Verwaltung, Speyer, p. 36.

federation and between constitutional bodies are dealt with by the constitutional court. As happens elsewhere, even in legal matters, political considerations can play a part (1).

The position of the *Länder* is stronger than the position of the regions in a politically regionalized system. They participate directly in federal decision making through the *Bundesrat*

(second chamber); members are appointed by the governments of the states (art 51) and the states have four votes if they have a population of over four million and five votes if over six million inhabitants. The federal Government must introduce its bills first in the *Bundesrat* which must deliver its opinion within three months. Laws voted in the *Bundestag* must be passed to the *Bundesrat*. If problems arise, the *Bundesrat* can convene a meeting of the conciliation commission, which is composed of eleven members of each chamber; the federal Government and the *Bundestag* can also request such a meeting if it concerns a law which needs approval by the *Bundesrat*. This conciliation commission can propose amendments. If there are no results or the *Bundestag* does not take account of the amendments, the *Bundesrat* can veto the law. However, the *Bundestag* can undo this veto by a second vote; if the *Bundesrat* rejected the law with a two-thirds majority, the *Bundestag* must also obtain a two-thirds majority in this second vote.

The *Bundesrat* must also approve certain regulations in matters of transport, post and telecommunications as well as regulations based on federal laws which need approval by the federal council or which are to be executed by the states in their own right or by delegation. Instructions given by the federal Government to the states concerning the execution laws need the approval of the federal council too.

As in a regionalized state (e.g. Italy), the federal Government can oblige the states to act (art 37) if they do not fulfill their obligations as set out in the constitution or

(1) T. Maunz, *Deutsches Staatsrecht*, München 1968, p. 259

federal laws, although the government needs the approval of the federal council for this. This offers the state a guarantee which the Italian regions do not have.

Two more aspects of the West German federal system need to be mentioned in the context of this work. The first concerns an unwritten constitutional rule. The "bundesfreundliches Verhalten" (1): it implies that federation and states must take a loyal and benevolent attitude towards each others' problems. It implies more concretely that state legislation must take into account the interests of other states and of the federation (2), that economically prosperous states must assist states with economic difficulties (3), that the state must use its powers of supervision over municipalities which act against federal interests (4) and that the states must respect international treaties (5). The regions in Italy and decentralized communities in other states also have similar obligations, but here control is exercised by the constitutional court; this offers a much better guarantee to the states against governmental misuse of these principles.

A second aspect concerns the cooperation in the federation. During the 1960s subsidies from the federation to the states increased in number and in quantity. The federation has indeed a structural surplus of income while the states usually have a deficit resulting from an uneven distribution of income and responsibilities by the constitution (6). A second reason for this cooperation was the necessity of cooperation in the planning and/or execution of projects which because of their importance could not be carried out by one state alone (7). In 1969 this practice was given a constitutional

(1) A. Fisher, op. cit. p. 42

(2) Entscheidungen des Bundesverfassungsgericht, 4, p. 115 (140).

(3) Entscheidungen des Bundesverfassungsgericht, 1, p. 117 (131).

(4) idem, 8, p. 122 (138).

(5) idem, 6, p. 309 (328).

(6) O. Barbarino, Zur Revision des Grundgesetzes: Planerische und finanzielle Aspekte des Bund-Länder Verhältnisses unter besonderer Berücksichtigung der Gemeinschaftsaufgaben, in Die Öffentliche Verwaltung, 1973, 19 p. 20.

(7) B. Tiemann, Die neuen Gemeinschaftsaufgaben in System des Grundgesetzes, in: Die Öffentliche Verwaltung 1970, 161.

basis by the introduction of a new article 91 a, concerning "Gemeinschaftsaufgaben" (common tasks). According to this provision, the federation participates in important state tasks concerning higher education and hospitals, improvement of regional economic structures, of agricultural structures and coast protection.

The states elaborate projects in these fields which are then discussed in the interministerial committee for regional policy where the responsible ministers from each state and the ministers of economy and finance of the federation sit together. The two federal ministers have as many votes as all states together, but decision must be taken *by a* three-quarters majority, which implies that at least half the number of states must agree with the federal position. The execution of the projects is entirely in the hands of the states, and the federation pays about half of the costs. The procedure is the same for improvement projects in agriculture and coast protection, though the financial participation of the federation is higher (60% and 70% of the total costs respectively).

It must be noted that this cooperation does not change the legal responsibilities which remain with the states (1). However, politically the problem is somewhat different, because the "Gemeinschaftsaufgaben" tend to increase in importance to such an extent that doubts arise over the future of the Lander as states (2). Though it is true that the system permits the federal government to intervene in state planning and the execution of certain projects, the states only receive some additional duties (3), that is, they must take more account of federal objectives and act in accordance with federal principles in the matters listed in art 91 a (4). Political influence from the federation is likely to come first of all through party politics: in

(1) A. Fisher, op. cit. p. 47.

(2) F. Rietdorf, Die Gemeinschaftsaufgaben, in: Die Öffentliche Verwaltung 1972, p. 513.

(3) B. Tiemann, Die Beteiligungsgrad des Bundes an den Gemeinschaftsaufgaben, in: Die Öffentliche Verwaltung, 1971, p. 86-87.

(4) F. Klein, Die Regelung des Gemeinschaftsaufgaben von Bund und Ländern in Grundgesetz, Der Staat 1972, 289.

order to reach a decision, states governed by the same parties as those which are in power in Bonn will normally go along with federal proposals, while opposition parties will tend to oppose them. The "Gemeinschaftsaufgaben" have thus weakened the position of the states (1) but of course not to such an extent as to put the states in a position comparable to that of the Italian regions.

The legal and political position of the Länder also emerges clearly from the various and numerous forms of cooperation between them. In matters within their powers, states have concluded agreements between each other and have established common institutions with legal personality (e.g. the second television network). This too goes further than cooperation between regions or traditional decentralized communities.

As has already been mentioned, the financial position of the *Länder* is similar to that of regions and decentralized communities in many states: there is no balance between responsibilities and income. The constitution gives the federation exclusive legislative powers (custom duties, fiscal monopolies) and competitive legislative powers over other taxes. The *Länder* have legislative powers over taxes on local income (art 105). The division of the *Länder* income is provided for by art 106; which leaves some significant taxes to the *Länder* such as death duties, capital taxes and taxes on cars. Other taxes (e.g. on enterprises or the VAT) are divided between federation and the states by law. Attempts are made by this law to redistribute income between the *Länder*: the economically advanced states must make compensatory payments to economically weak states; the federation adds supplementary payment to the latter and can also give financial aid to investments which aim to bring a better economic equilibrium in the federation. In budget matters, both federations and *Länder* are autonomous, though they must take general economic interests into account. General economic policy is determin-

(1) *idem* p. 310.

ed by the federation, but the states may elaborate regional economic policy within the national framework. So here too, cooperation between federation and states is the rule. In general West German federalism has been labelled as cooperative federalism, because of the many forms of cooperation between the states and between states and the federation (1).

However, two problems should be mentioned. The first concerns municipalities and has been solved. Since September 1976 municipalities have been amalgamated in order to make them more efficient, though the reforms differ from state to state. In Nordrhein-Westfalen, for example, 82% of the communes disappeared, and in Schleswig-Holstein only 15%. Together with this reform, the Kreise have been reduced in number too and now have more than 100.000 inhabitants in most cases. Compared with micro-regions in other states (e.g. the counties in the United Kingdom) they remain relatively small, except the "Stadtkreise" (90 in total).

A second problem concerns the Lander whose territory does not always correspond to social and economic realities. Therefore proposals were made to reduce the number of states (2) but political problems (3) have quietly buried the whole idea.

(1) A. Fisher, op. cit. p. 59.

(2) See Bundesministerium des Innern, Kurzfassung des Berichts der Sachverständigenkommission für die Neugliederung des Bundesgebietes, Bonn 1974; W. Ernst, Die Vorschläge der Sachverständigenkommission, in: Institut für Wirtschaftsdienst, Hamburg 1973 nr. 3; E. Thiel, Neugliederung als politische Entscheidung, in: idem; P. Feuchte, Neugliederung, in: Die Öffentliche Verwaltung, 1968, nr. 13-14
G. Puttner, Die Landesneugliederung als Problem der politischen Nachverteilung in Gesamtstaat, in: Die Öffentliche Verwaltung, 1971 nr 15-16

(3) For example there was never any question of reforming Bayern, in order not to displease the CSU, whereas the disappearance of the city states of Hamburg and Bremen in a mainly Christian Democrat state did not please the Social Democratic party.

CONCLUSIONS OF PART ONE

After the discussion of local and regional reforms in each of the Member States, we can now draw a first series of conclusions. We have seen that the reasons behind these reforms are fundamentally the same in each Member State: one reason is the gradual evolution of regional policy from regional aid and assistance to planning of regional economic development and town and country planning; the second reason is the need for more effective government at the existing local and regional levels of government; more democratic government and decentralization is another. This is of course a schematic view of things, but quite adequate for the purposes of this thesis. The emphasis is different in each country; for example in Denmark the second reason has been the dominant one, in the Netherlands too; in France reforms have been stimulated most by the first reason. There are also specific circumstances behind reforms, such as the nationalist demands in Belgium and Britain, or the centralist nightmares in Italy and Germany. But that does not detract from the validity of our findings surprising though they may be: the reasons behind local and regional reforms in the various countries show more similarity than dissimilarity. Although the Member States consider their internal structural reforms as internal matters, they are in fact reforming for basically similar reasons.

But it is probably more important that these reforms, which are always carried out without reference to neighbouring states, let alone consultation or exchange of views with them, nevertheless move in the same direction. One is tempted to say: almost automatically; or in other words: driven by the similar problems to similar solutions. At local level the common solution is the amalgamation of municipalities to form larger ones. How large these new municipalities are still differs widely, but they all have

a minimum of 10.000 people. Their institutions, powers and financial means are not fundamentally modified or are not modified at all; this second stage of municipal reforms may come only later (for example in Belgium) once a better view of the new possibilities offered by these larger municipalities has been gained. Interesting as this may be, we are more interested in the intermediate level of government, because it is more than likely that this level will sooner or later achieve some significance in the perspective of further European integration (see Part II). Among other things, we think that two developments are the most noticeable in a European perspective: the emergence of micro- and macro-regions. *Where* micro-regional structures exist, they are not immune to amalgamations (Great Britain, Denmark, Ireland), though in two countries (Belgium and the Netherlands) exactly the opposite may well happen; there the number of provinces will probably increase. The reason is to be found in the opposition to inter-municipal forms of cooperation and, in the case of Belgium, in the establishment of macro-regions which it is intended to decentralize further. The attention given to the micro-regional level of government shows a recognition that an area of interests exists between local and macro regional or national level. It shows a wish to establish a clear hierarchical structure from local to national (and European) levels of government, around secondary growth and service centres and their hinterland (micro-regions). But in several countries evolution does not stop there and macro-regional structures emerge too. Denmark is the only exception to this rule; in the Netherlands, the matter is not yet settled and it may be that a division of the state into three macro-regions ("landsdelen") will be accepted, but this will certainly be a very weak administrative structure in the beginning. Maybe an exception can be made for West Germany and Italy, although in these countries, too, voices are raised for reforms (in particular amalgamations and the attribution of new powers) of Länder and regions respectively, but in all others the macro-regional level is still "on the move".

In France, Belgium, Great Britain, the Netherlands it is not yet clear which developments can be expected, but two things seem certain: in almost every Member State a macro-regional level of government, which can take the form of territorial (Belgium, Great Britain, Italy) or functional (France, the Netherlands) decentralization, will continue to exist and increase in importance. Whereas micro-regional government is given powers mostly in the field of services to the public, macro-regions receive, as we have seen, powers in the field of planning in particular. And this is important in the perspective of further European integration.

PART II: REGIONAL POLICY OF THE E.C.

INTRODUCTION

Can one finish the thesis here? We have seen that reforms of local and regional government are being elaborated in each Member State, that there are similar causes behind these reforms and that they tend to favour similar solutions. Have the E.C. any authority in these internal matters? Yes and no. The institutions of the E.C. have no say at all in matters concerning local and regional reforms, but the policies which local and regional authorities elaborate can be influenced by the E.C. in a positive or negative sense. Indeed, we have seen that the evolution of regional policy in the Member States has arrived at a point where reforms of existing local and regional structures have become more or less necessary, or at least useful. We have seen that other factors have influenced this process too, but the development of regional policy remains one of the most important elements.

As we shall see in the first chapter, the E.E.C. is also elaborating a regional policy, in addition to the national regional policies elaborated in the Member States. The question which arises immediately is whether this E.C. regional policy also bears a relation to regionalization; in other words, is there a point in the evolution of the E.E.C. regional policy where some form of overall regional structure becomes necessary for the Community as a whole? Have we reached this point already? If so, is such a structure emerging? Are there certain forms of regionalization which are preferable from the point of view of the E.C. policies? How can this be achieved? Does what is going on at E.C. level bear any relationship to what is going on at national level? Is there incoherence or coherence between the policies at these two levels? These are the questions behind the discussion in this

second part of the thesis.

In the first chapter, the powers of the E.E.C. in the field of regional policy will be discussed. This is necessary because the E.E.C. has no full powers in this respect; but also the Member States do not have full powers any more. The limits to the E.E.C.'s powers must be clearly defined before we start a discussion of the elaboration of the E.E.C. regional policy. In the conclusions we shall make some general comments which will then lead on to the general conclusions in which the possible repercussions of the E.E.C. regional policy on regionalization in the Member States will be discussed: this is the point towards which we have been working in this thesis.

CHAPTER I: THE POSSIBILITIES AND LIMITATIONS OF E.E.C.
REGIONAL POLICY

INTRODUCTION

A discussion of the regional policy of the E.E.C. without a preliminary chapter about its background would lead to many questions: why this was done or not done, why this solution was chosen and not that etc. We should therefore take a look first at the powers of the E.E.C. to draw up a regional policy and ^{at} the institutions which do so. The purely legal aspect has been dealt with already (1) and would not in fact be a very valuable approach to take in this thesis because the legal provisions in the Treaties are rather limited and not very relevant to the emergence of a regional policy in one form or another, and its subsequent evolution. We shall therefore discuss the most important influences of a more political nature behind the definition of regional policy in the treaties and its actual elaboration by the institutions.

1. What the Treaties say.

It is obvious that the E.E.C. may only exercise the powers conferred by the Treaties, and other powers necessarily implied. Essential economic issues are decided on the European level. In these spheres, the institutions of the EEC operate independently or in conjunction with the authorities of the Member States. The aim is to achieve the economic integration of the Member States by gradually building up an economic union based on a customs union, common policies, coordination of policies and freedom of movement for capital, services

(1) M. Melchior, La politique régionale de la Communauté: aspects juridiques, Rapport au 6 ieme Colloque sur les C.E., Liege 1974.

and employees. The common policies are important factors in this process: the agricultural, transport and commercial policies. A separate chapter is dedicated to each one in the Treaty of Rome. Other policies of the E.E.C. are also set out in separate chapters e.g. social policy, although Member States have retained the main powers in these fields.

But the Treaties do not contain a separate chapter on regional policy. This fact did not prevent the European authorities from both having an interest in this matter and acting upon it. Some aspects of the economic activities of the EEC have repercussions on regional situations. There has always been some degree of attention for regional policy considerations at community level. This interest had been demonstrated clearly by the allocation in 1973 of responsibility for regional policy to a special commissioner (1).

In the absence of a distinct chapter on regional policy, a legal basis must be sought in different parts of the Treaties. In the first place, a reference to regional problems is made in the preamble, and a number of isolated provisions are found here and there in various chapters of the Treaties.

The question also arises of whether the Treaty has provided adequate instruments and appropriate measures for the realization of regional policy aims. Art 235 of the E.E.C. Treaty provides that, under certain conditions, possible lacunae may be remedied.

The preamble of the EEC Treaty gives it its terms of reference; in particular it mentions as one of the aims of this Treaty "to strengthen the unity of their economies and to ensure their harmonious development by reducing the disparity existing between the various regions and the backwardness of the less developed regions".

(1) See Chapter IV.

But the difficulty which arises is how to know whether the provisions of a preamble can be legally binding. Some authors refuse to give legal force to the preamble of a treaty. The problem is not easy to solve because the nature of the treaty can influence the answer.

The treaties establishing the E.E.C. were concluded in the form of classical international treaties, but their content has more far reaching implications. They are the founding charter of the E.E.C. and they create a new legal order. The legal force of the E.E.C. preamble can be discussed interminably. In international treaties it seems to be generally accepted that a preamble can be used for the interpretation of the treaties (1); this is also the case with preambles to constitutions (2). If the provisions of the preamble are precise enough, they may be considered to have the same legal force as the specific articles of the treaty or constitution (3). So one may suggest that the preambles to the E.E.C. Treaties can at least be used as pointers to their interpretation; the court has referred to the E.E.C. preamble on at least two occasions in connection with the interpretation of the treaty (4).

Whether or not the EEC preambles can have the same legal force as other provisions in the Treaties (5), is a debatable matter and not very relevant to our thesis. It is a political fact that more and more attention is paid to regional matters and that there seems to be a political will to reduce regional imbalances. Even if the Treaties had made no mention of regional problems, it is very likely that they would have been introduced in the E.E.C. political sphere, as happened with consumer and

(1) R. Bernhardt, *Die Auslegung volkerrechtliche Verträge*, Köln, 1963. p. 89.

(2) G. Leibholz, + H.J. Rinck, *Grundgesetz, Kommentar*, Köln, 1966 p. 39. M. Duverger, *Manuel de droit constitutionnel*, Paris, 1970 p. 374.

(3) G. Scelle, *Précis de droit de gens*, Paris 1934 II, p. 464.

(4) Rec. IX, aff 26-62; Rec XII, aff 32-65

(5) For the argument in favour, see Groeben + Broeckh, *Kommentar zum EWG. -Vertrag I*, p. 1. For the argument against this, M. Melchior, *op. cit.*

environmental matters, If the Member States make further steps towards an economic and monetary union, it is indeed impossible to exclude such matters irrespective of whether they are mentioned specifically and at length in the Treaties or not.

The treaties establishing the ECSC and the EAEC are sectoral treaties. They contain no provisions concerning regional policy, with one exception in the ECSC treaty (art. 56,1). This does not mean that their application has no regional consequences, as we will see later. The treaty establishing the E.E.C, is concerned with the economy as a whole. Regional policy is a necessary part of economic policies which aim at the harmonious development of all regions. It is thus in the EEC Treaty that one has to find the provisions for the realization of the regional objectives defined in the preamble.

The EEC Treaty does not contain a separate chapter on regional policy. Such a chapter could have set out the aims and the measures and instruments with which to achieve them. It could have facilitated the elaboration of a coherent regional policy.

In the absence of such a chapter, one has to search out the articles of the treaty by dealing with regional policy. They are dispersed in different chapters and in the protocols on Italy and Ireland⁽¹⁾. Some of these articles are directly concerned with regional policy; they mention the regions as one of the aspects to take into account for the elaboration of a certain policy. Other articles have an indirect effect on regional policy; the term "region" is not mentioned, but their application can influence a regional situation.⁽²⁾

The provisions referring expressly to regional problems are ECSC art 56 1; EEC art 39, 2a (agricultural regions);

(1) The latter is annexed to the Act of Accession.

(2) See p 198 bis.

(2) Mention must be made also of the provision of EEC art 2. This article mentions as one of the aims of the E.E.C. the harmonious development of economic activity within the Community as well as a balanced expansion. Considering what has been said about the preamble of the EEC Treaty, this article can be interpreted in such a way that it serves also as a basis for the elaboration of a European regional policy. However, it seems that ~~the~~ phrase "harmonious development of economic activity" does not refer to regional policy alone; it can just as well mean the harmonious development of different sectors of the economy.

art 40, 4 (guidance and guarantee funds); art 42,A + B (aid); art 75,3 and 80,1 (transport); art 92,2 and 3 (state aids); art 82 ("Zonenrandgebieten" in West Germany); art. 129-130 (European Investment Bank); protocols on Italy and Ireland. Provisions not expressly referring to regional problems but which are important for the elaboration of E.E.C. regional policy are art 40,4 (basis for the establishment of FEOGA by regulation nr 25 of 4.4.1962); art 123 (basis for the Social Fund); art 6,1 and 145 (about coordination of economic policies (1)).

It is striking that there is no special chapter on regional policy, not even a coherent set of provisions. Articles which are relevant for the definition and elaboration of regional policy are scattered throughout the EEC Treaty. This is less surprising if one considers when the Treaty of Rome was elaborated. Around 1956 none of the Six had yet worked out a coherent regional policy. In Italy, the Cassa per il Mezzogiorno had been established only a few years before and its period of operation was too short to yield any conclusions which could influence the treaty fundamentally. In France too, regional policy had not yet come to the point of regional economic planning. Regional imbalances existed in the other Member States too, but there was a general belief in all Six that general economic progress would reduce these disequilibria and that meanwhile these backward areas could do with special financial assistance. This is the idea which one finds in the Treaty of Rome, which also contains no provisions for regional economic development planning, but allows exceptions to general rules and provides for financial aid to backward regions. Going through the memoirs of the founding fathers of the

(1) For a legal discussion of all this, see M. Melchior, Op. Cit. For policies elaborated on the basis of these articles, see chapter II-IV.

