

Perspectives on Regional Government

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Abstract

The primary concern is with the organization and functioning of regional government, with no presumption that this is a desirable or undesirable political arrangement. Regional government may assume a variety of forms, depending on the nature of national government. It is argued that regional government has both advantages and disadvantages. This is shown to be the case for the nation as a whole as well as for the individual region. An important facet of regional government is the regional economy. This affects the well-being of the region, and also determines the scope and direction of policies undertaken by a regional government. Finally, consideration is given to certain issues in the financing of regional government through interregional transfers. It becomes apparent that regional government is underpinned by a plurality of influences which are interrelated in a complex manner.

1 Introduction

Interest in government at the level of the region has ebbed and flowed for the last 250 years, if not longer. Despite the fact that the term “region” has a differing significance across nations, the issue of regional government has attracted the attention of social scientists. This has been prompted in part by the trend toward decentralization of government in a number of nations (Asthana, 2013; Hooghe et al., 2016, pp 110–115). In addition, there has been a growing recognition that public institutions exert an influence on the pace of regional development (Amin, 1999; Lakshmanan and Button, 2019; Pike et al., 2017; Rodríguez-Pose, 2013). The effectiveness of regional government has also been considered in relation to national crises such as the current Covid-19 pandemic.

The term “regional government” within a nation refers to a clearly-defined level of government that is intermediate between national (central) government and local government. This intermediate level is composed of units designated variously as states, provinces, etc. For convenience these political entities are collectively referred to as “regions,” although for certain nations this would be a source of difficulty.¹ Regional government may assume a variety of forms. It typically includes of an assembly, together with one or more of the following: an executive capacity; a legislative function; and a judicial responsibility. Regional government is not to be confused with “regional administration.” In nations where there is no regional government, the national government may create an organizational presence in each region in order to facilitate the implementation of particular national policies. However, in contrast to a situation where a regional government is present, regional administration involves no regional assembly to determine policy, and thus no means by which the wishes of a regional electorate in particular areas of concern are directly taken into account.

In the discussion to follow an attempt is made to examine some of the more important aspects of regional government. The initial concern is with the different forms that regional government may assume. An extended note on the nature of the region in relation to regional government is contained in the Appendix.

¹In the US, for example, the official region refers to a multi-state entity used for administrative purposes by particular departments of the federal government (Hoover, 1971). And in the case of Australia the term “region” involves a sub-state administrative area, comprising a district outside a state capital that is composed of rural areas and small towns.

2 Regional Government and the National Political System

Regional government may have come into existence in the aftermath of colonial rule, revolution or war. On other occasions it emerged in response to political pressure from one or more parts of a nation. The form of regional government is related to the political system of the nation in which it is located, as this section seeks to demonstrate.

2.1 Regional Government in a Federal System

The distinguishing feature of any federal system is the existence of two levels of government above the local level, i.e., the national or federal level and the sub-national or regional level. In such a system, sovereignty (in the form of political power and associated responsibilities) is divided between the two levels of government (the national and the regional) which “are within a sphere co-ordinate and independent” (Wheare, 1963, p.11). This structure is generally codified in a written constitution or “basic law,” that is subject to interpretation by a constitutional court or a body acting in that capacity. The distribution of powers between the national and the regional levels of government is largely a matter of past decisions, and there is considerable variation across federal systems. In the US, for example, powers not reserved to the federal government are in the hands of individual states, whereas in Canada those powers not under the control of the provinces are the responsibility of the federal government.

On a number of occasions, nations are erroneously referred to as federations or federated states, primarily because particular features of a federal system are prominent in their respective constitutions, India being a case in point. However, federal systems of government in the strict sense of the term are relatively uncommon, and are to be found in the Americas (Argentina, Brazil, Canada, Mexico, the US and Venezuela) and also in Europe (Austria, Belgium, Bosnia-Herzegovina, Germany, Russia and Switzerland), but only rarely in other continents. For historical reasons certain nations such as Canada and Switzerland are sometimes referred to as confederations, whereas these are, in fact, federations. A confederation is defined as a grouping of independent nations which may co-operate in such areas as trade, monetary policy and defense, though generally not foreign policy. An example of such a structure is the German Confederation that existed between 1815 and 1866.

