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Local government in times of global challenges: the implications of the financial crisis since 2007 on public finances at the municipal level in the Netherlands

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Citation

Porth, J. (2019, May 21). *Local government in times of global challenges: the implications of the financial crisis since 2007 on public finances at the municipal level in the Netherlands*. Retrieved from <https://hdl.handle.net/1887/72416>

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Author: Porth, J.

Title: Local government in times of global challenges: the implications of the financial crisis since 2007 on public finances at the municipal level in the Netherlands

Issue Date: 2019-05-21

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on Public Finances at the Municipal Level in the Netherlands

Jan Porth

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Local Government in Times of Global Challenges

The Implications of the Financial Crisis since 2007
on Public Finances at the Municipal Level in the Netherlands

Proefschrift

ter verkrijging van
de graad van Doctor aan de Universiteit Leiden,
op gezag van Rector Magnificus prof.mr. C.J.J.M. Stolker,
volgens besluit van het College voor Promoties
te verdedigen op dinsdag 21 mei 2019
klokke 16.15 uur

door

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geboren te Bad Kreuznach, Duitsland
in 1985

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*Dedicated with gratitude to all the people who supported
my doctoral dissertation along its process.*

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List of abbreviations

BCDI index	Banking, currency, default (domestic and external), and inflation composite index
BZK	Ministry of the Interior and Kingdom Relations (Dutch: Ministerie van Binnenlandse Zaken en Koninkrijksrelaties)
CBS	Central Agency for Statistics (Dutch: Centraal Bureau voor de Statistiek)
CDA	Christen Democratisch Appèl (Dutch political party)
CEMR	Council of European Municipalities and Regions
COCOPS	Co-ordinating for Cohesion in the Public Sector of the Future project (research project)
COELO	Centrum voor Onderzoek van de Economie van de Lagere Overheden (Dutch research institute)
CoR	European Committee of the Regions
COROP	Co-ordination commission regional research programme (Dutch: Coördinatiecommissie Regionaal Onderzoeksprogramma)
CPI	Consumer price index
CU	ChristenUnie (Dutch political party)
D66	Democraten 66 (Dutch political party)
EC	European Community
ECB	European Central Bank
EU/E.U.	European Union
FCIC	Financial Crisis Inquiry Commission
FNP	Friese Nationale Partij (Dutch political party)
FTE	Full-time equivalent
GDP	Gross domestic product
GL	GroenLinks (Dutch political party)
G7	Group of 7
IMF	International Monetary Fund
Iv3	Information for Third Parties (Dutch: Informatie voor Derden)
LAU	Local Administrative Units
NCPN	Nieuwe Communistische Partij (Dutch political party)
NPM	New Public Management
NUTS	Nomenclature of territorial units for statistics (French: Nomenclature des unites territoriales statistiques)
NWS	Neo-Weberian state
OECD	Organisation for Economic Co-operation and Development
OEM	Other own resources (Dutch: Overige eigen middelen)

OLS	Ordinary least squares (regression)
OZB	Tax on immovable property (Dutch: onroerendezaakbelasting)
PvdA	Partij van de Arbeid (Dutch political party)
PVV	Partij voor de Vrijheid (Dutch political party)
Rob	Council for Public Administration (Dutch: Raad voor het openbaar bestuur)
SGP	Staatkundig Gereformeerde Partij (Dutch political party)
SP	Socialistische Partij (Dutch political party)
UCLG	United Cities and Local Governments
UK	United Kingdom
UN	United Nations
US/U.S.	United States
VAT	Value-added tax
VNG	Association of Dutch Municipalities (Dutch: Vereniging van Nederlandse Gemeenten)
VVD	Volkspartij voor Vrijheid en Democratie (Dutch political party)
WGR	Joint Arrangements Act (Dutch: Wet gemeenschappelijke regelingen)
Wmo	Social Support Act (Dutch: Wet maatschappelijke ondersteuning)
ZBO	Independent administrative body (Dutch: zelfstandig bestuursorgaan)

Preface

In the summer of 2007, a few months before commencing with my bachelor studies, I read an article in a German weekly news magazine on a real estate crisis in the United States. The report was relatively short and mentioned problems of home buyers who are no longer able to repay their mortgages. It also explained that these problems could affect the banking sector via loan defaults, and that dangers in this regard are nowhere near being eliminated. However, I interpreted these remarks as concerns with a relatively limited scope, rather than a warning of serious global risks, especially because news coverage on this topic was generally limited, and stock indices around the globe still reached new all-time highs at that time, indicating a prosperous economy, at least from a superficial perspective. In short, I would not have expected to hear much more on this topic in the following months – not to mention years.

I was, however, proven wrong. The difficulties in the U.S. housing sector were followed by problems in the banking sector. Given the highly internationally interlinked nature of the latter sector, all industrial countries, as well as many developing countries, were rapidly affected, and negative impacts on the real economy inevitably followed. In the next years, the Financial Crisis became omnipresent. With Greece's government debt, youth unemployment in Spain, and nationalised banks in Germany, everything was connected to this Crisis, and keeping an overview of the specific sub-crisis to which one is referring could prove difficult.¹

When I completed my master studies in 2013, reports on the poor financial situation in Greece were still present in the news, more than every second adolescent was still unemployed in Spain, and the German government still held shares in former private banks. The problems that began with increased risk-taking, in combination with relatively low levels of regulation in the U.S. real estate market 10 years ago, and which developed to a global Financial Crisis,² are – as of autumn 2018, by the time that I am working on my doctoral dissertation – at least partially still present, even though most stock indices recovered and exceeded their pre-crisis level. In the case of the Greek government-debt crisis in particular, a long-term solution is still not discernible. Furthermore, the repayment of emergency loans provided to several southern European countries is planned as a process over several decades to come. In addition, central banks in industrial countries are still dealing with the consequences of the Financial Crisis. Apart from other unconventional monetary policies, the perceived need to stimulate the economy is illustrated by low – or even negative – base rates. The risks in line with current monetary policies might unintentionally already pave the way for the next financial and economic crisis.

While the financial problems of the eurozone continue to exist, another major crisis concerns European countries since summer 2015: As a result of the poor economic situation and civil

¹ In this study, the terms "Crisis", "Financial Crisis", "recent Financial Crisis", and "Financial Crisis since 2007" refer to the general global financial and economic developments since August 9th, 2007. Other commonly used terms, such as "Credit Crisis", "Sub-prime Mortgage Crisis", and "Eurozone Crisis", are sometimes chosen to describe more specific developments in certain sectors or regions (cf. Kickert et al., 2015, p. 565).

² The Financial Crisis' 10th anniversary, however, did not receive much media attention, apart from some notable exceptions (e.g. The Guardian, 2017a; Financial Times, 2017).

wars in the Middle East and Africa, more than 1 million migrants and refugees travelled to the European Union seeking asylum. A lack of housing possibilities, problems with integration, and heavy burdens on the welfare systems are part of the many-layered societal consequences. The increase in Islamic terrorist activities on European soil is also partially related to the migrant crisis. Terrorist attacks and terrorist plots have developed into relatively frequent events in recent years, particularly in Western Europe. Corresponding countermeasures involve resources of all levels of government.

In terms of media coverage, the Eurozone Crisis was temporarily pushed into the background by the newly evolving migrant crisis – as a form of social crisis – since 2015, as well as Islamic terrorism, possibly also resulting in the misleading perception of many citizens that all the financial and government debt-related problems had been solved in the meantime. On the contrary, the current situation in some European countries can be described as a double or triple crisis scenario, certainly neither improving nor simplifying the overall situation.

Both the Financial Crisis and the migrant crisis imposed and partly still impose a heavy burden on local government – the governmental level generally considered to be closest to the citizens in line with its local presence. Although usually financially supported by other levels of government, the local level faces the consequences of most crises the most directly. Social benefits for those who lost their jobs in an economic downturn, housing for those who arrive in a country regardless of their legal status, and many more responsibilities are among the public services usually provided by the municipalities. Reflecting on the additional burdens of recent years, those are often unequally distributed across the world as well as within certain countries. Historical conditions and the own crisis management, as well as many other factors, determine the actual local scope of a crisis and its duration.

Overall, the recent Financial Crisis has raised various questions ranging from the specific reasons for its emergence to the most appropriate responses depending on the particular developments in a certain region or industry. Considering the scope and complexity of the Crisis, substantiated answers require insights from multiple academic disciplines. This doctoral dissertation aims to evaluate the varying impact of and responses to the Financial Crisis at the local level in the Netherlands.

The structure of this study consists of a subdivision into four parts. Part one serves as the introduction by providing an overview of the developments of the Financial Crisis since 2007 and its global implications. In addition to remarks on previous research on the topic, the relevance of this study, with its focus at the Dutch local level, is emphasised. The specification of the theoretical and methodological approach makes up the content of part two. In line with the research topic, political-administrative theory and economic theory are the main focus. The empirical part will primarily be comprised of quantitative analyses of changes to municipal balance sheets during the Financial Crisis. Then, part three addresses the recent Financial Crisis and its implications for the Netherlands. After providing general insights into the country's political-administrative system, including the role of the local level, and the developments of the Crisis separately, both subjects are brought together. Based on official documents and previous research, the developments of the Financial Crisis since 2007 and the political-administrative decisions in the Dutch context are reconstructed and analysed. Starting with the

implications for the national level, the situation at the local level, including changes in local government finance at an aggregated level, is subsequently analysed. While official statistics are the main source of data, own survey results, including qualitative components, serve as an addition. Part four focuses on the varying effects of and responses to the Financial Crisis across the Dutch municipal level by analysing each municipality's situation separately. By including additional factors, such as socio-economic indicators, organisational characteristics, and political majorities, the questions as to why the municipalities were affected differently by the Financial Crisis and why they decided on diverse responses are researched. This last part of the study closes with an overall discussion of the empirical findings in the context of general trends and developments at the Dutch local level.

Part 1: Introduction

What developments caused the Financial Crisis since 2007, and how did it evolve? What were the implications for citizens, private companies, and nation states, and how did these change over time? Were some countries more affected than others, and what are potential explanations? These and other questions are briefly addressed in the first part of this study. Overall, this part serves as an introduction and gives an overview of the recent Financial Crisis as well as the research intentions.

Apart from general observations and the development in Western countries, the local level is introduced as the main object of research. Previous publications regarding the impact of and responses to the recent Financial Crisis are briefly mentioned, and the limited research at the local level is pointed out. This circumstance is also one of the aspects put forward to highlight the overall relevance of this study by providing quantitative insights into the implications of the Crisis at the local level in particular. The introductory chapter closes with a presentation of the overall structure of this study.

1. The Financial Crisis since 2007 and its consequences

“Risk comes from not knowing what you’re doing.”

- Warren E. Buffet³

The history of the Financial Crisis since 2007 began with the end of a previous crisis and a subsequent period of recovery,⁴ which can be considered to be a typical development in a global economy characterised by boom and bust cycles. Increased speculation, mainly regarding securities linked to companies with Internet business-related activities, along with the attraction of many private traders hoping for large profits, led to a market environment of careless investing, an ensuing sudden plunge in prices, and the burst of the so-called Dot-com bubble⁵ in the late 1990s, which primarily affected the United States. However, similarly to most modern-day economic and financial crises, the impact was not limited to a single nation state, since almost all of today’s markets are highly globally interwoven. The U.S. Federal Reserve System reacted to the economic troubles with lower interest rates in the following years, and the U.S. government lowered regulatory standards to stimulate the economy. In this environment, speculators moved into the growing real estate market, where house prices increased sharply, while building costs were generally declining since the early 1980s (Shiller, 2008, p. 33). Especially the trading of sub-prime mortgages took place with few concerns about the underlying value of the securities within a generally increasingly liberal market environment. With the first doubts regarding the basis of the returning economic growth, inter-bank interest rates, which can also collectively be considered as an indicator of trust by banks in one another’s business activities, began to rise in late 2007.

Increasing interest rates led to refinancing problems and credit defaults, especially in the housing market, and next to private banks and financial services companies, the real economy was affected in a short time. Also, institutional weaknesses became evident in areas such as credit rating and equity requirements. More generally, it can be argued that international financial institutions as well as national counterparts failed in their roles as supervisors of financial market developments (Bermeo & Pontusson, 2012b, p. 2 f.). Mainly originating in the United States, the Crisis spread across the globe, primarily hitting industrial countries. However, because of factors such as the size and international linkage of the national financial sector, as well as contractual terms and notice periods, the Crisis followed an increasingly uneven development across different nation states and economic sectors. Ireland, for example,

³ As cited in Rasmussen (1994).

⁴ Defining the exact beginning of a financial crisis is relatively difficult, since some relevant indicators, such as economic growth, change gradually over time, and a time delay might occur before events affect some countries. As a consequence, analyses might differ in their conclusions depending on the periods of time under investigation. This study dates the general beginning of the Financial Crisis on August 9th, 2007, when the first problems with sub-prime loans were recognised. Similar problems occur when defining the end of a financial crisis.

⁵ Also known as the Internet bubble.

was among the first countries affected, and Sweden was among the last (Bermeo & Pontusson, 2012b, p. 2 f.). While some companies went bankrupt, others – predominantly large private banks – were bailed out by national governments for reasons of systemic risks. In the meantime, many people lost their jobs. As a further consequence of the economic downturn, government debt generally increased as a result of higher welfare spending and liabilities in the context of rescue packages. Private sector failure thus affected not only countless individuals and their employment situation, but also the public sector and its financial situation (Hodges & Lapsley, 2016). Regarding economic growth, by early 2009, most industrial countries were in recession, which is generally defined as two consecutive quarters of economic contraction (Cameron, 2012, p. 91).

Even though governments are accustomed to dealing with crises of different types, crises are often largely unpredictable and represent major administrative challenges for all actors involved (Saliterer et al., 2017, p. 1 f.). When the recent Financial Crisis threatened the financial system, caused corporate revenues to decline, and resulted in citizens losing their jobs, various governmental and non-governmental organisations, such as international financial institutions, national governments, and central banks, began to act. Unfortunately, at least in the early phases of the Crisis, “many governments did not even know what was [exactly] happening in their banking sectors or in the economy more generally” (Peters, et al. 2011, p. 14). Coordinating the reactions at the international level – since global problems cannot be solved merely at the national level – was a complex and time-consuming task (The Guardian, 2012; The Telegraph, 2011; BBC, 2012; European Commission, 2009; van Ewijk & Teulings, 2009, pp. 11-51).

Apart from the frantic bailouts of private banks, political leaders took decisions on other types of largely national countermeasures based on negotiation processes away from usual routines. In practice, these measures often consisted of two consecutive steps, the first of which involved arrangements to moderate the impact of the Financial Crisis on citizens and to stimulate the economy. While the former was mainly achieved in the area of social policies, additional investments in infrastructure are an example of the latter. Aiming to rebalance the public budgets, austerity measures across various levels of government as well as policy areas usually followed at a later stage (Kickert & Randma-Liiv, 2015; Kickert et al., 2015; Wagschal & Jäkel, 2010; Armingeon, 2012; Hörisch, 2013).

However, there is clearly not one correct way in which to react, with the intention to solve a financial crisis, since each crisis is different. Historical experiences and economic theories provide a certain understanding of the underlying mechanisms; however, attempts to implement countermeasures to a financial crisis in a sustainable manner can be considered to be a process of trial and error. In other words, all measures were taken under relatively high uncertainty regarding their impact and success, which are typical characteristics of crisis management in the context of a financial crisis in general.

In line with the financial troubles in many countries, partly in combination with previous financial imbalances, the solvency of several members of the eurozone, especially southern European states and Ireland, deteriorated considerably in 2009. To counteract these developments, bailout packages were arranged by the European Union (EU) and the International

Monetary Fund (IMF), with support from the European Central Bank (ECB). To institutionalise the euro rescue policies, the European Financial Stability Facility, which is a special purpose entity, was established in 2010. Then, in 2012, the function was taken over by the European Stability Mechanism, a likewise newly founded intergovernmental organisation. The pure necessity of these exceptional measures illustrates the severity of the Financial Crisis in Europe (European Stability Mechanism, 2018; International Monetary Fund, 2009a; Stiglitz, 2016, p. 3 ff., 177 ff.; Teulings et al., 2011; Borger, 2018).

Concerning the impact on the global financial and monetary system, the Financial Crisis since 2007, including the Eurozone Crisis, partly came to an end in 2013, when the last rescue packages for eurozone members, with the exception of Greece, were arranged (The Guardian, 2012; The Telegraph, 2011; BBC, 2012; European Stability Mechanism, 2018). Around that time, a return to positive economic growth rates could also be observed in a number of industrial countries (World Bank, 2017a).⁶

Regarding the question as to whether these developments are the consequence of measures taken to fight the Crisis or a relatively independent and natural process of economic recovery as a part of an economic boom and bust cycle, it can be argued that both aspects contributed to the improvement of the situation. As is natural for the state of the economic situation and its changes, a combination of multiple interactive factors of influence are responsible for the overall trend. However, the sustainability of the current trend is yet to be seen.

Apart from positive economic developments in most industrial countries in more recent years, it should not be forgotten that some countries, especially Greece, are still facing ongoing socio-economic and financial problems, implying systemic financial risks, at least for the eurozone (European Stability Mechanism, 2018). In addition, central banks around the globe still did not return to pre-crisis monetary policies. As another aspect of the Crisis, the repayment of debts in the context of bailout packages that some European countries received is scheduled to take several decades. The Sub-prime Mortgage Crisis in the United States, on the other hand, was chiefly limited to the period 2007 to 2009. Regulatory actions as well as stimulus packages were among the measures initiated by the United States government to address the Crisis. However, more recent financial difficulties of some private companies in different industrial countries, especially in the financial sector, are partially still a late consequence of the financial turmoil starting in 2007.

Similarly to many other industrial countries, the Netherlands also experienced a period of recession in 2008 and 2009 (Cameron, 2012, p. 96; Bartelsman, 2009, p. 39). During this time, the Dutch government rescued a number of private banks and insurance companies from bankruptcy. Overall, more than 300 billion euros of financial securities were provided to prevent the country's financial sector from collapsing (de Vries & Degen, 2015, p. 156; de Kam, 2009a, p. 89 f.; Bijlsma et al., 2009, p. 58 f.; de Haan, 2009, p. 95 ff.; van Ewijk & Teulings, 2009, pp. 169-189).

⁶ See also footnote 121 in chapter 8 on the difficulty in defining the beginning and the end of a financial crisis.

Next to the rescue measures for banks and insurance companies, the Dutch central government aimed to stimulate and support the national economy, which faced the economic consequences of the recent Financial Crisis, from 2009 onwards (Ministerie van Algemene Zaken, 2009; Kickert, 2012d, p. 440 f.; Kickert, 2012e, p. 53; Kickert, 2015, p. 542; de Vries & Degen, 2015, p. 158). This was followed by austerity and consolidation measures in order to rebalance the public budget. Starting in 2010, budget cuts were characterised by political consensuses, and they experienced various changes in terms of scope and focus areas in line with changing political majorities (Kickert, 2015, p. 541 f.).

Taken together, the Financial Crisis since 2007 developed into “one of the most important and urgent challenges” (Kickert, 2012a, p. 300) for Western governments in comparison with other issues on the political agenda, such as terrorism (European Commission, 2018). The Crisis’ multi-faceted impact and in parts unconventional countermeasures were hardly thinkable just a few years earlier. From a public finance perspective, the rescue and stimulus packages entailed the highest increase in debt in times of peace (Wagschal & Jäkel, 2010, p. 295). As a consequence, the crisis was a dominant topic in the last decade. In retrospect, the global financial and monetary system was highly endangered during this period of time, and alternative decisions, such as denying external help for several European countries in enormous financial difficulties, might have led to an even larger crisis. On the other hand, national bankruptcies might have been educative to illustrate the necessity to lower risks by improving the financial management. However, these counterfactual scenarios are difficult to assess.

More generally, it should be taken into account that events such as the recent Financial Crisis, or other occurrences of a similar dimension, can represent critical junctures for nation states. Previous paths, for example in relation to a country’s long-term economic development, might be left. Prevailing views on major questions such as the preferred economic system and other major consensuses in the area of societal cohabitation might consequently experience changes. Windows of opportunity might also emerge for policy reform and policy innovation (Bermeo & Pontusson, 2012b, pp. 1, 27). Furthermore, a crisis can also lead to changes in political majorities, in particular as a consequences of public satisfaction or dissatisfaction with the reactions to the Crisis. In other words, a crisis or a similar event can imply various societal, political, and economic changes – in both the short and long term – beyond direct impacts, such as job losses and declining stock market prices. These circumstances make crisis research even more important.

Overall, the Financial Crisis since 2007 raised many questions for individuals and firms concerned. Citizens asked themselves for new opportunities when losing their jobs, and private companies explored potential new markets or business ideas after sales figures declined. In addition, nation states, represented by politicians and civil servants, searched for suitable measures to address the Crisis and consequences thereof. In other words, extensive reflection and adaption processes emerged as a result of the fundamental changes to the global economic situation.

For scholars, many new or partially recurring research questions emerged as well. As a result of the large scale and high complexity of the recent Financial Crisis, the Crisis gained attention

in various academic disciplines. In the areas of public administration and political science, suitable reactions to the developments mark a central part of the discussions. In economics, the question of how a crisis of this extent could emerge with hardly any prediction, including doubts regarding existing theoretical assumptions, was part of the debate. While these examples already illustrate the importance of, as well as the challenge in, connecting the insights from different academic disciplines in order to understand the recent Financial Crisis and its accompanying developments as a whole, they also apply to many separate aspects of the Crisis, such as the consequences for public finances.

Taken together, the Financial Crisis since 2007 created much room – or even a necessity – to reconsider existing theories and generally accepted relationships by critically reconsidering previous assumptions as well as addressing emerging research questions based on new insights. This study will focus on the aforementioned developments in the context of the Financial Crisis since 2007 at the local level of government in the Netherlands. This will be done by exploring the impact of the Crisis on local government, the municipalities' reactions to the Crisis, and the factors explaining variation in both the impact and the responses.

The further parts of this introduction are structured as follows. The first sub-chapter addresses the Financial Crisis and its consequences more closely, focusing on varying effects and local government, and it introduces the overall research question of this study (1.1). In the next sub-chapter, the relevance and the objectives of this research are discussed (1.2). The introduction closes with an outline of the overall structure of the study in a final sub-chapter (1.3).

1.1. Variation in the impact of the recent Financial Crisis and its consequences at the local level of government

When reflecting on the Financial Crisis since 2007, which can be considered to be the largest crisis since the Great Depression (Reinhart & Rogoff, 2009, p. 248 ff.; Reinhart, 2010), the various direct and indirect consequences should not be forgotten. Not only were massive governmental efforts necessary to prevent the financial system from failure, but millions of people also lost their jobs within the financial industry and in many other sectors because of bankruptcies and an economic downturn. In the United States, the unemployment rate reached its recent peak level of 10% in 2009 (United States Bureau of Labor Statistics, 2016), and the EU recorded its recent high of 11% in 2013 (Eurostat, 2016). Similarly to many other economic developments in the last decade, the Financial Crisis had a negative impact on the employment rate, but it was certainly not the only factor of influence. Greece's budgetary problems, for example, already existed long before the Crisis, which partially explains why Greece is still facing some difficulties, while other countries are not. The same applies to private companies: companies with poor business models are regularly forced to terminate their activities – this was always the case and will remain so. Therefore, a financial crisis is not necessary for such terminations; however, it can certainly speed up the process. The above-mentioned examples also illustrate the difficulty in assessing the impact of the Financial Crisis separately from other developments. This also applies to identifying the effects of responses to the Crisis.

Furthermore, the recent Financial Crisis did not affect all countries to the same extent and at the same time (Saliterer et al., 2017, p. 8; Steccolini et al., 2017b, p. 231). It mainly hit industrial countries; most developing countries were affected to a lesser extent, but they were partially concerned with other economic problems independent of the Crisis during the same period. Overall, the general impact of the Financial Crisis since 2007 is mostly explained by the size of the various economic sectors within a state. Economies mainly based on agriculture and local manufacturing are seldom directly involved in the turbulences of global financial markets. However, second-round effects, for example because of lower development aid, might occur. Within the group of industrial countries, temporal variation can be observed in the case of the recent Financial Crisis as well. While the United States was the country in which the initial financial problems originated in 2007, the Crisis – better known as the Sub-prime Mortgage Crisis in a U.S. context – largely came to an end in the US in 2009, at least partially as a result of the economic policies meant to address the Crisis. There was a time delay before Europe's real economy and national budgets faced the Crisis, whereas worldwide financial institutions were hit in real-time as a result of the globally interlinked nature of the financial sector. The Financial Crisis since 2007 certainly affected all European countries; however, southern European countries were hit much harder, as the realisation of bailout packages illustrates (The Guardian, 2012; The Telegraph, 2011; BBC, 2012; European Commission, 2009; European Stability Mechanism, 2018). Apart from all the negative impacts, one can argue that some economies, such as Germany, temporarily benefited from the Crisis on the basis of low interest rates on public debt (Leibniz-Institut für Wirtschaftsforschung Halle, 2015). As these remarks illustrate, the time frame is crucial when analysing the effects of the recent Financial Crisis or any other crisis. In this context, the appropriate period under investigation is not necessarily the same for all countries under review.

The varying impact and duration of the Financial Crisis since 2007 in different countries leads to the question of the reasons for these differing developments. Apart from reactions to address the Crisis, structural economic problems and government debt levels that are incompatible with the economic performance are the most common explanations, implying a certain path dependency. While both factors are determined within a country, they are sometimes influenced by supranational agreements, such as the Economic and Monetary Union of the EU.

However, while geographical characteristics might limit the economic possibilities within a certain area, government debt depends on a country's deliberate decisions. Therefore, different approaches regarding the acceptability of debt and debt policies, also based on political motives, can be distinguished. While some countries are able to deal with relatively high levels of government debt, especially if they are in a strong economic position, others follow a more stable path by avoiding such high levels. Overall, critical debt levels are usually the result of excessive state spending regardless of public revenues over decades, sometimes combined with an inefficient administration. In the case of the eurozone, the single currency⁷ further enables some countries, particularly in southern Europe, to finance their debt less expensively

⁷ See Stiglitz (2016) for a comprehensive discussion of the structural problems of the euro as a single currency, along with possible solutions.

than it would probably be possible with separate currencies (Reinhart & Rogoff, 2011; Reinhart & Rogoff, 2013; Reinhart et al., 2015; Mauro, 2011).

In general, the complexity of economic mechanisms implies a variety of factors contributing to the emergence and course of financial crises. Socio-economic factors, institutional arrangements, and many other conditions can potentially moderate or intensify financial problems. The financial sector and corresponding employment, for instance, are more relevant in some countries compared to others. Furthermore, the interactions of factors are of importance; small differences can have major consequences.

National legislation, for example in the banking sector, can be the major reason a country is more or less affected by a certain crisis. The case of Iceland – a country with a comparably large and internationally oriented banking sector – during the Financial Crisis since 2007 illustrates this argument: In the early 2000s, legal changes were implemented in the country to deregulate banks. These conditions led to higher debt levels of Icelandic private banks in comparison with those of other European countries (Carey, 2009). After the financial turmoil began in the United States, Iceland was clearly more affected in the early years of the Financial Crisis than other European countries and was forced to nationalise its largest banks. While Iceland is generally comparable with other industrial countries in terms of its stage of economic development, the highly deregulated banking system is the generally accepted explanation for the recent Financial Crisis' relatively strong impact next to the substantial size of the banking sector itself.

Not only is the impact of the Financial Crisis since 2007 subject to variation from a cross-country perspective, but the measures taken in response to the Crisis also differ. In particular, the extent of national arrangements, such as economic growth packages and governmental guarantees for private companies, largely depended on a country's respective situation. While a link between the impact of and reactions to the Crisis is given in the case of effective counter-measures, measures might also have been taken based on the mere anticipation of an impact. Pressure in this respect might also have arisen from various interest groups worrying about certain potential consequences. Overall, these circumstances enable an analysis and comparisons of factors with a fortifying or moderating effect on the types and scope of measures implemented to address the Crisis. Furthermore, crisis management from a procedural perspective might lead to different decisions on how to react.

While any crisis of a certain scope affects all levels within a system of multi-level governance, the types and time of impacts and responses can vary extensively. The dependence on certain types of taxes, such as corporate and income taxes, and the mechanism of financial compensation are two main explanations. The fragmentation of competences, including regulatory powers, as well as information between the different levels of government, makes efficient crisis reactions even more complicated (Peters, et al. 2011, p. 14 f.). In the context of the Financial Crisis since 2007, the situation at the nation state levels was widely reported both in the news and in the content of public and political debates, whereas regional and local levels of government received much less attention (Saliterer et al., 2017, p. 2 f.). While revenues at the local level usually predominantly consist of financial allocations from upper levels of government, next to own taxes, the composition largely depends on the design of the political-

administrative system. On the expenditure side, the distribution of tasks among the administrative levels within a country is also subject to broad variation. Local authorities in different countries might consequently be affected by the same financial crisis differently on both sides of their budgets. In this context, especially major responsibilities in the area of social affairs can lead to a noticeable deterioration of the financial situation. From a practical perspective, local officials were confronted with many questions in the context of the recent Crisis, as were the politicians and civil servants in charge at the national level: What can be done to alleviate the consequences for the local population and local businesses? Should the funding of certain initiatives be continued, or should expenditures be cut? Should the spending in a one policy area be reduced rather than in another one, or should costs be cut equally? Are there alternative ways in which to generate revenues?

Depending on the local policy decisions made by the competent bodies, the course of a crisis can largely differ across the local level within a country, and the understanding and interpretation of the developments from an economic perspective, as well as the overall perception of the crisis apart from financial facts, might thus cause further variation. Following the results of recent comparative studies focusing on national levels of government (Kickert & Randma-Liiv, 2015; Wanna et al., 2015; Kickert, 2012a), the developments of the Financial Crisis since 2007, including the responses to it, differed considerably. While some public authorities, for example, focused on austerity measures in certain policy areas, others aimed to stimulate the economy with support and rescue activities for the private sector and related labour market policies.

In line with the observations at national levels of government, variation regarding the impact of and responses to the Financial Crisis since 2007 is also likely across regional and municipal levels of government. Certain industries affected by the Crisis, for example, are traditionally more relevant in one region than in another, thereby leading to higher tax losses as well as higher increases in unemployment. Based on the local impact of the Crisis, in combination with political preferences, policy decisions on how to address the Crisis are likely to vary as well.

Overall, variation across territorial entities implies additional complexity for the general challenge in understanding the mechanisms behind the recent Financial Crisis. While some theoretical assumptions might still appear valid in the context of one country or a municipality within a country, this might not be the case for another country or municipality. Again, the approach to combine insights from multiple academic disciplines, including public administration, political science, and economics in particular, appears to be the most promising strategy to understand the partially dissimilar developments of the recent Crisis. In this context, from a methodological perspective, a comparison of entities at the same governmental level within a country is generally encouraged by identical or at least similar political-administrative framework conditions, originating from uniform legal requirements, in contrast to country comparisons.

As already mentioned, this study will focus on the Netherlands, and it analyses the situation of the country's municipalities in the context of the Financial Crisis since 2007. The aims are

to retrace the impact at the local level and responses by local government, as well as to understand why some municipalities were more affected than others and why they selected different countermeasures. As a decentralised unitary state subdivided into 12 provinces, with a relatively limited role in the political-administrative system, and 380 municipalities in 2018 (Centraal Bureau voor de Statistiek, 2018a), with relatively extensive tasks, including the provision of most social services, the country is a particularly suitable research object for two reasons. First, the municipalities can be considered as relevant actors within the political-administrative system of the Netherlands with a certain leeway regarding the organisation and performance of public tasks and services within their areas of responsibilities. Second, the number of municipalities enables a full census.

In the context of a financial crisis, three additional reasons make the Netherlands a relevant case. First, the country is an open economy that largely depends on international trade, which implies a high likelihood of both positive and negative spillover effects linked to global developments. Second, the financial service and insurance sector is comparably large and internationally oriented. Third, a relatively liberal approach existed towards financial regulation in the years before the Crisis. These reasons suggest a relatively large impact of the recent Financial Crisis in the case of the Netherlands as well as a great necessity of governmental measures to address the Crisis.

While this study will be mainly comprised of quantitative analyses of the municipalities' budgets, qualitative analyses will also be conducted, especially when trying to understand why certain decisions in the area of public budgeting were taken. Based on official statistics and primary data from three consecutive surveys amongst mayors, as the political-administrative leaders at the local level, this study will be guided by the following research question:

How did the Financial Crisis since 2007 have an impact on Dutch municipalities and their financial situation, how did local authorities respond to the Crisis, and what factors explain variation?

1.2. Relevance and objectives of this study

The local level possesses two characteristics, which illustrate its advantages as an object of research: propinquity and numerosity. Propinquity refers to the relatively small territories with limited numbers of relevant actors, which are able to interact frequently because of small distances between them. Considering the policy process, those who make decisions are also close to those who are responsible for the implementation. Therefore, a small number of interviews can provide broad insights.⁸ The numerosity of research objects makes the use of certain methodological approaches possible at the local level; these are not always feasible at

⁸ In addition, local officials are considered to be more easily accessible as contact persons or as participants in academic surveys, compared to officials at other levels of government (John, 2009, p. 22).

other levels of government. The relatively large number of local entities with uniform framework conditions enables quantitative research, for example with a focus on variation between the municipalities (John, 2009, p. 21 f.).

Ten years after the beginning of the Financial Crisis, the literature on the topic is still growing. While a final assessment, especially regarding the partly still ongoing Eurozone Crisis, remains a task for future research, studies on the Financial Crisis and various aspects thereof were published in recent years. The complexity of events explains the attention from different academic disciplines, namely public administration, political science, economics, law, psychology, and sociology.

While the causes, implications, and appropriate reactions, as well as regulative issues, in the context of the Financial Crisis are mainly questions to be addressed from an economic and partially also a jurisprudential perspective,⁹ the impact on public finance and reactions by governmental entities, including their crisis managements, are aspects mainly in the fields of political science and public administration. The latter is also the focus of this study.

In line with the generally low attention that local government, as the main provider of public services in many countries (Page, 1991, p. 1), receives in supra-regional media coverage because of a limited number of people affected, as well as in academic debates, the impact of the Financial Crisis since 2007 at this level of government and the reactions to it have not been widely discussed yet. This circumstance is presumably also caused by central government's larger number and scope of potential policy reactions in the context of a financial crisis, especially in the areas of financial market regulation – as a policy domain typically within the competences of the national level – as well as extensive fiscal stimuli. More generally, “key decisions about powers and finances get taken at other levels [than the local one]” (John, 2009, p. 19). However, since the Financial Crisis can be considered as one of the most important events in recent history, and given that early studies on the crisis suggest an impact particularly on municipal finances (United Cities and Local Governments, 2009, p. 9), the intended analysis will investigate relevant questions. Furthermore, local decisions can still “illustrate issues of power and collective action problems” (John, 2009, p. 19).¹⁰

Academic literature on the Financial Crisis since 2007, with a focus on implications at different levels of government from a political-administrative perspective, is also growing.¹¹ Research on the impact of the Crisis has mainly focused on the national levels of government. In this context, some studies have had a comparative approach (European Commission 2009; International Monetary Fund, 2009b; Organisation for Economic Co-operation and Development,

⁹ Next to purely academic publications on the recent Financial Crisis, some economists wrote best-selling books on the topic also addressed to the general public. Those include Shiller (2008), Krugman (2008), Stiglitz (2010), and Blinder (2013).

¹⁰ In general, it can also be argued that “it does not matter what to study, but how to do it [from a methodological perspective]” (John, 2009, p. 20). In some cases, particularly in basic scientific research, studies can be rather explorative and a certain relevance might become apparent at a later stage. In this context chance might play an important role as well.

¹¹ See appendix 1 for an overview of publications on the recent Financial Crisis at the local level of government in the Netherlands.

2011; Organisation for Economic Co-operation and Development, 2012; Organisation for Economic Co-operation and Development, 2015; Marer, 2010; van den Noord, 2011; Staehr, 2010), while others have analysed the situation in a certain country in detail (Financial Crisis Inquiry Commission, 2011; Massey, 2011; Lane, 2011; Gavilan et al., 2011). Moreover, while some of the early publications have combined the investigation of crisis impact and crisis reaction, more recent studies have often focused on the response side. Research on the latter aspect of the Crisis at the national level has been published both from a comparative perspective (Kickert & Randma-Liiv, 2015; Kickert et al., 2015; European Commission, 2009; Kickert, 2012a; Wagschal & Jäkel, 2010; Armingeon, 2012; Hörisch, 2013; Pontusson & Raess, 2012; Cameron, 2012; Ansell, 2012; Armingeon & Baccaro, 2012; Lindvall, 2012; Bideleux, 2011; Kattel & Raudla, 2013; van den Noord, 2011; Peters, 2011) and as single-country studies or as two-country comparisons (Posner & Fantone, 2015; Good & Lindquist, 2015; Wanna, 2015; Horie, 2015; Jensen & Davidsen, 2015; Zapico-Goni, 2015; Pereira & Wemans, 2015; Arghyrou, 2015; Boyle & Mulreany, 2015; Kickert, 2012b; Kickert, 2012c; Kickert, 2013a; Kickert, 2013b; Schelkle, 2012; McCarty, 2012; Barnes & Wren, 2012; Di Mascio et al., 2013; Di Mascio & Natalini, 2014; Kickert & Ysa, 2014; Financial Crisis Inquiry Commission, 2011; Lane, 2011).

An edited volume regarding the Financial Crisis and the budget impacts at the national level in a number of industrial countries, including some of the aforementioned country studies, has been presented by Wanna et al. (2015). In addition, Bermeo and Pontusson (2012a) have published an edited volume on the responses by national levels of government, including various comparisons. Beblavy et al. (2011) have presented an edited volume focusing on the Crisis primarily from an economic perspective, and an edited volume by Kates (2011) also has an economic perspective and has further emphasised the general lessons of the Crisis. Another edited volume on the Financial Crisis, with a focus on the economic situation in various eastern European countries, was prepared by Jungmann and Sagemann (2011).

As pointed out before, studies on the effects of the Financial Crisis and the reactions to it at regional and local levels of government are relatively limited, compared to the national level. Some researchers have analysed the impact on local government from a comparative perspective (Organisation for Economic Co-operation and Development, 2015; United Cities and Local Governments, 2009; Council of European Municipalities and Regions, 2009a; Council of European Municipalities and Regions, 2009b; Blöchliger et al., 2010; Bailey & Chapain, 2011b; Paulais, 2009; Dethier & Morrill, 2012; Canuto & Liu, 2010; Vammalle & Hulbert, 2013; Wolman, 2014; Wolman & Hincapie, 2014). The ways in which local government reacted to the Crisis have also been the focus of a number of comparative analyses in recent years (Organisation for Economic Co-operation and Development, 2015; Nunes Silva & Bucek, 2014; Blöchliger et al., 2010; Bailey & Chapain, 2011b; Meneguzzo et al., 2013; Vammalle & Hulbert, 2013; Wolman, 2014; Wolman & Hincapie, 2014), and some of these studies have addressed both aspects. Studies on the situation in individual countries, mainly focusing on local responses, have been published as well (Barbera et al., 2016; Cepiku et al., 2016; Bolgherini, 2014; Ladner & Soguel, 2015; Chapain & Renney, 2011; Champagne, 2011; Beer, 2011). General suggestions on how to address the Crisis at the local level are also part of the recent literature (Dethier & Morrill, 2012).

Three edited volumes on the impact of and responses to the recent Financial Crisis at the local level are also worth mentioning. One by Bailey and Chapain (2011a) has mainly focused on the impact and the situation in the UK, and it has also included chapters on France, Canada, and Australia. A second one by Richardson (2010) has also explored the impact of the Crisis at the local level in the UK and the implications for public services. Lastly, an edited volume by Steccolini et al. (2017a) has focused on crisis responses and crisis resilience, which is conceptualised as the capacities and capabilities to absorb and react to financial shocks, as well as variation at the local level in various countries, including the Netherlands.

Wagschal and Jäkel (2010), Armingeon (2012), and Hörisch (2013) have focused on the variation in fiscal response strategies at the national level. The question regarding economic, political, and administrative factors determining variation in the financial situation of local government has previously been analysed both from a cross-country comparative perspective (Guscina, 2008) and within certain countries (Bogumil et al., 2014; Boettcher, 2013; Boettcher, 2012; Holtkamp 2007). However, all these studies have largely attempted to explain variation in government debt without a specific focus on changes in municipal finance caused by the recent Financial Crisis.

To date, compared to other European countries, the number of studies on the Financial Crisis since 2007 and the situation in the Netherlands is relatively limited, which can be explained by the larger impact in southern Europe in particular. However, a number of studies have addressed the developments at the Dutch national level (Kickert, 2015; Kickert, 2012d; Kickert, 2012e; de Vries & Degen, 2015; Kickert, 2012a), predominantly focusing on the decisions by central government and the related decision-making processes. Studies of the situation at the local level (Overmans & Timm-Arnold, 2016; Overmans & Noordegraaf, 2014; Engelen & Musterd, 2010; Overmans, 2017; Weske et al., 2014; Centraal Planbureau, 2016; Kattenberg et al., 2016; Allers & Bolt, 2010; Allers & Hoeben, 2010; van der Lei, 2015) have often followed qualitative approaches, with either a small number of municipalities included in the examinations or work with preliminary financial data. Further insights into the impact of the Financial Crisis on municipal land development in the Netherlands have also been published by two consultancies (Deloitte, 2010; Deloitte, 2011; Deloitte, 2012; Deloitte, 2013; Deloitte, 2014; Deloitte, 2016; Deloitte, 2017; Ernst & Young, 2015).

An extensive empirical understanding of financial developments at the Dutch local level is still missing from the research on the Financial Crisis since 2007. That understanding is the main aim of this study, and it is achieved by combining official statistics on municipal budgets and survey data. Most of the previous research on the topic has been based on interviews with municipal officials and document analyses, with a relatively small number of municipalities included as cases, which can therefore be considered as explorative approaches with limited potential for generalisations regarding the average consequences of the Financial Crisis at this level of government. In contrast, this study's focus on quantitative methods allows for statements on common or uncommon developments by generally assessing all municipalities, the empirical testing of hypotheses regarding factors determining variation, and a more holistic methodological approach in general. However, apart from the concentration on quantitative

methods, this study will also include qualitative components, especially to explain relations between certain factors previously identified through empirical analyses.

In addition to the overall research subject of the ways in which municipalities in the Netherlands were affected by the Financial Crisis and reacted to it, another objective of this study is to examine factors causing variation regarding the Crisis' impact and countermeasures. In other words, the overall goal is to provide a better understanding of recent developments in the context of the Financial Crisis at the Dutch local level, which is the administrative level closest to the citizens. This goal can also be considered as a beneficial contribution to research on the resilience of local entities. In terms of the complexity of the Financial Crisis since 2007, as well as questions in the field of public finances in general and in the context of a crisis in particular, an interdisciplinary approach is applied for this study by including theoretical insights primarily from the academic disciplines of public administration, political science, economics, law, and psychology.

