

# THE CITY AND FEDERALISM: THE UK AND GERMANY

Matthew Heathcote

THE  
CONSTITUTION  
SOCIETY

---

First published in Great Britain 2024

The Constitution Society

Top Floor, 61 Petty France

London

SW1H 9EU

[www.consoc.org.uk](http://www.consoc.org.uk)

© The Constitution Society

ISBN: 978-1-913497-19-4

All rights reserved. Without limiting the rights under copyright reserved above, no part of this publication may be reproduced, stored or introduced into a retrieval system, or transmitted, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), without prior written permission of both the copyright owner and the publisher of this book.



**THE CITY AND FEDERALISM: THE UK  
AND GERMANY**

**Matthew Heathcote**

THE  

---

CONSTITUTION  

---

SOCIETY

## Executive Summary

“The wind of change is blowing...and whether we like it or not, this growth of national consciousness is a political fact. We must all accept it as a fact, and our national policies must take account of it.”<sup>1</sup> That of which Harold Macmillan once spoke of Africa, we must now acknowledge as the status quo here in this disunited Kingdom. Since the 2010 Election, our state has been placed under ever increasing pressures, both material and ideological. It has been weakened by ever more factitious and byzantine party politics. Fracture after fracture, crack after crack, until we have been left with is a system of governance no longer fit for purpose, one which leaves us all vulnerable and isolated from each other and our state.

This report offers a comprehensive study of how policy makers in the UK can empower and strengthen our cities’ financial, social and political systems via federalised reform. It models how this can be done on practical examples within the German Republic.

The role of constitutional reform is a critical part of this project. While this report acknowledges the importance of Parliamentary Sovereignty, it also offers precedent on how the German system balances the competing interests of central and local executive and legislative bodies. Furthermore, by tracing the timeline of the decline of British regionalism, it demonstrates not only precedents within our system, but how vital constitutional federalism is to this country’s future governance and economic development.

Beyond the macro-constitutional reforms, there are the reforms to local democratic practices that would bring balance to British politics and aid in the rejuvenation of our cities. In Germany, local democracy benefits all sides; from liberal Berlin to conservative Bavaria, local democratic practices help keep local executives in check and provide means for local groups to legally operate and partake in the political system.

Neither the Conservative nor the Labour manifesto from the last election, nor likely in 2024, offers enough to reform local democracy. Labour suggested they would provide local governments the ‘freedom’ to set planning fees.<sup>2</sup> The Conservatives promised an English devolution paper and expanding city and growth deals.<sup>3</sup> Neither sought to

---

1 Harold Macmillan, "Winds of change speech" (3 February 1961). Available at: <https://web-archives.univ-pau.fr/english/TD2doc1.pdf>

2 The Labour Party, "It's Time for Real Change!", *The Labour Party Manifesto* (2019), p. 51. Available at: <https://labour.org.uk/wp-content/uploads/2019/11/Real-Change-Labour-Manifesto-2019.pdf>

3 The Conservative Party, "Get Brexit Done. Unleash Britain's Potential", *The Conservative and Unionist Party Manifesto* (2019). Available at: [https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba\\_Conservative%202019%20Manifesto.pdf](https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf) p.29

provide citizens with the power to challenge local policy. Instead, existing inefficient systems are promoted and supposedly strengthened, failing to address the root cause of disconnect.

This report champions the devolution of the British tax system and the role of ‘consumer-based’ taxes at the local level. The reliance of local authorities on the favour of central authorities and the recent rapid collapse of British cities’ ability to fund basic services are examples of how out-of-date our taxation system is. Two required changes to UK taxation are recommended. 1) The expansion of taxation powers for local councils and devolved entities and 2) legitimising and enacting horizontal redistributive exchanges by federal subunits. Without reform to local taxation, meaningful constitutional federal reform, such as that within Germany, is impossible.

The reforms advocated in this paper do not offer immediate solutions; they will take time to complete. But there remains opportunity for political parties of all stripes to reclaim the initiative and offer a more promising, federal future for the United Kingdom.

## German terms and definitions

*Bundesrat*: the legislative body of the 16 federal *Länder*

*Bürgerantrag*: Citizen's address

*Bürgerbegehren*: Citizen's initiative

*Finanzamt*: Tax office

*Finanzausgleich*: the compensation or equalisation of funding between the *Länder*.

*Finanzverfassung*: Financial Constitution

*Flächennutzungsplan*: Land Use Plan

*Gemeindeordnung*: municipal codes for German *Länder*

*Gewerbesteuer*: Trade tax

*Länder*: German federal states

*Lohnsteuer*: wage tax

*Umsatzsteuer*: VAT

*Volksbegehren*: policy-making process

*Volksentscheide*: Referendum

# Contents

<b>Executive Summary</b>	<b>4</b>
<b>German terms and definitions</b>	<b>6</b>
<b>Introduction</b>	<b>8</b>
The state of play	8
New Labour origins	9
The need for evidence based reform	10
<b>Chapter 1: The constitutional issue</b>	<b>12</b>
Overview of the UK and Germany	12
The Greater London Council and the decline of British regionalism	14
Constitutional reforms under New Labour	16
The German situation	17
Concluding notes	19
<b>Chapter 2: Local democratic practices</b>	<b>21</b>
What are local democratic practices?	21
Local democracy reforms in the UK since 1997	22
Case Study: Local democracy in Bavaria	25
The use of Bürgerentscheiden in Munich	27
Sovereignty and potential thorns	29
How to ‘Bavarianise’ British cities	30
<b>Chapter 3: Federalism and the tax system</b>	<b>33</b>
The local tax in modern Britain	33
The German model: Horizontal and vertical relationships of federal taxation	36
Case study: London and Berlin 2018-19 budgets	40
Introducing German taxes into British cities:	43
<b>Conclusion:</b>	<b>44</b>
<b>Bibliography:</b>	<b>46</b>

## Introduction

### *The state of play*

Britain is broken. Between social inequality, deteriorating healthcare infrastructure and the overwhelming domination of the centralised Westminster political system, problems assail the United Kingdom. While the rise of a centralising active state was responsible for many positive reforms, such as the NHS, by the 1980's and 1990's the central state had begun to undermine and compromise local financial and communal autonomy.<sup>4</sup> Assessment via the regional Gross Value Added (GVA) metric demonstrates that within the United Kingdom, London has since developed into a 'mega-city' — the primary (almost sole) driver of political and financial development, akin to Tokyo in Japan or Mexico City in Mexico.<sup>5</sup>

Criticism of the current state of affairs comes from all sides, including the centre-right. In 2007, the Centre for Policy Studies published the *Localist Papers*, challenging the policies of Blair's Labour Party. The *Localist Papers* highlighted the abuse of Crown Prerogative, the growing proximity of the UK with the EU and unelected special advisors. The CPS called for reforming the House of Lords into a 'Chamber of the Regions', expanding local institutions at the expense of the central state and empowering the town hall.<sup>6</sup> The *Localist Papers* are a reminder that both sides of the political debate see the issues arising from hyper-centralisation. Federal reform is not the preserve of the political left.

The problem lies in the details, though. While many politicians have raised the issue of Westminster's hegemony over UK regions, few have given deeper thought to how decentralisation should be approached.

In addressing this absence, we must consider why UK governments have sought to centralise power into Whitehall, including in both the New Labour era and in recent Conservative governments. So, a history of constitutional reform in the UK is given in the first chapter of this report. Before that, though, and to demonstrate the issues at stake when discussing federalism and the place of UK cities within it, let us consider as an example how New Labour (which oversaw the most radical constitutional reform of the past three decades) approached the issue of decentralising powers via policy, and where this has left us in the present day.

---

4 Jane Wills, "The Geo-Constitution and the Long History of Localism", *Locating Localism: Statecraft, Citizenship and Democracy* (1st ed., Bristol University Press, 2016, pp. 43–78), pp.56-60.

5 Nick King and Eammon Ives, "A Rising Tide: Levelling up left behind Britain" (Centre for Policy Studies, 2019), p.11.

6 Centre for Policy Studies, "The Localist Papers" (May, 2007), p.8.



## *New Labour origins*

Riding into power in 1997, New Labour's manifesto focused on the 'devolution' of power to regional governmental bodies in Scotland, Wales and Northern Ireland. The first Blair Government even proposed the regionalisation of England, with many praising Labour's commitment to the devolution project. However, while Labour's regional policy was influenced by the Millan Commission's clear and radical recommendations, the reality proved opaquer.<sup>7</sup>

Several factors limited devolution in the UK under Blair. Arianna Giovanni cites three primary ones:

- 1) unenthusiastic support from the Cabinet
- 2) active resistance from the Treasury
- 3) a division between policy rhetoric and political reality.

Each reduced the force devolved governments were able to exert in the United Kingdom, especially so in the case of English regional government.<sup>8</sup> Scholars like David Marquand began talking about the 'Blair Paradox', a paradox built upon 'the old Fabian stable of top-down social engineering'.<sup>9</sup>

Marquand argues that Blairite devolution existed simultaneously with 'a strong centralising and controlling approach to governing'.<sup>10</sup> Matthew Flinders and Dion Curry have criticised Marquand's approach, arguing that this creates a 'binary distinction *between* consensual and majoritarian meta-constitutional orientations'.<sup>11</sup> Instead, they contend, the Blairite approach represented an incompatible model of consensual democracy within the majoritarian Westminster model. The contested history of New Labour's constitutional projects thus provides insight into the ideals of a devolved/federalised system, and the political challenges that such reforms face if taken seriously.

7 The Commission promoted the universal adoption of development agencies and the implementation of indirectly elected regional chambers, accountable for development. For more see:

Kevin Morgan, "Devolution and Development: Territorial Justice and the North-South Divide" *Publius* (Vol.36 No.1, Winter 2006) pp.189-206; p.195.

8 Arianna Giovanni, "The 'Evolution' of Devolution: Assessing Labour's Legacy in England" (pp.133-52) in Michael Gordon and Adam Tucker 'The New Labour Constitution : Twenty Years On' (Hart Publishing; 2022) pp.142-5.

9 David Marquand, "The Blair Paradox", *Prospect* (May, 1998). Available at: <https://www.prospectmagazine.co.uk/essays/55680/the-blair-paradox>.

10 Ibid.

11 Matthew Flinders and Dion Curry, "Bi-constitutionality: Unravelling New Labour's Constitutional Orientations", *Parliamentary Affairs* (Vol.61, No.1, January 2008 pp.99-121), p.105.

Despite its mixed record, though, Labour's efforts to create autonomous urban areas were quite successful. Here the Party saw more immediate success with the reintroduction of an autonomous London area, the 'Greater London Authority'. The GLA represented the 'economic dividend' sought by New Labour in their decentralisation project, but its creation so too created constitutional tension within the United Kingdom. By introducing devolved or autonomous zones into the United Kingdom, and then failing to create further consensual democratic infrastructure, New Labour had put the United Kingdom into a slow-burn constitutional crisis.<sup>12</sup>

### ***The need for evidence based reform***

Today, we are all too familiar with these constitutional crises: the collapse of the Northern Ireland Assembly, the continued debates over Scottish Independence or arguments about "levelling up" the north of England. Consequently, the concepts of 'federalism' and 'decentralisation' are once again in vogue.<sup>13</sup> I argue across this report that the continued centralisation, and the failure to create consensual democratic infrastructure alongside regional devolution reforms, carried out by New Labour and successive Conservative governments has exacerbated these issues.

Despite a fashion for devolution/levelling up/federalism, there still remains little detail about devolution in England, and in particular on how urban centres like London and Manchester would operate and function in any federated system. It is time to consider which current federalised political systems give cities and urban centres the autonomy and powers necessary for localised economic and political development and growth.

This report offers insight into how cities in the UK could function as federated bodies through a sustained comparison with the largest federal state in Europe: the Federal German Republic. Chapter one of this report will interrogate the constitutional challenges to a UK federal system posed by parliamentary sovereignty. It will examine how constitutional weaknesses led to the fall of the Greater London Council in 1986, and how the same constitutional limitations continue on into the Greater London Authority, as well as in the recently created Manchester Councils. The second chapter of the report considers how federated cities might help to foster local democratic

---

12 Flinders, "Bi-constitutionality", p.116.

13 Sean Patrick Griffin, "Remaking the British State: For the Many, not the Few", (2019), pp.132-3; Carlton Reid, "U.K.'s Survival Depends On Federalism And Better Buses, Argues Manchester Mayor Andy Burnham", *Forbes* (21.02.2020). Available at: <https://www.forbes.com/sites/carltonreid/2020/02/21/uks-survival-depends-on-federalism-and-better-buses-argues-manchester-mayor-andy-burnham/?sh=76d9d7e21756>; Rowena Mason, "£1.4bn devolution deal for north-east England announced", *The Guardian* (28.12.2022). Available at: <https://www.theguardian.com/politics/2022/dec/28/14bn-devolution-deal-for-north-east-england-announced>.

initiatives and thus spur a growth in communal and local political culture. Finally, the report explores how federated cities engage with taxation, and whether an autonomous collection system would benefit local investments and development.

Before beginning though, a note of caution. Federalism is not a panacea; it would take years to fulfil the reforms laid out in this report, and years for the British people to become comfortable within its new confines. However, we cannot continue to deny the need for change. The current unitary system is not fit for purpose. Instead, it has created a fiscally, politically and socially uneven state. Federalism, I argue, might at least allow us to begin to address these problems.

# Chapter 1: The constitutional issue

## *Overview of the UK and Germany*

Many political issues facing the United Kingdom are the result of poorly planned and executed constitutional changes.<sup>14</sup> This means reforms have too often been to the detriment of local autonomy, urban development and local democracy. If the reforms highlighted in this report are to prove useful, then, they must be properly situated within their constitutional context. In particular, we must address the position of urban political space in the UK and Germany.