The establishment of regional government in a federal system involves one of two processes. In the first an existing national government (the higher authority) mandates the creation of regional governments as part of a newly-formed federal system. This “top-down” process was implemented in Nigeria in 1976, and was completed in Belgium in 1993. Such a process also occurred in Canada. There the UK government (the higher authority) passed legislation in 1867 by which the separately-administered colonies became provinces within a federation. The second process by which regional government is formed, occurs when independent nations agree to form a federation and surrender the relevant powers to a federal government. With this “bottom-up” process the erstwhile nations become regions within a single nation. A particular case of this second process occurs when member nations of a confederation (as defined above) opt to form a federation, as was the case for the US in 1787 and Switzerland in 1848.

2.2 Regional Government in a Unitary System

Whereas regional government is necessarily present in a federal system, many unitary systems have no regional government. Within a unitary system, sovereignty is vested wholly in the institutions of the national government. However, elements of this sovereignty may have been transferred or devolved to what became regional governments. As with federal systems, unitary systems with regional governments are not widespread, such structures being most common in Europe (Hooghe et al., 2016). By way of illustration several contemporary examples are given. In Italy the 1947 constitution made provision for regional government, although this only began to function effectively in the 1970s. Every region (20 in total) has an assembly with certain legislative powers, and has complete or partial responsibility for city planning, forestry and agriculture. Spain has a system of 17 regional governments, a structure initiated in 1978. Each regional assembly has legislative as well as executive powers over a wide spectrum of responsibilities, ranging from primary education to policing. Regional government in Spain is one of the most decentralized unitary systems, and one

that has encountered certain constitutional problems (Harguindéguy et al., 2020). In the case of metropolitan France a set of 13 re-formed regions was established in 2014, replacing the former structure. The council of each region has no legislative authority and only limited powers of taxation, and at present is responsible for a number of areas, which includes vocational and adult education, secondary-school construction, public transportation and other aspects of infrastructure.

In a federal system the sub-national units or regions have virtually identical powers, as required by the national constitution. With regional government under a unitary system this need not be the case. In some instances a degree of asymmetry may be present. In Italy, for example, five of the 20 regions are *regione autonome* which have powers not enjoyed by the remaining regions. Furthermore, the transfer or devolution of powers may not involve every region of a nation. In the UK only Northern Ireland, Scotland and Wales have decentralized powers, and none of the official (statistical) regions of England has any form of regional government (Parr, 2020).

As with federal systems there are two processes (operating in opposite directions) by which regional government in a unitary system is established. With the first the national government cedes executive (and usually certain legislative) powers to newly-formed regional governments, often in response to popular demand in the areas concerned. While this is clearly a top-down process, an alternative process is possible. Some time ago, Dickinson (1947, p. 246) argued that “for many purposes the County in Britain, the Land in Germany, the Département in France . . . is either too small or too unrelated to the practical needs of modern life.” The argument carried with it the implication that certain responsibilities previously undertaken by local government might be discharged more effectively by a regional level of government, having larger but fewer larger units. This involves a bottom-up process is usually orchestrated by the national government which provides the legal framework for such a structure. A process of this kind occurred in Denmark in 2005, when the 13 local-government counties were replaced by five regional councils, with local government remaining in diminished form. Each regional council was responsible for health care as well as public transportation and environmental planning. In Ireland a comparable development took place in 2014. At that time three regional assemblies were established (each based on a set of counties), involving a recognizable, though limited, form of regional government. In this case each regional assembly is primarily concerned with spatial planning and the co-ordination of local-government activities.²

3 Strengths and Weaknesses of Regional Government: An Overview

The benefits and limitations of regional government can be seen from two perspectives. One relates to the nation as whole, while the other focuses on the individual region. In both cases, emphasis is placed on the economic advantages and disadvantages of regional government.

3.1 The National Perspective

Regional government is likely to be an advantage in nations that are large in terms of territorial extent, within which some of the regions may also have substantial populations. Here the existence of a system of regional governments helps to reduce the sense of isolation and powerlessness in the regions concerned. It may also release latent talents within their populations such as those relating to political involvement and entrepreneurial skill, these be indispensable in any subsequent economic development of the regions.