While *public administration* and *political science* are particularly relevant to understand the overall transformation of the role and functioning of the state and local government independent of the recent Financial Crisis as underlying framework conditions, the procedures within political bodies and the administration intended to adjust municipal revenues and expenditures in times of crisis, as well as some of the factors potentially determining variation across municipalities in case of a crisis, *economics* – particularly macroeconomics – provides the necessary insights to retrace the mechanisms of financial crises as such. Assessing the current legal situation in the context of municipal finances in the Netherlands requires the inclusion of *law*. Lastly, additional insights from *psychology* are necessary in order to include the perceptions of individuals or groups of individuals regarding certain developments as potentially irrational factors when deciding on crisis reactions.

With the intention to contribute to a better comprehension of the mechanisms of financial crises and the implications, particularly for local government, this study also aims to help to reduce the negative effects of potential future crises and to support both crisis prevention and crisis management with policy recommendations based on scientific findings. In this regard, insights from the Netherlands, especially in relation to unintended as well as intended changes in public finances at the municipal level, can also be useful for political-administrative decision makers in other countries with similar economic conditions and similar political-administrative systems, since understanding the mechanisms behind a certain development is always the first step when aiming to influence future conditions in a desired way.

1.3. The structure of this study

Next to this first chapter, which introduces the research subject and represents the *first part*, this study consists of three additional components. The second part develops the theoretical framework and describes the methodology as the basis for the analyses at a later stage. Then part three first introduces the political-administrative system of the Netherlands, the role of

Dutch local government, as well as the global time course of the Financial Crisis since 2007 and related events. Second, the developments during the Crisis in the Netherlands are analysed based on official documents, previous research, and empirical data with a focus on the country's local level of government. In other words, part three provides the necessary background knowledge on Dutch local government and the Financial Crisis since 2007, introduces the current state of research on the subject, and includes preparatory analytical steps. Part four, as the final component, addresses variation in the impact of and responses to the recent Financial Crisis across the Dutch local level with statistical analyses; the aim here is to explain why some municipalities were more concerned than others, and this part closes with the study's overall discussion and conclusion.

The *second part* begins with the development of the study's theoretical framework within chapters 2, 3, and 4. Chapter two starts with the changing role and functioning of the state, particularly in line with the trends towards an enabling state and multi-level governance. Following these broad developments, the chapter continues with a focus on local government and local government finance. By assessing ongoing developments at the local level, such as decentralisation and management changes, a general understanding of the administrative and political conditions at the municipal level, as well as recent changes, is provided. In addition, theoretical insights into municipal finance are described, with a focus on cutback management. Chapter 2 thus forms part of the theoretical basis for the question on the impact of the recent Financial Crisis at the local level, alongside other ongoing developments, and the potential reactions within local officials' usual room to manoeuvre, mainly from a financial perspective.

Based on economic literature, the third chapter discusses the general mechanisms behind the emergence of and reactions to financial crises from a theoretical perspective and historical experiences. While the theories in line with different economic schools of thought, partially supplemented by political-administrative concepts and trends, primarily focus at national levels of government, previous insights and recommendations for the local level are discussed as well. In other words, the chapter provides the necessary economic knowledge to understand the consequences of financial crises at the local level of government.

The theoretical framework concludes with chapter 4. Building upon the theoretical insights from chapters 2 and 3, the conceptual model is developed, before potential factors causing variation in crisis impact and crisis reaction at the local level are identified and discussed based on economic, political, and administrative theory, with an overall focus on public policy. This follows the logic that the recent Financial Crisis can be considered as an external effect on the local level, where it did not originate, and certain local conditions might enhance or moderate the impacts of the Crisis as well as the reactions to it. Based on the separate aspects, hypotheses are formulated. In addition, the role of local officials' crisis perception is discussed as an additional factor with a potential influence on policy decisions.

As the last component of part two, chapter 5 explains the methodology of this study and its quantitative as well as qualitative elements, building upon the theoretical and conceptual work of the previous chapters. Next to the availability and sources as well as detailed types of data of official governmental financial and non-financial statistics, to be used in the empirical

part, the analytical approach and the operationalisations of dependent and independent variables are introduced. In addition, a description is provided for the design and realisation of three own surveys, whose open questions will contribute to identifying problems and mechanisms beyond official statistics.

The sixth chapter – the first chapter of *part three* – addresses the Netherlands and its local level as the study's object of research. After explaining the design of the political-administrative system and the division of tasks between the different levels of government, recent developments towards an enabling state and multi-level governance are analysed in this country-specific context, building upon the theoretical considerations of the second chapter.

Chapter 7 focuses on Dutch local government, including the municipal budgetary system. The historical development of the local level's role and contemporary tasks, obligations, and the legal situation are described to provide an understanding of the overall structural conditions. Particular attention is also paid to municipal revenues and expenditures, with the intention to assess local officials' financial room to manoeuvre. To put the potential effects of the Financial Crisis since 2007 into perspective at a later stage, the recent trends and developments at the Dutch local level are analysed based on the theoretical insights of chapter 2.

Chapter 8 analyses the events and developments of the Financial Crisis since 2007, including its temporal course, in detail. In other words, the necessary knowledge on the Crisis for the empirical analyses at a later stage is provided. Building upon chapter 3, the emergence and impacts of, as well as the reactions to, this specific Crisis are researched by examining relevant socio-economic key figures and discussions of the insights from both academic publications and official documents. Apart from the international and national levels, the situation at the local level is assessed, to the extent that information is available.

Building upon the previous chapter, the impact of and responses to the recent Financial Crisis in the Netherlands are the topics of chapter 9. By analysing government documents and previous academic publications, the scope of the Crisis at the national level of government is discussed. Moreover, the effects for local government are assessed as well. All relevant studies on the Financial Crisis since 2007 at the Dutch local level, which are often limited to the situation in a limited number of municipalities from a qualitative perspective or single areas of municipal activities from a quantitative perspective – in other words, the current state of research on the subject – is also presented and discussed in this chapter.

In chapter 10, financial developments at the Dutch local level in the years since the beginning of the Crisis in 2007, as well as a few years before in order to provide benchmarks, are analysed based on official government statistics and own calculations. By examining the financial changes on both sides of the budgets for all Dutch municipalities combined, insights into particularly affected areas with municipal responsibilities and competences are gained; these insights form the statistical basis for the more detailed analyses in part four. Special attention is paid to areas in which potential effects of the recent Financial Crisis have been identified in previous research.

The results of three own surveys addressed to Dutch mayors are presented in chapter 11 to complement the mainly quantitative analyses of this study. By studying the municipal officials'

responses to financial changes within their municipalities, the Financial Crisis is assessed from a more subjective point of view, which provides further explanations for municipal decisions on countermeasures to address the Crisis. In addition, insights are provided from the surveys on topics such as cutback management and common strategies to reduce municipal expenditure.

Part four focuses on the variation in crisis impact and responses by Dutch municipalities. Building upon the empirical insights from chapter 10, chapter 12 continues the quantitative analyses of this study by assessing the variation in financial changes in selected areas of activity between the municipalities. These calculations also constitute the dependent variables for the analyses in the next chapter.

Chapter 13 subsequently assesses variation in the potential factors of influence on municipal finances in times of the recent Financial Crisis in the case of the Netherlands, identified based on the theoretical considerations in chapter 4. Thereafter, these factors are utilised as independent variables in a series of linear regression models, aiming to determine their links to financial changes in the selected policy areas. After a presentation of the empirical results, the chapter closes with the testing of the hypotheses developed in chapter 4.

As the final chapter, chapter 14 discusses the overall findings of this study by bringing the insights from the previous chapters together. After the focus on the variation across the local level in the Netherlands, the financial changes are assessed in relation to other ongoing trends and developments in local government and governance, as described in chapter 7. Then, the chapter reflects on the study's limitations and provides an answer to the research question. Lastly, further attention is paid to crisis management and policy recommendations for the local level of government in the Netherlands, as along with more general lessons from the Financial Crisis since 2007.

Part 2: Theory and methodology

The second part provides the theoretical framework of this study and discusses the methodological approach. With regard to the general complexity of a financial crisis and its impact on public finances, as well as the potential political-administrative responses, this study follows a multidisciplinary approach. After introducing multi-level governance in the context of public administration as an analytical concept and reflecting on the rise of the enabling state, attention is given to the local level. Various developments in local government and local governance are discussed to assess the trends that originated before the Financial Crisis since 2007, but might have been strengthened or weakened as a result of the Crisis. Further attention is paid to local government finance. Starting with the general state of research in the field of budgeting and crisis budgeting, specific characteristics of the local level and its financial situation are subsequently discussed.

The nature of the research topic also requires an understanding of economic theory, particularly with a focus on market mechanisms, in addition to political-administrative theory. Therefore, the understanding of financial crises is discussed in line with the main economic schools of thought and with a focus on the emergence, impact, and suggested responses as well as the underlying mechanisms. While economic theories mainly address the national level of government and international contexts, possible implications for the local level are also considered based on the corresponding literature.

After introducing the conceptual model, potential factors explaining variation in the impact of and responses to a financial crisis across the municipal level are discussed. Based on political-administrative and socio-economic theories, the aspects are clustered into three groups, namely structure-, institution-, and interest-based factors, and their corresponding hypotheses are then derived.

Part two closes with a description of the methodology of this study. The sources of the official data used for the ensuing analyses, as well as the analytical approach and the operationalisations of the dependent and independent variables, are presented. Concerning the own surveys, information is provided regarding their conduction.

2. Local government and local government finance within a system of multi-level governance

Urban or *local politics* “is about authoritative decision-making at a smaller scale than national units – the politics of the sub-national level” (John, 2009, p. 17). Accordingly, *local government* describes the necessary institutions as a requirement for political processes at the local level. From a citizens’ perspective, local government is usually the level of government that one is in contact with the most; this refers to political-administrative systems designed to be present all over a country, in line with considerations ranging from better insights into local conditions to capacities of exercising power. Municipal responsibilities often include social services as well as issues where public accessibility and short distances for personal interactions are advantages. Examples range from receiving unemployment benefits and applying for a new passport to registering a business.

The opinion that public affairs should be addressed as locally as possible is long-standing. Mill (1861, pp. 266-287) already extensively justified the advantages of local representation. From his perspective, a local administration, enabling local popular control, is required and should be responsible for purely local duties, since “the paving, lighting, and cleansing of the streets of a town [...] are of little consequence to any but its inhabitants” (p. 278).¹² However, he also acknowledges that some tasks might be performed at the national level for efficiency reasons, whereas others might be supervised and controlled at the state level.¹³ In addition to national or regional regulations to ensure a certain coherence in public services and service provision, the local level can be considered as relatively autonomous regarding its task provision in many countries these days. In the case of the 47 member states of the Council of Europe, for example, the European Charter of Local Self-Government guarantees that “local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population” (Council of Europe, 1985, article 3, paragraph 1). However, the scope of this substantial share of public affairs certainly varies across countries and depends on the financial resources and their origin in particular.

On the other hand, in more recent decades, the local level has increasingly been interlinked with other levels of government. The formation of formal and informal networks, sometimes involving non-governmental actors, can be observed in various policy areas. Apart from variation across countries and policy areas, further variation is possible within countries.

From a worldwide perspective, sub-national levels of government account for 31% of total government spending, 22% of tax revenues, and 66% of public investments (Blöchliger et al., 2010, p. 5). While national levels of government usually spend and earn a larger share of the

¹² Interestingly, he excludes small villages from his claims for local representation, arguing that qualified persons for a municipal council would be difficult to find, and that individual persons could easily reach a dominant position (Mill, 1861, p. 275 f.).

¹³ A detailed overview of the historical development of cities and local authorities was written by Weber (1922, pp. 513-600) in the early 20th century.

public budget, most investments are carried out locally. In addition to wide variation in the design of political-administrative systems, municipalities need to be considered as relevant actors in general. Overall, budgets need to be considered in relation to organisational capacities. Informal influence beyond official tasks and expenditure shares, for example, through local authority associations and political contacts, should also not be neglected in systems of multi-level governance.

In other words, local government needs to be seen as part of a governmental system, where various levels interact and mutually influence one another. This implies that organisational changes and reform pressure emerge not only from the own organisation or level of government, but potentially also from related levels of government. Therefore, research on local government – such as research on any other level of government – needs to carefully consider overall political and social developments.

Local government is the research object of this study. However, in reference to the interconnectedness of governmental levels, the first sub-chapter addresses changes in the role and functioning of the state as a whole (2.1). In a Western world context, the following are considered to be most relevant: the development from an active welfare state to a state that focuses on enabling others, such as private organisations and citizens, to take care of the production and provision of public services, and the increasing formal and informal co-operation of governmental levels in policy networks.

The second sub-chapter (2.2) provides a theoretical understanding of local government and local governance, focusing on ongoing trends and developments, such as decentralisation and management changes, partially relating to broader socio-economic transformation processes. Since all these ongoing developments originated long before the Financial Crisis since 2007, the understanding of these changes is crucial in order to identify the induced and not-induced effects of the Crisis in a later step of this study. This approach also implies a historical dimension of the analysis associated with further challenges, especially the difficulty in identifying clear cause-and-effect relationships over time. On the other hand, ongoing developments at the local level might have been intensified or moderated by the Financial Crisis, and this will be analysed in a later step as well.

The theories of local government finance are addressed in the third sub-chapter (2.3). After providing a theoretical understanding of budgeting and the expenditure side of the balance sheet in general, austerity measures and cutback management will be discussed in the context of organisational decline. Thereafter, taxation and the revenue side are explored. Reflections on the relations between public income and expenditure will conclude elaborations on government finance. All of this is necessary to understand how public budgets are structured in general and how changes arise in line with accompanying decision-making processes. Specific characteristics of public finance at the local level, such as the common dependency on financial transfers from other levels of government, will also be assessed alongside the general theoretical understanding of government finance and possibilities to adjust the balance sheets to changing framework conditions. Overall, the objective is to provide an understanding of local government finance in order to assess the potential effects of a financial crisis at the

municipal level, including its financial situation, as well as the local leeway to react to these changing conditions at a later stage.

2.1. The changing role and functioning of the state

Levels of government are not completely autonomous in their decisions and actions, but part of wider governmental systems. The local level and local politics, for example, cannot be entirely separated from regional, national, supranational, or international levels. Overall, political-administrative processes can be considered as increasingly interwoven with interacting effects (John, 2009, p. 17).

While the development of more interlinkages and dependencies between levels of government describes a changing functioning of the state and its institutions, it can be generally concluded that the local level has gained influence. However, previous research in this context has mainly focused on national and supranational levels (Bache & Flinders, 2004a, p. 3).

Other developments address changes in the overall role of the state in society. In terms of different views in political theory, in combination with practical considerations, the state has been subject to continuous changes since its formalisation several centuries ago. While wide variation across countries certainly needs to be taken into account, answers to normative questions – such as what constitutes a state, what form of government is preferred, and what citizens' rights and obligations are – are changing continuously. In combination with an empirical perspective, many different types of states can be distinguished, and the classifications and definitions in academic literature vary widely. However, in the context of welfare states, the distinction between liberal, conservative, and social democratic regimes became relatively popular (Esping-Andersen, 1990). From a more practical perspective, common types and scopes of public services are associated with the different types of states or welfare states.

While welfare states with relatively extensive public services were, for example, a common state model in Europe in the second half of the 20th century (Esping-Andersen, 1990, p. 26 ff.), more recent models are characterised by a wide range of individual responsibilities and a state that enables other organisations rather than producing and delivering public services itself. Needless to say, these developments did not leave local levels of government, as the main providers of public services over centuries (Page, 1991, p. 1), unaffected.

Taken together, these framework conditions and developments make it necessary to assess the state and the changes in its role and functioning as a whole, before turning to local government. Therefore, the following sub-chapters discuss the developments towards an enabling state (2.1.1) as well as multi-level governance (2.1.2).

2.1.1. Towards an enabling state

The role of the state, as the monopoly on the legitimate application of the physical violence of a human community within a certain territory (Weber, 1956, p. 829 f.), is subject to continuous change. Originating from small territorial entities, which primarily focused on protecting their citizens from external aggressions and enforcing property laws in return for tax payments, and in line with classical liberalism – sometimes labelled a night-watchman state in medieval times – the development of the modern welfare state started in the Western world in the late 19th century. The enhancement of formal social securities in the following decades was sometimes also accompanied by the formation of federal state structures. However, a wide variation across Europe and the remaining Western world was and still is observed regarding this and other types of states (Raadschelders, 2003, pp. 141-184).

Between the 1960s and 1990s, welfare states began to come under pressure, and the expansion of social services generally slowed down. Aging societies¹⁴ and increasing costs for the provision of social services are the main reasons (Gilbert, 2005, p. 5). The accumulation of state debt can be considered as an additional factor contributing to this development. The preparation and execution of activities in the area of social welfare consequently started to change. Former public activities were often replaced by private activities financed by the state. While this approach did not always lead to cost reductions, it increased at least the state's flexibility regarding its involvement in social services. Therefore, variation across different areas of social welfare is given next to the variation across countries (Gilbert & Gilbert, 1989, p. 193; Raadschelders, 2003, p. 181 ff.).

Later, in the 1980s or 1990s, the expansion of the welfare state stopped in most Western countries. This development was accompanied by tendencies towards a small government in general, stemming from major doubts regarding the state's ability to deal with substantial societal and economic issues. Various public sector reform initiatives, generally aiming to increase the public sector's efficiency, can also be considered as part of this trend. Institutional reform strategies often focused on privatisation, deregulation, and decentralisation; privatisation in particular also implied a reduction in public sector employment (van der Meer, 2008, p. 181 f.; Raadschelders, 2003, p. 181 ff.).

The successive vanishing of the welfare state in more recent years, combined with more individual responsibility of the citizens, was also described as the hollowing out of the state (Rhodes, 1994; Milward & Provan, 2000), implying a major transformation of the relation between state and society rather than minor adjustments (Gilbert, 2002; Raadschelders et al., 2015, p. 365). On closer inspection, the hollowing out of the state, or a hollow state, is mainly characterised by an increasing "separation between a government and the [public] services it funds" (Milward & Provan, 2000, p. 362). In this context, especially social services are increasingly delivered by non-governmental organisations, which are often but not necessarily not profit-oriented, on behalf of the state. This implies further consequences, such as the need

¹⁴ In Germany, for example, when the state-sponsored pension scheme was introduced in 1889, the average life expectancy of workers was approximately 20 years less than the pension age (Gilbert, 2005, p. 5).

for new types of accountability and control mechanisms (Milward & Provan, 2000; Bauman, 2000, pp. 168-201; Jessop, 1993).

However, the disappearance of an old state model made room for a new one. While various names were given to the changing role of the state and public service delivery in recent decades,¹⁵ the term *enabling state*, as “a model in which the state is not proactively governing society but is more concerned with defining objectives and mustering resources from a wide variety of sources to pursue those goals” (Peters & Pierre, 2001, p. 131), became widely used.¹⁶ In this type of state, “services and regulation are provided by a mix of different kinds of organisations with a range of supervisory and control regimes and mechanisms” (Page & Wright, 2007, p. 4). From a practical perspective, broad variation regarding the development towards an enabling state can be observed across and within countries as well as over time (Page & Wright, 2007, p. 12; van der Meer, 2008, p. 184).

An enabling state thus “creates and supplies the necessary good conditions for operations of the market economy and civil society” (van der Meer, 2008, p. 174), in comparison with a welfare state as the provider of public services itself. While the conceptual understanding of an enabling state varies in academic literature, good governance and sufficient institutional capacities are often seen as part of the necessary conditions, created as a framework by an active government (van der Meer, 2008, p. 175, 180), that focuses on mediating, facilitating, and initiating various activities (Raadschelders et al., 2015, p. 369). In the context of public services, relatively bureaucratic methods of service provision were also replaced by more flexible and customer-oriented approaches as part of the development towards an enabling state (van der Meer, 2008, p. 174). Privatisation and deregulation measures also further weakened the classical distinction between the public and the private sector (van der Meer, 2008, p. 183).

In addition, the development towards an enabling state generally strengthens the role of sub-national levels of government (Raadschelders et al., 2015, p. 369). When looking at central government as the enabler of other organisations, local government can also be considered as one of these organisations in some cases (Page & Wright, 2007, p. 4). Privatisation, in combination with the willingness to take regional or local conditions into account to a higher degree, also relies on the knowledge of local institutions.

Taken together, the role of the state in the Western world has transformed extensively since the 1980s, when the downsizing of many welfare states began. Compared to the situation in the early years after the Second World War, welfare states, with extensive social services that were mainly provided by the state itself, changed into states that are taking care of their citizens indirectly (Page & Wright, 2007, p. 3 f.). By enabling others, such as non-governmental organisations, a more efficient service delivery is expected. Furthermore, these developments

¹⁵ Those include the *neo-Weberian state* (Pollitt & Bouckaert, 2011, p. 118 ff.), the *new welfare state* (Esping-Andersen, 2002; Bonoli & Natali, 2012), and the *new public service* (Denhardt & Denhardt, 2003; Denhardt & Denhardt, 2015). The concept of *co-production* in the context of public services follows a similar logic.

¹⁶ Later authors also use the term *enabling framework state* (Raadschelders et al., 2015, pp. 354-371) for the same concept.

also affected the state's structure regarding its functioning. Policy networks gained in importance in place of previously clear distinctions of responsibilities in hierarchical settings. Overall, more flexible organisational arrangements became widely accepted (Page & Wright, 2007, p. 2). Therefore, an enabling state can be considered as an enhancer of changes in the functioning of the state towards multi-level governance; this is addressed in the next sub-chapter.

2.1.2. Multi-level governance

Not only has the role of the state changed in recent decades, as the shift towards an enabling state illustrates, but the functioning of the state has also underwent a broad transformation in many countries, partially because of and closely related to the new role of the state. Distinct hierarchies regarding the involvement and tasks of actors in the policy process were, at least in some policy areas, replaced by a more flexible co-operation between various governmental and non-governmental stakeholders.

While multi-level systems of government – traditionally including not only local, regional, and national levels, but also supranational and an overall international level in more recent decades – and informal arrangements and negotiations between the levels have been present to a certain degree in the political process for centuries (Peters & Pierre, 2004, p. 84), it is increasingly argued that formal and informal exchanges are required in intergovernmental relations in order to govern efficiently (Peters & Pierre, 2004, p. 89). This is partially because new types of problems have emerged, with a scope widely beyond individual levels of government. Some topics, such as global warming and environmental pollution, are also not limited to a certain territory (Marks & Hooghe, 2004, p. 16). One main strategy to solve these issues, also in line with economic theory on the internalisation of external effects, implies negotiated settlements with all the parties involved. As a consequence, the classical distinction between domestic and international politics is gradually disappearing (Hooghe & Marks, 2001, p. 4; Bache & Flinders, 2004a, p. 1; Piattoni, 2010; van den Berg, 2011). In addition, it is also argued that a government consisting of multiple levels “makes it possible to satisfy citizens’ demands for public goods and services more precisely and cost-effectively” (Treisman, 2007, p. 11).

Even though the involvement of non-governmental actors can also be considered as common practice for centuries, this approach has also gained additional influence in more recent decades, as the rise of an enabling state illustrates. Overall, the emergence of new concepts in relation to public decision-making, mainly in the area of public service development and provision, can be seen as an attempt to understand and react to the increasing complexity of governmental affairs.

In his research on European integration, overlapping competencies in European politics, and institutional innovations of the European Community (EC)¹⁷, Gary Marks (1993) introduced

¹⁷ As one of the three pillars of the European Union before 2009.

the term *multi-level governance* to describe the tendency of policymaking as “complex patterns of mutual influence” (p. 406) in the early 1990s. In other words, a label was assigned to the European approach of sharing powers across multiple levels of government and inter-meshing competences (Hooghe & Marks, 2001, p. 24). The application of the concept to other settings and geographical regions followed (Ongaro, 2015, p. 2 f.), which led to its classification as a broader model of intergovernmental relationships (Peters & Pierre, 2004, p. 76).

On closer inspection, Marks (1993, pp. 392, 401 f.) has emphasised two main ongoing developments in the EC’s structural policies: first, the decentralisation of responsibilities in some policy areas to sub-national levels of government, and second, the simultaneous centralisation of other responsibilities to the supranational level; the latter is also related to the developments of Europeanisation and internationalisation. In other words, the national level lost – and might still be losing – power in two directions (Hooghe & Marks, 2003, p. 233; Marks & Hooghe, 2004, pp. 15, 19; Scharpf, 1997a, pp. 520, 533; Conzelmann, 2008, p. 13; Peters & Pierre, 2001, p. 132). This trend is further enhanced by the trans-nationalisation of policymaking (van der Meer, 2008, p. 185). As a consequence of these developments, the regional and local levels can also be considered as potential allies in policymaking together with the European level (Marks, 1993, p. 402).

The tendency towards an increasing co-operation between multiple levels of government was further supported by other developments. The first of these was the ongoing deterioration of the fiscal situation in many industrial countries, partially caused by smaller financial crises, whereby the national level was particularly weakened, while the impact at sub-national levels of government was often less extensive. Second, managerial reforms led to a greater legal independence between the different levels of government in various countries (Peters & Pierre, 2001, p. 132).

Lastly, the often-cited shift from a government to a governance perspective, at least in Western Europe (Peters & Pierre, 2001, p. 131), supported the increasing popularity of the multi-level governance concept. In this context, *government* describes traditional hierarchical institutions with the “unilateral capacity to impose rules, duties and burdens to the members of a society and to assure the commitment to these rules, duties and burdens, if necessary by coercion” (van der Meer & Raadschelders, 2007, p. 102), while *governance* focuses on the processes and authority to co-ordinate actions and resources (Peters & Pierre, 2004, p. 77 f.; van der Meer & Raadschelders, 2007, p. 102 f.; Bache & Flinders, 2004b, p. 198). In other words, within the governance concept, government is “one next to several or even many institutions and organisations that together steer, or guide, or make, or mediate in society” (van der Meer & Raadschelders, 2007, p. 102 f.). The shift from government to governance can also be considered as one of the characteristics of an enabling state (Page & Wright, 2007, p. 4).

Multi-level governance can be understood as the continuation of these developments (Peters & Pierre, 2001, p. 131; Peters & Pierre, 2004, p. 84), and according to Marks (1993), it can be

defined as “a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional, and local” (p. 392).¹⁸ Therefore, *multi-level* refers to the interdependence of governmental operations across administrative levels, while *governance* emphasises the interdependence between governmental and non-governmental actors (Bache & Flinders, 2004a, p. 3). In this context, it is also argued that multi-level governance needs to involve at least three levels of government in order to differentiate itself from classical intergovernmental relations (Piattoni, 2015, p. 325 f.).

Overall, multi-level governance emerged through functional needs in the context of political-administrative processes (Conzelmann, 2008, p. 26), and it is characterised by policy networks (Marks, 1993, p. 401 f.; Bache & Flinders, 2004a, p. 3), its ad hoc nature (Peters & Pierre, 2004, p. 83), and “the institutionalization of contested spheres of influence across several tiers of government” (Marks, 1993, p. 402). Within the policy networks, consisting of governmental and non-governmental actors, policy decisions are reached via deliberation and negotiation as well as through exchange and collaboration (Piattoni, 2015, p. 323; Peters & Pierre, 2004, p. 77 f.). Apart from such decisions, multi-level governance is also relevant for policy implementation (Papadopoulos, 2008, p. 31).

It is also important to note that often, formal hierarchies between levels of government are at least partially disregarded in practice, and relations between actors are necessarily contextually defined to some extent (Peters & Pierre, 2004, pp. 77, 79, 81). This implies that governmental levels, as well as specific regulations, can be bypassed (Peters & Pierre, 2001, p. 132; Peters & Pierre, 2004, p. 85; Piattoni, 2015, p. 332). As a result, from a practical perspective, the actual influence of individual actors in a system of multi-level governance depends largely on their capacities, such as budgets and staff members, as well as their political preferences (Kuhlmann, 2015, p. 210). In the case of political actors, their willingness to give away formal competences is also relevant in the development of policy networks (Piattoni, 2015, p. 331).

While the emergence of multi-level governance needs to be understood as a gradual process, and traditional institutions still play a major role in policymaking (Peters & Pierre, 2004, p. 75 f.), a wide variation in new policymaking arrangements can be observed. On the one hand, variation concerns different countries or regions within a country. One main reason consists of the previous distribution of powers across the governmental levels and the accompanying abilities to transfer powers to policy networks (Marks, 1993, p. 404; Scharpf, 1997a, p. 533). In this context, different arrangements can lead to different outcomes (Scharpf, 1997a, p. 531). On the other hand, variation can be expected across different policy areas. Apart from the involvement of various governmental actors within their traditional areas of competence,

¹⁸ Other later definitions of multi-level governance, such as “negotiated, non-hierarchical exchanges between institutions at the transnational, national, regional, and local levels” (Peters & Pierre, 2001, p. 131), the “use of non-hierarchical forms of governing, the emergence of multi-level structures of policy implementation, and the enhanced role of non-state actors within them” (Conzelmann, 2008, p. 13), and “a type of policymaking arrangements characterized by the simultaneous activation of governmental and non-governmental actors at different jurisdictional levels and such that the interrelationships thus created defy existing hierarchies and rather take the form of non-hierarchical networks” (Piattoni, 2015, p. 326 f.), are rather similar.

combined with certain problem-solving capacities, especially the number and resources of non-governmental actors can vary substantially (Scharpf, 1997a).

Multi-level governance comprises various aspects that are generally considered to be positive, compared to policymaking within traditional hierarchies. New actors, particularly non-governmental ones, are actively involved in the policy process, which implies additional views and opinions and an overall integrative approach (Piattoni, 2015, pp. 311, 324; Bache & Flinders, 2004a, p. 1). A tendency towards consensus is generally enabled by these framework conditions (Peters & Pierre, 2004, p. 85; Piattoni, 2015, p. 330). Furthermore, these circumstances allow for relatively spontaneous policy co-ordination as well as changes in the network composition, if necessary, and they encourage a collective learning process (Piattoni, 2015, pp. 329 f., 332).

The main critics of multi-level governance claim a lack of accountability, transparency, and democratic principles in general. It is particularly argued that accountability problems arise from the absence of clear chains of delegation and the higher complexity of the arrangements in general (Piattoni, 2015, pp. 324, 332, 335; Papadopoulos, 2008, p. 46). Furthermore, the relations between the actors are sometimes not transparent and cannot be scrutinised as part of the democratic process (Papadopoulos, 2008, p. 45). Depending on the details regarding the arrangements, policy networks can even exist completely separated from democratic processes (Peters & Pierre, 2004, pp. 85, 88; Papadopoulos, 2008, p. 32). In this context, it must also be taken into account that the general public might hold political bodies accountable for policies, even if decisions were made largely beyond their sphere of influence (Piattoni, 2015, p. 337). In other words, a lack of political control is emphasised (Peters & Pierre, 2004, p. 88). Improvements and partial solutions to these problems might be possible by strengthening the competences of the juridical branch and ombudsmen (Papadopoulos, 2008, p. 46). In general, it needs to be remarked that tendencies towards technocratic decision-making can also be observed in traditional governmental hierarchies, and the weakening of democratic principles is not a problem solely associated with multi-level governance (Piattoni, 2015, p. 333).

A second group of points of critique addresses the role of non-governmental actors within policy networks. The overall representativeness of the societal partners, as well as their selection and involvement, which might lead to co-ordination and capacity problems, is questioned (Piattoni, 2015, p. 335; Hooghe & Marks, 2003, p. 239). An unequal distribution of resources might lead to a bias regarding the involvement of actors and their influence within the policy networks (Conzelmann, 2008, p. 28; Piattoni, 2015, p. 311). The influence of lobby groups can also be seen as a critical aspect in general (Hooghe & Marks, 2001, p. 15 f.). Furthermore, some authors have critically pointed out a higher dependency of the state on external actors (Peters & Pierre, 2001, p. 131), a blurring of the delineation between the public and the private sector (Piattoni, 2015, p. 332), and a fragmentation of power resources (Papadopoulos, 2008, p. 40).

Further concerns involve the ways in which decisions are reached within the policy networks. Marks (1993, p. 407) has already noted that the shifting spheres of competence might result in conflicts. In addition, the informal nature of policy networks might lead to an inequality between the actors whereby more powerful institutions would dominate the process. Further

informal arrangements between some actors could be the result (Peters & Pierre, 2004, p. 87).

In summary, multi-level governance as a form of policymaking in networks, consisting of governmental and non-governmental actors, has gained wide attention in public administration and political science in recent decades. While some see the concept as an alternative to traditional hierarchies, others consider policy networks to be nested within formal governmental institutions (Hooghe & Marks, 2003, p. 234).

Changes in the direction of an enabling state and multi-level governance, as major transformations in the role and functioning of the state in recent decades, have both contributed to a general strengthening of local government. With regard to the detailed knowledge about local needs, local authorities can play a relevant role in policymaking and the delivery of public services in relatively flexible arrangements beyond traditional hierarchies. Apart from these broader developments, other recent trends address local government and local governance in particular. These will be discussed in the next chapters.

2.2. Local government and local governance: general trends and developments

Apart from the Financial Crisis since 2007, states and their governmental levels, as parts of multi-level governance systems, face various challenges. Questions in relation to the future delivery of social services and the transformation from welfare states into enabling states may serve as examples. Furthermore, often far-reaching developments and changes in recent decades, ranging from necessary adaptations and new framework conditions to large-scale reform initiatives, affect the local level in particular. Compared to other levels of government, the local level can even be considered as the forerunner of public sector modernisation in many countries. In addition, civil servants at the local level are known for acting more flexibly and pragmatically concerning the implantation of reform instruments (Kuhlmann et al., 2015, p. 180).

While some developments are specific to a single country or a group of countries, for example certain managerial approaches and the formation of particular territorial units, others can be interpreted as global trends. From a theoretical perspective, a vertical reform dimension, chiefly including changes in the division of responsibilities between the levels of government, and a horizontal reform dimension of changes across the local level can be distinguished (Kuhlmann & Wollmann, 2011, pp. 479 f., 486 f.). While reforms along the vertical dimension potentially include shifts of power, such as in the case of decentralisation measures or multi-level governance arrangements, municipal amalgamations are a typical example of horizontal reforms (Kuhlmann, 2015, p. 186 f.). In practice, some reform initiatives might also concern both dimensions. Other developments involve organisational changes within the local authorities.

In general, all types of changes in local government and local governance potentially affect citizens as service takers, as well as civil servants as service providers. According to recent research (Schwab et al., 2017), the (1) reorganisation of local service delivery, (2) managerial reforms, (3) territorial and functional rescaling, and (4) democratic reforms are currently the four basic reform trajectories at the local level in Europe. The reorganisation of local service delivery refers to a changing relation between the state and the market. In line with the wider developments towards an enabling state and multi-level governance, public services are increasingly developed and delivered in co-operation between governmental and non-governmental actors. Closely related to broader public sector reform initiatives, such as New Public Management (NPM) and succeeding approaches, topics such as privatisation and agencification also gained attention at the local level in recent decades.

While in the case of some aspects of managerial changes in terms of service delivery, on the one hand, some developments are already seen as reversing (Schwab et al., 2017, p. 12 f.), the *digitalisation of public services* – as the reorganisation towards a more efficient public service delivery and provision of public information by integrating digital channels – can, on the other hand, especially be considered as enduring, since this development is enabled by general technological advances.¹⁹

Next to the external dimension of managerial reforms in terms of public service delivery, the internal dimension is equally important. Focusing on administrative efficiency, the aim of many reform initiatives, and NPM in particular, was to transfer private sector methods to the public sector. As the major provider of public services, the local level was widely affected by these internal *management changes*. On closer inspection, especially the public sector working conditions were modified by approaches, such as customer orientation and performance management in recent decades (Schwab et al., 2017, p. 12 f.).

In line with attempts to increase the overall efficiency of local government, territorial and functional rescaling in the search for an improved or optimal size in terms of territory and number of citizens, as well as an appropriate distribution of tasks, can be observed for a long time. From a horizontal perspective, *municipal amalgamations and municipal co-operation* describe the trend of larger local units and increased working relationships between local entities. Co-operation can thus also lead to municipal mergers in the long term. Regarding the

¹⁹ Partially related to the digitalisation of public services is the development of so-called *smart cities* since the late 1990s. While the understanding of smart cities varies in the literature, the term is generally used for territorial entities, which collect various types of data in order to manage their public infrastructure and public services more efficiently. A traffic management system, which collects traffic flow data via sensors and optimises traffic light settings, is a practical example. Apart from possible cost reductions through efficiency gains, citizens can benefit from a higher quality of public infrastructure and public services. Considering the continuous technical advances, especially in the context of artificial intelligence and the Internet of things, which describes various types of devices newly connected to the Internet, further optimisations of public infrastructure and public services in relation to the understanding of smart cities can be expected in the future (Anthopoulos, 2017; International Organization for Standardization, 2014). However, even though this development is certainly relevant for the local level of government, and despite local officials needing to decide on the implementation of new technologies in their municipality, smart cities are not further discussed in this study, because of the partial overlap with digitalisation and because the main developments take place outside the administration itself.

distribution of responsibilities among the different levels of government, as the vertical reform dimension, the *decentralisation of tasks* to the local level is a common development (Schwab et al., 2017, p. 13). The latter is supplemented by the increasing importance of the EU in various policy areas and attempts by local government to influence European decision-making, also known as *Europeanisation*.

Democratic reforms are the last major reform trajectory. Based on considerations regarding the broader involvement of citizens at the local level, accompanied by potential advantages, such as broader societal consensus in policymaking, various initiatives have been launched in recent decades. From a more practical perspective, these included public debates and consultation formats. Therefore, initiatives for broader *citizen participation* beyond periodic elections can be considered as a recent development at the local level as well (Schwab et al., 2017, p. 13).²⁰

While all four reform trajectories are strongly interlinked and related (Schwab et al., 2017, p. 13 f.), the following six trends and developments, as partial aspects of the overall reform trajectories, will be analysed in more detail in the following sub-chapters to assess the situation in the Netherlands at a later stage:

- Decentralisation of tasks (2.2.1)
- Municipal amalgamations and municipal co-operation (2.2.2)
- Management changes (2.2.3)
- Europeanisation (2.2.4)
- Citizen participation (2.2.5)
- Digitalisation of public services (2.2.6)

Thereafter, a summary and discussion of the relations and interactions between the trends and developments will be provided in a concluding sub-chapter (2.2.7).

2.2.1. Decentralisation of tasks

Politically motivated decentralisation measures, partially in line with the development towards multi-level governance and the rise of an enabling state, led to an increasing importance of local government in recent decades (Peters et al., 2011, p. 18). While different types of decentralisation can be distinguished and the understanding of the term varies broadly (Treisman, 2007, p. 21), Cheema and Rondinelli (2007) define decentralisation most generally as the “transfer of authority, responsibility, and resources – through deconcentration, delegation, or devolution – from the center to lower levels of administration” (p. 1). While other, more extensive descriptions of the general process (e.g. United Nations Development Programme, 1997, p. 5) include intentions, such as an overall increase in quality and effectiveness of the

²⁰ The characteristic of a certain development as a trend, as well as the related importance, generality, terminology, and distinction from other developments, can be debated. See Denters and Rose (2005a, 2005b), Vetter and Kersting (2003a, 2003b), Andrew and Goldsmith (1998), and Proeller (2006) for similar distinctions between trends at the local level.

governmental system, the shift of responsibilities to lower administrative levels can be understood as the most generally accepted key feature of decentralisation. As a consequence, the local level might gain more autonomy in dealing with local needs and demands. Alongside the availability of additional resources – since more tasks usually imply the necessity of more funds – the own decision-making scope in the use of such additional financial means must be considered as important with regard to the increase in autonomy. If, however, municipalities gain more responsibilities, while the own income or transfers from other levels of government do not increase, then decentralisation measures might also result in financial pressure.

In the context of decentralisation strategies, a further subdivision into territorial and functional approaches has been made. While both approaches aim to make government more efficient, the former enables the adjustment to local conditions and the involvement of citizens of a certain area, and the latter focuses on specific policy areas, for example by the establishment of governmental agencies (van der Meer, 2008, p. 185 f.).

Cheema and Rondinelli (2007, p. 6 f.) distinguish four specific types of decentralisation: administrative, political, fiscal, and economic. *Administrative decentralisation* describes the transfer of administrative tasks to lower levels of government. *Political decentralisation* is characterised by the shift of political decision-making competences to lower levels, possibly including an increase in citizen participation. *Fiscal decentralisation* implies an increase in fiscal competences at lower administrative levels, while *economic decentralisation* describes general measures towards market liberalisation and deregulation with related effects at the local level.²¹ In practice, reforms can imply decentralisation along more than one dimension. Administrative and fiscal decentralisation in particular often appear simultaneously because of the general interlinkage of tasks and funds.

Apart from the general motivation to increase the overall efficiency of the political-administrative system, common arguments for decentralisation measures are further benefits in the field of democracy and legitimacy by bringing public services closer to the people (Page, 1991, p. 69; Steen et al., 2017, p. 67). However, most characteristics, especially cost reductions, can also be used to promote centralisation (de Vries, 2000, p. 217). In other words, an increase in efficiency by the decentralisation of public services is questionable and not compatible with the general assumption of economies of scale of larger units from a theoretical perspective. Overall, precise judgments on efficiency gains require a comparison of specific organisational arrangements and the associated costs in practice.

In addition, the developments towards an enabling state and multi-level governance, as two trends largely motivated by efforts to increase the efficiency of public services and policymaking as well as intentions to better adjust public services to meet citizens' needs, facilitated decentralisation measures in general. In the case of the enabling state, decentralisation measures can be considered as one of multiple reform aspects to support the provision of

²¹ Treisman (2007, p. 28) distinguishes between only the first three types of decentralisation, not comprising economic decentralisation. The relatively passive role of the local level in the context of economic decentralisation explains this point of view.

public services together with local partners (van der Meer, 2008, p. 181 f.). Regarding multi-level governance, decentralisation measures are also a type of supporting development.

Apart from general attempts to make government more efficient by bringing it closer to the citizens, accompanied by the developments towards an enabling state and multi-level governance, globalisation is an additional factor that is sometimes considered as increasing the necessity of decentralisation measures. Characterised by the rise of international trade and movement of people, globalisation extends the pressure to enhance the administrative and fiscal capacities at the local level in order to provide a framework for individuals, as well as companies, to participate in and benefit from global opportunities (Cheema & Rondinelli, 2007, p. 5).

In general, decentral services enable a better adaptation to local conditions (Page, 1991, p. 69; Steen et al., 2017, p. 67), while service provision can become more fragmented. Since factors such as organisational capacities can play a major role in the reform outcome, efficiency gains are especially difficult to assess in advance. Furthermore, it must be taken into account that reforms imply restructuring costs, and efficiency gains are therefore achieved in the long run rather than in the short run. In other words, decentralisation measures often first imply additional costs and burdens for the local level itself, before advantages are achieved (Kuhlmann, 2015, p. 210).

From a historical perspective, the first half of the 20th century, especially the 1940s and 1950s, was mainly characterised by relatively centralised nation states in the Western world. A first wave of decentralisation began in the 1960s, with a common focus on the deconcentration of governmental tasks. In the mid-1980s, a second wave followed in the context of management reforms mainly aiming to increase public sector efficiency, in line with the developments towards an enabling state and multi-level governance. Since the 1990s, decentralisation measures have also been implemented to increase public participation (Cheema & Rondinelli, 2007, p. 2 f.). However, various additional country- or regional-specific factors and intentions, including political motivations, also need to be considered as relevant for steps towards more decentralised responsibilities.

