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Upscaling in order to capacitate local government

An international comparison of arguments and practices of local government consolidation

Michiel S. de Vries

Abstract:
This paper asks how the benefits of municipal amalgamations compare to the costs thereof. It answers this research question by comparing the postwar experiences with such consolidation in a variety of OECD countries. First, this paper argues that nowadays upscaling local and regional government is popular. Many Western countries have plans to upscale local government or have already implemented such plans. Various developments, such as the development in the welfare state, decentralization processes, and urbanization have pushed the possibilities for professional service delivery of small local systems to their limits. Hence, there are good reasons for upscaling.

Second, this paper argued that processes towards public sector consolidation are mainly political processes. Vested interests, ideological framing, intergovernmental war, institutional and interpersonal conflicts and power play are central. Although these political processes can result in a variety of outcomes, all are indicative for some form of upscaling. It seems inevitable, either by way of municipal mergers or by creating additional governmental layers taking over the service delivery of local governments, or by inter-municipal cooperation. Such upscaling does affect the professionalism of service delivery and the quality of local democracy, although previous research is divided about the answer to the question to which extent and in which direction the effects go. That research is based on the well-known Dahl-Tufte dilemma, mooted in 1973, in which better service delivery is balanced against the loss of citizen effectiveness. This paper argues that two other dilemmas might be as important.

First, there might be a neutralizing effect of public sector upscaling annulling the merits of decentralization. Secondly, there is the serious consideration of long-term effects against temporary, transition costs. The transition costs result in the recommendation that if one wants to upscale, it is preferred to do it in one-go and not through repeated incremental processes. Without additional knowledge about the optimal size, upscaling can only be seen as gambling.

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1. Introduction

The position of local and regional government is under discussion all over the world. In the developing parts of the world, the dysfunction of these governmental layers is seen as the cause that the millennium development goals are not achieved (Kauzya, 2013). In the developed parts of the world, the capacity of local government is often judged insufficient to justify further decentralization, that is, the transfer of powers and authority for policy areas from the central to the local level (Council of European Municipalities & Regions, 2009). The capacity of subnational government has been an issue for a long time making many a central government reluctant to decentralize the authority on policy areas. This paper will argue that nowadays many countries, especially but not only in the latter category, seek the solution for capacitating local and regional government in upscaling these layers through amalgamations. Such process are pursued under different labels, notably “amalgamations”, “territorial consolidation”, “territorial reform strategies”, “mergers”, and “public sector combinations”. This paper uses these terms interchangeably.

This paper addresses the background, frequency and consequences of such upscaling and, argues by decomposing the process towards territorial consolidation, that the transition costs thereof are high. Although research about the effects of upscaling is divided in its outcomes, the least one can say is that such reform processes always involve a difficult consideration of costs and benefits. How do the effects compare to the costs? In order to arrive at an answer to that question, the following sub-questions will structure this paper:

1. To what degree has upscaling subnational government spread among countries?
2. What is known about the different phases in such reform processes?
3. What does this knowledge suggest regarding the way to proceed in this regard?

The structure of this paper follows the three sub-questions. The first section will address the popularity of upscaling, followed by a section in which process towards upscaling is decomposed and each of the phases in such processes is described. This paper finishes with a discussion on the merits of such upscaling and the dilemmas involved.

2. Upscaling is in fashion

In Europe after WW II, the first signs of upscaling were already seen in the 1950s. It started in Austria (halving the number of municipalities) and in Sweden (reducing them to less than an eighth of the original number). Subsequently other countries in Scandinavia, as well as in Western European countries such as Germany, the Netherlands and the United Kingdom, and in Central European countries such as Poland, Czechoslovakia and Hungary followed (Swianiewicz, 2010, p. 16). However, it is only during the last decade that we witness a massive popularity of upscaling in other countries and outside Europe too. In some countries, this became reality. In other countries there were plans, but these failed. First, again in Scandinavian countries: in Denmark the number of municipalities decreased from 275 to 98 between 2000