The establishment of regional government may be of obvious benefit to the nation where there is a pronounced level of cultural differentiation based on ethnicity, language or religion, a feature that may be rooted in some colonial past. The danger here is that without regional government these differences may give rise to suspicions, prejudices and resentments, factors likely to be inimical to national unity as well as economic and social progress. A system of regional governments that reflects such cultural differences would help to avoid these underlying tensions and also reduce the possibility of secessionist movements.

²That such a bottom-up process in the formation of a regional government is not more common is due to one of several factors: local-government reform (probably the most likely), by which an existing structure is reorganized so as to cope with the relevant responsibilities; the difficulty of assembling enough regional-level responsibilities to form a viable regional government; the responsibilities in question being assumed by the national government.

A different advantage of regional government relates to the possible efficiency gains in the provision of particular services. This involves regions from learning from other regions. Thus a government in one region may introduce a significant cost-cutting innovation in a particular sphere, e.g., highway maintenance or an emergency service. Since the question of patents and intellectual property rights does not arise, other regional governments are free to adopt such an innovation, to the benefit of the nation as a whole. Comparable innovations involving different services and procedures may occur in other regions. The argument here is that such improvements would not occur at all or would occur more slowly if the services in question were the responsibility of a national government. Although competition among units within various settings is generally held to be a spur to efficiency, this represents a case where efficiency is realized by what amounts to co-operation among the relevant regions.

There is a further benefit of regional government to the nation as a whole, which has tended to be neglected. This is concerned with the potential of a system of regional governments for relieving pressure on different branches of the national government. For example, the existence of regional governments allows the national legislature more time for the consideration of matters of a purely nation-wide nature that come before it, e.g., foreign relations, national defense, immigration and international trade. More generally, the view has been expressed that the presence of regional government provides an important countervailing influence on the unrelenting forces of centralization, these resulting from a variety of economic, social and technological influences (Bogdanor, 1979).

Despite the aforementioned advantages of regional government to the nation, this form of political organization is not without serious problems. One of these involves the frictions that occur between the national government and one or more regional governments, often in relation to financial arrangements (an issue to be addressed in a later section). This typically occurs when the less prosperous regions feel that their financial difficulties are not adequately recognized in the transfer of funds from the national treasury. Another source of friction is concerned with the distribution of responsibilities between the national government and regional governments. The latter may argue that particular responsibilities could be discharged more effectively at the regional level, and that these should therefore be transferred from the national government. In other instances, however, the region may regard certain existing responsibilities as encumbrances, and wish to divest itself of these. A further source of conflict involves resource-rich regions where a struggle exists between the national and the regional government with regard to the ownership of a resource and the allocation of the royalties that it generates (Béland et al., 2020).

3.2 The Regional Perspective

Attention now turns to the advantages and disadvantages of regional government at the level of the individual regions. In many nations (both developed and developing), regions display pronounced differences in terms of economic conditions as well as needs, preferences and aspirations. In principle, the existence of regional government permits account to be taken of these differences in the design and implementation of policies and in the policy mix, itself. In the hands of the national government there is a tendency for each policy to adhere to a common standard across regions (commonly termed “one size fits all”), and for the policy mix to be similar. Furthermore, decision makers and administrators within the national government will tend to have less knowledge of the region and fewer effective links with regional interests than their counterparts in a regional government.

A clear argument in favor of regional government exists where the regional scale represents the appropriate level (on economic or technical grounds) for discharging a particular a set of services. This would obviously be the case where the optimal scale for the provision of this set of services was too large for a unit of local government, but not as large as to require the entire nation. A further advantage (and one not adequately recognized) results from the points of administrative contact among the various policies beings supplied by a regional government. These policy tangencies may bring with them cost reductions, arising from co-ordination and co-operation (both formal and informal) by the administrative departments concerned. Such an outcome would be less likely to occur, if the services were supplied by departments of the national government with their silo-like modes of organization.