From an empirical perspective, the majority of nations – both industrial and developing countries – became more decentralised in the last two decades (World Bank, 1999, p. 107 ff.). The same applies to half of the member states of the EU since 1980. Furthermore, none of the remaining members became more centralised during this period of time (Marks & Hooghe, 2004, p. 15); however, exceptions are possible for individual policy areas. A system of multi-level governance with sub-national units exists in 95% of all democratic countries as a precondition for shifts of responsibilities to lower levels (Cheema & Rondinelli, 2007, p. 8).

Empirical results concerning efficiency and performance gains as a result of decentralisation measures reveal a mixed picture (de Vries, 2000; Kuhlmann et al., 2011; Ebinger et al., 2011). In this context, insufficient administrative and managerial capacities at the local level are a common explanation for unsatisfactory reform outcomes (Cheema & Rondinelli, 2007, p. 8).

Taken together, decentralisation measures, as the transfer of responsibilities from higher to lower levels of government, are developments with a major impact at the municipal level.

Once political decisions are made regarding the shifting of competences, the public authorities involved need to adjust to the new circumstances, implying major challenges, especially at the local level with its limited organisational capacities. Similar challenges arise from territorial reforms describing changes at a horizontal level, compared to the vertical dimension of decentralisation, which will be addressed in the following sub-chapter.

2.2.2. Municipal amalgamations and municipal co-operation

The relation between the size of territorial communities and the quality of governance was already discussed by Aristotle (2009) around 350 BC. He argued that, on the one hand, communities should be self-sufficient units large enough to provide services to their citizens, and that, on the other hand, the units should be small enough to make responsible citizenship possible by enabling citizens to assess the performance of politicians as well as democratic participation in general. Considering both claims, the trade-off regarding the size of political-administrative units in terms of inhabitants becomes evident (Denters et al., 2014, p. 4 f.). The search for the optimal size of territorial communities consequently continued (cf. e.g. Dahl & Tufte, 1973) and still continues, and relationships are not necessarily linear. Since size might have both negative and positive effects on the quality of governance, the question as to which type of effect prevails can be considered crucial on closer inspection. In this context, many additional factors, such as the composition of the local population, whose impact possibly changes over time, might be relevant, and this does not simplify the search for a suitable size of territorial units at all levels of government from a theoretical perspective (Denters et al., 2014, pp. 16, 22, 330, 332 f.).

However, territorial reforms at the local level have been a common development in most Western European countries for several decades. The corresponding decision-making process, as well as the consequences, is the subject of various single-country studies (e.g. Steiner & Kaiser, 2017; Hanes, 2015; de Peuter et al., 2011; Kjaer et al., 2010; Dollery & Crase, 2004) and country comparisons (e.g. Steiner et al., 2016; De Ceuninck et al., 2010; Broekema et al., 2016). Improving local efficiency is the common reform goal. Especially regarding public services, a certain scope is generally considered necessary for an efficient provision. Furthermore, larger territorial units are usually associated with higher problem-solving capacities. *Amalgamations*, which describe the formation of larger units in order to realise economies of scale, make up the strategy that is generally regarded as most promising (De Ceuninck et al., 2010, p. 804 f.; Steen et al., 2017, p. 68). Decentralisation measures, characterised by additional tasks at lower levels of government, as described in the previous sub-chapter, can accelerate the process of municipal amalgamations. Furthermore, fiscal stress, socio-demographic changes, and recent amalgamation reforms, which lead to a self-reinforcing process and historical path dependency, are other potential driving factors for municipal mergers (Askim et al., 2016). Moreover, political considerations can be relevant for intentions to form larger units at the local level because of anticipated shifts of power.

Additional reasons for municipal amalgamations refer back to more recent developments. Technical advances, especially in the area of communication technology, enable the performance of public services on a larger scale. Where personal appointments were necessary to settle certain matters several years ago, contacting the local administration nowadays is possible through various digital forms, which limit the need for a widespread presence of local authorities and short distances. The increasing complexity of tasks is a further argument to perform municipal duties at a larger scale, and hence larger administrative units, by involving experts who are not available in small municipalities (Bos, 2013, p. 31 f.).

However, larger municipalities in terms of territory and citizens can have various disadvantages as well. For example, the identification of citizens with their municipality or region might be negatively affected if territorial entities exceed a certain size. From a democratic perspective, the turnout at local elections and the interaction of citizens with political representatives can decrease as a further consequence of a lack of local identity (De Ceuninck et al., 2010, p. 805).

From a historical perspective, many municipal amalgamations were implemented in Western European countries in the 1960s and 1970s, with the aim of increasing the efficiency of the local administration by forming larger units (De Ceuninck et al., 2010, p. 805; Denters et al., 2014, p. 3 f.). In this regard, one can distinguish between countries in which the territorial reforms were conducted mainly as a one-time action, such as in Belgium and Denmark, and countries that followed an incremental approach, such as the Netherlands, by continuously realising amalgamations over decades. Table 1 provides an empirical overview of the number of municipalities of various European countries in 1973 and 2013, as well as the percentage change within this period of 40 years, and the average population in 2013.

Table 1: Changes in the number of municipalities in European countries, 1973–2013 (Adopted from Steiner et al., 2016, p. 29)

	Total number of municipalities in 1973²²	Total number of municipalities in 2013	Change (%)	Average population 2013
Belgium	2,359	589	-75.0	18,593
Denmark	275	98	-64.4	56,943
Finland	483	320	-33.7	16,151
Germany	15,009	11,197	-25.4	6,742
Greece	6,061	325	-94.6	33,653
Iceland	224	74	-67.0	4,447
Italy	8,056	8,092	+0.4	7,550
Netherlands	913	408	-55.3	41,000
Norway	443	428	-3.4	11,802
Poland	2,366	2,480	+4.8	15,600
Portugal	304	308	+1.3	34,293
Sweden	464	290	-37.5	33,240
Switzerland	3,095	2,396	-22.6	3,163

With the exception of minor increases in the number of municipalities in Poland (+4.8%), Portugal (+1.3%), and Italy (+0.4%), the quantity decreased between 1973 and 2013 in all other

²² A few cases include some minor deviations in start and end dates.

listed countries. Most of the declines in the number of municipalities in the remaining nation states were relatively extensive. The highest reductions in municipalities during this period in time were realised in Greece (-94.6%), Belgium (-75.0%), and Iceland (-67.0%), where it must be taken into account that major territorial reforms were already implemented in some countries, such as Sweden, before 1973 (De Ceuninck et al., 2010, p. 809).

When reflecting on the efficiency of public services at the local level, it is interesting to note that apart from all reform initiatives, the average population of a municipality still largely differs across European countries. Geographical factors, such as mountainous regions or islands, that complicate mergers, seem to provide only a partial explanation for this circumstance. However, considering the intended increases in efficiency and/or service quality, empirical analyses addressing these issues, especially financial changes in line with territorial reforms, are rare in Europe; this makes evaluating previous amalgamations, as well as justifying future ones based on scientific standards, difficult (Steen et al., 2017, p. 72).

More generally, it must be considered that the understanding of a municipality, described by its tasks, scope of political decision-making, and administrative capacities, largely differs across Europe. While municipalities, as the lowest level of government, are the main providers of public services in some countries, they have limited competences in other countries. In other words, assessing solely the number of municipalities, independent of their competences, can be misleading in debates on municipal mergers aiming to increase the efficiency of the local level.

In addition to the complete merger in an amalgamation process, which includes considerable costs for restructuring, close *co-operation* between municipalities is a common strategy in many countries. In other words, inter-municipal co-operation can be considered as a more flexible and “soft” mechanism in comparison with amalgamations, although the intentions are largely similar (Hulst & van Montfort, 2007a; Hulst & van Montfort, 2007c; Niaounakis & Blank, 2017, p. 550; Steen et al., 2017, p. 68). In this context, it should be taken into account that “in some European countries inter-municipal cooperation is a phenomenon (nearly) as old as the municipality itself” (Hulst & van Montfort, 2007a, p. 7).

Since nearly identical tasks are performed in most municipalities within a country, co-operation also seems to be beneficial when striving for a more efficient provision of public services, as one of the main areas in which municipalities work together in practice. Fiscal constraints are thus also considered to be important drivers of municipal co-operation (Bel & Warner, 2016). In general, the advantages of amalgamations apply to municipal co-operation as a less far-reaching form of arrangement as well. Apart from lower organisational costs, also ending a co-operation appears to be easier than separating previously merged municipalities.

Criticism of inter-municipal co-operation, on the other hand, emphasises problems with democratic accountability, since the arrangements are usually difficult for elected politicians to control, and responsibilities might be unclear (Denters, 2017, p. 95). In this context, additional monitoring costs can also lower the efficiency gains (Allers & de Greef, 2018, p. 128).

On closer inspection, the focus on collaboration in certain policy areas seems especially beneficial. Forms of co-operation can therefore range from the informal exchange of ideas and

strategies of service provision in joint working groups to the formal partnerships concerning the delivery of a certain public service. Since municipal co-operation is not necessarily limited to two partners, co-operation can take place in municipal networks. However, in practice, the types of co-operation largely depend on the underlying legal framework in a certain country or region (Steen et al., 2017, p. 68). Apart from voluntary co-operation, other levels of government might also force municipalities to work together. This makes it necessary to take into account that extensive co-operation can lead to voices calling for municipal amalgamations that are not always in favour of the citizens and local officials, as outlined above.

In summary, municipal amalgamations are a second major development, next to decentralisation measures, affecting the local level in recent decades. Intentions to increase the efficiency of the public sector led to the formation of larger political-administrative units in most Western countries. In addition, municipal co-operation increased noticeably as well. In line with the disadvantages of amalgamations, such as longer distances and potentially negative effects on local identities, municipal mergers cannot be considered as a linear process without limitations, but rather as a search for the optimal size of public bodies in terms of territory, which is highly debated and depends on a large number of factors (Steen et al., 2017, p. 70). Further challenges for local government, at least partially supported by changes in municipal responsibilities in terms tasks and territory by providing windows of opportunity for additional reform initiatives, concern the managerial approaches within the administration. These approaches will be addressed in the next sub-chapter.

2.2.3. Management changes

Changing framework conditions often necessitate organisational adjustments. What applies to the private sector under competitive conditions is also the case for the public sector, with an increasing focus on its efficiency. As a consequence, managerial changes and reform initiatives are common phenomena today. It is even argued that “developing and implementing public sector reform initiatives is nowadays considered an indispensable part of running a modern and innovative government” (van der Meer, 2008, p. 174).

Until the 1970s, administrative bodies in industrial countries were characterised by the Weberian understanding of bureaucracy, including fixed areas of activity, written rules as the basis for action, complete documentation, and explicit hierarchy. Civil servants were experts in their areas of responsibility and had a determined career path. Bureaucracy was thus understood as the most efficient and rational way of organising legal authority (Weber, 1922, p. 650 ff.; Weber, 1919). Therefore, integral governmental planning was common at most administrative levels in industrial countries. During this period, welfare states with extensive public services comprised the most common state model in Western countries. The shift from active to enabling states can also be considered as a development that required, or at least facilitated, management changes within the administration.

In addition, financial constraints in the context of economic downturns and increasing government debt led to searches for alternatives to integral governmental planning since the 1960s. Public management reforms became a common development in various countries from the late 1970s onwards. Aspirations towards a more flexible but still efficient administration formed the common goal of public sector modernisation. The reform movement became known as New Public Management, mainly characterised by the public sector's adoption of management techniques from the private sector (Hood, 1991; Raadschelders & Vigoda-Gadot, 2015, p. 161). As a result of disadvantages and criticism of NPM – especially its negative effects on an administration's integrity and reliability – searches for compromises between hierarchical planning in a Weberian understanding on the one side and business style management in line with NPM on the other side began in the 1990s (Kickert, 2003, p. 389; van der Meer, 2008, p. 176 f.).

Taken together, three waves of reform thinking with the following key elements can be distinguished, according to Pollitt and Bouckaert (2011, p. 11), from an academic perspective:

1. Mid 1960s to late 1970s: Rational, hierarchical planning and cost-benefit analysis; science and expertise will produce progress.
2. Late 1970s to late 1990s: New Public Management; business techniques to improve efficiency; rise of “better management” as the solution to a wide range of problems.
3. Late 1990s to 2010: No dominant model; several key concepts, including governance, networks, partnerships, “joining up”, transparency, and trust.

New Public Management in particular became a widely noted subject of research and policy discussions (Barzelay, 2001). According to Hood (1991, p. 3), its common understanding is reflected by seven doctrinal components: (1) “hands-on professional management” in the public sector, (2) explicit standards and measures of performance, (3) greater emphasis on output control, (4) shift to disaggregation of units in the public sector, (5) shift to greater competition in public sector, (6) stress on private-sector styles of management practice, and (7) stress on greater discipline and parsimony in resource use (Hood, 1991, p. 4 f.). That common understanding makes it useful, while being a loose term rather than a theoretical concept.

It must be mentioned that NPM-related reforms do not necessarily include all the components (Hood, 1991, p. 4) and that reform foci changed over time in practice. More generally, NPM can be described as the introduction and application of private sector management tools and styles in the public sector. From a practical perspective, privatisation, marketisation, decentralisation, output orientation, quality systems, and the intensity of implementation are common measures in line with NPM (van Helden & Jansen, 2003, p. 69). Regarding the scope of NPM-related reform initiatives, the United Kingdom, New Zealand, and Australia are prominent examples. While some other countries implemented comparable reform elements to a lesser extent, the generality of NPM is sometimes questioned (Barzelay, 2001, p. 14 ff.).²³

General criticisms of NPM include its lack of theoretical substance (Hood, 1991, p. 8 f.). Some critiques of NPM-related reforms include the concern that previous mechanisms ensuring

²³ See Raadschelders and Vigoda-Gadot (2015, pp. 165-182) for an overview of the implementation of NPM reforms around the world.

honesty and neutrality in the public sector are partially abolished. Fixed salaries, explicit rules of procedure, permanence of tenure, restraints on the power of line management, and clear lines of division between public and private sectors are the most important aspects in this context (Hood, 1991, p. 16). Further disadvantages might be derived from an ethical perspective: NPM raises new challenges to avoid behaviour that might be acceptable in the private sector but is not desirable in the public sector (van Helden & Jansen, 2003, p. 76 f.).

Several decades after the start of the first NPM initiatives, a number of empirical studies evaluated NPM reforms in different countries and mostly identified only limited achievements of the reforms in practice. In the United Kingdom, the administration and tax collection costs of central government increased considerably between 1980 and 2013 in absolute terms, especially in the cases of tasks that were outsourced, while civil service staff costs remained about the same. In other words, general cost savings were not achieved. Furthermore, citizens' complaints about public services and judicial reviews of administrative decisions rose, which does not indicate an increase in the quality of public services. In addition, survey data demonstrated that citizen satisfaction with and trust in central government did not improve in the United Kingdom in times of the NPM reforms (Hood & Dixon, 2015). Also, according to an evaluation study, the achievements of NPM reforms in the German local government in terms of performance improvements are limited; this is partially explained by the inadequate implementation of the reform initiatives (Kuhlmann et al., 2008; Bogumil et al., 2007).

Among the various public management reform models in recent years – also known as post-NPM models – the Neo-Weberian state (NWS), which was introduced by Pollitt and Bouckaert (2004), gained wider attention. The model combines Weberian and new managerial elements in line with NPM. On a closer look, the following aspects represent the Weberian elements: the focus on the state as the main problem solver, legitimated in a representative democracy, and an administration characterised by both its legal basis and a civil service with a distinct status. The “shift from an internal orientation [of] bureaucratic rule-following towards an external orientation [of] meeting citizens' needs and wishes” (Pollitt & Bouckaert, 2011, p. 118) characterises the main element beyond Weber's ideal type of administration. Further new elements include direct democratic components as an addition to representative democracy, the target orientation when using governmental resources, and the professionalisation of the civil service focusing on managerial aspects (Pollitt & Bouckaert, 2011, p. 118 ff.). Criticism of the NWS includes a paradigmatic character and internal inconsistencies, similar to weaknesses emphasised in the case of NPM (Dunn & Miller, 2007).

While prior and ongoing academic discussions about management changes and public sector reforms have primarily taken place or still occur in the context of national levels of government, local levels were affected by reform initiatives in the same way because of comparable administrative structures (Wollmann & Thurmaier, 2012) whereby the local level's own possibilities to initiate reforms were often limited. However, in the context of certain initiatives, such as a broader orientation towards citizens, the local level can even be considered as the forerunner of public sector modernisation (Kuhlmann et al., 2015, p. 180).

While the reform rhetoric is often extensive, it also needs to be taken into account that “distinguishing surface change from deep change will always be difficult in public organizations”

(Hood, 1995, p. 106). In other words, many reform initiatives might not comprise actual far-reaching changes, in contrast to developments suggested by the public relations work. More specifically, changing management tools is easier than changing management styles, since employees need to accept the changes (van Helden & Jansen, 2003, p. 79).

In summary, management reform initiatives, mainly aiming to increase public sector efficiency, are long-standing traditions. The related intentions to save costs on administrative expenditures often led to major changes in working conditions, while the performance improvements were often limited from an empirical perspective. At the local level, additional reform pressure often originates from other levels of government, alongside own initiatives. Similar mechanisms apply to Europeanisation, as a further development to be discussed in the next sub-chapter. In this case, provisions from a supranational level to local government are accompanied by attempts of municipal entities and their umbrella organisations to influence the policymaking of the relevant supranational institutions.

2.2.4. Europeanisation

Within a system of multi-level governance – consisting, for instance, of an international, supranational, national, regional, and local level – each layer has its competences. In addition, mutual formal and informal influence is usually given, and policy ideas can move across the administrative levels (John, 2000, p. 877). However, responsibilities might be divided unequally, and some layers might accumulate additional tasks over time, along with a shift towards a higher importance in relation to other layers.

The EU, whose predecessor organisation was established in 1958, constitutes the supranational level of government from the perspective of its member states. While striving for an equalisation of living standards, the European level has continuously acquired additional competencies, especially since the 1980s, and it expands its influence on national, regional, and local levels of government. In other words, it “changed the nature of nation state and subnational politics as it had been known for at least two centuries” (Goldsmith, 2003, p. 112).

While the theoretical and conceptual understandings differ, the “process by which increasing numbers of policy arenas have taken on a European dimension” (Goldsmith, 2003, p. 116) can be described as the *Europeanisation* or *European integration* of lower levels of the administrative system. In this context, the response by authorities of a certain administrative layer to European policies can be seen as the minimum requirement of Europeanisation (Featherstone, 2003). Other aspects include co-operation with the European level, as well as policy changes as a result of European standards. With regard to the content-related dimension, Europeanisation largely varies across policy areas, and sub-national government is particularly involved in the actual implementation of European legislation (Goldsmith, 2003, p. 127). From a more general perspective, Europeanisation, similarly to globalisation, “can be a useful entry-

point for greater understanding of important changes occurring in our politics and society” (Featherstone, 2003, p. 3).²⁴

Taking tendering rules into account, no area of local government in the member states is unaffected by the EU (John, 2000, p. 879), and this calls the tradition of municipal self-government into question in many countries (Denters & Klok, 2005, p. 74). In this regard, pressure from the European level generally leads to more homogenous policymaking at the local level across different countries (John, 2000, p. 877). In addition to formal processes of European integration through the implementation of EU legislation, informal policy adjustments, for example in the expectation of future European requirements, are also possible (Goldsmith, 2003, p. 112).

It must be noted, however, that the influence between the EU and local government is mutual. Apart from the European Commission’s implementation of policies affecting local authorities and the search for policy support at lower levels of government – known as Europeanisation from above – some local authorities search for more influence in European politics, which is known as Europeanisation from below (Benz & Eberlein, 1999, p. 331). In the 1980s, some larger cities and city networks opened their offices in Brussels to increase their influence on European legislation (Goldsmith, 1993). Since then, lobbying by the local level has grown continuously. The number of staff members that major cities are employing in Brussels increased along with the degree of professionalisation of their work (Dukes & van der Wusten, 2014). As a consequence, the Europeanisation of the local level also implies a greater pluralism of European policymaking (John, 2001, p. 71). In this context, it must be taken into account that because of financial resources, larger cities have more possibilities for individual lobbying activities in comparison with smaller municipalities. However, municipal networks might also enable smaller municipalities to represent their opinions at the European level. In general, it needs to be noted that sub-national government usually depends on the support of national government when aiming to influence European policymaking (Goldsmith, 2003, p. 126). In general, those measures are characterised by their informal nature.

To address the demands by the local level for a greater say, the European Committee of the Regions (CoR) was established as an official advisory body within the framework of European institutions in 1994. It is composed of 350 local and regional representatives of all member states in the EU. The members are elected while country quota are taken into account. While the CoR is entitled to express its opinion on European legislation with an impact on local government, and even though the committee is allowed to send appeals to the Court of Justice of the EU (European Committee of the Regions, 2016), it is generally considered as an institution with a limited influence on European legislation because of the lack of an official decision-making position (Hönnige & Panke, 2013; Heinelt & Niederhafner, 2008; Goldsmith, 2003, p. 126; Marks, 1993, p. 404).

To describe the usual sequence of steps, as well as the variation in terms of the reactions of local and regional levels of government towards European legislation, John (2001, p. 72 f.)

²⁴ For a more detailed discussion of concepts and mechanisms of Europeanisation, see also Dossi (2017, pp. 17-44).

developed the so-called *ladder of Europeanisation*. Starting with measures such as responses to EU directives and the maximisation of EU grants, higher rungs include the consultation of the EU on implementation issues. More recently, an alternative concept of European integration of the local level was developed by Guderjan (2015). With *absorption, attention, adaptation, action*, and *attitudes*, he identifies five empirical indicators of the positioning of the local level and local actors in relation to European policies. When comparing John's ladder of Europeanisation and Guderjan's indicators, a far-reaching consensus can be observed: Both models begin with the passive collection of information and the implementation of mandatory legislation by the local level. Also, the gradual development towards an active influence on European legislation is the key point of both theoretical approaches. However, considering certain activities, the activities are more realistic in larger cities or city networks than in small municipalities.

While most studies on the Europeanisation of the local level focus on opportunities, such as the chance to receive additional funding, and positive aspects in general, it must be noted that the increasing influence of the EU also implies aspects that can be considered as disadvantageous for local authorities. Constraints in own policy choices as a result of European regulation and expenses for the implementation of European legislations are common examples in this context (Fleurke & Willemse, 2006).

Based on the aforementioned information, it can be stated that the increasing influence of the EU on various policy areas did not leave local government unaffected. In addition to new opportunities, Europeanisation also implies new constraints from the local level's perspective. While European legislation operates from top to bottom within a system of multi-level governance, attempts by local authorities to influence policy decisions at the European level function the other way around. From a theoretical perspective, some models were developed with the aim of explaining the stance of local entities towards the European level as a process over time. In this context, the limited organisational capacities of smaller municipalities should be seen as critical factors in relation to the possibilities to gain influence. Influence from another perspective will be discussed in the following sub-chapter. With regard to developments such as low turnouts at local elections and dissatisfaction with political decisions, initiatives that are intended to increase citizen participation in municipal affairs can be observed more frequently.

2.2.5. Citizen participation

Attempts to involve citizens in political affairs more directly are increasing and ongoing in many industrial countries. Advisory committees and participatory budgeting are practical examples in this context, and their general contribution to democratic decision-making and positive effects on the quality of governance constitute the main virtues (Michels & de Graaf, 2010, p. 477). Furthermore, citizen involvement "contributes to the inclusion of individual citizens in the policy process [and therefore a broader range of opinions], it encourages civic skills and civic virtues, it leads to rational decisions based on public reasoning and it increases

the legitimacy of the process and the outcome” (Michels & de Graaf, 2010, p. 481). Improving the delivery of public services is a more practical advantage, as discussed already in early studies on the topic (Cole, 1975, p. 762).

Apart from the positive aspects of citizen participation, some scholars see potentially negative consequences, including the influence of authoritarian ideas often supported by lower socioeconomic classes to the detriment of democracy (Dahl, 1956, p. 89). Further disadvantages can result from the unequal representation of different societal groups in voluntary participation formats. Observations based on various projects confirm that the typical participant is male, above 50 years old, and highly educated, while other groups are usually underrepresented (Michels & de Graaf, 2010, p. 486; Vollaard et al., 2018, p. 22; Arnstein, 1969). Furthermore, and in contrast to most other recent reform initiatives, increasing citizen participation can usually not be considered as more efficient than decision-making in committees with a limited number of representatives involved (Dahl & Tufte, 1973; Vetter & Kersting, 2003a, 2003b; Ladner, 2017, p. 29). However, while most public sector reforms aim to enhance efficiency, it is not a necessary reform condition.

In general, initiatives to involve citizens in public affairs can be proposed and started by both citizens and public authorities. A variety of participatory initiatives, ranging from informal protest groups over small advisory bodies to committees with a binding decision-making power, can consequently be observed, and the initiatives’ legal role, information obtained, as well as temporal and financial resources can be considered as crucial for the outcome of their work (Bakker et al., 2012).

Classifications of citizen participation programmes regarding the degree of actual citizens’ influence and the scope of programme coverage have already been discussed for several decades (Cole, 1975, p. 764). A widely cited typology is the *ladder of citizen participation*, which was introduced by Arnstein in 1969. With eight rungs in three categories, it describes a gradual process from non-participation to citizen power. While the ladder is certainly a simplification, it provides a useful categorisation of initiatives in the context of citizen participation depending on the degree of influence at any level of government.

From the perspective of local government, involving citizens from an early stage can lead to more support for policy decisions. Furthermore, additional ideas can improve the policy outcome (Michels & de Graaf, 2010, p. 481 f.). In the context of urban planning, the involvement of citizen initiatives can also lead to cost reductions, compared to a purely bureaucratic process. In addition, the quality of life and safety of a neighbourhood can increase by involving the public and raising the citizens’ awareness for their community (Bakker et al., 2012, p. 396).

In summary, democratic forms of government are not limited to the periodical election of representatives. Especially in policy areas, such as urban planning, the involvement of citizens appears to be beneficial at the local level. While this involvement can vary in its scope, potential resistance can be addressed with a consensual approach from the beginning. Moreover, digitalisation as a form of technical advancement is another development that enhances the possibilities to include citizens in municipal decision-making at relatively reasonable costs. The

digitalisation of public services as a further recent trend will be addressed in the following subchapter.

2.2.6. Digitalisation of public services

Technical progress has had a major impact on communication. As an example of developments within the last century, fountain pens were partially replaced by typewriters as the main tool to create documents aimed to exchange information, and a few decades later, those were substituted with computers. Since governmental communication is not limited to internal contacts, but involves the interaction with citizens and businesses outside the administration, contemporary communication tools are inevitable. In the context of communication, digitalisation has been the most important step forward in recent decades, entailing corresponding adjustments in governmental entities. In other words, continuous investments in an appropriate technical infrastructure and its maintenance, as well as possible training courses for staff members, are necessary.

In general, the digitalisation of external and internal communication is mainly characterised by the use of computers and the growing possibilities of services related to the Internet. With a focus on the digitalisation of public services, the trend is also referred to as electronic government or e-government. According to the United Nations (2014, p. 2), “e-government and innovation can provide significant opportunities to transform public administration into an instrument of sustainable development”²⁵. Upon closer inspection, the administrations’ efficiency, transparency, and accountability, as well as the quality of public services, might potentially improve (United Nations, 2014, p. 2). Given this considerable potential, some scholars (Weerakkody & Reddick, 2013) even argue that e-government is “a necessity rather than an option” (p. 1) and that nowadays, “citizens consider it as their right to have access to government services at anytime from anywhere” (p. 1).

As many other developments, digitalisation implies not only possible advantages but also challenges for all levels of government. One advantage is that information and services can be provided more effectively and efficiently (Norris & Reddick, 2012, p. 165). The cost to disclose information on the Internet, for example, is much lower than the cost of printed and shipped reports. As an additional consequence, digitalisation can increase transparency by reaching a larger share of the population. Furthermore, digital services enable citizens and companies to arrange their matters with government, independent of time and place. In the case of many public services, standing in line or waiting on the phone to talk to a civil servant in person is no longer necessary, thereby implying efficiency gains for all the actors involved.

Challenges include data security, since data stored on servers connected to the Internet, as well as data transferred over the Internet, can always become the target of attempts to gain unauthorised access to the information and possibly modify the data. Compared to the times

²⁵ The potential contribution to sustainable development is also the main reason e-government is promoted by the United Nations (2016, p. 23 f.; 2014, p. 1 f.).

of handwritten files or files written on a typewriter stored in file cabinets, the risk of unauthorised access has certainly increased. On the other hand, however, global data access makes working more flexible in relation to one's place of stay or residence, compared to non-digital times.

Keeping up with technical progress can also be seen as one of the main challenges in the context of digitalisation from a governmental perspective, especially since bureaucratic organisations are not known for rapidness in implementing new procedures and technical equipment. Furthermore, the adequate provision of information and services for all societal groups can be considered as important, since the use of a certain form of communication technology, for example, is often linked to a citizen's age. It also needs to be taken into account that investments might be necessary before realising efficiency gains in the longer run.

The digitalisation of information and services is relevant to all levels of government; however, the conditions differ. While the local level is responsible for the largest share of public services in many industrial countries, the targeted audience is smaller than at the national level because of responsibilities limited to citizens and companies in a certain geographical area. As a consequence, achieving efficiency gains by digitalising public services might be a longer process for local authorities. Regarding the development of technical solutions for local government, co-operation between municipalities seems to be beneficial, since the requirements of digital solutions are similar and development costs are relatively high.

Research on local e-government is generally limited. Some empirical studies on the level of development in different countries have been published in recent years (Norris & Reddick, 2012; Ruano de la Fuente, 2014; Fan, 2011). Other single-country studies have focused on aspects such as local level partnerships in the context of e-government (Hodges & Grubnic, 2010) and citizens' intentions to utilise digital public services (Rufín, Medina & Sánchez Figueroa, 2012).

Since the role and the responsibilities of the local level vary from one country to another, a cross-national comparison of the digital provision of public services at the local level is complex. However, when it comes to providing information digitally, municipal websites are of great importance in most countries. The information and public services that are provided on municipal websites also depend on certain factors, such as legal conditions and personnel resources. From a transparency perspective, the possibilities to provide information on political-administrative affairs online are extensive and include, for example, minutes of council meetings and reports on meetings of politicians with various stakeholders. However, while a further potential to increase the digitalisation of public information and services exists for all territorial entities, political will, alongside technical feasibility, is certainly important.

In short, digitalisation as a form of technical advancement has changed and continues to change the mode of operation of the public sector (West, 2005). At the local level, public services and information are increasingly offered digitally, often accompanied by a higher level of user-friendliness and cost reductions in the area of communication. Particularly in the context of e-government, there is still large potential for future developments at all levels of gov-

ernment. Relations between the six major trends identified in local government and governance have already been briefly addressed in some cases, and a structured discussion of the connections follows in the next sub-chapter.

2.2.7. Towards larger territorial units and more municipal tasks

The previous sub-chapters discussed the decentralisation of tasks, municipal amalgamations and municipal co-operation, management changes, Europeanisation, citizen participation, and the digitalisation of public services as six major developments and trends at the local level in recent decades. While these developments were regarded separately to emphasise the details and implications at the local level, various interactions between the trends are given. In fact, most developments follow common goals, especially an increase in efficiency, and they mutually enhance one another. However, conflicting goals might also occur when reforming local government. In the latter case, priorities need to be set by the persons in charge.

In general, when reforming the local or any other level of government, transaction costs must be taken into account in order to have a complete overview of all costs and benefits. Transaction costs involve opportunity costs for developing reform measures, operating costs to implement new institutional arrangements, and potentially various types of sunk costs (Kuhlmann & Wollmann, 2011, p. 482 f.). These costs are typically part of a multi-year reform process and can affect the advantageousness of the reform itself, at least in the short term. If the transaction costs are higher than the cost savings of the reform, then the reform can be considered as financially adverse. However, reforms can also be desired from a content-related perspective, even if financial advantageousness is not given. In this context, evaluations can serve as useful tools to assess the overall costs of a reform as well as the reform outcome in general.

Decentralisation and municipal amalgamation describe changes in responsibilities from organisational and territorial perspectives. In combination, these trends imply a development towards larger units at the municipal level with more tasks. In other words, fewer municipalities are responsible for providing more public services to more citizens. Efficiency gains are usually considered to be the main benefits if, for example, identical public services are provided to a larger target group by civil servants possessing better knowledge on local conditions. On the other hand, large units can have a negative impact on the local identity and citizens' interest in being involved in political-administrative affairs. In some cases, decentralisation measures were also implemented to increase the potential of citizen participation, which in turn might have a positive impact on local identities. From a more practical perspective, it needs to be taken into account that technical advances and the digitalisation of public services has enabled far-reaching decentralisation measures as well as municipal amalgamations, since many types of municipal affairs can be arranged digitally nowadays, and distances are no longer as important as they were several decades ago.

While efficiency gains represent an explicit or implicit motivation of various reform initiatives in the public sector, management changes in line with NPM have focused strongly on this goal. In the 1980s, around the same time as the beginning of many NPM-related reform initiatives, the digitalisation of communication within the administration, as well as with citizens and businesses, emerged as a suitable opportunity that aligned perfectly with NPM. Many reform initiatives consequently included e-government strategies as instruments to make the administration more efficient.

Citizen participation can also largely benefit from digitalisation by providing citizens with possibilities to take part in public decision-making processes with a lower own effort, compared to older forms of participation procedures, which typically required personal presence. Websites especially and extensively increased the availability of governmental information. Moreover, while online interaction between government and citizens has remained relatively limited in many countries, the technological development already seem to be appropriate for widely increasing digital citizen participation in the future, given the political will to do so. From a practical perspective, discussion forums and online voting tools are not particularly difficult to implement.

However, increasing citizen participation in democratic decision-making processes is usually not considered to be more efficient, compared to decisions by committees consisting of a relatively limited number of persons. Involving more people requires constant additional resources, at least for co-ordination purposes. Therefore, the trend towards more citizen participation differs from the other trends discussed in this chapter regarding its main intentions, which can be found in the search for broad societal compromises and conflict avoidance rather than efficiency (Dahl & Tufte, 1973; Vetter & Kersting, 2003a, 2003b; Ladner, 2017, p. 29).

Europeanisation, in relation to the increasing importance of the EU in its member states, is mainly characterised by the necessity to adapt legal provisions and organisational procedures from a local-level perspective. While the nature of the trend, as a development originating outside the nation state, is different from the other developments outlined before, it can also be considered as a type of functional reform, compared to decentralisation measures.

While the developments discussed in this sub-chapter are largely motivated by public officials' will for change – either originating at higher levels of government or at the municipal level itself – in combination with factors within the administration, the need for change can also emerge outside the political-administrative system. The global economic downturn of the early 1980s, in the context of the second oil crisis, for example, increased the pressure on public finance (Hendriks & Tops, 2003, p. 305). The same applies to the Financial Crisis in more recent years. In some countries, politicians and civil servants also became aware of the difficulty in reacting to these challenges with given organisational structures. The pressure to modernise the public sector thus emerged from various sources, and a general tendency towards the necessity of achieving more with less resources explains the attempts to make the public sector more efficient. These circumstances can be considered as the driving force for reform initiatives, especially focusing on both municipal amalgamations and municipal co-operation, management changes in line with NPM, and digital service provision. In the context of this

study, the challenge will be to assess the impact of and responses to the Financial Crisis since 2007 at the local level by extracting all the developments that were not initiated as a result of the economic downturn; in this regard, interactions between the crisis and these developments will be taken into consideration.

In summary, local government and local governance have undergone major transformations in recent decades. While most of the changes have aimed to increase the efficiency of the local administration and public service delivery independent of the origin of the impulse for changes, this is not necessarily the case for all reform initiatives. In line with the mostly common goal, various links between the trends and developments at the local level can be observed. After addressing these major transformations, the next chapter will focus on local government finance. Apart from theoretical explanations of aspects, such as taxation and budgeting, strategies to deal with the impact of a financial crises on local government's financial situation will be discussed.

2.3. The system of local government finance

As with all other levels of government, the local government requires financial resources to fulfil its tasks. On the revenue side, the circumstance wherein parts of the municipal income are often transferred from higher levels of government is an important difference in comparison with other layers of the administrative subdivision. Dependencies and limitations regarding the adjustment of revenues are the logical consequence. Furthermore, the utilisation of financial resources is often partially earmarked for the fulfilment of certain public services in order to guarantee a similar standard across the country. Based on the above-mentioned factors, local authorities are usually exposed to certain limitations regarding their own possibilities to shape the positions on both sides of their budget. Nevertheless, a certain decision-making scope remains, usually with a focus on certain policy areas with local responsibilities and major differences from a cross-country perspective.

In the context of a financial crisis, generally characterised by lower revenues and higher expenditures of the public sector, governments might need to rethink their financial priority setting or even their overall financial planning. Potential attempts to moderate the impact of a crisis might include changes in spending priorities and efforts to generate additional income. Therefore, questions arise regarding how financial planning changes on both sides of the budget sheet and how the corresponding decisions are made. While the topics concern all levels of government in general, legal and organisational conditions might, to a varying degree, limit the financial room to manoeuvre. In particular, the local level might be constrained because of national or regional provisions excluding certain possibilities for financial changes by the municipalities. Independent of the governmental level, those territorial entities deeply in debt and with corresponding repayment obligations are also usually restricted in increasing expenditures. As a consequence, the intention to adjust public revenues or expenses does not always lead to actual modifications.

This chapter presents the theoretical understanding of local government finance, partially derived from public finance in general, and it consists of four sub-chapters. The first one addresses the income side and municipal taxation (2.3.1). Local public budgeting at the expenditure side, with a focus on decision-making processes, is the topic of the second sub-chapter (2.3.2). The relations between public income and expenditure, including the necessity of coordinating intended changes on both sides of the budget, conclude those general theoretical explanations (2.3.3). However, based on the occasional need to adjust the financial planning or even the organisational structure of a governmental entity in the case of far-reaching changes in the framework conditions, for example in the case of events such as a major financial crisis, insights into dealing with these circumstances are crucial. Therefore, the last sub-chapter focuses on local government finances in times of crisis, including theories on crisis budgeting, austerity measures, and cutback management (2.3.4).

2.3.1. The income side of municipal budgets

To perform their tasks, public bodies need sufficient financial means, which are either generated autonomously or assigned from other levels of government. In the area of self-generated income, taxes and other types of duties, which are levied from citizens and businesses, can be distinguished, although the terms are not always used consistently, especially in public debates.

Taxes can be defined as “compulsory, unrequited payments to general government [...] in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments” (Organisation for Economic Co-operation and Development, 1996, p. 3). While a tax is usually billed or directly subtracted by the government, in accordance with legal provisions, as a percentage share from personal or corporate earnings or possessions, the types of taxes that have developed in different countries over centuries are quite diverse and sometimes even exotic.

Income taxes, property taxes, and consumption taxes are examples of common types of taxes. In this regard, a further distinction between direct and indirect taxes is possible. Direct taxes are paid to government by the person or company being charged for their benefit. Property taxes, for example, often follow this design. Indirect taxes are not paid by the person or company receiving the benefit through a transaction, but by the seller of the goods or services. Value added tax (VAT) is the most common example of an indirect tax.

Fees and charges are the second types of duties generating public revenues, apart from transfers. Those fees and charges are “levied in connection with a specific service or activity, [and] the strength of the link between the fee and the service provided may vary considerably, as may the relation between the amount of levy and the cost of providing the service” (Organisation for Economic Co-operation and Development, 1996, p. 4). In other words, the connection to a specific service describes the main distinction among taxes. Furthermore, fees and

charges are usually set as fixed amounts of money per person. Entrance fees for a public swimming pool or a museum are typical examples. Fines, such as those related to parking offences, are also usually considered to be fees (Organisation for Economic Co-operation and Development, 1996, p. 4).

In practice, a clear distinction between taxes and fees or charges is not always possible. Some duties that persons or companies are obliged to pay partially meet the criteria of both types (Organisation for Economic Co-operation and Development, 1996, p. 4). Especially at the local level, personal benefits could be linked to the amount of taxes paid, if a company or private person contributes a large share of local revenues and has an influence on policy decisions. Furthermore, mandatory fees per household are possible, where a clear link to an utilised service is not present.

Over the centuries, politicians and civil servants have developed a broad variety of taxes and other types of duties, including many special rules to fine-tune the burdens, leading to often relatively complex taxation laws. While the generation of government revenue is certainly a common motivation, influencing citizens' behaviour is also an intention in the context of some taxes on goods, such as alcohol and tobacco. Since people might adopt behaviour as consumers based on taxes, questions also arise in the field of optimal taxation in general. Another potential purpose of taxation is the internalisation of external effects. Known as Pigovian taxes, named after the developer of the concept, Arthur Pigou, these taxes are intended to correct for effects that are not included in the market price (Pigou, 1920). In practice, the concept is most commonly used in environmental politics, for example in the context of various types of pollution.

In a system of multi-level governance, taxes, charges, and fees can be raised at all levels of government and possibly redistributed afterwards. Since double taxation should be avoided, and since uniformity is often intended to some extent, higher levels of government usually limit the opportunity for taxation of lower levels of government by law. From a theoretical perspective, collecting revenues by federal government is also considered more efficient because of economies of scale (Rossi & Dafflon, 2002, p. 15). However, while the scope of taxation responsibilities is always limited to a certain territory, patterns can be observed regarding the foci, which are often linked to important resources or industries within the region or municipality. The possible variation and hence uneven distribution of local tax revenues, related to local conditions, can also serve as an argument for an allocation system where taxation is mainly or exclusively conducted by higher levels of government taking care of the consistent distribution of financial resources.

Next to own revenues generated through taxes, fees, and charges, transfers from other levels of government characterise the second main source of income at lower levels of government. Depending on the legal conditions regarding the generation of own revenues, it can be said that the local level largely depends on transfers from central government in many countries. Non-earmarked transfers, with unrestricted usability, and earmarked transfers, linked to the conduction of certain tasks, can generally be distinguished. It should be taken into account that earmarked transfers imply municipal income, while the own decision-making scope is often limited, especially if a determination is made regarding not only the specific tasks that

must be conducted, but also how they need to be done. It must also be noted that redistributive systems can create incentives to spend more than is reasonable and encourage one to violate fiscal discipline, since a clear link between revenues and expenditures is not given, and a free rider behaviour can set in (Rattsø, 2002, p. 277). In a system where the local level mainly depends on transfers from central government, the limitation of the political-administrative room to manoeuvre in general, as well as that room to manoeuvre in times of crisis in particular, also implies that pressure from voters and other groups interested in governmental action or policy change should be directed to central rather than local government (Rodden et al., 2003, p. 14 f.).

Taken together, the income side of municipal budgets is usually comprised of multiple types of revenues. While own income in the form of taxes, fees, and charges imply a certain leeway for adjustments, financial transfers from other levels of government are usually difficult to adjust from a municipal perspective. Alongside questions in relation to the generation of municipal income, questions regarding the favoured allocation of financial means arise on the other side of the municipal budgets. Those will be addressed in the next sub-chapter.

2.3.2. The expenditure side of municipal budgets

For reasons of finite financial resources, governments need to decide on which tasks to spend their funds. In this context, priorities must be determined to make a choice. In practice, the individual share of funds for multiple tasks should be agreed on by political bodies or within the administration, while existing obligations limit the scope of decision-making, at least in the short run. Although the evaluation of whether one task is more important than another is subjective, all levels of government face the same challenges in deciding on their expenditure.