(2) See figures in Commission des CE, Rapport sur les problemes regionaux dans la Communauté Elargie, Bruxelles 1973.

EEC (in particular these of Spaak and Beyen) one finds again this idea that backward regions should be assisted (as one assists for example the handicapped or the unemployed), until there is a general recovery of the (weak) European economy which would benefit these regions too. As we will see further, they were right, all backward areas have benefited from it, people there are living better, but the gap in economic possibilities and wealth has remained almost the same, and that had not been foreseen. It is quite interesting that at the end, after the technical discussions, when the text of the treaty was ready the Italians insisted in the political discussions on a protocol on Italy which would expressly refer to the South. Why did they not insist on special provision in the Treaty, as the Germans did for their 'Zonenrandgebiete'? It seems due to a lack of coordination between Italian ministries; while a delegation was participating in the elaboration of the treaty (1955-56) another group was at the same time assessing the first years of the Cassa and the first post-war regional measures. So 1957 was the start of a new Cassa policy, with much more emphasis on industrialization. Also during the EEC Treaty negotiations, the ten year Vanoni-plan had started, which concerned Italy's general economic progress as well as the narrowing of the North-South gap. It marked the beginning of regional planning in Italy, but one finds no reflection of this in the Treaty. Both facts however were probably the reasons that in the final stages the Italian government wanted this special protocol with its reference to regional development. It is not unlikely that the EEC Treaty would have contained a regional policy at the instigation of Italy, if it had been drafted just two or three years later. Now the Italian delegation seems to have agreed to a concept of regional policy which was being modified in Rome at the same time as they were negotiating but without their knowledge.

The special mention of the German "Zonenrandgebiete" does not alter the view expressed earlier about the ideas behind the EEC regional policy provisions. First of all, it does not introduce any idea of planning either; this provision fits completely into the general pattern of special assistance to backward areas. The mention of these areas in the treaties is more due to political than to regional economic regions. Had the latter been the case, one could have named these areas differently. The formulation in the Treaty draws attention now to the division of Germany and to the problems this involves (1). Besides this political reason, which is not disputed, there may be another. Indeed, the German Government was not in favour of the association of former colonies (mainly French) and feared that it might have to pay for their economic development. Is it unreasonable to suggest that German negotiators brought in the problems of the Zonenrandgebiete as a sort of counterbalance to this? It is a weak one, of course, but the idea behind this move seems to be: we too have special interests, we too have areas afflicted by historic circumstances. While all documents about the negotiations leading to the Treaty of Rome are not accessible it remains difficult to prove this idea, but it seems reasonable to suggest it. The fact that the Zonenrandgebiete are mentioned in the treaties does not imply that the German Government was interested in regional policies as such, because there were other areas in West Germany with as weak an economic situation as the Zonenrandgebiete (e.g. north-Schleswig, parts of Bavaria); but they are not mentioned. This would confirm again the political reason behind the provision regarding the Zonenrandgebiete in West Germany. There are in the EEC many other areas where economic development is hindered

(1) The economic problems of the German border regions are a direct result of the division of Germany. Age-old economic and commercial links were disrupted; these areas became suddenly peripheral and had to reorientate their economic activities to new centers (for example, instead of Leipzig, to Frankfurt). Some parts of the "Zonenrandgebiete" were also backward agricultural areas with no modern industrial development. See E. Von Boverter, Regional economic problems in West Germany, in International Economic Association, Conference on backward areas in advanced countries, Varenna 1967.

because they are frontier regions. However, there was no interest in special needs of frontier regions, as the absence in the treaties of any reference to this problem clearly shows.

Thus there is no concept of regional policy in the EEC treaty, beyond the notion of assistance for backward areas. There is also no concept of region in the treaties. Some provisions refer to regions, sometimes the word areas is used. Translation is just as confusing because in every language, different words are used to indicate regions, areas etc... It shows again that the idea of regional economic development planning was not present during the negotiations of the Treaty of Rome. Had it been otherwise one would expect to find a common body of terminology in the field of regional economic planning; in particular one could expect a distinction to be made between micro- and macro-regions. Even though these terms were not general at that time, even though the distinction between micro- and macro-regions was imprecise and still is, this distinction refers to economic realities which are not disputed. In every Member State, quite precise maps have been made about the economic and social influence (the "hinterland") of towns of secondary economic importance as well as of primary growth centres. The concept of the French "métropoles d'équilibre" is based on such macro-regional influences, and recently the Dutch Government aimed to reorganise the provinces on the basis of secondary growth centres (1). However, this distinction was not elaborated in the early fifties as it is today. There is also the supplementary difficulty that it does not (or rarely) coincide with existing administrative divisions; local and regional government reforms are thus needed first.

(1) See Tweede Kamer der Staten Generaal, Wet tot wyziging van de provinciale indeling, Memorie van toelichting, 1976, 14323.

The absence of this concept of regions has consequences during the later elaboration of regional policy. Already limited by the concept of regional assistance (instead of planning), the EEC policy is confused about the territorial size of the unit to which its aid is given. Indeed, the idea of micro-and macro-regions is based on the existence or creation of secondary and primary growth centres. Normally the EEC aid should go only to the latter category, because European institutions should be concerned in the first place with European solutions to European problems, leaving such matters as micro regional development to the Member States and/or to the macro-regional institutions. Any other solution must be refused as being too centralist, bureaucratic and undemocratic because decision-making would then take place at too high a level of government. If there would be a coherent macro-regional division in the EC, if there would be "métropoles d'équilibre" and primary (European) economic growth centres all over the EC, then the European institutions (in particular the Commission) would have more possibilities to elaborate coherent regional development plans for all macro-regions (1). The EEC should take an interest only in macro-regional development and thus limit its aid to projects which are of primary importance for the economic progress of say, the Mezzogiorno, or Aquitaine, or Scotland (2). But in the absence of a clear notion of a region, this is not what happens. The EEC institutions work with regional development areas ranging from macro-regions (e.g. Scotland, Ireland, Southern Italy) to micro-regions (e.g. in France) and even smaller areas (in the Netherlands and Belgium). Because there is no definition in the

(1) What they try to do at present could have been done much earlier and much better.

(2) See also the discussion of the 1961 conference on regional economies, chapter II, section II.

Treaties of what a region means in a European sense the EEC institutions are at a loss and the Member States can request EEC aid for whatever size of area they like. The reason for the lack of a definition of a region that the Member States had not arrived at significant forms of regionalization in 1956; even Italian regions, created by the Constitution in 1948, were not yet functioning.

The absence of a definition of a region and of a planning concept of regional planning are thus two major obstacles in the Treaties for the elaboration of a coherent EEC regional policy. Their absence can be explained by the fact that the treaties were elaborated and negotiated in a period when both matters were still in their infancy in the Member States too. Had the Treaties come a few years later, it probably would have been different.

A third obstacle concerns the absence of a coherent set of rules about regional policy. The provisions of the Treaty do not add up to a ^{comprehensive} regional policy; one can say that they envisage a *limited* regional policy, because they are mostly exceptions to the general working of other policies (agriculture, transport etc.) Within the framework of these policies they allow for special treatment of backward regions and areas. It is evident that such an approach can hardly result in the elaboration of a coherent EEC regional policy; this clearly was not the aim of the people who worked out the Treaties. The magnitude of regional problems was known at that time (e.g. the Mezzogiorno problem) but people were not fully aware of the methods of solving it. However, it seems that there was no political will or interest in giving the EEC institutions a special task in these matters. Most Member States were politically not prepared to concede more powers in these matters to a supranational institution. This is also shown by the fact that no provision expressly refers to the coordination of

national regional policy, therefore when the EEC institutions attempt such coordination, they can hardly achieve significant results (1). On the other hand there is the establishment of the EIB, at the request of the Italian Government which hoped that it would bring additional capital to its southern problem area. Does this then contradict the view that there was then no concept of an active regional policy and that no one had any desire to give the EEC institutions an influence in regional development. It does not. The EIB is an institution which is largely autonomous; It channels capital to underdeveloped regions without the Commission being able to really influence its decisions; the Commission can only hope that the EIB chooses to take account of its views and programmes. The Bank's autonomy makes it an unsuitable instrument for a coherent regional policy, including regional economic planning (2).

(1) See following chapters.

(2) The creation of the ERDF proves that there was a gap here.

2. THE INSTITUTIONS AND THE ELABORATION OF REGIONAL POLICY

In the beginning, the Commission and the Council were concerned most of all with the establishment of the common market, the common policies envisaged in the Treaties and the strengthening of the European level of politics in general. Regional disequilibria were considered to be a national problem which would disappear automatically with general economic progress; the deliberations and hopes of the Commission and the Council were fully in line with the basic ideas in the EEC Treaty in this respect. It was not realized that the very fact of the establishment of a common market would seriously affect regions with a weak economic structure (1).

The Commission's first activities in regional matters were limited to research, primarily for the purpose of collecting objective data. But there was also a secondary, unofficial aim behind this research: it allows the Commission to bring certain matters which have received insufficient attention, or none at all, into the European sphere, even if only as discussion topics in the beginning: the chances thus increase that at some future date the Council of Ministers will turn its attention to these matters. Two main aspects of the regional problem in the EEC are hereby covered: national

(1) This is remarkable: the idea of establishing a common market was not a new one, as one could refer to experience with the German Zollverein and the Italian unification. The latter in particular showed that economic integration between an economically weak state (southern kingdom of the two Sicilies) and a more advanced one (the northern part of Italy) is to the disadvantage of the former if no adequate provisions are made. Maybe both the Italian and French governments were aware of this, because they insisted on the possibility of allowing protective measures (for example state aids); Italy was also the driving force behind the idea of a European Investment bank. But in general all believed that general economic progress would also benefit backward regions almost automatically. As we shall see, it did: they made progress but not enough to bridge the gap.

regional policies and the concept of a region. This is a surprising choice which seems to indicate the existence of a minimalist and a maximalist view on this matter: according to the first opinion, the Commission should limit its activities to the coordination of national regional policies, hence the study of what is going on in the Member States in this field; according to the second opinion, a more comprehensive policy should be elaborated, something which is impossible or at least very difficult without a European regional scheme. The latter view was held in particular in the European Parliament (1).

However, this is an optimistic view of what happened in the first years and must be qualified immediately. National regional policies were indeed examined in the first place in order to measure their compatibility with the provisions of the treaty (2); though understandable, this approach shows that the seriousness of regional disequilibria was not yet fully recognised and that there was clearly a hope that they would disappear almost automatically as a result of the general economic progress generated by the establishment of a common market. This aspect of the minimalist view was to restrict the growth of the idea for some years and made coordination of national regional policies rather weak. But pressures, from Parliament prompted the Commission to ask experts to work out the regional divisions in the EEC (3), for the analysis of regional problems from a European viewpoint and as a framework for a European regional policy (4). The conflict between these two approaches is clear: it is like trying to sit on two chairs at once, eventually one has to choose one or the other in order

(1) See further.

(2) Commission de la CEE, 2ième rapport général 1958-59, p. 53.

(3) idem, 4ième rapport général 1960-61, p. 124

(4) idem, p. 125.

not to fall between them. The Commission's attempt to achieve a wider view on regional problems in the EEC in the 1961 conference on regional economies (1) was unsuccessful and would have left it no choice but to follow its own ideas (and not so much Parliament's views) on regional problems and policy.

A second aspect of the Commission's role concerns the regional implications of common policies. Though the Commission paid attention to this problem early enough (2), its approach is somewhat limited. The regional implications of each EEC policy are taken into account, but separately, rather than in a coordinated plan. The Commission recognized that regional policy at national level alone can not bring a solution, but a plea for the adaptation of regional measures to the condition of an enlarged market was followed by a statement about the subsidiary nature of the EEC's role in regional matters (3). The Commission thus seems to accept the place given to regional policy in the treaty rather than trying to work towards as wide an interpretation as possible or even applying EEC art 235. This prudent attitude can be explained by the objections of various Governments those of France and Belgium in particular to what they regarded as European interference in a matter which became politically more and more sensitive in the mid-sixties.

The Commission's role is also to coordinate national policies wherever it is necessary for the realization of the aims of the EEC; this includes regional policy if there is ever going to be a reduction of the economic gap between European regions. However, the Commission itself admits that coordination in this matter has not been very successful (4). The coordination of national

(1) See Section II, Chapter II.

(2) Commission de la CEE, 3ième rapport général 1959-60

(3) idem, 7ième rapport général 1963-64, p. 167. It is likely that the negative reactions of several Governments to the 1961 conference on regional economies are the reason for all this carefulness.

(4) Commission de la CEE, 10ième rapport général 1966-67 p. 46.

regional policies by the Commission was obstructed by the governments and national administrations but coordination of the various ways and means of establishing a European regional policy has not been very successful either. Powers were dispersed over a variety of the Commission's Directorates General whose principal interest was something other than regional policy. The appointment of a Commissioner with principal responsibility for regional policy (in 1972) was a step towards easier internal coordination.

The absence of a global concept of regional policy made it difficult for the Commission to use its right of initiative in such a way as to stimulate the Council towards taking more comprehensive and more coordinated regional policy measures. The fact that underdeveloped regions benefited less from the general economic growth than regions which were already economically well developed was the Commission's inevitable conclusion about its role during the first decade (1). It is at the same time an indirect recognition of the failure of the Treaty's concept of regional policy.

Various studies were carried out on new aspects of the problem of regional imbalances, particularly regarding the costs of excessive industrial concentration and the role of local authorities (2) but they are merely a continuation of a role which the Commission has played from the beginning and which could be carried out as well by specialized research institutions.

In its attempt to achieve more efficiency, the Commission has made direct contact with regional authorities, first of all to expand the mutual exchange of information (3); cooperation has however been hindered by the suspicion of national bureaucracies (4).

(1) idem p. 47.

(2) Commission of the EEC, 1st general report 1967, p. 231-232.

(3) idem, 2nd general report 1968 p. 291.

(4) Example: an Italian circular nr 200/13940/14 of 27.12.1972 from the Prime Minister's office to government Commissioners asking the regions to make all contacts with the Commission through the Ministry of Foreign Affairs.

The absence or weakness of a relationship between the Commission and regional authorities is of course caused by the difficulty of finding appropriate partners in all Member States. One can hardly imagine the Commission cooperating in the same way with provincial authorities in the Netherlands, counties in Denmark, Länder in Germany and regions in Italy. Micro-regions, which are the service level of local government, are not much use to the Commission; as we have seen, this level has so far been developed further than the macro-regional level which would suit a European context much better for exchange of information, advice, planning and even execution.

The effect for European regional policy is certainly negative. Inside the Member States, local and regional authorities can be politically active as national pressure groups (e.g. municipal councils). The EEC decision-making mechanism is not a computer into which the Commission puts an initiative so that the Council can produce a regulation, but a confrontation of national and European administration, political parties and socio economic interest groups; a regulation or a policy in general results from a compromise between a series of proposals and counter proposals. The legal power of the institutions is not always the same as their real political power to realize what they want or to prevent other political activist actors (e.g. pressure groups) from exerting any influence (1). But regional authorities have no role in the European political game. Even the Committee for Regional Policy (established in 1974) is composed of national civil servants, so that regional influence or demands can still be filtered before they eventually pass on to the European level of policy making. Direct relations between the Commission and local and regional authorities involve some particular problems. In

(1) L. Diericks, *Het Europese besluitvormingsproces*, Brussel 1972, p. 258.

theory it is easy to maintain that there is no need for direct relations: federal states also have no legally established contacts between federal and local authorities.

In the EEC, there are two distinct legal and political levels, the *Community* and the national, and local authorities belong only to the latter. It is thus quite normal that the Committee for Regional Policy is composed of national representatives only. Further, it would be impossible to compose a regional policy committee with representatives from European regions, because they do not exist as such. The present forms of regionalization in the Member States make this impossible because of too great a diversity of structures and powers. One would have to take representatives from macro-regions in one state and from micro-regions in another. And the problem remains of course that the Treaties have no view about the type of region EEC policies have to deal with. If there were a harmonious macro-regional structure in the Member States and if there was a political will to elaborate European (macro) regional economic development planning including both EEC measures and coordination of national measures, then direct contacts between the Commission and representatives of these (macro) regions could be envisaged and an advisory committee could be established.

A problem also arises from the specialist nature of Council meetings, which bring together Ministers of Agriculture, Transport, Finance etc. Normally this would be advantageous but not in the case of regional policy which always involves several other policies. With the exception of Italy, no other Member State has a Minister for Regional Policy. Belgium has two Secretaries of State for regional economic policy, one for Flanders and one for Wallonia, but they fall under the Minister for the Economy who normally represents the state at Council meetings, as each state is entitled to

one representative only. Even in these Member States, regional problems are dealt with by various ministries, as is the case in all others. Usually there is one Ministry which has the main power for dealing with regional problems and this is normally the Ministry of Economy. At EEC level, regional matters are therefore normally brought up at the meetings of the Ministers of the Economy and Finance. However, decision-making at European level can still be delayed because of the dispersed nature of decision-making in the Member States in matters of regional policy. Similar delays do of course happen in other meetings too: the Ministers of Agriculture for example may delay a decision until the Finance Ministers have met. But in the case of regional policy it appears that such delays happen more frequently, though the secrecy which surrounds Council meetings makes it difficult to be precise.

Another problem hampers the Council in the elaboration of a European regional policy. Any solution to regional underdevelopment always needs intervention in the form of a wide range of measures: it is difficult to coordinate these measures and construct an all-round coherent plan through a series of meetings with ministers with different responsibilities. Because the Council had moved towards more diplomatic methods, progress can often be made only if other measures are agreed at the same time: a Member State may declare its willingness to capitulate on a particular issue if it obtains satisfaction on another point which may be an entirely different matter. Thus it can happen that some aspects of a Commission proposal are agreed upon and others are not although the application of accepted measures may not be hindered by this lack of coordination, their effect will be reduced considerably.

The Council chooses between the various solutions proposed for a certain problem, but it does not elaborate the alternatives presented to it (if any). In matters of

regional policy, the Commission can thus come with truly European solutions; it can identify the common interests in doing so and stimulate integration (1). But it has been hindered by insufficient pressures from regional authorities and the reluctance of the Council to treat regional problems other than as a matter of "as much aid as possible".

The position of the Committee of Permanent Representatives must be mentioned too in relation to the role of the Council. Its position can be ambiguous: in dealings with the Commission, Permanent Representatives defend national interests, but it appears that they often defend European interest in dealings with their government (2); during the preparatory phase of a decision, they therefore act as 'go-between'. This state of affairs cannot offer any particular advantage for regional policy matters; the Commission's views have emerged largely without regional participation, and from their respective capitals, the Permanent Representatives only hear the opinions of their national administration.

Though precise information is hard to come by, it appears that the Permanent Representatives deal first and foremost with the Ministry of Foreign Affairs (they are in fact diplomats) and to a lesser extent with the technical ministries: however, when it concerns a common policy, for example agriculture, this practice does not apply. As we have noted already, there are no ministries for regional policy, so the Permanent Representative has nowhere to go with the Commission's proposals (except in Italy). However, it seems that there is consultation on such matters between the Permanent Representatives of the United Kingdom and the Scottish and Welsh offices in London.

Contacts between the Permanent Representatives and the

(1) L.N. Lindberg, Political dynamics of European integration, p. 8.

(2) L. Diericks, op. cit. p. 262.

Secretaries of State for the Flemish and Walloon economy appear to be negligible; the Permanent Representative seems to deal almost exclusively with the Ministry of the Economy. No consultation of any significance appears to take place between the Permanent Representative and regional authorities either (e.g. in Italy or with the Länder governments in Germany). However, it is possible that the size of their staffs makes consultation on a permanent basis rather difficult. But there are certainly political reasons too; when in 1977 a consultative committee on regional policy of local and regional authorities from the Member States was established, no permanent representative was willing to deal with it, although they now maintain some contacts on an unofficial basis with representatives of their respective countries.

Control of the activities of both Commission and Council is exercised by the Court of Justice and the European Parliament. The latter exercises a political control over the Commission, but its other powers are not yet of any great significance. The jurisdictional control is exercised by the Court of Justice.

Until now, it was not necessary for the Court to pronounce judgement on powers directly concerned with regional policy or the legal acceptability of certain regional measures. In some cases, regional matters were dealt with indirectly by the interpretation given by the Court to other articles (1).

The nature of the Court is such that its role in these matters can be no more than jurisdictional control of the treaties. In the interpretation of the Treaties, however, the Court has the possibility of widening the EEC's responsibilities as regards regional policy; this could be important since this is not covered completely in the Treaties.

(1) See *Receuil CJ*, VI. 1960 Nr 3-18, 26-58.