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and 2010; in Finland from 436 to 342; in Iceland from 124 to 77; in the Faroe Islands from 49 to 30 and in Greenland from 18 to 4. In Western Europe, the process of upscaling also goes on. The Dutch continue incremental upscaling through amalgamation to a present number of 400 municipalities, which number exceeded 500 in the early 2000s and plan to reduce the number of municipalities to no more than 150 by the second half of this decade. Within roughly the same period, the 12 provinces have to be reduced to five counties. In Ireland, there are plans to upscale local government and reduce the number of regions from eight to three. In Canada, more specifically Quebec the Provincial Parliament passed a series of laws in 2000 that obliged municipalities to merge from 212 to 42 communes. At present in New Zealand, the prime minister wants to upscale local government, and Japan again plans to upscale local government by reducing its number by 40%, after it already had reduced the number of municipalities in the early 2000s also by 40%. The Japanese government's stated goal is to reduce the total number of Japanese municipalities to 1,000. In Greece, the Capodistrias Plan of 1997 reduced the number of municipalities from 5825 to 1033, although its original plan was to end up with 500 municipalities. As to Central and Eastern Europe, in Macedonia in 2004 as a consequence of the Ohrid Framework Agreement the number of municipalities diminished from 123 to 84. In Georgia, after the Rose revolution the number of local governments was reduced from 998 to 64 in 2006 with five so-called provincial cities, i.e. Tbilisi, Rustavi, Kutaisi, Batumi, and Poti.

In other countries, amalgamations were hold in, but the autonomy of small communities was nevertheless reduced by intensified cooperation between them or between them and a central city. This happened in Hungary, where the government introduced so-called multipurpose micro-regional associations, which can comprise up to 65 municipalities around a larger town. It is also seen in the Czech Republic where municipalities cooperate intensively, especially in the areas of regional development, tourism and environmental protection and somewhat less in social infrastructure, energy, transport and waste disposal and in order to get European subsidies. (Vajdová and Čermák, 2006). Only in Lithuania, there were plans to increase the number of municipalities, because the government argued that because of the huge amalgamations in the 1990s in which the number of municipalities diminished from 581 to 56. This process had created municipalities that were too large according to Lithuanian government. Another special case is Slovakia. In this country, the often very small municipalities got a choice in 2004: either merge or intensify cooperation and at least have 5,000 inhabitants as a municipality. In the above resume, the upscaling in some countries must inevitably have been missed. The picture is nonetheless clear. In the more or less economically developed countries upscaling the subnational Public sector is in one way or the other, through inter-municipal cooperation or amalgamations, in plans or reality, in fashion.

3. A decomposition of the process

As Pawel Swianiewicz tells us: “it should not be naively seen as a painless remedy with no negative side effects” (2010, 15). A dilemma exists in the weighing of long-term benefits to enable local government to deal with increasingly complex problems, policies and spillover effects for which capacity is created through amalgamations, against the transition costs of such amalgamation. Such transition costs refer, not just to the planning costs or to moving officials from one office to the other, but especially to the more serious conflicts between national and subnational government, between the constituting partners in the municipality to be merged and between the local officials in the consolidated municipality. Below we describe the five phases such transition processes face in order to enable an analysis of such processes in the next section. One can distinguish the following sequence in such process:

1. The driving forces behind upscaling;
2. The arguments used in practice;
3. The resistance of stakeholders;
4. The decision-making process;
5. The functioning of the new municipality immediately after amalgamation.
3.1. Phase 1. The driving factors behind upscaling

Theories point to varying factors explaining public sector consolidation. They point to the emergence of the welfare state and the changing role of government in general and specifically the changing role of local government, urbanization, decentralization, and political reasoning. Brans (1992) summarized these theories. First of all the emergence of the welfare state is a driving force behind upscaling. According to Kjellberg (1985) and Dente & Kjellberg (1988) in its first phase the increasing number of functions for government in the public sector, also made the importance of local government grow. It got more powers and authorities, and was seen as the governmental layer in which everything had to be implemented. This created pressures for rational and efficient administration. The more involved local authorities had traditionally been in social service delivery, the more likely it was that reorganization at this stage would resort to … amalgamation (Kjellberg 1988, p. 45; Brans, 1992, p. 431). During the second phase of the emergence of the welfare state, distributional policies became more important and the local level became involved in regional and labor market policies. During the third phase of expansion of the welfare state, these policies integrated resulting in a reconsideration of the financial intertwining between central and local government (ibid). All in all the burdens on local government increased, necessitating a certain mass at the local level in order to adequately take care of all these functions and hence the plans for consolidation.