Academic research on budgeting-related questions originated several decades ago. Already in 1940, Key described “the allocation of expenditure among different purposes so as to achieve the greatest return” (p. 1137) as the most important aspect of public budgeting. Furthermore, he introduced the following question as the basic budgeting problem on the expenditure side: “on what basis shall it be decided to allocate x dollars to activity A instead of activity B?” (Key, 1940, p. 1138). The general importance of budgeting was pointed out by Wildavsky (1961), who described the budget as the “the life-blood of the government, the financial reflection of what the government does or intends to do” (p. 184). In other words, it is not only necessary to formulate priorities in order to assign certain funds, but the budget also enables external parties to assess the political preferences of the legislator. With a focus on the procedure, Schick (1966) defines budgeting as “a process for systematically relating the expenditure of funds to the accomplishment of planned objectives” (p. 244), and planning is considered to be future-oriented based on present decisions. Furthermore, planning is means-end orientated by allocating resources according to the goals to be accomplished and taking all relevant factors into account, at least in an ideal case (Schick, 1966, p. 256).

According to Wildavsky (1961), a normative theory of budgeting “is utopian in the fullest sense of the word; its accomplishment and acceptance would mean the end of conflict over government’s role in society” (p. 184). In other words, differing opinions on governmental tasks and preferences always include a subjective dimension when assigning financial resources to certain areas of responsibility. Budgeting consequently always needs to be considered in the context of local conditions and relevant interest groups. Furthermore, changes over time might partially be explained by new preferences of the actors involved or shifts in the distribution of influence.

From a theoretical perspective, separate budget decisions are always made based on relative values of certain targets because of the lack of objective targets. As a result, a budget analysis “is basically a comparison of the relative merits of alternative uses of funds” (Lewis, 1952, p. 42). Furthermore, the intended goals must be worth the expected costs as a general criterion (Lewis, 1952, p. 42). Key (1940, p. 1138) has already pointed out that budgeting can be economically or politically motivated in practice. More precisely, budget decisions are in reality influenced by non-economic and non-rational factors, including political beliefs, according to Lewis (1952, p. 54). While relatively little is known about how specific budgetary decisions are actually made in practice, and a wide variation in the general proceeding can be observed, budget changes often depend on policy changes or changes in the distribution of influence (Wildavsky, 1961, pp. 185, 187). According to Schick (1966), “the appropriations cycle, rather than the anticipation of future objectives, tends to dictate the pace and posture of budgeting” (p. 256). The difficulty to analyse the origin of changes in the financial planning of a public body is hereby illustrated once more.

Budgeting systems, as a more process-oriented approach to assess budgeting, include a planning, a management, and a control orientation. While the planning orientation focuses on the long-range goals and policies and on how these are related to a particular expenditure, the management orientation has a more practical focus by searching for ways in which to achieve goals in the most efficient manner. The control orientation also deals with practical questions, such as those related to reporting procedures and the enforcement of expenditure limitations (Schick, 1966, p. 245).

Given the general growth of governmental activities, the budget totals as well as the number of items and sub-items have increased in recent decades. Often, single items have consequently become less important in relation to the overall budget. Furthermore, keeping track of the development of items related to certain tasks can prove difficult in the long run (Schick, 1966, p. 249).²⁶

Closely related to the question as to what resources to allocate to which governmental activity, is the question of how to measure and evaluate governmental activities. An early study on this topic at the local level was published by Ridley and Simon in 1943. In the context of common municipal tasks in the US, such as fire protection and the police, they developed measurement techniques by elaborating sets of factors that should be taken into account from an

²⁶ See Wildavsky and Caiden (2004) and Wildavsky (1964) for elaborated overviews of the budgetary process in the United States, including some general lessons on the role of politics.

economic perspective. Apart from the general complexity involved in measuring and comparing municipal activities, the specific difficulty in assessing municipal performance became apparent.

In summary, public budgeting can be described as a challenge in allocating limited financial resources to various purposes at all levels of government. As a result, fixed or mandatory expenses can largely limit the leeway regarding decisions on a changing composition of public expenses in the short run. Furthermore, expenses should always be considered in relation to revenues. This link will be addressed in the following sub-chapter.

2.3.3. The relations between public income and public expenditure

As for any household or corporation, a balanced budget, which is defined as having comparable levels of income and expenditure, is the best way to guarantee the public sector's solvency, especially in the long term. In other words, budgetary discipline is crucial for fiscal sustainability (Rossi & Dafflon, 2002, p. 30). High levels of debt and interest payments can also vastly reduce the room to manoeuvre. Apart from possible monetary measures, governmental bodies generally need to adjust expenditures to revenues, or vice versa.

At lower levels of government, variation in public income and expenditure is possible across the political-administrative layer because of local priorities and geographic features. One municipality might prefer to invest in a swimming pool, while another uses its coastal location to build a seaside resort. Given the long-term nature of many investments, decisions in the past can largely influence both sides of the budget over decades.

From a theoretical perspective, the so-called revisited golden rule, which states that "a balanced current account combined with a capital account in which government borrowing for investment expenditures is tolerated, or even promoted for inter-generational equity reasons" (Rossi & Dafflon, 2002, p. 28), serves as a reference point for budgeting decisions. The involvement of inter-generational effects refers to the fact that benefits from investments can occur with a time shift (Rossi & Dafflon, 2002, p. 19).

To guarantee financial stability, balanced budgets are required by law in many countries. In the EU, the so called Maastricht criteria, based on article 126 and article 140 of the Treaty on the Functioning of the EU, include government budget deficit regulations. The criteria apply to the public sector of each member state as a whole, which includes local government (European Union, 2007; Dafflon, 2002, p. 1 f.). Apart from these general requirements, budgeting and balanced budget rules can be designed differently. It can be determined, for example, that a budget needs to be balanced when prepared. Deviations from this ex ante approach would be possible once the expenditure is undertaken for certain duties and once taxes are collected. Ex post regulations, on the other hand, require that the budget is balanced after all transactions are performed (Dafflon, 2002, p. 4). With regard to sub-national government debt, it is possible, for example, to require a review of every single borrowing operation, or to

define an annual or total debt ceiling from a supervisory perspective (Rossi & Dafflon, 2002, p. 36).

Especially for lower levels of government, supervisory procedures by higher levels of government might apply, and largely unbalanced budgets might not be permitted. In addition, support and bailout mechanisms might be specified by law if financial straits cannot be avoided otherwise.

In all European countries, local government budgeting and borrowing are restricted by regional or national legislation and monitored in accordance with the legal requirements. In this context, the approaches and the scope of limitations and supervision vary widely across countries. Additional differences are given in some countries, where the regional levels decide on framework conditions for the local level (Dafflon, 2002, p. 13 f.). The administrative and institutional arrangements in the context of budget control, developed over decades, also reflect different cultural, social, and political backgrounds (Rattsø, 2002, p. 277, p. 288). However, the actual effect of budget rules in practice, especially regarding the relation to policy results and the influence of business cycles, is sometimes questioned (Rossi & Dafflon, 2002, p. 37).

Regarding the design of local expenditures, the mobility of residents must be taken into account as well. If citizens are not satisfied with the public services and infrastructure provided, they might see a possibility to optimise their living conditions by moving to another municipality. In this context, citizens' preferences can largely differ depending on their personal situation. For some inhabitants of a municipality, good schools for their children might be important, while others favour investments in a high-quality municipal golf course (Tiebout, 1956). Similar links are given for businesses; for example, appropriate infrastructure in line with a company's business model can be considered as an important factor in the decision to remain at a location or to move to another municipality. New settlement of companies implies the same decision-making process.

With taxes, fees, and charges on the revenue side of local government, burdens on citizens and co-operation can vary as well. Assuming a rational behaviour, both groups prefer levies that are as low as possible (Rossi & Dafflon, 2002, p. 18 f.). In accordance with the wish for comprehensive public services and high-quality infrastructure, a clear contradiction is evident. However, if citizens and companies deem the local tax burdens to be too high and especially higher than elsewhere, they might decide to resettle, depending on their geographical flexibility, for the same reason as a poor quality of public services and infrastructure.

In other words, municipalities may find themselves in competition with one another for local residents – especially those who pay more taxes and fees than the welfare benefits they might receive – and for companies (Rossi & Dafflon, 2002, p. 22). Assuming a certain mobility of both groups in the long run, the design of expenditure and revenues within the scope of local decision-making is important, since small differences can have a major impact on the location decision. In this context, a large number of municipalities with varying services and infrastructure means more options to choose from. Budget deficit regulations, on the other hand, might serve as moderators in this context, since the scope of differences is limited, especially within a certain country or region (Rossi & Dafflon, 2002, p. 24).

In short, in terms of comparable levels of income and expenditure, balanced budgets can be considered as desirable at all levels of government in order to guarantee financial health in the long term. At the local level in particular, supervision and regulation by regional and national bodies were introduced to avoid extensive financial imbalances. However, plausible financial planning can be affected by exceptional external circumstances. While potential changes on the income and expenditure side can be recognised with a safety margin to a certain extent, these measures are limited. Events such as major financial crises, for example, are relatively unpredictable factors with far-reaching implications. Nevertheless, public finances need to be adjusted to these new framework conditions. Possible reactions and procedures, such as attempts to generate additional revenues, crisis budgeting, austerity measures, and cutback management, will be addressed in the last sub-chapter based on political-administrative theory.

2.3.4. Local government finance in times of crisis

Some times are exceptional, and previous planning is no longer applicable. This is especially the case if the responsibility for the changes is largely beyond one's own influence. Financial crises, emerging from the private financial sector, for example, can represent events that make readjustments in public finances and organisational structures at all levels of government necessary. While it can be argued that national levels of government are able to reduce the likelihood of financial crises with appropriate regulatory measures, lower levels of government are mainly faced with situations for which they are not responsible, but to which they need to react. In this context, attempts to generate additional revenues, as strategies on the income side, and crisis budgeting, austerity measures, and cutback management, as approaches on the expenditure side, can be distinguished.

Adjusting revenues is a common strategy to address changing framework conditions, such as a financial crisis, including higher expenses. With the intention to increase government income, the assessment rates of existing taxes, fees, and charges can be raised, and new types can be introduced. In addition, the design of existing taxes, fees, and charges could be changed, for example by repealing exceptions. However, higher costs can lead to decreasing consumption, especially in the context of non-essential goods and services. Higher taxes can consequently lead to lower tax revenues if consumers adjust their purchasing behaviour, which illustrates the importance of simulating the adjustment mechanisms when intending to raise taxes.²⁷

In line with counter-cyclical policies, it is also possible to argue in favour of tax reductions in times of crisis to stimulate both private consumption and corporate investments and hence the economy as a whole. However, further adjustment mechanisms need to be considered in

²⁷ See Kaplow (2011) for further explanations of optimal taxation.

this line of argumentation as well: citizens might wish to save their additional disposable income, and companies might prefer to improve their cash balance, especially in times of crisis.²⁸

The impact of an extensive financial crisis on the governmental budgetary process was discussed by Schick (2010a). While the budgets of industrial countries are usually equipped with automatic stabilisers to adjust revenues and expenditures in times of crisis, these mechanisms were not sufficient in the case of the current Financial Crisis. From a financial perspective, additional measures to support private households, companies, and states under pressure generally include grants, loans, and guarantees. Many questions arise regarding the integration of these rescue measures into a budget. Valuating assets that were secured, for example, can prove to be difficult.²⁹ Furthermore, the time-based delimitation might not be easy, since the time horizon is hardly foreseeable, and credits might fail in the long run. From a more technical perspective, the following can also be questioned: where should the rescue measures that led to extrabudgetary entities in some countries be recognised?

In general, crisis budgeting largely differs from normal budgeting. The budgeting procedures take place aside from the usual routines. Moreover, fixed schedules no longer apply, and various adjustments are made along the way. Shifts in power towards more centralised top-down decision-making can thus often be observed. On the outcome side, budgets might contain larger changes, compared to the relatively incremental changes of previous decades. Nowadays, spillover effects beyond national borders has also gained in importance. To address these changing circumstances, more supranational and international budgetary co-ordination is needed. Furthermore, the changes within a budgetary process because of a crisis might also have long-term consequences beyond the financial obligations for budgeting itself. As a consequence of the “largely unstructured and improvisational rush for decisions” (p. 2), as crisis budgeting is characterised, many new conflicts might arise (Schick, 2010a).

Regarding budgetary rules, Schick (2010b) argues that the recent Financial Crisis has demonstrated that too strict regulations do not work if the government is not able or willing to enforce them. More flexible rules are seen as a solution to increase the capacities to react to financial difficulties. However, too much flexibility and creative budgeting can certainly cause financial problems as well.

From a historical perspective, the public sectors of Western countries have increased extensively over the last centuries. Political rulers have decided on the adoption of additional tasks by the state, and public services have been implemented. Since services require financial resources, they depend on government revenues, which, themselves, are often linked to the economic situation. A recession can therefore complicate the provision of public services and can lead to the necessity of service reduction, which was often not anticipated in public management strategies based on the assumption of continuous growth of public revenues and

²⁸ The understanding of fiscal reactions to financial crisis according to the main economic schools of thought will be discussed in the next chapter in more detail.

²⁹ It needs to be taken into account that not even private banks were able to value some of their assets in the course of the recent Financial Crisis. The high complexity of some financial products can be considered as the main reason.

expenditure (Levine, 1978, p. 316). The global economic downturn of the early 1980s, in the context of the second oil crisis, illustrates this problem. Apart from a recession or economic crisis, many other circumstances, such as strongly increasing expenditures in one policy area, mismanagement in the past, or pure political will, can constitute reasons for measures to downsize the public sector in order to remain solvent. Within a system of multi-level governance, the necessity to reduce spending can also originate from a decrease in funds by other levels of government and changes in the distribution of tasks. However, while cutbacks can occur at all levels of government, they are usually most notable at the local level for citizens.

Actions involving a reduction in governmental expenditures are usually referred to as *austerity measures* or *cutbacks*. While both terms are often used synonymously, austerity measures are hereafter understood as strategic actions to reduce government spending from a broad point of view. In contrast, cutback management refers to more precise actions, following the definition of Levine (1979, p. 180), of “managing organizational change toward lower levels of resource consumption and organizational activity”.

In times of declining public revenues, legal requirements in the form of balanced budgets, as well as public opinion on reasonable and sustainable management, might require governments to reduce expenditure (Levine, 1978, p. 317 f.). In addition, austerity measures can be decided on, especially when a more severe crisis in the near future or declining revenues are expected. Therefore, economic forecasts play an important role, also illustrating the high uncertainty upon which those decisions are based.

According to Levine (1978, p. 319), organisations are faced with three consecutive decisions in case of a decline. First, the organisation must decide whether it can find a strategy to resist or smooth the decline. Second, in the case of more than one possible strategy, it must decide which one is the most promising. Third, if still necessary, the organisation needs to decide *how* and *where* to cut. In addition, the question of *when* to cut seems to be relevant in the context of possibly delayed crisis impacts. Furthermore, co-ordination between different levels of government is favourable to avoid contradictory measures. From a practical perspective, dismissal based on low seniority, hiring freezes, even-percentage cuts across the board, productivity criteria, and zero-base budgeting were considered as popular cutback methods in the 1970s and 1980s (Levine, 1978, p. 320). In more recent years, the importance of the relationship between cutbacks and management reforms has been pointed out by Pollitt (2010).³⁰

With the beginning of the Financial Crisis since 2007, questions regarding austerity measures and cutback management received renewed attention in public debates and academic literature. Raudla, Savi, and Randma-Liiv (2015b) have analysed cutback management literature from the 1970s and 1980s in the light of the new challenges.³¹ They have concluded that across-the-board cutbacks, which are also known as lawnmower or cheese-slicing approaches, and targeted cutbacks are still the two main strategies from which to choose if expenditures

³⁰ See Levine, Rubin, and Wolohojian (1981) for a study on cutback management at the local level in the United States, and Dunsire and Hood (1989) for an overview of cutbacks and cutback management in the United Kingdom.

³¹ See also Overmans and Noordegraaf (2014) for an overview of the austerity management literature.

need to be reduced.^{32 33} Across-the-board and targeted cuts both have a number of advantages and disadvantages; the advantages of one approach are in line with the disadvantages of the other and vice versa. The main advantages of equal cuts are lower decision-making costs, lower potential for conflicts within an organisation, and the equitability of the approach. The missing link to public needs and preferences, the efficiency of the organisation, the omission of different sub-units' varying needs, and the general possibility of declining scope and quality of public services are the main disadvantages of across-the-board cuts. In general, choices on across-the-board and targeted cuts can be made at all levels of government. This implies that during one crisis event, different levels can opt for different strategies as well as variation across the same layer of government (Raudla et al., 2015b, p. 436 ff.; Kickert et al., 2015, p. 566).

Most empirical insights into cutback management were gained in the US – especially within U.S. local government – and in the UK. In practice, cutbacks are often realised in multiple rounds and by combining both abovementioned strategies. The findings demonstrate that a long duration and a high intensity of fiscal stress are both factors that encourage decision makers to opt for targeted cutbacks rather than across-the-board cuts, while at the beginning of a crisis, across-the-board cuts are more likely. Targeted cuts often follow if the scope of the crisis makes them necessary (Raudla et al., 2015b, pp. 435, 440 f.), as already outlined before. Overall, targeted cuts also appear to be more likely because of political preferences and the lobbying work of interest groups. The unequal distribution of mandatory expenditures makes targeted cuts more common as well. In addition, country-specific legal requirements and features of the political-administrative system influence the choices of cutback strategies (Raudla et al., 2015b, pp. 439, 449).

Apart from the general question on the need of a cutback strategy and the distinction between two main strategies, choices must be made on where to cut and which method to use, especially in the context of targeted cuts. Raudla, Savi, and Randma-Liiv (2015b, p. 442 ff.) distinguish between three categories of cutback measures: organisational expenditure, programme expenditure, and investments/capital expenditure. While *organisational expenditure* often includes the reduction of personnel costs, they are not limited to a reduction of spending in this area. Other types of cuts in this category involve the reduction of office space, for example. Considering the different measures aiming to lower personnel costs, various foci are evident. Some measures, such as early retirement, mainly affect older employees, whereas other measures, such as hiring freezes, affect potential, not current, employees. *Cutbacks on programme expenditure* include measures such as the reduction of service time and service outlets. A lower quality of the services provided is a likely consequence of these measures. Other attempts to spend less on certain programmes comprise the involvement of voluntary workers and a decrease in the programme period. The category of the *reduction of investments / capital expenditure* includes various strategies to lower cash flow in favour of higher reserves.

³² In general, all choices in terms of cutback management can be considered as pro-cyclical policies, which will be further discussed in the next chapter.

³³ See Pollitt (2010, p. 21 ff.) for a similar distinction regarding austerity strategies.

Especially the waiver to develop new projects and the postponement of planned capital projects are measures in accordance with this strategy (Raudla, Savi and Randma-Liiv, 2015b, p. 442 ff.). An overview of exemplary actions within the three categories is provided in table 2.

Table 2: Categories of cutback measures and practical examples (Adopted from Raudla et al., 2015b, p. 443)

Category	Measure (examples)
Operational expenditure (Personnel costs and non-personnel costs)	• Reduced overtime or working time • Slowing-down of promotion • Early retirement • Wage freeze • Reduction in the rate of salary increase • Reduction or elimination of fringe benefits and bonuses • Filling positions with less qualified, lower-paid staff • Reducing pay grades of vacated job lots • Salary cuts • Reshuffling of staff (e.g. making increased use of temporary staff) • Furloughs • Hiring freeze • Lay-offs • Spending limits and bans on utilities, supplies, equipment, travel, communications, etc.
Programme expenditure	• Cut service provision • Shorten the reception time, limit service hours • Reduce the frequency of service provision, reduce the number of service outlets • Reduce the quality requirements for service provision • Programme termination • Engage voluntary, part-time and third-party counterparts in service provision • Reduce transfers • Change indexation rules for entitlement programmes • Shift part of the entitlement costs to the private sector or citizens
Investments/capital expenditure	• Elimination of capital spending • Capital spending freeze for new capital projects • Postponement of non-essential capital projects • Deferral of maintenance, cuts to maintenance spending

While all the strategies are able to lower expenditure, at least in the short run, a lack of investments can lead to especially high costs in the future if it turns out that the organisations saved money in the wrong places. Not hiring new employees with new skills, for example, might make it difficult to sustain organisational performance in the long term. The same applies to cutting maintenance costs, which might lead to higher repair costs in the long run. In the end, various factors determine the long-term success or failure of a certain cutback strategy. Therefore, such a strategy should be developed with great caution.

Compared to the 1970s and 1980s, cutbacks have become more challenging in recent years. More specific public services, an increase in sub-national and international regulation, and a higher complexity of financial assets are among the reasons for this development (Raudla et al., 2015b, p. 448 f.). After decades of reforming Western welfare states and noticeable reductions in public services, the general possibilities for cutbacks in this areas became also much lower.

While all cutback strategies can be implemented at all levels of government in general, a number of characteristics limit the leeway at lower levels. In municipalities with a relatively small administration, capacities to develop an elaborated cutback strategy might be limited, and support from higher levels of government might be necessary, which can lower the appropriateness to local conditions. From a practical perspective, civil servants might be in charge of one policy area individually, which limits the possibilities to reduce personnel costs, compared to whole departments. In addition, mandatory tasks can largely limit the options to reduce expenditure in certain policy areas.

In summary, events such as financial crises affect not only private companies and households, but also the public sector and its financial situation in particular. However, various strategies to cope with crises and the burdens on public finances have been developed in recent decades based on political-administrative theory. While a focus on the income and the expenditure side can be distinguished, the combination and sequence of various strategies appear to be likely if the scope of a crisis is considerably extensive.

While this chapter focused on ongoing trends and developments at the local level, apart from the Financial Crisis since 2007, in order to put the current situation into perspective, local government finance in normal times as well as in times of crisis in order to discuss strategies to address crisis from a political-administrative perspective, the following chapter will be based on economic theory. A more detailed understanding of the emergence, impact, and potential responses to financial crises will be provided. This will enable the retracing of the course and timing of specific crises, and it will allow for an understanding of the anticipated mechanisms of certain crisis reactions.

3. Financial crises and their underlying mechanisms according to the main economic schools of thought

Financial crises and other types of crises can function as critical junctions (Bermeo & Pontusson, 2012b, p. 1); societal consensuses might change, and countries might leave previous paths. This implies a far-reaching significance of these types of events as well as the importance of understanding the corresponding market mechanisms. Following theoretical aspects of local government, as the research object of this study, chapter 3 addresses the understanding of a financial crisis in economic theory as an external development with a potential impact on the municipal level. The theoretical discourse will thus focus on the emergence and impact of, as well as possible reactions to, financial crises. While the distinction between impact and responses is partially difficult to assess because of interacting factors and reactions by one level of government having an impact on other levels, understanding the impact is certainly a crucial step before reacting to the respective challenges by oneself.

However, a common understanding of crisis mechanisms in the context of markets, as places where supply meets demand, and suggested countermeasures are not given in economic theory. Taking the concepts of the previous centuries into account, different approaches in line with the main economic schools of thought can be distinguished. While economic theory on financial crises, as well as empirical research, mainly focuses on the international and national levels of government, the possible consequences of such crises at the local level will be considered hereinafter as well.

Following the typical course of a crisis, the first sub-chapter explains the emergence of financial crises from a theoretical perspective and historical experiences, and different types of crises are distinguished (3.1). Building upon this, the potential impact of a financial crisis is analysed afterwards. Starting with general considerations, the situation at local levels of government is discussed thereafter (3.2). Potential reactions by governmental bodies in line with the main economic schools of thought and political-economic trends are the topics of the final sub-chapter, wherein the reflections again begin with general considerations, before the focus is shifted towards potential reactions by local authorities (3.3).

3.1. Emergences of financial crises from a theoretical perspective and historical experiences

The economic history has always been accompanied by boom-and-bust cycles. Crises are no exceptions, but recurring events. What makes them different are the severity and the number of businesses and persons affected. Furthermore, the likelihood of rapid crisis expansions across countries and economic sectors has increased in recent decades as a result of globalisation, implying more linkages between companies. The 1637 Tulip mania, the 1720 South Sea

bubble, the Panic of 1837³⁴, and the 1929 Wall Street crash, followed by the Great Depression, are examples of financial crises in modern history. Depending on the exact definition of a financial crisis, dozens have occurred in recent centuries, ranging from those with a global impact, such as the aforementioned Wall Street crash, to those limited to a certain region or economic sector, such as the 1986 Japanese asset price bubble.

In news coverage and academic debates, the term financial crisis is used inconsistently. The events in the context of the Financial Crisis since 2007, or parts thereof, are described as an economic crisis, the Eurozone Crisis, or a debt crisis, for example. Apart from common elements, such as large-scale balance sheet problems (Claessens & Kose, 2013, p. 5), different sub-types of financial crises are distinguished in academic literature. According to Reinhart and Rogoff (2009, p. 3 ff.), a *crisis defined by quantitative threshold* and a *crisis defined by events* form the two main groups. Within the first group, currency crises and sudden-stop crises can be differentiated. The second group includes debt crises and banking crises.

A *currency crisis* describes systematic doubts regarding a currency's value in relation to other currencies. Divestments based on the loss of confidence and speculative attacks are the main origins of this type of crisis. If the authorities want to avoid devaluation, then higher interest rates, capital controls, or the expansion of the reserves might be necessary. A *sudden-stop crisis* is characterised by a far-reaching and non-anticipated fall in a country's capital inflow and therefore disruption on the supply side of external financial means. Given the dependency on external funds, this type of crisis mainly occurs in emerging markets. In addition, highly indebted countries might be concerned if creditors stop their payments. A decrease in the economic output is the usual consequence (Claessens & Kose, 2013, pp. 12 ff.).

In the case of a *sovereign debt crisis*³⁵, a further distinction can be made between foreign and domestic debt, depending on the creditors. Both sub-types have in common that the government as a public borrower does not service its debt. Therefore, international support in debt restructuring might be necessary to avoid sovereign default. The high likelihood of negative side effects on government spending implies negative effects on economic growth. A *banking crisis* is characterised by the refinancing problems of a bank as a private institution. Declining trust in banks can cause bank runs, thereby worsening the problems. As a result of the interlinkage of banks, financial problems can quickly affect the whole banking system as well as the real economy, where banks act as financial backers. Government interventions can be necessary to avoid a bank's bankruptcy being accompanied by further systemic consequences. In the cases of some major global banks, their role was rated as systemically relevant for money and financial systems during the Financial Crisis since 2007, which justified the need for extensive rescue packages from a political perspective (Claessens & Kose, 2013, pp. 12, 15 ff.).

Apart from the general difficulty in defining the time period of a crisis, especially if it develops gradually and is not linked to specific events, multiple crises are likely to occur at the same time, and they can cause new crises of the same as well as other types. From an empirical

³⁴ See Roberts (2012) for a comprehensive book on the Panic of 1837, which he labels America's first Great Depression.

³⁵ While some authors use the general term *debt crisis* in the context of excessive public debt, the term *sovereign debt crisis* includes differentiation from a *private debt crisis*, which refers to private households.

point of view, currency crises tend to overlap with banking crises, and sudden-stop crises are often accompanied by debt and currency crises (Claessens & Kose, 2013, p. 26). Furthermore, banking crises often precede or accompany sovereign debt crises and increase the likelihood of a sovereign default. Banking crises, on the other hand, often follow high levels of private debt (Reinhart & Rogoff, 2011).

Since no single set of indicators is able to explain the various types of crises universally, possibilities to detect emerging crises are relatively limited (Claessens & Kose, 2013, p. 31 f.). While key figures, such as public debt, exchange rates, bank reserves, and interbank interest rates, might serve as indicators of certain types of crises, the causal chains are more complex. For this reason, predictions of emerging or future crises, occasionally mentioned in academic debates and on an almost daily basis in business news, are often based on unreliable simplifications.

In summary, financial crises have a long history, even though the social memory might fade over time. While terms are sometimes used inconsistently, different types of financial crises, associated with various causes and consequences, can be distinguished from a theoretical perspective. Furthermore, larger crises can be comprised of various sub-types, which certainly does not simplify the search for appropriate countermeasures. After discussing the origin of financial crises, attention will first be paid to the impact of crises in the next sub-chapter.

3.2. Impacts of financial crises from a theoretical perspective and historical experiences

As outlined above, the emergence of financial crises is relatively complex and possible in several ways. Correspondingly, a broad variation of impacts might occur depending on the type of crisis. In line with economic theory, effects on private households, businesses, and government can be distinguished. While a financial crisis is generally considered to be a negative development, positive consequences might also arise from it; the judgement is mainly a question of perspective.

An economic downturn, rising unemployment rates, and increasing debt are among the crisis implications generally assessed as negative. Opposing views regarding national objectives and their preferences are also likely to increase (Scharpf, 1987). In contrast, positive consequences might occur following Schumpeter's (1942) understanding of creative destruction as the demolition of existing economic structures and the emergence of room for new ones. Furthermore, possibilities to benefit from a financial crisis range from strategies to earn money as an investor with declining share prices to the social sectors helping people in need.

The most relevant impacts of a financial crisis are discussed in this chapter based on theoretical insights and historical experiences. Different assumptions on economic interrelationships in economic theory are kept relatively short, since the following sub-chapter of chapter three will address them in the context of potential responses to financial crises from the perspective of the main schools of economic thought. Given the focus of the study, this chapter is further

subdivided into crisis impacts at the international and national levels of government (3.2.1) and impacts particularly at the local level of government (3.2.2).

3.2.1. Crisis impacts at the international and national levels of government

A financial crisis usually implies various consequences, apart from the circumstances defining the crisis, such as debt and refinancing problems. Also, depending on the scope of the crisis, potential implications range from declines in consumption, investment, industrial production, and employment to lower exports and imports. Apart from economic facts, pure assumptions about specific future developments can trigger actions and chain reactions (Claessens & Kose, 2013, p. 28).

During a financial crisis, private households can experience fewer job opportunities and lower wages as a result of an economic downturn, which leads to a decrease in the budget available for consumption. Businesses, on the other hand, can be affected on the demand side because of a decrease in private consumption, which leads to a lower budget available for corporate investments.

When discussing the impacts of a financial crisis, short-term and long-term impacts need to be distinguished. Furthermore, it must be taken into account that most effects occur with a varying time lag.³⁶ One of the often analysed and discussed consequences of a financial crisis, namely job losses, and therefore an increase in unemployment, for example, does not usually set in directly at the beginning of a crisis. Worker rights, such as the protection against dismissal, can prohibit employers from terminating employment contracts, at least in the short run. Long-term supply and sales contracts can also postpone crisis impacts from a company's perspective. Since effects on the public sector can partially be related to crisis impacts on private households and businesses, such as a higher demand for unemployment benefits and support measures for private companies to avoid insolvencies, time lags can be given as well.

According to economic theory, the gross domestic product (GDP) – generally understood as the economic performance of a country and which is composed of the sum of the consumption of private households, business investments, government spending, and net exports – is likely to decrease in each of the different types of financial crises. Declines in consumption, investments, or net exports can be seen as the main reasons for these developments. Since lower private consumption is usually caused by lower private income, and lower business investments as well as net exports are caused by lower demand, turnover, and profit, a certain time lag is also given for these mechanisms. Government spending, on the other hand, is exposed to contradictory effects and might change in both directions, also depending on the

³⁶ This also makes it difficult to estimate the efficiency of countermeasures.

phase of the crisis. While measures such as bailout packages involve higher expenditure, austerity policies describe intentions to spend less.³⁷ Therefore, some types of measures require a decision-making process and can be considered as deliberate crisis reactions. Other consequences can occur via existing mechanisms, which might include the perception of a direct impact of the crisis; this once more illustrates the difficulty in distinguishing between both aspects.³⁸ Apart from this, an increase in government spending always includes a direct increase of the GDP to a corresponding extent. A financial crisis can thus have partially opposing impacts on the GDP, which is understood as the economic performance of a country. However, the decreasing components, especially the reduction in consumption and investment, are usually predominant, according to historical observations. Therefore, economic growth, which is usually measured as a GDP change, also decreases, including negative rates, in the context of a financial crisis (Reinhart & Reinhart, 2015).

Furthermore, a financial crisis usually has a negative impact on public finance and government in general. On the income side, an economic slowdown leads to declining tax revenues. As described in the context of the GDP, the impact on the expenditure side is more complex and possibly subject to temporal variation. In a welfare state, public social security systems can be considered as automatic mechanisms providing help to the unemployed, among other people in need, which implies an increase in government expenditure. As a result of the existence of these mechanisms, a deliberate decision-making process is not necessary in order to provide these basic welfare services to citizens in times of a crisis. However, the situation is different if additional help is intended, which implies political responses beyond the existing mechanisms.

In addition, public expenditure, on the one hand, might arise from measures intended to stabilise the financial system or to maintain the solvency of those banks that are considered to be relevant for the monetary system or other business. On the other hand, austerity policies might be implemented in the case of a financial crisis with the intention to avoid, or at least minimise, budgetary imbalances.³⁹ However, since these measures usually include an active decision-making process, they can be considered as crisis responses. Various factors therefore determine the impact of a financial crisis on private households, businesses, and government, although negative consequences largely prevail in the cases of most entities.

Overall, financial crises can imply far-reaching impacts on private households, companies, and the state. While most consequences are by far negative, some selective positive aspects might arise as well. Considering that each crisis is different, the impacts in terms of, for example, job losses, decline in demand, and burdens on public finances, vary broadly across countries, among industries, and over time. While this sub-chapter discussed the potential impacts of a financial crisis in general, the next one will focus on the situation at local levels of government.

³⁷ Considerations of the advantages and disadvantages of different strategies to address a financial crisis will follow in the next sub-chapter of chapter 3.

³⁸ In the case of the GDP, it can be argued that its changes reflect crisis impact and crisis response at the same time.

³⁹ Budget cuts can also exceed the scope of additional expenditures originating from a financial crisis, resulting in a reduction in government spending in total.

3.2.2. Crisis impacts at local levels of government

While national levels of government and international organisations receive the most attention in times of a financial crisis because of their co-ordinating and decision-making role, a certain impact of the crisis is usually given at all layers of the administrative subdivision. In this context, the scope and period of time mainly depend on the division of public tasks between the levels of government. If corporate taxes are, for example, a relevant source of income at the local level, then municipalities might quickly be affected by a crisis. In contrast, in cases where the local level mainly depends on transfers from central government, then there might be a certain time lag before a deterioration in the municipalities' financial situation occurs. In other words, variation in the impact of a financial crisis at different levels of government is primarily caused by the design of the political-administrative system itself.

In line with the typical development of a financial crisis over time, the following sequence of four inter-linked phases can be distinguished (Clark & Huxley, 2011, p. 278; Bailey & Chapain, 2011b, p. 6 f.):⁴⁰

1. The initial financial and banking crisis
2. The global recession triggered by the banking crisis
3. Stimulus programmes, public finance crisis, and/or severe cuts in public spending (with wide cross-country variation)
4. The acceleration of ongoing trends of restructuring

While the banking crisis and global recession, as the first two phases, describe impacts from a governmental perspective, stimulus programmes and the acceleration of ongoing restructuring measures, as the two latter phases, combine impacts and responses depending on the administrative levels of interest. National or regional government's countermeasures to the crisis, potentially including administrative provisions for the local level, can be considered as external factors or impacts from the perspective of local government, since own decision-making processes are not conducted. However, this differentiation is often moderated by a formal involvement or informal influence of the local level in decision-making at the national or regional level.⁴¹

With regard to the potential impacts of a financial crisis at the local level, including local residents, local businesses, and local government, the following five partially interlinked areas of impact can be distinguished (Clark & Huxley, 2011, p. 269 ff.):

- People and the labour markets
- Local economic resilience
- Investment, construction, and property markets

⁴⁰ While this distinction between types of crises slightly deviates from the one introduced before, the circumstance does not affect the differentiation of phases.

⁴¹ Also, from a chronological perspective, the distinction between crisis impact and crisis response once again proves to be partly difficult. While a reaction usually follows a previous impact, temporal overlaps might occur in the case of multiple impacts over time and interim reactions. In addition, actions in the sole anticipation of an impact – in other words preventive measures – are also possible in the context of any type of crisis.

- Strategy and positioning (of local authorities)
- Municipal assets and balance sheets

Rising unemployment rates and decreasing numbers of job offers are the most direct effects of a financial crisis on *people and the labour markets*. When the economy slows down, companies naturally try to minimise costs by terminating labour contracts within the legal limits and freezing recruitment. Depending on the type of crisis, unemployment in some sectors might increase more than in others. In addition, young people often have experienced difficulties in entering the labour market. While unemployment rates are usually indicated at the national level, the percentage of active and non-active members of the labour force and corresponding changes can be analysed at regional and local levels as well. In this way, comparisons across these levels of government are possible. Apart from the negative effects of a financial crisis, mainly expressed by rising unemployment rates, some scholars have also mentioned minor positive effects. These concern the labour force's enhanced entrepreneurial spirit, motivation for life-long learning, and increased flexibility and mobility (Clark & Huxley, 2011, p. 270).

With the beginning of an economic downturn, various business activities largely slow in demand, and insolvencies might be the consequence in some cases. Since companies and their branches are always located within a certain municipality, variation in the effect on business cause second-round effects for certain regions or municipalities to a different degree. When considering local business activities as a whole, variation in the crisis' impact on *local economic resilience* can be observed. Again, some scholars have pointed out certain positive side effects alongside the predominantly negative impact of a financial crisis. Companies' aims to become more innovative and competitive are examples in this context (Clark & Huxley, 2011, p. 270 f.).

A financial crisis can also cause fewer activities in the field of *investment, construction, and property markets*. In this context, the decline in demand can originate from both the private and the public sectors. Especially in the case of private companies, it is comprehensible that investments are reduced if the company's profits are declining. On the other hand, low prices as a result of a reduction in demand and low interest rates – relating to monetary policies to tackle the crisis – might lead to investments by businesses that expect a renewed increase in demand in their specific sector once the downturn has ended (Clark & Huxley, 2011, p. 271).

In addition, a financial crisis can cause local authorities to reconsider their own *strategy and positioning*. A necessary reduction in public sector employment, for example, can raise questions regarding the role and obligations of local authorities within the public sector as well as from outside. In some cities, the possibilities of crisis support for citizens and businesses, as well as the decision-making procedures within political bodies and the administration, might be reconsidered if local officials realise that conventional measures and structures might not be appropriate in exceptional situations. As a positive side effect, it can be mentioned that some companies might begin to think more critically about the long-term sustainability of their business models. The same applies to local officials and local economic development strategies (Clark & Huxley, 2011, p. 272).

Finally, a financial crisis affects *municipal assets and balance sheets* predominantly negatively because of increased expenditure, such as welfare spending, and declining revenues relating to the overall economic situation, as already outlined above. Public deficits might consequently increase extensively. Attempts to recognise the positive side effects of this development include the point of view that municipalities might be stimulated to increase budgetary discipline in the long run (Clark & Huxley, 2011, p. 272 f.).

In general, the best knowledge about the actual impact of a financial crisis, especially regarding an increase in the poverty of private households and the business situation of smaller and medium-sized companies, can be found at the local level – the tier of government closest to the population. Even though a structured overview of the overall impact of a crisis is certainly essential and at least partly present at higher levels of government, local insights can form an important basis for co-ordinated responses to a crisis which are usually arranged by the national level. Once countermeasures are decided upon, local government might be involved in the implementation process in accordance with one of its common roles. In addition, autonomous crisis reactions might be decided upon in some municipalities.

In summary, financial crises can affect local levels of government in various ways. Higher unemployment rates and lower turnover of local companies, for example, might lead to higher social spending and lower tax revenues. In addition, construction sites, which are often developed and sold by local government, might be less in demand. All of these developments imply negative impacts on the balance sheet of the local level. Questions related to governmental actors' potential countermeasures and responses to financial crises will be addressed in the next chapters.

3.3. Responses to financial crises from a theoretical perspective and historical experiences

Once a financial crisis emerges or certain indicators point in the direction of potential problems in this area, politicians and civil servants should observe the situation critically. Depending on the type and scope of crisis, a reaction might not be necessary (Claessens & Kose, 2013, p. 36), but also the conclusion not to intervene requires a deliberate decision. However, once the crisis exceeds a certain scope, countermeasures are likely. Additional pressure to act might also emerge from a political perspective in connection with the citizens' perception of the crisis.

Taken together, the situation raises questions on how and when to react. In other words, crisis management is of major importance (Boin et al., 2017), while existing policies and coalitions might be challenged simultaneously (Gourevitch, 1986). Should certain banks or other types of companies receive state funds to avoid bankruptcy and to maintain jobs? Should public expenditure in some policy areas be reduced since social spending is likely to rise? Which measures need to be implemented immediately? Might some measures be more effective

within a few months? Which side effects and new incentives might arise from the measures taken?

Since crisis are highly complex and the main schools of economic thought do not agree on the necessary answers, variation in the countermeasures taken is generally likely. On the other hand, financial crises are usually not limited to a certain area, which illustrates the advantageousness of co-ordinated actions, or at least non-contradictory measures, involving various actors, ranging from international organisations to local councils. These circumstances certainly increase the overall complexity of crisis reaction from a more practical perspective.

Focusing on economic theory, and in line with the previous discussion of the impact of a financial crisis, crisis reactions at the international and national levels of government are analysed in the first sub-chapter (3.3.1). Then, in the second sub-chapter (3.3.2), special attention is paid to responses at the local level of government.

3.3.1. Crisis responses at the international and national levels of government

While political-administrative decision makers in open economics can certainly not influence all external developments affecting the country in which they were elected or appointed to be in charge of financial and economic policies, reactions to a crisis are possible within the scope of national policymaking and international arrangements. Regardless of the type of crisis, governments can be forced, to a greater or lesser degree, to react in order to prevent far-reaching consequences, such as national bankruptcy or the collapse of the monetary system. Possible common countermeasures include bailout packages, the provision of collaterals, government bonds for refinancing purposes, and austerity policies.

Most measures have in common that they either cause substantial expenditure or tie up capital, at least in the short term. However, primarily depending on the economic situation and the occurrence of repayments, government's involvement in rescue measures may prove to be cost-neutral, or even financially advantageous because of interest payments in the long run. It thus needs to be taken into account that a state's involvement in limiting and moderating the consequences of a financial crisis can take decades – or even centuries. In the case of the 1720 South Sea bubble, for example, the British government undertook a bailout of the South Sea Company and still paid interest on parts of these obligations in 2014 (Castle, 2014). A major distinction regarding reactions to a recession or financial crisis can be drawn between monetary and fiscal policies. While monetary policies are decided by central banks, which are usually politically independent by law, fiscal policies enable legislators at all levels of government to adapt new policies with corresponding implications on public revenues and spending within their areas of responsibility. Various interest groups might attempt to influence both monetary and fiscal policies.

Monetary policy, generally based on the quantity theory of money (Fisher, 1911)⁴², mainly involves decisions on interest rates and money supply. In the case of an economic downturn, an expansionary monetary policy, including lower interest rates or a more extensive money supply, can be considered as the standard measures, following the logic that corporate investment and private consumption are encouraged by this action. Potentially higher inflation rates require particular attention in the context of an expansionary monetary policy. However, in recent decades, the limitations of standard measures in monetary policies have become clear, and they have led to unconventional measures, such as central banks purchasing financial assets from commercial banks, also known as quantitative easing.⁴³

With regard to the question of how to react to a recession or financial crisis from a fiscal perspective, the answer varies in macroeconomic theory. Two main schools of thought, which represent two different approaches, can be distinguished:

- Classical economics
- Keynesian economics

The understanding of how an economy adjusts during a recession and regains full employment, as well as the understanding of other economic mechanisms and interrelationships, differs between these perspectives. A brief introduction of the two schools of economic thought and the potential strategies derived to address financial crises follows hereinafter.