The European Parliament exercises political control which implies that its role in the elaboration of the EEC's regional policy could be significant. Its control in fact concerns only the Commission, which can be forced to resign by a vote of no confidence. Parliament has no control over the activities of the principal decision-making institution, the Council of Ministers it can of course make some embarrassing political noises, but it cannot force the Council to do or not to do something. Indeed, it has taken years to persuade the Council to accept that its President should appear before Parliament to make statements and to answer questions, and a real debate is still not possible. As things look at the moment, Parliament's powers will not be increased when it ^{will be} elected directly.

Parliament's legislative powers are restricted to giving advice on the proposals of the Commission before these are examined and decided upon by the Council. However, discussions often start in the Committee of Permanent Representatives and when the opinion of the European Parliament arrives, the views of the national administrations has often preceded it, and the Committee of Permanent Representatives may have worked out a compromise already. The Commission, too, can change its proposals during the discussions in the Council and thus the opinion of Parliament can be out of touch. The Council has therefore agreed to ask Parliament again if a fundamental modification is made, but this is rather vague. Since 1975, Parliament has budgetary powers over the EEC's own resources which otherwise would not be controlled because national parliaments have no say in these matters.

Originally the European Parliament and the Commission were partners, but Parliament's importance has decreased together with the increased cooperation between the

Commission and the Council. After the Hallstein-Commission, the real supranational character of the Commission has been weakened; the Commission tries to avoid conflicts with the Council, which inevitably implies that it takes more account of national interests and less of European interests, though in general it has remained the voice of common interests, together with Parliament. The technical and careful approach of the Commission was particularly noticeable during the Ortolí Commission (1).

The European Parliament has a politically important role as intermediary between public opinion and the European institutions; it can in particular bring to the attention of the Commission and the Council certain problems which they may be inclined to neglect because they do not figure prominently in the treaties or because some Member States do not want to bring them into the European sphere. Regional problems are a striking example of Parliament's role as a stimulus for the Commission and the Council (or rather of attempts to stimulate them.....).

In the beginning, Parliament appeared to have more influence than at the moment, at least in matters of regional policy. Instead of receiving paternalistic warnings from the Commission responsible for regional policy to be realistic, the Commission would follow Parliament's advice (e.g. the organization of the 1961 conference on regional economies), even if the Council did after all not take the decisions both institutions had wished. Gradually, this changed; a precise date can of course not be given, but the change in the position of the European Parliament ^{became} quite clear during the term of office of the Ortolí Commission. In matters of regional policy, a technocratic approach replaced earlier idealism more completely than before; the Commission returned to

(1) See Chapter V.

the narrow view of "what is possible shall be done" and not of "what must be done shall be attempted". Parliament inevitably followed the example of the Commission, with the result that even its more timid proposals did not have a chance any more, according to the political principle that he who asks too little gets nothing.

In 1960, things were different. At a time when regional policy in the Member States and in the Communities was still largely seen, at least officially, as a matter of aid, Parliament produced the Motte Report (1).

Though it is out of date now on certain points, it remains an example of political vision. It aims to reconcile one of the most delicate aspects of regional policy, its human and social implications, with technical necessities and this at a time that regional matters were often treated either romantically, or on a purely technocratic basis. The report is already moving towards a concept of what a region is, and proposed the basis for a European regional policy.

The European Parliament has ever since continued to pay much attention to regional problems. The Birkelbach Report (1963) examined the regional consequences of the establishment of the common market and the necessity and possible means of coordinating national regional policies. It drew attention to the representation of local authorities in EEC policy-making and urges the Commission to seek solutions. The comments of the European Parliament on the first communication of the Commission to the Council about regional policy in the EEC, the Bersani Report (1966), demonstrated again the global and long term view which Parliament takes. The approach in all these reports shows at the same time an understanding of the social and cultural implications and of the techniques of regional policy; Parliament

(1) This and other reports will be analysed in section II. They are mentioned here only as an indication of the role of the European Parliament.

clearly continues in the tradition of the Motte Report. Reading these reports, one regrets even more that Parliament has no decision making powers in the field of regional policy.

Mitterdorfer Report (1970) and the Delmotte Report (1973) seem to show a shift towards a more technical approach to regional problems on the part of Parliament. Of course, these reports discuss technical Commission proposals, but another reason may be that Parliament gave up producing reports which were ignored almost completely by the Council and also to some extent by the Commission, which is more concerned to reach some agreement in the Council than to achieve global and comprehensive agreement. It was also in Parliament that the importance of a harmonious regional structure in the EEC has been stressed. In order to elaborate a global and coherent regional policy it will be necessary to complete the treaties and to extend the powers of the EEC to include regional matters, as well as to set up a regional framework of European dimensions.

In general it can be said that the European Parliament has been the regional conscience of the EEC. It has repeatedly drawn attention to regional problems and the necessity of solving them, and has indicated possible ways of doing so. This interest is the more striking because Parliament is normally not composed of "regional" representatives. The only Member State which aims at equal representation of its two regions is Belgium, where there are sufficient internal pressures to send an equal number of MP's from the Dutch speaking and French speaking parts of the state. However, this is based on the cultural regions in Belgium, not on economic regions. The delegation of the United Kingdom includes MPs from Wales and Scotland who are apparently selected to give these regions a representative in the European Parliament;

Other Member States give primary consideration to maintaining party political balances.

The European Parliament has thus tried to push the European institutions towards a more global regional policy; it tried to fill the gap in the treaties in this respect, its political powers were inadequate for it to succeed.

The most important consultative institution has been established by the EEC Treaty itself, the Economic and Social Committee (EEC art 193). Such an institution was absent in the ECSC and has been much regretted by the economic and social organizations concerned. The Economic and Social Committee is composed of representatives of all sectors of economic life, appointed by the Council. It must be consulted by the Commission or the Council as provided for in the Treaty or when they consider it to be necessary.

According to the Treaty, the Economic and Social Committee *does not need* to be consulted in matters concerning regional policy; the Commission, however, has done so. Like the European Parliament, the Economic and Social Committee has usually stressed the need for a global and comprehensive regional policy. It has also given particular attention to the unemployment and underemployment in backward regions; this concern has led it to draw wide ranging conclusions to remedy this situation.

Though it receives less publicity than the European Parliament, the influence of the Economic and Social Committee should not be underestimated, because it is composed of high ranking persons from industry, commerce and the trade unions (1). In general its role in matters of regional policy cannot be expected to be important

(1) L. Diericks, op. cit. p. 263

because its objectives and its members composition are oriented more towards general economic and social matters; regional problems only come indirectly.

Other consultative committees can be established by the Council. In 1973 a Committee for Regional Policy was established, something for which the European Parliament had long been pressing. This Committee is composed of top civil servants dealing with regional policy in the Member States. It may help to achieve better coordination between national regional policies and the EEC's regional policy. One should, however, not expect too much of it since it is often the national bureaucrats who block the elaboration of European measures or attempt to do so. What is still lacking is official consultation with regional authorities; there is of course strong opposition from the national governments, but there are also practical difficulties because of the great disparity in regional structures and authorities and their powers in the various Member States of the EEC.

CONCLUSIONS

There are therefore several obstacles to the elaboration of EEC regional policy; the absence of a concept of what a region is, the absence of a concept of regional economic development planning, the absence of coherent EEC powers regarding regional policy. All these are inter-related problems and, as we have explained, they result mainly from the fact that the Member States themselves were not alive to these problems at the time of the elaboration of the Treaties. As we have observed EEC powers and instruments in the field of regional policy are not grouped in a coherent way and some necessary powers are absent in the EEC (e.g. regarding the planning of the general regional economic development), but nevertheless it is the task of the institutions to make an effort in order to contribute to the realization of the treaty's aims.

It is not surprising if the activities of the Commission and the Council reflect both the limited attention given to regional policy in the Treaties, and the concepts prevalent in the Member States at certain times.

However, allowing for these limitations, the EEC has not neglected regional problems. From the establishment of the ECSC onwards, its institutions have been conscious of the need to remedy the poor economic conditions of so many parts of the Community. Learning from early experiences and aware of the increasingly urgent need to do something to narrow the economic and social gap between developed and backward regions, the EEC has tried to work out a more comprehensive regional policy. It cannot be claimed to have been a great success, as the 1972 Paris summit conference implicitly admits when it calls for new action in this field.

Though every division may be arbitrary to a certain extent, a study of EEC regional policy has shown that three periods can be distinguished. From the early days of the ECSC, concern about the regions was already beginning to grow; it increased after the establishment of the EEC. A turning point was reached in 1965 when the Commission sent its first communication on regional policy to the Council, in which it makes an attempt towards a more global regional policy. One can see a third period emerging in 1972: three new Member States entered the EEC (two of which had serious regional imbalances) and the Paris summit declaration proposed the creation of new possibilities for EEC regional policy. The long term results of this third period are of course not known yet, but some conclusions can already be made about the last Commission's regional activities (1972-1976).

As we have indicated in the general introduction, our analysis will not be made from an economic viewpoint, though the description of many EEC measures can of course not be done from an entirely political or legal viewpoint. It is also not our aim to go into every detail of EEC regional policy, but to make an analysis of the main regional policy measures and the use of special instruments in order to show some of the weaknesses of the legal provisions of the Treaties and of political realities in the EEC.

CHAPTER II:

THE EMERGENCE OF EUROPEAN REGIONAL POLICY (1952-1965)

INTRODUCTION

After the devastations of the Second World War, the first concern of all states was to rebuild their economies and to deal with the enormous human problems. Regional thinking was a concept which was mostly absent in their pre-war economic thinking and no one thought of taking the regional factor into account in reconstruction and redevelopment programmes. In some states a certain regional interest existed, but in the form of regionalism based on historical, cultural or ethnic considerations; political administrative and economic regionalization had not yet emerged (1). Of all the states which became members of the ECSC, only Italy and France had shown the beginnings of more developed regional policy concepts. However, in general no serious regional efforts were made until the second half of the fifties; little legislation was introduced in this field and not enough to constitute a global regional policy. It is therefore not surprising that so little attention was paid to regional imbalances during the negotiations preceding the Treaty of Paris and in the treaty itself.

Another reason is that the Treaty of Paris only covers the coal and steel industries. These were mainly located in a few parts of the Community; some of these coal or steel regions needed reconversion and the Treaty envisaged measures to assist them in this. These measures were an attempt to cure the symptoms of regional problems, but not necessarily the causes of *regional problems* ; regions with difficulties in

(1) See part I, Chapter III.

other sectors of economic life, for example backward agricultural regions, were not covered by the Treaty.

The Treaty of Rome, and the Spaak Report which preceded it, gave more attention to regional problems. Though the Treaty sees regional policy as secondary to other policies, it does offer European institutions some scope for action, especially regarding underdeveloped regions, as a result of the general nature of the EEC treaty and because of increasing concern over the negative effects on economic and social life of wide disparities between regions. However, regional policy in the EEC was considered to be an aspect of overall economic growth and the utilisation of all the resources of the Community; the neo-liberal economic view had high hopes that general economic growth would lead almost automatically to a better distribution of economic activities and to more prosperity in backward regions. Difficulties might continue and even increase temporarily, but special measures were envisaged in the treaty to counterbalance a possible worsening of the position of the underdeveloped regions through the establishment of the common market. As we have noticed before, these measures reflect the conception of regional policy as a form of aid and not really as a developed planning concept; this fitted in well with the general economic beliefs behind the Treaty and with the policies generally found in the Member States at that time.

1. THE GROWTH OF REGIONAL CONSCIOUSNESS IN THE ECSC

The situation of the coal and steel industry in 1951 was not too favourable. Coal mines were heavily concentrated in a few regions close to each other; 93% of the total coal production took place in 1/16 of the Community's territory. The coal areas with difficulties were all outside this Ruhr-North of France-Lorraine triangle, with the exceptions of the Borinage mines.

Output in the mines was between 1400 to 1600 kg per miner, but in the Lorraine mines the output was 2300 kg, in Borinage only 1000 kg and in the Sulcis mines, 950 kg per miner. From the first year of the ECSC, a certain regrouping of prices took place, except in Belgium where the coal price remained higher than the European average. The evolution of production was therefore predictable: expansions in Lorraine, Saar and Belgium and Dutch Limburg, which together had about 25% of the total production in 1957; stagnation in the Ruhr, which still produced half of the total coal output, and in the small mines in the Centre Midi and Niedersachsen; a distinct decline in the Borinage coal mines whose share in the total output fell from 18% to 7% (1). Regional problems are closely related to this situation; only the fittest could survive in a common market. The role of the high authority would be to help these regions to integrate more easily in the common market. But the artificial maintenance of inefficient mines was of course out of the question.

In the steel sector, 3/4 of the total production took place in the "triangle"; both industries needed each other, certainly in the 19th century. However, while the total steel output in this period (1951-1957) increased, the percentage produced in the triangle fell from 80% to 76%, as a result of the development of steel industries in Member States which had hitherto a very small output such as the Netherlands and Italy. This evolution resulted in particular from the steel industry's tendency to move closer to the sea, for easier delivery of supplies.

The extremely limited provisions for regional policy in the Treaty of Paris could not have much effect on political and economic realities. The High Authority had to ensure that the transition from a protected

(1) P. Romus, *Expansion économique régionale et Communauté Européenne*, Leiden, 1958, p. 312-313.

national market to a common market took place without regional difficulties; therefore, the Treaty envisaged a gradual transformation of the economic structures, and provided for measures to deal with the social consequences. The ECSC would try to compensate for the consequences of the establishment of a common market but it would not have an active regional policy; it would remain "kurieren am Symptom". Regional measures were envisaged for social reasons and were not considered as a direct redevelopment policy for the coal and steel regions. Powers regarding regional policy as such remained entirely in the hands of the Member States and the role of the ECSC was restricted to that of giving secondary assistance. This dichotomy, which resulted mainly from the nature of the Treaty of Paris, would nevertheless have serious consequences.

a. Readaptation and reconversion policy

The aim of the readaptation policy of the ECSC is to protect the standards of living of workers affected by changes in the coal and steel industry resulting from the establishment of a common market, and to contribute to the professional mobility of workers (1). The mechanism of the readaptation policy was originally envisaged for the transitional period only, but was later extended. A clear distinction must be made between the readaptation policy, which concerns specific enterprises whose workers become redundant, and the reconversion policy which concerns industries whose workers become redundant when the treaty is in force as a result of the introduction of new techniques. The conditions of the reconversion policy concern the labour market while these of the readaptation policy concern certain specific enterprises.

(1) L.P. Suetens, Les investissements et les aides financières, in Les Nouvelles, Bruxelles, 1969 p.545.

The readaptation policy of the ECSC aims to readapt workers by providing tideover and resettlement allowances, payment to enterprises to help them to pay their workers during a period of temporary unemployment resulting from changes and also by financing vocational retraining for workers who have to change their employment; these aids are non repayable. The High Authority can also give direct aid to enterprises which undertake their own readaptation or which are created to integrate licensed workers from the coal and steel industry; non repayable aid may be given to enterprises which have to close down if this is a direct result of the establishment of the common market and if this will lead to a relative increase in the output of other ECSC undertakings (art 23 of the convention, 4 & 5).

Though these aid measures can only be used if the Member State concerned provides at least an equivalent sum itself, the system has proved to be flexible and effective (1). The High Authority could evaluate different situations and adapt its action according to the specific needs of the Member State or a particular region. Between 1954 and 1960, the ECSC spent 42,518,00 EUA on the readaptation of 115,085 workers in Belgium, Germany and Italy and France.

The readaptation policy started with a large programme to transfer miners from declining Centre Midi collieries to Lorraine. The reluctance of the workers to leave their region made the programme an almost complete failure. The High Authority had expected to resettle 5000 workers in three years, but only a few hundred volunteered (2). A healthy economy does of course need some mobility of the factors of production, but mobility of one factor alone, the worker, can hardly

(1) F. Perrin, la politique régionale et la CEE, Grenoble 1968, p. 131.

(2) ECSC, rapport général 1956 nr 4 p. 215.

be accepted. The High Authority understood that "gentle deportations" were not the right way to solve the problems of coal mines. A closer look at this failure reveals that it was social and regionalist factors in particular which influenced^a worker's decision to stay; they were attached to their local community and reluctant to go to Lorraine because of the difficulties of adapting to a new region where another dialect was spoken and where they would have to accustom themselves to a different way of life, different weather etc.; housing conditions and services also played an important role. Their refusal was influenced too by local forces such as tradesmen, foremen, local officials of trade unions, mayors and anti ECSC propaganda from the Communists (1). They feared and not without reason that the departure of such a large group would accelerate the decline of the region. It is indeed an accepted principle of regional policy that well trained workers should stay in a backward region because they can be a great asset for its redevelopment.

If, as in this case, the major economic activity proves to be inefficient, new industries should be attracted or others expanded; with skilled workers on the spot ready to be employed after following a retraining programme, an important difficulty is already solved. But this requires a coherent regional plan, something the ECSC obviously lacked, and because of the treaty's provisions could not produce. Resettlement of workers is a possibility if all other means of solving a regional problem have failed (2); but in this case all the other means were not tried.

In order to avoid such a failure and criticism from a regional viewpoint, the High Authority carried out six

(1) W. Diebold jr., *The Schuman Plan*, New York 1959, p. 407-410. His analysis, too, was of a particular time.

(2) V. Siebrecht, *Anpassung und berufliche Ausbildung*, in *Actes officiels du Congrès International d'Etudes sur le CECA*, Milano-Stresa 31.5.1957, p. 229

sociological studies. These brought to light the considerable influence of regionalist factors such as attachment to the local community, social and cultural factors, housing conditions and vocational training, and to a lesser extent the role of factors such as the legislation on naturalization and on freedom of movement within the state or the problems of country bred workers moving to a city (1). More attention to the social factors and public relations, psychological and physical factors would give better results in the future. Later, the High Authority admitted this and agreed to take these various factors into account (2).

The first experiment also demonstrated that if no clear division of the responsibility for regional policy is made between the Member States and the ECSC, the effect of the regional policy measures of the European institution could be easily jeopardized by the unwillingness of one national government. To avoid unemployment in the Centre Midi collieries, the High Authority had in fact invited the French Government to join in examining the opportunities for re-employment in the region, in industries connected with coal and steel or in different industries (2). French regional policy, however, was still in its initial phase with no division of the territory into regions and only incentives for enterprises to move into depressed areas. But enterprises usually do not move freely to depressed regions if they can establish new plants in flourishing areas, whatever the incentives offered, for purely economic reasons (high costs, bad infrastructure etc.) and also for psychological reasons. So the result was negligible. The High Authority lacked the power to take initiatives

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- (1) ECSC, rapport général 1956 nr 4 p. 219.
 (2) ECSC, general report 1958, nr 6, II, p. 189.
 (3) ECSC, general report 1955, nr 3, p. 152

on its own to fill the gaps in an incoherent and weak regional policy at state level.

The negative role of the Member States, at least from a regional viewpoint, came to light again in another case, that of the readaptation of the Hennebaut (France). The dossier for readaptation had been approved by the High Authority, but the French Government refused to take part in the programme, for internal reasons (1). After a series of protests, the government reluctantly accepted its responsibility, but never carried out what it undertook to do conscientiously; the Hennebaut was finally closed, despite the fact that it was located in a region with high unemployment and severe economic development problems (namely Brittany). Other examples also demonstrate that particularly in this initial period; governments and national administrations were reluctant to apply for readaptation, while the High Authority also showed an unwillingness to press them very hard (2). The result was that requests for assistance from the High Authority were sent in by governments long after workers had become unemployed; this made readaptation more difficult. These delays were mostly due to the national administrations. In order to obtain faster arrangements, a joint meeting of the consultative committee and the Council of Europe's sub-committee for local authorities requested that local authorities should be authorized to ask the High Authority for readaptation assistance (3). Local authorities are indeed closer to the realities of the situation and it seems hardly necessary to involve national administrations in the first phase, only to

(1) R. Lafont, *Décoloniser la France*, Paris 1971, p. 74.

(2) W. Diebold, *op. cit.* p. 421.

(3) L.P. Suetens, *op. cit.* p. 229.

transmit demands. This together with a greater freedom of initiative for the High Authority could have led to closer cooperation, between European and regional levels of decision making, and could have obviated many shortcomings. It is rather surprising and indicative of the reluctance of governments to permit direct contacts between the European authority and local or regional authorities, particularly because in this case there was the Treaty's provision that governments had to pay at least half of the costs, which gave them in practice a veto over the final decision. However, coordination of ECSC policies and national policies was certainly not easy in the beginning; the involvement of local and regional authorities would have complicated matters even more.

The second case in which ECSC policy came into action, the Belgian coal crisis, showed most clearly the necessity of integrating a readaptation policy into a coherent regional plan. As elsewhere, the High Authority left the execution of its readaptation to the government of the Member State itself. This proved not to be the best solution: it meant that the Belgian Government could easily postpone readaptation and use the money to cover the operating deficits, with the result that at the end of the transitional period, the Belgian coal mines had the same difficulties as in the beginning (1). Such a short-term policy proved to be very detrimental for the Borinage as well as for the Kempen mining areas; the existence of a regional plan, executed jointly by the regional authorities and the High Authority, without the interference of internal political disputes, could have saved the Kempen mines and made the redevelopment of the Borinage a reality. However, this is speculation; the High Authority could hardly press the Belgian Government which was

(1) W. Diebold, op. cit. p. 211

more concerned with keeping a balance between the two cultural communities than with following a healthy economic and regional policy.