One can add a fourth phase, that is the retreat of the welfare state, in which due to the financial crisis, many functions are transferred from the central level (which cannot afford them anymore) to the local level, because of a combination of political and efficiency considerations. Policies become unaffordable because of budget deficits at the national level. Because it is often politically untenable to eliminate these policies, they are decentralized, so that the financial burden is transferred to the local level.

The second theory explaining upscaling, points to demographic developments, notably urbanization, and intergovernmental developments, notably, decentralization (Sharpe, 1988, Brans, 1992). Both factors pushed the old local government borders to their limits. Because of urbanization cities expanded beyond their official borders and the many new functions out of decentralization accompanying their growth could not adequately been taken care of but in cooperation between cities and their more rural environment (hinterland) or under a common jurisdiction, e.g. mergers.

The third explanation sees amalgamations as a political process. First, the need to protect the interests of the cities induces power politics in which the autonomy of the suburbs was to be diminished. Second, expected electoral gains use reorganizations in a kind of gerrymandering. Third, the need to have some balance between capitalism and democracy can be sought and provided at the local level. Fourth, upscaling is needed in order to ensure a continuous supply of 'high caliber’ councilors and officials (Brans, 1992, 436).

Other background factors cannot be neglected. The above three theories see upscaling as a political answer to an acknowledged societal need and governmental problems. Often upscaling is not a voluntary choice, but something forced upon society, as was clearly the case in central Europe after 1989. In those days and many of those countries outside pressures to simultaneously upscale sub-national government and decentralize power and authority to the local level are seen. Many a technical assistance program from the EU or US towards these countries in the 1990s aimed at empowering local government and diminishing centralization. The subsidiarity principle is crucial to the EU and many a reorganization in an EU member state was partly inspired or limited by the incentive of getting grants out of the regional development funds from Brussels.

Finally, upscaling is deemed possible when other countries have successfully went through this process and there is a country in which the consolidation is seen as a best practice. In such a case, institutional mimesis becomes likely. This explanation central in policy diffusion theory is able to explain the timing thereof and the shifting popularity therein. It is seen in the first wave of amalgamations between the 1950s and 1960s and a second wave from the middle of the 1990s onwards. Where Austria and Sweden were seen as best practices in the 1950s, at present Denmark seems to be the prime example. In 2007 it rigorously upcaled its municipalities from 271 to 98 and its regions from 14 to 5 and economically it is not doing too bad. This is sufficient reason for other European countries to see it as a best practice and to
do something similar in the hope that it will produce the same effects (Council of European Municipalities and Regions, 2009).

3.2. Phase 2. Arguments used in practice
If such consolidation is as popular and needed as described above, one would expect that the driving forces provide ample arguments for successfully initiating amalgamations. However, in practice we see rather different arguments used and the ones being mentioned in theory are neglected. Politicians and policymakers in favor of upscaling use the most wonderful arguments to back their plans. They talk about efficiency, rationalization, improved service delivery, of an administration becoming friendlier to the inhabitants, able to cope with new tasks, promote local development, and offer “modern social services” to their citizens, especially in rural areas (Greece). In Denmark, the main goal was meeting appropriate levels of expertise and addressing the problems in the delivery of core welfare services. In Germany enhancing the planning, administrative, capacity, and efficiency of local government units, while also ensuring and strengthening their local democracy potential was central (see Wolman 2004). The UK and Finland mentioned economies of scale, efficiency, and effectiveness. Macedonia desired to secure the competence of municipalities able to cope with increased local government competencies, because the decentralization process envisaged a further increase of expenditure and revenues assignments. Georgia faced legal, social, and economic pressures, whereby local governments almost ceased to function and public services were only available in large cities. In Quebec, the main goal was the reduction of fragmentation and the desire to induce more accountability and transparency, which was said to be lacking in the inter-municipal cooperation structures. The policy makers in Hungary emphasized integration and streamlining public service nationwide and that upscaling establishes equal opportunities for access to public services. The prime minister of New Zealand talked about reducing the costs, to reduce unnecessary duplication and waste, to enable improved performance, cost savings and to increase productivity. The Japanese wanted to enable the transfer of administrative power to the local level. The Czech Republic wanted amalgamations because of a combination of economy of scale, better service provision, distributional equity, local economic development and strengthening of local democracy (Czech Republic). (cf. Swianiewicz, 2010)

According to political proponents and policy makers aiming at public sector mergers, upscaling the Public Sector furthers all the quality criteria one would like to see coped with by the public sector. However, they hardly point to the long-term societal trends as mentioned in the theories on the subject, i.e. urbanization and welfare state developments.