It is important to consider the possibility of weaknesses of regional government in the individual region. One such weakness is the problem of regions engaging in wasteful competition with other regions. This

might result from direct or indirect expenditures by regional governments on inducements to prospective incoming firms, or outlays on amenity projects such as sports arenas, concert halls, major shopping centers, etc., designed to increase the flow of investment into the region. A related difficulty is that over time, leaders and administrators of a regional government may come to have a parochial outlook, viewing gains by one or more neighboring regions as necessary losses to itself. This mentality may result in a reluctance to co-operate with other regions on projects that would be of benefit to each of the regions concerned. Mention should also be made of the fact that within a system of regions (each having its own government) the medium-run outcome in terms of regional economic performance for individual regions can be expected to display a variation. Whether justified or not, this factor may cause the electorate of a region with a poorly-performing economy to harbor doubts about the effectiveness or even the desirability of regional government, leading to the erosion of support for it.

4 The Regional Economy

Before examining the policies that are pursued by regional government, it is important to consider the nature of the regional economy (Meyer, 1963). This is a critical part of the environment in which a regional government is obliged to operate in the discharge of its responsibilities. Even though the area of a given regional government may not correspond to a particular type of region, as discussed in the Appendix, it may nevertheless be considered in economic terms.

4.1 The Regional Economy and the National Economy: Some Parallels

The overall magnitude the regional economy can be measured by its gross domestic product (GDP). This is analogous to GDP of the nation, and represents the total level of goods and services produced within the region. A related measure of size is the gross regional product (GRP), corresponding to the gross national product (GNP). The GRP represents the regional GDP plus factor payments received from outside the region, minus similar payments made to outside the region.³ The two measures (the regional GDP and the GRP) may be calculated in terms of income, expenditure or output. The regional economy can also be examined in terms of the Keynesian aggregates used to analyze the national economy: injections (exports, investment, consumption, public expenditures, factor payments received, etc.); and withdrawals or leakages (imports, savings, taxation, factor payments made, etc.).

In terms of external relations the regional economy is also similar to the national economy. For example, the region has a balance of payments that is similar to that of the nation in terms of headings though generally not their relative importance (Dow, 1988).⁴ A regional balance of payments contains two main elements. The first is the current account, comprising trade (both visible and invisible), public-sector transfers, as well as factor payments received and made by the region. The second element is the capital account which includes investments and other capital transfers into and out of the region (pp.174-177 Isard, 1960; Stolper and Tiebout, 1978, pp.110-115) It is also the case that the terms of trade of a region are comparable to those of the nation (Pfister, 1961). Each aspect of the regional economy discussed so far may be approached, using frameworks and techniques similar to those employed to examine of the national economy.

4.2 Differences between the Regional Economy and the National Economy

The similarities between regional and national economies notwithstanding, the regional economy is not simply a scaled-down version of the national economy, any more than the national economy is a smaller form of the world economy. Important structural differences are present. For example, it is invariably the case that the endogenous (or non-traded) sector of the regional GDP is a proportionately smaller than the endogenous sector of the GDP of the nation in which the region is located. In addition, the closed-form

³Factor payments received include wages and salaries, dividends and interest paid to residents and firms of the region by other regions and nations, while factor payments made by the region include these same items paid to residents and firms in other regions and nations.

⁴It has been argued by Thirlwall (1980) that balance-of-payments problems may form of the basis of regional problems.

assumption of macroeconomic models of the national economy renders these unrealistic if applied to the regional economy (Richardson, 1969, p.27). A more general background difference concerns the fact that what is in the long-run interests of a regional economy may not be in the interests of a national economy and vice versa.