Belgium had a bad situation in comparison with other Member States of the ECSC; the cost of mining coal was higher and productivity lower than in other Member States. This was particularly so in the Borinage, which produced 2/3 of the total Belgian output, and was a result of bad natural conditions as well as inadequate renewal of the installations; in the Kempen mines, conditions were better.

Therefore the High Authority made a special ruling for Belgium. A special tax on the coal sold was imposed on the producers of those states whose average costs were lower than the weighted ECSC average; the funds which this tax yielded were used for aid for the Belgian coal mines. It was an example of European solidarity. In the transition period export subsidies were given by the High Authority and by the Belgian Government, so that the export of Belgian coal to other states of the ECSC rose rapidly; but at the same time, as a result of the establishment of the common market, import of coal from other Member States increased; so enormous stocks were building up. It became evident to everyone that the problem could not be solved that way.

Hopes that the adaptation of the Belgian coal mines would be realized by the end of the transition period were dashed. Instead of eliminating inefficient coal mines and re-equipping others, Belgian governments continued to put vast sums of money into mines which were not viable in the long run (1).

In 1955 the High Authority decided to give increased aid to four Borinage mines to re-equip them and to close

(1) F. Baudhuin, Histoire économique de la Belgique 1957-68, Bruxelles, 1970, p. 119.

nine others before the end of 1958; aid given to three Kempen mines and to those of Liège was stopped immediately. In the late 1956, the High Authority modified this policy and divided the Belgian coal mining companies into three groups: the first group of twenty one mines were left without subsidies; the subsidies of four Borinage mines which could not be adapted were cut off from the beginning of 1957; the others continued to receive ECSC aid until the end of the transition period and were even allowed to receive two more years subsidies from the Belgian Government. However, the Belgian Government continued to cover the losses of the Borinage mines which had to be closed and made extremely slow progress with the adaptation and re-equipment of the others. So the result was that Belgium still had the same disadvantages at the end of the transition period as at the beginning (1). The crisis came, as expected, at the time that all subsidies had to be stopped. Strikes, involving several deaths and injuries were the price of a bad policy: the shortsightedness of the Belgian Government, violation of ECSC rules, weakness of the High Authority, absence of regional economic development planning would be key words to describe the situation.

Many problems could have been prevented or at least solved if the ECSC and the Belgian Government had worked out a coherent regional policy for the mining regions. But this was obstructed by the fact that other economic activities could not be integrated into such a policy and by the lack of a regional concept and of legal administrative instruments. We have noted already that the nature of integration of the ECSC and the general absence of attention for regional policy as such did not give much hope that the High Authority would take a regional approach. In Belgium

(1) W. Diebold, op. cit. p. 211

itself, the governments dealing with economic problems looked no further than the immediate cultural linguistic problems involved, which resulted in a short sighted policy. Instead of following a strong regional policy in Wallonia, governments used the money to support inefficient mines; on the other hand, there was not enough money made available to re-equip the Kempen mines, which were in a much better position, comparable with or better than the position of the mines in Dutch Limburg and the Aachen basin (1).

In this transition period, the measures envisaged by art 56,1 have therefore not been used because art 23 of the convention offered an adequate basis (2). However, before the end of the transition period, a proposal had already been made to revise art 56.1 in order to make its application more flexible and efficient (3).

b. Other policies with regional implications

An important aspect of every regional policy is transport. Transport tariffs can be diversified to help industries in peripheral regions or situated far from their markets to remain competitive; such special tariffs were used by most Member States. After the establishment of the ECSC, these tariffs had to be passed by the High Authority prior to their application, so as to ensure that they were in conformity with the treaty. In doing so, the High Authority was not able to weigh up all the regional policy arguments and adjust its transport policy accordingly because the Treaty only envisages integration of coal and steel. Regional policy remains outside the partial economic policy of the ECSC and transport policy was only part of this

(1) idem, p. 214.

(2) P. Romus, op. cit. p. 308.

(3) European Parliament, Kreyssig report 1958, p. 22 et seq.

policy in so far as it was related to the coal and steel industries, directly or indirectly. But it was impossible to allow special tariffs on a regional basis, the High Authority had the power to do it on the basis of ECSC art. 2, namely to avoid fundamental economic disturbances and the unemployment of workers, though this does not exclude the closing of enterprises and offers no basis for giving aid to individual enterprises, since its provisions only cover aid on a large scale (1).

However, during the transition period, the High Authority was able to accept special tariffs for peripheral or underdeveloped regions of France and West Germany on the basis of ECSC art. 10, 7 of the convention. This was of course only temporary: if the enterprises in these regions were not viable without this aid, the High Authority could not prolong its aid, even if it were necessary from a regional viewpoint.

The European Parliament has pressed the High Authority to go as far as possible and even further than the Treaty permits on transport policy matters, because the obligatory harmonization would make it necessary for the ECSC to do so (2). The High Authority itself was inclined to give a regional bias to its transport policy (3). However, a decision of the Court of Justice put clear limits on the interpretation of the Treaty (4).

(1) Recueil de la Cour de Justice VI 1960, aff 27-58, 28-58, 29-58 p. 579-581.

(2) European Parliament, Kapteyn Report 1954, p. 18.

(3) ECSC, rapport general 1957, p. 23.

(4) The Court has stated that the ECSC treaty envisages sectorial integration: therefore the High Authority cannot take into account all matters related to regional policy. See Recueil VI, 1 aff 27-28-29/58. Although this interpretation was legally right, it was a blow for those who hoped for a more regionally conscious ECSC policy from the High Authority. They had to wait until the fusion of the Institutions in 1965 before something in that direction could be attempted again.

The ECSC played a role in the establishment of degressive international train tariffs, taking into account the total distance; this can favour certain regions indirectly if they are provided with a good network. The ECSC also signed an agreement in 1958 to adapt internal tariffs on the Rhine to international tariffs, but failed to obtain an agreement on tariffs concerning what were called the waterways west of the Rhine; the system proposed would in fact protect France from competition from regions with a modern canal system such as the provinces of Hainaut and East and West Flanders in Belgium (1).

The most important achievement was the beginning of the canalization of the Moselle between Thionville and Koblenz, which connects Lorraine with the Ruhr and is therefore an important route for these coal and steel regions. This work was completed in 1964.

In accordance with ECSC art 46,4 the ECSC participated in studies on regional development concerning mobility and readaptation of workers and has carried out regional employment surveys in coal and steel regions.

This is of interest for all regions concerned, such studies have the advantage that they consider regional problems from a European viewpoint and that, if they are used by national or regional authorities, they give a much wider perspective on a region's economic chances than studies which consider regional problems from a national viewpoint at this point, economic life became more and more European and even world orientated.

It is therefore clear that the ECSC was handicapped from the beginning in the field of regional policy because of the approach of the Treaty: partial

(1) P. Romus, op. cit. p. 304.

economic integration with the prior aims of rational development and expansion of the coal and steel production. It were the first (shocking) experiences which made the High Authority aware of the regional impact of its policies. Though some policies favoured some regions indirectly, the High Authority never had (or could have) a global regional policy, not even for the coal and steel regions, because its powers were too restricted. Regional development thus was an accessory and incidental aim; in a certain sense it was a social policy with regional implications.

The 1952 to 1958 period nevertheless shows a growing regional consciousness in different Member States and at European level, Italy and France, having the most serious regional disequilibria, gradually move towards more elaborate concepts of regional policy; France finally established twenty two planning regions. The Benelux had fewer regional problems (apart from the Belgian coal regions) and in fact remained without any proper regional policy; some ad hoc measures were taken there as in West Germany, where the regions ("Länder") had the advantage of a large degree of autonomy (1).

The European repercussions of regional imbalances and the need to find solutions on a European scale were not yet fully understood. There was no coordination between ECSC policy and national regional policies; this had not been envisaged and Member States did not welcome "interference" from a supra national authority. In spite of all these restrictions, this period was useful because it made more people aware of the need to do "something" for the development of backward regions.

(1) About the evolution in the Member States, see part I, Chapter I

2. THE EMERGENCE OF EEC REGIONAL POLICY (1958-1965)

The start of a vast project such as the establishment of a common market involved various difficulties. Perhaps one of the most delicate problems was how to realize the principal aim of the Treaty of Rome while at the same time taking account of its secondary but no less significant objectives. Thus the difficulties resulting from the establishment of a common market were increased by the ^{general} request to attend to the interests of backward regions.

a) The first step towards an EEC regional policy was to analyse the regional policies of the Member States in order to examine the compatibility of national measures with the Treaty's provisions (1). This approach inevitably led to the domination of the general aim of economic unification over the interests of the regions; particularly after the establishment of a common market, regions with weak economies might need more assistance in order to maintain employment and per capita income. However, in EEC art 92-93 the Treaty itself provided the means of softening the effects of the common market in backward regions, but the provisions of these articles are not defined precisely (2); this led to a situation where it became very difficult for the Commission to intervene effectively. Once the Member States discovered that these articles offered a way round the strict rules on free competition, it became a real competition to see which state could offer the most attractive investment aid under the cover of regional aid. Though such measures must be condemned in principle, because they do not constitute fair application of the Treaty's

(1) Commission, 2e rapport général 1958-59, p. 53.

(2) See Section I, Chapter I.

provisions, they probably did contribute to improving the economic situation in some regions. On the other hand, this aid given by the Member States not only distorted competition, but was in fact also given to regions who did not really need it. It was not until the third period of EEC regional policy that some limitations were introduced.

These studies had a second aim: to find the elements for a common regional policy (1). In the perspective of long-term economic development, a working programme had to be established to examine the problems raised by the "rapprochement" of various regions with unequal economic development. It is quite remarkable that such a study was carried out after the Treaty had taken force; had it been done beforehand, more effective measures could have been envisaged, if it was politically possible. Such a working programme would be based on an analysis of regional economic structures, using criteria such as per capita income, unemployment and GNP per head. However, one of the first discoveries was that no analysis could be made and no regional policy carried out without first identifying the economic regions in the EEC. There were two sides to this problem: the complete lack of harmonization of the Member States' regionalization projects or measures and the absence of a definition of a region in the Treaty; both aspects are linked indirectly.

One comment should be made about these studies. It seems that the Commission has to study problems for which it was not or only partly competent, to bring them into the European arena. It could thus broaden discussions on some topics without being accused by governments of exceeding its powers. It is almost

(1) Commission, 2e rapport général 1958-59, p. 53.

impossible to assess the impact of the many studies which the Commission carried out on regional or other problems in the Community, but it is certain that they broadened the general vision regarding possible solutions.

Each Member State had defined regions according to its own historic, geographic, cultural, economic and administrative criteria (1). The powers and institutions of these regions are so different that cooperation with EEC institutions is very difficult; even cooperation with each other at the EEC-internal frontiers is extremely difficult under these circumstances. These differences are one of the reasons for the absence of a clear concept of what a region is in the Treaty, and indeed for the different concepts behind its various provisions.

However, just as Member States have felt it necessary to establish a regional structure, for the same reasons the EEC institutions needed regions adapted to the scale of their policies. They had no powers to establish such regions, but the Commission could envisage a comprehensive study of such regional delimitation in the EEC. The European Parliament is the institution which from the beginning encouraged attention for regional problems and supported the Commission in this respect.

As far back as 1958 the European Parliament had indicated certain aspects of economic policy, though given only secondary mention in the treaty, should be included in the EEC policy (2). The establishment of a common market made regional policy an important aspect of a long term economic policy but this common market created more and new dangers for the regions' economic

(1) See part I, section II, Chapter II.

(2) European Parliament, rapport nr 54 (Van Campen) 1958, p. 14.

situation; it also created new possibilities for regional recovery. The report proposed the full use of all the powers envisaged in the Treaty to help underdeveloped regions, including those provisions allowing exceptions to general rules (1). It must also be remembered that this report already indicates that regional policy is not only in the interests of a few poor areas but of the whole Community because regional imbalances are one of the factors which lead to excessive fluctuations in the state of the economy in the EEC (2). This warning was to be forgotten for a long time ...

The Commission and Parliament were clearly thinking along similar lines in matters of regional policy. The Commission took account of Parliament's requests; thus when custom tariffs for certain products on list G (5) had to be fixed, the Commission favoured an agreement which would facilitate economic reconversion in the regions concerned (3). However, the general economic interest prevailed; in the second year of the establishment of the common market, it might have been politically unwise to permit too many exceptions.

In 1960 the European Parliament produced its first comprehensive report on regional policy in the EEC (4). It stated that the differences in economic development between various parts of the EEC must be reduced; not only because the Treaty said so but also because it was necessary to make economic integration a step towards forming a real community. The coordination of national regional policy and the development of a European policy were considered to

(1) idem, p. 16-18.

(2) European Parliament, rapport nr 54 (Van Campen) 1958, p. 22.

(3) EEC Commission 3^o rapport général 1959-60, p. 164.

(4) European Parliament, rapport nr 24 (Motte) 1960.

(5) List G, annexed to the EEC-Treaty, concerns a variety of agricultural products, minerals and industrial products.

be necessary (1). Each economic activity took place in a certain geographic area and around certain institutions, and both had a regional character. On this basis, each Member State had created a different organization and structure for its regional economic policy, all of which were analysed in the Report (2).

The report clearly made a more political than legal analysis of EEC regional policy. It stated that this must be based on two principles: regional participation and the introduction of a regional dimension in the general economic policy together with European infrastructure planning (3). No doubt European regional policy based on such principles would have been more effective, but it appeared that the EEC institutions have no legal powers to do more than introduce a regional dimension into their different policies. Nevertheless, the report proposed establishing a consultative committee for regional economies to provide for institutionalised consultation with the regions (4). It also proposed that an extensive study should be made of regional prospects and the possibilities of using social policy in its widest interpretation, investment and infrastructure programmes and other promotional activities such as transport and energy policy in order to realize the Treaty's regional objectives (5). By making these suggestions, Parliament seems to be aware of the fact that the establishment of a customs union favours the strong enterprises and regions and disfavors the weak if no adequate measures are taken. This does not imply

(1) idem, p. 1-2.

(2) idem, p. 6-13.

(3) idem p. 17.

(4) idem, p. 18.

(5) European Parliament, rapport nr 24 (1960) (Motte) p. 64

that a custom union in itself is a bad thing for backward regions, on the contrary, it can offer them many new possibilities (frontier regions are a good example of this).

It is difficult to assess the influence of this parliamentary report on the development of regional policy by the Commission and the Council. Doubtless it has prompted them to give more attention to the regional dimensions of various policies, though the Commission itself had recognized this aspect already (1). The Commission in particular must have felt its position to be stronger with the support of the European Parliament for its regional thinking, as some of its further actions prove (namely the organization of the 1961 conference on regional economies). Other suggestions, particularly the establishment of a consultative committee for regional economies and the elaboration of infrastructure planning, would be politically impossible to realize. The European Parliament bases its requests on the necessity of realizing the Treaty's aims, while the Council bases its policies on the powers conferred upon the EEC by the treaty. This is the main reason for the gap between the Council and the European Parliament.

In a resolution, the Parliament encouraged the Commission to work towards the coordination of national regional policies and to continue its research into a possible regional delimitation of the EEC (2). In those days, the latter problem occupied a prominent place in the thinking of both Commission and Parliament. The coordination of national regional policies and the elaboration of an EEC regional policy appeared difficult

(1) Commission, 3 rapport général 1959-60, p. 164.

(2) European Parliament, rapport nr 36 (Deist), 1960.

because of the absence of any coherent regional framework of proper European dimensions. Indeed since it was impossible to work out an efficient regional policy at regional level based on out dated administrative structures, it was a fortiori impossible to use the same structure for a European regional policy.

The intention of the "Conférence des Economies Regionales" organized by the Commission in December 1961 were not and could not be to intervene in the administrative political structures of the Member States, but only to analyse the most appropriate possible regional structure based on existing structures (France, Italy, Germany) or on the largest decentralized institutions (provinces in Belgium and the Netherlands). There may have been other secondary aims too: since 1959 regular meetings had taken place between top civil servants responsible for regional policy in the Member States and the Commission (1). The aim of these meetings was to compare national regional policies and to bring together the people responsible for their elaboration. It appears that the idea of a large conference on regional problems in the EEC either originated from this group (2), or at least received much encouragement from it. Such a conference was therefore an excellent opportunity to give an exposé to the whole of the EEC not only of the national policies of the respective Member States and their goodwill towards poor regions but also of the different methods in use (centralist planning in France, more decentralization in Germany and Italy). For the Commission it was an exercise in public relations, showing its concern for the European aspects of regional problems. It all happened in the enthusiastic atmosphere of the first years of the Hallstein-

(1) The activities of this group ceased during the 1965 crisis.

(2) P. Romus, op. cit. p. 213.

Commission.

The conference made an extensive analysis of regional problems and policies in the Member States. As the European Parliament had done in its reports, the conference agreed on the necessity of developing a regional policy, without which regional disparities would increase as a result of the establishment of a common market (1). Regional disequilibria can no longer be considered or solved at national level; indeed, the economic policies of both public institutions (the EEC) and private companies are realized more and more on the European level, and regional policy must follow this shift from the national to the European level of thinking and decision-making. The Commission was therefore urged to introduce a full regional dimension in each EEC policy. All this is not new: the Commission had made similar declarations, and so had the European Parliament. Politically it is significant that these ideas are expressed or at least endorsed by a large number of independent experts and by top civil servants responsible for regional policy in the Member States.

The most important aspect of the conference's activities seems to be the regional delimitation of the EEC. This has been done in a pragmatic way, aiming at a compromise between existing political structures and the objectives of harmonious economic development. One consequence of this approach is that all regional delimitations respect national frontiers, although it is precisely where there are artificial divisions of economically, socially and culturally linked areas that the need for a European

(1) Documents de la Conférence des Economies Régionales, Bruxelles 1961, C, p. 9.

approach is most felt. However, that appears to be politically too delicate a matter and the conference therefore limits itself to suggestions regarding increased cooperation and coordination in frontier regions. Geographic, demographic, social, economic and political administrative criteria are used to define thirty one macro-economic regions in the EEC; besides statistical facts, these criteria include qualitative elements such as the main economic activity, transport facilities, existence of large cities and financial and administrative factors.

The so called "European" regions show a great diversity in economic development. Income per capita in a few regions is above the EEC average, but in many others it is lower; in the latter the growth rate should be high, in the former low (1). Clearly such a suggestion, though essential for the realization of a European equilibrium, could not be followed by the Commission, which lacks the necessary powers; the control of the growth rate involves far-reaching powers in the field of economic planning (medium and long term), a field in which the Member States are unwilling even to coordinate, let alone delegate powers to a supra-national institution.

Concrete results of this conference are difficult to find. Some suggestions for an EEC regional policy had been made earlier and received only a sort of common blessing at the conference; others could not be followed up for political reasons. This was the case with the regional delimitation of the EEC in particular which received emotional criticism from some governments (2) and was more quietly blocked by

(1) Documents de la Conférence, II, p. 162.

(2) M. Debré, Région, Europe, Nation, in Promotions 1966, nr spécial Nr 77, p. 13-20.

others. The Belgian Government was already opposed to a regional delimitation of the Kingdom before the conference; as a result of this opposition (or veto?), no macro-economic regions were proposed. The government clearly did not desire what it regarded as European interference in a delicate internal matter, particularly because the criteria used by the conference were likely to lead to conclusions which were not in line with the government's ideas about regionalization. The Italian Government did not seem very enthusiastic either; the regionalization laid down in the 1948 Constitution had still not been completed, but political pressures were at the time already mounting to vote the Acts necessary to permit the ordinary regions to function (1). Even considering that the conference envisaged larger regions than those delineated by the constitution, its conclusions still provided many arguments for opposition parties and regionalists in Italy. This opposition was quite unreasonable: some Member States, such as the Netherlands and France, would many years later implement (in silence) conference proposals, the former by the informal introduction of two parts in the state (north and south), the latter by putting its regions together into eight macro-regions for the purposes of the sixth plan (2).

However, although the Commission hoped that a coherent regional structure would gradually emerge, based on existing economic regions grouped together to form larger European regions which would provide the framework for structural analysis and the regional policy of the EEC institutions (3), this hope was dashed by

(1) About the situation and evolution in the Member States, see Part I, Chapter III.

(2) See part I, Chapter III.

(3) Commission, 4^o rapport general 1960-61, p. 124-125.

the Member States. Perhaps the conference came a few years too early; the fact that regionalization was essential for economic planning and the achievement of harmonious growth was not fully recognized in the early sixties; it was still a technocratic idea, not a political concept. However, its lack of a concrete follow-up also made the problem of regional delimitation taboo in the EEC for many years to come. National regionalization plans took no account of the conclusions of the conference; lip service was paid to adapting the state to the new Europe and other similar phrases, but regionalization remained an exclusively national affair, not only in its elaboration but also in its conception.