3.3. Phase 3. The resistance of stakeholders
One of the reasons that policy makers try to back their plans with as many arguments as possible is because plans to upscale subnational government evoke a lot of resistance. Local and regional politicians will resist the plans. Vested interests make for local politicians who do not easily give up their local power positions in favor of a national plan to initiate amalgamations. They will even try to mobilize their followers, e.g. the local citizens to oppose the plans. In such discussions on can witness a lot of ideological framing, such as depicting the upscaling in terms of centralization, even though it goes hand in hand with further decentralization; in pointing to the loss of local identity; the increasing distance between citizens and local government; the increasing bureaucracy et cetera.

The opponents do have a point, even two points, as discussed below.
Already in 1973, Dahl and Tufte posed the dilemma that larger municipalities tend to be more effective providers of municipal services, e.g. have a larger system capacity, but are less democratic, e.g. citizen effectiveness. Smaller municipalities tend to have more possibilities for citizens to participate in policymaking processes and to have control over the decisions of the polity (local democracy), but could be less efficient and effective in service delivery (Dahl and Tufte 1973: 20).
Empirical research into the matter is ambiguous. As to the so-called systems capacity, or economies of scale, the results of empirical research vary with:
The nature of the unit investigated (schools, municipalities, police and fire departments, municipalities et cetera);

The supposed linearity of the relation between size and capacity: Some find a u-shaped relation, others a strong relation in case of merging very small municipalities but a decreasing or even absent relation when already reasonably large municipalities merge;

The investigated effect; be it efficiency, effectiveness et cetera;

The indicators used; be it the costs of local government, the percentage of salary costs to total expenditures; the number of complaints et cetera.

As to the second part of the dilemma, one sees the same problems in the outcomes of research. It sometimes shows that local democracy indeed suffers from increasing municipality size (Denters 2002; Kelleher and Lowery 2004). Others found that direct democracy increases, at least up to a certain size of the municipality (Keating 1995; Frandsen 2002). The same problem as with system capacity is seen, as outcomes of research depend on the nature of the indicators, the policy area and the country investigated. For instance in Denmark Kjaer and Mouritzen (2003) found that size has no significant influence on the citizens attachment to the municipality, their interest for and knowledge of local politics, their trust and political self-confidence, but does impact on their participation in elections and participation in public policy processes.

Secondly, many processes of upscaling are initiated out of the desire to transfer more authority to the local level, e.g. to decentralize. Such decentralization is preferred, because of the subsidiarity principle and the supposed advantages thereof, of which efficiency and local democracy are only two. Other supposed merits of decentralization are the possibilities to develop tailor-made policies, to achieve more flexibility, less bureaucracy, and better policies because of more commitment of officials, the short lines between stakeholders, the superior knowledge about local circumstances, and less redundancy in service delivery. There is a dilemma rooted in the need to upscale local government in order to enable decentralization, because such upscaling annuls some of the mentioned advantages of decentralization. If downscaling the responsibilities for policymaking through decentralization to the local level has the abovementioned effects, upscaling must almost by definition be expected to diminish the capacity to develop tailor-made policies; to increase bureaucracy, diminish flexibility, decrease the commitment of officials, lengthen the lines between stakeholders and result in more redundancy.

The question is whether these disadvantages are seen (in all policy areas or especially in those policy areas already taken care of by the local government before the amalgamation became reality); and whether the constituting units of the new municipality are equally confronted with these disadvantages or some partners in the merger take the costs and others the benefits.