The importance of constitutional matters in the governing of urban spaces and institutions should not be understated. Such matters are the foundations from which urban institutions derive their power and permanence. Gert-Lan Leenknecht highlights that large metropolitan spaces require ‘constitutionally relevant’ identities and functions.<sup>15</sup> Using the examples of Amsterdam, Hamburg, and Paris, Leenknecht concludes that most large urban areas have similar constitutional foundations across Europe. These involve introducing administrative ‘subdivisions’ into cities, which in turn result in the growth of autonomous powers of governance.<sup>16</sup> Yet, these constitutions are rarely uniform. The label of the city itself often glosses over the sheer diversity of units especially in socio-economic terms, which are the product of a ‘complex and dynamic interplay between historical, political, economic, geographic and human factors.’<sup>17</sup>

While these issues can appear divorced from policy and material factors, changes in these fields are often the result of constitutional functions. Berit Adam and Christian Behm use the topic of local taxation in Germany to explore how urban constitutions define policy and administrative functions at local levels. They conclude that regimes where the mayor was elected via a general election rather than by the municipal council saw a 0.8% decrease in non-agricultural land tax. Evidence showed that the direct elections of urban representatives led to lower rates of trade taxes (*Gewerbesteuer*) and property taxes on agricultural land.<sup>18</sup>

---

14 United Kingdom Constitutional Monitoring Group, "The Constitution in Review", V (Oct, 2023).

15 Gert-Lan Leenknecht, "Modes of Urban Autonomy—The Constitutional Characteristics of Self-governance in Amsterdam, Paris and Hamburg" in Ernst Hirsch Ballin et al (eds) *European Yearbook of Constitutional Law 2020* (vol 2.) (T.M.C. Asser Press, The Hague) p.31. Available at: [https://doi.org/10.1007/978-94-6265-431-0\\_7](https://doi.org/10.1007/978-94-6265-431-0_7)

16 Leenknecht in Ballin et al, "Modes of Urban Autonomy", p.46.

17 Ernst Hirsch Ballin, Gerhard van der Schyff, Maarten Stremmer and Maartje de Visser (eds), *European Yearbook of Constitutional Law* (vol 2) (T.M.C. Asser Press, The Hague, 2020), p. 4. Available at: [https://doi.org/10.1007/978-94-6265-431-0\\_1](https://doi.org/10.1007/978-94-6265-431-0_1).

18 Berit Adam and Christian Behm, 'The Use of Budget Reforms to Modernize Governance in German Local Government', *Public Money & Management* (Vol. 26, No. 4), p.368, (September 2006). Available at: <https://ssrn.com/abstract=925109>.

Adam and Behm's study highlights that the post-war German constitution's emphasis on 'equivalence' within the German *Länder* led to higher administrative costs.<sup>19</sup> Such examples demonstrate that the constitutional makeup of cities and wider national constitutions play a vital role in shaping the economic and material reality of the city.

In contrast with this symbiosis between regional autonomy and constitutional legislation, we might consider the constitutional framework of the United Kingdom. The United Kingdom has instead always relied on an adaptive and practised constitutional framework, described by Bagehot famously as a 'living constitution—[defined] in actual power and work.'<sup>20</sup> The uncodified and 'elusiveness' of the UK constitution has often been defended on the basis of its flexibility and ability to adapt to political circumstances. Alongside our uncodified constitution, we might add that the UK has been traditionally viewed as a unitary state (one where power and legitimacy flow from the centre) by many theorists including Lord Kilbrandon, the head of a Royal Commission on Scottish Government.<sup>21</sup> However, this is not without its difficulties.

One challenge to the unitary state theory of the United Kingdom lies in the very fact the UK has three separate 'kingdoms'. Since the devolution process commenced in the 1990's, such distinctions have only grown. These divisions have led theorists and politicians alike to debate traditional visions of governance. They led Jim Bulpitt to conclude that traditional constitutional terms like confederation, federation and unitary system should be 'pensioned off and left to the lawyers to play with'.<sup>22</sup> Others have looked at the situation in a 'third way'. Gaspare Ambrosini characterised the United Kingdom as being constitutionally defined by regional autonomy, while Mackenzie and Chapman developed this further by referring to distinctions between 'autarchic and autonomous bodies within the state'.<sup>23</sup> What becomes clear from all of these arguments is that the current unitary model is no longer accurate as a description. But, developments in theory alone don't help us determine what form of system would best suit the United Kingdom's unique political structure and identity.

Nowhere is this challenge better illustrated than by the main pillar of the UK constitution, parliamentary sovereignty. Here, Bagehot describes the ultimate authority in English politics as 'a newly elected Parliament'; one with the power to achieve anything with final and despotic force.<sup>24</sup> This absolute authority, the combination of executive and legislative authority, has been the primary obstacle to any decentralisation of political power in recent UK political history.

19 See Chapter III in this paper.

20 William Bagehot, "The English Constitution", (2nd ed) (1873, London: H.S. King), p.5. Available at: <https://historyofeconomicthought.mcmaster.ca/bagehot/constitution.pdf>.

21 James Mitchell, "Devolution in the UK", (Manchester, England: Manchester University Press, 2013), pp.113-14. Available at: <https://doi-org.manchester.idm.oclc.org/10.7765/9781847793270>.

22 James Bulpitt, "Territory and Power in the United Kingdom, Manchester", (1983, Manchester University Press), p.19.

23 W. J. M. Mackenzie and B. Chapman "Federalism and Regionalism: A Note on the Italian Constitution of 1948", *The Modern Law Review*, (vol. 14, pp. 182–196), p.186.

24 Bagehot, "The English Constitution", p.175.

## *The Greater London Council and the decline of British regionalism*

The conflict between parliamentary sovereignty and localised institutions within the United Kingdom was pronounced in the 1960's and 1970's, when reforms to both London (the 1965 founding of the Greater London Council) and the wider United Kingdom (the 1972 Local Government Act) saw the first modern challenges to parliamentary authority. Though the 1972 Act helped codify the decentralised authorities of the UK, it saw many local authorities abolished and power consolidated into larger local units.<sup>25</sup> Thus, Atkinson describes this situation as a 'compromise', enhancing regional autonomy, but often at the expense of medium-sized urban centres.<sup>26</sup> The result of this system, both in London and beyond, was that traditionally delegated country boroughs lost their privileges to the new metropolitan districts and shires, and historic boundaries were overwritten. This uneven distribution of powers and responsibility then regrettably came to result in the collapse of these autonomous zones under the Thatcherite regime, most notably with the 1986 abolition of the Greater London Council. That central government could sweep with such force is a consequence of our parliamentary sovereignty, and it is a problem which remains the primary obstacle to a federalised city structure across the UK.

To understand the tragedy of the Greater London Council (GLC), one must understand the context in which it was first forged. Since the early twelfth century, to when the first records of the City Corporation can be traced, London had been run by metropolitan councils on a macro-scale. In the modern era, the 1835 Municipal Counties Act codified the role of these metropolitan councils in the administrative operation of cities across the UK, drawing on the traditional organisations and institutions that had existed in UK cities since the medieval period. In 1855, the first indirectly elected councils emerged in London, operating in specific roles with responsibility for firefighting and water management.<sup>27</sup> So the situation remained until the twentieth century, and it would only be in the post-war period following debates around the alleged mismanagement of the city that urban administrative reform would become a central political debate.<sup>28</sup>

The Herbert Commission (1957-63) and the subsequent London Government Act (1963) influenced and subsequently created the Greater London Council, a combined authority of the metropolitan and county councils in the city charged with organising and streamlining decision-making and administrative processes. By the 1970's and 1980's, however, the political lens had shifted focus: the recently elected Thatcher

---

25 Mark Sandford, "Long shadows: 50 years of the Local Government Act 1972' House of Commons Library (26.10.2022);

Hugh Atkinson, "Local Democracy, Civic Engagement and Community: From New Labour to the Big Society", (Manchester University Press, 2012), p.94. Available at: <https://ebookcentral-proquest-com.manchester.idm.oclc.org/lib/manchester/detail.action?docID=5446697>.

26 Hugh Atkinson and Graham Moon, "Urban Policy in Britain: The City, the State and the Market", *Public Policy and Politics* (Palgrave, 1994), p.202.

27 Sir Frank Marshall, "The Marshall Inquiry on Greater London: Report to the Greater London Council" (Greater London Council, 1978), pp.3-5.

28 See William Robson's 1939 polemic "The Government and Misgovernment of London" (George Allen and Unwin, 1939).

government saw the existence of local government organisations, and especially the Greater London Council of Labour's Ken Livingston, as a financial and ideological threat to their reforms to welfare and administration.

While the 1985 Local Government Act was effectively a *coup d'état* of local urban governance in the UK, political analysts have different conclusions over its driving rationale. Certainly, some at the time called for Parliament to reclaim control over redistributive services in local governance, describing the ideal function of local governments as 'enabling authorities' – administrative middlemen coordinating the delivery of central government policies. This vision guided many Conservative policies throughout the 1980's, which saw a focus on private sector initiatives above local authority spending. This was characterised as a shift to a 'people-centred approach', in contrast to the approach taken by institutions like the GLC.<sup>29</sup>

The most infamous example of the 'direct and active' approach taken by Ken Livingston's GLC was the 1981 'Fares Fair', which aimed to cut transport costs for commuters by 25 percent. The policy led to a high court case, though not one initiated by Whitehall or Number 10. Rather, it was the Conservative controlled borough of Westminster which had called upon then-Minister for the Environment, Michael Heseltine, to abolish the GLC, and it would be the Conservative controlled borough of Bromley which would take the GLC to the High Court over the issue, resulting in the GLC being forced to abolish the fares policy.<sup>30</sup> This trend, of traditional boroughs challenging the authority of the metropolitan GLC, represents one of the great failings of the latter institution.

Driven by fears of Labour-dominance of the metropolitan institutions and the rise of the 'new urban left', many Conservative boroughs saw the GLC's spending as reckless and in ideological opposition to Westminster's conservative policies. Consequently, to their mind, the GLC represented a threat to their powers of administration and to their rights as representatives.<sup>31</sup> While the conflict represents the wider inability of the GLC to assert its authority, the boroughs' fear of losing powers to a devolved institution offers us insight into how federal systems dependent upon central authorities become vulnerable to politicking and infighting.

Neither was this negative attitude limited to the Conservative boroughs of London; in Northern cities, Labour representatives held similar views on the abolition of the Northern metropolitan bodies, such as the Teeside Development Corporation.<sup>32</sup>

29 Atkinson, "Local democracy", p.210.

30 Muhammet Kösecik & Naim Kapucu, "Conservative Reform of Metropolitan Counties: Abolition of the GLC and MCCs in Retrospect", *Contemporary British History* 17:3 (2003), p.74-5.

31 Desmond S. King, "Political Centralisation and State Interests in Britain", *Comparative Political Studies* 21:4 (1989), p.484.

32 Fred Robinson, Keith Shaw, & Marty Lawrence, "Good conservative policies translated into practice" in Rob Imrie and Huw Thomas (eds) *British Urban Policy: An Evaluation of the Urban Development Corporations* (SAGE, 1999), p.165. Available at: <https://doi.org/10.4135/9781446218907>.

Like their Conservative counterparts, Labour representatives saw their positions as untenable within the political tier-system. Sir Jeremy Beecham, former Labour leader of the Newcastle Metropolitan Council, described the metropolitan system as lacking organic roots in the local political system. Clive Betts used similar language when describing his former metropolitan zone in Sheffield, referring to the additional bureaucratic systems and the general distrust of the South Yorkshire political machine as defining the metropolitan district's identity among the wider populace.<sup>33</sup>

Back in London, the districts' pressure on the Conservative Party to commit to abolishing the GLC in the 1983 manifesto was influenced by their desire to see the operations and property of the GLC — then one of the largest landowners in London — devolved back to the borough councils and the London County Council.<sup>34</sup> These responsibilities included transportation, waste management and conservation, most of which were in fact later transferred to private institutions under the guidance of central government.<sup>35</sup> Following the passage of the 1986 Local Government Act, the Greater London Council, the largest autonomous zone in what we might call the pre-devolution UK, was formally abolished, with London deprived of autonomous authorities until 2000 and the Greater London Authority (GLA).

### ***Constitutional reforms under New Labour***

The return of the GLA came about due to various problems stemming from the inability of central government to fulfil the functions of the GLC. One such problem was the absence of central and strategic planning across the boroughs. Though there were attempts to organise collectively in the borough's interests — the Unitary Development Plan (UDP) was created with this purpose in mind — by the 1990's, evidence was piling up that London lacked any organised or strategic vision.<sup>36</sup> Even before the abolition of the GLC, urban planners and theorists feared the collapse of cooperation between boroughs. Mary Riley described the proposals to replace the GLC's strategic functions as over-reliant on central government policies and directions.<sup>37</sup>

Following abolition, the criticism became more formalised. The first case was the 1993 Confederation of British Industry's London Region Transport Task Force report on how London's transport lacked macro-policies. The most devastating aspect of the criticism lay in the political language adopted by the CBI. Rather than Keynesian economic planning, the CBI referred to London as a 'business', using Thatcherite-

---

33 Kösecik & Kapucu, "Conservative Reform", pp 80-1.

34 Michael Hebbert, "Unfinished Business: The remaking of London's government 1985-95", *Policy and Politics* 23:4 (October, 1995), p.353.

Kösecik & Kapucu, "Conservative Reform", p.86-90.

35 "The abolition of the Greater London Council and the Metropolitan County Councils", *Property Management* 4:2 (1986), pp. 110-115.

36 Ibid.

37 Mary Riley, "A most depressing sneer at planning", *Town and Country Planning Association* (No.12 Dec, 1983), p.33.



inspired vernacular.<sup>38</sup> Historian and then Chief Executive for the London Borough of Hackney Jerry White cited the uneven development of London boroughs as a consequence of this strategic absence.<sup>39</sup> However, he rejected the return of the GLC, which he believed would take powers away from ‘the highest tiers of accountable government.’<sup>40</sup>

Yet communication between London boroughs continued. Tony Travers cites the founding of the Greater London Authority (GLA) itself, as well as the Association of London Governments (ALG) and the Greater London Employee’s Association (GLEA) as examples of a ‘London wide-but borough’ political system.<sup>41</sup> He argues convincingly that there existed processes of communication and cooperation at borough level which existed in spite of Thatcherite obstacles and in fact provided foundations for the powers and institutions of the later GLA.

Thus, though the abolition of the GLC led to the collapse of strategic planning and the growth of inequality between the London boroughs, there is evidence to suggest that cooperation between the boroughs continued. These examples show how urban cooperation was possible with even minimal state intervention, and consequently we can see that even amid a culture of centralisation, urban areas often strain for aspects of devolution. To see how this is better accomplished, we can turn to Germany.