The Commission's research after the conference was almost exclusively directed towards the study of the regional implications of common policies and of concrete achievements such as the industrial development pole in southern Italy and cooperation in frontier regions (1). The former study continued for another year and led to the creation of a plant for producing and processing steel in Taranto-Bari. More attention was paid to southern Italy, the most underdeveloped region in the EEC. In order to seek a solution for the sulphur industry in Sicily, a committee was set up in September 1962 with the aim of studying the possibilities of continuing production and the employment situation.

One cannot but criticize the hypocrisy of some governments. Proposals to establish the basis for a real European regional policy are vetoed, but European aid is welcome to realize prestige projects, which do not necessarily promote the balanced economic development of the region (the steel pole remained an isolated

(1) Commission, 5^o rapport général 1961-62, p. 141-142.

project); European help is welcome too if the situation in a particular industry has become disastrous, including employment prospects. Enormous amounts of money are handed out for single, uncoordinated projects (1)

The European Parliament asked for the establishment of a consultative committee for regional economies, an aim which the Commission seemed willing to realize. Several working parties were set up to elaborate a global concept of regional policy. On the request of the German Government, these working parties are composed only of national civil servants, without the independent experts the Commission wanted (2). Common meetings of these groups of experts can be held together with regional authorities (3). This would help the Commission to work out its common policies during the second phase (4). However, before these reports were finished, Parliament sent in a new request.

The Birkelbach Report aimed to give a new impetus to the development of EEC regional policy after the conference on regional economies in 1961. The question of regionalization occupied a much less prominent place; people resigned themselves to the fact that the EEC institutions would have to work on the basis of existing structures and they tried to make the best of it by being as practical as possible. This was not said in so many words, but it could be read between the lines.

Having stressed again the responsibilities of the EEC regarding regional policy (5) and the consequences of the common market (6), the report analysed the cond-

(1) See further (B)

(2) European Parliament, rapport nr 99 (Birkelbach) 1966, p. 29.

(3) Commission, 6^o rapport général 1962-63, p. 138.

(4) Commission, 7^o rapport général 1963-64, p. 167.

(5) European Parliament, rapport nr 99, p. 1-9.

(6) idem, p. 9-15.

itions for the elaboration of a successful EEC regional policy. There was no longer any mention of a coherent regional structure in this context. Besides limiting undesirable evolutions, the report envisaged an active role for the EEC institutions in matters concerning the professional training of workers (EEC art 128), the development of means of communication, the energy supply and commercial policy (1). Parliament, which originally acted as a sort of regional conscience, seemed to become more an advisory body of the Commission at this point, carefully considering the legal powers of the EEC and proposing actions on that basis. Maybe it could not act otherwise.

Rejecting a geographic or sectorial regional policy, the report urged the Commission again to work out a "doctrine générale" (a general view) of regional policy and to do so in cooperation with the authorities concerned; any European centralization would have to be avoided (2). But how realistic was this proposal? How could the Commission work out a "doctrine générale" without a clear concept of what a region is in the treaty without a European regional framework, with limited powers for regional policy and having to work with governments unwilling to Europeanize these matters? According to Parliament, in such a European regional policy, the various instruments created by the treaties needed to be adapted to allow a better functioning (3) and various working parties would also comprise independent experts and regional experts (4). The latter would increase the exchange of information and encourage cooperation between the Commission and local and regional authorities.

Concrete measures were proposed for agricultural and

(1) idem, p. 16-22.

(2) European Parliament, rapport nr 99, p. 23.

(3) The most important suggestions are discussed in (B)

(4) European Parliament, rapport nr 99, p. 29.

peripheral regions, for regions with economic developments based on a single economic activity and frontier regions. A prominent place was given to transport policy, which is within the EEC's powers and can be an important stimulus for regional development; the report also suggested that a policy on professional training would also be worked out in conjunction with the redevelopment policy.

The report of the working party showed a similar tendency to propose practical measures, though the emphasis was different. The European Parliament clearly aimed to establish a European regional policy in its own right; the coordination of national regional policies, hardly mentioned in the Birkelbach report was part of such a policy. National experts saw things differently: national regional policies would be the principal element of an EEC regional policy which would in fact consist in the coordination of these national policies and their completion by means of EEC instruments, and the inclusion of a regional dimension in common policies.

Suggestions made in the experts report did not appear to be fundamentally different from Parliament's report, except for one point. The idea of basing European policy on growth poles in most backward regions and growth poles of a secondary nature in those regions which are not so far from existing industrial centers now appeared to have been introduced openly in European thinking (1). This might become an important aspect of European regional policy, though the question arises of whether national authorities would continue to indicate growth centers mainly on the basis of predominantly national priorities; this would reduce EEC

(1) Commission, 8^o rapport général 1964-65, p. 178.

policy in this matter to a secondary role.

Before the Commission proposed a more comprehensive regional policy, EEC activities were not limited to research and conferences. Attempts were made early to follow up many suggestions during the elaboration of various policies.

(B) It has been mentioned already that the Commission could do little to stop the Member States handing out financial aid to regions under cover of EEC art 92-93. The treaty also provides for exceptions to other policies in favour of regional development.

a) In matters of transport policy, the ECSC treaty allows the introduction of special tariffs, if agreed by the High Authority, to support one or more enterprises which are important for the economy of a region (ECSC art 70, 4a1).

In this way the High Authority has authorized certain tariffs to subsidize the transport of coal, steel and metal products from small enterprises; this permission was always given as a temporary or conditional measure and the enterprises concerned were usually in the process of reconversion or closing down. The High Authority may exercise certain discretionary powers when granting or withholding its permission. This led to a famous case in 1964 over the application of special tariffs in favour of the coal and steel industries in the Saar which might suffer as a result of competition from a canal which did not yet exist (the so-called "als-ob" or "as-if" tariffs of the German railways) (1). In general however, the regional impact of these measures was limited; they could hardly be considered as a contribution to economic (re) development since they were typical regional

(1) After consistent pressures, they were abolished in August 1969.

welfare measures.

The EEC Treaty too permits support tariffs whose field of application is much wider than that of the ECSC treaty. Support tariffs may be granted to regions as such, and the "Zonenrandgebiete" receive them automatically. In addition they can be used in favour of underdeveloped regions as an element of regional policy.

As urged to do by the European Parliament (1) the Commission has used these provisions widely, in particular in Italy (2) and France (3) to support agriculture and industry in southern Italy and peripheral regions or regions with difficult access in France. However, it appears that these exceptions were not an appropriate means of promoting regional development. In certain cases they can lead to an uneconomic location of economic activities and it is difficult to estimate the benefits that they constitute for certain enterprises. These support tariffs, and the way they were used in the beginning show the limited and often exceptional nature of the EEC regional policy of transport. Other aspects requested by the European Parliament, such as a policy for ports (4) had not yet been covered.

It appears that the Member States have not been very enthusiastic about developing a real common transport policy. Recommendations to integrate Member States and regions into a European system of infrastructure were hardly followed by the Member States, thus jeopardizing economic development of peripheral and frontier regions in particular (5). It is impossible

(1) European Parliament rapport nr 99, p. 35.

(2) Eg. Com. Decision JO nr 38, 17.5.1962 and Com. Decision JO nr 57, 6.4.1964.

(3) Eg. Com. Decision JO nr 44, 13.3.1964 and Com. Decision JO nr 57, 6.4.1964.

(4) European Parliament, rapport nr 99, p. 35.

(5) Doc. Com. (60) 76 final, 1960 and Doc. Com.

(61) 115 final, 1961.

to assess what has been lost by the delays in the development of a proper European transport ^{system} /which would take full account of regional needs, but it may well be that many regions, particularly frontier regions, would have profited more from the economic boom which started in the early sixties if they had been integrated into the main economic and commercial circuits in the EEC.

b) One of the EEC's most important policies with far-going implications for regional economies, is the common agricultural policy. Underdeveloped regions all have mainly agricultural economies with a high population input and low productivity; the highest productivity and the lowest percentage of active population employed in agriculture is found in industrialized regions. The former are also often at a disadvantage because of unfavourable nature (climate, soil) or socio-cultural conditions (emigrations, outdated social structures). Unification of the agricultural markets would have severe consequences for these regions and might even increase disequilibria (1).

However, the EEC Treaty itself stipulates that structural and natural differences between various regions must be taken into account during the elaboration of the common agricultural policy (EEC art 39). It is therefore recognized that a structural policy is needed to eliminate what is the principal cause of Europe's bad agricultural situation: its structural deficiencies. In order to finance interventions in this field, the FEOGA was established on the basis of EEC art 40 § 4 (2); at the same time, a Permanent Committee for Agricultural Structures was also created (3).

(1) F. Perrin, op. cit. p. 181.

(2) Com. Resolution of 30.6.1960 and regulation nr 25 of the Council, JO 20.4.62.

(3) Council decision of 4.12.1962, JO 17.12.1962.

Such a structural policy must be elaborated for both the agricultural enterprises and the regions. On the first level, the social and economic factors must be considered so as to improve the productivity and the profitability of the free (family) enterprise (1). On the regional level, a solution can be found in general economic development; as agriculture is an integral part of the economy, structural reforms will be efficient if they are integrated into a policy of regional development as a whole (2). It seems that the use made of the FEOGA was rather limited in this period and confined in particular to regions of north-east and southern Italy, the West of France and Bavaria (3).

Nevertheless, the FEOGA has a guarantee section and a guidance section whose activities differ. The guidance section finances structural reforms, adaptation and improvement of conditions of production and commercialization of agricultural products. Originally it was planned to establish a separate fund for agricultural structures, but this project was vetoed by the German Government, which was afraid of having to pay too much (4). Financial assistance in structural matters in fact benefits mostly those Member States which benefit less from guarantee operations (5). As a result of this opposition, the EEC's role in this field was reduced, which delayed the improvement of agricultural structures in many regions.

The Permanent Committee for Agricultural Structures must

(1) J. Bourrinet, *Le problème agricole dans l'intégration européenne*, Montpellier, (1964) p. 168.

(2) L. Cartou, *Organisations européennes*, Paris 1971, p. 210.

(3) P. Reuter, *op. cit.* p. 406.

(4) J. Bourrinet, *op. cit.* p. 175.

(5) P. Romus, *op. cit.* p. 406.

be consulted by the Commission about intervention by the guidance section. The Member States communicate to the Commission all information concerning the state of their agricultural structures, regional conditions, projects and policies regarding regional development. The permanent Committee can then ensure coordination between national and European measures.

The Council laid down certain rules concerning the interventions of the guidance section of the FEOGA (1). They concerned the adaptation and improvement of conditions of production and the commercialization of agriculture (reg. 17/64 art 11). Priority was given to projects which are part of a plan to encourage general economic development in the regions in which they were carried out (art 15 of reg 17/64). This was a particularly important provision because it encouraged the elaboration of coherent and global regional development planning and prevented the implementation of single uncoordinated and thus inefficient projects (2). Further, there was also a provision for the elaboration of European programmes indicating the zones which need priority treatment (reg. 17/64, art 16). This provision, too, was an invitation to the EEC institutions to work out comprehensive plans for backward agricultural regions; these plans would thus include other policies or at least coordinate with other policies.

This Council regulation of 1964 has been the real start of the functioning of the guidance section of FEOGA, eight years after the farmers felt the first effects of the emerging common market. It is academic speculation, but it would seem logical that if this sort of intervention had been available from 1958

(1) Council regulations 17/64 of 5.2.1964, JO 27.2.1964.

(2) It shows also the need for regional structures able to participate in the elaboration and execution of such plans, in order to avoid centralization and inefficiency.

onwards it would have eased the situation in some underdeveloped regions and given them a better chance to catch up with more developed regions. Under what is known as the Mansholt plan, backward agricultural structures should be replaced by modern, technically well-equipped agricultural enterprises; greater use of the structural funds of FEOGA should be made to aid this transition. This process will inevitably, make many farmers redundant, but during the economic expansion of the sixties their reconversion chances looked better than in the seventies, when EEC agricultural policy absorbs more and more of the EEC budget (1).

c) It can be said that social policy is of similar importance to the EEC's underdeveloped regions as agricultural policy, since the EEC institutions have certain powers which can produce a considerable effect.

The ECSC Treaty provides for financial aid to workers from coal and steel industries who become unemployed as a result of the establishment of the common market (§ 23 of the Convention on the transitional period and ECSC art. 56 for the definitive period). These aids (2) are aimed to give social protection to workers and to help their reintegration in economic life. Strictly speaking, they are not regional measures, but because coal mining and steel industries are often located in problem areas, they have indirect regional repercussions and can be part of an EEC regional policy.

On the basis of ECSC Treaty art. 56 al2, the High Authority had financed housing schemes for workers in regions offering reasonable employment prospects; this was a contribution of considerable importance to the stability of work forces, because it is estimated that a large proportion of emigration is for socio-

(1) See also Chapter III § 2, c.
 (2) See also § 1.

cultural reasons and not in the first place for better financial rewards (at least, if the differences are not too great).

The ECSC provisions have inspired the social policy provisions in the Treaty of Rome, though the Italian Government, confronted with a high unemployment rate, has pressed hard for it too (1). The EEC articles concern essentially the establishment of a social fund (art. 123-128) which would promote employment facilities and geographic and professional mobility of workers. It was expected indeed that the disappearance of international frontiers would lead to the elimination of technically backward enterprises; as they are often located in poor areas, the regional implications of the proposed social fund are inevitable.

The social fund is administered by the Commission, assisted by a committee composed in equal proportions of representatives of the Member States, employers' and employees' organizations; they have formed four working parties, on underemployment, professional retraining, reinstallation and revision of the principles of the social fund. The committee must be consulted by the Commission on important decisions but it may also act on its own initiative. The absence of any regional representation or any form of organized consultation with authorities from areas concerned is conspicuous here. Regional expectations must be passed on through national representatives, which inevitably may take a different view of their problems (they will tend to integrate them into their national way of thinking, whereas European solutions may be needed).

The functioning of the social fund was determined by several regulations(2), which made precise provisions for possible interventions (3). These conditions and

(1) Revue du Marche Commun 1967, b, p. 201.
 (2) Council regulation no 9 of 25.8.1960 JO 31.8.1960.
 (3) J. Ribas, la politique sociale des CE, Paris 1969, p. 259-264.

the interpretations made were criticized as too strict; a technical modification was soon made to enlarge them (1).

Though it is recognized that the social fund is a valuable instrument in principle, it has often been criticized (2). From a regional point of view, it was stated in the European Parliament from the beginning that the full success of the social fund depended on its inclusion in an overall EEC regional policy (3). In the absence of this, regulations regarding the social fund made no reference to the economic situation or the possible evolution in the regions either. The narrow social interpretation of the Council was so extreme that it even refused to finance the consequences of the reconversion of the sulphur industry in southern Italy from the social fund (4). In general, the conditions of EEC art. 125 and regulation 9 were too strict to allow effective application in regions with continuous and high unemployment (5); thus few workers who really needed it have in fact benefited from the social fund.

d) It may be inappropriate to describe as industrial policy the various measures allowed by the treaties, but they can have an effect on the economic situation in the regions covered by EEC actions in this field.

The EEC Treaty provides that, during the transition period, permission may be given by the Commission to Member States to apply protective measures if serious and continuous difficulties exist in an economic sector or region (EEC art. 226 § 1). Aid measures

(1) Council regulation no 47 of 31.3.1963, JO 10.6.1963.

(2) L.E. Troclet, La politique sociale, in Les Nouvelles, p. 961.

(3) European Parliament, document of 12.1.1960.

(4) L.E. Troclet, op. cit. p. 966.

(5) J. Ribas, op. cit. p. 253.

may be granted to assist the development of certain activities or regions, and the treaty mentions shipbuilding in particular (EEC art. 92 § 3, B+C). On this basis, the Commission permitted state aids for restructuring, reorganizing and reconverting textile industries and for shipbuilding; for the latter, state aid amounting to 10% of the price of ships was granted to compensate for competition distortions on the worldmarket. Both activities were heavily concentrated in certain regions of the EEC; it appeared however, that aid was granted to enterprises located in regions with economic difficulties as well as to enterprises in expanding regions. Thus shipbuilding industries in some ports received aid while other industries offered sufficient employment prospects (e.g. Antwerp). This probably resulted from national pressures, but did not favour a healthy European situation.

Interesting pointers for the regional aspects of industrial policy are the measures granted to aid the sulphur industry in Sicily and lead and zinc in Sardinia (1). These industries could not be kept going because of their completely uncompetitive position. However, state aid had been permitted during the process of reducing production and establishing new enterprises and professional retraining of workers. The net result in Sicily was that much money was wasted by keeping inefficient mines in production instead of using all the funds immediately for new and productive investments in other sectors.

e) The principal institution established by the Treaty itself to assist economic development in backward regions is the European Investment Bank

(1) Rapport de la Commission du Conseil 15.11.1963

(EEC art. 130). It is also the only instrument directly aimed at regional development (art. 130, a); projects in underdeveloped regions receive priority treatment over modernization and conversion projects or projects of common interest (1). The protocol on Italy further enforces this priority for regions of the Mezzogiorno. The European Investment Bank is also the only EEC instrument directly accessible for the regions (EIB statutes art. 21); the Commission gives advice about the regional importance of a project.

These projects have to conform to several criteria; they must be investment projects carried out in one of the Member States; they must be specific (1) or, if they constitute an all-round programme, they must be a group of specific programmes. The EIB interventions are suppletive (statutes art. 18) for projects which have a certain economic importance and financial profitability (statutes art. 20).

From 1958 to 1964 the European Investment Bank approved loans for a total of 422.9 million UA; this represented an average of 23% of the investments in which the EIB participated (2). Most aid went to industrial projects (in particular chemical and petrochemical projects), followed by transport projects. The latter projects were selected according to priorities set by the Committee of Ministers of Transport. In this period, the EIB put less emphasis on the agricultural infrastructure sector, where investments only become profitable after a much longer period.

Italy benefited most from the EIB (73% of all loans). These amounts were paid out to the Cassa per il

(1) Directives générales annex au rapport annuel 1958 de la BEI.

(2) Revue de la B.E.I. 1965, a, p. 444.

Mezzogiorno. This presented several advantages; the regions did not have exchange risks and they could receive interest rebates and the EIB received a guarantee from a state agency (1). On the other hand, because of the Cassa's role and position (2), Italian regions were bypassed by a state body in dealing with European institutions. In France, the EIB often cooperated with national or mixed economy companies.

Probably the most frequent criticism of the European Investment Bank was the lack of coordination with other EEC instruments. This is obviously a result of the independence which the bank enjoys, though the Commission gives advice on the regional importance of projects presented to the Bank. This allows for a certain degree of coordination. Criticism therefore needed not to be directed at EIB itself, but at those institutions responsible for the elaboration of a comprehensive European regional policy. However, the European Parliament also stressed the need for more coordination between the Commission's policies and the investments of the EIB (3).

CONCLUSION

One cannot blame the European institutions (except the Council of Ministers) for having neglected regional problems in this 1952-1965 period. They did quite a lot, but it did not add up to a comprehensive, overall regional policy. Probably the most remarkable event of this period was the 1961 conference on regional economies and its conclusions about a regional framework in the EEC. It could have been ^{the} start of a European regional policy which was really in accordance with the objectives of the Treaty. If the Member

(1) idem, p. 445.
 (2) See section II of part I, chapter III.
 (3) European Parliament, Opinion of 30.3.1962, p. 130.

States had been willing to take account of the of the conference's ideas about a coherent macro - regional structure in the Community, if there had been more planning of regional economic development at European and national level, if there had been more coordination between the various financial instruments at the Commission's disposal, if.... But as we have seen, the conference reports were heavily criticised and therefore a lot of interesting ideas were buried. However, the experiments of this period were a preparation for the next.

CHAPTER III

ATTEMPTS AT A MORE COMPREHENSIVE REGIONAL POLICY (1965-1972)

INTRODUCTION

This period opened with two events which were likely to influence the elaboration of EEC regional policy and open up new perspectives. In 1965 the EEC Commission sent its first communication on regional policy to the Council of Ministers. This document implicitly admits the failure of previous EEC actions in this matter and proposed a new approach. Then 1965 saw the signing of the *Brussels Merger Treaty* unifying the institutions of the three ~~Treaties~~. Though the one Commission for the three Communities would not start work before 1st January, 1967, it opened the way for a more coordinated and comprehensive regional policy; the regional measures of the ECSC ~~Treaty~~ in particular could be more easily integrated in an overall regional policy, and regional aspects could be taken into account also in the execution of the Euratom ~~Treaty~~. Other factors likely to influence the EEC institutions were the increasing consciousness of regional problems in the Member States, leading to more economic planning and interest in regionalization, and the completion of the common market ahead of the time schedule. Towards the end of this period, attention was shifting somewhat to the negotiations for the entry of new Member States, though the EEC regional policy seemed to be one of the attractions for the candidates.