Classical economics, also known as laissez-faire economics, dates back to 18th- and 19th-century scholars such as Adam Smith⁴⁴, David Ricardo, and Jean-Baptiste Say. In their general understanding, the price adjustment mechanism automatically cures an economy in crisis. They argue that unemployment leads to lower prices, wages, and interest rates. Since workers will accept working for less money, wages will reach levels where it becomes profitable for companies to employ those workers. Production, corporate investments, and private consumption will consequently increase, which brings the economy back to its full employment equilibrium. Since unemployment is considered to be a natural, self-correcting part of the business cycle, a government intervention is neither necessary nor promising, according to classical economics. In other words, the best solution in a recession is to leave the free market to return to its equilibrium (Smith, 1776). It must be taken into account that this might be a lengthy process, thus implying difficult times for many citizens.

Keynesian economics dates back to the thoughts of John Maynard Keynes in the context of the Great Depression in the 1930s, and it can be considered as a far-reaching rejection of the common economic views by that time. According to this school of thought, before the price adjustment mechanism begins to work in case of an economic downturn, it is overpowered by an income adjustment mechanism. As a result of the decline in income, people spend less

⁴² Apart from critics (e.g. Keynes, 1936), the quantity theory of money can be considered as generally accepted in economic theory, especially in the long run.

⁴³ Since the analysis of monetary policies is beyond the focus of this study on local government, further details are not discussed.

⁴⁴ Even though Adam Smith is generally associated with laissez-faire economics, he also recognised and discussed the possible side effects of free markets, such as monopolistic tendencies (Smith, 1776).

and save less, and businesses consequently produce less output and invest less. Rather than causing the economy to reach its original equilibrium, these mechanisms drive it deeper into recession in a self-enforcing manner. This also implies that cyclical unemployment can occur. As countermeasures, Keynes sees the need for large-scale government investments and strategies to stimulate private household demand in order to stimulate the economy at large. In other words, anti-cyclical investments by an active government are required (Keynes, 1936). In this regard, it is often criticised that additional government spending is not necessarily used for investments, but for savings and debt reduction, which undermines the intended stimulus. At the least, precise specifications on the use of additional funds appear to be necessary in this context.

In addition, *neo-liberalism*, as an influential political-economic trend since the 1930s, enables the derivation of recommended countermeasures to financial crises. The approach builds upon classical economics and generally favours a limited role of the state and corresponding policy measures such as austerity, deregulation, and privatisation. Neo-liberal thinking is associated with economists such as Friedrich August von Hayek and Milton Friedman, who see only positive short-term effects of the strategy suggested by Keynes.⁴⁵ Austerity measures, as one key element of neo-liberalism, are justified to maintain government's solvency, which can be threatened, for example, because of high increases in government spending for bailout packages in the context of a financial crisis or extensive borrowing in foreign currency. As a consequence, cutbacks are necessary in other areas to balance the budget, maintain solvency, and keep inflation rates low. If the country depends on credits from international financial institutions, then those institutions, as capital lenders, might also suggest or enforce austerity measures. Even though cutbacks often follow increased government expenditure, the measures themselves describe a reduction in government spending. Therefore, from an economic perspective, unemployment increases, at least in the sectors that depend on the state, which also implies lower prices, wages, and interest rates. If austerity measures are combined with higher tax rates to support the process towards a balanced budget with a higher income, then a decrease in private consumption and business investments is the consequence (von Hayek, 1931).

Overall, classical economics, Keynesian economics, and neo-liberalism reach different conclusions regarding the question of how to respond to a financial crisis, since their understanding of dominant and foregoing mechanisms in times of recession, as well as prioritisation, varies. In practice, these mechanisms are influenced by further, mainly legal factors, such as protection against dismissal and minimum wages. This also implies that a decision on a strategy to fight a recession or the renunciation of any action must always take the local context into account. However, as a result of increasing public debt and limited financial leeway, it is argued that governments nowadays have few alternate options other than the implementation of pro-cyclical policies (Armingeon, 2012).

⁴⁵ In political practice, neo-liberalism is mainly associated with fiscal and economic policies and reforms in countries such as the United Kingdom and the United States in the 1980s.

Since each crisis is different, it is also difficult to assess what would have occurred if government would have intervened – if it did not– and vice versa. Taken together, three groups of fiscal policies for reacting to financial crises can be distinguished:

- Passive policies (based on classical economic)
- Counter-cyclical policies (based on Keynesian economics)
- Pro-cyclical policies (based on neo-liberalism)

In practice, policies based on a single category are relatively unlikely, especially if a crisis lasts over a long period. Passive policies seem especially likely at the beginning of a crisis, in line with a partial denial of reality or a hope that the situation will not grow much worse after all. Furthermore, pro-cyclical policies are likely to follow counter-cyclical policies, based on the need to balance the budget after prior increasing expenditures. In other words, fiscal stimuli might lead to austerity policies.

Considering recent crises, also mixed strategies can be observed. On the one hand, stimulus packages, which often focused on education and infrastructure, were implemented. In this context, it also needs to be noted that such measures were often not presented or labelled as crisis reactions inspired by Keynesian economics, but can be considered as counter-cyclical investments in a Keynesian understanding by their nature. On the other hand, conscious non-intervention in many industries – corresponding to classical economics but not necessarily labelled explicitly as a strategy in line with this school of economic thought – was often combined with austerity measures in public expenditure to balance the budget. As these examples indicate, the trisection between classical economics, Keynesian economics, and neo-liberalism in the context of responses to a financial crisis should not be overemphasised.

From a political perspective, it can be said that because of the free play of the markets and the limited role of government, classical economics and neo-liberalism are often favoured by conservative, liberal, and other parties to the right of the political spectrum. Keynesian economics, on the other hand, is often favoured by socialists and social democrats, as well as parties to the left of the political spectrum, because of the active role of government and attempts to support citizens in times of crisis.

In general, limited decision-making capacities should be taken into account. Both at the political level and at the administrative level, far-reaching economic considerations might not be possible, because of a lack of personnel or the lack of personnel qualified to find suitable solutions based on extensive reflections in line with scientific insights and data (Kickert, 2015, p. 560). Especially at the local level, this factor can be considered as relevant.

In addition, attention should be paid to measures in the fields of market regulation and suitable institutional arrangements, particularly regarding the financial sector. These measures can most importantly contribute to crisis prevention, but they can also reduce the scope of spillover effects during a crisis. Economic growth is a second important aspect. While economic growth is usually negatively affected in times of a financial crisis as a result of lower levels of private consumption and corporate investment, persisting economic growth can make wide-ranging governmental interventions unnecessary.

Based on historical data, a recent study by Reinhart and Rogoff (2013) has concluded that advanced economies do not largely differ from emerging economics with regard to the tools to respond to financial crises. Instead of focusing on austerity, forbearance, and economic growth to fight a crisis, the standard toolkit for emerging markets, including debt restructuring, higher inflation, and capital controls, is often applied in industrial countries as well. In this context, previous practical experiences from emerging countries can prove to be helpful. Furthermore, the authors have pointed out that public debt, as one of the indicators when measuring the scope of a financial crisis and deciding on crisis responses, is often partially hidden because of varying definitions, and it is therefore often much higher than officially specified.

In addition, financial crises usually lead to an increase in public debt, which is likely to cause further problems, including new crises. The question regarding strategies to reduce public debt was addressed in a recent study by Reinhart, Reinhart, and Rogoff (2015) based on historical data. In this context, the authors have distinguished between two main types of strategies: first, orthodox policies, including the stimulation of economic growth, running primary budget surpluses, usually by implementing austerity measures, and the privatisation of government assets, and second, heterodox policies, including the restructuring of debt, inflation, taxing wealth, and the repression of private finance. Therefore, the dichotomy between economic growth on the one hand, which is influenced by private consumption, business investment, government spending, and productivity gains, and austerity measures on the other hand, as a reduction of expenditure, needs to be noted.

Considering the single choices, economic growth can be seen as the most-favoured option. From a practical perspective, the reduction in public debt is usually undertaken as a long-term process to maintain possibilities for productivity-enhancing investments, for example in the policy areas of education and infrastructure. The privatisation of public services and the sale of government assets can be viewed as short-term measures to reduce debt and increase liquidity. Depending on the price and the productivity of the private sector, the privatisation of public services might even have a negative impact on public finances (Reinhart et al., 2015). Furthermore, it should be taken into account that the privatisation of public services and the sale of government assets are always restricted to existing public services and government assets in combination with the willingness to dispense them; this significantly limits the possibilities of measures in this context.

Overall, it must be considered that government is the last resort regarding all types of crisis, regardless of whether they occur in a private household, in a company, or at the public level. Once a certain crisis scope or intensity is reached, those concerned will request government support. Therefore, it is important that government ensures a certain own financial leeway to respond to crises that might appear relatively suddenly. In other words, keeping the powder dry (Obstfeld, 2013).⁴⁶

For centuries, economists and political scientists have been discussing the most appropriate reactions to financial crises. While a universally accepted theory, or at least a major consensus, on the most accurate crisis reaction or crisis reactions – which might also help to prevent crises

⁴⁶ The same logic applies to central banks in the context of monetary policies.

in the first place – is not yet found, counter-cyclical policies have gained some renewed attention in more recent years. However, while the choices of fiscal and regulatory countermeasures are extensive at national levels of government in line with the usual areas of competences, next to the potential monetary reactions by central banks, the potential responses by local levels of government are comparably less extensive. More details in answer to the question as to what local authorities can do to react to financial crises and minimise their impacts will be provided in the next sub-chapter.

3.3.2. Crisis responses at local levels of government

While politicians at the national level and international organisations usually receive the most attention in the context of the impact of a financial crisis and general strategies to address the challenges, local authorities are usually most involved in dealing with the impact and successive consequences from a more practical perspective. Decentralisation measures in recent years have even increased the role of local authorities in many countries. Therefore, they usually experience two developments in times of an economic downturn, both stressing their organisational and financial capacities. First, as the main provider of public services in many countries, local authorities experience an increase in the demand for such services in times of crisis, especially welfare services. Second, depending on the economic situation, the share of local revenue, such as corporate taxes and fees for entertainment activities, usually decreases. While a financial crisis certainly affects all levels of government to some extent, this combination of two unfavourable developments applies to the local level in particular, where the initial challenge can be summarised as delivering more with less.

As part of their fiscal responsibilities, local officials can decide on policies they consider appropriate to address the crisis. In this context, initial responses can differ from long-term strategies, and the co-ordination of measures in a system of multi-level governance seems important but cannot be taken for granted. However, from a practical perspective, the fiscal options at the local level, in line with political-economic theory, can be divided into the following three categories (Based on Blöchliger et al., 2010, p. 18 f.):

- **Passive policies:** These involve taking no active policy measures and allowing the automatic stabilisers to work. Such policies can result either from a lack of sub-central autonomy to implement discretionary policies or from an institutional framework that allows automatic stabilisers to work without explicit policy decisions.
- **Counter-cyclical policies:** These involve increasing investment and/or lowering tax rates, eventually leading to increased levels of deficits and debt.
- **Pro-cyclical policies:** Through these policies, budgets are balanced by reducing spending, cutting jobs and investment, or by increasing revenues, especially by raising taxes.

Building upon the possible areas of impact of a financial crisis at the municipal level, with a focus on different addressees and organisational aspects, as presented in chapter 3.2.2, five

accompanying categories of local-level reactions can be distinguished (Clark & Huxley, 2011, p. 273 ff.):⁴⁷

- People and the labour markets
- Local economic resilience
- Investment, construction, and property markets
- Long-term strategy and positioning
- Local governance and leadership

Apart from welfare payments, local authorities can establish various other measures addressed to *people and the labour markets* when a crisis sets in. Those measures include, inter alia, advice hotlines for the newly unemployed, local job fairs, and new apprenticeship and internship programmes. In some cases, training programmes to qualify and motivate persons to start new businesses might be an additional option (Clark & Huxley, 2011, p. 273 f.). All the measures can be considered as attempts to help citizens, while utilizing relatively limited public resources. Some of the actions are more likely to take place in larger cities or in co-operation between municipalities in a certain region. Since all of the measures involve public resources, even though the expenditures might be rather low, the examples provided can be considered as counter-cyclical policies.

Next to policies focusing on inhabitants, local authorities can establish measures addressing businesses located within the municipality to strengthen *local economic resilience*. Actions taken might involve, for example, advice hotlines and attempts to speed up payment by the local level in case of business relations with local companies. In some cases, if the demand exists, municipalities might also provide development areas for new businesses and business incubators. Financial support, including emergency loans and direct investments, especially in future technologies, and loan guarantees are also possible local reactions in the context of a crisis (Clark & Huxley, 2011, p. 274 f.). Comparable to the previous category, all the examples involve resources provided by local government, including possible high expenditure, especially in the context of emergency loans, and they can therefore be considered as counter-cyclical policies.

In the areas of *investment, construction, and property markets*, local authorities can also provide support to crisis-hit businesses. Possible actions include public sector investments, especially into improvements of the local infrastructure. This measure is particularly popular, since it can contain contracts for local businesses, and it improves the economic framework conditions within the municipality as a potential location factor, which is especially relevant for new companies. In addition, the public sector can facilitate and promote private sector investments. Simplifications can be realised, for example, regarding administrative approvals and procedures. Other support can be provided by information on investment opportunities, political help in finding new investors, and new financial solutions for intended investments by private companies (Clark & Huxley, 2011, p. 275 f.). While a certain overlap with the measures in the category of local economic resilience is certainly present, the measures in the category

⁴⁷ By definition, the measures within the categories do not represent passive policies. Classifications as counter- and pro-cyclical reactions are, however, possible.

of local economic resilience present rather short-term actions. The examples provided in the category of investment, construction, and property markets present counter-cyclical policies; however, pro-cyclical policies with the intention to invest less in order to balance the budget are also possible in this area.

A crisis can lead to reconsiderations concerning a municipality's *long-term strategy and positioning* from an economic perspective. While some cities might revise their economic development strategies, especially towards a broader focus on and support of innovative business models and the knowledge economy, others might come to the conclusion that strategic changes are not necessary. Similarly, some cities might decide that a broader diversification of businesses should be supported, also in the context of a city's international positioning (Clark & Huxley, 2011, p. 276 f.). The considerations concerning a municipality's long-term strategy and positioning as such do not follow any particular fiscal strategy. However, the outcome can imply strategy changes towards more counter-cyclical or pro-cyclical policies.

In the area of *local governance and leadership*, various reactions can possibly be observed in the presence of a financial crisis. Measures that might prove to be helpful are new or adapted local development strategies and policy innovations in general. From a more practical perspective, collaboration, improved communication, and budget consolidation are possible measures to be taken (Clark & Huxley, 2011, p. 278). Comparable to previous categories, the measures can follow the logic of counter- as well as pro-cyclical policies.

Taken together, especially at the local level, fast and targeted actions can moderate the negative consequences of a financial crisis for citizens and private companies; furthermore, reactions by local government might be partially based on economic theory, but are not necessarily developed in a scientific manner. Next to the provision of help and assistance in the form of social services, advisory services by local government can be useful from a practical perspective. In addition, changes in the public sector's own situation must constantly be considered. Apart from adjustments, for example in organisational and managerial approaches within the administration and rural development strategies, the financial position and the possible necessity of far-reaching changes in the composition of municipal budgets are most relevant at the local level. Austerity measures and additional investments to stimulate the economy might consequently be decided upon.

In summary, economic theory provides various conceptions of the emergence and impacts, as well as strategies and measures, to address financial crises. Major differences concern the question regarding appropriate reactions to a crisis in particular, and three groups of partially opposing policies can be derived. They are as follows: passive policies, where no actions are taken while relying on automatic stabilisers, counter-cyclical policies, including additional investments or tax cuts to stimulate the economy, and pro-cyclical policies, which focus on balanced budgets by cutting expenditures or increasing revenues. This lack of a universal theoretical understanding of the mechanisms of financial crises plausibly leads to a broad variation in crisis management in practice. While this applies to all levels of government, it is particularly relevant at the municipal level, where further factors might contribute to different levels of crisis impacts on local entities and might explain the choices for unequal responses to it from

a comparative perspective. These potential factors will be discussed in the next chapter based on political-administrative theory.

4. Factors determining variation in relation to the impact of and responses to a financial crisis at the local level of government according to public administration and political theory

The impact of external effects on territorial entities can vary according to local conditions. In the case of an economic downturn, for example, some regions or municipalities might be more or less affected based on their economic structure and the importance of certain industries. Regarding public finances, some authorities might be better prepared, with a traditionally solid financial position, and thus able to absorb economic fluctuations. For others, a minor decline in revenues might cause major problems because of already existing imbalances and instabilities. On a personal level, some local officials might take better decisions than others when reacting to changing circumstances. Overall, a large number of local factors can reinforce or moderate external effects. Therefore, identifying the relevant factors can contribute to the assessment of the potential severity of a crisis, the planning of measures to address a crisis, and the prevention of impacts of future crises. In other words, understanding the mechanisms behind financial crises can enable political-administrative decision makers to influence them to some extent in a desired way.

A study by Wagschal and Jäkel (2010), for example, has analysed the moderating effect of certain factors, such as the unemployment rate and the number of veto players, on the scope of policy reactions and the distribution of additional expenditures in the case of the Financial Crisis since 2007 at the national level. This was done by comparing the measures in a number of Organisation for Economic Co-operation and Development (OECD) countries. While these factors might provide explanations for variation at the local level, additional factors could also do so.

Furthermore, some factors might have an indirect effect on the impact of and responses to a financial crisis along a chain of causal mechanisms. Regional companies with businesses that are no longer in demand and an adverse socio-economic composition of the local population, for example, are possible factors explaining a higher local crisis impact and increasing municipal expenditures in line with a rising unemployment rate. Further factors of influence could be found in the political-administrative system and the persons involved. Especially regarding the reactions to changing framework conditions, local officials might choose different options based on their experiences and political beliefs, or even convictions based on economic theory.⁴⁸

Based on the above-mentioned aspects, it can be argued that municipalities within one country are usually affected by events such as a financial crisis to different degrees. As a conse-

⁴⁸ The selection of moderating factors that follows was further inspired by a number of similar research projects focusing on explaining variation in municipal debt, approaches to manage austerity, and the implementation of stimulus packages at the local level in other countries (Bogumil et al., 2014; Boettcher, 2013; Boettcher, 2012; Holtkamp, 2007; Cepiku et al., 2016; Schneider et al., 2011).

quence, the changes in municipal revenues and expenditures also vary and depend on numerous factors, including external influences and conditions within the municipality.⁴⁹ While some factors can be influenced by local officials, others are difficult to change, at least in the short run. In other words, both the local financial situation and the impact of and reactions to a financial crisis always need to be considered as parts of long-term developments, building upon previous policy choices. This makes substantive changes rather challenging, but not impossible.

The question of how municipalities react to a financial crisis concerns the following three dimensions: *polity*, referring to the institutional structures of the political system, *politics*, describing political processes, and *policy*, as the content-related perspective (Knill & Tosun, 2012, p. 3 f.). While all three dimensions can be relevant to explain policy outcomes and policy changes, the policy perspective is most important for this comparative study, since variation in institutional structures and political processes is relatively low across territorial entities at one level of government and under the same legal system.

Since the 1950s, the *policy process* has commonly been described as a cycle in political theory (Lasswell, 1956; Jann & Wegrich, 2007; Knill & Tosun, 2012, p. 9 f.), being comprised of five iterative steps, namely (1) agenda setting, (2) policy formulation, (3) decision-making, (4) implementation, and (5) evaluation. However, considering the policy process in practice, non-linear developments dominate, which illustrates the chiefly theoretical nature of the policy cycle (Van Wart, 1998, p. 206 f.; Raadschelders, 2003, p. 282 ff.). Apart from this, various factors can influence the policy outcome at all stages of the policy process.

Based on different theoretical approaches to understand policymaking, *structure-based models*, *institution-based models*, and *interest-based models* can be distinguished in this context.⁵⁰ While structure-based models focus on the socio-economic structure and associated problems in society to provide explanations for the policy outcome, formal and informal institutional structures are of interest in institution-based models. Actors within the political-administrative system and their preferences describe the main explanatory approach in interest-based models. Considering the different areas of focus, the combination of all three theoretical perspectives is necessary to understand policymaking as a whole (Knill & Tosun, 2012, p. 69 ff.).

In line with the three theoretical perspectives of policymaking, individual factors of relevance can be derived. Detecting these factors and assessing their effects in the policy process collectively represent the main challenge from an analytical perspective. However, considering territorial entities at the local level of government, it needs to be taken into account that because of identical institutional structures, the explanatory power of institution-based factors can be

⁴⁹ Also, outside crisis periods, the financial situation of a municipality can be understood as the result of a complex interaction between exogenous factors, such as legal requirements, and endogenous factors, such as own political decisions (Boettcher, 2012, p. 67).

⁵⁰ While these three groups of theories will hereafter be labelled as *models*, the specific theoretical perspectives within these models will be labelled as *approaches* or *schools*, or they will be referred to by their common names. The term *factor* will be used to describe a single aspect, which can be assigned to a model and its further subdivision. Factors will be operationalised as independent variables at a later stage.

limited when aiming to explain variation. In addition, policymaking at the local level, particularly in times of crisis, is subject to further limitations.

First, the scope for local officials' actions can be partially limited because of mandatory tasks of the municipality and existing commitments, which can also be regarded as path dependencies. In addition, members of local councils usually exercise their mandates as an honorary office, implying limited time capacities and sometimes a lack of background knowledge in economic affairs. For the administrations of relatively small municipalities, limited resources to address complex challenges constitute a further problem. On the other hand, tailored measures to local conditions seem to be most efficient, especially in times of crises. Therefore, customised strategies should be planned and implemented whenever possible, which can certainly be considered as a major challenge for local officials.

Second, the perception of a crisis can vary. Based on previous experiences or the information one receives, different conclusions on the necessity of certain actions might emerge. Therefore, the crisis perception of key actors such as mayors and city managers, beyond official data on the financial situation, can cause variation in crises reactions, and rather irrational actions are not excluded.

The structure of this chapter follows the differentiation of the three theoretical approaches to understand policymaking. After introducing the overall conceptual model of this study, based on the mechanisms behind a financial crisis in a system of multi-level governance (4.1), the following sub-chapters are subdivided into structure-based factors (4.2), institution-based factors (4.3), and interest-based factors (4.4). Hypotheses regarding individual factors with a potential moderating or reinforcing effect on the impact of and responses to a financial crisis at the local level of government will be derived based on the theoretical approaches within all three sub-chapters. Some hypotheses can be considered as rather explorative because of the interaction of multiple effects, possible hidden factors, and potential variation or uncertainty of the preponderance of factors. Thereafter, the potential factors of influence will be summarised, and relations between the groups of factors will be discussed (4.5). The perception of a crisis, as an additional aspect that potentially causes variation in the context of crisis reactions, is the topic of the final sub-chapter (4.6).

4.1. The conceptual model of this study

This study understands a financial crisis as an external development from the local level's perspective. While many factors come into play when a crisis emerges, and local government debt, for example, might contribute to the overall development, a financial crisis is considered to be a development at the national and international levels within a system of multi-level

governance. Also, the main responsibilities in monetary politics, parts of fiscal politics, and financial market regulation are usually located at these levels of government.⁵¹

Since governmental entities are always subject to continuous changes and developments, an event such as a financial crisis needs to be seen in its temporal context. Separating the different types of impacts and reactions caused by one development from those caused by other developments is the corresponding challenge. In this regard, the decentralisation of tasks, municipal amalgamations and municipal co-operation, management changes, Europeanisation, citizen participation, and the digitalisation of public services are considered to be the most relevant contextual factors at the local level in recent decades, and they are to be separated from the developments dating back to the Financial Crisis since 2007. In other words, financial changes, excluding those based on contextual factors as framework conditions, are of interest from an analytical perspective.

Variation in the impact of a financial crisis on local entities, as well as variation in the responses by those local entities, might be caused by various interacting factors. These can be grouped in line with structure-, institution-, and interest-based models as theoretical approaches in public policy. In addition, the perception of a crisis is included as a potential factor that causes variation, following the assumption that local officials evaluate the severity of a crisis differently, resulting in different countermeasures.

At the local level, as at any other level of government, the impact of a crisis can result in measures taken to react, which form the most important mechanism to combat a crisis. Assuming that political actions are evaluated, as described in the concept of the policy cycle, crisis responses can also be adjusted based on feedback from previous measures. Furthermore, within a system of multi-level governance, the measures at one level of government can represent an impact at another level of government. A complete overview of the conceptual model of this study is provided in figure 1.

⁵¹ Provinces and water boards constitute two additional levels of the political-administrative subdivision of the Netherlands between the national and the local level (see chapter 6.1 for more details). Since the tasks of the water boards are mostly limited to water management, they are not included in the conceptual model of this study. While the provinces play a minor role in today's political-administrative system of the Netherlands in general, they are in charge of the financial supervision of the municipalities. Since they are not part of the main mechanisms of the recent Financial Crisis, with a focus on the Dutch local level, they are also not included in the conceptual model. However, the Dutch system of financial supervision in general, as well as in the context of the Crisis, will be discussed at later stages (see the chapters 7.4, 7.4.1.1, 14.1, and 14.5).

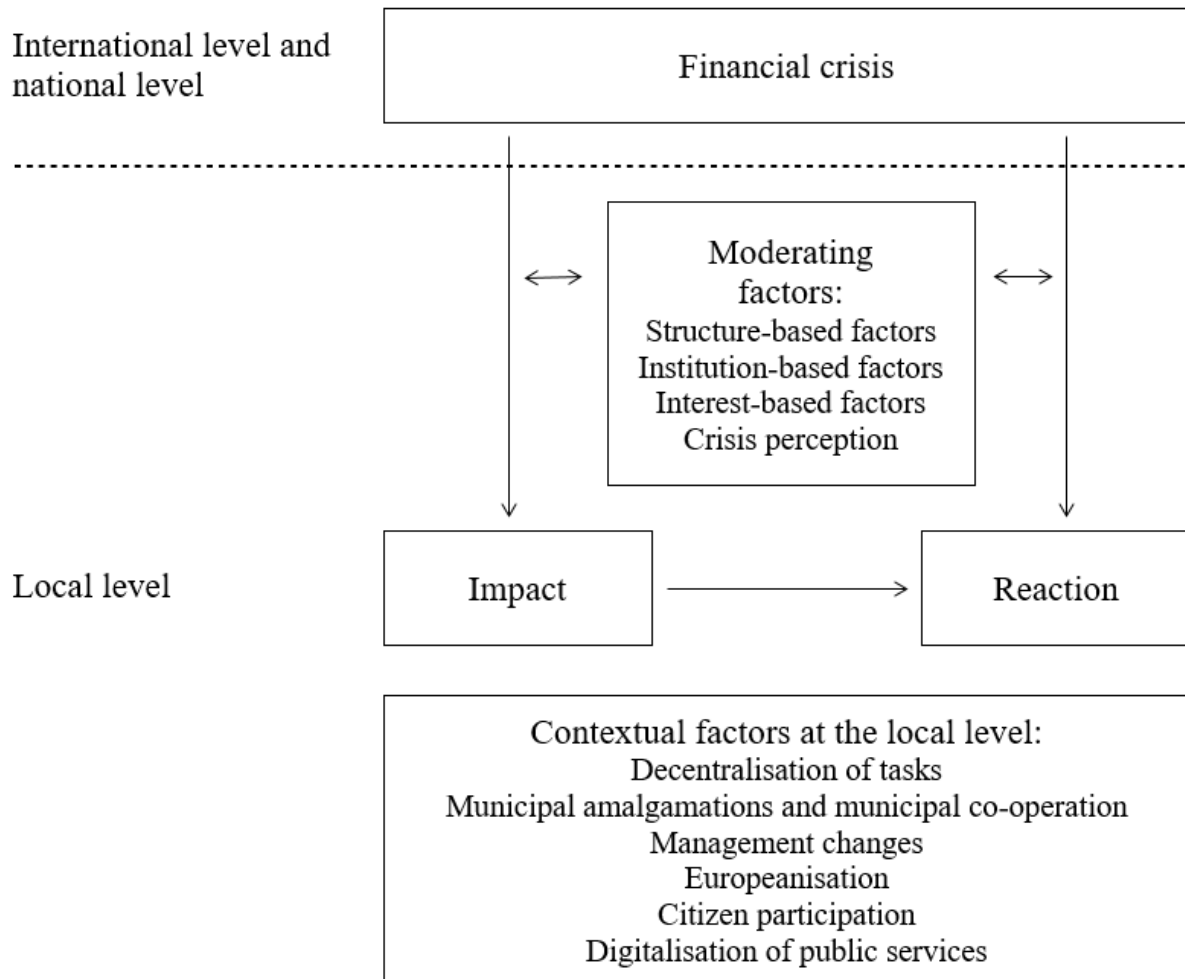


Figure 1: The conceptual model of this study

The conceptual model considers the course of a financial crisis as a development originating at the international or national level with subsequent effects at lower levels of government. At the local level, a crisis impact is potentially followed by a crisis reaction, while both aspects are influenced by the severity of the crisis itself. Apart from moderating or reinforcing factors that might help to explain a varying crisis impact and different crisis reactions, when comparing local entities within a country, changes in contextual factors need to be taken into account, especially if the financial positions of local authorities are analysed over time. As essential components of the conceptual model, potential factors of influence on the impact of the crisis and responses to it will be discussed in the following sub-chapters.

4.2. Structure-based factors

Within the group of structure-based models, the socio-economic school and the cleavage approach can be distinguished as the two main theoretical perspectives. The *socio-economic school* focuses on societal and economic influences on policymaking, as well as the resulting pressure to address accruing problems because of societal and economic developments

(Schmidt & Ostheim, 2007, p. 29; Obinger, 2015, p. 35 f.). By considering factors such as the differentiation of labour and unemployment, the model is especially applicable to welfare states from a historical or internationally comparative perspective. Not taking into account the political decision-making process, with its relevant actors and institutions, can be considered as the main weakness of the theoretical approach (Schmidt & Ostheim, 2007, p. 35 f.; Obinger, 2015, p. 35 f.).

Socio-economic theories were first developed in the 19th century, and they are closely related to Wagner's law in economics with regard to the increase of state spending as a share of the GDP in line with new public tasks (Wagner, 1892, p. 892 ff.). The rise of welfare states at around the same time represents the expansion of governmental activities in practice. While states previously focused on maintaining public order, they began to intervene in economic and social areas (Obinger, 2015, p. 36 f.; Knill & Tosun, 2012, p. 48).

On closer inspection, the socio-economic school considers socio-economic developments to be not only the main reasons for social differentiation, economic wealth, and both societal and political modernisation, but also as factors leading to pressure on existing arrangements in the context of social security, which were relatively limited in the past. The latter development also resulted in growing claims of an increasing role of the state in social affairs in the 20th century; however, the scope differed across nation states. From a theoretical perspective, the socio-economic explanatory approaches include reflections on capitalistic industrial societies by Marx (1872), as well as later research on welfare policies, for example by Zöllner (1963) and Wilensky (1975) (Schmidt & Ostheim, 2007, p. 30; Obinger, 2015).

In the case of a financial crisis, a decrease in the aggregated demand and the industrial output, with consequences such as lower tax revenues, is an example of a likely relation from an economic perspective. Increasing unemployment rates, accompanied by lower purchasing power of private households, are typical societal consequences following this economic development. While the socio-economic school has a traditional focus on the national level, the analysis of factors determining variation in policymaking at the local level is also possible because of similar organisational structures.

The socio-economic composition of the population, distinguished, for example, by the unemployment rate, share of elderly people, or average income per person⁵², might make a difference regarding the scope of the crisis impact and reactions undertaken. In welfare states with unemployment allowances, lower employment typically implies higher public expenditure in social affairs. In addition, unemployment is typically linked to lower revenues from income taxes, as well as partially lower corporate taxes. Given the decrease in purchasing power in

⁵² The statistical analyses of this study in the following chapters will be limited to a number of factors with a potential effect on the crisis impact and the crisis response, selected based on theoretical assumptions about the significance of the influence and data availability in the case of the Netherlands.

connection with unemployment, lower household expenditure results in lower public revenues, which are usually in part linked to consumption (cf. Wagschal & Jäkel, 2010, p. 309 ff.). This argumentation leads to the following hypothesis:⁵³

H1: The higher the increase in unemployment, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

Considering the nature of a financial crisis, it can be further argued that not all industries within a certain region are affected by the crisis to the same extent. While some sectors, such as agriculture and manufacturing, might also experience decreases in demand, the main impact of a financial crisis occurs in the banking and financial service sector per definition. As a consequence, increases in unemployment, associated with higher public expenses and lower tax revenues, are also unequally distributed across industries. Accordingly, cities and municipalities, wherein the banking and financial service sector is traditionally an important industry with a relatively large share of local employment, are affected by a financial crisis to an above average degree. Following this logic, the next hypothesis is formulated as follows:

H2: The higher the share of the financial sector, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

Furthermore, the age composition of the local population is a factor that potentially moderates the effects of a financial crisis. Considering increasing unemployment, as a typical consequence of a financial crisis, people older or younger than the official working age are usually not directly affected by job losses. In other words, specifically municipalities with a large share of elderly people experience a crisis and related effects on employment and public finances to a lesser extent. Therefore, the third hypothesis, in line with structure-based factors, is stated as follows:

H3: The higher the share of persons aged 65 and older, the lower the increase in municipal net expenditures per capita or alternatively the lower the decrease in municipal net revenues per capita during a financial crisis.

As the second structure-based model considered in this study, the *cleavage approach* focuses on factors of long-term socio-economic fissions and their influence on policymaking. According to Lipset and Rokkan (1967), the following four cleavages can be identified: centre versus periphery, state versus church, rural versus urban, and workers versus employers. Additional cleavages have been formulated by other scholars in more recent years.⁵⁴ However, the long-term nature of the cleavages qualifies the model to analyse historical developments rather

⁵³ The second part of the hypothesis depends on whether the balance sheet area under investigation is an area with net expenditures or an area with net revenues. The same applies to all other hypotheses.

⁵⁴ On the other hand, it can be argued that the general importance of societal cleavages has decreased in recent decades because of a higher average mobility of the population and migration flows both within countries and across national borders.

than policy changes in the short run. In addition, it can be argued that because of developments such as globalisation and Europeanisation, socio-economic cleavages are less pronounced nowadays than they were several decades ago.

Regarding the question of the impact of and reactions to a financial crisis at the local level, rural versus urban – a factor that is determined, for example, by the number of inhabitants of a certain area, population density, or the typical use of soil – is the main dimension of the cleavage approach that potentially explains variation in policymaking. During a financial crisis, it can be argued that large cities are typically more affected than small villages in the countryside. First, the socio-economic structure of cities is often disadvantageous because of higher numbers of welfare recipients and resulting socio-economic pressure (cf. Wagschal & Jäkel, 2010, p. 309 ff.; Bishaw & Posey, 2016). Second, the importance of the economic sectors differs. Agriculture is more common in the countryside, and it is generally less affected by the overall economic situation. Industrial production, on the other hand, usually takes place in more densely populated areas because of the need for sufficient infrastructure, largely depending on the type of production, as well as employees. In the case of the Financial Crisis since 2007, the financial sector was particularly severely affected. Relevant companies in this sector are typically located in cities rather than in the countryside. The next hypothesis is thus set up as follows:

H4: The more inhabitants, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

Furthermore, the dominating use of local soil can be considered as an alternative way in which to measure the degree of urbanisation. In this context, a large share of agricultural soil usage is generally associated with rural areas. Following this logic, the next hypothesis is postulated as follows:

H5: The higher the share of soil used for agricultural purposes, the lower the increase in municipal net expenditures per capita or alternatively the lower the decrease in municipal net revenues per capita during a financial crisis.

In the context of these five hypotheses, in line with structure-based factors with a potential influence on the implications of a financial crisis at the local level, it must be taken into account that other factors apart from the crisis might also cause changes in financial developments during the relevant period of time. However, while the existence of confounding variables can never be completely excluded in social science research, the financial crisis is regarded as the main factor leading to the changes. In other words, all framework conditions are considered as *ceteris paribus*. The same applies to the hypotheses derived in the next sub-chapters.

Taken together, structure-based factors can potentially contribute to the explanation for local entities facing financial crises to a varying degree. Higher unemployment rates, for example, are usually accompanied by higher social spending. However, considering that a number of different factors contribute to variation in the local impact of a crisis and responses to it, institution-based factors will be introduced as the second group of factors in the following sub-chapter.

4.3. Institution-based factors

In the group of institution-based models, the classical institutional approach and new institutionalism can be distinguished, and the latter is commonly further subdivided into sociological institutionalism and historical institutionalism. The *classical institutional approach*⁵⁵ focuses on formal-legal and organisational factors next to economic and social conditions. Especially questions about decision-making within organisations (cf. Simon, 1947) and the related policy performance of differing institutional arrangements can be assessed by following this approach. The main weakness of the model is that it does not take informal decision-making into account.

On closer inspection, the classical institutional approach dates back to scholars of antiquity and can be considered as “the first systematic thinking about political life” (Peters, 2005, p. 3), involving questions regarding the nature of institutions and their most favourable design. Overall, these considerations were mainly normative, but they mark the beginning of systematic analyses of institutions both in general and in specific contexts (Peters, 2005, p. 3 ff.). Furthermore, the classical institutional approach is characterised by the “central role of law in governing” (Peters, 2005, p. 6), the importance of formal structures and rational choices determining the behaviour of the actors involved, and its holistic nature by aiming to address the societal system as a whole, including its historical developments (Peters, 2005, p. 6 ff.; Tsebelis, 1990, pp. 92-118).

However, when comparing municipalities within one country, variation in institutional factors is particularly low.⁵⁶ Bodies such as the municipal council and the position of the mayor are usually defined by national or regional laws. In this context, the number of councilmen typically depends on the number of inhabitants; more council members are permitted in larger cities to represent as many societal groups as possible.

Since every institutional member can potentially influence the policy process as a veto player, defined as “individual or collective actors whose agreement is necessary for a change of the status quo” (Tsebelis, 2002, p. 19), variation in the form of a higher or lower number of persons within an institution can potentially affect the policy output, for example as a result of the need for broader compromises or a longer duration of the decision-making process. However, given the close link to the number of inhabitants, which has already been considered in the previous hypotheses, separate hypotheses assessing the role of the number of councilmen in the context of changes in municipal budgets in times of a financial crisis are not set up. No other hypotheses based on the classical institutional approach were derived either.

*New institutionalism*⁵⁷ is a second group of theories within the institution-based models. While the concept emerged based on criticism of the previous understanding of institutions and insights from different disciplines, including economics, political science, and sociology,

⁵⁵ Also known as *old institutionalism* or *classical institutionalism*.

⁵⁶ Considering cross-country comparisons, on the other hand, this approach is promising when aiming to explain variation.

⁵⁷ Also known as *neo-institutionalism*.

the label was mainly coined by March and Olsen (1984). Furthermore, in line with the earlier developments of behaviouralism and rational choice theory since the 1950s, new institutionalism can be considered as a movement away from the previous focus on formal structures towards informal processes, also including political factors. More generally, institutions are seen as entities that change over time based on the preferences of the actors involved, compared to the previously prevailing understanding of institutions as factors restricting the scope of decision-making (Peters, 2005, p. 8, 12 ff.; Lowndes, 2009, p. 92; Thelen & Steinmo, 1992, p. 1, 3).

Following March and Olsen (1984), the “concern with institutions is a cumulative consequence of the modern transformation of social institutions” (p. 734). Therefore, new institutionalism “emphasizes the relative autonomy of political institutions, possibilities for inefficiency in history, and the importance of symbolic action to an understanding of politics” (p. 734), based on empirical observations. Considering the political-administrative conditions at the local level, such as the complexity of local governmental arrangements in a certain municipality, new institutionalism can be seen as a particularly relevant concept from an analytical perspective (Lowndes, 2009, p. 94).

However, new institutionalism is not a single coherent concept, but different sub-types with common key elements, and the overall intention to provide more comprehensive explanations than previous models can be distinguished (Hall & Taylor, 1996, p. 936; Lowndes, 2009, p. 102). While the sub-types of new institutionalism are debated, the distinction between sociological institutionalism and historical institutionalism can be considered as relatively common in academic literature.⁵⁸ The similarities between the various types have also led to attempts to combine the approaches (Hall & Taylor, 1996, p. 955 ff.).

By taking organisational procedures and cultural aspects into account, the number of relevant factors characterising institutions is broad, according to *sociological institutionalism*. The concept is thus based on sociological theories, including Weber’s (1919, 1922) understanding of bureaucracy (Peters, 2005, p. 107 ff.; Hall & Taylor, 1996, p. 946 ff.). In general, sociological institutionalism can be considered as superior to other sub-types of new institutionalism in terms of explaining individual actors’ choices based on specific preferences (Hall & Taylor, 1996, p. 951).

However, a major disadvantage of the approach when aiming to apply the concept in empirical research is that potential factors of interest, such as organisational culture, are relatively difficult to conceptualise and measure. Also, in the context of this primarily quantitative analysis

⁵⁸ In addition, Hall and Taylor (1996) distinguish *rational choice institutionalism* as a third type, which is somewhat similar to historical institutionalism (Hall & Taylor, 1996, p. 942). Peters (2005) identifies at least six types of new institutionalism, which he labels *normative institutionalism*, *rational choice institutionalism*, *historical institutionalism*, *empirical institutionalism*, *international institutionalism*, and *societal institutionalism*. While some sub-types also include aspects of the classical institutional approach, he also mentions that it can be argued that only one type of new institutionalism exists, since all sub-types have common analytical strategies (Peters, 2005, p. 18 ff., 155 ff.). However, other sub-types of new institutionalism, apart from sociological institutionalism and historical institutionalism, are not further considered in this study, since potential factors determining variation in the context of a financial crisis at the local level are without variation, either because of legal requirements or a lack of data availability.

of the reactions of municipalities to a financial crisis, potential factors emphasised by sociological institutionalism are either without much variation across the local level, as a result of identical legal standards determined by higher levels of government, for example regarding legislative procedures, comparable to factors in line with the classical institutional approach, or relatively difficult to operationalise, such as organisational culture or prevalent values. As a consequence, no hypotheses are derived based on sociological institutionalism.

The focus of *historical institutionalism* is on path dependencies in policy decisions as a result of former choices by an institution and historical contingencies in general (Peters, 2005, pp. 19 f., 71 ff.; Hall & Taylor, 1996, p. 937 ff.; Thelen & Steinmo, 1992, pp. 1 f., 10; Raadschelders, 1998). In other words, “policy choices made when an institution is being formed, or when a policy is initiated, will have a continuing and largely determinate influence over the policy far into the future” (Peters, 2005, p. 71), according to this theoretical approach. The same applies to institutions and their internal structures, which are considered to be based on historical developments over time. Therefore, institutions’ formal and informal organisational procedures are taken into account, and different starting points as well as critical junctures can be identified from an analytical perspective. However, while institutions possibly influence the policy outcome, it is also presumed that they are not solely responsible for it (Thelen & Steinmo, 1992, pp. 2 f., 27).