### ***The German situation***

We now turn to look at how German cities exist within the German Federal Republic’s constitutional framework. Here, the first issue lies in how the constitutions of both the Berlin and Bavarian *Länder* codify the responsibilities of the cities in administrating and operating their “zones”. In Berlin, the role of self-governance is set out in Article 66, Section 2 of the Berlin Constitution: “The boroughs shall be afforded a share of administration in accordance with the principles of self-government.” The operations of the boroughs is then expanded upon in Article 67, Sections 1 and 2. The first section expresses that the Berlin Senate shall take responsibility for city-wide issues, the second section sets out that all remaining tasks will be taken up by the administrations of the boroughs.<sup>42</sup> The presence of a central authority with the ability to challenge the boroughs’ functions via laws (Article 77) appears to be a hard counter to any

38 London Region Transport Taskforce, Interim Report, Confederation of British Industry, 1993, cited in Jerry White, "The Ungovernment of London", *Policy Studies* 14:3 (1993), p.52. For further information on White’s unique relationship with London as academic and politician, see <https://www.jerrywhite.co.uk/about.html>.

39 White, "Ungovernment", p.54.

40 Ibid.

41 Martin Pilgrim Chief Executive’s Office, "London Regional Governance and the London Boroughs", *Local Government Studies* 32:3 (2006), p.229.

42 Der Regierende Bürgermeister Senatskanzlei, Verfassung von Berlin: Abschnitt VI Der Verwaltung. Available at: <https://www.berlin.de/rbmskzl/regierender-buergermeister/verfassung/artikel.41514.php>.

autonomous activities.<sup>43</sup> However, Article 68 affords the borough committees the right to provide input on ‘fundamental questions of administration and legislation’, while Section 2 codifies these sessions into monthly meetings between mayoral authorities. Articles 74 and 76 govern the borough mayors and councillors, who are nominated by the parliamentary groups using the d’Hondt formulae (a process that divides the number of votes by the number of seats a party holds, then adds one to the final sum to determine party seats in the legislative).<sup>44</sup> Article 76 offers borough assemblies the power to dismiss borough councillors through a two-thirds majority in the assembly. These articles provide Berlin with an autonomous political system where power is held by elected representatives working on behalf of their respective boroughs.

In the *Freistaat Bayern*, urban centres are offered similar decentralised constitutional powers with greater emphasis placed upon the power of the electorate to directly intervene in the policy-making process (*Volksbegehren*). Article 77, Section 2, of the Bavarian Constitution prevents any ‘unnecessary centralization’ of the ‘organs’ (a catch-all term for state institutions at various levels of the German and regional states).<sup>45</sup> Article 7 of the *Freistaatverfassung* lists ‘elections, local petitions for referendums and local referendums’ as the political tools available to citizens at the local and regional levels. This emphasis on referenda thus marks the Bavarian Constitution’s difference with Berlin’s constitution.

Bavaria differs little from Berlin when administrating urban spaces. Article 9, Section 2 of the Bavarian constitution divides the Bavarian state into administrative regions called *Regierungsbezirke*. Where Bavaria differs from Berlin is in the existence of ‘independent cities’, making most of Bavaria’s largest cities independent from the regions they lie within.<sup>46</sup> This means that the constitutional laws defending the autonomy and independence of the regions (as expressed in Article 10) apply to the cities.<sup>47</sup> These powers range from the responsibility to ‘order and manage their affairs themselves within the framework of the laws’ (Article 11.2) to ‘serving the purpose of establishing a democracy in Bavaria from the bottom up’ (Article 11.4).<sup>48</sup> Though the autonomy of the Bavarian regions relies on the laws from the House of Representatives (similar to Berlin), the Bavarian constitution demonstrates that the federalisation of British cities offers the opportunity to integrate the autonomy of urban centres into the operating political and administrative system.

---

43 Ibid.

44 Roger Gibbins, Paul David Webb and Heinz Eulau, "Participation in elections", Encyclopedia Britannica. Available at: <https://www.britannica.com/topic/election-political-science/Plurality-and-majority-systems#ref416872>

45 Bayerische Staatskanzlei, "Abschnitt die Verwaltung" Verfassung der Freistaaten Bayern in der Bekanntmachung vom 15. December 1998 (edited 01.01.2020). Available at: <https://www.gesetze-bayern.de/Content/Document/BayVerf-77>.

46 Ibid.

47 Ibid.

48 Ibid.

There are limits to the German constitutional framework. One is that urban intervention into wider federal decision-making lies in the non-existence of cities as separate constitutional and legal entities. Excluding Berlin, the German Common Law (*Grundgesetz*) only acknowledges the existence of counties and municipalities, granting them ‘a measure of administrative autonomy.’<sup>49</sup> Another issue lies in the structure of the German federal system. Unlike the American system, German federalism relies on a powerful central authority conducting the majority of administrative and political work, leaving the *Länder* and their districts to follow central laws.<sup>50</sup> Consequently there is a consensus among German scholars on the existence of division between federal legislation and *Länder* administrative responsibilities. *Länder* agencies possess a level of independence in implementing the ‘federal will’, though they are held in check by Article 85, which expressly empowers the *Bund* to enforce its will on *Land* agencies.<sup>51</sup> Such examples offer insight into how German cities operate in the legal and constitutional framework of the German Republic, and how their nebulous position provides autonomy, but not total freedom within the federal system.

Article 28BL of the federal constitution sets out the existence of self-governing communal zones.<sup>52</sup> Such passages detail the existence of local government, especially in the form of local councils.<sup>53</sup> Another important structure is the *Stadttag*, the local assemblies, where a variety of legislative issues can be debated and challenged. Cities can engage in federal policy-making via lobbying organisations such as the German Conference of Municipal Authorities and the Association of German Cities.<sup>54</sup> These institutions and structures demonstrate how cooperation between constitutionally nebulous bodies can occur in a more regulated system than the organic operations and organisations of the post-1986 London boroughs.

## Concluding notes

The cumulative effect of these constitutional arrangements is to empower German cities and regions to act of a federal basis, while protecting local interests as well. The emphasis placed on communal governance in Berlin and Munich alike, the agency granted to these organisations to aid local interests and the limits placed on centralising authority offer the United Kingdom an excellent avenue for reform. Alongside this, the Bavarian case demonstrates how even the most politically conservative state can utilise federal constitutional reform.

49 Jörg Fedtke, "A Tale of Three Cities—The Stadtstaat in German Constitutional Law" in Ballin et al (eds) *European Yearbook of Constitutional Law* (vol 2.) (T.M.C. Asser Press, The Hague, 2020) p. 137. Available at: [https://doi.org/10.1007/978-94-6265-431-0\\_7](https://doi.org/10.1007/978-94-6265-431-0_7).

50 Caroline Schultz and Holger Kolb, "Managing Cultural Diversity in Federal Germany: Bavaria and Berlin as Classic Antagonists", *Fédéralisme Régionalisme* 15 (2015), pp.2-3.

51 Arthur B. Gunlicks, "The *Länder* and German Federalism", (Manchester University Press, 2010), p. 63. Available at: <https://doi.org/10.7765/9781526120670>.

52 Fedtke in Ballin et al, "A Tale of Three Cities", p.141.

53 Schultz and Kolb, "Managing Cultural Diversity", p.3.

54 Leenknegt in Ballin et al, "Modes of Urban Autonomy", p.45.

More broadly, this chapter has endeavoured to highlight the difference in the development of urban regional devolution within the UK and Germany. As we have seen, the rigid and intentional constitutional practices in Germany contrast markedly with the ad hoc realities of devolution in London and further afield. But rather than being reliant on a codified constitution, a federated urban system in the UK might still instead employ 'cooperative practice' between urban centres, made possible through legalisation or a policy of institutional autonomy for British cities.

In conclusion, constitutional reform is necessary alongside the empowerment of British cities. While the issue of parliamentary sovereignty will continue to remain a thorn in the side of any autonomous zones, it is not the death knell that many fear. While the spasmodic development of devolution in London compares badly with the explicit intentionality of German constitutional mechanisms, it is not too late to change. Instead, the implementation of administrative autonomy for British cities can be achieved through parliamentary policy, followed by the formal codification of urban autonomy in the form of local constitutions. Part of this process must be the legitimisation of political practices and institutions within British cities, made possible through the promotion of direct democracy as part of the operation of British cities.

## Chapter 2: Local democratic practices

In this chapter, we will analyse why the UK suffers from generally underdeveloped local democracy, before contrasting it with the model practised in Bavaria. We will then consider how these practices could be integrated into the governing structure of British cities, and the benefits they could bring.

### *What are local democratic practices?*

Ines Newman defines ‘local democratic practices’ as ‘the active involvement of diverse citizens in determining policy’.<sup>55</sup> Others have offered differing perspectives, arguing that accountability and democratic practices have an indivisible relationship.<sup>56</sup> David Beetham’s explanation of the importance of small units in these local democratic practices is important in this regard. He argues:

*Popular control and political equality are the key democratic principles. They are most fully realized in small groups . . . [because] in larger associations, and especially at the level of a whole society, practical considerations of time and space necessitate that collective decisions be taken by designated agents or representatives acting on behalf of the rest.<sup>57</sup>*

Thus local democratic practices are reliant on devolving power down to the lowest possible level in Beetham’s view. Hugh Atkinson suggests that in practice this idea is often less than successful, raising the problem of participation that often plagues local turnout and describing how the collapse of local-based communal authorities and the divorce of local accountability from local democratic participation undermines communal participation.<sup>58</sup> Local democratic practices thus need to balance idealism with reality.

When placed in the context of this paper — which seeks to highlight the value of federal reforms to British cities — how does local democracy fit into a federal system? There exists a rich literature on this subject already, and scholars, primarily in the

55 Ines Newman, "Reclaiming Local Democracy: A Progressive Future for Local Government", (1st ed., Bristol University Press, 2014), pp.103-4.

56 See: C. O’Toole & Adrian Roxan, "Local Democracy", pp.1-12 and Roger Latham. "Who Stole the Town Hall?: The End of Local Government as We Know It" (1st ed. Bristol University Press, 2017) p.107.

57 David Beetham, "Theorising Democracy and Local Government" (Basingstoke, Palgrave Macmillan: 1996), cited in C. O’Toole & Adrian Roxan, "Local Democracy, Journalism and Public Relations: The changing dynamics in local media and public sector communications" (Routledge: 2019), p.2.

58 Hugh Atkinson, "Local Democracy", pp. 9-11.

USA, have fiercely debated the issue.<sup>59</sup> However, in the European context, the most useful example is perhaps Swiss ‘localization’ where local direct democratic practices create a political culture which holds the diverse federal state together.<sup>60</sup>

By compositing the Swiss example with the literature referenced above, we might conclude that for the purposes of this report local democratic practices share the following characteristics:

1. They involve local citizens engaging with or opposing policy decisions within a specific subunit, administered by local administration and legal functions.
2. They require the presence of these communal organisations and political institutions to function, but in return, citizens possess the authority to seek accountability from them.
3. On the national scale, shared local democratic practices can create a ‘universal’ political experience, strengthening bonds between diverse peoples and regions.

Ensuring that federal entities have suitable local democratic practices is essential. Without them, the devolved units, whether cities, regions or nations, lack the legitimacy and engagement necessary to survive. With this in mind, we may consider the local democratic reforms of New Labour and their related failings.

### ***Local democracy reforms in the UK since 1997***

Tony Blair and New Labour owed much of their early electoral success to voters’ frustration and distrust in Conservative policies and traditional political systems. Much of the deficit in local democratic culture from which the UK suffers, though, originates from New Labour reforms at the turn of the millennium, and with the 1999 Local Government Act in particular.

Nirmala Rao described the consequences of the 1999 Local Government Act as an interconnected system of local government. The central government gave local services and institutions the autonomy to find ‘Best Value’, a replacement of the much-hated ‘Compulsory Competitive Tendering’ system. ‘Best Value’ was discovered through comparisons with other local authorities, theoretically leading to fiscal and political

---

59 Rick Su, "Have Cities Abandoned Home Rule", *44 Fordham URB.L.J.* 181 (2017) and Kenneth A. Stahl, "Preemption, Federalism, and Local Democracy", *44 Fordham URB.L.J.* 133 (2017).

60 Thomas Fleiner, "Recent Developments of Swiss Federalism", *Publius: The Journal of Federalism* 32:2 (Spring 2002), pp. 97–124. Available at: <https://doi.org/10.1093/oxfordjournals.pubjof.a004949>.

efficiencies through the creation of ‘council-wide partnerships’.<sup>61</sup> The Act sought the creation of an environment where local authorities acted with ‘flexibility...and freedom from bureaucratic restraint.’<sup>62</sup>

Later analysis shows how New Labour’s reforms created a new bureaucratic web for local authorities to navigate, and the inability or desire to challenge local politicians on policy issues became the main criticisms of the system.<sup>63</sup> Another criticism of New Labour’s approach has been captured in the phrase ‘executive government’, and the preference for strong executive leadership at the local level can be seen in New Labour’s structural reforms.

The Party’s distrust of local government came from several sources. One was a continual fear of media backlash, as had occurred in the 1980s against radical GLC councillors. With the 2001 General Election, New Labour’s once ambitious programme for local government reform withered due to Cabinet reshuffles and a focus on service improvement – a move Steve Leach describes as ‘policy drift’.<sup>64</sup> This drift led to many local powers reverting back to the central authority from local government. In particular, the creation of the New Local Government Network (NLGN) saw much local government decision-making centralised into the hands of the NLGN. This and the plethora of White Papers in which the quality of local governance was questioned highlight New Labour’s attitude towards local government, one which was then carried on into the Coalition Government.<sup>65</sup>

Such an approach coded New Labour and the Conservative’s mayoral reforms too. As a consequence, UK cities lag behind the rest of Western Europe and continue to lack meaningful public participation in policy and political decision-making through mayoral elections. Here the UK lacks traditional foundations for empowered mayoral figures, and they have remained largely ceremonial.<sup>66</sup>

New Labour initially sought the empowerment of mayoral offices, directly elected by the community. Rao describes New Labour’s emphasis on powerful local executives as helping ‘speed up decision-making [to] meet community needs’.<sup>67</sup> In truth it led to a divorce between local constituents and democratic decision-making. Without improving on the system first enacted by New Labour, it is little wonder

61 Nirmala Rao, "Reviving Local Democracy : New Labour, New Politics?" (Policy Press, 2000), p.127-8.

62 Rao, "Reviving Local Democracy", p.130.

63 Steve Leach, "The Changing Role of Local Politics in Britain" (Policy Press, 2006), p.47.

64 Atkinson, "Local Democracy", p.42;

Steve Leach and Lawrence Pratchett, "Local Government: A New Vision, Rhetoric or Reality?", *Parliamentary Affairs* 58:2 (2005), p.319.