1. BACKGROUND

The first communication of the Commission to the

Council on regional policy can be considered to be both the result of previous studies and research projects and an expression of dissatisfaction with the results of regional policy as carried out between 1952 and 1965. The first aspect of the 1965 communication is obvious from its content and is also indicated by the fact that the Commission completed its study of the development of southern Italy at around the same time. This of course was not the first study carried out by the Commission concerning the economic problems of a particular region or group of regions, but it was the first study which actually led to the establishment of a major growth pole in an underdeveloped area by the EEC. Its aim was to try out new methods of industrialization for large underdeveloped regions (1). These methods consisted in establishing simultaneously various interconnected industrial activities belonging to one branch of industry (e.g. engineering, plus a sufficient number of other economic and commercial activities and necessary public structures to give an economic coherence to the whole and enable the region's economy to achieve a real take-off. In other words, the Commission proposed the sort of approach to regional underdevelopment for which the European Parliament had been pressing and which the Commission itself had recognized as necessary.

The other background element of this communication seemed a certain dissatisfaction with previous regional measures. This was recognized expressly by the Commission in its general report following the communication, as if the gravity of regional problems needed to be underlined again. From 1958 to 1967, regions

(1) EEC Commission, 9^o rapport général, 1965-66, p. 174.

already in a favourable economic position benefited most from the common market, but underdeveloped regions made only slow progress. At this point there seemed to emerge a general realization of the validity of warnings based on the experience of the Italian unification, that without adequate policies the establishment of a common market only benefits the economically well developed regions. The regional provisions of the Treaty had been used, but they only permitted empirical interventions; a global concept of regional disequilibria and their causes and remedies was absent (1).

Coordination (2) of national regional policies seemed to be a major failure in this context (3). Coordination is an important means of maintaining solidarity in dealing with regional problems; however, there has been a real escalation of state aids in the Member States, which has distorted competition without bringing a solution for backward regions.

The first communication of the Commission to the Council on regional policy appeared to be based on previous reports, in particular the report of the group of experts (1964). Its principal importance lay in the concrete proposals aimed to renew EEC regional policy fundamentally. The Commission proposed to elaborate regional programmes for each region in the EEC according to a common method; this would make the coordination of these programmes much easier. Urgency programmes would be worked out for regions with special difficulties while coordination in frontier regions also appeared to be high on the list

(1) EEC Commission, 10^o Rapport general 1966-67, p. 47.

(2) Coordination still leaves the initiative with the Member States, but it implies an assessment of coherence or consistency with Community programmes or objectives, J.D.B. Mitchell, A view of regional policy from the outside, 7th Colloque sur les C.E. Liège 7-9.11.1974, report p. 9.

(3) Idem, p. 46.

of priorities. The Commission wished to organize its contacts with regional and local authorities effectively and also requested more powers for the social fund and the possibility of giving interest rebates on loans from the EIB. The latter proposals had all been suggested earlier in the Parliament and in various studies.

The opinion of the European Parliament on the first communication is a most interesting document, which reveals that Parliament was following the new trend towards a more technical approach to regional problems. However, it did make a remark which shows that the basis of Parliament's approach was still different from the Commission's concept and close ^{to} but not identical ^{with} earlier reports, namely in expressing the opinion that in finding a solution for regional disequilibria in the EEC, the principal problem is to realize a real political and economic union (1). The Commission seemed to consider the solution of this problem more as a necessary correction, which was not crucial to the EC's future. In the first communication, the opinion was expressed that a common economic policy should be worked out integrating national economic policies and regional policy. But this seemed difficult to achieve within the existing framework of the EEC. Parliament therefore suggested adapting the concepts of regional policy and defining a framework for coordination and cooperation at the three main levels of decision-making and execution: the European, national and regional tiers. Regional delimitation in the EEC had become unmentionable.

One can hardly imagine any efficient cooperation between European and regional authorities without a harmonious (but not necessarily identical) structure

(1) European Parliament, rapport No. 58, 1966 (Bersani), p. 5.

of the latter. Even on purely technical matters, such as statistics and other means of obtaining regional information, it seemed very difficult to plan effectively with the existing regional or ordinary decentralized structures in the Member States. Governments recognized the need for a regional delimitation for their national regional policy but were unwilling to accept the same principle at European level, and thus to take account of the European implications of their own plans for regionalization (1). Both Parliament and Commission seemed to have resigned themselves to this imperfect situation (2) though they were aware of the need for the harmonization of regional data and structures (3).

Parliament followed the regional classification of the Birkelbach report: peripheral, mainly agricultural regions, frontier regions in the EEC and industrial regions with difficulties; a new element was that regions with excessive urban concentration were included in the latter group. This was a first step towards including the environmental aspects of regional policy and to considering more fully the other side of regional problems (namely over-development). Priorities for intervention should be set in the framework of an *overall* plan outlining the EEC's actions for all regions.

The Commission had proposed that it should elaborate orientation programmes. Parliament approved but added a suggestion to the proposed special action programmes for regional authorities which would help them to overcome serious difficulties. Interest for a growth pole policy was increasing in this respect

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- (1) See Part I, Chapter III.
(2) European Parliament, rapport no. 58, p. 16.
(3) *Idem*, p. 40; EEC Commission, 1st general report 1967, p. 229.

though, in order to avoid concentration, secondary growth poles spread in a coordinated way over the region have to be included in these programmes (1). In such growth poles, the EEC should contribute more to professional training or re-training (2); the importance given to this point in every EP report on regional policy seemed to result from the fact that the EEC have some concrete and valuable powers at their disposal in this matter. Parliament also urged the Commission to cooperate not only with regional authorities but, in the secondary growth poles, with local authorities too (3). The latter point, *in our view, can* receive criticism: a European regional policy situated within a European economic policy should not be preoccupied with secondary growth centres nor with local authorities; the EEC should concentrate on large development projects, (such as the Bari-Taranto project). Otherwise, too much decision making in matters of regional policy might be concentrated on the European level, which is not favourable for participation or efficiency. However, Parliament's suggestion shows a concern to democratize the functioning of the EEC, as does its own consultation with regional and local authorities and the establishment of an intergroup with the executive secretariat of the "Conference des Pouvoirs Locaux" of the Council of Europe and the secretariat of the "Conseil des Communes d'Europe" (4).

As regards the methods to be used, it has been remarked already that much attention was given to professional training both in the first communication and in Parliament's comments. The ultimate aim must be an

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- (1) EP, rapport no. 58, p. 21-22.
 (2) Idem, p. 16.
 (3) Idem, p. 17.
 (4) Idem, p. 38.

employment policy which achieves an equilibrium between supply and demand at all qualification levels within the large economic regions (1) of the EEC (2). Parliament requested a study to be made of the reasons for emigration, indirectly implying that they might not be only economic reasons. Much attention was devoted to infrastructure too, which is not at all surprising because many regions in the EEC are the victims of the centralized communication systems of many states. A European communications scheme should be worked out as a function of industrial and commercial policy, making sure that all regions participate in it (3).

Together with measures to encourage regional development, other measures should be taken to discourage concentration in overdeveloped regions (4).

However, it is not clear on what legal basis the Commission can do so; this matter depends on the Member States themselves, and they can at the most be pushed by the Commission in that direction. Coordination of both categories of measures is necessary, as is the coordination of regional policy with medium-term economic policy. Since the fusion of executives has now taken place, Parliament also has paid much attention to regional measures drawn up on the basis of the ECSC Treaty; they could now be included more easily in a global regional policy, particularly measures concerning reconversion and professional training (5). Parliament's request is understandable: it probably expected that decision-making would evolve more and more along EEC lines, as indeed it did: the role of the Council increased generally, and the

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- (1) This is the only reference to this 1961 idea!
 - (2) Idem, p. 19.
 - (3) Idem, p. 22.
 - (4) Idem, p. 23.
 - (5) European Parliament, report no. 58, p. 29-31.

position of the Commission weakened. Parliament also urged again for the modification of the statutes and functioning of the European Investment Bank, the social fund and FEOGA; the guidance section of FEOGA should work more on the basis of regional planning in order to obtain a maximum effect on the region's economic progress. Besides the EIB, Parliament requested the establishment of a regional development fund which should intervene for projects in particularly backward regions with few other financial possibilities (1).

The first communication of the Commission to the Council on regional policy and the report of the European Parliament seemed promising for a new approach to regional policy in the EEC. However, even before Parliament's report was completed, a major political crisis disrupted the EEC (July 1965), in which France refused to take part in the deliberations of EEC institutions.

In these circumstances,
the first communication did not receive the attention that could be wished for.

This became apparent when the first medium term economic programme (1966-70) was published (2). Its elaboration took place largely during the crisis and it reflects the nationalist versus supranational struggle of the time. Its regional policy proposals are clearly based on the first communication but with one remarkable exception: instead of the coordination of national regional policies, as the Commission originally wished, the programme mentioned only the confron-

(1) See further.
(2) JO 25.4.1967.

tation of these policies (1). The consequences of this retreat seem serious. The EEC does not enjoy the necessary powers to elaborate a coherent and complete set of regional measures; therefore, EEC measures must necessarily be coordinated with national policies. This seems impossible if each Member State takes its own course as regards regional policy, unless one imagines EEC regional policy coordinated in nine different ways.

Predictably, the European Parliament was anything but satisfied with the regional implications of the first medium-term economic programme. It noted as a positive fact that regional policy was considered as an integral part of medium term economic policy (2), but criticised the lack of precision about the methods and instruments to be used for its elaboration. As Parliament saw it, the Commission was over preoccupied with economic criteria and neglected the social and other repercussions of regional policy (3). Urging again for the elaboration of medium-term planning for all regions, Parliament suddenly noted the need to improve the financial position of communes in the Member States (4). It is not unlikely that this suggestion was made under the influence of Parliament's contacts with the Conseil des Communes d'Europe or the Conférences des Pouvoirs Locaux, both very active in these matters. Strictly speaking, this problem is not (and should not be) within the competence of the EEC, but it is another example of the fact that Parliament is the

(1) First medium term economic programme 1966-70, Chapter 6.

(2) EP, rapport no. 129, p. 23.

(3) Idem, p. 24.

(4) Idem, p. 15.

only institution in which grass root demands can publicly reach the European level of politics. It is certainly a truly democratic aspect of Parliament's role.

Realising that the first elaboration of EEC regional policy was making little progress because of the Council's attitude, Parliament requested the Council to take the necessary steps to ensure a balanced economic development (1). There seems to have been no immediate response. However, as we have seen, the attention of the EC institutions was now focusing on the other side of regional problems too and the Commission carried out a study of the additional costs of excessive industrial concentration; its aim was to obtain a better idea of the optimum distribution of activities and resources throughout the EEC (2). The Commission also followed Parliament's suggestion and made a survey of the financing of local authorities, which revealed that over 50% of public investments in the Member States are made by regional and local authorities (3). This may be a good argument in favour of direct cooperation between the Commission and regional authorities. Contacts remained nevertheless on the level of the exchange of information rather than active cooperation (4).

In 1969, the Commission took a concrete step towards better organization of the tools of regional action in the EEC (5). In this proposal, the basic idea

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- (1) EP, resolution 8-11.5.1967.
 - (2) First general report 1967, p. 231.
 - (3) Idem, p. 232.
 - (4) Second general report 1968, p. 291.
 - (5) Proposal by the Commission to the Council 15.10.1969, JO NrC 152, 28.11.1969. It was preceded by another publication which served as an introduction: CE, Une politique régionale pour la Communauté, 1969.

of the Treaty of Rome regarding the regions namely that the establishment of the common market would lead almost automatically to more harmonious economic development, was rejected for the first time in an official Commission document; at the same time, it was stated that national regional policies were inadequate and had not taken account of the common market. Almost twelve years after the signature of the EEC Treaty, the Commission openly admitted that there had been a complete failure to achieve the harmonious regional development requested in the Treaty; there had been no approximation of any significance between the regional economies in the EEC and this could endanger further evolution towards European unification (1).

A number of improvements were proposed regarding agricultural, transport and energy policy as well as the EIB (2). The EEC should also stimulate national regional policies to take into account the requirements and the implications of the establishment of the common market and the progressive rapprochement of economic policies (3).

Since the fusion^{of} the executives and the consequent reorganization of the Commission's services, a general orientation had thus been established for regional policy, but the results of these proposals seem rather limited. Maybe the Commission was following a policy of advancing little by little so as to avoid arousing the fears of the Council and the national bureaucracies again about what they regard as EEC interference (in a matter where national policies have been far from successful....).

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- (1) Regional Bulletin, Trim. 1970, no. 2, p. 3.
 (2) They will be discussed further.
 (3) Bulletin, p. 5.

The Commission's proposals were not too well received in the European Parliament. It expressed serious doubts about the concept then favoured by the Commission that regional policy is in the first place a matter for the Member States. The Commission's powers were not proportionate to its regional tasks but it should therefore request that more powers and better instruments should be put at its disposal. The Commission should have the means of making its decisions in this field legally binding if there was ever going to be any coordination of national regional policies and their repercussions on the EEC (1).

Parliament criticized the Commission's division of the regions into frontier regions, congested regions, and regions suffering from industrial decline and generally backward economic development, but it did not propose a real alternative. It also seemed difficult to imagine other categories, unless non-economic (socio-cultural) factors were taken into account. This might be desirable for regionalization but it can only complicate the elaboration of regional policy, which is concerned in the first place with economics. The proposal to establish a permanent committee for regional development was of course approved, but Parliament commented that its efficiency would depend on its composition and its relationship with the Commission (2).

Although earlier reports had already mentioned the insufficient attention given to the social objectives of the Treaty, this was repeated, perhaps in the light of the proposed reforms of the social fund. A new element was that ecological aspects of agricultural policy were brought up in the discussion. The Parliament objected strongly to the Commission's

(1) EP, Rapport nr 29, 1970, p. 19.

(2) Rapport nr 29, p. 19.

underlying assumption that agricultural regions were a priori underdeveloped (1).

In general, however, Parliament approved the Commission proposal (2). So did the Economic and Social Committee whose advice has been requested too by the Council (3). In its deliberations on 26.10.70 the Council agreed that the Commission had a responsibility for regional policy: it also accepted the fundamental points of the Commission's proposal. But difficulties arose concerning the practical follow up. The Council disagreed about whether the proposed permanent committee for regional development should come under the Commission (as the Italian Government maintained) or the Council (the French position) or be placed in the same position as the Committee for Medium term Economic Policy (4). The Council could reach no agreement either on the proposed fund for interest rebates: Italy considered it to be inadequate, France put forward preliminary conditions for an agreement by requesting "transparency" of national regional aids. Both proposals would later be changed fundamentally, but in the meantime they worked towards the broadening of EEC regional policy.

The Council agreed only that Member States and Commission should consult each other permanently on matters concerning the objectives, methods, procedure and experiences of regional development; this consultation should lead to the coordination of objectives, concerted action and even to appropriate solutions to regional problems at EEC level (5). It would be surprising if this sort of non binding consultations would lead to anything better than in

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- (1) idem, p. 24.
 - (2) EP, resolution 12.5.1970, JO nr C65, 5.6.1970.
 - (3) ESC, avis 22.4.1970, JO nr 108, 26.8.1970.
 - (4) 4th general report 1970, p. 90.
 - (5) P. Romus, op. cit. p. 221.

the past.

In these circumstances one can understand that regional policy did not occupy a prominent place in the second medium-term economic programme (1), which was a complement to the first programme. The importance of regional policy was mentioned again as well as the links between other policies and regional policies. There were no new proposals for the concrete elaboration of these so often repeated ideas.

A new dimension was added to EEC regional policy after the decision of the Summit Conference of The Hague (12.12.1969) to realize an Economic and Monetary Union by 1980. In the Werner Report (2) the urgency and importance of regional policy was underlined once more. The establishment of the common market had been possible without any global regional policy, but the establishment of the EMU could be seriously endangered by existing structural differences. This was also recognized by the Council (3).

The following Commission study (4) introduced a new argument: the relation between regional disequilibria and inflation. The greater the regional disparities, the greater the tendency to inflation; but it is not only the underdeveloped regions, but also the congested regions which are a source of inflation and tend to strengthen exterior inflationist tendencies. The realisation of the objectives of the EMU is made more difficult.

However, in the elaboration of the third medium-term economic programme, at a time when inflation was becoming a great problem indeed and unease about regional disparities was increasing in many Member States, the

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- (1) JO no. L 129, 30.5.1969.
 - (2) JO no. C136, 11.11.1970
 - (3) JO no. C 28, 27.3.1971.
 - (4) Doc. XVI/137/71, 19.10.1971.

absence of a political will to do anything about it prevented any significant progress. However, the third medium-term economic programme (1971-75) (1) requested national regional policy and planning to take more account of the regional dimensions; better co-ordination of both and of infrastructure policies in particular could prevent economic incoherence and financial losses.

Though it is difficult to define precisely the inter-relation between regional thinking at national and European level, it seems that increasing emphasis on certain aspects (ecological, planning) of regional problems in the Member States is followed by attention for these aspects at European level. The main exception concerns structures; where as in the Member States the necessity of establishing some form of regions was now recognised (2) the idea of the regional delimitation of the EEC remains forgotten. It was indeed politically impossible, but it had the negative effect that regionalization was carried out in each Member State without any reference to the EEC and its possible repercussions on the structures and powers of the regions. Of course, lip service is paid everywhere to the idea of regionalization in a European perspective, but there is not even a thought of harmonization or coordination (3).

Real progress was made at the Council meeting of 6.7.72 where it was decided to use the FEOGA from 1972 onwards for activities concerning regional develop-

(1) JO no. L 49, 1.3.1971.

(2) See Part I, Chapter III.

(3) See S. Schepers, De Belgische gewestvorming europees bekeken, in *Kultuurleven* 1974, nr 8, p. 863 et seq; S. Schepers, Loopt de Nederlandse gewestvorming uit de Europees pas? In *Tijdschrift voor Openbaar Bestuur* 1975 nr 15, p. 337 et seq; R.A.W. Rhodes, The European dimension of the Kilbrandon Report, in *New Europe* 1973/4 nr 4.

ment and to establish a regional development fund or another system to allot EEC funds to regional development (1). This resolution, which was a further elaboration of the Council resolution of 27.3.71, invited the Commission to make proposals in accordance with this^{the} previous resolution, part 3, section 4. It looks as if the Council was trying to make progress as slow as possible, because the Commission had already made similar proposals in 1969. However, as we have indicated earlier, the emphasis in the FEOGA was swinging towards a more regional approach. Not surprisingly, these basic proposals of 1969 were reiterated in a communication from the Commission to the Council of 19.6.72; it stressed the importance of a regional development fund as the most suitable instrument, and emphasised the need to make a more coordinated use of the limited existing financial resources. This Council resolution was received favourably by the European Parliament (2) and the Economic and Social Committee (3), but in spite of this, no progress was made towards a final decision. The Commission proposals were discussed again on 25.9.72, but a decision was deferred until after the forthcoming Summit Meeting in Paris.

2. POLICIES

Whereas little progress was made in the elaboration of a coherent and global regional policy because of the reluctance of the Member States, the EEC seems to have a better record as regards ~~its~~ policies. This was probably a result of greater experience as well as greater awareness of regional problems on a European scale.

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- (1) JO nr C 38, 18.4.1972.
 - (2) JO nr C 36, 12.4.1972.
 - (3) JO nr C 21, 23.3.1972

a) Regional aids continued to exist during this period. Because of the continuing coal crisis, the High Authority authorized Member States to give aid to enterprises to carry out social obligations and rationalization investments (1). These aids were authorized if the adaptation of these enterprises to new conditions on the coal market could lead to serious economic and social difficulties in the region concerned (art. 5 of Decision 63-65). This decision has been renewed several times, last in 1970 (2). Member States have also been authorised to continue their aids until 1978 for coal mines producing cokes (3).

These decisions showed that state aids, although originally forbidden by the treaty, had become a general rule for coal mines. Though many have regional implications in the sense that they maintain employment and social benefits in certain regions, these aids are no real assistance to regional development; they only delay the closing down of certain enterprises. As such they can be useful if they are part of a global plan for regional reconversion.

For a long period, Member States used EEC art. 92 to hand out state aid in an almost indiscriminate manner. In 1968, the Commission made a first attempt to exercise some control: on the basis of EEC art. 93 § 2 it requested governments to notify it of all projects before their final approval if they exceeded 500,000 UA. In July 1969 the Commission requested Member States to provide more information to permit

(1) ECSC decision nr 3-65 of 17.2.1965, JO nr 31, 25.2.1965.

(2) ECSC decision nr 3-71 of 22.12.1970, JO nr 13, 5.1.1971.

(3) ECSC decision 19.12.1969, JO nr 12. 6.1.1970.

a better insight into the regional sharing out of these aids. However, negotiations over these relatively modest requests took quite a time, and it was in fact two years before the first significant step towards the coordination of national regional aid was made in the form of a Council resolution (1) and a Commission communication to apply it as from 1.1.72.

This Council resolution applies only in central or industrialized regions, thus excluding Berlin, Zone-
-nrandgebiete, the west of France and the Mezzog-
-giorno. The maximum regional aid in these central regions is fixed at 20% of the net investment cost. It is also decided to make all aid publicly known, which is essential in order to arrive at efficient coordination and to adapt the amount of regional aid to the gravity of the problems. The effects of regional aid on different economic sectors must also be appreciated. According to EEC art. 93 § 2, the Commission can declare certain state aids to be incompatible with the common market. Since 1958, the Commission has examined several dossiers, but it appears that a rather permissive attitude has been taken in most cases.