The regional economy differs from the national economy in a number of other respects. In the case of income determination, for example, growth in a regional economy might be heavily dependent on its ability to sustain a strong export base or traded sector, while growth in the national economy (of which the regional economy is a part) would require a high level of consumer demand. The regional economy also differs from the national economy with respect to its openness. Relative to the national economy, the regional economy is less self-contained, and is therefore influenced to a greater extent by exogenous influences. Because of this openness the regional economy is more exposed than its national counterpart to external spillover effects, both positive and negative. In this respect the regional economy has the characteristics of a “small open economy” (to borrow a term from trade theory) and thus assumes the position of a price taker. The difference between the regional and the national economies may also be viewed through the prism of interregional interaction. A region can trade freely with other regions in the same nation, there being no institutional impediments to trade in goods and services, which are usually present with trade among nations. Furthermore, the barriers to factor mobility among regions are largely absent, unlike the situation among nations. Both observations have implications for the conditions under which trade takes place. Whereas international trade tends to be conducted according to the principle of comparative advantage, interregional trade takes place under conditions of absolute advantage (Hirschman, 1958; Streeten, 1964). This is partly because there is no regional equivalent of foreign-exchange adjustment which is available to a nation or a monetary union. When considered collectively, these various regional departures from the national case can be expected to influence the composition of the regional economy, and in particular the nature of its various specializations.

5 Regional Government and Economic Policy

It becomes obvious that the formulation of economic policy by a regional government will be substantially conditioned and constrained by the distinctive nature of the regional economy.

5.1 The Limited Powers of Regional Government

An important difference between regional and national economies not mentioned above is the issue of economic sovereignty. In this connection there is stark contrast between the two levels of government within a nation regarding the powers available to regulate their respective economies. The national government and its agencies have control over monetary policy, public finance and external economic relations (including foreign-exchange policy). With the exception of certain elements of public finance, none of these policy instruments is at the disposal of a regional government. As a component of a nation state, the region forms part of a monetary union, a fiscal union, and a customs union, each of which is controlled by the national government. This policy architecture severely limits the extent to which the regional government is able to pursue an independent economic policy. There is, of course, a certain inevitability to this. By the same token that only a national government can have responsibility for matters concerning foreign affairs, air-traffic control, etc., the regulation and management of the national economy must also fall within its purview. It follows that none of the responsibilities mentioned, can be the prerogative of a regional government.⁵ This aspect of policy making is not fully appreciated by those advocating regional government.

5.2 The Scope of Economic Policy for Regional Government

Following Musgrave (1959) in his work on “fiscal federalism,” it has been customary to regard the major economic responsibilities of national government as stabilization (the avoidance of pronounced fluctuations),

⁵This does not, of course, imply that a given region must remain part of the nation indefinitely. There are examples of a region having become a sovereign nation in its own right, partly in order to overcome these limitations.

distribution (addressing income inequality) and allocation (the efficient use of resources). In most cases, stabilization and distribution are in the hands of the national governments. It is possible, however, for regional government to be concerned with the allocation function. By virtue of its greater ability to determine the nature of regional preferences, the regional government “may use resources more efficiently than the central government or private providers in undertaking expenditure at the local [i.e. regional] level” (Newlands, 1997, p.111). Important in this connection is the supply of public and quasi-public goods, as well as those goods not usually provided by the private sector. The extent of such regionally-supplied services varies widely, but is generally drawn from the following list: education, health-care provision, law enforcement, emergency services, public utilities, transportation infrastructure, etc. Additional responsibilities include the supervision and regulation of local government and the management of spatial planning (Tomaney and Colomb, 2018).

An important aspect of policy on the part of regional government is the promotion of economic development, referred to by Newlands (1997, p.110) as the “growth function.” This does not fit into the Musgrave classification and can be seen as a fourth responsibility of government. The attempt at stimulating economic development is sometimes hived off to a semi-autonomous regional development agency (Begg et al., 1995). Opinion is divided as to whether the promotion of economic activity can be effectively undertaken by regional government. Some insist that the relevant expenditures involve “purely diversionary zero sum effects” (Bennett, 1990, p. 221), with the poorer regions adversely affected (Goetz et al., 2011). Others are of the opinion that the encouragement of economic activity by regional government might be facilitated by certain advantages: proximity to factor markets; familiarity with regional entrepreneurship; increased openness to experimentation and innovation, etc. (Begg et al., 1995). Unsurprisingly, which of these two views is valid will depend on the particular circumstances of the region concerned.