65 Newman, "Reclaiming Local Democracy", pp.104-8.

66 Atkinson, "Local Democracy", p.88.

67 Rao, "Reviving Local Democracy", p.170.

the mayoral system failed to attract greater support under the Coalition Government which followed. In the case of the 2012 mayoral referendums, this led to the explicit rejection of such proposals in nine out of ten cities.<sup>68</sup>

The undemocratic nature of the system was one reason for this apathy. The 2012 mayoral referenda were the result of the Localism Act's condition that a Secretary of State could enforce referenda upon local areas, and in 2012 few of these areas had an appetite for elected mayors. Another reason was the use of SV (Supplementary Voting) which suppressed democratic participation due to the disqualification of second-stage votes and the general misunderstanding of the system.<sup>69</sup> Conflict within the Labour Party over the potential threat of directly elected mayors to the political centre furthered these problems.<sup>70</sup> This same reasoning was used to prevent Ken Livingstone's first run at Labour candidate for Mayor of the GLA.

Mismanagement by directly elected mayors amplified wider fears about lack of accountability. The dramatic fall of Doncaster's first directly elected mayor, Martin Winters, and the arrest of Stoke-on-Trent's Mark Meredith in 2009 on suspicion of corruption provided a clear example of the inability local constituents had to control their 'elected' officials.<sup>71</sup> These issues were enough to convince many within the UK that local democracy itself was at fault. Poor political mechanisms continued to limit autonomous decision-making by concentrating greater local power into smaller administrative units.<sup>72</sup>

The Conservative-led Coalition saw local governance and services brought back into the limelight, with Ed Pickles' stint as Minister for Local Government bringing awareness to the issue's importance in wider government policy. Chancellor George Osborne's not insignificant empowerment of the Greater Manchester region represented the emergence of the first modern autonomous English region since the GLA.<sup>73</sup>

Yet for these developments, there remains significant limitations and drawbacks to the development of local power, with reforms undermining the ability of local governments to exercise their fiscal and political authority. The 2012 White Paper 'Open Public Services' saw emphasis placed on locally elected representatives and more flexible public services. However, as critics have been quick to identify, the Paper's emphasis on consumer-driven agency in public services, and the growing pressure to privatise said services, would make any elected representative's power

---

68 Latham, "Who stole the Town Hall?", pp.46-7.

69 Latham, "Who stole the Town Hall?", pp.57-8.

70 Atkinson, "Local Democracy", p.90.

71 Latham, "Who stole the Town Hall?", p.48.

72 Latham, "Who stole the Town Hall?", pp.47-51.

73 Steve Leach and Colin Copus, "The Strange Demise of the Local in Local Government: Bigger is Not Better" (Palgrave Macmillan Cham, 2023), p.32.



over public services virtually pointless.<sup>74</sup> Such reforms include the controversial Police and Crime Commissioners.<sup>75</sup> Cumulatively they demonstrate that when Westminster has attempted even rudimentary 'localist' reforms, they have weakened local representatives and couched local democratic practices in the language of neoliberalism and business.

Neither the Conservative nor the Labour manifesto from the last election offered enough in attempting to reform local democracy. Labour suggested they would provide local governments the 'freedom' to set planning fees.<sup>76</sup> The Conservatives promised an English devolution paper and expanding city and growth deals.<sup>77</sup> Neither party has sought to provide citizens with the power to challenge local policy. Instead, existing inefficient systems are promoted and supposedly strengthened, failing to address the root cause of the disconnect between people and their systems of local democracy.

Successive governments have sought to impose 'top-down' forms of local democracy across the UK – a contradiction in terms. This has created local executives lacking democratic or local legitimacy. It is critical that a culture of participation and accountability be fostered through local democratic practices in British cities. As shown in the Bavarian context, a federal system can provide a solution to this.

### ***Case Study: Local democracy in Bavaria***

In 1995, the Bavarian people were asked to vote to establish the right of citizens to petition communal institutions.<sup>78</sup> This vote was significant for two reasons. It was the second time in Bavarian history that the people had been given the power to authorise legislation.<sup>79</sup> It also occurred in a state regarded as one of Germany's most culturally and politically conservative. That this state is regarded by experts as Germany's premier example of local democracy demonstrates that cultural or political conservatism need not hinder federal-style reform.

The procedures and rules governing Bavarian local democracy can be observed throughout Germany. The most common practises are the *Bürgerbegehren* (citizens' initiative) followed by the *Bürgerentscheid* (referendum). The former process allows citizens to present objections to issues to either local or state government. The process

74 Latham, "Who stole the town hall?", p.20; 23.

75 Latham, "Who stole the town hall?", pp.73-79.

76 Labour Party, "It's Time for Real Change! The Labour Party Manifesto", p.51.

77 The Conservative Party, "Get Brexit Done. Unleash Britain's Potential", p.29.

78 Otmar Jung, "Bürgerbegehren und Bürgerentscheid", *Historisches Lexikon Bayerns* (18 July 2011). Available at: [https://www.historisches-lexikon-bayerns.de/Lexikon/Bürgerbegehren\\_und\\_Bürgerentscheid](https://www.historisches-lexikon-bayerns.de/Lexikon/Bürgerbegehren_und_Bürgerentscheid).

79 Franz-Ludwig Knemeyer (ed.), "Bürgerbegehren und Bürgerentscheid in Bayern: Modell für mehr Demokratie und Stärkung kommunaler Selbstverwaltung?" *Kommunalforschung für die Praxis* (Heft 33/34), p.11.

requires certain numbers (quorums) of signatures before submitting them to the city council or parliament to either become legislation or (if rejected by the council) a referendum in which the district or state's voting populace takes part.

A recent example occurred in Augsburg, where the privatization of its energy infrastructure has faced mounting opposition. The initiative received 15,000 signatures, 4,000 more than necessary to trigger a review.<sup>80</sup> The submission is opposed on legal grounds, threatening to become a political quagmire. Yet because the council has rejected it, a referendum is incoming. This citizen's initiative is just one case of the 94 submitted in Bavaria in 2023 alone, totalling 40% of all those in Germany. Consequently, Bavarian local democracy is a uniquely powerful phenomenon in the country, a phenomenon made possible by the Bavarian constitution.<sup>81</sup>

The Bavarian constitution codifies the *Bürgerentscheid* in Articles 71, 72 and 74. In 71 and 72, laws and bills can be submitted by either the State Parliament or the people via referendum (possessing the same legitimacy as laws created in Parliament). The mechanisms of state-wide referendums are set out in full in Article 74. One can be held if an issue receives signatures representing 10% of the state's voting populace. It is made clear in Paragraph 7 that any rejection by the state must be submitted back to the people, including a bill largely similar to that of the referendum. Therefore, since the Augsburger initiative received more than 10% of the district's support, it was moved up to the local government. The council then voted — with only one vote against — to adopt the referendum into a city council decision. One local paper labels it as 'the long and golden way' of local democracy.<sup>82</sup>

The result of a 1995 referendum saw Article 18a introduced to the *Gemeindeordnung*, giving Bavarian citizens similar petitionary powers as at the national level. Citizens may thus petition on any issue within the municipality's responsibility. Paragraph 3 states, that no referendum can be held on the legal responsibilities of the mayor, the legal relationships between council members, and the budget. The language of the constitution and municipal laws allows popular initiatives to be raised on virtually any other issue, though.<sup>83</sup> Though some scholars remain sceptical of the effectiveness of such practices, they remain a significant feature of local governance and administration in Bavaria.

---

80 Manuel Rauch, "Doppel-Bürgerbegehren gegen Energiefusion", *Bayerische Staatszeitung* (21 April 2015). Available at: <https://www.bayerische-staatszeitung.de/staatszeitung/kommunales/detailansicht-kommunales/artikel/doppel-buergerbegehren-gegen-energiefusion.html#topPosition>.

81 Mehr Demokratie Bayern, "Bürgerbegehrensbericht 2023: Bayern Spitzenreiter bei direkter Demokratie", *Deutschland*. Available at: <https://bayern.mehr-demokratie.de/einzelansicht-der-nachricht/buergerbegehrensbericht-2023-bayern-spitzenreiter-bei-direkter-demokratie-in-deutschland>.

82 SZ, "Fusion: Der lange und goldene Weg der Bürgerinitiative", *Augsburger Zeitung* (1 July 2017). Available at: <https://www.daz-augsburg.de/fusion-der-lange-und-goldene-weg-der-buergerinitiative/>.

83 Knemeyer, "Bürgerbegehren und Bürgerentscheid", p.29.

What makes Article 18a so significant can be seen in the set quorums. These range from 10% at districts with a population of 10,000 to 3% at a population of 500,000+, giving the populations of built-up urban municipalities an advantage over less populated areas.<sup>84</sup> Though it can be argued that such rates compensate for lacklustre engagement, it provides activists with the ability to successfully engage in local political units. It explains why ‘from below’ (i.e. popularly organised) initiatives dwarf ‘from above’ (i.e. presented by the state/council) initiatives at a rate of 22 to 1, representing the systematic ease by which communal interest groups can promote their causes.<sup>85</sup> Such a ratio represents the widespread, popular appeal such petitions have within local Bavarian democracy. It is a model the UK can learn much from.

### *The use of Bürgerentscheiden in Munich*

A recent example of civic democratic action in German cities occurred over green spaces (*Grünflächen*) in Munich, and the *Bürgerbegehren* campaign that was raised in response to growing fears of parks being built over in the city. The initiative’s goals were published across multiple media forms, including on their website and in flyers circulated by the group. Here an interactive signature list informs the reader about how the Land Use plan (*Flächennutzungsplan*) that governs the long-term planning of Munich city council has been ignored by recent construction projects, leading to reduced access to green spaces. On the signature list for the *Bürgerbegehren*, the group lay out five goals for the citizen’s initiative:

1. to ‘draw up development plans for the green urban districts...’ with specific emphasis on the Outer City’;
2. ‘to create a sufficient supply of open space with large, natural green areas for residents in the residential area’;
3. the abolition of urban development projects such as the S8 S-Bahn Airport line and the Munich-Muhldorf railway line;
4. the abolition of ‘the cooperative urban development model’ for several districts; and
5. the expansion of land construction beyond ‘pure residential areas and general residential areas.’<sup>86</sup>

84 Bayerische Staatskanzlei, "Abschnitt die Verwaltung". Available at: <https://www.gesetze-bayern.de/Content/Document/BayGO-18a>.

85 Knemeyer, "Bürgerbegehren und Bürgerentscheid".

86 Available at: <https://www.lebenswertes-muenchen.de/wp-content/uploads/2019/10/Unterschriftenliste-B%C3%BCrgerbegehren-DIN-A4.pdf>.

These objectives offer insight into the possibilities *Bürgerbegehren* can provide, and the genuine reform which can be forced by local people upon city authorities. It demonstrates how important local democracy can be in holding such local authorities to account.

With the objectives set out, the movement then gathered third-party and political support to secure the quorum of signatures necessary for the initiative to become a formal *Bürgerbegehren*. The former's influence can easily be seen, with over 55 citizen's groups and political organisations proclaiming their support for the initiative.<sup>87</sup> This 'cross-pollination' between different groups offers an example of how the local democratic system promotes cooperation between different political and civic organisations.

Beyond grass-roots support, there is support from traditional political parties. One is the *Freie Wähler* party, a centre-right umbrella political party which regularly gains seats in local government. On their website, they actively promote two ecological initiatives to their supporters. One is an initiative established in 2019 opposing the urban 'redensification' of Munich's centre. Alongside this, they proclaim their simultaneous support for the *Grünflächen* initiative.<sup>88</sup> Other political parties cite the *Grünflächen* initiative in their stump speeches and political memos. The ODP (Ecological Democratic Party) has attached itself to the *Grünflächen* initiative, using it to attack the current CSU/Green coalition's failure to enforce or to outright ignore environmental laws.

The initiative has existed for more than six years, first emerging in 2016. It's first goal — set out in Article 18a — was to secure a quorum of signatures. Since it was a Munich-wide initiative, that percentage was set at 3% of voters, roughly 34,000. Even with COVID delaying the signature count, and even needing to secure up-to-date signatures from 15,000 people, the initiative succeeded in gathering 37,000 signatures.

This led to two possible outcomes: one was the outright acceptance of the petition, where the plans demanded by the initiative would be put into place as set out by *Gemeindeordnung* Article 18a Para.13.<sup>89</sup> The second possibility, reflecting the SDP

---

87 Bürgerbegehren (BBG), "Grünflächen erhalten". Available at: <https://www.gruenflaechen-erhalten.de/unsere-unterstuetzer/>.

88 Heiner Efferm and Dominik Hutter, "Bürgerbegehren gegen Nachverdichtung", *Süddeutsche Zeitung* (07 October 2019). Available at: <https://www.sueddeutsche.de/muenchen/muenchen-buergerbegehren-ueberparteiliches-buendnis-nachverdichtung-1.4631406>.

89 Bayerische Staatskanzlei, "Abschnitt Rechte und Pflichten der Gemeindeangehörigen", *Verfassung der Freistaaten Bayern in der Bekanntmachung vom* (15 December 1998) (edited 01.01.2020). Available at: <https://www.gesetze-bayern.de/Content/Document/BayGO-18a>.

and CSU's rejection of new environmental laws, was to refuse the petition and to call a *Bürgerentscheid*, thereby giving citizens the opportunity to support or reject the initiative.<sup>90</sup> After protracted debate, the *Stadtrat* chose to accept the initiative.

Such an approach has been incorrectly described by several authors as an example of a 'citizen's address' (*Bürgerantrag*), though in reality this is a separate process to a *Bürgerbegehren*. With the two being distinct, the confusion is worth clearing up. According to Article 18b in the Municipal Laws, a *Bürgerantrag* consists of a localised tool solely to allow citizens to petition a municipal body to address an issue, though not one covered in a recent *Bürgerbegehren*. Requiring only 1% of the municipal citizen's support, it offers citizens another tool to hold their councils accountable, or to raise issues that petitions may be too cumbersome to address. While the *Bürgerantrag* is not unique to Bavaria, the municipal and local nature of the procedure's execution makes it a more local and democratic affair than in other states.<sup>91</sup>

From these examples it is clear that despite the highly conservative nature of Bavarian politics, there is a clear culture of active local democratic participation and accountability. Through constitutional enshrinement, clear legal procedures and minimal barriers for participation, Bavarian local democracy — alongside its parliamentary political system — provides an excellent example of how British cities might adopt federal-style local democratic practices.