In 1971, however, the Commission attempted to abolish a provision in German law (Kohlegesetz of 15.5.68) which allowed enterprises moving into coal regions to deduct 10% of the investment costs from their income(2). The German government did not agree, the case was brought before the Court of Justice, which rejected the Commission's complaint (3).

What was perhaps a more important intervention of the Commission concerns the Belgian expansion law of

(1) Council resolution of 20.10.1971, JO nr C III, 4.2.1971.

(2) Commission decision of 17.2.1971, JO nr L 57, 10.3.1971.

(3) JO nr C 93 8.11.1973. But in fact the decision also strengthened the Commission.

30.12.70, which prolonged the 1959 and 1966 laws, without modifying the regional application areas, though conditions in each of them have changed considerably. This was the principal reason for the Commission's intervention (1). The Belgian Government then communicated to the Commission a draft law defining new development zones; 41 out of 44 arrondissements of the state were considered as such. In a Decision of 26.4.72 (2) the Commission indicated the regions within which the government was allowed to define development zones and invited the Belgian Government to make a new proposal within two years. For internal political reasons, this has not happened and thus development areas defined in 1959 and 1966 continued to be used; for more than four years, areas not in need of it continued to receive regional aid.

It is remarkable that the Commission has been so careful in its approach to this problem; as in 1961, when no regional delimitation was worked out at the Conference on regional economies, the Commission seems to have taken care not to become involved in the uneasy relations between the two cultural communities and the attempts of the government to regionalize the state. However, it might well be easier for a European authority to obtain what would certainly be more effective results.

The French government, too, envisaged a system of financial aid which was indiscriminate in its selection of the regions to benefit from it. However, after a Commission intervention (3), the system was readjusted.

(1) JO nr C 32, 6.4.1971.

(2) JO nr L 105, 4.5.1972

(3) JO nr C77, 15.7.1972 and JO nr C 33, 23.5.1973.

National regional aid is bound to have repercussions on a European regional policy. Until 1972 there was virtually no control or coordination and aid was given to regions not really in need of it. Underdeveloped regions suffer doubly from this policy: they receive less financial aid and the more advanced regions strengthen their economic position further. An important aspect of the Member States' reluctance to establish a more open and honest system may have been the fact that state aid had become a means for the government to "buy" a region's favours. Every MP wants something to be given to his district, whether it is in need or not.

b) Still in the same category of regional aid, the High Authority and later the Commission authorized the continuation of special transport tariffs for coal and steel. Special freight rates for coal and steel enterprises in the Saar were authorized in 1969 in order to give the government time to finalize the measures announced for the reorganization of the coal and steel industries in the Saar and of its regional economy as a whole (1). Special tariffs were also permitted for consignment of coal and steel products from Lorraine, Decazeville and the Centre Midi (2), Cévennes, Auvergne and Dauphiné (3). There were hardly any French regions where coal and steel industries did not benefit from special rail tariffs. This together with direct aid meant that these regions received considerable assistance to maintain enterprises which were economically not really viable. In 1970, the Commission proposed that the Council should modify this situation and replace the aid system in

(1) Commission, 3^o general report 1969, p. 283.
(2) JO L 192, 5.8.1969 and JO L 220, 1.9.1970.
(3) JO 70/305 and JO 70/403.

the Member States for the coal mining industries (1). Member States should take more account of regional forecasts; the Commission would establish a direct link between the authorization granted for financial aid by the Member States and the elaboration of a regional development programme (2).

It is clear here that the fusion of the executives has brought some positive effects in matters of regional policy too. Though the Commission is bound by the provisions of the ECSC treaty, it seemed to take more account of the regional implications of its policies and to try to make full use of the regional possibilities offered by the provisions concerning aid and transport by urging Member States to elaborate comprehensive programmes in which these measures could play a part. This is the sort of thinking which comes more from the EEC itself than from the ECSC Treaty (3).

On the basis of the Rome Treaty, the Council had already decided in 1966 that the regional implications of transport policy should be taken into account (4). On the other hand, it seems that the Commission was unwilling to make too extensive a use of special tariffs, precisely because they cannot provide a fundamental solution to regional economic problems. Thus the reduced tariffs for fresh fruit and vegetables from southern Italy had to be cut by 50% on 1.1.70 and cease completely as from 1.1.71 (5). Better infrastructure is often a condition sine qua non for regional development. Under a procedure laid down by the Council on 28.2.66, the Commission has consultations with Member States on investment projects

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- (1) Decision 3/65 of 17.2.1965, which expired on 31.12.1970.
 - (2) Commission, 4th general report 1970 p. 95.
 - (3) See Chapter II § 1, B.
 - (4) Council decision of 28.2.1966.
 - (5) JO L 281 of 20.1.1967 and JO L 281 of 20.11.1968.

regarding roads and inland waterways (1); the results do not seem to be satisfactory, and can hardly be if no European infrastructure plan is worked out. Consultation alone cannot be enough in planning matters: Member States will still continue to plan according to national needs.

Transport is also an important public service in modern societies. The Commission has recognized that regional economic problems can arise by abolishing their public service obligations; in so far as they are essential to guarantee adequate transport services, they may be maintained (2). However, the costs of public transport are particularly high in congested areas, where in fact the whole state shares the burden; it might be advisable to have these costs borne by these congested and wealthy areas themselves, which would certainly reduce further congestion.

c) Regarding agricultural policy, the Commission has continued its policy along the same lines as in the previous period. Regulation 17/64 allowed it to make better use of FEOGA to improve agricultural structure in backward regions. The Commission seemed to take the view that the efforts of public authorities should vary according to the type of region and should aim at the creation of new jobs (3).

These points were taken up again in the memorandum on agricultural reform (4) for example, which included some points of direct interest for regional policy. This so-called Mansholt plan opted for large agricultural enterprises, the cultivation of good land only, market equilibrium in order to reduce subsidies and a

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- (1) Commission, 2nd general report 1968, p. 281.
 - (2) Council regulation nr 1191/69, 26.6.1969.
 - (3) Commission, 2nd general report 1968, p. 281.
 - (4) European Parliament, doc. 194/68 22.1.1969.

reduction of the number of farms from ten to five million. The repercussions, if this plan is realized, will be particularly felt in underdeveloped regions; the memo therefore envisaged an active policy of economic reconversion in these regions. However, the latter seem to have been absent in the first series of proposals from the Commission to the Council on the realization of these reforms (1). To remedy this omission, the Commission proposed in 1967 ten "Community programmes" to be carried out in backward agricultural regions (2), but none of these was accepted by the Council. These Community programmes were an interesting European regional development experiment which might have succeeded where national governments had failed (which was probably the reason why they blocked it). Valuable time was therefore lost before the reconversion of agricultural regions was started; the negative effects of agricultural reforms thus happened before any counter balance (namely industrialization) was introduced. This situation was aggravated because national governments took very little account of the European dimension of their regional policies; as we have seen, they continued to plan and execute regional measures as they did before the establishment of the EEC, despite the fact that the EEC had changed economic conditions in general.

A new series of proposals in 1971 brought better results (3). They envisaged the use of the guidance section of FEOGA for projects which are part of a regional development plan and which create employment for people leaving agriculture. Non-agricultural enterprises could receive a grant of 1,500 UA for each new job created for farmers. The guidance section of FEOGA would also provide financial assistance to

(1) JO C 70, 12.6.1970.

(2) JO nr 254, 20.10.1967.

(3) JO C 90, 11.9.1971 and JO C 21, 3.3.1972.

encourage farmers over fifty five years of age to leave agriculture (1).

These measures marked the beginning of a more regionalized agricultural policy. In view of the fact that all underdeveloped regions are highly dependent on agriculture, this policy is likely to increase the efficiency of EEC regional policy.

d) Whereas in the previous period the European Investment Bank had to work out its administrative and fiscal arrangements, from 1966 onwards there was a rapid growth in its activities (2). The priorities set previously remained the same: the development of backward areas, the improvement of the European transport infrastructure, the reorganization and modernization of industrial structures and development of associated states; most loans went to regional projects (3). In 1968 the Bank started a system of overall loans to help the development of small and medium sized enterprises. This is of special interest for regional development: sometimes a major industry was implanted in a backward region which could not generate economic development on its own; small and medium sized enterprises can bring a more complete and harmonious economic structure to the region. The Bank also increased its financing for projects of joint interest to several Member States, for example, industrial cooperation projects or infrastructure works; the latter are important to improve transport facilities in frontier areas and these are areas where transport facilities are often outdated, incomplete and inadequate for modern economic life.

The enlargement of the EEC to include Britain, Ireland and Denmark brought some adjustments in the functioning of the Bank. The new Member States contributed to the statutory reserve and the new capital of the bank amounted to 2,070 million UA; 20% is paid up by the

(1) JO nr L 96 23.4.1972.

(2) European Investment Bank Bulletin 1969 nr 3, p. 10.

(3) Until 1972, up to 2/3 of the total loans granted went to regional development. See EIB Bulletin 1973 nr 6, p. 121.

Member States, 1/5 in national currency and the balance in treasury bonds. The Board of Governors now comprises nine members and the Board of Directors eighteen (and ten supplementary members).

However, the Bank continued to receive criticism too. It was thus suggested that the dossiers of applications for credit from small enterprises should be assembled and dealt with collectively by specialized financial institutions on a regional basis (e.g. the "sociétés de développement régional" in France and Belgium)(1). This would allow the European Investment Bank to plan its operations on a more regional basis. It also suggested cooperating with governments to establish provisional regional budgets and programmes of action in order to be able to act in advance (2). Such action, however, can only be fully adequate if it takes place within the framework of a general European regional plan, which in its turn requires the existence of a harmonious regional framework.

e) Regarding social policy, the principal EEC activity with regional repercussions to be mentioned in the reform of the social fund. Though it is agreed that the social fund is a valuable instrument in principle, its functioning has often been criticised inside the European Parliament and outside. A technical modification (Council decision 47/63) was thus followed in 1965 by a Commission proposal for a more fundamental reform; the Commission suggested changing regulation nr 9 (on the basis of EEC art. 127) and a complementary regulation (on the basis of EEC art. 235). Both ideas were received favourably in the European Parliament and the Economic and Social Committee, but the Council refused to accept the latter part of the Commission proposal before the end of the transition period (3). In this way, years were lost before the social

(1) S. Barzanti, op. cit. p. 176.

(2) Idem, p. 177.

(3) Only Council regulation nr 37 was adopted, JO 24.2.1967.

fund was adapted to the economic and social realities of the common market. Up to 1972, the general results of the social fund nevertheless remained positive: 225,8 million UA were spent for the professional re-education of about 800,000 unemployed workers and 9.4 million UA for the resettlement of about 704,000 workers who had become unemployed. However, many other unemployed workers did not benefit from it.

On 10.6.69 the Commission sent an Opinion to the Council about the reform of the social fund (1). It argued that a reform was necessary because of the difficulties of maintaining employment in various regions: this led to an *unbalanced* economic development in the EEC which was clearly not in line with the Treaty of Rome. The Commission wanted to make the social fund more suitable for the professional retraining and geographic mobility of workers in regions where a new economic take-off required the regrouping of economic activities around one or more development centres. It also wanted to give more attention to the integration of handicapped people in economic life. In order to obtain a balanced economic growth and optimal employment conditions for the population, it would be necessary for some regions to make a structural change, and in such cases the social fund must be available to assist workers. The European Parliament (2) and the Social and Economic Committee (3) were rather favourable to this in general, but still it was not until 1971 that a fundamental reform was finally agreed upon (4).

(1) JO C 131, 13.10.1969.

(2) JO C 2, 8.1.1970.

(3) JO C 26 of 4.3.1970.

(4) Council decision of 1.2.71, JO C 128, 4.2.71.

The aims of the social fund now had more regional implications:

the social fund would intervene if the employment situation was affected in some regions of the EEC; it would also aim to reduce structural underemployment and unemployment in several regions of the EEC. The formulation of these objectives permitted the Commission to integrate the social fund more fully into a global regional policy.

These objectives have been elaborated by several regulations which envisage the intervention of the social fund if persistent and serious employment problems arise in regions with a backward economy or where the main economic activity declines; these operations must help the execution of regional programmes to change fundamentally the causes of such social problems (1).

There are two main advantages to the new social fund: it can help in the first place to create employment possibilities in regions which always have suffered from emigration, even to the extent that in the medium and long term, skilled workers can return to their regions of origin and find suitable jobs; secondly, it can allow a financial transfer to the less prosperous regions of the EEC.

(1) Council regulation nr 2396/71, nr 2397/71 and nr 2398/71 of 8.11.71, JO nr L 249 of 10.11.71. Further note about the presentation of requests to the social fund, JO nr C96 20.9.1972.

CHAPTER IV: A NEW START?INTRODUCTION

Under the Ortolí Commission (1973-1976), European regional policy seemed to make a new start; whether it was also an improvement needs to be examined. For the first time, a Commissioner was given regional policy as his principal responsibility, whereas his predecessors always had to take on other tasks too. This would certainly facilitate the elaboration of the EEC regional policy and favour coherence in particular. But it is not the main reason why we consider the period from 1973 onwards as a third phase in the elaboration of EEC regional policy. In fact, the start was made two months earlier, at the summit conference on 19-21 October 1972 in Paris. In the final declaration of the conference, special attention was given to regional policy and the establishment of a regional development fund was decided. The other event of importance is the enlargement of the EEC with three new Member States (Denmark, Ireland, Great Britain) which dates in practice from 1.1.73. Great Britain and Ireland in particular put a new strain on EEC regional policy because both suffer from serious regional imbalances and parts of Ireland are among the most backward areas in the Community. The enlargement of the EEC, the new prospects opened by the 1972 Paris summit and the appointment of a special Commissioner are sufficient justification for examining EEC regional policy since 1973 separately.

1. Political background

The start of new EEC regional policy was made at the summit conference in Paris on 19-21st October, 1972. The moment was well chosen: the enlargement of the EEC gave regional backwardness a different and wider perspective than the traditional problem areas of the Six (1). Now the extreme northern and western regions of the Nine needed assistance too, whereas previously most attention went to the South of Italy and the West of France. Moreover, Ireland in particular expected a great deal from its richer partners; in the case of the United Kingdom, regional aid from the EEC was used as a means of making people in Scotland, Wales and other problem areas more sympathetic to the idea of European integration. The heads of Government and State could not ~~let~~ them *down*.

Once more, a high priority was given to the objective of reducing the regional and structural disequilibria in the EEC which could affect the realization of the Economic and Monetary Union (EMU). Every statement of that kind was in fact also a recognition that previous policies had failed. It is remarkable that the summit declaration related regional policy to the realization of the EMU; the EEC Treaty (in its preamble and art 2) considers ^{regional policy} as an objective in its own right. This is not necessarily a negative attitude: it could prompt the EEC institutions to draw up a planning concept of regional policy in the framework of common economic and monetary policies elaborated for the realization of the EMU. However, this was not how the heads of government saw it; there was no

(1) EC Commission, Sixth General Report, 1972.

enlargement or even a hint of a trend in that direction of the EEC concept of regional policy as practised until 1972. Some Member States (France in particular) had moved towards a different approach to regional policy than they had had at the time of the signature of the Treaty of Rome; regionalization was under way in all Member States or had already been realized. But it would affect their sovereignty to allow the EEC to elaborate overall planning of regional economic development; it might bring up again the subject to regional delimitation in the EEC. However, the inherent contradiction in the establishment of a relationship between regional policy and the EMU and the refusal to enlarge the concept of such a policy never came to light because the idea of an EMU was delayed indefinitely a few years later.

The declaration contains two concrete points (besides an invitation to the Commission to write yet another report on regional problems, this time in the Nine). The Member States agreed to coordinate their regional policies. They should have done so years ago but better a late beginning than none; what this coordination implied and how it was to be achieved remained an open question in the Paris declaration. But the establishment of a European regional development fund received the most publicity; an institution which will give away money to finance projects for regional development is always a nice thing to bring home, at least if one is not a head of government of one of the "paymaster-states" (West Germany, the Benelux, Denmark). A European regional development fund was not a new proposal: something similar had been suggested already in 1955 at the Messina conference and in the Spaak report (1956), namely a European investment fund which would finance infra-structure and economic development projects in backward regions. But the idea was dropped

because the German and Dutch governments thought that it would be too "dirigist"; the European Investment Bank (and the Social fund) came instead. The idea was taken up a few times in the European Parliament, but it never had a real chance until the enlargement of the EEC when it was suggested as one of the great attractions of joining.

However, the setting up of the ERDF met with opposition from West Germany and, to a lesser extent, from the Benelux states. The official reason was the large amount of money which they would have to pay to the ERDF; per capita, Belgium is the largest and West Germany the second largest contributor to the EEC budget (1) and all four states (Benelux, Germany) contribute more to other institutions of the EEC than they receive from it. Disillusionment about the anti-European feelings in the United Kingdom in particular was probably the principal reason for the sudden outburst of public resentment as yet another supplement to these countries' financial burden. In West Germany some politicians also feared that the fund would become too interventionist in the economic life of the Member States. This explains why a Council resolution of 6.3.72, deciding to establish the ERDF, or another financial system for spending the Community resources for regional development, was not actually implemented.

The problems concerning the establishment of an ERDF also indicates a certain decrease in the political standing of the Council of Ministers. Its powers were legally unchanged, but the institution of regular meetings with the Heads of State (in fact only one, the French president) and Government has created a tendency to leave difficult issues to be decided in principle at

(1) According to an Article in European-Union, 1976 November, p. 1. However, this relates only to payments-in, not to net transfers. Even in 1976, the United Kingdom's net budget contributions were very substantial.

the summit conference (1). Thus it was agreed at the 1972 summit in Paris to set up an RDF before 31.12.73. The Commission put forward its proposals to the Council on 31.7.73, and the Council invited the European Parliament to present its advice about the proposed decision to establish a Committee for regional policy, about the proposed financial regulation and about the proposed regulation to establish an ERDF (2). Another proposal was added concerning the list of regions and areas referred to in the proposed regulation establishing an ERDF (3).

According to these proposals (4) the ERDF was to be a Community supplement to the regional policies of the Member States and not an alternative. Though the latter was politically impossible during the elaboration of these proposals, the Commission appeared again to take a minimalist view of regional policy. A fund is in itself not an alternative for the variety of measures existing in the Member States and at EEC level, but it could be used to introduce a more comprehensive regional policy at EEC level to which national regional policies would be submitted. Both the resolution of the Council of Ministers of 6.3.72 and the 1972 Paris summit declaration had related the ERDF and regional policy to the objective of establishing an EMU (5). Such a union implies a transfer of decision-making power over internal economic matters, including regional policy; the Member States must also transfer

(1) A. Shlaim, De rol van topoverleg in de EEG-besluitvorming, in De Internationale Spectator 1974 p. 325 et seq.

(2) Commission doc. (73) 1171 def., (73) 1170 def. (73) 1218 def. JO C 86 of 16.10.1973.

(3) Commission doc. (73) 1751 (JO C 106, 6.12.1973).

(4) About the final structure and functioning of the ERDF, see § 2.

(5) Report to the Commission & the Council on the realization by stages of an Economic and Monetary Union in the EEC, EEC-Bulletin 1970, no. 11 (supplement). The author of this report, Prime Minister Werner of Luxemburg, seems to have put much emphasis on this. See R. McAllister, in J. Cornford (ed). op. cit. p. 190-191 and his comments on the Werner Report.

the monetary powers which they used to adjust their currencies every time that their economy got out of step because of deficient sectorial or regional structures. But such a system is only possible if each national economy functions in such a way that protective measures are largely unnecessary; regional economic policy is a means of achieving that aim. But (as we have seen in the first part) national regional policies are not an effective means of reducing regional imbalances; the conditions for an EMU are thus not yet fulfilled. Faster European integration is only possible if Member States and the EEC pay particular attention to backward regions, but some Member States do not have sufficient resources to be able to do so. Thus, while waiting (1) for the EMU, which will perform only EEC actions, the EEC must increase its supplementary role by establishing this new instrument. Indeed, it is hoped that the ERDF will direct more capital to backward regions; to make this possible, it appeals for financial solidarity between the Member States.

Not enough time has yet passed for a solid judgement but it may well be that this view could be behind the ERDF's lack of success, together with its relatively limited financial resources. The ERDF risks becoming a supplement to regional policies which have proved in most cases to be unable to reduce the economic gap between developed and backward regions. Regional development planning, in those states where it is practised, does not take account of the European dimension either. The EEC could at least supplement this in the case of frontier regions, but it does not have the powers to do it (2). Member States

(1) It is certainly true that the link between regional policy and the EMU has been over emphasized. See J.D.B. Mitchell, op. cit. p. 7. This has resulted in the delay of further EEC regional innovation when the objective of the EMU was delayed too.

(2) There are, however, some cases of Community aid for projects straddling both sides of a border.

are not very efficient either in reducing the growth of over developed regions, and the EEC can do nothing because it would be against the spirit of the Rome treaty which aims at economic expansion in general. Was it really impossible to have the Member States coordinate their regional policies with a European plan for regional development, prepared by the Commission and approved by the Council? The risk of incidental and geographically dispersed interventions by the ERDF, as criticised in the European Parliament (1) would then be greatly reduced. A European plan of this nature would be very useful because many backward regions are located on the internal frontiers of the EEC or on the periphery; as a supra-national institution, the Commission is better placed to single out and assist such regions independently of national political considerations.