3.4. Phase 4. Towards the decision to upscale

Such resistance is easily vanquished if all power is centralized in the national government, as was, for instance, the case in Czechoslovakia in the 1960s under the then Communist regime. One stroke of the pen sufficed to reduce the number of municipalities with 20%. In democracies, especially when countries are already more or less decentralized, such power politics is less obvious. Such countries use other instruments, that is, communicative, legal and financial instruments. Persuasion is seen in the abuse of possible advantages of amalgamations as described above under phase 2. During the decision making process often the word “voluntary” appears, however, always accompanied by wielding a big stick. In Denmark, municipalities got one year to merge voluntarily, and if they did not comply, central government would impose it. In Finland and the Netherlands, the national governments use financial incentives to induce municipal mergers. In other countries, such as Greece and Georgia, the extent to which the authority over policies is decentralized depends on mergers. This was most clearly seen in Georgia where a combination of legal, social, and economic pressures, made small local governments almost cease to function. Public services were only available in large cities. This contributed to the drive for a new round of reform in 2004 (Melua, 2010, p. 159). In other cases the
voluntary character is only partial: municipalities can for instance choose with whom to amalgamate, but national government fixes the lower boundary in terms of number of citizens in the new municipality, for instance, 5,000 or 50,000 or as in the Netherlands nowadays 100,000 inhabitants.

Resistance can be effective. In many regions (Länder) in Germany the small local government units did not merge, but added a new layer of inter-communal bodies of which the (small) municipalities became members, and which had the task of providing operational support to the latter. (cf. Swienaciz, 2010). The same happened, as described above, in Central European countries like Slovakia, the Czech Republic and Hungary, and in Western democracies such as France, the Netherlands, Belgium and Quebec until 2000. In those cases, the small municipalities keep their mayor and sometimes their local council although democratic control of the shared tasks is often minimal. Such shared tasks are organized through joint authorities such as created in Finland, which provide educational, social and health-care services, “integrated” municipalities such as in Germany, or multipurpose micro-regional associations such as created in Hungary in 2004.

To opt for inter-municipal cooperation instead of amalgamation is also seen in France, where communes cooperate within a community. 34166 small communes belong to 2406 Communautés de communes (community of communes), and 179 Communautés d’agglomération (CA) as well as 16 Communautés urbaines (Metropolitan cities). Furthermore the cooperation is strengthened through 16 11179 single-purpose IMC unions (syndicats à vocation unique), 1445 multipurpose IMC unions (syndicats à vocation multiple) and 3064 unions with communes and other public legal persons, department, region, chambers of commerce, and even communities (syndicats mixtes) were established to ensure service delivery by the sometimes very small communes.

Municipalities in the Netherlands experiment with a third option in order to intensify inter-municipal cooperation, but to remain politically independent, that is, to combine their administration, including all local officials, under the responsibility of separate political councils.

Amalgamation or intensifying cooperation is a choice based on difficult considerations. On the one hand intensifying cooperation gives the idea that the local identity and democracy are preserved, while service delivery is professionally taken care of by inter-municipal organizations appointed by local councils. However, such institutional solutions make for fuzzy government with a democratic deficit in relation to the shared tasks. In general inter municipal cooperation is, therefore, a transitory step towards full amalgamation. In Quebec in 2000, the problems due to inter-municipal cooperation were one of the main arguments for full amalgamation. At present, these additional layers are also under discussion in the Netherlands and Belgium.

3.5. Phase 5. The functioning of the new municipality

When a new municipality is created the employees involved, almost by definition experience uncertainty. It is because of this uncertainty that many authors point to fears, anxieties and resulting resistance to change especially when employees lack understanding of the principles and merits of the reforms. From medical literature it even becomes clear that effects of uncertainty caused by large-scale workplace reorganization, on psychological well-being, blood pressure and total cholesterol levels are visible (cf. Pollard, 2001). Pollard concludes that workplace reorganization causes significant increases in distress and in systolic blood pressure and that uncertainty contributes to these effects.

This uncertainty emerges first, because reforms often involve a change in the hierarchical relationships by either centralization or decentralization, or because of the creation of new dependency relations by privatizing or deprivatizing departments, or by creating independent agencies, government corporations, or incorporating a new organization within the executive branch (Cf. Thomas, 1993). During reorganizations positions are shuffled around, colleagues even subordinates may become bosses and bosses can be degraded, pushed aside or even fired, resulting in new and unknown relationships.