### ***Sovereignty and potential thorns***

Bavarian local democracy relies on the state's parliamentary system. Hence, reformers in the UK might well emphasise the relationship which exists in Bavaria between direct local democracy and its parliamentary system. Well before the popularity of the *Bürgerentscheid* in Bavaria, scholars and academics were coming to the conclusion that direct democratic practices did not need negate or undermine parliamentary institutions. Silvano Mockli concluded that direct democratic practices can be used to supplement parliamentary systems, but that they only function when both systems receive equal material and legal support.<sup>92</sup> Local democratic participation, therefore, is seen as a useful mechanism for decision-making and reinforcing wider democratic culture including within a parliamentary system.

90 Jan Krattiger, "Bürgerbegehren "Grünflächen erhalten" eingereicht: 60.000 Stimmen fürs Grün", *Abendzeitung München* (09 January 2023). Available at: <https://www.abendzeitung-muenchen.de/muenchen/buergerbegehren-gruenflaechen-erhalten-eingereicht-60000-stimmen-fuers-gruen-art-870797>.

91 Christian Gebhardt, "Direkte Demokratie im Parlamentarischen System : Bürgerbegehren und Bürgerentscheid in Bayern" (Würzburg: Ergon Verlag 2000), pp.79-80.

92 Silvano Möckli, "Direkte demokratie: Ein Vergleich der Einrichtungen und Verfahren in der Schweiz und Kalifornien, unter Berücksichtigung von Frankreich, Italien, Dänemark, Irland, Österreich, Liechtensten und Australien" (Bern: Verlag Paul Haupt. 1994), pp.372-3.

However, there remain valid criticisms of systems which utilise local democratic participation, especially regarding the comparative competency of these communal institutions. Schmitt Glaser has criticised the internal organisation of local administrations and a reliance on citizen's 'self-governance'.<sup>93</sup> Others have cited the incompatibility of the system with representative democratic institutions designing policies and long-term planning. By this, a misinformed or misadvised electorate could derail any number of projects via the majority decision of an engaged minority. Frank Decker describes how the employment of direct democratic procedures by an opposition party would in fact 'abolish the government's monopoly' over legislation, throwing the parliamentary relationship into instability.<sup>94</sup> Nils Arne Brockmann, however, concludes from her extensive research into the implementation of referenda across the German federal states that party or ideological allegiances have rarely played a decisive role in the formation of alternative democratic procedures. Instead, it is municipal dissatisfaction which creates the most resistance.<sup>95</sup> So, while the blending of local democratic practices and parliamentary systems are not without challenges, many of these are similar to those which already exist in the United Kingdom.

Another potential issue lies in how local democracy might hinder infrastructure and material policy. This is best shown in the issues raised by Bavarian voters. In 1996, it appears that the majority of the 194 citizen's initiatives focused on building projects, land use and development plans. Critics look at these and the decreased investment in Bavarian cities like Nurnberg as an example of how communal politics can derail economic development.<sup>96</sup> However, rather than empowering the Nimby (Not in my back yard) movement, the Bavarian model might actually defeat it entirely. After all, should a local council reject an initiative, then the resulting referendum would instead give the *entire* district's populace the right to decide on a policy. Thus a de facto conservative veto against local development might be avoided, legitimising central governmental policy, encouraging economic growth and benefiting the majority.

### ***How to 'Bavarianise' British cities***

While the implementation of local democratic practices into British cities would have a positive impact on civic and administrative life, it is not without risk. Unless undertaken with full confidence and commitment, the possibility of error, administrative bloat and inter-institutional conflict might impinge urban local democracy in the UK.

---

93 Christian Gebhardt, "Direkte Demokratie im Parlamentarischen System : Bürgerbegehren und Bürgerentscheid in Bayern" (Würzburg: Ergon Verlag 2000), pp.79-80.

94 Frank Decker, "Der Irrweg Der Volksgesetzgebung. Warum Die Direkte Demokratie in Den Ländern Kein Vorbild Für Die Bundesebene Sein Kann", *Zeitschrift Für Staats- Und Europawissenschaften (ZSE) / Journal for Comparative Government and European Policy* 9:4 (2011), p.477.

95 Nils Arne Brockmann, "Wenn Parlamente vors Volke ziehen: Ratsreferenden in der kommunalen Demokratie" (Transcript, 2018), pp.79-83.

96 Knemeyer, "Bürgerbegehren und Bürgerentscheid", p.20.

The question now is how British cities could be successfully ‘Bavarianised’. Let us take Manchester as an example. To begin with, the process by which an urban administration would receive powers from the centre and then devolve them to the people through referenda would need widespread democratic support to execute. In this brief example, let us use the Bavarian constitution and laws to understand how Manchester might develop the infrastructure essential for local democracy to flourish.

In 2014 and 2015 via devolution deals, the Greater Manchester Agreements established the powers the council and mayor of Manchester possess. The mayor’s include authority over the transport budget, the functioning of the fire service and the power to create a ‘statutory framework’ for Greater Manchester. The Greater Manchester Council Authority (GMCA) possess powers over £6 billion of health and social care spending and spending on housing and intra-city transport.<sup>97</sup> The powers devolved to Greater Manchester demonstrate the ‘spasmodic’ nature of urban devolution and the treatment of Greater Manchester as a ‘political laboratory’ by the central authority.<sup>98</sup>

Greater Manchester differs from other mayoralties in several senses. One is the presence of its mayor, Andy Burnham, who has provided much needed legitimacy for the entire region on the national stage.<sup>99</sup> Another reason lies in the rise of the Combined Authority (CA) system, of which Manchester was among the first examples. These authorities, originally set up as a result to the financial struggles post-2008, have allowed the central state to devolve responsibilities to the local level via ‘deals’ with CAs.<sup>100</sup> Its status thus makes Greater Manchester a useful case study on how British cities can advance federal reform.

So far, Greater Manchester represents a bizarre mutation of other mayoral systems. However, the role of local issues in motivating participation should be recognised, with Andy Burnham’s focus on homelessness and re-negotiating the Greater Manchester Spatial Framework playing no small part in his electoral success.<sup>101</sup> His election and popularity demonstrate a clear desire from citizens to engage with local issues, and therefore, the provision of further legal and political mechanisms would likely prove to be popular in Manchester.

Given its suitability we can turn to how we might Bavarianise Manchester. The first reform to this end should be defining and codifying the powers and processes of democratic governance in Greater Manchester. This is desirable in and of itself. Once codified, powers might be expanded, granting the GMCA and the mayoral office the ability to generate and veto policies in additional areas. Should elected councillors and

97 G. Blakeley & B. Evans, "Devolution in Greater Manchester and Liverpool City Region" (Manchester University Press, 2023), p.26.

98 Blakeley and Evans, "Devolution", p.31.

99 Blakeley and Evans, "Devolution", pp.182-3.

100 John Fenwick & Lorraine Johnston, "Leading the combined authorities in England: a new future for elected mayors?", *Public Money & Management* 40:1 (2020), p.16.

101 Blakeley and Evans, "Devolution", p.37.



mayors come to possess the legal and political jurisdiction to conduct local policy, a system for public referenda based on attainable quorums at every municipal level and constitutional or legal protections would then provide citizens with the motivation necessary to attach themselves to initiatives. Political parties, eager to secure control of the new political forum within British politics, would then contest for and so promote these institutions. Ultimately, the ‘Bavarianisation’ of cities like Manchester would provide benefits both to local communities through greater participation and provide direct feedback into the wider political system.

Beyond implementing broader powers for devolved authorities, implementing Bavarian mechanisms would require relatively little engineering. Clearly, finding the political will to devolve greater power to urban areas is a larger challenge, though not one within the scope of this report. Up to this point, campaigns for the further devolution of power have suffered from the lack of an evidentiary base to support the practicability of further devolution. As this chapter has shown, such an example exists in Bavaria – one which might reasonably be transposed onto conurbations like Manchester.

The local democratic practices outlined in this chapter are of great importance if British cities are to develop into autonomous bodies capable of taking up the responsibilities often passed to Whitehall. Providing citizens with direct democratic power would, as in Bavaria, allow them to raise local concerns and hold local authorities accountable. They would provide checks and balances against that power which comes to be devolved. Such localised political engagement can lead to a stronger, more positive, political culture at the local level, legitimising local politics and improving the quality of local governance.



## Chapter 3: Federalism and the tax system

On 7 September 2023, Birmingham City Council — the second largest urban authority in Europe, responsible for the UK’s second largest city — filed for Section 114, halting all new spending and limiting its fiscal activities to essential services.<sup>102</sup> Among the various causes was the depreciating value of business rates and the constraints put on local councils against autonomously raising taxes.

So far in this paper, we have discussed the various practices that form a city’s political and legal system. However, as Birmingham City Council’s fate demonstrates, any attempts at federal or devolved reform will remain incomplete so long as funding sources for local governments remain limited and centrally controlled. This chapter first explores how the UK’s centralised tax and grants system differs from its European counterparts before comparing the most recent revenue and budget reports from both London and Berlin. With this comparison complete, we shall explore how the German system might offer alternative perspectives on this critical issue.<sup>103</sup>

### *The local tax in modern Britain*

In the UK, local authorities have traditionally relied upon property rates to secure funding. Between 1989 and 1993, the UK experienced an upending in tax policy, first with the introduction of the hated ‘poll tax’ (which taxed the individual, not property value), which was then replaced by the ‘council tax’ in 1993. Similar to the earlier property rates, the council tax levied a tax on the market value of a property, with the highest (level H) applying to properties valued at over £320,000.<sup>104</sup> Business rates have been reformed over the years; although traditionally a local source of funding, they were taken under national control in 1990. Then, in 2015, legislation was passed that returned the rates to local councils. The intention was to link council budgets to stronger investment in business growth.<sup>105</sup> Neither business rates nor council tax offers councils the revenue raising powers they require under a federal system, though, and many argue that councils do not possess the powers they require under our present system.

102 "The Observer view on Birmingham council: it won't be the last to fail until local government funding is overhauled", *The Guardian* (09 September 2023). Available at: <https://www.theguardian.com/commentisfree/2023/sep/09/the-observer-view-on-birmingham-council-it-wont-be-the-last-to-fail-until-local-government-funding-is-overhauled>.

103 Joe Middleton, "Birmingham residents warned 'all bets are off' on cuts as city council effectively bankrupt", *The Independent* (07 October 2023). Available at: <https://www.independent.co.uk/news/uk/home-news/birmingham-city-council-bankrupt-impact-b2406909.html>.

104 Stuart Adam and James Browne, "A Survey of the UK Tax system", *Institute for Fiscal Studies* (December 2006), pp21-22. Available at: <https://discovery.ucl.ac.uk/id/eprint/14872/1/14872.pdf>.

105 Department for Communities and Local Government, "Local Government Resource Review: Proposals for Business Rates Retention Consultation - Government Response", p.2. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/8474/2053505.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/8474/2053505.pdf).

Another significant source of local income for local authorities are government grants. This move away from locally collected taxes towards government grants accelerated in the 1991 budget, where a 2.5% rise in VAT was used to replace the Poll Tax's diminishing returns.<sup>106</sup> For a time, government grants then became the majority source of income for local services, though this then declined due to cuts in grant funding, with grants representing only 22% of local funding in 2019/20.<sup>107</sup>

Last, there is the revenue generated by small surcharges on services like car parking. These three sources together (that is tax and rates, surcharges and grants) represent the bulk of local funding, as well as a reason why local government in the UK remains vulnerable to central domination.

The tax policies in other European countries, on the other hand, differ greatly from their British counterpart. One reason for this lies in the wider spread of fundraising options available to local authorities. In France — one of Europe's most centralised states — local authorities are given the ability to tax developed and undeveloped land, rather than being limited to property itself. On the subject of property, local authorities do not tax the market value of a property, but the property's 'theoretical yield' and 'notional rent value'.<sup>108</sup> Though nebulous, it gives local authorities in France the ability to provide more flexible tax rates, rather than the rigid brackets of the UK.

In Italy, though infamous for its inefficient tax system, municipalities can draw on surcharge levies on personal income tax, as well as municipal income tax.<sup>109</sup> Though far less efficient than direct taxation from local authorities, this represents another source of income denied to British local authorities. European countries generally collect a far greater percentage of taxation at the local level than, outpacing the UK's tax infrastructure. In a paper using data from the OECD, Ferry *et al.* found that the UK's local taxation revenue represented a mere 1.7% of the total GDP, well below the OECD average of 3%. Within Europe, the divide grows deeper. Italy stands at 12%, France at 13%, while Germany stands at 32%.<sup>110</sup> The almost total absence of local tax collection in the UK represents a great problem of tax efficiency. It is clearer through the available data that greater local taxation leads to more efficient taxation and services.

---

106 Adam and Browne, "A Survey", p.38.

107 Graham Atkins and Stuart Hoddinott, "Local Government funding in England", *Institute for Government* (10 March 2020). Available at: [https://www.instituteforgovernment.org.uk/explainer/local-government-funding-england#footnoteref1\\_h4pfp3i](https://www.instituteforgovernment.org.uk/explainer/local-government-funding-england#footnoteref1_h4pfp3i).

108 Public Finances General Directorate, 'The French Tax System' (31 July 2011), p. 77. Available at: <https://www.attorney-counsel.com/wp-content/uploads/2014/05/French-Tax-System.pdf>.

109 Massimo Bordignon, Veronica Grembi, Santino Piazza, "Who do you blame in local finance? An analysis of municipal financing in Italy", *European Journal of Political Economy* 49 (2017), pp.146-63. Available at: <https://www.sciencedirect.com/science/article/pii/S0176268017300526#s0070>.

110 Laurence Ferry, Peter Eckersley, & Wouter van Dooren, "Local taxation and spending as a share of GDP in large Western European countries", *Environment and Planning A: Economy and Space* 47:9 (2015), pp.177-179. Available at: <https://doi.org/10.1177/0308518X15595891>.

The most influential theorist on the subject of local taxation is Charles Tiebout. In his 1956 article 'A Pure Theory of Local Expenditure', Tiebout cites the value of 'consumer-voters' in helping to define local services. Tiebout views economic mechanisms such as service funding as the prime pull-factor for these consumer-voters. He concludes that if given multiple and variable choices between different districts, consumer-voters will move towards those districts that provide the funding suitable to them, promoting competition between local districts and forcing local fiscal policy.<sup>111</sup> Though not without critics, Tiebout's work retains influence, with supporters suggesting there are material benefits to this competition for public services. Once again, we see that support for devolving power away from central government is a position which can be embraced across the political spectrum, with local fiscal autonomy determining service qualities and greater demographic growth strong reasons for a greater devolved system of local taxation.