An attempt could have been made to persuade the Member States to agree to some general principles concerning slowing down economic growth in over developed regions and speeding it up in backward regions (i.e. those regions whose average income per capita is higher or lower than the EEC average); the argument could have been used that this would make the ERDF, which some governments wanted so much, really effective. Parliament would certainly give its support. The opportunity was lost because of the Commission's view of its own role: the Ortoli Commission took the (gaullist) view that the Commission is an auxiliary instrument of the Council and not a supra-national political body, or the motor of European integration. Its proposals concerning the ERDF prove this, as do the debates in the European Parliament where the Commissioner for regional policy warned MPs several times to beware of what he saw as unrealistic suggestions: clearly he and his colleagues were unwilling to test the political

(1) European Parliament, doc. 178/73 (Delmotte-report), 10.10.1973.

will of the Member States. One could not of course advocate a repetition of initiatives such as the 1961 conference on regional economies, but the Commission's role is to stimulate European integration and not just to follow the governments of the Member States.

The Commission's technocratic and unpolitical approach was demonstrated by another fact: it was proposed that the ERDF should operate only in regions recognized by the Commission; but the choice was to be made from among areas selected by the Member States and whose per capita GNP is below the EEC average. Regions below this average which, for internal reasons, were not selected as problem areas by their government therefore cannot profit from the ERDF. Other criteria will be used by the Commission: high dependence on employment in agriculture or in declining industries, high and continuing unemployment and a large negative migration figure. About half the EEC's territory with 1/3 of the EEC's population is thus selected for help by the ERDF. In the Benelux, some of the regions selected are so small that they cannot even be considered to be micro regions; this is a waste of Community money because these areas are sometimes adjacent to well developed areas and because economic development can easily be stimulated by national means in such small areas. The Parliament had seen this danger too when it amended the Commission's proposal with a provision that the ERDF can only intervene if national support cannot be sufficient to reduce economic imbalances (1); but the Council did not want to give the Commission the means of passing judgement on this. Each government wants to profit from the ERDF, which means in fact that less money is available for really underdeveloped regions such as southern Italy or Ireland. Thus the Parliament's amendment was not included in the final text adopted

(1) Delmotte Report, amendment to art 3 of proposed regulation.

by the Council (3) The debates in the European Parliament between MP's and the Commission made the Commission's attitude clear: it wanted in the first place to find an agreement with the Council of Ministers and therefore it tried to avoid every point which could displease the governments or the national bureaucracies. One of the results is this ridiculous system of giving EC regional aid to small areas in the Benelux and West Germany which do not really need this money. Another result is the absence of consultation with regional authorities (4)

The proposed committee for regional policy will study national regional policies, economic progress in all EEC regions, specific development programmes in regions referred to in the regulation establishing the ERDF and the financial means which the Member States and the EEC intend to employ for regional actions. It also examines the coordination between EEC and national regional policies for the execution of specific programmes and the measures to reduce economic growth in regions with heavy economic concentration. In fact, the committee for regional policy can cover everything concerning regional policy, except the repercussions of regionalization. But since it is composed of national civil servants, assisted by an observer from the European Investment Bank and experts, as and when required, one need not to fear that any proposal will be made which might upset the Member States. Parliament, which in the past always pressed for cooperation between local and regional authorities and the Commission, repeats this request as an indirect criticism of the composition of the committee (1).

Unlike the European Investment Bank, to which regional authorities have direct access, requests for assistance from the ERDF must be put forward by the Member States. This is justified by bureaucratic reasons (2), the

(1) EEC Commission, doc. (76) 307 def. First Report on the activities of the ERDF, p. 8.

(2) Delmotte Report.

(3) Council of the E.C., reg. 724/75, 18.3.1975.

(4) Council Decision 75/1859, 18.3.1975.

small staff of the ERDF would not be able to select from a great number of requests, thus a pre-selection is made by the national administrations. The fact that proposals have to fit into a national plan of regional economic development is not a valid argument against direct contacts between the Commission and regional authorities.

The Commission gives a detailed decision for important projects and a more general decision for other requests. The Member States must also communicate their regional development programmes so as to allow the Commission to fit in its support. One should not have too high expectations of the advice which the committee for regional policy must transmit to the Commission. It is unlikely that national civil servants will voice fundamental criticism, if any, about regional policy projects in a particular Member State; only independent experts would be able and willing to do so.

Besides the two points mentioned already, the European Parliament also expressed more general criticism of the Commission's proposals concerning the ERDF. It regrets the regional approach of the Commission, which is too exclusively economic and does not take sufficient account of the social and human aspects. It therefore urges that the ERDF should also assist projects concerning professional training and education and social matters, which some Member States might have difficulties in financing (1). The European Parliament has asked the Commission before to take a wider approach to regional problems (2) but apparently without success.

In spite of the 1972 Paris summit declaration, the Council could not come to an agreement on the budget of the ERDF. The Commission had proposed 2.250 million UA for the 1974-76 period; this was too much

(1) European Parliament, resolution of 5.7.73 8 7.
(2) Kredietbank-weekberichten, 1975 nr 9, p. 6.

for the German Government, which had to pay the largest part of it and which was under pressures from MP's of all parties which were far from pleased with the re-negotiation manoeuvres of the British Government; to a lesser extent this was also true of the Benelux Governments who did not exercise their usual pressure in favour of everything which would strengthen European integration.

At the 1973 summit conference in Copenhagen, no agreement could be reached, but this conference was preoccupied with other issues (the oil crisis). At the December 1974 summit in Paris it was finally decided that the ERDF would come into operation on 1.1.75; during the first three years it would have an experimental character. But the financial means of the ERDF are considerably lower than originally envisaged: 300 million UA in 1975 and 500 million UA in 1976 and 1977. If one considers the population of the regions selected to benefit from the fund, this is at the most 6 UA per capita; together, the Member States spend about 18 UA per capita for scheduled backward areas to finance their regional policy (1). It was also decided to use Community resources to finance the ERDF; 150 million UA will therefore be taken from the guidance section of the FEOGA. The Council regulation setting up the ERDF was passed on 18.3.75, so that after all the fund had to start with retro-active force (2).

Meanwhile the Commission had completed another request from the Heads of State and Government made at the 1972 Paris summit. A study was carried out on regional problems and policies in the enlarged EEC (3). The report provides a survey of the main aspects of regional

(1) idem.
 (2) Council regulation nr 724/75, JO L 73, 21.3.75.
 (3) Commission doc. (73), 550 final, 3.5.73. See also EC Commission 7th General Report, 1973.

disequilibria in each Member State and of measures to remedy this situation. But what is more important is that the Commission openly admitted that economic growth between 1960 and 1970 had not brought harmonious economic development as requested by the Treaty of Rome. Apart from the human and environmental arguments, which are conveniently forgotten when it comes to the elaboration of EEC measures, the relationship between regional policy and the EMU was repeated; the trend of the Commission to link underdevelopment to congestion, which had already emerged in the previous period, continued and seems to have been strengthened (though there is only one concrete EEC measure in this field: the limitation of investment assistance in the central areas of the Community).

The report was far from innovative: EEC regional policy was to be a supplement to national policies; there should be more coordination of common policies and financial instruments at EEC level, and of national regional policies. Apart from the announcement that measures would be proposed to reduce congestion, the establishment of the ERDF and a committee for regional policy, all the rest had been said before.

It must be noted, however, that under the Ortoli Commission there was a change in the Commission's approach to its regional development studies. Instead of studies concerning a particular project of interest to one Member State or another, regional studies were now undertaken in a coordinated way; the Commission had set up a working group^{for} that purpose (in 1976). This will be helpful in integrating EEC regional studies more closely with the activities of the Committee for regional policy and the ERDF.

In the context of this thesis, mention must be made also of an interesting suggestion made in the European Parliament, which recommended new local government

authorities which could cooperate easily on both sides of the Community's internal frontiers (1). Parliament's concern is understandable: trans-frontier cooperation is hampered by legal incompatibilities and political difficulties (i.e. suspicion in national capitals). But the idea of a European Joint Authority which would have powers to organize such trans-frontier cooperation, particularly regarding public services (but without excluding planning activities), seems hard to sell. However, the Commissioner for regional policy again refused to tackle what is clearly a political problem nor did he even suggest alternatives.

2. Regional policy measures

a) The EEC's principal achievement is the establishment of the European Regional Development Fund, although it has only been functioning since 1.1.75. The ERDF gives assistance to public institutions carrying out infra-structures works which are necessary for the development of the industrial or the tertiary sector. Its financial aid cannot exceed 30% of the total expenses. But this assistance can also be an interest subsidy of 3% on a loan taken out from the European Investment Bank. The ERDF can also give financial help to investment projects in the industrial or tertiary sector which create at least ten new employment facilities or which contribute to maintaining employment in one of the selected regions; these investment projects must exceed 50,000 UA. Another condition is that to receive assistance from the fund, these projects must also be assisted by the national government according to their existing regional aid measures. ERDF aid is thus associated with national aid; it may not exceed 50% of the national aid, nor 20% of the investment costs.

(1) European Parliament, Gerlach report 18.11.76.

Cooperation between the Bank and the Fund, which both have regional responsibilities but different methods of action, was thus made possible by the introduction at European level of regional aid measures which were already long in use in the Member States (interest subsidies). However, the first decision lies with the European Investment Bank (to grant a loan); thereafter the ERDF can add supplementary aid where necessary (to grant the interest subsidy), but this depends on the government: if it does not present a project to the ERDF, a regional authority which can deal directly with the Bank, could run into difficulties. Indeed, the loan may be taken out at the Bank in the hope of an interest subsidy from the ERDF. The EIB acts autonomously and does not have to take account of the priorities of the ERDF which may be established by the committee for regional policy, the Commission and the Council; the presence of an observer from the Bank in the committee does not solve this problem. Coordination with national regional aid measures is envisaged explicitly in regulation no. 724/75 (art 5); the Commission must thus decide on matters regarding the conformity of proposed regional programmes to EEC objectives.

In the first year, difficulties already emerged concerning the interpretation of "infrastructure investments which are directly related to industrial and tertiary development" (1). The wide differences between national regional policies have meant that this phrase has been interpreted differently in different states; projects proposed for ERDF support therefore vary greatly. The necessity of the coordination of national regional policies and their subordination to EEC principles is obvious. The Commission has emphasized that the ERDF is complementary to national aid and that the Member States may not reduce their expenditure on

(1) ERDF, first report, p. 8.

regional policy because they now receive European money too; they should rather increase it (1). All Member States have agreed to this principle. However, it is not certain that they follow it in practice. Very soon, suspicion emerged that they put ERDF money in the general budget, together with their income from other sources. It thus became difficult to find out whether it had gone to the regions and whether national aid had not gone down. They also submitted the annual information statements required under ERDF regulations; these will help the Commission to compare the practical application of national regional policies, a necessary first step towards coordination.

Another matter to be solved concerns coordination between the Fund and other Commission instruments and policies. Special procedures have been worked out to provide for coordination between the ERDF and the social fund, the ECSC aid under art 54 and 56 (reconversion and readaptation aid) and the guidance section of the FEOGA (2); a region can receive assistance from more than one EEC institution at the same time, but not from FEOGA and ERDF together. The attribution of the responsibility for EEC regional policy to one commissioner exclusively has brought more internal coordination; one of the often criticized darkneses of the EEC regional policy has thus been reduced considerably since 1972 and in particular since the fund started to function. The Commission has set up an internal group to coordinate all EEC financial instruments and the Council agreed in principle on 5.4.76 that the mechanism of these instruments should be coordinated, but this has not yet been completed. However, it seems that good progress is being made concerning the coordination of grants from the ERDF with ESCS conversion funds, the FEOGA guidance section and even the EIB (3).

(1) idem, p. 17-18

(2) idem, p. 28-30.

(3) EEC Commission, 10th general report p. 129.

During the first year, Ireland and the selected regions in Italy, Great Britain and France benefited most from the ERDF, but the Commission rightly argues in favour of a better concentration of the fund's resources on regions with the greatest economic difficulties and on the projects and sectors most likely to help to overcome them. Modifications of the ERDF regulation may be expected, probably after presentation of the second report (June 1977).

b) The EIB, whose basic capital was increased after the enlargement of the EEC, increased its financing in 1976 to 1.273 million UA, compared with 1.006 million UA in 1975. Loans and guarantees given by the EIB exceeded the thousand million UA level for the first time; they rose to 1.086 million UA in 1976, compared with 917 million UA in 1975. The distribution of EIB aid among the Member States changed: Italy which was the main beneficiary in the past, now comes second after the United Kingdom. It is remarkable that three projects in West Germany, the wealthiest Member State of the EEC, received 110 million UA, whereas France and Ireland received respectively 60 million UA and 57 million UA. Though regional disparities persist in the Benelux, Denmark and Germany, they are smaller than in other states; moreover, the economic and financial situation in these states (except perhaps Luxembourg and Denmark) should enable them to do without European aid. But clearly this is politically very difficult to achieve.

c) In matters of agricultural policy, the main point to be mentioned in relation to regional policy concerns the establishment of a list of priority agricultural regions and areas referred to in the regulation on finance of the guidance section of the FEOGA (1). In

(1) Commission doc. (73) 10.3.1973.

these regions and areas, incentives will be given for regional development to encourage the creation of jobs when there is a large surplus in the agricultural working population. It shows a continuing trend to give more regional importance to the common agricultural policy, though there is a continuing danger too of confusing regional policy with industrialization (1). At a time when people all over Europe are becoming more environment conscious, it would be very regrettable if the Commission's well-meant policy actually contributed to the destruction of the agricultural environment.

During this period, the Commission also started to elaborate special measures for regions with unfavourable conditions for agriculture, such as mountain and hill regions (4). In view of what it said above, this could become a valuable part of the EEC regional policy in agricultural matters, preventing the depopulation of these areas or the kind of industrialization that would destroy their environment.

d) At the request of the ECSC consultative committee, the Commission has started the elaboration of reconversion programmes for the iron and steel industry, which is in an extremely difficult position in many regions (e.g. Wallonia, Lorraine) (3). Many of these regions have already been selected for the help of the ERDF; thus the Commission intends to use all the financial instruments for the implementation of these programmes (ERDF, Social Fund, application of ECSC art. 56). This will provide an interesting coordination which will increase the cumulative effect of these aid measures.

Conclusions

To avoid the danger of violations of the common market

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- (1) J.D.B. Mitchell, op. cit. p. 2.
 (2) Kredietbank-weekberichten, 1975 nr 9 p. 6.
 (3) EC Commission, 10th general report 1976 p. 161
 (4) *See footnote (2) on p 307.*

in its present stage and to be able to establish an EMU one day, a faster reduction of regional disparities is still necessary. With the present level of national and EEC actions combined, it may not be before the year 2025 that regional disparities are reduced to such an extent that an EMU can be established (1).

The ERDF, the only regional achievement of the EEC of significance in this period, offers new possibilities for the elaboration of a coherent and more global regional policy. However, the stumbling block remains the coordination with national regional policies. The concept of an EEC regional policy remains an aid concept, but more internal coordination and more coordination with Member States may gradually lead to a more planned concept at EEC level.

(2) EEC Directive 75/268, JO L 128 of 19.5.1975.

(1) See footnote (2) on p 306.

GENERAL CONCLUSIONS

It has been difficult to make the 'red line' of this thesis always apparent, because of the complicated nature of the discussion (legal, political and economic) and because of the two levels of government involved (the national and the european level). Therefore it seems useful to bring together several conclusions which emerge from the analysis in the preceding chapters.

It is often thought that coordination of national regional policies is very difficult because of the widely different character of these policies. ^{It is sometimes suggested that} Member States are willing to coordinate regional policies at european level, ^{that} they are willing to develop a proper EC regional policy, but ^{that} the differences between the nine national regional policies are almost unsurmountable.

Some doubts may now be expressed about this view.

Depending on the seriousness of regional economic imbalances, Member States have gradually elaborated a regional policy. The introduction of regional policy measures took place at different periods in each Member State, but it does not seem relevant for this thesis whether it happened at the beginning of this century (for example in Italy) or only during the late fifties (for example in Belgium and Luxemburg). From their emergence in the form of assistance measures in the beginning, all national regional policies are characterized by an evolution towards regional economic development planning. Differences in planning methods continue to exist, but this is more a technical matter; it has some political consequences too, but these can not affect this general conclusion: although the functions and methods of regional policies can differ, there is a remarkable similarity between the regional measures

applicable today in the Member States.

In relation to this point, mention must be made of the reforms of local and regional government in the Member States. One of the reasons for these reforms is the evolution towards regional economic planning. There seems to be a general belief in the Member States that traditional local and regional structures are not *suitable* for the elaboration and execution of planning measures; therefore reforms are planned or have been worked out already.

But there are other reasons for these reforms too, related to the desire for more democratic and efficient government at these levels and for more decentralization. The increase of governmental tasks had also increased centralization; it seems difficult to imagine it otherwise, because local and regional authorities were often unable to cope with new tasks (such as planning) in an efficient way. However, the reaction is very real today and one can see everywhere a revival of ideas of local and/or regional government. In some countries, historic and cultural reasons are added to these economic and political reasons, and demands for regional autonomy even emerge. Also in this respect there is similarity between the Member States although to different degrees.

These reforms of existing structures are marked by amalgamation of municipalities and by the emergence of a two tier intermediate structure (micro-and macro - regions). The micro-regional level seems destined to be close to the municipal level and to perform tasks mainly concerned with public service. The macro-regional level seems destined to be closer to the national level and to perform planning tasks mainly in the economic and social field. A two tier intermediate structure does not yet exist in each Member State, but proposals in that direction have been made; the evolution is

still under~~w~~ay.

One may conclude thus that fundamental differences between the Member States in matters of regional policy and regionalization are not as large as sometimes suggested. There is a common evolution towards more regional economic planning and, not without relation to it, a tendency towards regionalization.

As we have indicated before, this implies reform of the intermediate structure of local/regional government (provinces, counties, departments) and the introduction of another level, the macro-regions.

The regional policy of the EC is weakened by the absence of a coherent set of measures in the Treaties. In fact it is based on concepts of regional policy existing in the Member States in the early fifties. This is proved most clearly by the absence of any idea of regional economic planning. However, it looks as if a new evolution has started recently and that the EC is moving towards a more comprehensive regional policy; the establishment of the ERDF will probably stimulate this evolution even more. Real planning of regional economic development is still not possible at European level, because the institutions have no powers to do so; if they will have such powers one day, they will have first to coordinate planning techniques. Also the coordination of national regional policies has been weak until now. In this matter there are less excuses for the present state of affairs. Differences between regional policy measures in the Member States are not so large that coordination is impossible; it seems thus that the political will has failed. *It seems unrealistic today, but the ideal solution will be to add a new chapter to the Treaties, based on the aims already laid down in the preamble of the Treaty of Rome, in order to allow the EEC institutions to work out comp-*

prehensive planning of regional economic development. This should include the independent use of the Regional Development Fund, full integration of the regional activities of the EIB into such a policy, coordination of national (macro) regional economic policies, measures and financial aid. In general, a considerable extension of EEC powers would be needed in this field.

It would also offer an opportunity to make some provisions concerning contacts between regional and European authorities. There must be coherence between the different levels of government; therefore national authorities will continue to occupy an important place in any system of direct links between regional authorities (of whatever sort) and the Commission. Contacts exist already but there is a need to make them more official and more open, to the benefit of all parties.

It might be a beginning to more complementary forms of government in the EC.

However, it is not certain that a more harmonious development could then be achieved because, if the EC institutions move further towards a new regional policy, they will probably meet the same problem which the national governments have come up against: the need for new political and administrative structures, in particular at the level of intermediate government. Local and regional authorities which can no longer function efficiently in a national pattern, are also not suited to deal with European institutions.

The reforms of local and regional structures in the Member States can thus influence the elaboration of European regional policy. This conclusion may certainly not overshadow other suggestions for a renewed European regional policy, but it is an aspect which is often overlooked. Without such reforms, coordination of national regional policies, elaboration of a regional

economic development planning and consultation and participation by regional authorities will continue to be jeopardized. This of course does not mean that EC institutions should seek a revolutionary policy which would cause an upheaval in internal affairs. What seems to be required is that Member States, when in the process of elaborating regionalization, take more account of the European dimension of these reforms.

A final point concerns the connection between the first and the second part of the thesis. The study of national regional policies is needed to understand fully the possibilities and limitations of European regional policy (in particular in relation to the problem of coordination) and to understand the implications of regionalization in the Member States. If the elaboration of regional policy asks for reform of existing local and regional structures, than the elaboration of a European regional policy asks also for a more coherent structure in the Community. In other words, national reform proposals should take more account of European regional policy, and its structural needs. One is tempted to say at the end of this work : the Conference on Regional Economies, organised by the Commission in 1961, was on the right way.

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