These attempts on the part of a regional government to encourage development are separate from (and independent of) conventional regional policy undertaken directly by the national government. An example would be involvement on key projects that would be beyond the financial capacity of regional government, such as the programs initiated by the Appalachian Regional Commission in the US and the Cassa per il Mezzogiorno in Italy. Relatedly, Hirschman (1958, pp.199-200) has outlined a number of development policies that might be pursued by the national government to assist the backward regions of a nation. However, these are not within the jurisdictional competence of regional government, largely because of the limitations of sovereignty mentioned earlier in this section.

6 The Financing of Regional Government

The question arises as to the means by which the activities of regional governments are financed. Many years have elapsed since most regional expenditures were borne by the regions themselves, although it is still the case in certain nations that regions are able to raise a significant proportion of their overall regional expenditures. It is more usual for financial assistance to a region to be forthcoming from the national government. There are a number of reasons for this, particularly the desirability of bringing resources into line with needs Newlands (1997, p.111). The funding of regional responsibilities is a complex area in which generalization is difficult (Bell et al., 2021). Attention is directed to two forms of assistance in order to illustrate this diversity in the financing of regional expenditures.

6.1 Tax-Sharing Arrangements

In nations where tax sharing is used, taxes of various kinds are collected by the national government. A portion of the tax yield is automatically distributed among the regions of the nation. The system employed in Germany, known as the *Finanzausgleich*, has an in-built sequential aspect. First, the various kinds of taxes are divided between the entire nation and the 18 regions (*Bundesländer*). Second, that part of the tax yield not retained by the nation is assigned to the individual regions. Third, there is a process of fiscal equalization between the poor and the rich regions, in which the financial requirement for each individual is taken to be the same for all regions. Fourth, the poor regions receive supplementary grants from the nation as a whole. The aim of the program of redistributing the tax revenues of the various regions is to maintain equal living conditions throughout the nation (Kellermann and Schmidt, 1997).

Tax-sharing programs tend to be complicated, and the particular arrangements vary among the nations that have adopted this form of transfers. In Canada, where there is a tradition of interprovincial tax sharing, the broad objective is to enable the poorer provinces to provide public services (health care, education and welfare) of a standard comparable to those in the richer provinces. Under this mode of support, expenditures are at the discretion of the provincial government, providing an additional measure of economic sovereignty. A related tax-sharing system also exists in Australia. Here the mechanism focuses primarily on the states and territories and is in the hands of the Commonwealth Grants Commission Dixon et al. (2002). Tax sharing is usually associated with federal systems, but such an approach is possible within unitary systems of government. Where employed, it appears to have been a more effective means of reducing interregional income differentials than conventional regional policies, undertaken by the national government.

6.2 Grant-Based Transfers

A different form of financing regional government also involves grants made to regional governments by the national government. An interesting discussion of the differences between tax sharing and the awarding of grants is provided by Blöchliger and Petzold (2009). As before most of the taxes are collected by the national government, but there is no explicit sharing of those tax revenues not retained by the national government. Rather, transfers to regions occur on a formula-led basis. Perhaps the most refined case of this system occurs in Spain. Grants allocated to each *comunidad autónoma* are based on its population, area, per capita income, strength of “local nationalism” or regional identity, etc. In this case, where regions do not have identical responsibilities for services supplied, levels of grant per capita will vary among regions. It is generally the case that the regional government has a measure of discretion, regarding expenditures across the different headings. And as with tax-sharing programs, this permits an increased level of regional sovereignty, which may be used to pursue particular economic-development initiatives, for example. Among nations, grant-based transfers are considerably more common than tax-sharing arrangements.

7 Closing Comments

In concluding this discussion, attention is drawn to a telling fact. While examples of regional government operating with varying degrees of success can be identified, it is the case that the overwhelming majority of nations do not have such an intermediate form of government. This may be explained by a range of factors, the most obvious being that under certain conditions a nation may operate satisfactorily in the absence of regional government. Another factor is the outright opposition to regional government by the electorate, a position based on uncertainty, aversion to risk, concerns about “an extra layer of government” and the fear of additional taxes. A further influence militating against regional government occurs when the regional electorate is primarily interested in local matters rather than regional ones. A similar disregard for regional government occurs when the primary concern is national in nature, as with the long-running Brexit debate in the UK. In addition, there may be strong opposition to regional government on the part of political leaders and administrators who would be adversely affected by the rationalization of local government that might accompany the formation of regional government. Influences such as these have had the effect of perpetuating the status quo.

