

Reforms driven by economic crisis

Topics

1. What kind of reforms?
2. How do they affect financial relations?
3. What do they tell about the future of regionalism in Europe?

Theses

1. Difficult times for federal/regional idea
2. Federalism still the solution, provided that institutional changes accompany new financial relations

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1. Premise

- Traditionally: how distribution of powers affect financial regimes
- After last crisis: how financial constraints affect distribution of powers
- Not all reforms driven by economic crisis are the same: what kind of reforms exist?

Very telling about the new trajectory of federalism/regionalism in Europe. Which one?

2. What kind of reforms?

- Two main reform trends
- Fiscal Compact – curtailing subnational autonomy
- Pushes towards greater financial autonomy – sometimes independence. Fewer cases, but significant
- Trend: increasing asymmetry in regional governance!

2.1. Fiscal Compact and its Consequences

- 2011 – prevention of debt-related crises.
Implementation left to States
- Modeled on German Föderalismusreform II –
debt brake and monitoring council for central
supervision – critics
- Binding on sub-national entities (more than
on central government)
- All compound countries introduced strong
constraints on subnational autonomy

2.2. Increase of financial autonomy

Relatively isolated but “strong” cases

Scotland Act 2016

- New competences
- Tax rates, VAT and more

South Tyrol 2014/15

- Unilateral cuts
- Agreement: more certainty and more risk, i.e. autonomy

Catalonia (?)

- Relevant financial provision of ASt unconstitutional
- Claims for independence and economic grounds

3. Effect on existing financial relations

- Overall reduction of subnational (financial) autonomy
- Trend far beyond Europe – the case of Puerto Rico
- Constitutionalization of financial relations (German model) – limits have become stricter, thus less room for maneuver for subnational entities

4. Conclusion: general trends

- New millennium: slow down of federalism/regionalism idea and practice – idea less popular (examples)
- Several reforms started, only technical ones completed (finances and partly distribution of powers), no structural ones
- Legal source is now constitutional, ie less negotiable
- Few cases of improvement – growing asymmetry. Good or not?
- More room for local government?