While attempts have been made to reform the British local tax system, whether inspired by Tiebout or not, these have largely failed to achieve substantial reform. The most significant opportunity, though, came with the 2007 Lyons Inquiry. The Inquiry in fact began in 2004 in an environment of growing resistance from local councils over so-called "rate-capping" on the part of the Government. In the case which sparked the Inquiry, South Cambridgeshire District Council took their appeal against the practice all the way to the High Court, where it ultimately failed with Justice Stanley Burnton supporting the Government's position.<sup>112</sup> In response to this and the disappointing results of the 2003 Local Government Act in establishing the fiscal responsibilities of local government, the Lyons Inquiry identified many of the shortcomings that continue to restrict local government today. One of the key criticisms of the report was levelled at the limits central government placed on local expenditure. Lyons concluded that several reforms were available to the government, including reforming the tax bands and reforming tax into a hybrid tax system, consisting of service and property taxes. This latter reform, Lyons notes, would not only help create a fairer taxation regime, but link the payments to 'local prosperity' and services.<sup>113</sup> Writing in the aftermath of the Lyon Inquiry, Stuart Adam and James Browne describe the practice of rate-capping as another 'limitation on local authorities' financial autonomy.<sup>114</sup> These references to service-focused charges which connect consumers with the services and taxation system adopt the language of the Tiebout system.

Though the localisation of the business rate was introduced in later legislation, it largely ignores and rejects the Lyons Inquiry. Indeed, the 2012 Localism Act in fact expanded the powers of central government to intervene in local budgeting and funding. The consequences of this continued centralisation of taxation can be felt in

111 Charles M. Tiebout, "A Pure Theory of Local Expenditures", *The Journal of Political Economy* 64:5 (1956), pp. 416–424.

112 BBC News, "Council loses tax capping battle" (19 July 2005). Available at: <http://news.bbc.co.uk/1/hi/england/4696837.stm>.

113 Sir Michael Lyons, "Place-shaping: a shared ambition for the future of local government. Executive summary" (London: The Stationery Office, 2007), p. 24. Available at: <https://assets.publishing.service.gov.uk/media/5a7c7c1f40f0b626628ac64a/9780119898552.pdf>.

114 Adam and Browne, "A Survey", p.38.

the quality of local services and the efficiency of taxation in highly developed cities. Central and local government cannot afford to continue to miss such opportunities for reform.

### ***The German model: Horizontal and vertical relationships of federal taxation***

When compared with the United Kingdom, the German tax system shows a similar level of centralised authority over certain financial fields. Article 106 of the Basic Law sets out which taxes go to the federal government, and which go to the *Länder*. The former consists of custom duties, income and corporation taxes and levies imposed by the EU.

For the municipalities, like their UK counterparts, the primary source of funding comes from property taxes. Unlike the UK, however, the Basic Law sets out alternative sources that are much broader than those granted to UK councils, including inheritance and certain consumption taxes. Paragraph 3 of Article 106 of the Basic Law establishes that both *Länder* and the federal state shall equally collect corporation, income and turnover taxes, calculated on the basis of the *Länder's* geographic remit, though this requires consent from the *Bundesrat*.<sup>115</sup> For urban districts, however, there is little legal or constitutional ability to challenge budgetary committees. Berlin's boroughs possess similar powers to their London equivalents, having both independent budgets reliant on central funding, yet lacking the right to challenge decisions made by the Senate. Besides this anomaly, however, the German model grants subunits and local authorities greater access to funding than anywhere in the UK.

To better understand how a federal system taxes and administers separate entities, it is best to view the relationship as being vertical and horizontal. Arthur B. Gunlicks snappily describes this as a 'multi-state financial equalisation system consisting of two sub-systems'.<sup>116</sup> The vertical aspect of taxation reflects the relationship and responsibilities of taxation provided to a *Länder* and other municipal and communal bodies by the central government, and what taxes are made the sole responsibility of the state. If the vertical relationship governs the control of taxation rates by central authorities over federal ones, then the horizontal governs how federal states fund each other (i.e. redistributive funding via federal grants).

The vertical aspects of the German Republic's taxation arrangements developed in the post-war era through legislation and constitutional reform. The *Finanzverfassung* arose from the 1949 formation of the Federal German Republic, and sought to codify

---

115 Basic Law for the Federal Republic of Germany in the revised version published in the Federal Law Gazette Part III, classification number 100-1, as last amended by the Act of 19 December 2022, *Federal Law Gazette* I, p.2478. Available at: [https://www.gesetze-im-internet.de/englisch\\_gg/englisch\\_gg.html](https://www.gesetze-im-internet.de/englisch_gg/englisch_gg.html).

116 Gunlicks, "The Länder", p.188.

‘all...guiding principles that are of fundamental importance for the business of public associations’, and therefore included legal and other scientific fields, making it less of a constitution and more of a living document in the Bagehot sense.<sup>117</sup> This compromise was established to avoid the Imperial and Weimar projects, where either the central authority became the subject of the states, or the states the subject of central authority.<sup>118</sup> Instead, the current system involves the distribution of taxation and administrative responsibilities between federal and central states, giving each the power to form independent budgets and set rates of expenditure, though the final decision is in the hands of the central authority.<sup>119</sup>

This system has faced its own issues since its establishment in the 1950’s. Part of the problem lay in the vague language concerning the administrative competency and financial borders between state and central government, leading to uncertainty between states, desperate for federal funding, and the central authority, who vied with the federal states over corporation and income tax percentages.<sup>120</sup> The decades following this led to reforms to the original taxation system, and greatly expanded and challenged the original power of local authorities.

In 1950 and 1952, the Financial Administrative Acts were established, creating a bureaucratic superstructure to enhance the ability of local regions to gather taxes. Known as ‘*Finanzamter*’, these uniform offices operated as part of a larger network, focused on gathering data on regional finances.<sup>121</sup> The 1966 Troeger Commission and the subsequent 1969 Financial Reform Bill all aided in cementing the relationship between the states. The addition of Article 104a (apportionment of expenditures and financial systems) to the federal constitution was the result of these reforms.<sup>122</sup> The 1980’s then saw a similar spate of reforms, primarily focused on lowering taxation and promoting free-market activity to enable greater economic and business freedoms. It meant that the discretionary powers cities possessed were greatly weakened.<sup>123</sup> In 2009, motor taxes were given over to the central authority, though it empowered the *Bundesrat* to decide the ratio of the turnover tax (similar to VAT, but in regard to capital

117 Günter Jürgens, Erwin Adolf Piduch and Jens Cohrs, "Finanzverfassung Steuern und öffentlicher Haushalt" (2nd ed. Das Verwaltungsstudium in Grundrissen: Vol.11, Walhalla und Pretoria Verlag, 1986), p.5-6.

118 Donald P. Kommers and Russell A. Miller, "The Constitutional Jurisprudence of the Federal Republic of Germany" (Third edition, New York, USA: Duke University Press, 2012), p. 86. Available at: <https://doi-org.manchester.idm.oclc.org/10.1515/9780822395386>.

119 Konstantin Y. Reshetov, Viktor I. Mysachenko and Anna S. Mikhailova, "A Comparative Analysis of Tax Systems in Russia and Germany", in Aleksei V. Bogoviz (eds) *Complex Systems: Innovation and Sustainability in the Digital Age. Studies in Systems, Decision and Control* 282 (2020), pp.171-2. Available at: [https://doi-org.manchester.idm.oclc.org/10.1007/978-3-030-44703-8\\_19](https://doi-org.manchester.idm.oclc.org/10.1007/978-3-030-44703-8_19).

120 Jürgens et al, "Finanzverfassung", pp.26-8.

121 Bund Deutscher Steuerbeamten (BDSt), "Fünfzig Jahre deutsche Steuerfachverwaltung: Zugleich 50 Jahre deutsche Steuerbeamten-Gewerkschaft" (Steuerbeamten-Verlag Dusseldorf, 1970) pp.106-7.

122 Gunlicks, "The Länder", p.66

123 Adam and Behm, "Budget Reforms", p.133.

goods, and where the advanced payments equalled 173 billion euros in 2020).<sup>124</sup> These reforms, ultimately, codified the authority of the central state over federal states in determining taxation rates, while delegating their collection to the federal states.

While the vertical relationship between the federal and central authorities over taxation remains primarily focused on the federation's ability to determine taxation, it is the horizontal dimension of taxation that would be the most complicated and controversial to implement within any UK federated system. In the German federal republic, it is known as the *Ausgleich* (compensation or equalisation). The process is a two-stage system, laid out in two articles of the Common Laws. The first stage is laid out in Article 106:

*Revenue from income taxes, corporation taxes and turnover taxes shall accrue jointly to the Federation and the Länder (joint taxes) to the extent that the revenue from the income tax and the turnover tax is not allocated to municipalities pursuant to paragraphs (5) and (5a) of this Article. The Federation and the Länder shall share equally the revenues from income taxes and corporation taxes. The respective shares of the Federation and the Länder in the revenue from the turnover tax shall be determined by a federal law requiring the consent of the Bundesrat.*<sup>125</sup>

Then the second stage outlined in Article 106 determines, using demographic and population data, to which *Länder* the revenues shall be given. These are determined on a 'per capita basis.'<sup>126</sup> The split between the three levels of government (Federation (central), *Länder* and local authorities) varies from tax to tax. In regard to those taxes most important to local finances in Germany (such as property and income tax), there has been a shift in recent years towards relying on *Länder* and local authorities to address the *Ausgleich*. In 2005, the split was 53.1 percent for the Federation and 46.9 percent for *Länder* and local authorities. By 2021, this split has become 45.1 percent to 54.9 percent, reflecting a growing reliance upon local and federal authorities to fulfil the *Finanzausgleich*.<sup>127</sup>

This has resulted in 'no small degree of intergovernmental friction.'<sup>128</sup> Since the *Ausgleich* relies on taxation and financial data, the federal states that have been most economically successful end up bearing the brunt of the costs of the *Ausgleich*. The prime example of this has been Bavaria, whose political classes are continually challenging the *Ausgleich*. Even as recently as last year, the Bavarian government

---

124 Available at: <https://www.genesis.destatis.de/genesis/online?operation=previous&levelindex=3&levelid=1703168935742&levelid=1703168923452&step=2#abreadcrumb>

125 "Basic Law for the Federal Republic of Germany", p.2478.

126 Kommers, "Jurisprudence", p.97.

127 Bundesministerium für Finanz, "Financial relations between the Federation and Länder on the basis of constitutional financial provisions", (2022), pp 16-17. Available at: [https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Press\\_Room/Publications/Brochures/financial-realtions-federation-2022.pdf?](https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Press_Room/Publications/Brochures/financial-realtions-federation-2022.pdf?)

128 Adam and Behm, "Budget Reforms", p.148.

has filed lawsuits to challenge the rate of horizontal financial exchange.<sup>129</sup> While it is traditional for the *Freistaat* to resist federal interventions, in this instance they have a strong case. The exchange between *Länder* is not even, despite the egalitarian language which codes the mechanism. Alongside Hessen and Baden-Württemberg, Bavaria pays the lion's share of the *Ausgleich*, contributing close to 10 billion euros into the fund.<sup>130</sup>

Neither is Bavaria alone in opposing the *Finanzausgleich*, as other *Länder* and cities have engaged in legal opposition to its operation. The 'Finance Equalisation II Case' (1992) was prosecuted by the city states of Hamburg and Bremen against the state of Saarland. The city states challenged what they perceived as excessive payments to other states, failing to account for maintenance fees or high debts. The constitutional courts ruled in favour of Hamburg and Bremen and the conflict between federal states and the central authority continues to define the operation of the *Ausgleich*.<sup>131</sup>

Recent reforms to the mechanisms have not changed the vertical/horizontal taxation relationship but have done more to improve the powers of financial equalisation (*Finanzkraftausgleich*) and created a buffer for municipal authorities. The mechanism — which determines how much money a state either gives or receives — retains many of the same characteristics as before, including the premium model and population assessments. The post-2020 changes, such as the new 75 percent municipal tax (up from 64 percent in 2019), represent 'minor fiscal detail adjustments' driven by reforms.<sup>132</sup>

Part of the reason why reforms remain limited lies in the continued stunted development of post-unification *Länder* like Saxony. These new *Länder* lack the municipal strength to manage themselves, leading to greater federal fiscal intervention on the municipal level and sending 'up to 80% of the federal average' to these underdeveloped former-East-German federal states.<sup>133</sup> Complexity and acrimony go hand in hand with the horizontal components of Germany's federal system and would doubtless make it challenging to implement inside the UK.

129 Nikolaus Doll, "Finanzausgleich kippen? Diesen Kampf muss Bayern alleine führen", *Die Welt* (16 May 2023). Available at: <https://www.welt.de/politik/deutschland/article245363836/Bayern-Laenderfinanzausgleich-kippen-Diesen-Kampf-muss-Bayern-alleine-fuehren.html>

130 J. Rudnicka, "Geber und Empfänger beim Länderfinanzausgleich 2022", (29 September 2023). Available at: <https://de.statista.com/statistik/daten/studie/71763/umfrage/geber-und-empfaenger-beim-laenderfinanzausgleich/>.

131 Kommers, "Jurisprudence", pp.98-9.

132 André W. Heinemann, "Der neue Finanzausgleich zwischen Bund und Ländern: erste Ergebnisse und Bewertungen", *Wirtschaftsdienst: Zeitschrift für Wirtschaftspolitik* 101:7 (2021), p.544. Available at: <https://www.wirtschaftsdienst.eu/inhalt/jahr/2021/heft/7/beitrag/der-neue-finanzausgleich-zwischen-bund-und-laendern-erste-ergebnisse-und-bewertungen.html>.

133 Thomas Lenk and Philipp Glinka, "Der neue bundesstaatliche Finanzausgleich – eine Reform und viel Reformaufschub", *Wirtschaftsdienst: Zeitschrift für Wirtschaftspolitik* 97: 7 (2017), p. 508. Available at: <https://www.wirtschaftsdienst.eu/inhalt/jahr/2017/heft/7/beitrag/der-neue-bundesstaatliche-finanzausgleich-eine-reform-und-viel-reformaufschub.html>.



Nonetheless, and as has been shown, these schemes *do* work in practice and help to redistribute resources from Germany's richer regions to its poorer ones. Given the regional inequality so much as part of the UK economy, surely we must actively seek ways to replicate this.