The second way in which reorganizations result in uncertainty is because reorganizations can be seen as a violation of the psychological contract (Rousseau, 1995, Wellin, 2007; Sobis and De Vries, 2011). Wellin perceives the psychological contract as “the actions employees believe are expected of them and what response they expect in return from the employer” (2007: 27). In case of organizational change, a sense of
contract violation is likely to occur, resulting in negative impacts with regard to morale, self-esteem, organizational commitment, trust, job security, and productivity, and increased psychological disturbances (Stark et al., 2000).

A second direct consequence of reorganizations is that the personal position and interests of employees may be at stake, resulting in physical, emotional, or psychological strain. This could be caused by cost-cutting changes, adjustments in salaries or benefits, forced use of vacation or even very subtle acts of removing the coffee machine, artwork, limiting office-space, et cetera (cf. www.ExecutiveBlueprints.com) and the threat of being fired when the reorganization involves downsizing.

Because of the uncertainty, threats and physical problems amongst employees, they shift attention from their daily work to organizational developments and are only focused on whether the reorganization will affect the nature of their work and working conditions. Especially when employees perceive the outcomes of the reform as unjust for themselves, they are more likely to leave their jobs, are less likely to cooperate, show lower levels of morale and higher levels of work stress and overt and covert disobedience, are more likely to initiate lawsuits, and may even start behaving in anti-social ways. A second probable indirect effect of reorganizations is found in the inclination of employees to resist further reorganizations and reforms. One might expect them to show conservatism, or in terms of the rationalities distinguished by Max Weber to adhere more and more to a traditional rationality. Preferring the way things are arranged at present even though further reforms might be advantageous to their organization.

A third probable indirect consequence of reorganizations is that interpersonal relations between public administrators become disturbed. Previous research out that especially hectic and dynamism in the work environment are causes of interpersonal conflicts (Marcellisen, 1988). Furthermore, if there are large power differences it becomes harder to arrive at solutions and conflicts are more persistent (Kriesberg, 1993). This is especially the case when dominant positions are in dispute and ambiguous (Smyth, 1994), when power shifts occur, or otherwise fundamental changes take place in the context (Putnam & Wodolleck, 2003), and especially if the workplace is perceived as chaotic (Crocker, Hampson & Aall, 2004). Especially reorganizations may have the side effect that they result in a division within the organization between people who profit from and people who are disadvantaged by the change. As said above, reorganizations may result in (temporary) uncertainty and ambiguity about the new situation and consequently result in behavioral mistakes by individual public officials, which in turn can be interpreted by others as resistance to the new situation the newly established hierarchy, thus resulting in an interpersonal conflict between public officials (cf. de Vries, 2010, Venner & de Vries, 2012). In the Netherlands, local officials see such interpersonal conflicts as the main inhibitor for policy development in their municipality (de Vries, 2010).

4. Discussion

Analyzing the process of reforms implicated by the need to upscale sub-national government, does not present a pleasant picture. The process is full of conflict, ideology, fear, and negative side effects. First, many an argument used by policy makers for amalgamations just reflects ideological framing, not referring to the real reasons. Consolidation is about neither efficiency, economies of scale, or distributional equity, nor about democracy, as the Dahl-Tufte dilemma suggests. It is rather the political answer to problems that befall a system and make the system creak on its edges (expansion of the welfare state, decentralization, urbanization, difficulties in finding political representatives) or are imposed on a country by the international system.