There is a further matter that needs to be taken into account. This concerns the attitude of the national government toward regional government. National legislators tend to be very jealous of their powers, and loath to relinquish any of these, as was apparent in the UK with the question of Home Rule for Ireland in the nineteenth and early twentieth centuries. And until recently, France was held up as the epitome of a centralized state. There is nothing inherently perverse about such tendencies. Rather, these reflect a political culture which is grounded on the belief that the welfare of a nation is best managed from the center. Despite these various negative influences, developments since 1945 point to a slow but steady trend toward regional government.

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Appendix

This Appendix is concerned with what is meant by the term “region,” a topic that has been accompanied by more than a little vagueness. In this connection, Hoover (1971, p. 122) cited an unknown source to the effect that “a region means an area that a regional economist gets a research grant to study.” The region is an imaginary entity by which space (in our case the space of a nation) is sub-divided into coherent units. In those situations where regional government is present throughout a nation, each political region has three basic characteristics: (i) contiguity (no region overlaps with one or more other regions); (ii) continuity (no region consists of spatially separated parts, except where the region contains an island or where it is composed of islands); (iii) inclusion (with respect to the nation the region is part of a space-filling set). On occasions the extent of a regional government is confined to a metropolitan area rather than the wider space commonly associated with the term region. This occurs when the extent of a regional government coincides with (or approximates) the territory of the national capital, e.g. Berlin, Brussels, Madrid, Vienna, etc.

It may happen that the areas over which regional governments operate, are largely unrelated to present-day conditions. Such regions are “artifacts of an earlier time,” reflecting historical patterns of spatial organisation (Haynes et al., 1997, p. 75). Leaving aside regions based on capital cities, a regional government typically has jurisdiction over an area organized on physical, cultural or economic principles. The physical region, for example, is based on climate, physiography, soil, vegetation or a river basin, while the cultural region is concerned with human landscapes, folklore and customs as well as language and religion, and the economic region focuses on the sectoral composition and spatial structure of an area’s economy. The regions of a nation may be of different types, and a given region may contain elements of more than one of these three types.

In the developed world and increasingly in developing nations it is the economic region that forms the basis for a regional government. The most familiar form of economic region is the homogeneous region (Meyer, 1963). This is an area throughout which there is a similarity of one or more economic characteristics, which, by implication, are not present in neighbouring areas. The homogeneous region conforms to the popular notion that the region should necessarily involve internal uniformity. One example of a homogenous region

is the familiar crop-cultivation region. Another is an area throughout which there is a common export base or traded sector (North, 1955). A further example is an area over which there is complete short-run mobility of factors of production (Ohlin, 1933).

A wholly different form of economic region is the nodal region. In marked contrast to the homogeneous region, the nodal region is specifically concerned with internal differentiation and the associated spatial organization (Bogue, 1950; Lösch, 1944; Nystuen and Dacey, 1961). Such a functional region is organized around two constituent elements: the node or core; and the hinterland. The node is the dominant urban center, while the hinterland is an area which interacts with the node to a greater extent than with any neighboring node. The node is the focal point for the distribution of goods and services to the hinterland. The hinterland, by contrast, contains a population in smaller urban centers as well as rural areas, and supplies the node with foodstuffs, raw materials and semi-manufactured goods. A well-developed two-way interaction thus exists between the node and the hinterland, involving trade, movements of capital, commuting and migration.

In no sense, however, should the nodal region be regarded as a closed system or as an autarky. The nodal region is consistent with the Hoover and Fisher (1949, p.175) definition of an economic region as “an area in which there is an interdependence of incomes.” There are obvious advantages in having the political region coincide with a nodal region, particularly those relating to accessibility and communications. The nodal region within a nation is sometimes referred to as a “city-region” in order to emphasize the dominance of the node (Dickinson, 1947; Parr, 2005; Rodríguez-Pose, 2008). It is stressed that although the economic region (whether homogeneous or nodal) often forms a basis for a political region, there are instances where other types of region may be required to fulfil this role.