### ***Case study: London and Berlin 2018-19 budgets***

Having considered the federal structure of the German tax system, let us compare the capital cities of Germany and the United Kingdom. In particular, this case study will look at how each city uses locally sourced taxation to budget social services (one of the essential pull factors for consumer-voters).

In terms of raw data, London ought to have a far greater tax base than Berlin. The metropolitan zone of London's population in 2023 stands at 9.65 million; Berlin's at 3.57 million. London's average GDP per capita in 2021 was roughly £56,000, making it one of the richest in Europe. Berlin's 2020 GDP per capita was around £36,000.<sup>134</sup> London is the home of the UK's most profitable businesses, with productivity in the capital 50 percent higher than the median average in the UK.<sup>135</sup> With this information it follows logically that the fiscal base and budget in London would be far stronger than its Berlin equivalent.

Nothing could be further from the truth. In reality, the London City budget is far smaller than the Berlin equivalent, with London's standing at £12.2 billion as opposed to Berlin's £25 billion (2018/2019).<sup>136</sup> If we were to normalise Berlin's budget with London's, by removing all those budgetary items that fall outside London's responsibilities then the disparity is no longer quite so stark. In London, fiscal responsibilities are grouped within several distinct areas, such as transportation (TFL), housing, policing, fire-fighting, and the administration of the city and municipal bodies. When equated (although not perfectly), the Berlin budget for comparable services to London becomes £9.26 billion, certainly smaller than London's, but given the different sizes in population, Berlin's budget is significantly more per capita. It is clear, then, that the current funding system is not serving London's needs.<sup>137</sup>

---

134 These conversions from EUR to GBP was based on 1 EUR equalling 0.87 GBP.

135 Stuart Mackenzie, "Regional labour productivity, including industry by region, UK: 2019", *Office for National Statistics* (07 July 2021). Available at: <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/regionallabourproductivityincludingindustrybyregionuk/2019>

136 Haushaltsplan von Berlin für die Haushaltsjahre 2018/2019 (1st Vol, Berlin: Senatsverwaltung für Finanzen) p.53. This budget was chosen, since it was the last budget before the COVID years, and better represents the budgets produced by the Berlin Senate in 'normal' years.

137 The GLA does have some fiscal responsibility for health services, cultural programmes and water and energy.



This massive difference in available funds is driven by the fundraising freedoms each city enjoys. In London, the ‘council tax’ only contributes a total of 7% of the whole of the city’s budget. Instead, the primary funding source for the public services across London comes from Transport for London fare payments (£4.8 billion, 39%), Home Office grants (£1.9 billion, 15%) and business rates (£1.12 billion, 12%).

Berlin’s Senate and districts, on the other hand, draw on a wide range of fiscal sources, granting it a flexibility not seen in London. The following sources of tax constitute Berlin’s most important revenue streams:

1. Wage tax (*Lohnsteuer*), represented 22% of Berlin’s taxable income in 2019.
2. VAT (*Umsatzsteuer*), which represented 19%.
3. The trade tax (*Gewerbesteuer*), which represented 11.7%.<sup>138</sup>

It is clear from these three taxes that the sources of funding available to Berlin differ radically to London, empowering the local authorities to take on greater responsibilities.

With this difference in available resources acknowledged, how do the two cities differ in terms of fiscal autonomy? Does the London Assembly possess similar powers as the Senate in deciding where the taxed income goes? The simple answer is no. Berlin’s Senate wields the constitutional right (under Article 109 of the Federal Basic Laws) to autonomously determine their federal budget, a law that determines district budgets too. Berlin’s constitution possesses similar powers, with Articles 85-95 of Section 8 regulating the process of budgeting.<sup>139</sup>

In comparison, the GLA possesses some powers similar to the Berlin Senate, but remains stunted in its autonomy, especially in long term planning. The most invasive power central authority holds over London comes in the Section 337 of the 1999 Greater London Authority Act, which empowers the Secretary of State to ‘direct change’ if mayoral planning does not conform to ‘national policy.’<sup>140</sup> Further limits on the mayoral budget can be found in the specified government grants, including £3.15

138 Haushaltsplan von Berlin 2018/2019 pp.37-38.

139 Dr Jans Peter-Heuer, "Haushalten, aber wie?", *Kommunalpolitisches Forum e.V* (Berlin, 2016/17) p.2.

140 Mark Sandford, "The Greater London Authority", (House of Commons Library, 03 March 2022), p. 17. Available at: <https://researchbriefings.files.parliament.uk/documents/SN05817/SN05817.pdf>.

billion on housing.<sup>141</sup> Such grants limit the ability of London's devolved government to adapt or take initiative on new fiscal policy, forcing the GLA to become dependent on central intervention for support.

However, London and Berlin share a similar problem; both cities exercise strong executive-dominant vertical spending. While the Berlin Senate possesses greater access to local funding than London, both it and the GLA exercise the same vertical relationship between themselves and their districts/councils.

In Berlin, the budget process is primarily the place of senate committees, with the heads of administrative offices receiving more attention than their district budgets. Such a setup led Dr. Jens-Peter Heuer to describe district representatives, who receive 30% of all of the Senate's budget, as being forced to 'wait for lunch' rather than contribute meaningfully in the process.<sup>142</sup> Such representatives, Dr Heuer notes in another pamphlet, represent districts with populations equal to large towns or cities, yet they receive little support or attention when they openly challenge insufficient budgets.<sup>143</sup> Due to the committee-focused nature of Berlin's budgeting process, elected representatives for Berlin's districts receive little ability to represent their constituents in this important matter.

In London, the Assembly members have far greater say in the budget, with the Assembly possessing the ability to vote on specific amendments with a two-thirds majority. Though the Berlin public possess some powers to challenge budgetary decision-making via petition, the committee-focused nature of Berlin's budgeting demonstrates how devolving greater powers to federal subunits alone does not equalise the vertical relationship between districts and urban executives. Instead, greater powers must be invested into elected district representatives to better balance the budgetary powers of the executive.

In conclusion, Berlin's tax model allows it to draw upon a larger base, permitting it to take on greater responsibilities than its British counterpart. While London possesses an economy larger than Berlin, its restricted ability to draw upon local funding will continue to stymie any further devolution or federalised reform, as well as limiting one of Europe's strongest regional economies.

---

141 Greater London Authority, "The Greater London Authority Consolidated Budget and Component Budgets for 2018-19" (March 2018), p.1. Available at: <https://www.london.gov.uk/sites/default/files/final-budget2018-19.pdf>.

142 Dr Jens-Peter Heuer, "Die Budgetierung der Bezirkshaushalte: Über die Grundlagen, Verfahren, Ergebnisse und Probleme des Systems der Finanzierung der Berliner Bezirke". Available at: [https://www.kommunalpolitik-berlin.de/wp-content/uploads/2018/11/kpf\\_Heuer\\_Budgetierung\\_Bezirkshaushalte\\_2013.pdf](https://www.kommunalpolitik-berlin.de/wp-content/uploads/2018/11/kpf_Heuer_Budgetierung_Bezirkshaushalte_2013.pdf).

143 Dr Jans Peter-Heuer, "Haushalten, aber wie?", pp.8-9; 43; 58.

## ***Introducing German taxes into British cities:***

Two changes to UK taxation would be required to bring it in line with a more German-style federal system. These would be: 1) the expansion of taxation powers for local councils and devolved entities and 2) legitimising and enacting horizontal redistributive exchanges by federal subunits. Without reform to local taxation, meaningful constitutional federal reform, such as that within Germany, is impossible.

Additional autonomy exercised as part of any federal reforms must be matched with greater funding for tax offices, modernising revenue collection and improving tax efficiency. Westminster would still be required to act in something of a supervisory role, balancing the need for 'levelling up' in less economically prosperous areas with maintaining the growth that makes London a powerful regional economy. With this done, we might then move towards the Tiebotian uplands of 'consumer-voters', creating the environment for positive-competition between subunits.

There remains much to be done in UK local taxation regardless of whether this occurs in parallel with constitutional federal reform. A continued reliance on poor modes of taxation and collection remains a challenge for the UK, but one which might be productively addressed through federal-style devolution. Through an expansion in the number of funding sources, funding administrative units and creating a balanced redistributive fiscal system, the UK might modernise its tax system and lay the foundations of a more equal and empowered federal nation.

## Conclusion

Studies into the practicalities of federalism in the United Kingdom frequently acknowledge the challenges such a project would face. Among these are how the system would acquire democratic legitimacy and how it might mesh with parliamentary sovereignty.<sup>144</sup> Other such studies have suggested a new Act of Union might pave the way for these reforms, and in the process strengthen existing bonds between the devolved institutions within the UK. Most studies have in common that they look to the future to consider what the UK might become under federalism and how the state might function. Too few have looked to contemporary examples of it functioning in practice. This report has endeavoured to remedy this by considering how we might learn from the German system and how that might advance the cause of federalism in the UK.

In the first chapter, we looked at how British local government bodies collapsed in the 1980's following several decades of discontent and constitutional friction between local and central authorities. This situation is compared with the German model, where local authorities were given the space and power needed to respond to local needs, demonstrating the value of strong constitutional foundations in empowering local authorities. Whilst the question of parliamentary sovereignty remains the most intractable issue, the evidence from Germany shows us that an empowered local authority does not inevitably undermine parliamentary institutions.

The second chapter looked at the role of local democratic practices, and how these are critical in developing local democratic values and institutions. By focusing on particular functionary practices, such as the *Bürgerbegehren* and *Bürgerentscheiden*, the importance of local democratic practices as a check on central and local governmental actions was demonstrated. This, as well as how these practices aided citizens to organise in communal bodies and thus propagate 'organic' democracy. Though the UK has begun to empower local bodies such as the 'Metro Mayors', the chapter concluded that there were several additional reforms needed for the UK to begin to promote local democracy. These reforms range from the further empowerment of mayoral offices and the encouragement of political parties, to increasing investment into local democratic organisations.

Finally, the third chapter examined the financial dimensions of a federalised United Kingdom. Here, the limitations placed on British cities mean that London, the largest urban space in Europe, has a smaller budget than Berlin, a city with less than half its population. When compared with the established horizontal and vertical relationships between federal and central political bodies, it becomes clear that the Lyons Commission's call for greater emphasis on the 'service-charge' nature of local taxation did not go far enough. Without a codified relationship between local and central taxation, local authorities in the UK will continue to be starved of essential resources.

---

144 Griffin, "Remaking the British State: For the Many, not the Few", p.213.

The evidence discussed and debated within this report shows us how a federalised United Kingdom could operate in a similar manner to the German model. However, it must be made clear that the reforms alone are not a panacea for problems such as the North/South Divide. Indeed, despite its federal constitution, the divisions of the Cold War remain strong in Germany. Germans in the Eastern states still earn less than their Western counterparts, and Germans continue to feel pessimistic about their country's unity.<sup>145</sup> Thus federalism in the UK might not provide a direct route to an ever-stronger union.

Even if existing divisions remain following federalization, though, this paper demonstrates the utility of Germany-style federal reforms in modernising our democratic and taxation systems. A federal United Kingdom based on the German model could provide citizens and politicians the opportunity to develop their local regions, regenerate communities through localized taxation and political practices, and check the gross imbalance between central and local authorities. The challenges for this project are great, but the consequences of keeping to our current course may prove graver.

---

145 Richard Connor, "Germany: Study shows former East and West growing apart", (26 September 2023). Available at: <https://www.dw.com/en/germany-study-shows-former-east-and-west-growing-apart/a-66923914>.

## Bibliography

“The abolition of the Greater London Council and the Metropolitan County Councils”, *Property Management*, Vol. 4 No. 2, pp. 110-115 <https://doi-org.manchester.idm.oclc.org/10.1108/eb006615>

Arianna Giovanni, ‘The ‘Evolution’ of Devolution: Assessing Labour’s Legacy in England’ (pp.133-52) in Michael Gordon and Adam Tucker ‘The New Labour Constitution : Twenty Years On’ (Hart Publishing; 2022)

Arthur B. Gunlicks, *The Länder and German federalism*. (Manchester University Press, 2010) <https://doi.org/10.7765/9781526120670>

Bayerische Staatskanzlei, ‘Abschnitt die Grundlagen des Bayerischen Staaten’ Verfassung der Freistaaten Bayern in der Bekanntmachung vom 15. December 1998 (edited 01.01.2020) [https://www.gesetze-bayern.de/Content/Document/BayVerf-9Bayerische Staatskanzlei, ‘Abschnitt’](https://www.gesetze-bayern.de/Content/Document/BayVerf-9Bayerische%20Staatskanzlei,%20‘Abschnitt’)

Bayerische Staatskanzlei, ‘Abschnitt die Verwaltung’ <https://www.gesetze-bayern.de/Content/Document/BayGO-18a>

Bayerische Staatskanzlei, ‘Abschnitt die Verwaltung’ Verfassung der Freistaaten Bayern in der Bekanntmachung vom 15. December 1998 (edited 01.01.2020) <https://www.gesetze-bayern.de/Content/Document/BayVerf-77>

Bayerische Staatskanzlei, ‘Abschnitt Rechte und Pflichten der Gemeindeangehörigen’ Verfassung der Freistaaten Bayern in der Bekanntmachung vom 15. December 1998 (edited 01.01.2020) <https://www.gesetze-bayern.de/Content/Document/BayGO-18a>

BBC News, ‘Council loses tax capping battle’ (19.07.2005) <http://news.bbc.co.uk/1/hi/england/4696837.stm>

Bürgerbegehren (BBG) ‘Grünflächen erhalten’ <https://www.gruenflaechen-erhalten.de/unsere-unterstuetzer/n> Heiner Effer und Dominik Hutter, ‘Bürgerbegehren gegen Nachverdieltung’ *Süddeutsche Zeitung* (07.10.2019) <https://www.sueddeutsche.de/muenchen/muenchen-buergerbegehren-ueberparteiliches-buendnis-nachverdichtung-1.4631406>

C. O. Toole & Adrian Roxan ‘Local Democracy, Journalism and Public Relations: The changing dynamics in local media and public sector communications’ (Routledge: 2019)

Carlton Reid, 'U.K.'s Survival Depends On Federalism And Better Buses, Argues Manchester Mayor Andy Burnham', *Forbes* (21.02.2020) <https://www.forbes.com/sites/carltonreid/2020/02/21/uks-survival-depends-on-federalism-and-better-buses-argues-manchester-mayor-andy-burnham/?sh=76d9d7e21756>

Caroline Schultz and Holger Kolb, 'Managing Cultural Diversity in Federal Germany: Bavaria and Berlin as Classic Antagonists', *Fédéralisme Régionalisme* (2015: 15, pp.1-22)