Secondly, during the process, the envisaged problems and conflicts increase: first at the macro level, subsequently at the institutional level and finally at the individual level. Processes to upscale sub-national government are indeed painful processes likely to result in a temporary standstill in policy development in the new municipality, because of the internal orientation such processes induce among all stakeholders. They will be mainly concerned with questions about their own individual position vis-à-vis others and the
position of their organization vis-à-vis other organizations. Decision makers have to balance these transition costs against the long-term benefits of upscaling. Although the Dahl Tufte dilemma, balancing service-delivery against democracy, is best known and dominant in the scholarly research into the effects of amalgamations, the dilemma sketched above, between long-term gains and transition costs involved in the process of upscaling might be as important. Research into this dilemma could provide policymakers with instruments and procedures that ease the process and reduce the transition costs. Such research could point to the need of substituting imposition of upscaling from the top by involvement of all stakeholders in the decision-making process. Such research could also result in a reconsideration of taking an incremental approach by the stepwise upscaling local governments which governments often opt for in order to reduce opposition. It is dubious whether such step-by-step processes are indeed expedient. It may seem that incrementalism makes such processes manageable, because it is a way to smuggle changes into the political system (Lindblom, 1979) but in the end, such an approach might well multiply the problems and conflicts at the individual level, because of the repeated reforms it entails. Perhaps a reform in one-go is to be preferred. The third dilemma in need of more research is related to the effects consolidation has in relation to decentralization. To which degree does amalgamation annul the expected benefits of decentralization? Is it indeed the case that if downscaling the responsibilities for policymaking through decentralization to the local level results in tailor-made policies, less bureaucracy, more flexibility and commitment of officials, shorter lines between stakeholders and less redundancy, that upscaling negates these effects? Research into these aspects of decentralization could point to an optimal size of municipalities given the cultural and socio-economic context. It could prevent problems as experienced at present in Lithuania, where the upscaling of municipalities apparently went too far and splitting the too large municipalities is nowadays a realistic policy-option.

5. Conclusions
This paper asked how the benefits of municipal amalgamations compare to the costs thereof. It answers this research question by comparing the postwar experiences with such upscaling in a variety of OECD countries. The existing literature on the subject is extensive. For every country, accounts are available of such upscaling processes. But the research is also divided in its evaluation of effects of such consolidation. Nonetheless, this paper showed that nowadays upscaling local and regional government is popular. Many Western countries have plans to upscale local government or have already implemented such plans. Various developments, such as the development in the welfare state, decentralization processes, and urbanization have pushed the possibilities for professional service delivery of small local systems to their limits. Hence, there are good reasons for upscaling.

However, such upscaling is not an easy process. This paper argued that notwithstanding the good reasons for upscaling, processes towards public sector consolidation are likely to become political and painful processes. Vested interests, ideological framing, intergovernmental war, institutional and interpersonal conflicts and power play are visible. The political nature of such processes makes proponents overstate the merits by uttering the most wonderful objectives, after which opponents are entitled to point to the uncertainties involved. Not all expectations about such reforms, especially those mentioned by the policy makers and politicians initiating such consolidation, are evidence based. Although these political processes can result in a variety of outcomes, all are indicative for some form of upscaling. This paper argued that upscaling is inevitable, either by way of municipal mergers or by creating additional governmental layers taking over the service delivery of local governments, or by inter-municipal cooperation. Such upscaling does affect the professionalism of service delivery and the quality of local democracy, although previous research is divided about the answer to the question to which extent and in which direction. Most of that research is based on the well-known Dahl-Tufte dilemma, mooted in 1973, in which better service delivery is balanced against the loss of citizen effectiveness. This paper argued that two other dilemmas might be as important.
First, there might be a neutralizing effect of public sector upscaling in relation to the merits of decentralization. It might well be that the merits of downscaling through decentralization are negated by the upscaling of local government. Second, there is the serious consideration of long-term effects against temporary, transition costs. Both dilemmas beg the question whether there is an optimum size of local government within a specific politico-cultural and socio-economic context. Clearly professional service delivery cannot be expected when a municipality is too small to attract the needed professionals or when it is unable to create the needed professionalism. On the other hand, there might be a u-shape relation between size and quality of service delivery in which case municipalities also can become too large. The Lithuanian experience points to this problem. Without an answer to this question and taking the transition costs seriously, policy makers face a real dilemma. On the one hand the transition costs result in the recommendation that if one wants to upscale, it is preferred to do it in one-go and not through repeated incremental processes. On the other hand, lacking knowledge about the optimal size of subnational government, upscaling is at best an educated guess, and at worst gambling putting taxpayers money, local democracy and the commitment of local officials at stake. Statisticians dissuade gambling, especially repeated gambling, because eventually it will ruin the gambler. They also tell us that if one needs to gamble, it is wise to do it as little as possible and to take the odds seriously. Thinking it through, being careful in timing, abstaining from ideological framing and overstating the effects, involving all stakeholders, making the process transparent from the start, mitigating negative side effects, and hiring mediators that can resolve the inevitable interpersonal conflicts, is the least one can ask for.

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