While aiming for a better understanding of institutions and patterns in political and economic developments, institutions and their procedures are generally considered to be part of historical processes over time (Suddaby et al., 2014, pp. 100 f., 109, 111; Thelen & Steinmo, 1992, p. 27 f.). Building upon this, “policy development can be conceptualized not as a continuous but as a discrete process” (Peters et al., 2005, p. 1276). Variation and persistence of the policy outcome over time and across countries can thus be analysed, especially if the institutions involved are relatively stable (Thelen & Steinmo, 1992, p. 13 f.). Interestingly, crises can be considered as an indication of the necessity of departing from previous paths and changing existing conditions, even though changes might be most difficult to implement during times of crises (Peters, et al., 2011, p. 16 f.).

Criticisms of the concept include the partially static assumptions and the limited explanations of policy changes, in contrast to path dependencies, as well as gradual institutional changes, including relevant factors; these weaknesses were also pointed out for other institutional theories. However, conflicts over policy ideas can also serve as part of an explanation for drivers of change within an institutionalist framework (Peters, 2005, p. 85; Peters et al., 2005, p. 1275; Mahoney & Thelen, 2010, p. 31). Recent empirical research (Peters et al., 2005) supports this assumption. Further conceptual problems of historical institutionalism include difficulties in explaining policy initiation, the role of political actors, especially when disagreeing with current policies, and behavioural aspects more generally (Peters et al., 2005, p. 1282 ff.; Hall & Taylor, 1996, p. 950). Taken together, “the principal theoretical problem with the historical institutionalist approach is that although it is well suited for explaining the persistence of policies, it is much less capable of explaining change in those same policies” (Peters et al., 2005, p. 1288).

In the case of historical institutionalism, previous policy decisions within a certain policy area of interest and accompanying budget changes are examples of relevant factors that can be analysed statistically. Another factor at the local level, closely related to budgetary developments, is municipal debt, which is often accumulated over decades. In other words, municipal debt can be considered as a key figure representing the sum of municipal decisions and external influences of the past. As at any other level of government, existing debt and debt services also limit the scope of action at the local level. In this context, it can be argued that municipalities with higher debt will be more affected by a financial crisis.⁵⁹ Based on this relation, together with the common distinction between short-term and long-term debt, the two following hypotheses are formulated:

H6: The higher the existing municipal short-term debt per capita, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

H7: The higher the existing municipal long-term debt per capita, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

In summary, alongside structure-based factors, the characteristics of the local authorities themselves might partly explain the varying severity of financial crises at the local level from a comparative perspective. On closer inspection, factors such as the number of institutional veto players and municipal debt might make policy changes more difficult. While the former factor describes difficulties in changing the status quo in relation to certain policies, the latter illustrates the fundamental role of path dependencies. Apart from institutions as a whole, the municipal representatives and employees, as well as their preferences, are of major importance. Therefore, the last group of factors, with potential relevance regarding the scope of financial crises at the local level, are interest-based ones. These will be addressed in the next sub-chapter.

4.4. Interest-based factors

In addition to formal and informal rules and procedures, institutions and their activities are characterised by elected and appointed officials as well as employees working for them. By focusing on these persons or groups of persons, such as political parties or other interest groups, which might have own additional organisational structures, policy variation and policy change can be explained in line with interest-based models. In other words, people and their views can make a difference to the policy outcome. However, next to limitations regarding the legitimacy of presenting own interests in line with structural features of the political-administrative system, as well as the reliance on personal influence and assertiveness, formal and informal linkages between private or group interests on the one hand and institutional

⁵⁹ However, one can also argue that existing debt leads to smaller stimulus packages because of a limited financial leeway (Wagschal & Jäkel, 2010, p. 311 f.).

factors on the other hand can be concluded (Peters, 2005, pp. 123 ff., 136). Regarding the latter, an increasing relevance of networks, in accordance with the development towards multi-level governance, can be observed in practice (Kjaer, 2009).

While focusing on individuals or groups of individuals, questions arise regarding the impact of political leadership on certain decisions. Particularly at the local level, where the share of personal connections of the local population are comparably high, individual characteristics as well as institutional and contextual factors might make a difference; in this context, interactive effects also need to be taken into account (Greasley & Stoker, 2009).

Over time, numerous interest-based models, focusing on the behaviour of certain individuals or groups, and their rational choices in particular have emerged. Since political and administrative actors are formally and informally involved in the context of policymaking, political or party-focused approaches and bureaucracy-focused approaches can be distinguished from a theoretical perspective.

Following Strøm (1990), and in line with *party-focused approaches*, the strategies of political parties and their officials can be described as vote-seeking, office-seeking, or policy-seeking. All three approaches are designed to increase the own political influence. Vote-seeking and office-seeking can thus help to accomplish certain policy decisions. In other words, parties matter for public policy. Hibbs (1977) has argued in the same direction. According to his party difference hypothesis, which refers back to party preferences in macroeconomic policies, parties offer various policy options, associated with certain potential policy impacts, from which voters can choose based on their personal preferences.

In the case of a financial crisis, various measures can be decided upon based on political preferences and beliefs in economic relations. In this context, it is commonly argued that left parties or political groups⁶⁰ are more willing to reduce the impact on the population, which can be realised by increasing public expenditure or decreasing taxes in line with counter-cyclical policies based on Keynesian economics. On the other hand, conservative and other parties or political groups on the right side of the political spectrum are usually in favour of a free play of the markets and the limited role of government. Pro-cyclical policies based on neo-liberal convictions or passive policies based on classical economics are the logical consequence.⁶¹

⁶⁰ The ideological orientation of a political party or group and the resulting position within the political spectrum necessarily imply a certain simplification, and they are often debated. Therefore, the substantive positions of a political party in various policy areas can also differ from the overall ideological classification. In addition, self-perception often varies from the perception of political opponents and sometimes also the general public. Further difficulties regarding the political classification arise from the circumstance that the political convictions of a party can vary across a party's local branches and over time. However, in line with the prevailing opinion and the traditional parties in the Netherlands, parties or political groups that primarily focus on socialistic, social democratic, and environmentalist beliefs are considered to be left parties in this study. Parties or political groups that mainly focus on conservative and Christian democratic beliefs are considered to be parties on the right side of the political spectrum.

⁶¹ Since political and economic beliefs also depend on socio-economic framework conditions, those might change in events such as financial crises. Even though this can be considered as a longer process, smaller ideological differences between certain political parties or groups might be the result if certain political or economic beliefs become widely accepted. In other words, parties would matter less.

Following the logic that parties matter and that crisis responses by left parties differ particularly from other parties (cf. Wagschal & Jäkel, 2010, p. 309 ff.), the next hypothesis is set up as follows:

H8: The higher the share of left parties in the municipal council, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

A further political factor with a potential impact on crisis management is the fragmentation of the relevant political bodies, such as the municipal council. A higher number of parties, each holding a relatively small share of the seats, might make it more difficult to change the status quo in a certain policy area and might thus lead to a longer duration in decision-making in general. In other words, finding compromises is more complicated and usually takes more time if more actors are involved. Veto player positions might also be given depending on the majorities and legal conditions (Tsebelis, 2002), and the same applies to the possibility of delaying tactics. Effects in accordance with this argument were also observed in a comparison of crisis reactions at national levels of government (Armingeon, 2012).

Assuming that increases in municipal expenditure and decreases in municipal revenues during a crisis are at least partially related to decisions by the municipal council attempting to combat a crisis by changing its policy positions, political fragmentation is a potential moderating factor that delays policy changes. In other words, the more parties involved, the more difficult it is to adjust policies during a crisis as well as in general. On the other hand, it can be argued that more parties can lead to higher expenditures and lower revenues through the trading of favours, also known as log-rolling (Buchanan & Tullock, 1962). While different political groups support one another to achieve their policy goals, a negative impact on public finances is the likely consequence.

While empirical results (Volkerink & de Haan, 2001; Perotti & Kontopoulos, 2002; Ricciuti, 2004; Elgie & McMenemy, 2008) differ regarding the relation between political fragmentation and public finances, including public deficits, the correlation between both variables is not necessarily linear. If political fragmentation exceeds a certain level, for example, then the trading of favours might no longer be possible to achieve. However, while aiming to explore a potential effect of political fragmentation on public finances, as well as its direction, the next hypothesis is formulated as follows:

H9: The lower the political fragmentation of the municipal council, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

Apart from politics, the administration plays a major role in the process of policymaking, as the *bureaucracy-focused approaches* emphasise. An influence is possible at all stages of the policy cycle, not only in the phase of policy implementation. For instance, through the provision of information to politicians, the administration's involvement in the process can already take place from the beginning, and it has both formal and informal aspects.

Following Niskanen's (1971) budget-maximising model, civil servants act rationally by trying to increase their salaries and prestige. This can generally be achieved through the maximisation of responsibilities, usually measured by the budget for which one is responsible within an organisation, which is itself characterised by limited resources. While criticising these assumptions, including the associated tendencies towards inefficiencies within the administrations, Dunleavy (1991) developed the so-called bureau-shaping model. Following this second rational choice approach, civil servants do not necessarily maximise their budgets, but focus on shaping the administrative units they are part of to be aligned with own work-related interests. While these interests can differ, examples include the design of certain policies in line with personal beliefs or own influence in general. Overall, civil servants can be considered as powerful actors who are formally and informally involved in the policy process, potentially aiming to promote their own interests and increase their own influence.

Furthermore, it can be argued that civil servants, as members of an administration, tend to have an information advantage over politicians because of their expertise in certain focus areas, often gained over a long period of time, as well as their general experience in collecting information and developing policy proposals. Following this logic, politicians depend, at least partially, on the records and insights provided by an administration, and administrations depend on civil servants as their workforce. These circumstances make the position of civil servants even more powerful and influential in policymaking, including the possibility to pursue own intentions.

Next to the aspects potentially leading to an expansion of an administration in terms of staff members in order to increase the organisation's influence, the appropriate number of employees necessary to fulfil certain tasks can be debated in general and might also depend on the desired quality of the work, as well as on the general perspective regarding administrative structures. Apart from a potential increase in differences of opinion, which lead to long-lasting processes, a higher number of staff members can generally be associated with a quicker fulfilment of an administrative unit's tasks if they are unchanged in scope. In other words, administrative capacities need to be considered as relevant for the performance of administrative tasks and services.

Empirical results (Schneider et al., 2011) suggest that the administrative capacities of a municipality mainly depend on the personnel resources, which in turn tend to be closely linked to the number of inhabitants as clients or potential clients of public services. In addition to personnel resources, financial resources – in other words, the administrative budget and its usage – might also have an impact on policy decisions. Financial resources spent on consultation services of external advisors, for example, can help to gain better insight into certain topics, which can also lead to more convincing arguments when aiming to justify a policy proposal. However, depending on the scope of funds available and the advisors selected, the information obtained, specific suggestions, the proposed course of action, and the final policy decisions can vary.

In the case of a financial crisis, public authorities are confronted with shifting priorities of existing tasks and services as well as new ones. While the search for economic strategies to re-

spond to the new challenges and the provision of social services might require additional capacities, for example, some policy areas, such as environmental protection, might be considered as less important. However, apart from the reasons for changing focus areas and allocations of resources, the number of civil servants can influence an authority's capacity to deal with the crisis in two directions. On the one hand, it can be argued that higher staffing enables an organisation to find better solutions to reduce the impact of the crisis. On the other hand, organisational decline might lead to necessary reductions in the number of staff members, as a strategy in the context of austerity measures and cutback management (Raudla et al., 2015b; Kickert et al., 2015; Kickert & Randma-Liiv, 2015; Pollitt, 2010). Those reductions are often difficult to achieve in the public sector in the short run. Taken together, a trade-off between the need for more staff members and the necessity to reduce costs becomes evident in the public sector in times of crisis.

Considering the impact of and responses to a financial crisis in terms of the additional expenditures necessary to react to the crisis – next to automatic stabilisers in social affairs, as well as decreasing revenues, mainly in relation to the overall economic situation – the number of municipal employees can serve as a moderating factor in line with the argumentation of municipal capacities to address changing conditions. Since the scope of tasks of municipal administrations are naturally linked to the size of the local entity, the number of civil servants is adjusted to the population in the following.⁶² In general, personnel planning might be more efficient in some municipalities than in others, which might also become obvious in times of crisis. Taking a rather explorative approach regarding the impact of the number of staff members as a moderating factor, the next hypothesis is formulated as follows:

H10: The higher the number of municipal staff members in relation to the inhabitants, the lower the increase in municipal net expenditures per capita or alternatively the lower the decrease in municipal net revenues per capita during a financial crisis.

In addition to staff members, an organisation requires financial resources to operate, as already pointed out before. Therefore, it can be argued that a higher budget for administrative matters enables an organisation to find better solutions to existing problems, for example by investing in extensive research and external advice. On the other hand, reducing administrative expenditure might be considered necessary in times of crisis, but proves difficult in terms of organisational decline in the short run, largely depending on existing rules and procedures. However, overall, the scope of the administrative budget generally enhances an organisation's crisis management capacities and therefore potentially reduces the overall effect of a financial crisis. While this relation applies to any public authority, it also includes local government.

Since the balance sheet totals differ widely across the local level – mainly based on the size of a municipality – the administrative budget needs to be adjusted for the number of inhabitants to enable comparative analyses. Again, the possibility of financial planning being more efficient in one municipality compared to another is given in times of crisis and times without

⁶² Compared to the number of councilmen, which is linked to the inhabitants by law in many countries, more variation is possible regarding the number of civil servants in relation to the number of inhabitants.

crisis in the same way as in the context of personnel planning. While choosing a rather explorative strategy again, the last hypothesis is formulated as follows:

H11: The higher the administrative budget per capita, the lower the increase in municipal net expenditures per capita or alternatively the lower the decrease in municipal net revenues per capita during a financial crisis.

Interest-based factors represent the last of the three groups of factors with a potential impact on the severity of a financial crisis at the local level. The influence of certain political ideologies and administrative capacities are more practical illustrations of factors in line with this argumentation. In summary, an overview of all factors within the three aforementioned groups, which will be included in the further analyses of this study, as well as the associated hypotheses, will be provided in the next sub-chapter.

4.5. Potential factors influencing the severity of financial crises at the local level of government

As outlined in the previous sub-chapters, various structure-, institution-, and interest-based factors are able to influence the impact of and responses to a crisis at the local level of government. Some factors are without variation within a certain country, while others cannot be included in an analysis, because of a lack of data availability. The factors and the accompanying hypotheses, which are included in the following empirical part of this study, are listed in table 3. For a better overview, the factors are sorted in line with the three groups of theoretical models and the specific approaches within these groups.

Table 3: Factors potentially influencing the impact of and responses to a financial crisis

Structure-based models		Institution-based models			Interest-based models	
Socio-economic school	Cleavage approach	Classical institutional approach	New institutionalism		Party-focused approaches	Bureaucracy-focused approaches
			Sociological institutionalism	Historical institutionalism		
- Change in unemployment (H1) - Share of financial sector (H2) - Share of persons aged 65 and older (H3)	- Number of inhabitants (H4) - Share of agricultural soil usage (H5)	/	/	- Short-term debt per capita (H6) - Long-term debt per capita (H7)	- Share of left parties in the municipal council (H8) - Political fragmentation of the municipal council (H9)	- Municipal staff members in relation to the inhabitants (H10) - Administrative budget per capita (H11)

Apart from the socio-economic, institutional, political, and administrative factors with a potential influence on public policy, other factors might also have an impact on policy decisions in the context of a financial crisis. Private actors, for example, may donate money to political

parties, expecting a certain direction of a policy in return. Bribing or blackmailing politicians or civil servants would be another way for third parties to try to influence policies. These factors can be considered as interest-based factors in a wider sense, since the initial origin of the interest is located outside of any formal organisational structure. Even though politicians or civil servants might adopt certain views based on the external influence, the views do not correspond to those individuals' own original interests.

Other possible factors with an influence on policymaking in the context of a financial crisis include, for example, the framing of developments to influence the perception of others, the conscious manipulation of data for personal interest, or unintended mistakes in the legislative process. All of these factors have in common that they are either not publicly known or illegal, which makes it difficult to include them in any scientific study. This implies limitations to this study in accordance with those circumstances as it is the case for other studies. While additional qualitative research aiming to provide explanations for certain causal mechanisms can help to identify other factors of influence in the context of a financial crisis and the situation at the local level, which are relevant, for example, in individual cases, the possibility of further hidden factors can never be fully excluded.

In short, various factors with a potential influence on the severity of a financial crisis at the local level can be identified; however, data availability limits empirical research in some cases. In the context of this study, 11 hypotheses were derived. Each one focuses on a single potential factor of influence on public finances at the local level in times of crisis, based on theoretical approaches in line with structure-, institution-, and interest-based models of policymaking. However, apart from measurable conditions, the subjective perception of a crisis by local officials might also be a relevant factor in explaining certain policy decisions. This additional aspect will be discussed in the next sub-chapter.

4.6. The role of crisis perception

The perception of events can vary extensively, since individuals interpret what they observe. In this context, the assessment is largely influenced by previous experiences. As a consequence, one person might evaluate an event as a major challenge, while another could consider the same event to be an issue that is easy to solve. Naturally, almost infinite judgements are possible in between.

In the case of financial crises, the difficulty in measuring them contributes to the general problem of perception. Apart from objective events⁶³, for example a bank filing for bankruptcy, many other aspects, such as the stability of the monetary system, and the potential consequences of objective events are relatively difficult to assess and hence largely influenced by one's own perception, which in turn depends on the information one receives. In other words, reality and the perception thereof can differ in times of crises, as well as in general, from a

⁶³ Discussing the legitimate philosophical question, namely how the objectivity of an event is defined, is not possible in the context of this study.

psychological perspective. In this context, and in line with the Thomas theorem, which argues that “[i]f men define situations as real, they are real in their consequences” (Thomas & Thomas, 1928, p. 572), it is not even important whether a crisis truly is present; “if it exists in the minds of many people, then it is real in its consequences” (Galtung, 1984, p. 4). In other words, the way in which people see and interpret a crisis is important (Steccolini et al., 2017b, p. 238).

Variation in the perception of the severity and scale of a crisis can affect all societal groups. The population’s perception can influence their satisfaction with crisis reactions and politics in general. Political support can consequently change because of political dissatisfaction. If a crisis affects multiple countries to different degrees, then many citizens tend to assume that the situation in their home country can be generalised to other countries (Theißen, 2014), which might not represent the real global conditions. In the case of politicians, the perception of a crisis can largely influence policy decisions. Within the administration, civil servants might make use of their leeway in accordance with their perception of a crisis when implementing policy decisions in this area. Taken together, crisis reactions can be extensively influenced by the crisis perception of the persons in charge of the countermeasures.

The perception and formation of an opinion about an event, such as a financial crisis, is usually largely influenced by the information and the media one reads, hears, or watches. Some people might read reports published by central banks or international organisations, including statistical data on the scope of the event from a comparative perspective. However, analyses by economists might be difficult for other people to grasp and might not improve these individuals’ understanding of the situation (Galtung, 1984, p. 7 f.). The majority of citizens rely on information provided via various types of news media, ranging from printed newspapers to news on the television and news websites. Left-leaning news media might point out the severity of a crisis and promote governmental action to lower the impact on the population, while conservative news media might argue, in the case of the same event, that the crisis is relatively small from a historical perspective. Overall, the information one receives can be considered as a factor that largely explains the formation of the own perception of events. In addition, various other factors can influence the perception of local challenges. Apart from the size of territorial units in terms of inhabitants and common accompanying problem structures, a more rural or more urban tradition might, for example, make a difference regarding people’s perceptions of certain problems (Denters et al., 2014, p. 301).

In local politics, the crisis perception among senior officials, such as mayors, aldermen, and city managers, might also influence the assessment of an event if those officials are respected for their professional experience. Furthermore, politicians and civil servants who are known as experts on a certain topic can largely influence their colleagues’ perceptions if their estimates appear trustworthy. Together with the psychological phenomenon of group thinking (Janis, 1971), which implies the desire for conformity of a group, such as the municipal council, the decision-making outcome can be rather unfavourable from an objective perspective.

Regarding the perception of a crisis, it must also be mentioned that, on the one hand, a crisis reinforces people’s perceptions of it, and on the other hand, the perceptions can reinforce the crisis (Galtung, 1984, p. 24 ff.). This self-reinforcing relationship can certainly exacerbate the

crisis from an objective perspective. Especially the role of the media can be seen as crucial when aiming to prevent this type of development, which can lead to bank runs, for example.

In summary, it is not always the developments themselves, in the context of a crisis, that lead to certain policy responses and associated justifications of certain measures. The pure perception of certain conditions, apart from objective developments, can result in reactions that are deemed necessary based on the own deficient perception. Therefore, these subjective aspects are additional factors that potentially explain variation in crisis reactions, alongside objective ones based on the structure, institutions, or interests at the local level. Following the presentation of the conceptual model and the derivation of hypotheses in this chapter, the next chapter introduces the study's methodological approach.

5. Methodology

A financial crisis can be seen as a natural experiment conducted with public institutions and their budgets. In the case of the recent Crisis, an impact could be observed on all Western countries almost simultaneously. Variation can be explained by different fiscal and economic conditions within the countries, as well as other factors, such as regulatory measures and administrative capacities.

From a methodological perspective, the financial developments in the context of a financial crisis, as a combination of crisis impact and crisis responses, can be considered as dependent variables. These developments are potentially influenced by various other variables, such as structure-, institution-, and interest-based factors, as already described in chapter 4. Accordingly, these factors represent independent variables in a conceptual model. This logic applies to all levels of government; moreover, interactions between the different levels might also be of interest.

Since the Dutch local level, as the research object of this study, consisted of approximately 400 municipalities, a further case selection was not necessary at any stage of the research project. While the general aim is to include all municipalities in the following quantitative analyses, a lack of data availability makes the exclusion of some cases necessary. In addition, qualitative insights, based on open-ended survey questions, were collected to gain better insights into the considerations and decision-making processes at the local level. Taken together, this study can be considered as a nested analysis (Lieberman, 2005).

The content of this chapter on the methodology includes the data sources and datasets used for the statistical analyses in the first sub-chapter (5.1). The way in which the statistical analyses were conducted and the assessment of the open survey questions are the topics of the second sub-chapter (5.2). Finally, the operationalisations of the dependent and independent variables will be presented in the third sub-chapter (5.3).

5.1. Data sources

The analysis of this study relies on two types of data sources: governmental statistics and own survey data. The official data include, for example, details on municipal spending and revenues based on municipal accounts, elections results, and socio-economic figures for each municipality, used for the main analyses of this study.

The results of three own surveys, conducted among Dutch mayors, complement the official statistics. In addition to empirical data, for example on the popularity of certain cutback methods, open-ended questions such as those regarding the challenge to increase municipal revenues provide further insights beyond official budgetary statistics, both from a quantitative and qualitative perspective.

The data sources and precise datasets of Dutch governmental statistics included in this study are introduced in the first sub-chapter (5.1.1). Thereafter, information on the own surveys conducted at the Dutch municipal level is presented (5.1.2).

5.1.1. Official data published by public authorities

Statistical analyses of a financial crisis depend on appropriate data. In the cases of this study, figures on municipal revenues and expenditures are of major interest in order to assess changes. In the Netherlands, the Central Agency for Statistics (Dutch: Centraal Bureau voor de Statistiek, CBS) provides various data on local government finance. If data are provided for all municipalities under the same standard, this implies a major advantage compared to countries with regional statistical offices and differing data collection standards. Regarding election results at the municipal level, the Electoral Council (Dutch: Kiesraad) is an additional data source. Data on municipal staff members are available from the Ministry of the Interior and Kingdom Relations (Dutch: Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, BZK). In general, the scope of local government statistics can be judged as being notably extensive in the Netherlands.

Financial data regarding the local level in the Netherlands are provided by the CBS in six partially overlapping datasets. These are named Municipal finance from 1900, Municipal accounts (revenues and expenses by region and by size), Municipal accounts (charges by region and by size), Municipal accounts (per municipality; revenues and expenses, taxes), Municipal accounts (balance by region and by size), and Municipal accounts (balance per municipality). Differences mainly concern the time periods and the levels of data aggregation. Furthermore, data for the intended analyses of financial changes in different types of revenues and expenditures for each municipality are available on an annual basis from 2005 onwards. Additional non-financial data sets provided by the CBS, with a focus on the topics of employment, business locations, population statistics, and soil usage, will also be included in the analyses of this study.

A complete overview of the relevant official data sets, which are all publicly available on the Internet, is provided in table 4. Apart from information on the names of the data sets, further details are listed regarding the data objects, time period, frequency, and data source, as well as the relevance for the hypotheses of this study.

Table 4: Overview of the properties of the official statistics

Name of the dataset	Dutch name of the dataset	Data objects	Period	Frequency	Source	Hypotheses
Municipal finance from 1900	Gemeentefinanciën vanaf 1900	Sum of all municipalities	1900–2015	Annually	CBS	
Municipal accounts (revenues and expenses by region and by size)	Gemeenterekeningen (baten en lasten naar regio en grootteklasse)	Sum of all municipalities	2004–2015	Annually	CBS	
Municipal accounts (charges by region and by size)	Gemeenterekeningen (heffingen naar regio en grootteklasse)	Sum of all municipalities	2004–2015	Annually	CBS	
Municipal accounts (per municipality; revenues and expenses, taxes)	Gemeenterekeningen (per gemeente; baten en lasten, heffingen)	Per municipality	2005–2014	Annually	CBS	H11
Municipal accounts (balance by region and by size)	Gemeenterekeningen (balans naar regio en grootteklasse)	Sum of all municipalities	2004–2016	Annually	CBS	
Municipal accounts (balance per municipality)	Gemeenterekeningen (balans per gemeente)	Per municipality	2005–2014	Annually	CBS	H6, H7
Population, households and population development from 1899	Bevolking, huishoudens en bevolkings-ontwikkeling; vanaf 1899	National level	1899–2016	Annual as of January 1 st	CBS	
Consumer prices (price index 1900 = 100)	Consumentenprijzen (prijsindex 1900 = 100)	National level	1900–2016	Annually	CBS	
Annual change of the consumer price index from 1963	Jaarmutatatie consumentenprijsindex; vanaf 1963	National level	1963–2017	Annually	CBS	
Employment (regional division 2014)	Arbeidsdeelname (regionale indeling 2014)	Per municipality	2003–2014	Annually	CBS	H1
Business locations (industry, municipality)	Vestigingen van bedrijven (bedrijfstak, gemeente)	Per municipality	2007–2017	Annually	CBS	H2
Regional key figures Netherlands	Regionale kerncijfers Nederland	Per municipality	1995–2017	Annually	CBS	H3
Population development (region per month)	Bevolkingsontwikkeling (regio per maand)	Per municipality	2002–2018	Monthly	CBS	H4
Soil usage (typical types, per municipality)	Bodemgebruik (uitgebreide gebruiksvorm, per gemeente)	Per municipality	1996–2015	Biannually	CBS	H5
Election results	Verkiezingsuitslagen	Per municipality	2006	Regular municipal elections every four years	Electoral council	H8, H9
Employees Government and Education – Persons and FTE (public administration and security institutions)	Werknemers Overheid en Onderwijs - Personen en FTE (instellingen openbaar bestuur en veiligheid)	Per municipality	1998–2014	Annually	Ministry of the Interior and Kingdom Relations	H10

Taken together, the availability of official statistics on government finance and other topics can be described as notably extensive and easily accessible in the Netherlands, also in comparison with other countries. These data enable statistical analyses as intended in this study. However, to obtain more detailed insights into the situation at the local level beyond official figures, including a better understanding of the perception of the Financial Crisis since 2007, three own surveys were conducted among local officials in Dutch municipalities. The design and realisation of these surveys will be addressed in the next sub-chapter.

5.1.2. Own surveys

To assess local officials' perceptions of the Financial Crisis since 2007, as a further potential factor explaining variation in measures taken to combat the crisis, three own surveys were conducted between 2013 and 2015. In addition to insights into the mayors' and city managers'⁶⁴ estimations of changes in municipal budgets, information on crisis management and preferred austerity strategies were collected. Those quantitative and qualitative data go beyond the information available in official data and can be considered as a useful complement. Overall, the surveys enabled the gathering of estimations, preferences, and opinions of a large group of local officials, and they therefore resulted in meaningful insights.

All three surveys were designed as anonymous⁶⁵ complete censuses, and they were realised as a combination of online and hard-copy questionnaires with identical questions in order to allow those who were polled to choose their preferred method of participation. Concerning the content of the surveys, closed-ended Likert-scaled questions were the most common type. The advantages of this technique of ordinal measurement (Likert, 1932) are that it is relatively easy to understand for those interviewed and allows for the answers of tendencies compared to explicit statements, both of which can be considered as beneficial for high response rates. In some parts of the surveys, open-ended questions were also used to explore common opinions and understandings.

Austerity measures and cutback management were the topics of the *first municipal survey*. The questions addressed the scope of budget cuts in the different policy areas as well as future expectations and preferences. By asking about the use and the popularity of different cutback methods, an insight into municipal cutback management was gained as well. Overall, the survey consisted of seven questions, including three control questions on the type of municipality. From an organisational perspective, this poll was realised in three consecutive steps. First, in May 2013, the municipalities received an e-mail containing a brief cover letter and the link to the online survey via their general e-mail accounts. A request to forward the e-mail to the

⁶⁴ While city managers, deputy city managers, and deputy mayors were included in the first and second surveys, the data analysed in this study are limited to the survey responses of the mayors because of a definite survey population and higher response rates.

⁶⁵ The decision to conduct the surveys anonymously was taken to achieve a high response rate. Especially questions on personal preferences in the context of budget cuts and cutback management were considered to be sensitive and potentially influenced by social desirability.

mayor was stated at the beginning. Personalised postal letters to the mayors formed the second step of the survey in May/June 2013. Those included a hard copy of the questionnaire and a return envelope. The third and last step was a combination of a letter of appreciation for those who had already taken part in the survey and a last call for those who had not. In this regard, the municipalities were approached via their general e-mail addresses again. The message contained the link to the online survey, along with a request to forward it to the mayors in an identical way to the first step.

Changes in revenues and decentralisation measures characterise the topics of the *second municipal survey*. Data on the recent changes in and future expectations about revenues were chosen to complete the picture of the municipal budget after collecting data on the spending side in the previous year. Decentralisation measures were included as an additional component to gain a better understanding of the expected consequences of the reforms in this context that were scheduled to become effective as of January 1st, 2015. Three control and seven content-related questions formed the second survey. From an organisational perspective, it followed the strategy of the first one by approaching the mayors with a combination of digital and hard-copy questionnaires. The first e-mails with the link to the online questionnaire were sent out to the general e-mail account of the municipalities in February 2014. Individual postal letters to the mayors, including a hard-copy questionnaire, followed in March 2014. The combination of a letter of appreciation and a last call for participation was sent to the general e-mail addresses in April 2014.

Recent and future challenges, especially in the context of the Financial Crisis, constitute the *third municipal survey*. The questions and answer options were inspired by the regular Eurobarometer surveys. Gaining a better understanding of both the Financial Crisis since 2007, in comparison with other challenges at the municipal level, and its influence on these challenges was the main motivation for this final survey consisting of three control and three content-related questions. The organisation of the survey again followed the approach of the two previous ones. The e-mails to the municipalities' general accounts were sent out in October 2015, and personal postal letters to the mayors followed in November 2015. A note of thanks and a last call for participation were digitally mailed to the municipalities in December 2015. A detailed overview of the topics, methods of realisation, and response rates of the three surveys is provided in table 5.

Table 5: Overview of the properties of the three own surveys

	First municipal survey	Second municipal survey	Third municipal survey
Topics	Austerity measures, cutback management	Revenues, decentralisation	Challenges, crisis management
Survey period	May–June 2013	February–April 2014	October–December 2015
Interviewees	Mayors, deputy mayors, city managers, deputy city managers	Mayors, deputy mayors, city managers, deputy city managers	Mayors
Type of survey	Complete survey; digital and hard-copy versions of the questionnaire	Complete survey; digital and hard-copy versions of the questionnaire	Complete survey; digital and hard-copy versions of the questionnaire
Method of assessment	(1) E-mail to the general address of the municipality; (2) Individual postal letter to the mayor and city manager; (3) Reminder e-mail to the general address of the municipality	(1) E-mail to the general address of the municipality; (2) Individual postal letter to the mayor and city manager; (3) Reminder e-mail to the general address of the municipality	(1) E-mail to the general address of the municipality; (2) Individual postal letter to the mayor; (3) Reminder e-mail to the general address of the municipality
Municipalities	408	403	393 ⁶⁶
Response rates	Mayors: 113 (27.7%); city managers: 141 (34.6%); deputy mayors: 53; deputy city managers: 47; others: 70; total: 429	Mayors: 92 (22.8%); city managers: 68 (16.9%); deputy mayors: 40; deputy city managers: 46; others: 98; unknown: 6; total: 350	Mayors: 218 (55.8%)

The response rates of the three surveys is subject to some variation. While 27.7% and 22.8% of the Dutch mayors participated in 2013 and 2014 respectively, the response rate in 2015 was about twice as high (55.8%). However, with at least one fifth of all Dutch mayors participating in each survey, the response rates are comparable to other research projects with a similar survey methodology and design (Baruch & Holtom, 2008; Baruch, 1999; Cook et al., 2000). Therefore, the three datasets are considered to be appropriate for further statistical analyses.⁶⁷

Overall, the willingness to participate in the three surveys on the consequences of the Financial Crisis since 2007 at the Dutch local level can be described as relatively high, which led to satisfying response rates. While the analyses of this study on the impact of and responses to the Financial Crisis since 2007 at the Dutch local level will be mainly based on official statistics, the own survey data will complement those statistics. In the following sub-chapter of the methodology, the study's statistical approach will be addressed.

⁶⁶ The number of mayors during the period under investigation was 391, since in two municipalities (Neerijnen and Bloemendaal), the official duties of the mayor were performed by the mayor of a neighbouring municipality in an acting function.

⁶⁷ When comparing the results of the control variables of the three surveys, including the personal characteristics of the mayors, with the distribution of these characteristics according to official sources (Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 32 ff.), an over- or underrepresentation of certain groups among the respondents cannot be observed.

5.2. Analytical approach

The analyses of the changes in local government finance in the context of the Financial Crisis since 2007 are mainly based on official data provided by the CBS, supplemented by further quantitative and qualitative components. In a first step, the total income and total expenses, as well as the financial balance and total debt of all Dutch municipalities, are presented for the time period 1900 to 2015 in order to put the following analyses into perspective.

In a next step, time series of the account balances of revenues and expenditures are evaluated for all policy areas as well as the separate balance sheet items⁶⁸ for all Dutch municipalities combined. The time period for closer investigation is 2000 to 2014, which was chosen to include the situation before the recent Financial Crisis as well as during the Crisis. From this analytical step onwards, the financial data included are also adjusted for inflation. Overall, it is the intention to identify policy areas and separate balance sheet items with noticeable financial changes since the emergence of the Financial Crisis in 2007.⁶⁹

Attention will be paid to the roughly 400 separate municipalities in the main part of the analyses. Based on the data series of the account balances⁷⁰ in various policy areas, as well as separate balance sheet items of interest, it will be possible to calculate the changes in local government finances in the context of the Financial Crisis since 2007 for each municipality. To smoothen potential outliers, three-year averages will be used to compare the financial situation before the Crisis with the situation during the Crisis. Statistical key figures of the variables' distributions will enable comparisons and judgements regarding whether the effects were relatively homogeneous or heterogeneous, and which municipalities were affected the most and the least.

Explaining variation across the Dutch municipal level is the main challenge of this study. Therefore, the financial changes in the policy areas and balance sheet items of interest will be analysed in combination with a number of control variables, such as the change in unemployment, municipal debt, and the influence of left parties. From a statistical perspective, the search for factors with a link to financial changes at the municipal level will be realised by calculating ordinary least squares (OLS) regressions.

Considering the available data, their metrical levels of measurement, and the assumption of linear relationships, the use of OLS regressions, which represents one of the most common

⁶⁸ Balance sheet items are specific budgetary sections, for example in line with certain public tasks, within a policy area.

⁶⁹ While the first signs of increasing numbers of credit defaults and refinancing problems became apparent in the context of sub-prime loans and the real estate market in the US in August 2007, the effects on other countries occurred after a certain time shift. With governmental rescue measures for a private bank in the UK, the Financial Crisis arrived in Europe in February 2008 at the latest. Within the eurozone, at the latest after the first bailout package for Greece in May 2010, an impact of the Financial Crisis was no longer deniable. However, the difficulty in delimiting the Financial Crisis from a temporal perspective remains.

⁷⁰ The account balance presents the net value of revenues and expenses in a certain policy area or regarding a certain balance sheet item. This key financial figure is chosen because conducting public tasks usually involves income and spending. Collecting a certain tax, for example, implies administrative costs next to the revenues generated.

quantitative research methods in social sciences, is most suitable for this study.⁷¹ The advantage of this method is the possibility to describe the statistical relationships between a number of variables, including an estimation of the direction and strength of the associations. In addition, the prediction of the value of a variable based on the values of other variables is enabled (Alm & Mason, 2008, pp. 427 f., 447; Yang, 2007, p. 356 f.; Seber, 1977, p. 2 ff.). The necessary assumption of OLS regressions, namely that possible uncertainties in the underlying data are uncorrelated and normally distributed (Wolberg, 2006, pp. 19 ff., 32), applies to the data to be included in this study.

In addition to the official municipal accounts and other data provided by statistical offices, three own surveys were conducted to understand local officials' perceptions of budgetary changes and to gain further insights into topics such as cutback measures, including personal preferences and future expectations. As an instrument to collect data, surveys are widely used in research in the field of social sciences in general (Majumdar, 2008, p. 241 f., 251 f.; Mitchell, 2007, p. 369 f.).

In a first step, the distributions of answers to the Likert-scaled survey questions will be presented to determine the most common perceptions as well as the variation in views. The answers to the open questions will be analysed in a second step. By presenting specific problem descriptions, it will be possible to gain an in-depth understanding of underlying mechanisms. The following will thus be assessed: which statements can be considered as general issues rather than individual situations. Overall, these insights might help to understand observations recognised in the previous analyses of official statistics. Since all three surveys were conducted anonymously, a direct combination with official data is not possible.

In summary, this study will combine quantitative and qualitative methods to address the impact of and responses to the Financial Crisis since 2007 at the Dutch municipal level, as well as factors determining variation. While statistical analyses, including key figures on the distributions of variables, time series, and regression analyses, will constitute the main part, reflections on answers to open survey questions will serve as a qualitative addition. This nested analysis (Lieberman, 2005) or mixed-methods approach is considered to be the most reliable in answering the study's research question. Following this description of the analytical approach, the operationalisations of the variables will be presented in the next sub-chapter.

5.3. Operationalisations of the dependent and independent variables

Policy areas and individual balance sheet items with unusual developments in times of the recent Financial Crisis will be identified as dependent variables for the empirical analyses of this study. By first analysing all balance sheet categories and all individual balance sheet items

⁷¹ A fixed-effects model based on panel data is a potential alternative approach to analyse the links between a financial crisis and a budgetary situation. However, since such a model does not allow for the inclusion of relatively stable variables, such as surface areas or population sizes, it is not suitable for this study.

of all Dutch municipalities combined, it will be ensured that no relevant budgetary developments will be missed. The changes in short-term debt and long-term debt, representing the financial results of budgetary decisions, will also be included as dependent variables, following the intention to provide a complete overview of all relevant financial developments at the local level in the Netherlands in times of the Financial Crisis since 2007.

After identifying the policy areas and individual balance sheet items of interest, the inflation-adjusted budgetary changes in times of the Crisis will be measured in two steps. First, two three-year averages – one representing the time before the Crisis and one denoting the time during the Crisis – will be calculated for each of the areas of interest and all municipalities separately. In this regard, average values for time spans of multiple years have the advantage that potential outliers are smoothened. By subtracting the former three-year average from the latter for each pair of values, the specific financial changes will be determined in a second step. In other words, the dependent variables represent financial developments in specific budgetary areas in times of the recent Financial Crisis. In comparison with absolute values, such as the level of debt, the advantage of this approach is that financial changes during a specific period of time are considered. The figure of a certain level of debt at a given point in time, on the other hand, does not involve any information regarding when the debt emerged. Apart from continuous developments, which are common in the case of public debt, the largest shares of debt might have arisen recently or already several decades ago.

In line with the hypotheses formulated in chapter 4, 11 independent variables will be included in the empirical analyses of this study. Depending on the specific focus of the separate hypotheses, some variables will be integrated as changes over time and other variables as absolute values.

The *change in unemployment*, relating to hypothesis 1, will be calculated for each municipality based on the unemployment rates of the labour force in two three-year periods. Average values for time spans are again chosen to smoothen potential outliers. The years 2005 to 2007 represent the time before the recent Financial Crisis, while the years 2010 to 2012 denote the time of the Crisis. The average value of the three former years will be subtracted from the average value of the three latter years, resulting in a value measured in percentage points⁷². Since changes are possible in both directions, positive values indicate an increase in unemployment, while negative values describe a decrease (Data source: CBS, Arbeidsdeelname; regionale indeling 2014, 2003-2014).

The *share of the financial sector*, as the second independent variable of interest in line with hypothesis 2, will be calculated for each municipality by dividing the number of financial service companies by the total number of companies registered with a branch office within the municipality. Figures for 2007 are chosen to take the situation before the beginning of the recent Financial Crisis into account (Data source: CBS, Vestigingen van bedrijven; bedrijfstak, gemeente).

⁷² A percentage point is the unit of measurement of the result of a subtraction of one percentage value from another percentage value. It describes the change on the percentage scale as an absolute value instead of a relative value.

Relating to hypothesis 3, the *share of persons aged 65 and older* will be calculated for each municipality. This will be realised by dividing the number of persons of the relevant age group by the total number of inhabitants. Again, figures for 2007 are considered in order to include the situation before the beginning of the Crisis (Data source: CBS, Regionale kerncijfers Nederland).

The size of the municipalities in terms of their *population* was stated as a potential factor of influence in hypothesis 4. Therefore, the number of inhabitants by the end of 2007 will be utilised in the empirical analyses (Data source: CBS, Bevolkingsontwikkeling; regio per maand).

As an expression of the degree of urbanisation in line with hypothesis 5, the *share of areas used for agricultural purposes* will be determined for each municipality. This value will be calculated by dividing the agricultural land by the total municipal territory in 2006. Since the relevant data set is updated infrequently, the year 2006 represents the last figures available before the Crisis (Data source: CBS, Bodemgebruik; uitgebreide gebruiksvorm, per gemeente).