Centre for Policy Studies, 'The Localist Papers' (May, 2007)

Charles M. Tiebout "A Pure Theory of Local Expenditures." *The Journal of political economy* 64.5 (1956): 416–424

Christian Gebhardt 'Direkte Demokratie im Parlamentarischen System : Bürgerbegehren und Bürgerentscheid in Bayern' (Würzburg: Ergon Verlag 2000)

Christian Gebhardt 'Direkte Demokratie im Parlamentarischen System: Bürgerbegehren und Bürgerentscheid in Bayern' (Würzburg: Ergon Verlag 2000)

David Beetham, 'Theorising Democracy and Local Government' (Basingstoke, Palgrave Macmillan: 1996)

David Marquand, 'The Blair Paradox', *Prospect* (May, 1998) <https://www.prospectmagazine.co.uk/essays/55680/the-blair-paradox>

Department for Communities and Local Government, 'Local Government Resource Review: Proposals for Business Rates Retention Consultation - Government Response' [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/8474/2053505.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/8474/2053505.pdf)

Der Regierende Bürgermeister Senatskanzlei, *Verfassung von Berlin: Abschnitt VI Der Verwaltung*, <https://www.berlin.de/rbmskzl/regierender-buergermeister/verfassung/artikel.41514.php>

Dr Jans Peter-Heuer, 'Haushalten, aber wie?' (*Kommunalpolitisches Forum e.V.* (Berlin) 2. (2016/17)

Dr Jens-Peter Heuer, Die Budgetierung der Bezirkshaushalte: Über die Grundlagen, Verfahren, Ergebnisse und Probleme des Systems der Finanzierung der Berliner Bezirke ([https://www.kommunalpolitik-berlin.de/wp-content/uploads/2018/11/kpf\\_Heuer\\_Budgetierung\\_Bezirkshaushalte\\_2013.pdf](https://www.kommunalpolitik-berlin.de/wp-content/uploads/2018/11/kpf_Heuer_Budgetierung_Bezirkshaushalte_2013.pdf))

Ernst Hirsch Ballin, Gerhard van der Schyff, Maarten Stremmer and Maartje de Visser (eds) *European Yearbook of Constitutional Law 2020* (vol 2) (T.M.C. Asser Press, The Hague). [https://doi.org/10.1007/978-94-6265-431-0\\_1](https://doi.org/10.1007/978-94-6265-431-0_1)

Frank Decker, “Der Irrweg Der Volksgesetzgebung. Warum Die Direkte Demokratie in Den Ländern Kein Vorbild Für Die Bundesebene Sein Kann.” *Zeitschrift Für Staats- Und Europawissenschaften (ZSE) / Journal for Comparative Government and European Policy*, (vol. 9, no. 4, 2011, pp. 473–500)

Franz-Ludwig Knemeyer (ed) ‘Bürgerbegehren und Bürgerentscheid in Bayern: Modell für mehr Demokratie und Stärkung kommunaler Selbstverwaltung?’ *Kommunalforschung für die Praxis* (Heft 33/34)

Fred Robinson, Keith Shaw, & Marty Lawrence “‘Good conservative policies translated into practice’: the case of the Teesside Development Corporation”, in Rob Imrie and Huw Thomas, *British Urban Policy: An Evaluation of the Urban Development Corporations* (SAGE publications, 1999) <https://doi.org/10.4135/9781446218907>

G. Blakeley, & Evans, B ‘Devolution in Greater Manchester and Liverpool City Region. (Manchester University Press, 2023)

Gert-Lan Leenknecht, ‘Modes of Urban Autonomy—The Constitutional Characteristics of Self-governance in Amsterdam, Paris and Hamburg’ in Ernst Hirsch Ballin et al (eds) *European Yearbook of Constitutional Law 2020* (vol 2.) (T.M.C. Asser Press, The Hague) [https://doi.org/10.1007/978-94-6265-431-0\\_7](https://doi.org/10.1007/978-94-6265-431-0_7)

Graham Atkins and Stuart Hoddinott, ‘Local Government funding in England’ Institute for Government (10.03.2020) [https://www.instituteforgovernment.org.uk/explainer/local-government-funding-england#footnoteref1\\_h4pfp3i](https://www.instituteforgovernment.org.uk/explainer/local-government-funding-england#footnoteref1_h4pfp3i)

Greater London Authority, *The Greater London Authority Consolidated Budget and Component Budgets for 2018-19* (March 2018) <https://www.london.gov.uk/sites/default/files/final-budget2018-19.pdf> <https://www.dw.com/en/germany-study-shows-former-east-and-west-growing-apart/a-66923914>

Hugh Atkinson and Graham Moon, *Urban Policy in Britain: The City, the State and the Market* (Public Policy and Politics) (Palgrave, 1994)



Hugh Atkinson, *Local Democracy, Civic Engagement and Community : From New Labour to the Big Society* (Manchester University Press, 2012) <https://ebookcentral-proquest-com.manchester.idm.oclc.org/lib/manchester/detail.action?docID=5446697>

Ines Newman ‘Reclaiming Local Democracy: A Progressive Future for Local Government’ (1st ed., Bristol University Press, 2014)

James Bulpitt, ‘Territory and Power in the United Kingdom, Manchester’, (1983, Manchester University Press)

James Mitchell, *Devolution in the UK* (Manchester, England: Manchester University Press, 2013) <https://doi-org.manchester.idm.oclc.org/10.7765/9781847793270>

Jan Krattiger, ‘Bürgerbegehren „Grünflächen erhalten“ eingereicht: 60.000 Stimmen fürs Grün’, *Abendzeitung München* (09.01.2023) <https://www.abendzeitung-muenchen.de/muenchen/buergerbegehren-gruenflaechen-erhalten-eingereicht-60000-stimmen-fuers-gruen-art-870797>

Jane Wills, “The Geo-Constitution and the Long History of Localism”, *Locating Localism: Statecraft, Citizenship and Democracy* (1st ed., Bristol University Press, 2016, pp. 43–78)

Jerry White, ‘The Ungovernment of London’, *Policy Studies* (14:3, 50-55) DOI: 10.1080/01442879308423644

Joe Middleton, ‘Birmingham residents warned ‘all bets are off’ on cuts as city council effectively bankrupt’ *The Independent* (07.09.2023)

Jörg Fedtke, ‘A Tale of Three Cities—The Stadtstaat in German Constitutional Law’ in Ballin et al (eds) *European Yearbook of Constitutional Law 2020* (vol 2.) (T.M.C. Asser Press, The Hague) pp.135-53 [https://doi.org/10.1007/978-94-6265-431-0\\_7](https://doi.org/10.1007/978-94-6265-431-0_7)

Kenneth A. Stahl, *Preemption, Federalism, and Local Democracy*, 44 *Fordham URB.L.J.* 133 (2017).

Kevin Morgan, ‘Devolution and Development: Territorial Justice and the North-South Divide’ *Publius* (Vol.36 No.1, Winter 2006)

Labour Party, ‘It’s Time for Real Change! The Labour Party Manifesto’ (2019) <https://labour.org.uk/wp-content/uploads/2019/11/Real-Change-Labour-Manifesto-2019.pdf>

Laurence Ferry, Peter Eckersley, & Wouter van Dooren (2015) 'Local taxation and spending as a share of GDP in large Western European countries.' *Environment and Planning A: Economy and Space*, (47:9, pp.1779-1780) <https://doi.org/10.1177/0308518X15595891>

Manuel Rauch, 'Doppel-Bürgerbegehren gegen Energiefusion' *Bayerisches Staatszeitung* (21.04.2015) <https://www.bayerische-staatszeitung.de/staatszeitung/kommunales/detailansicht-kommunales/artikel/doppel-buergerbegehren-gegen-energiefusion.html#topPosition>

Mark Sandford, 'Long shadows: 50 years of the Local Government Act 1972' *House of Commons Library* (26.10.2022)

Mark Sandford, *The Greater London Authority* (House of Commons Library, 03.03.2022) <https://researchbriefings.files.parliament.uk/documents/SN05817/SN05817.pdf>

Martin Pilgrim Chief Executive's Office (2006) 'London Regional Governance and the London Boroughs', *Local Government Studies*, (32:3, 223-238)

Mary Riley, 'A most depressing sneer at planning' *Town and Country Planning Association* (No.12 Dec, 1983)

Matthew Finders and Dion Curry, 'Bi-constitutionality: Unravelling New Labour's Constitutional Orientations' *Parliamentary Affairs*, (Vol.61, No.1, January 2008 pp.99-121)

Massimo Bordignon, Veronica Grembi, Santino Piazza, 'Who do you blame in local finance? An analysis of municipal financing in Italy', *European Journal of Political Economy*, (Vol.49: 2017 pp.146-63) <https://www.sciencedirect.com/science/article/pii/S0176268017300526#s0070>

Mehr Demokratie Bayern, *Bürgerbegehrensbericht 2023: Bayern Spitzenreiter bei direkter Demokratie in Deutschland* <https://bayern.mehr-demokratie.de/einzelsicht-der-nachricht/buergerbegehrensbericht-2023-bayern-spitzenreiter-bei-direkter-demokratie-in-deutschland>

Michael Hebbert, 'Unfinished Business: The remaking of London's government 1985-95', *Policy and Politics* (October, 1995, 23(4): pp.347-58)

Muhammet Kösecik & Naim Kapucu ‘Conservative Reform of Metropolitan Counties: Abolition of the GLC and MCCs in Retrospect’, *Contemporary British History*, 17:3, 71-94 p.74-5  
Desmond S. King, ‘Political Centralisation and State Interests in Britain’, *Comparative Political Studies* (1989 21:4, 467-494)

Nick King and Eammon Ives, ‘A Rising Tide: Levelling up left behind Britain’ (Centre for Policy Studies, 2019)

Nils Arne Brockmann, ‘Wenn Parlamente vors Volke ziehen: Ratsreferenden in der kommunalen Demokratie’ (Transcript, 2018)

Nirmala Rao, ‘Reviving Local Democracy : New Labour, New Politics?’ (Policy Press, 2000)

Otmar Jung, ‘Bürgerbegehren und Bürgerentscheid’, *Historisches Lexikon Bayerns* (18.07.2011) <[https://www.historisches-lexikon-bayerns.de/Lexikon/Bürgerbegehren\\_und\\_Bürgerentscheid](https://www.historisches-lexikon-bayerns.de/Lexikon/Bürgerbegehren_und_Bürgerentscheid)

Public Finances General Directorate, ‘The French Tax System’ (31.07.2011) <https://www.attorney-counsel.com/wp-content/uploads/2014/05/French-Tax-System.pdf>

Rick Su, ‘Have Cities Abandoned Home Rule’, 44 *Fordham URB.L.J.* 181 (2017)

Richard Connor, ‘Germany: Study shows former East and West growing apart’ *DW* (26.09.2023) <https://www.dw.com/en/germany-study-shows-former-east-and-west-growing-apart/a-66923914>

Roger Gibbins, Paul David Webb and Heinz Eulau. ‘Participation in elections’ in *election*. *Encyclopedia Britannica* <https://www.britannica.com/topic/election-political-science/Plurality-and-majority-systems#ref416872>

Roger Latham ‘Who Stole the Town Hall?: The End of Local Government as We Know It’ (1st ed. Bristol University Press, 2017)

Rowena Mason, ‘£1.4bn devolution deal for north-east England announced’, *The Guardian* (28.12.2022) <https://www.theguardian.com/politics/2022/dec/28/14bn-devolution-deal-for-north-east-england-announced>

Sean Patrick Griffin, ‘Remaking the British State: For the Many, not the Few’ (Labour Party, 2019)

Silvano Möckli, *Direkte demokratie: Ein Vergleich der Einrichtungen und Verfahren in der Schweiz und Kalifornien, unter Berücksichtigung von Frankreich, Italien, Dänemark, Irland, Österreich, Liechtensten und Australien*“, (Bern: Verlag Paul Haupt. 1994)

Sir Frank Marshall, ‘The Marshall Inquiry on Greater London: Report to the Greater London Council’

Sir Michael Lyons, *Place-shaping: a shared ambition for the future of local government. Executive summary* (London: The Stationery Office, 2007) <https://assets.publishing.service.gov.uk/media/5a7c7c1f40f0b626628ac64a/9780119898552.pdf>

Steve Leach and Colin Copus, *The Strange Demise of the Local in Local Government: Bigger is Not Better* (Palgrave Macmillan Cham, 2023) p.32

Steve Leach and Lawrence Pratchett. “Local Government: A New Vision, Rhetoric or Reality?” *Parliamentary affairs* 58.2 (2005): 318–334

Steve Leach, ‘The Changing Role of Local Politics in Britain’ (Policy Press, 2006)

Stuart Adam and James Browne, ‘A Survey of the UK Tax system’, *Institute for Fiscal Studies* (Dec. 2006) <https://discovery.ucl.ac.uk/id/eprint/14872/1/14872.pdf>

Stuart Mackenzie, ‘Regional labour productivity, including industry by region, UK: 2019’ *Office for National Statistics* (07.07.2021) <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/regionallabourproductivityincludingindustrybyregionuk/2019>

SZ, ‘Fusion: Der lange und goldene Weg der Bürgerinitiative’ *Augsburger Zeitung* (01.07.2017) <https://www.daz-augsburg.de/fusion-der-lange-und-goldene-weg-der-buergerinitiative/>

The Conservative Party, *Get Brexit Done. Unleash Britain’s Potential: The Conservative and Unionist Party Manifesto 2019* (2019) [https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba\\_Conservative%202019%20Manifesto.pdf](https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf)

Thomas Fleiner, ‘Recent Developments of Swiss Federalism’, *Publius: The Journal of Federalism*, Volume 32, Issue 2, Spring 2002, Pages 97–124, <https://doi.org/10.1093/oxfordjournals.pubjof.a004949>

United Kingdom Constitutional Monitoring Group, *The Constitution in Review*, V (Oct, 2023)

W. J. M. Mackenzie and B. Chapman 'Federalism and Regionalism: A Note on the Italian Constitution of 1948', *The Modern Law Review*, (vol. 14, pp. 182–196)

William Bagehot, *The English Constitution* (2<sup>nd</sup> ed) (1873, London: H.S. King)  
<https://historyofeconomicthought.mcmaster.ca/bagehot/constitution.pdf>

William Robson, *The Government and Misgovernment of London* (George Allen and Unwin, 1939)



THE  
CONSTITUTION  
SOCIETY