Hypotheses 6 and 7 focus on the role of existing *short-term debt* and *long-term debt* at the municipal level. While short-term debt includes negative bank and giro balances as well as all other liabilities with maturities of one year or less according to budgetary rules in the Netherlands, long-term debt mainly consist of bonds, private loans, money invested by third parties, and deposit guarantees as well as all other liabilities with maturities longer than one year. To control for the size of the municipalities, both types of debt will be calculated for each municipality in euro per capita. Again, to take the situation before the recent Financial Crisis into account, data for 2007 will be considered (Data source for both variables: CBS, Gemeenterekeningen; balans per gemeente 2005-2014).⁷³

The *share of left parties* is the focus of hypothesis 8 and will be calculated for each municipality by dividing the number of seats gained by parties on this side of the political spectrum in the 2006 election to municipal councils, representing the last regular election before the recent Financial Crisis, by the total number of council seats. In this regard, the Partij van de Arbeid (PvdA), GroenLinks (GL), Socialistische Partij (SP), Friese Nationale Partij (FNP), and Nieuwe Communistische Partij (NCPN), as well as all joint lists including these parties, will be considered as left (Data source: Kiesraad, Verkiezingsuitslagen 2006).⁷⁴

In line with hypothesis 9, and based on the seat shares of the political parties in the 2006 municipal election, Rae's (1967, 53 ff.) measure of *political fragmentation*⁷⁵ will be calculated for the municipal council of each municipality as a further independent variable (Data source: Kiesraad, Verkiezingsuitslagen 2006).

⁷³ Since the dependent variables will be adjusted to the consumer price level of the year 2007, an adjustment for inflation is not necessary in the cases of these two independent variables.

⁷⁴ See chapter 7.3 for more information on local politics in the Netherlands.

⁷⁵ Rae's (1967, 53 ff.) measure of fragmentation calculates the electoral fractionalisation of a political body based on the vote or seat share of each party. The sum of the squared shares of all parties is subtracted from 1. Therefore, the Rae index can range from 0 to 1, where a value of 0 represents a one-party system without any fragmentation, and a value of 1 describes the maximum fragmentation of a party system. Since an infinite number of parties with an infinite small share of votes or seats is necessary to reach the latter value, it marks the maximum value of Rae's index in theory.

Relating to hypothesis 10, the *number of civil servants* per municipality will be considered based on data for 2007, as the last year before the recent Financial Crisis. Apart from civil servants employed within the municipalities' core administrations, those working within a municipality based on joint arrangements to fulfil public tasks between or across the governmental levels will also be included.⁷⁶ To take the different sizes of the municipalities into account, the figures will be adjusted for the population in the form of full-time equivalents per 1,000 inhabitants (Data source: Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, Werknemers Overheid en Onderwijs-Personen en FTE (instellingen openbaar bestuur en veiligheid)).

Lastly, the municipalities' *budgets for administrative affairs*, as the independent variable named in hypothesis 11, will be calculated in euro per capita. Again, data for the year 2007 will be included, and adjustments will be made to the population sizes for the same reasons outlined before (Data source: CBS, Gemeenterekeningen; per gemeente, baten en lasten, heffingen 2005-2014).⁷⁷

Overall, the later analyses of this study will involve 11 independent variables. The number of dependent variables depends on the number of policy areas, individual balance sheet items, and financial results identified as affected by the recent Financial Crisis in the further course of this study.

After introducing the theoretical framework and the methodological approach, the next part of the study includes the first component of the analysis. Starting with the Dutch political-administrative system and recent trends and developments at the country's local level, as well as the course of the Financial Crisis since 2007, the crisis situation in the Netherlands and its municipalities will be addressed in detail.

⁷⁶ See chapter 6.1 for more information on joint arrangements between territorial entities in the Netherlands.

⁷⁷ Since the dependent variables will be adjusted to the consumer price level of the year 2007, an adjustment for inflation is not necessary in the case of this independent variable.

Part 3: The Netherlands, its local level of government, and the Financial Crisis since 2007

The third part of this study turns towards the Netherlands. To assess developments at the country's local level, insights into the political-administrative system and the division of responsibility are provided as necessary background information. Recent changes towards an enabling state and multi-level governance are also discussed, building upon more general reflections. In addition, the "regie" approach, as a particular Dutch debate on steering capabilities at the local level, is presented.

Considering Dutch local government, particular attention is paid to municipal finances and legal requirements in order to illustrate the municipalities' general leeway and procedures in terms of determining their own affairs. Building upon the previous analysis of recent trends and developments at the local level, the already presented issues are addressed in a Dutch context.

Based on the economic theory outlined before, the Financial Crisis since 2007 and its course over time are subsequently analysed in detail. Therefore, important events in the context of the Crisis, as well as changes in socio-economic key figures, are presented and put into perspective. The following discussion of previous research on the Financial Crisis concentrates on the political-administrative perspective. In line with the focus of this study, insights into the developments at the local level are presented next to those at higher levels of the political-administrative subdivision.

By bringing previous insights together, this part also addresses the Financial Crisis since 2007 in the Netherlands. The developments and countermeasures by central government are discussed in detail, and three phases of the Crisis are differentiated. Official documents and academic publications build the basis of this examination. Attention is also given to the municipalities, especially regarding measures by central government with an impact at the local level.

This is followed by the first empirical component of this study. The calculations assess the changes in local governance finance at an aggregated level. All types of municipal revenues and expenses are examined in detail to identify changes potentially originating from the Financial Crisis.

The third part closes with own survey results in the form of quantitative data and qualitative statements collected at the local level. Next to information on the measures Dutch municipalities undertook to reduce their expenditures, the mayors' perceptions of the recent Financial Crisis in comparison with other challenges and financial changes are assessed at an aggregated level.

6. The political-administrative system of the Netherlands

“For over four hundred years the Netherlands was one of the wealthiest and most stable regions in the world” (Fritschy et al., 2012, p. 39), and, furthermore, the Dutch Republic, also known as the Republic of the Seven United Provinces and founded in 1588, can be considered as the “first modern economy” (Fritschy et al., 2012, p. 39). The reasons for this early prosperity can be found in the thriving linen industry, the industrial processing of various other products with the help of windmills, especially in the Zaan district (Dutch: Zaanstreek), and the general focus on trade. While central government played a minor role in the early modern era, Dutch cities were highly active in global commerce. Amsterdam in particular became one of the wealthiest places in the world.

However, not only the economic situation of the Netherlands in relation to other countries, but also the roles of territorial entities within the political-administrative system of the Netherlands changed over time. As a result, especially the responsibilities of the local level has increased in recent decades. The first sub-chapter provides an overview of the different political-administrative levels of present-day Netherlands. In addition to explanations of the division of tasks and responsibilities, the role of the administrative levels is also illustrated from a fiscal perspective (6.1). Developments towards an enabling state and multi-level governance are discussed in the second sub-chapter (6.2).

6.1. The Netherlands and its division of tasks and responsibilities between the levels of government

The Kingdom of the Netherlands consists of four countries: the Netherlands, Aruba, Curaçao, and Sint Maarten; the latter three are island countries in the Caribbean. As of January 1st, 2018, the Netherlands is subdivided into 12 provinces and 380 municipalities. Three additional Caribbean islands, namely Bonaire, Sint Eustatius, and Saba, have a legal status generally comparable to the other municipalities of the Netherlands.⁷⁸

As a constitutional monarchy since 1815, including a representative democratic parliamentary system since 1848, the Netherlands’ political-administrative subdivision is characterised as a decentralised unitary state,⁷⁹ being comprised of four levels of government with different main areas of competences. Politicians at all levels of government are regularly elected by the general public (Dutch Constitution, Article 4). Moreover, executive authorities and an administrative apparatus are in place at all levels of government. In addition, some direct democratic

⁷⁸ As a result of a partly different legal situation and a lack of data availability, the Dutch Caribbean, which is comprised of the islands of Aruba, Curaçao, Sint Maarten, Bonaire, Sint Eustatius, and Saba, will not be taken into account in the following analyses of this study.

⁷⁹ See Toonen (1990) for further reflections on this classification.

elements, especially the possibility of advisory plebiscites, are also guaranteed by national law (Rijksoverheid, 2016a; Toonen, 1994; Alkema, 2006, p. 335; Hendriks & Schaap, 2010, p. 99).

Central government, the provinces, the water boards (Dutch: waterschappen), and the municipalities are the most important levels within the territorial subdivision of the Netherlands, and they can also be considered as containing functional and implementation elements of federalism (Toonen, 1994). In addition, a number of agency-like organisations outside the ministerial hierarchy have been founded in recent decades. Furthermore, various forms of co-operation, involving local government in particular, have become increasingly common. An overview of all territorial layers, in line with the EU's NUTS⁸⁰ classification, and the number of associated entities is provided in table 6. The regions and COROP⁸¹ regions were introduced for analytical purposes only and do not have any other functions.

Table 6: Territorial subdivision of the Netherlands as of January 1st, 2018 (Data source: Centraal Bureau voor de Statistiek, 2018a)

NUTS classification	Name	Dutch name	Number
---	Central government	Rijksoverheid, Centrale overheid	1
NUTS 1	Regions ⁸²	Landsdelen	4
NUTS 2	Provinces	Provincies	12
---	Water boards	Waterschappen	22
NUTS 3	COROP regions ⁸³	COROP region's	40
LAU ⁸⁴ 1	---	---	---
LAU 2	Municipalities	Gemeenten	380

At the national level, the powers are further subdivided into legislative, executive, and judicial branches. The legislature contains a bicameral parliament composed of the Senate (Dutch: Eerste Kamer der Staten-Generaal) as the Upper House with members elected by the provincial parliaments and the House of Representatives (Dutch: Tweede Kamer der Staten-Generaal) as the Lower House with directly elected members (Dutch Constitution, Article 51, paragraph 1). The members of both chambers are elected for four-year terms (Dutch Constitution, Article 52, paragraph 1). Central government, representing the executive branch, is comprised of the King as the Head of State and the Ministers (Dutch Constitution, Article 42, paragraph 1), who are responsible for the acts of government (Dutch Constitution, Article 42, paragraph 2). The Ministers together also constitute the cabinet (Dutch Constitution, Article 45, paragraph 1), chaired by the Prime Minister (Dutch Constitution, Article 45, paragraph 2). Lastly, the judicial branch includes a court system focusing on the different areas of law, and the organisation and composition of juridical powers are regulated by Parliament (Dutch Constitution, Article 116, paragraph 1 and 2).

⁸⁰ French abbreviation for Nomenclature des unités territoriales statistiques (English: Nomenclature of territorial units for statistics).

⁸¹ Dutch abbreviation for Coördinatiecommissie Regionaal Onderzoeksprogramma (English: Co-ordination commission regional research programme).

⁸² Additional subdivision for analytical purposes only.

⁸³ Additional subdivision for analytical purposes only.

⁸⁴ Abbreviation for Local Administrative Units.

To fulfil their tasks, the Cabinet depends on the ministerial bureaucracy, as an organisation with duties including the development of policy proposals and the implementation of political decisions. At the Dutch national level, there are currently 12 ministries, differentiated in line with the policy areas considered as most relevant (Rijksoverheid, 2017f). However, when assessing the national administration in the Netherlands, it needs to be taken into account that various public tasks were transferred to agency-like organisations in the form of so-called independent administrative bodies (Dutch: zelfstandige bestuursorganen, ZBOs) in recent decades. While the organisations are responsible for the execution of specific public tasks, they do not represent subordinate departments of a ministry. Conducting public functions in a more efficient and less political manner can be considered as the main motivation behind the establishment of the agencies as functional bodies. However, the tasks and competences of the independent administrative bodies are determined by national law, and the organisations are assigned to a ministry, which is not formally accountable for the agency itself. The only partial ministerial responsibility distinguishes these independent administrative bodies from classical agencies. While most of these bodies work under public law status, some also fulfil their tasks under private law status (van der Meer & Raadschelders, 2007, p. 109 f.; Rijksoverheid, 2017c).

The number of independent administrative bodies is also subject to major changes. While there were 545 governmental bodies of this type in the Netherlands in 1993, the number continuously decreased to 122 in 2016. The decline mainly relates to mergers and does not imply that the importance of these organisations diminished. Furthermore, the size and organisational capacities of these governmental bodies vary broadly. While the Institute for Employee Insurance (Dutch: Uitvoeringsinstituut Werknemersverzekeringen), as an example of one of the largest independent administrative bodies, has about 16,000 people in full-time equivalent employment, other bodies operate with a single staff member or even completely without own staff (van der Meer & Raadschelders, 2007, p. 109; Rijksoverheid, 2017c).

Originating from concerns about the partial lack of democratic accountability of independent administrative bodies, agencies (Dutch: agentschappen) were established as a second type of functional governmental organisation outside the ministries. As with independent administrative bodies, agencies are autonomous regarding their internal management, but are fully responsible to an assigned ministry regarding their activities. Tasks are usually agreed upon with a ministry by contract. The first agency of this type was established in the Netherlands in 1994, and the number increased to 30 as of 2017. Examples include the agency for waterways (Dutch: Rijkswaterstaat) and the Royal Dutch Meteorological Institute (Dutch: Koninklijk Nederlands Meteorologisch Instituut) (van der Meer & Raadschelders, 2007, p. 110; Rijksoverheid, 2017d).

While provinces play a minor role in the Netherlands today, compared to previous centuries in general, they are structured and governed similarly to municipalities (Backes & van der Woude, 2013, p. 238). However, Dutch provinces can be described as relatively heterogeneous regarding their population and territory size (Centraal Bureau voor de Statistiek, 2018b). This is partially explained by the geographical characteristics, especially islands and areas, where the landscape is fragmented with many rivers and canals. Further variation is given

regarding the degree of urbanisation and cultural aspects. Since most of the Dutch population lives in the western part of the Netherlands, the province of Zuid-Holland consists of 10 times as many municipalities, has approximately 10 times as many inhabitants, and has a population density about 10 times as high as the smallest provinces.

Since the altitude of parts of the Netherlands is below sea level, water management is relatively important. Therefore, 22 regional water boards are entrusted with this task.⁸⁵ From an organisational perspective, the water boards are separate, task-specific, regional governmental bodies empowered to collect taxes (Dutch Water Authorities, 2016; Backes & van der Woude, 2013, p. 231 f.). They can also be considered as a level of government mainly parallel to the provinces. Given their single task focus, the water boards cannot be categorised in line with the NUTS classification of administrative subdivisions.

Local government, represented by 380 municipalities in 2018, traditionally plays an essential role in the Netherlands. A continuous increase in tasks can be observed again since the end of the Second World War (Hendriks & Tops, 2003, p. 303). Also, the latest decentralisation measures, effective since January 1st, 2015, follow this trend by transferring responsibilities and tasks mainly in the policy area of social affairs from the national to the local level (Allers & Steiner, 2015, p. 7).

An overview of the general division of main tasks between central government, the provinces, the water boards, and the municipalities in the Netherlands is provided in table 7. The responsibilities in some policy areas involve more than one level of government and are characterised by co-operation in terms of multi-level governance. Apart from this vertical form of co-operation, horizontal co-operation takes places particularly at the local level.

Table 7: Main policy areas with responsibilities of the different levels of government (Based on Hendriks & Schaap, 2010, p. 103 with own updates)

Level of government	Policy areas
Central government	• Foreign and European policies • Military defence • Police services, courts, and prisons • Education and research (polytechnics and universities; policies regarding primary and secondary education) • Economic affairs • Healthcare, universities, and supra-regional hospitals • National roads and railways (railways are partly privatised) • Culture and mass media (radio and television) • Integration and migration policies • National physical, environmental, and agricultural issues • Taxation
Provinces	• Physical, environmental, and agricultural issues • Provincial roads and public transport (outside metropolitan areas) • Regional development • Quality of local government

⁸⁵ The Dutch water boards, having originated from 1000 to 1200, are among the oldest democratic institutions in the world (Bos, 2013, p. 28).

Level of government	Policy areas
Water boards	• Water safety, polder maintenance (dikes, canals) • Waste water collection and treatment • Some minor roads
Municipalities (partially in the form of inter-municipal or regional co-operation)	• Local physical planning (city plans are the only ones that are legally binding) • Housing policies • Sewage services • Fire protection • Garbage collection and disposal • Local public transportation, municipal roads, and harbours • Primary and secondary education • Social care and execution of social security • Labour market participation • Family and youth care • Culture, sports and leisure, tourism • Local taxation (mainly property tax)

In summary, central government mainly focuses on tasks with an overall importance for the country, such as foreign policy, military defence, and higher education. The provinces take care of regional development and the environment, among other tasks, and they play a supervisory role in relation to the municipalities. The municipalities deal with various issues ranging from local physical planning – a task that is important in a country with a relatively limited land area and which has therefore already been performed since the 17th century (Raadschelders, 1994, p. 432 f.) – and social services to waste collection. Many practical tasks, for example issuing passports, are also realised by local government (Hendriks & Schaap, 2010, p. 103; Rijksoverheid, 2016g; Rijksoverheid, 2016h; Overmans, 2017, p. 175 f.). In practice, a certain scope of variation regarding the tasks of provinces and municipalities can be observed because of specific agreements based on local requirements and conditions. For example, a city in a densely populated area has to take care of different affairs than a small village in the countryside (Backes & van der Woude, 2013, p. 240). However, inter-municipal co-operation is relatively common in the Netherlands.

Based on the Joint Arrangements Act (Dutch: Wet gemeenschappelijke regelingen, WGR), municipalities, provinces, and water boards can also decide to co-operate in the fulfilment of certain public tasks. The act distinguishes between five types of inter-municipal partnerships: arrangement (Dutch: regeling zonder meer), central municipality (Dutch: centrumgemeente), joint body (Dutch: gemeenschappelijk orgaan), operational management entity (Dutch: bedrijfsvoeringsorganisatie), and public body (Dutch: openbaar lichaam). While the types of co-operation differ in various respects, such as the kinds of tasks that can be transferred to the partnership or the structure of the management board, it is important to note that only public bodies and operational management entities have legal personality (Rijksoverheid, 2016d; Rijksoverheid, 2017e; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 86 f.; Alkema, 2006, p. 337). An additional Code for Inter-administrative Relations (Dutch: Code interbestuurlijke verhoudingen) was published as a guideline for inter-municipal co-operation in 2004 (Rijksoverheid, 2013a; Backes & van der Woude, 2013, p. 241).

To assess the importance of the four Dutch levels of government, as well as joint arrangements, their resources are presented below. Table 8 provides an overview of the financial resources in the form of revenues and expenditure, and table 9 illustrates the personnel resources.

Table 8: Distribution of public revenues and public expenditures across the different levels of government in 2015 (Data source: Centraal Bureau voor de Statistiek, 2016; own calculations)

	Central gov- ernment	Municipalities	Other local authorities ⁸⁶	Social security funds	Total
Revenues (in million Euro)	171,677	52,866	52,500	117,891	394,934
Revenues (percentage)	43%	13%	13%	30%	100%
Revenues (percentage excluding social security funds)	62%	19%	19%	---	100%
Expenditures (in million Euro)	183,146	54,174	53,511	116,862	407,693
Expenditures (percentage)	45%	13%	13%	29%	100%
Expenditures (percentage ex- cluding social security funds)	63%	19%	18%	---	100%

*Table 9: Distribution of civil servants across the different levels of government in 2015 (Data source: Ministerie van Binnen-
landse Zaken en Koninkrijksrelaties, 2017a; own calculations)*

	Central govern- ment	Provinces	Water boards	Municipal- ities	Joint ar- range- ments	Other ⁸⁷	Total
Civil servants (number of full-time equivalents)	109,150	9,993	9,368	129,574	33,790	513,328	805,204
Civil servants (percentage)	14%	1%	1%	16%	4%	64%	100%
Civil servants (percentage excluding other)	37%	3%	3%	44%	12%	---	100%

From a financial perspective, central government is the most important level of government. Excluding social security funds, it is responsible for 63% of the overall government expenditure. Nineteen percent of the total budget is spent by the municipalities, while other sub-national authorities, including provinces and water boards, deal with the remaining 18%. After transfers across the administrative levels, the picture of the income looks necessarily similar in order to achieve balanced budgets.

In contrast to the financial perspective, if public employees such as judges, teachers, and soldiers who cannot be clearly assigned to one level of government are not taken into account, then 44% of the civil servants are employed at the local level. A further 12% are employed in co-operative agreements based on the Joint Arrangements Act, mainly involving local government. Moreover, 37% are hired by central government and 3% each by the provinces and water boards.⁸⁸

⁸⁶ Including provinces, water boards, and others.

⁸⁷ Including jurisdiction, education, research institutions, university hospitals, military, and police.

⁸⁸ See Steen and Toonen (2010, p. 152) for developments in the distribution of Dutch public sector employment over time.

In summary, central government and the municipalities have the most important role in the Dutch administrative system in modern days. While the central level is responsible for the largest share of government spending, most civil servants are hired within the municipalities. The practical execution of many public services in a decentralised manner all over the country is the main explanation for the latter. While this sub-chapter focused on the characteristics of the Dutch political-administrative system and the division of tasks and responsibilities across the different levels of government, the following sub-chapter addresses changes regarding the role and functioning of the Dutch state in recent decades in order to put into perspective the analyses of developments in the context of the Financial Crisis since 2007.

6.2. Towards an enabling state, the “regie” approach, and multi-level governance

Considering the developments towards an enabling state and multi-level governance as major transformations of the role and functioning of the state in recent decades, the Netherlands was not exempted. As a member state of the EU and its predecessor organisations, the country followed common trends and was even a forerunner in some areas. In addition, the “regie” approach, as a particular Dutch debate, focuses on local government and its changing role and function in policymaking, largely in accordance with the concept of an enabling state as well as by including aspects of multi-level governance.

From the end of the Second World War to the mid-1970s, the Netherlands can be characterised as an active welfare state. Extensive governmental responsibilities in many policy areas, including social services, were combined with a strong regulation of the economy. A less active and more enabling role of government can be observed since the mid-1970s, where the state mainly focuses on mediating between societal actors. Direct state interventions in particular have further decreased in more recent years (van der Meer & Raadschelders, 2007, pp. 103, 117).

Taken together, a change towards an enabling state is noticeable in the case of the Netherlands. The gradual nature of the process is associated with the co-operative and consensus orientation of Dutch politics in general (van der Meer, 2008, p. 193; Bekke, 1991). For civil servants at all levels of government, the development toward enabling, instead of an own development, and the state’s provision of public services also imply less direct power and influence and a more co-ordinating role (van der Meer & Raadschelders, 2007, p. 101 f.).

Compared to other Western countries, it must also be emphasised that non-governmental organisations have already been involved in policymaking in the Netherlands since the end of the 19th century. This encouraged further steps towards an enabling state and also makes the Netherlands a frontrunner in this respect. However, as in other countries, the transformation of the role of the state was not only a process initiated by the state itself, but also a consequence of changing societal expectations (van der Meer & Raadschelders, 2007, pp. 99, 104).

As a result of more dynamic and differentiated forms of cohabitation, partially challenging steering capabilities, and their efficiency by state actors, an additional debate on the role of the local level and its governing techniques emerged in the Netherlands in the late 1990s, largely similar to the more general discussions in line with the concept of an enabling state. Based on the metaphor of a director in the film or theatre industry and his responsibilities both on stage and behind the scenes, the so-called “*regie*” approach understands municipalities as instructing and mediating institutions.⁸⁹ While central government creates the necessary framework conditions in terms of areas of responsibility and legal requirements, including a certain leeway for local authorities, the “*regie*” approach is increasingly suitable for describing the role and functioning of Dutch municipalities from a practical perspective. In general, the approach is convenient for portraying the ways of working in many policy areas at the Dutch local level, especially those where municipalities depend on the support of other actors, such as non-governmental organisations or citizens, as well as policy areas with a low level of formal authority (Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2006, p. 31; Raad voor het openbaar bestuur, 1999, pp. 7 ff., 22, 45, 53).

While the term “*regie*” is not always used consistently (Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2006, p. 5), the approach can be defined as “a special form of steering, focusing on the co-ordination of actors, their goals, and actions, towards a more or less coherent whole with regard to a certain result” (Partners + Pröpper, 2004, p. 13, own translation). From a theoretical perspective, decentralisation and deregulation can serve as enabling factors by increasing the number of policy areas with municipal competences (Raad voor het openbaar bestuur, 1999, p. 9).

In general, the “*regie*” approach can be considered as multidimensional and dynamic. On closer inspection, four important components can be distinguished in any particular case of “*regie*”. First, the municipality, as the director, requires an overview of the overall topic, accompanied by its accountability for the whole process and results as the second component. Then, as the third and fourth components, the municipality has a stimulating role in the search for policy ideas, and it organises the co-operation of the actors involved (Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2006, pp. 13 ff., 40 f.).

However, the “*regie*” approach is not suitable for all types of municipal affairs. In some policy areas, for example, other actors, such as non-governmental organisations, are more qualified and experienced in developing and performing certain services; therefore, outsourcing the task entirely can be a more efficient approach. In addition, because of various forms of self-interest, it is usually not suitable to involve outside actors in governmental decision-making processes related to issues such as taxation and other financial aspects. Overall, the municipalities must carefully decide on the policy areas and topics where the “*regie*” approach might

⁸⁹ While the same metaphor is also used in the context of international organisations, its usage as a description of the role of local government can be considered as a particularity in the Netherlands. From a Western European perspective, the metaphor cannot be considered as common among researchers and practitioners focusing on local government. However, thinking of the content of the metaphor, similar tendencies can be observed in many other countries.

be an appropriate strategy, also by taking local conditions into account (Raad voor het openbaar bestuur, 1999, p. 9 f.).

Taken together, the “regie” approach is characterised by a shift from content to process responsibility in Dutch local government and by the increasing importance of new instruments focusing on argumentation and conviction based on new communication and steering strategies. Interestingly, the approach is interlinked with other trends and developments at the local level, especially attempts to increase citizen participation and the use of digital means of communication. Since co-operation might also include other levels of government, the “regie” approach also contains aspects of multi-level governance (Raad voor het openbaar bestuur, 1999, pp. 7 ff., 22 f., 31 f., 52 f.). However, even though the metaphor of the municipalities as directors – as the core of the “regie” approach – might be suitable to describe the role and functioning of local government, the underlying ideas and strategies are neither entirely new in the Netherlands nor largely different from approaches in other countries.

Partly similar observations can be made regarding *multi-level governance*. Based on research on European integration in the early 1990s, the concept is used to describe governmental systems with increasing formal and informal exchanges between the formerly relatively distinct levels of government, thereby resulting in policy networks (Marks, 1993). As a member state of the EU, the increasing competences of the European level, in combination with the necessary interactions, affected the Netherlands like all the other countries involved.

In line with the co-operative and consensus-orientated approach of Dutch politics, the formal and informal exchanges between central government, the provinces, water boards, and municipalities are long-standing traditions. Therefore, the characterisation as a system of multi-level governance is certainly applicable in the case of the Netherlands. More details on recent changes in the distribution of powers in both directions of the political-administrative system will be discussed in later chapters in the context of decentralisation and Europeanisation.

In summary, developments towards an enabling state and multi-level governance can be observed in the Netherlands, as is the case in many other Western countries; however, the Netherlands can be considered as a frontrunner, particularly in terms of involving non-governmental actors in policymaking processes. While the previous considerations addressed the Dutch state as a whole, these changes also involved the local level. The “regie” approach, characterising local government as the director in relation to other actors, is an additional concept that illustrates the role and functioning of local authorities in the Netherlands. In the next chapter of this study, specific attention will be paid to Dutch local government, its finances, and recent trends and developments largely independent of the Financial Crisis since 2007.

7. Local government and local government finance in the Netherlands

The municipalities, representing local government in the Netherlands, have been of major importance for centuries, and they can be considered as the roots of democracy (Voermans & Waling, 2018, p. 15). While city councils and administrations were the main governmental bodies in the early modern era before distinct levels of government emerged, the local level is a relevant part of a system of multi-level governance nowadays. The provision of public services in line with local conditions describes this level's main role and function at present.

In line with the administrative role of local entities, cities and provinces were mainly in charge of taxation in the early modern era. Already back then, a key feature of the development of the Netherlands was a fiscal system characterised by a broad tax base and stable public debt repayment (Fritschy et al., 2012, p. 39). Even though accounting was basically performed differently in every village, at least until the 18th century, local taxation can be considered as having already been relatively efficient during that period of time (Janssens, 2012, p. 69).⁹⁰ As a result of the Dutch Constitution of 1848, the Provinces Act and the Municipalities Act, both of which were also implemented in the middle of the 19th century, and newer legislation, the financial provisions for citizens as well as governmental entities converged largely until today.

Chapter 7 focuses on Dutch local government and its legal framework, including local government finance. The historical development of the local level is briefly outlined in the next sub-chapter (7.1). Then, insights into the current legal framework of Dutch local government are presented in the following sub-chapter (7.2). Local politics and the role of local parties in the democratic opinion-forming and decision-making processes are the topics of the subsequent sub-chapter (7.3). Together with the sub-chapter on municipal finance, including explanations for the different types of municipal revenues and expenses as well as their legal background (7.4), this first part of chapter 7 is intended to point out the administrative role, legal conditions, and the organisational and financial scope of decision-making of Dutch municipalities in order to provide an understanding of possible impacts of and reactions to events such as financial crises.

The second part of chapter 7, consisting of one last sub-chapter, addresses the theoretical insights into trends and developments in local government and governance, as presented in chapter 2, from a Dutch perspective (7.5). By analysing those changes that originated long before the Financial Crisis since 2007, a distinction between effects of the crisis and other separate developments is enabled at a later stage. To put the Dutch situation into perspective, a brief comparison with other countries is included in this part of chapter 7 as well.

⁹⁰ Over the centuries, the bookkeeping of local authorities has become more homogenous, which also makes it easier to compare local revenues (Janssens, 2012, p. 69).

7.1. The history of local government

Cities and towns traditionally played a key role in the Netherlands. Between 962 and 1588, the territory of present-day Netherlands was part of the Holy Roman Empire, where cities generally had a highly autonomous status. However, attempts towards a more centralised system can be observed in the parts of the country under Spanish Habsburgian rule in the Empire's later phase. During the Dutch Republic between 1588 and 1795, the provinces increased their political influence, while the overall system remained rather decentralised, and local government was further on not organised in a uniform way. However, already during the 17th century, Dutch local governments developed into "highly diversified organizations providing a variety of services" (Raadschelders, 1994, p. 433). During the Batavian Republic (1795–1806), the structure of the Netherlands changed from a confederation to a unitary state. As a consequence, municipalities became more uniform, and the role of the provinces decreased extensively. The Batavian Republic was replaced by the Kingdom of Holland (1806–1810) and French occupation (1810–1815). However, while the rule over the territory and the designation of the state changed, local government remained an important level within the territorial subdivision (Toonen, 1994; Hendriks & Schaap, 2010, p. 96 f.; Backes & van der Woude, 2013, p. 235 f.).

In 1815, the Constitution for the Kingdom of the Netherlands was adopted. However, in 1848, Johan Rudolph Thorbecke, a liberal politician and later Prime Minister, was commissioned to draft a new constitution, and he laid the foundation for the Dutch decentralised unitary state, which is still in place today. His basic idea "is not that state authority is necessary to create unity, but, to the contrary, that a certain degree of unity – read consensus-building or will-formation – is necessary to generate state authority" (Toonen, 1994, p. 112). Therefore, the orientation towards consensual decision-making,⁹¹ also in line with the understanding of consensus democracy according to Lijphart (1999), within a political-administrative system consisting of three⁹² governmental layers – municipalities, provinces plus water boards, and central government – is also largely based on the suggestions by Thorbecke (Thorbecke, 1841; Toonen, 1990; Toonen, 1991; Toonen, 1994; Hendriks & Toonen, 2001; Toonen & Hendriks, 2001; Hendriks & Schaap, 2010, p. 96 f.; Backes & van der Woude, 2013, p. 236; Voermans & Waling, 2018, p. 72 ff.). From a legal perspective, the ideas of Thorbecke were implemented with the Constitution of 1848, the Provinces Act of 1850, and the Municipalities Act of 1851. Despite various revisions, this basic legal structure still applies today.

Based on these historical developments, today's Dutch governmental system is characterised by the interaction among municipalities, provinces, water boards, and central government as well as the interaction between those entities and the citizens. Regarding the frequency of interactions between public authorities, a steady increase can be observed in recent decades.

⁹¹ Sometimes described as the three Cs: consultation, consensus, and compromise (Hendriks & Schaap, 2010, p. 98; Hendriks & Toonen, 2001). In the context of labour condition negotiations between employers, unions, and the government, as well as the involvement of non-governmental representatives in the policy process more generally, consensual decision-making in the Netherlands is also known as the *polder model* (Dutch: *polder-model*) (Hendriks & Toonen, 2001; Toonen & Hendriks, 2001; van der Meer & Raadschelders, 2007, p. 101).

⁹² Or four, depending on the classification of the water boards.

Apart from the informal search for consensus, supported by multiple linkages between political-administrative decision makers at all levels of government (van der Meer & Raadschelders, 2007, p. 110), the policy areas of formal co-operative and consultative governance also increased. Taking public finance into account, the administrative system is partially characterised by the mutual dependence between central government and the municipalities: Central government provides financial means, and the municipalities conduct public services (Hendriks & Schaap, 2010, p. 110 f.).⁹³

In summary, the importance of the Dutch municipalities in relation to the provinces has changed widely since the end of medieval times. However, despite regular changes in the division of responsibilities, the municipalities have been considered to be the more important level of government in terms of the scope of assigned tasks, in comparison with the provinces, for longer than the last century. In addition, it can be observed that the orientation towards consensus between the actors involved in policymaking has a long history at all levels of government. These reflections on the history of Dutch local government lead to the question of today's legal framework, which will be addressed in the next sub-chapter.

7.2. The current legal framework of local government

Article 124, paragraph 1, of the Dutch Constitution (Dutch: Grondwet) states that provinces and municipalities have the right to regulate and administer their own affairs. This tradition of local self-government is also described as the backbone of democracy (Voermans & Waling, 2018, pp. 23, 75, 189 ff.). However, the degree of autonomy, in combination with the lack of a definitive list of powers at the sub-national levels of government, enables variation in the carrying out of tasks across the local level as well as over time. In other words, provinces and municipalities can regulate whatever they believe needs to be regulated within their territories as long as there is no conflict with other legislation, especially by central government; this is an overall approach originating from Thorbecke's conception of consensual decision-making at relatively independent levels of government. However, central government is generally entitled to suspend or annul decisions by lower levels of government if those decisions are considered to conflict with Dutch law or public interest (Thorbecke, 1841; Toonen, 1990; Toonen, 1991; Toonen, 1994; Alkema, 2006, p. 336; Backes & van der Woude, 2013, p. 232; Denters, 2011, p. 318).⁹⁴

Article 124, paragraph 2, of the Dutch Constitution determines that tasks can be assigned to provinces and municipalities by law. From a practical perspective, most municipal tasks are

⁹³ See Raadschelders (1994) for a study on the developments of tasks and employees of four selected municipalities (Alkmaar, Beverwijk, Purmerend, and Zaandam) from the 16th century onwards. According to his analyses, the number of municipal functions increased about eightfold over the last 400 years. The same applies to the number of employees. Various shifts can be observed regarding the types of tasks (p. 415 f.).

⁹⁴ An extensive legal commentary on Dutch municipal law was published by Dölle, Elzinga, and Engels (2004). However, the latest edition dates back to 2004.

delegated by central government nowadays (Backes & van der Woude, 2013, p. 233). Furthermore, according to the Dutch Civil Code (Dutch: Burgerlijk Wetboek) book 2, article 1, as the basis for own legal transactions, central government, the provinces, the water boards, and the municipalities are endowed with legal personality. From a legal perspective, general local regulations (Dutch: algemene plaatselijke verordening, APV) are the most common way for municipalities to regulate certain affairs within their territories (Backes & van der Woude, 2013, p. 232 f.).

The Municipalities Act of 1851, which was continuously updated, including a major update in 1992, is the main legal source regarding the structure and functions of Dutch municipalities. It stipulates that every municipality has a municipal council (Dutch: gemeenteraad), an executive board (Dutch: college van burgemeester en wethouders), and a mayor (Dutch: burgemeester) (Municipalities Act, article 6) as the three main governing organs. The autonomy of municipalities regarding their internal organisation can be considered as relatively limited because of numerous further provisions (Backes & van der Woude, 2013, p. 238).

The municipal council, as the legislative power and highest governing organ of each municipality, represents the entire population of the municipality (Municipalities Act, article 7). The number of councillors depends on the number of inhabitants and ranges from nine (for municipalities with less than 3,001 inhabitants) to 45 (for municipalities with more than 200,000 inhabitants) (Municipalities Act, article 8, paragraph 1). The mayor is the chairman of the municipal council (Municipalities Act, article 9), but not a formal member thereof (Municipalities Act, article 13, paragraph 1 k.).

Legislation in the form of municipal regulation is in general decided by the municipal council, as long as it does not concern certain policy areas with exclusive powers of the mayor or the executive board (Municipalities Act, article 147, paragraph 1). From a historical perspective, it can be observed that these powers and decision-making outside the municipal council increased over time (Backes & van der Woude, 2013, p. 238) and that today, the municipal council mainly focuses on monitoring political-administrative processes in its municipality from a more practical perspective (Vollaard et al., 2018, p. 19 f.).

The mayor and the aldermen (Dutch: wethouders) are the members of the executive board (Municipalities Act, article 34, paragraph 1), with the mayor as chairman (Municipalities Act, article 34, paragraph 2), and their main formal task is to prepare and execute the decisions of the municipal council. Furthermore, the executive board is in charge of the daily management of the municipality, among other responsibilities (Municipalities Act, article 160, paragraph 1). However, in practice, the executive board can be considered as more influential in terms of policymaking than the municipal council itself in some municipalities (Hendriks & Schaap, 2010, p. 105). The aldermen are appointed by the municipal council (Municipalities Act, article 35, paragraph 1), and the number of aldermen cannot exceed 20% of the number of councillors. Also, a minimum of two aldermen is predefined by law (Municipalities Act, article 36, paragraph 1).

The mayor of each municipality is appointed with a Royal resolution based on a nomination by the minister of the interior for a period of six years (Municipalities Act, article 61, paragraph

1). An exchange of views between the King's Commissioner, as the head of the relevant province, and the municipal councillors regarding potential candidates for the position of the mayor, in the light of the personal requirements for the position, takes place before the nomination by the minister of the interior (Municipalities Act, article 61, paragraph 2). While a mayor can be reappointed (Municipalities Act, article 61a, paragraph 1), he can also be dismissed (Municipalities Act, article 61b, paragraph 1) or suspended (Municipalities Act, article 62, paragraph 1) at any time through a Royal resolution based on the recommendation by the minister of the interior. Given the appointment by Royal resolution, the mayor was traditionally considered to play a supervisory role on behalf of central government. However, nowadays the municipal council decides on the person who will become mayor in practice, which makes the position more political (Backes & van der Woude, 2013, p. 236).

According to his formal role, the mayor oversees the timely preparation, adoption, and implementation of municipal policies and the co-operation with other municipalities as well as other public authorities, among other duties (Municipalities Act, article 170 paragraph 1). In addition, some exclusive powers are granted to the mayor by law, which mainly comprise the policy areas of safety and public order (Municipalities Act, article 147 paragraph 1).

The municipal council can also appoint members of a municipal auditing office (Dutch: gemeentelijke rekenkamer) (Municipalities Act, article 81a, paragraph 1; Municipalities Act, article 81b; Municipalities Act, article 81c, paragraph 1). Evaluating the municipal spending regarding its legitimacy and efficiency is this independent body's general task. Furthermore, every municipality has a city manager (Dutch: gemeentesecretaris) (Municipalities Act, article 100 paragraph 1), who is appointed by the executive board (Municipalities Act, article 102), and a municipal clerk (Dutch: griffier) (Municipalities Act, article 100 paragraph 1), who is appointed by the municipal council (Municipalities Act, article 107). The city manager advises and assists the executive board in the performance of its duties (Municipalities Act, article 103, paragraph 1), and the same relationship exists between the municipal clerk and the municipal council (Municipalities Act, article 107a, paragraph 1).

Taken together, the Municipalities Act specifies many legal provisions concerning local authorities' structure and functions that are obligatory for all Dutch municipalities, supplemented by other laws and decrees. As part of the Municipalities Act, the municipal council, the executive board, and the mayor are determined as the three main governing organs of each municipality, including specific rights and obligations. Additional roles, such as a city manager, are also mandatory, according to the Municipalities Act. Following this general overview of the legal framework with regard to Dutch local government, the next sub-chapter addresses local politics and the role of political parties at the local level.

7.3. Local elections and local politics

Democracy at the Dutch local level includes elections to the municipal councils without threshold and citizens organised in political parties for electoral purposes. While the major parties

at the national level usually nominate candidates at the local level as well, further local parties with a usually restricted interest in the affairs of a certain municipality or region are also active in local politics. However, the freedom of parties to manoeuvre in line with political and ideological beliefs is relatively limited at the Dutch local level, according to common critics; the high rate of executive coalitions and the need for compromises are seen as the main reasons. Apart from political parties, the role of citizens as a “hidden power” with the capacity to delay or abandon political decisions with organised protests, should also not be underestimated in the Dutch context (Tops, 2001).⁹⁵

In recent decades, the turnout at Dutch municipal elections has generally declined, as table 10 illustrates.

Table 10: Voter turnout at Dutch municipal elections, 1986–2014 (Data sources: Kiesraad, 2017; Kiesraad, 2018)

Year	1986	1990	1994	1998	2002	2006	2010	2014	2018
Voter turnout	73.23%	62.29%	65.28%	58.88%	57.90%	58.56%	54.13%	54.00%	54.97%

While 73.23% of the people entitled to vote cast their ballots in 1986, the number has decreased relatively continuously until today. In the latest municipal election in 2018, the participation rate was only 54.97%. Party membership and party identification experienced a similar development. Territorial and organisational reforms of the 1980s are seen as the main reasons for these changes. As a consequence, new reforms in the 1990s partially aimed to improve the relation between citizens and local government, including initiatives focused on implementing and promoting various forms of citizen participation (Denters & Klok, 2005, p. 71; van der Meer & Raadschelders, 2007, p. 116). However, the trend regarding a declining voter turnout in municipal elections was not stopped.

The number of independent local parties increased extensively in recent decades; this development benefited from widespread disappointment with traditional parties and an electoral system without a threshold.⁹⁶ Compared to local branches of parties at the national level, whose performance is mostly judged by the electorate based on national rather than local politics (Coenradij & Allers, 2017), independent local parties have also become more successful in recruiting candidates for local elections and involving citizens on an ad hoc basis in recent years (Boogers & Voerman, 2010; Voermans & Waling, 2018, p. 114 ff.). Since these parties mainly focus on local interests, their general political orientation – if present – is subject to broad variation (Hendriks & Schaap, 2010, pp. 99, 107; Boogers et al., 2018, p. 167 f.).⁹⁷

⁹⁵ See Ministerie van Binnenlandse Zaken en Koninkrijksrelaties (2016, p. 20 ff.) for detailed statistics on political parties at the local level in the Netherlands as well as members of the municipal councils, aldermen, and mayors, including personal characteristics.

⁹⁶ However, to gain a seat in a municipal council, the parties must reach the necessary vote share, which is calculated as the total number of valid votes divided by the total number of seats. Since residual seats in the process of assigning seats to parties are distributed with the D’Hondt method, which calculates highest averages, smaller parties are relatively unlikely to gain one.

⁹⁷ This circumstance also makes it difficult to include local parties in research designs, where the impact of different parties and their political preferences on certain policy decisions is analysed.

Table 11 provides an overview of the vote shares of the major political parties to the municipal councils in the Netherlands in the last four elections. While the data provide insights into the relevance of the different parties at the local level by assessing all municipalities combined, a broad variation across the municipalities needs to be taken into account.

Table 11: Distributions of vote shares of the municipal council elections in 2006, 2010, 2014, and 2018 (Data sources: Kiesraad, 2017; Kiesraad, 2018)⁹⁸

	2006	2010	2014	2018
Local parties	22.10%	23.66%	27.77%	28.65%
Christen Democratisch Appèl (CDA)	16.83%	14.80%	14.43%	13.41%
Volkspartij voor Vrijheid en Democratie (VVD)	13.87%	15.68%	12.21%	13.50%
Democraten 66 (D66)	2.71%	8.18%	12.06%	9.18%
Partij van de Arbeid (PvdA)	23.58%	15.74%	10.25%	7.52%
Socialistische Partij (SP)	5.68%	4.13%	6.60%	4.44%
GroenLinks (GL)	6.03%	6.73%	5.38%	8.87%
ChristenUnie (CU)	3.64%	3.76%	4.06%	3.83%
Staatkundig Gereformeerde Partij (SGP)	1.64%	1.77%	1.96%	1.90%

In addition to the importance of local parties, table 11 also illustrates the influence of the main Dutch parties at the local level. Considering the developments in the last decade, a decreasing vote share of the Partij van de Arbeid and an increasing share of the Democraten 66 can be observed in particular. However, the often relatively high fragmentation of the composition of the municipal councils makes formal coalitions and informal agreements common. A recent study (Allers et al., 2018) has also found empirical evidence that political parties, which are represented in the executive board of a municipality, often lose votes in the following local election in the same municipality.

Organised representation of Dutch municipalities' interests is provided by the Association of Dutch Municipalities (Dutch: Vereniging van Nederlandse Gemeenten, VNG), of which all municipalities are members. Apart from interest representation towards other levels of government and societal groups, the association provides services to the municipalities, such as legal advice, and serves as a platform for co-operation and the exchange of knowledge (Vereniging van Nederlandse Gemeenten 2016a; Backes & van der Woude, 2013, p. 249).

Regarding the members of the municipal executive boards and municipal councils, it needs to be taken into account that politicians and civil servants from other levels of government are common members. Former Members of Parliament in particular are often recruited to municipal executive boards, while civil servants at all levels of government are regularly members of municipal councils. This accumulation of offices can lead to various conflicts of interest (van der Meer & Raadschelders, 2007, p. 106).

In summary, Dutch local government is characterised by the influence of numerous local parties, usually focusing on topics that are relevant in a certain municipality or region without a pronounced political orientation based on a specific ideology. Following the often relatively

⁹⁸ Parties with more than 100,000 votes in 2014.

high fragmentations of the municipal councils, the overall importance of consultations, consensuses, and compromises can be understood. After the general insights and reflections on Dutch local government in this sub-chapter and the previous ones, the following sub-chapter will pay attention to municipal finances and their typical structure on both sides of the budget.

7.4. The composition of municipal finances

To fulfil its functions, a state needs financial means. These are mainly collected via taxes and charges, and they are assigned to the various policy areas, ranging from defence to social security. All of this requires reliable financial planning. In a system of multiple levels of government with differentiated responsibilities, this necessity naturally applies to all public authorities at all levels. In terms of financial planning and budgeting, different approaches can be distinguished in theory and practice.

As a result of overly optimistic budgetary predictions that did not take economic cycles explicitly into account, in the past, a trend-based budgetary system was introduced at the Dutch national level in 1994. The new system works with more cautious analyses and should enable more balanced and stable budgets in theory. However, the exact budgetary schemes are not defined by law, but mainly decided upon when a new cabinet is formed; nevertheless, budgetary discipline can be considered as relatively high. This method of operating is supported by a broad societal consensus regarding budgetary discipline (de Vries & Degen, 2015, pp. 151 f., 171; de Kam et al., 2015, pp. 265-281).

In practice, the Central Planning Bureau for Economic Policy Analysis (Dutch: Centraal Planbureau, CPB), which was established in 1945 within the area of competences of the Ministry of Economic Affairs, plays an important role in the Dutch budgetary system as an independent advisor analysing the potential effects of government policies and publishing economic forecasts. By doing so, the bureau contributes to budgetary discipline as well. The national budget for the following year is usually drafted by the cabinet in spring, debated in parliament thereafter, and presented in September (de Vries & Degen, 2015, pp. 149, 160; van der Meer & Raadschelders, 2007, p. 111).

Dutch local government is also responsible for the provision of a relevant share of public services, thereby implying corresponding public spending (Wolman & Hincapie, 2014, p. 48 f.), receives transfers from the national level, and has the right to generate own revenues. Each municipality consequently needs to plan its intentions for expenditures and revenues for an annual or multi-annual period of time. However, according to Article 132, paragraph 6, of the Constitution, the local taxes that municipalities can levy, as their main source of own income, are limited to the types mentioned in the Municipalities Act (Dutch: Gemeentewet); this circumstance substantially limits the leeway for shaping own revenues. Therefore, the fiscal autonomy of the Dutch local level can be considered as relatively low (Overmans, 2017, p. 173).

f.), also from an international comparative perspective (Blöchliger & Rabesona, 2009; Blöchliger & King, 2006; Wolman & Hincapie, 2014, pp. 3, 48; Overmans & Timm-Arnold, 2016, p. 1053).

While municipalities generally have the right to regulate and administer their own affairs, the provinces and central government are also legitimated to oversee and supervise their policy-making and hence finance planning, according to article 132 of the Constitution. In normal circumstances, given that the members of municipal councils do not necessarily have a broad knowledge on financial matters and legal requirements, financial supervision is a task of the provinces. Three forms of oversight can be distinguished in this context: (1) preventive oversight, also known as ex-ante supervision, (2) repressive oversight, also known as ex-post supervision, and (3) oversight in light of neglect or non-compliance. Preventive oversight includes all forms of supervision by provinces or central government conducted before the decision-making by municipal bodies. In other words, prior approval is required to take a decision. Financial supervision of municipalities with unbalanced budgets is an example in this context. However, while a province can try to convince a municipality of the necessity of certain changes in the financial planning, no legal possibilities exist to enforce certain changes. Furthermore, the criteria for preventive oversight vary across the 12 Dutch provinces and are not always explicitly defined in each detail, thereby implying a certain decision-making scope of the provinces. From an empirical perspective, approximately 2% of the Dutch municipalities were under preventive oversight in 2014, after a significant decrease from about 16% in the mid-1990s. Considering the possibility of negative press reports concerning municipalities under preventive oversight as a result of unreliable financial planning, a certain political pressure on local officials might also be applied to avoid the occurrence of such a measure.⁹⁹ Repressive oversight, on the other hand, takes place after a municipality has made a certain policy decision, and it can be considered as the regular form of supervision. Depending on the type of decision and policy areas, a complete annulation or time-restricted suspension by central government is possible. Finally, oversight in light of neglect or non-compliance is a possible measure, especially in the context of delegated tasks. If municipalities do not provide certain services that the national levels advise them to, then other levels of government can be commissioned with the service provision (Rijksoverheid, 2014b; Backes & van der Woude, 2013, p. 246 f.; Allers, 2015, pp. 454, 457, 462 f.; van der Woude, 2018, p. 252 f., 255; van der Lei, 2014; de Widt, 2017, p. 210 ff.).

Next to constitutional provisions, part IV of the Municipalities Act (article 186 to article 258) is the main legal source in the context of municipal finances in the Netherlands. Article 187 of the Municipalities Act stipulates that expenses can only be imposed on municipalities by law. The annual budget (Dutch: begroting), including the expenses for all tasks and activities as well as indications on the available resources, needs to be prepared by the municipal council (Municipalities Act, article 189, paragraph 1). In general, this council shall ensure that the budget is structurally balanced and realistic (Municipalities Act, article 189, paragraph 1, sentence 1).

⁹⁹ However, according to empirical results (Allers, 2015), preventive oversight or bailouts did not significantly lower the vote shares of a municipality's governing parties. In addition, local government bailouts did not significantly increase the number of aldermen leaving their positions.

Deviations from this requirement are only acceptable if it can be assumed that a balanced budget will be achieved over a period of the next few years (Municipalities Act, article 189, paragraph 1, sentence 2). In other words, a relatively strict balanced budget requirement applies to Dutch municipalities (Allers, 2015; Overmans, 2017, p. 175), which, together with supervision by the provinces and central government, excludes the option of major deficit spending in the long run. However, since budgetary supervision focuses on the balance between revenues and expenses, an accumulation of municipal debt is not completely excluded (van der Lei, 2014). Further requirements regarding certain financial instruments with which the municipalities and other lower levels of government are generally permitted to trade, as well as provisions in the context of borrowing and debt, are specified in the law on decentral government funding (Dutch: *Wet financiering decentrale overheden*) (Rijksoverheid, 2013b; de Widt, 2017, p. 201 ff.).

In 1985, accrual accounting was obligatorily introduced at the Dutch local level, replacing the traditional cash-budgeting system (ter Bogt, 2008b, 211; Overmans, 2017, p. 176). General instructions concerning the budget calculations in accordance with the associated general rules of administration (Dutch: *Algemene Maatregel van Bestuur*), which form a type of executive decree enacted by royal order, are stated in article 186 of the Municipalities Act. More precise instructions on the budget compilation of provinces and municipalities, as well as minimum requirements on information provided, are also defined in a decision by national government on the budget and accountability standards of provinces and municipalities (Dutch: *Besluit begroting en verantwoording provincies en gemeenten*) (Rijksoverheid, 2003; van der Woude, 2018, p. 251 f.; de Widt, 2017, p. 203).

In the process of planning the annual budget, the executive board sends the municipal council a draft version of their considerations for the budget, including explanatory notes on the general situation of the municipality and estimations of the budgetary situation for at least the next three years to come (Municipalities Act, article 190, paragraph 1). Based on this draft version, the municipal council decides on the budget in the year prior to the year it concerns (Municipalities Act, article 191, paragraph 1). Once the budget is established, amendments can be made until the end of the financial year in question (Municipalities Act, article 192, paragraph 1). This option allows the municipalities a certain amount of room to manoeuvre in the case of unexpected events, usually implying the need for higher expenditures than anticipated, while unexpected revenues cannot be ruled out either.

Article 193 of the Municipalities Act states the compulsory expenditures of municipalities. These are interest on loans, expenditures that are established by legislation, and costs arising from the implementation of laws. Further compulsory expenditures might arise from existing contracts between a municipality and private partners providing certain services to the municipality or for the municipality in the long run.

The annual budget requires the approval of the province confirming a structural and realistic balance (Dutch: *structureel en reëel evenwicht*) in a multi-year estimate¹⁰⁰ (Municipalities Act,

¹⁰⁰ Apart from the annual budget, the financial planning for the three following years is usually taken into account.

article 203, paragraph 1). An approval can just be refused because of conflicts with the law or general financial interests (Municipalities Act, article 206). Approving the annual budget under certain conditions, such as changes regarding a specific expenditure item or the preparation of an austerity plan, is also an option for the provinces (Municipalities Act, article 208, paragraph 4). Based on these legal requirements, the Ministry of the Interior and the provinces developed a number of guidelines in 2014, named Common Financial Monitoring Framework “A Question of Balance!” (Dutch: Gemeenschappelijk financieel toezichtkader “Kwestie van evenwicht!”), building upon a previous version from 2008. In addition to the guidelines, recommendations in case of financial problems are also part of the document (Rijksoverheid, 2014b). However, because of a lack of legally enforceable and measurable standards, the judgments by the provinces regarding a structural and realistic municipal balance are always based on more or less well-founded estimations, thereby also enabling variation across the local level and over time. If a province is not convinced of a municipality’s financial planning, especially regarding the balanced budget requirements, or if a municipality does not submit the annual budget in time, then the province can also decide to undertake preventive oversight on the municipality’s financial planning in the future (Allers, 2015, p. 462 f.).

Once the financial year is over, the executive board must deliver the following to the municipal council: accounts on the administrative activities, an annual financial statement (Dutch: jaarrekening), and an annual report (Dutch: jaarverslag), focusing on the activities and developments of the municipality from a non-financial point of view (Municipalities Act, article 197, paragraph 1). The annual financial statement includes all revenues and expenditures of the municipality, and it shall be approved by the municipal council in the year following the financial year (Municipalities Act, article 198, paragraph 1).

If the council has doubts concerning the lawfulness of any of the revenues or expenditures mentioned in the annual financial statement, then it informs the executive board about these (Municipalities Act, article 198, paragraph 2). Within two months, the executive board needs to send an own assessment of the doubts and a proposal for an indemnity resolution (Dutch: indemniteitsbesluit) to the council (Municipalities Act, article 198, paragraph 3). In the case of such a proposal of an indemnity resolution, the council needs to decide on the proposal before approving the annual financial statement (Municipalities Act, article 198, paragraph 4). If the annual financial statement is approved by the municipal council, then the executive board sends it to the province for informative purposes (Municipalities Act, article 200); if not, then the board sends it to the province, requesting an alternative approval (Municipalities Act, article 201).

To control the financial management of the municipality in general, the municipal council should decide on suitable regulations (Municipalities Act, article 213, paragraph 1) and appoint one or more auditors to assess the annual financial statement (Municipalities Act, article 213, paragraph 2). These options can be considered as additional measures to ensure balanced budgets.

On the revenues side, following article 216 of the Municipalities Act, the introduction, modification, or abolition of a municipal charge must be decided upon by the municipal council by accepting a fee regulation (Dutch: belastingverordening). This decree needs to include certain

information, such as the amount that needs to be paid, the criteria that a person or company must fulfil to be charged, and the underlying time period (Municipalities Act, article 217). In general, the amount of municipal taxes should not depend on the income, profits, or capital of the person or company charged (Municipalities Act, article 219, paragraph 2).¹⁰¹

Considering municipal finances, a specific total debt ceiling for Dutch municipalities is not defined by law (Peters & Vriesendorp, 2002; van der Lei, 2014). However, the implementation scheme financing decentralised authorities (Dutch: Uitvoeringsregeling Financiering decentrale overheden) regulates the term structures of debt by sub-national authorities. The ceiling for the average net short-term debt (Dutch: kasgeldlimiet) for municipalities is limited to 8.5% of the budgeted expenditures in each quarter of the fiscal year. Regarding long-term debt, a ceiling (Dutch: renterisiconorm) expressed by a maximum of 20% of credits with a duration of more than one year and flexible interest rates in relation to the budgeted spending applies to the municipalities as well. Since these requirements focus on new borrowing in relation to the municipal budget, an accumulation of debt over time is not prohibited. Furthermore, an empirical study (Allers, 2015) has demonstrated that 38% out of a sample of 100 Dutch municipalities did not comply with the short-term debt ceiling in at least one quarter of 2010. On the other hand, 73% of the municipalities under investigation could at least double their long-term debt before reaching the structural ceiling (Rijksoverheid, 2009; Allers, 2015, p. 461 f.; Allers & Merkus, 2013; de Widt, 2017, p. 201 ff.).

If all the checks and balances do not prevent municipal budgets from being considerably unbalanced, then article 12 of the Financial Relations Act (Dutch: Financiële-verhoudingswet) provides the legal framework to apply for supplementary payments from central government in order to maintain a municipality's solvency, mainly since the national level is interested in guaranteeing the provision of public services by the municipalities.¹⁰² While local government bailouts were first legally introduced in the Netherlands in 1933, the current legal framework dates back to the year 1960 and has not underwent far-reaching changes since then. On closer inspection, the additional financial resources are not provided as loans, but as subsidies, even if a municipality can be considered as self-responsible for its own financial troubles. The financial means are provided from the municipal fund (Dutch: gemeentefonds), which is the regular source of general grants, thereby implying that bailouts entail burdens on the fund set up for all municipalities (Allers, 2015, pp. 451, 456; Peters & Vriesendorp, 2002; Allers & Merkus, 2013; de Widt, 2017, p. 217).¹⁰³ In line with the underlying legal norm, the municipalities receiving additional funds are often referred to as article-12 municipalities (Dutch: Artikel 12-gemeenten).

An additional allocation of funds is usually combined with requirements by the Ministry of the Interior to increase revenues and/or to decrease spending and therefore limitations of the

¹⁰¹ Taxes depending on income or corporate profits are charged by other levels of government.

¹⁰² In addition, the options for Dutch municipalities to increase their own revenues are relatively limited; however, this possibility can be considered as a pre-condition for a no-bailout policy with reference to the municipalities' own responsibility (Allers, 2015, p. 453).

¹⁰³ As a side effect, the guaranteed bailouts also enable Dutch municipalities to borrow money from banks at relatively low interest rates (Allers, 2015, p. 452).

municipality's autonomous decision-making. However, mandatory increases in local tax rates can be considered as rare measures, occurring 10 times since 1967 – four cases took place between 1998 and 2014 (Allers, 2015, p. 457). Overall, it can be concluded that municipal insolvencies are not intended in the Netherlands, while municipalities might be further restricted in their decision-making leeway if their budgets are largely unbalanced. Increased inter-municipal co-operation or municipal amalgamations, arranged by central government, can thus also be considered as strategies to improve the financial situation.

From an empirical perspective, considerably unbalanced municipal budgets have not been a widespread problem in Dutch local government in recent years. Between 1999 and 2016, the annual number of article-12 municipalities ranged between 3 and 5 out of approximately 400 municipalities and was comprised of the following ones: Lelystad (since 1987)¹⁰⁴, Winschoten (1999–2003), Boskoop (2000–2010), Simpelveld (2003–2007), Neder-Betuwe (2004–2006), Nieuwkoop (2004–2006), Ouderkerk (2008–2009), Loppersum (2008–2013), Millingen aan de Rijn (2011–2014), Boarnsterhim (2012–2014), Ten Boer (2014–2016), Muiden (2015), and Vlis-singen (2015–2016) (Rijksoverheid, 2016f).¹⁰⁵ Also, the scope of the financial assistance can be considered as relatively low in recent years (Allers, 2015; Allers & Merkus, 2013).

In comparison with other countries, it is surprising that guaranteed bailouts for Dutch local government in case of largely unbalanced budgets did not lead to a higher necessity of these measures, since this policy does not include any direct incentives for sustainable financial activities. In addition, there is empirical evidence that municipalities improve their financial situations relatively quickly after receiving additional funds from central government (Allers, 2015, p. 451 f.; Allers & Merkus, 2013). However, while the average number of article-12 municipalities has not increased in recent years, Dutch municipalities have experienced some moderate budgeting pressure, at least since the early 1980s (van Helden, 1998, p. 100). From a more practical perspective, many municipalities had to find strategies to deal with a decrease in revenues and an increase of tasks.¹⁰⁶ How these challenges were addressed in the context of the Financial Crisis since 2007 is one of the main questions analysed at later stages of this study.

Taken together, various laws and decrees, including the Municipalities Act, specify the budgeting rules at the Dutch local level. Relatively strict balanced budget requirements for local authorities and supervisory routines by the provinces are also part of the legal framework, with the intention of excluding major deficit spending in the long run. Considerably unbalanced budgets have been observed only in a relatively small number of Dutch municipalities

¹⁰⁴ Lelystad has received financial contributions according to article 12 since 1987 to compensate for additional costs related to spatial structuring decided upon by central government. Therefore, Lelystad is an exception, since financial difficulties are not the reason for the additional funds (Rijksoverheid, 2016f).

¹⁰⁵ Back in 1967, when the first bailouts were undertaken, about 15% of the Dutch municipalities were affected. As a result of amalgamations of relatively small municipalities, as well as changes in the general distribution of financial means to the municipalities, this share has decreased considerably since the 1970s (Allers, 2015, p. 456 f.).

¹⁰⁶ Expectations on the future developments of municipal finance are also published by the Centre for Research on Local Government Economics (Dutch: Centrum voor Onderzoek van de Economie van de Lagere Overheden, COELO). See Allers and Steiner (2015) for the latest version.

in recent years. However, the development of municipal debt will be analysed later in this study. In line with the typical structure of a balance sheet, the following sub-chapters address the role and requirements of municipal revenues (7.4.1) and municipal expenses (7.4.2) in the Netherlands in more detail.

7.4.1. Municipal revenues

Municipal revenues in the Netherlands are composed of three different types: *general grants* (Dutch: Gemeentefonds), *specific grants* (Dutch: Specifieke uitkeringen), and *own income* (Backes & van der Woude, 2013, p. 248; de Kam et al., 2015, p. 274 ff.). While the first two describe transfers from central government, the latter is generated by the municipalities directly. The amount of specific grants per municipality correlates with the amount of general grants (Allers & Kwakkel, 2016, p. 112). In recent decades, the composition of these three types of municipal revenues has changed widely. While the share of specific grants as part of the total municipal revenues has decreased, the share of general grants and own income have increased (Hendriks & Schaap, 2010, p. 104; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2014, p. 41).

The design of the system of Dutch state revenues assigns the responsibility to levy taxes mainly to central government. Since the legal possibilities of generating own income are relatively limited for local government, municipalities largely depend on regular grants provided by national government (Allers, 2015, p. 455; Overmans, 2017, p. 173 f.; Denters & Klok, 2005, p. 67; Allers, 2009, p. 283; Vollaard et al., 2018, p. 19 f.; van der Woude, 2018, p. 242). Within this system of financial compensation between different levels of government, local authorities are, in theory, autonomous regarding the use of their financial resources, apart from the grants provided for specific tasks. In practice, however, their autonomy is sometimes limited, since the specific grants do not cover the expenses for obligatory tasks in all cases, which means that other municipal revenues need to be used to fill the gap (Hendriks & Schaap, 2010, p. 103). In accordance with the types of municipal revenues, the following sub-chapters address the role and determination of general grants and specific grants, representing the two types of transfers from central government (7.4.1.1) as well as own municipal resources (7.4.1.2) in more detail.

7.4.1.1. General grants and specific grants

The Financial Relations Act (Dutch: Financiële-verhoudingswet) is the legal basis for the general and specific grants that Dutch municipalities receive. *General grants*, which are distributed from the so-called municipal fund (Dutch: gemeentefonds), are subdivided into four types of possible payments: general allowances (Dutch: Algemene uitkering), article-12 allow-

ances (Dutch: Artikel 12 uitkering), decentralisation allowances (Dutch: Decentralisatie-uitkering), and integration allowances (Dutch: Integratie-uitkering) (Vereniging van Nederlandse Gemeenten, 2014, p. 9 f.; van der Woude, 2018, p. 242; de Kam et al., 2015, p. 276 f.).

The annual change in the overall budget of the municipal fund was proportionally linked to the changes in expenditures at the national level by an agreement between central government and the Association of Dutch Municipalities in 1987. This implies that if cutbacks are considered to be necessary, then they will be realised equally at the central and local levels. However, certain exceptions are possible, for example in the case of expenditures by central government, which are considered to be outside the regular budget (Denters & Klok, 2005, pp. 67, 73; Bos, 2013, p. 43; Allers, 2009, p. 285; van der Woude, 2018, p. 245 f.).

In terms of the four above-mentioned types of payment in relation to general grants, first, general allowances refer to the share of funds that are not earmarked, and the usage is decided upon by the municipal council (Financial Relations Act, article 6 f.). Second, article-12 allowances are additional payments solely provided to municipalities with financial difficulties (Financial Relations Act, article 12). Third, decentralisation allowances are only distributed to certain municipalities with facilities of importance beyond municipal borders, such as sea-ports and municipal museums (Financial Relations Act, article 13, paragraph 4). Fourth, integration allowances are paid to all municipalities in order to balance financial advantages or disadvantages that are caused by the distributions of other funds (Financial Relations Act, article 13, paragraph 3) (Vereniging van Nederlandse Gemeenten, 2014, p. 9 f.).

The exact amount that a municipality receives from the municipal fund is calculated by taking into account factors such as the number of inhabitants and the size of the territory, as well as socio-economic factors (Financial Relations Act, article 8). This also implies variation across the local level in terms of the scope of grants from central government both in absolute numbers and in relation to other sources of income (Allers, 2009, pp. 283, 290; van der Woude, 2018, p. 243 ff.). An overview of all factors is provided in table 12.

Table 12: Categories and factors of relevance for the distribution of funds to the municipalities according to article 8, paragraph 1, of the Financial Relations Act (Own translation)

Categories	Factors
a) Taxation capacities of the municipalities in respect of property taxes (OZB)	• Taxation capacities in respect of housing • Taxation capacities other than housing
b) The inhabitants of the municipalities	• Age • Place of residence • Income • Entitlement for benefits • Belonging to a minority group • Employment at municipal facilities
c) The territories of the municipalities	• Surface area • Soil conditions • Historical core
d) The buildings in the municipalities	• Built-up area • Living space • Historical living space • Need for renovation of buildings • Density of building development

Categories	Factors
e) Fixed amounts for municipalities	• Fixed amounts for the four largest cities • Fixed amounts for the Wadden Sea municipalities • Fixed amounts for all municipalities
f) Temporary support for municipalities in connection with redeployment	---

Own taxation capacities are taken into account when the amount of a municipality's general grant is determined, and this might cause unwanted side effects when municipalities consider themselves to be disadvantaged because of their comparably high taxation capacities, which could potentially lead to low efforts to keep these capacities. Furthermore, local authorities might attempt to change the composition of the local population by domiciling persons with certain social characteristics in order to maximise transfers from central governments, as long as the costs arising from this measure are not higher than the additional earnings.

In addition to grants from the municipal fund, a VAT compensation fund (Dutch: Btw-compensatiefonds) offers municipalities the opportunity to reclaim VAT expenditure for services or goods that are purchased externally. The law on the VAT compensation fund (Dutch: Wet op het BTW-compensatiefonds) is the legal basis hereof. The variety of examples that fulfil the necessary criterion range from the acquisition of office supplies to the construction of roads and the outsourcing of public services, such as waste collection (Vereniging van Nederlandse Gemeenten, 2014, p. 11).

According to article 108, paragraph 3, of the Municipalities Act, central government must reimburse all the costs if it requests that municipalities perform certain tasks. Against this background, *specific grants* are provided for the execution of certain delegated tasks, primarily in the policy areas of employment and social affairs. In practice, the financial means are allocated by the responsible ministries at the national level. Compared to general grants, the share of specific grants that are not spent must be repaid to central government (Vereniging van Nederlandse Gemeenten, 2014, p. 11; van der Woude, 2018, p. 247 f.; de Kam et al., 2015, p. 278).¹⁰⁷

Detailed provisions on specific grants are regulated in the Financial Relations Act (article 15a ff.). Regarding this type of fund, a distinction between regular, temporally limited, and unique payments is made, and it is also linked to the necessary legal requirements in order to initiate the payment (Financial Relations Act, article 17). With respect to the determination of the amount of specific grants, the Ministry of the Interior and Kingdom Relations depends on information about expenditures in the context of each municipality's delegated tasks. Therefore, the executive boards of the municipalities are obliged to report these costs annually (Financial Relations Act, article 17a). While the number of specific grants has increased over time, initiatives to merge certain types of these financial allocations led to a reduction to 22 specific grants in 2016 (van der Woude, 2018, p. 248).

¹⁰⁷ A detailed biannual overview of general and specific grants is published by the COELO. See Kwakkel and Al-lers (2015) for the latest version.

Overall, general grants and specific grants typically constitute the largest shares of revenues for Dutch municipalities. While specific provisions determine the amount of both types of revenues that each municipality receives, an own influence on the scope of the financial means obtained is hardly possible. This is different in the case of the municipalities' own income, which will be considered in the next sub-chapter.

7.4.1.2. Own income

The municipalities' *own income*, as a further source of revenue alongside transfers from central government, can be subdivided into local taxes and other own resources (Dutch: Overige eigen middelen, OEM) (Vereniging van Nederlandse Gemeenten, 2014, p. 12). Local taxes, on the one hand, can be levied on property, among a limited number of other purposes, and other own resources, on the other hand, result from, for example, ticket sales for a municipal swimming pool, museum, or theatre. Decisions regarding the introduction, adjustments, and abolition of local taxes and local fees are made by the municipal council. Therefore, a strategic use to reach certain policy objectives is possible (Vereniging van Nederlandse Gemeenten, 2014, p. 12 f.; van der Woude, 2018, p. 248 f.).

According to article 132, paragraph 6, of the Constitution, the types of local taxes are limited to those mentioned in the Municipalities Act. With regard to the autonomy of the different sources of municipal income, the highest degree of independence from other levels of government is given for local taxes and other own resources. Within the possible types of local taxes, the municipalities can decide upon which ones they consider to be reasonable for their territorial communities by taking local conditions into account. Municipalities are also autonomous concerning the use of financial means originating from own revenues (Backes & van der Woude, 2013, p. 248 f.).

The types of local taxes in line with the Municipalities Act include a tax on immovable property within the municipality (Dutch: onroerendezaakbelasting, ozb), such as real estate (Municipalities Act, article 220). A second property tax can be levied on movable housing or business space (Dutch: roerende woon- en bedrijfsruimten belasting) that is permanently located within the municipality, such as caravans and houseboats (Municipalities Act, 221). A further benefit charge (Dutch: baatbelasting) can be collected for property within a certain part of the municipality that benefits from facilities established by the local level (Municipalities Act, article 222).

Municipalities can levy a commuter charge (Dutch: forensenbelasting) for persons whose main residence is not in a certain municipality but who spend more than 90 nights per year there (Municipalities Act, article 223). Furthermore, municipalities are allowed to charge a tourist tax (Dutch: toeristenbelasting) for persons who are not registered in a certain municipality. In this regard, those offering accommodation can be charged in place of the persons staying there (Municipalities Act, article 224). In the context of parking regulations (Dutch: parkeerregulering), charges for vehicles can be collected by local government. The law distinguishes

between two possible cases: first, a fee for parking a vehicle at a certain place during a certain period of time and, second, a fee for permission to park a vehicle with a certain licence plate in a certain area (Municipalities Act, article 225).

Dutch municipalities are also allowed to charge dog owners a dog fee (Dutch: hondenbelasting). The tax needs to be levied depending on the number of dogs being kept (Municipalities Act, article 226). Advertising tax (Dutch: reclamebelasting) for advertisements that are visible from public roads is a further type of tax that municipalities can levy in the Netherlands (Municipalities Act, article 227). Municipalities are also allowed to charge a fee for using public spaces (Dutch: precariobelasting) (Municipalities Act, article 228). A restaurant using the public space in front of its building for serving food and drinks would be an example of a taxable case in line with the Municipalities Act. Furthermore, municipalities can levy two types of sewage charges (Dutch: rioolheffing): one for the collection and transport of domestic and industrial waste water, and another for the collection and process of rainwater as well as the avoidance of negative effects of the groundwater level (Municipalities Act, article 228a). In the case of the sewage charge, as a charge linked to a certain purpose (Dutch: bestemmingsbelastingen), the charge may not exceed the costs of providing the service (Vereniging van Nederlandse Gemeenten, 2014, p. 14).

Taken together, the Dutch Municipalities Act lists 10 explicit types of taxes/charges/fees¹⁰⁸ that a municipal council can choose to introduce. None of these local taxes need to be levied by local authorities. An overview of the types of municipal taxes according to the Municipalities Act is provided in table 13.¹⁰⁹

Table 13: Types of taxes and charges according to the Municipalities Act

Name of the tax or charge (English)	Name of the tax or charge (Dutch)	Main legal source within the Municipalities Act
Property tax on immovable property ¹¹⁰	Onroerendezaakbelasting, ozb	Article 220
Property tax on movable housing or business space	Roerende woon- en bedrijfsruimten belasting	Article 221
Benefit charge	Baatbelasting	Article 222
Commuter charge	Forensenbelasting	Article 223
Tourist tax	Toeristenbelasting	Article 224
Parking fee	Parkeerregulering	Article 225
Dog tax	Hondenbelasting	Article 226
Advertising tax	Reclamebelasting	Article 227
Public space usage fee	Precariobelasting	Article 228
Sewage charge ¹¹¹	Rioolheffing	Article 228a

¹⁰⁸ While the terms taxes, charges, and fees are not always used consistently, the 10 types introduced are usually labelled as local taxes.

¹⁰⁹ A detailed annual overview of the tax revenues from a citizens' perspective is provided by COELO. The reports include a comparison of the municipalities, as well as the developments since the previous year. See Hoebe et al. (2017) and Allers et al. (2016) for the latest versions. For the latest versions with a focus on the largest municipalities and housing costs, see Hoebe and de Natris (2018), Hoebe and Kwakkel (2017), and Hoebe and Kwakkel (2016).

¹¹⁰ Within its statistical publications, the CBS uses a further distinction between property tax on immovable property for users and owners.

¹¹¹ Within its statistical publications, the CBS lists sewage charges in the category of municipal fees.

In practice, the tax on immovable property usually generates the largest share of the municipalities' own income (Vereniging van Nederlandse Gemeenten, 2014, p. 14). However, the nature of taxes implies variation in the amount that is generated with each type across the municipal level and over time. Compared to taxes on income and corporate gains, the objects and activities taxed at the Dutch local level are generally less influenced by economic developments. However, the building of houses by private persons, as well as settlement in a certain region in the first place, the number of persons commuting to another city for work, and the number of tourists are examples of factors that are also linked to the economic situation, among other conditions.

Article 229 of the Municipalities Act regulates that fees (Dutch: retributies) for the use of municipal property and public services can be charged and thus constitutes the legal basis for the municipalities' other own resources. The fees need to be fixed and generally based on the costs incurred (Municipalities Act, article 229b).

Ticket sales for leisure activities are an example of a common way in which other own resources are generated. For many years, land development (Dutch: grondexploitatie) was also a typical source of income for municipalities. By making land ready for building and selling, municipalities were able to gain profits. However, as a result of the Financial Crisis since 2007, the situation has changed in recent years, and some municipalities also suffered losses from land development. In addition, other own resources can be generated with financial operations (Vereniging van Nederlandse Gemeenten, 2014, pp. 16, 39). Compared to local taxes, where 10 permitted types are defined by law, the types of local fees are subject to broader variation.

Within its statistical publications, the CBS distinguishes between the following types of municipal fees:

- Sewage charges domestic/industrial (Dutch: Rioolheffing huishoudelijk/bedrijfsafval)
- Sewage charges groundwater and rainwater (Dutch: Rioolheffing grond- en hemelwater)
- Cleaning fees and waste disposal (Dutch: Reinigingsrechten en afvalstoffenheffing)
- Cemetery fees (Dutch: Begraafplaatsrechten)
- Building permits (Dutch: Bouwvergunningen)
- Public affairs secretary fees (Dutch: Secretarieleges burgerzaken)
- Market fees (Dutch: Marktgeden)

In summary, Dutch municipalities' permitted additional sources of income, next to transfers from central government, are also defined by law. In this context, the list of possible local taxes is definitive. Furthermore, municipal fees needs generally be based on the actual costs. Both provisions contribute to the difficulty that municipalities face in generating a substantial share of own revenues. Following these insights on the income side of local balance sheets, the expenditure side will be addressed in the next sub-chapter.

7.4.2. Municipal expenses

Performing mandatory or voluntary tasks is linked to expenditures. As outlined before, Dutch municipalities are responsible for social services, city physical planning, housing policies, and sewage services, among other duties. Additional costs arise from maintaining the local administration, including personnel and office space.

While municipal income via specific grants from central government is earmarked for certain expenditures, the municipality can decide on the use of the rest of its budget. However, various mandatory tasks and existing commitments might considerably limit the decision-making scope. From an accounting perspective, a further general distinction between one-time costs and regular expenses is possible. As outlined before, certain municipal expenditures are also compulsory by law in the Netherlands. These are the interest on loans, the expenditures that are established by national legislation, and the costs arising from the implementation of laws (Municipalities Act, article 193).

From a more practical perspective, public expenses are typically divided into types of spending, such as personnel costs, subsidies, pensions, and depreciation costs, or across policy areas. As at other administrative layers and in other countries, a large part of the budget is spent on municipal personnel at the Dutch municipal level (Vereniging van Nederlandse Gemeenten, 2014, p. 22). In the Netherlands, the official categorisation of municipal expenditures by the CBS is based on the so-called Information for Third Parties (Dutch: Informatie voor Derden, Iv3) system, which the municipalities also use to report their finances to central government and which includes the following main policy areas or categories (Rijksoverheid, 2017b; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2017b):¹¹²

- General administration (Dutch: Algemeen bestuur)
- Public order and safety (Dutch: Openbare orde en veiligheid)
- Traffic, transport and water management (Dutch: Verkeer, vervoer en waterstaat)
- Economic affairs (Dutch: Economische zaken)
- Education (Dutch: Onderwijs)
- Culture and recreation (Dutch: Cultuur en recreatie)
- Social services (Dutch: Sociale voorzieningen en maatschappelijke dienstverlening)
- Public health and environment (Dutch: Volksgezondheid en milieu)
- Spatial planning and housing (Dutch: Ruimtelijke ordening en volkshuisvesting)
- Financing and means for universal coverage (Dutch: Financiering en algemene dekking-smiddel)

Regarding the distinction between policy areas, the categorisation is also employed to indicate municipal revenues in order to calculate the balance within each policy area. At a later stage, the categorisation will be used for the analyses in this study.

¹¹² See appendix 2 for a list of all sub-categories.

Taken together, Dutch municipalities are also restricted to a certain extent regarding their finances on the expenditure side because of mandatory tasks and services largely corresponding to financial transfers from central government, as well as partially fixed expenses, for example in areas such as personnel and office costs. From an analytical perspective, the subdivision of expenses into policy areas with municipal competences, including sub-categories, can be considered as useful when aiming to examine financial developments over time. However, before the analyses of local public finances in times of the recent Financial Crisis at a later stage of this study, the following sub-chapter assesses general trends and developments at the Dutch local level to gain an insight into developments taking place relatively independent of the Crisis.

7.5. Trends and developments at the local level of government in the Netherlands

This chapter assesses general trends and developments at the Dutch local level in recent decades. The main question is as follows: How have local government and local governance in the Netherlands changed since the late 1970s? These insights will help to understand the impact of and responses to the Financial Crisis since 2007 in a later step, since all developments that are identified as already ongoing by the time of the emergence of the crisis are not caused by the crisis. However, a major crisis is certainly able to influence ongoing developments. Those interactions will also be analysed at a later stage of this study.

Since the theoretical insights from chapter 2 are applied in order to assess recent trends and developments at the Dutch local level, the following sub-chapters are subdivided into decentralisation of tasks (7.5.1), municipal amalgamations and municipal co-operation (7.5.2), management changes (7.5.3), Europeanisation (7.5.4), citizen participation (7.5.5), and digitalisation of public services (7.5.6). A final sub-chapter summarises the developments in the Netherlands, with a focus on mutual dependences and a comparison with the general developments identified in chapter 2 (7.5.7).

7.5.1. Decentralisation of tasks

As is the case in many Western countries, the Netherlands has followed the common trend of shifting responsibilities from central to local government in recent years. According to article 117 of the Municipalities Act, central government is even obliged to promote decentralisation in favour of the municipalities. However, compared to various other Western European countries, many public utilities in the Netherlands have already been located at the municipal level since their foundation (van der Meer & Raadschelders, 2007, p. 108 f.).

From a historical perspective, the Netherlands has experienced phases of both centralisation and decentralisation over the centuries (Bos, 2013, p. 27 ff.). In this context, Bos (2010, p. 35)

distinguishes three major periods since 1848 regarding the main governmental authority within the Dutch system of multi-level governance. The first is a *unitary and decentralised state* between 1848 and 1928.¹¹³ Municipalities played a major role in education, infrastructure, safety, and social policies during this period. Increasing expenditures in these policy areas were financed by levying higher local taxes, thereby leading to major gaps between the financial affairs of different municipalities and hence substantial differences in the quality and scope of local-level service delivery. These differences increasingly incentivised citizens to move from one municipality to another for reasons of either lower taxation or better services, or both. This type of rational behaviour on the side of citizens undermined local-level solidarity and had an overall negative impact on local-level financial affairs and quality of service delivery (Bos, 2010, p. 35 ff.).

In 1929, the national municipal fund was introduced to address these problems, which marks the beginning of the second period, namely a *centralised welfare state*, lasting till 1982. Based on the factors of income and need, a compensation mechanism between the municipalities was created. However, with the reduction in tax revenues and the increase in spending on social policies during the 1930s' economic downturn, financial problems at the local level were exacerbated. Additional funds from the central level were introduced to improve the financial situation of Dutch municipalities. While local taxes remained an important source of revenues, the autonomy of municipalities to determine their own taxation policies was largely restricted over the next decades. By taking over more responsibilities, especially for social security and healthcare, the Dutch national government gradually became more important than the other administrative levels. This trend towards a more centralised state continued until 1982 (Bos, 2010, p. 37 f.; van der Woude, 2018, p. 242).

Increasing public expenditure and decreasing employment rates, combined with a stagnating economy, partially dating back to the second oil crisis, put the welfare state under pressure both in the Netherlands and in most other industrial countries (Bos, 2010, p. 38; Taylor-Gooby, 2001; Van den Berg et al., 2015). A *smaller and more decentralised welfare state*, which characterises the third phase since 1983, was seen as a way to address these challenges. This development towards a more decentralised provision of public services, also in connection with the rise of an enabling state, still continues today.

In the 1980s and 1990s, desires to downsize central governments and to reduce government expenditure in general stimulated decentralisation measures. As a consequence, Dutch municipalities received additional responsibilities in the policy areas of public housing, urban renewal, education, social security, social work, child care, and youth work, among others (Denters & Klok, 2005, p. 72). Furthermore, larger cities increased their involvement in local economic development (Denters & Klok, 2005, p. 73). However, to realise savings, the compensation payments by central government to local government were lower, compared to previous expenditures on the provision of the corresponding public services. These savings were justified as efficiency gains from the decentralisation measures (Denters & Klok, 2005, p. 72). In the 1990s, partially negative experiences in the context of decentralisation measures were

¹¹³ Before 1848, the Netherlands was mainly characterised by its federal and decentral state system. The period of French occupation deviates from there (Bos, 2013, p. 27 ff.).

observed in the area of healthcare. Weak administrative control and a lack of political interest led to relatively negative evaluations of the municipal fulfilment of tasks (de Vries, 2000, p. 209).

In 2006, central government transferred a number of tasks related to the care of elderly and handicapped people to the municipalities as part of a continuous process of increasing responsibilities at lower levels of government (Bos, 2010, p. 38 f.). However, more extensive decentralisation measures, also involving these policy areas, followed in more recent years. Additional financial pressure from the beginning of the Financial Crisis since 2007 led to various budget cuts and the search for further saving potentials at all levels of government (Vermeulen, 2015, p. 2). The Dutch central government consequently announced far-reaching decentralisation measures in the area of social policies in their 2012 coalition agreement (van Nijendaal, 2014, p. 85 f.). The measures came into effect on January 1st, 2015 (Rijksoverheid, 2015a; Sociaal en Cultureel Planbureau, 2016) and are perfectly in line with the developments towards a more decentralised state since 1983 as well as the developments in neighbouring countries (Van den Berg et al., 2015).

According to the Central Planning Bureau for Economic Policy Analysis (Centraal Planbureau, 2013; Centraal Planbureau, 2014), on the one hand, expected economies of scope and a more effective task fulfilment are the main opportunities of the measures. On the other hand, possible diseconomies of scale and differences in the quality and level of services are stated as the main risks. By making the municipal level the main supplier of social services, a better tailoring of the services to local needs and an overall increase in efficiency through prevention and early intervention are also expected (Vermeulen, 2015, p. 2). A large group of those receiving social services will now receive only services provided by the municipal level, which simplifies responsibilities and contacts, and which might generate further economies of scale as a result of interaction effects between the different types of services (Vermeulen, 2015, p. 7 ff.) Apart from increasing the effectiveness and efficiency of public services, strengthening the role of local democracy was an additional goal of the reform (Hendriks & Schaap, 2010, p. 117).

On closer inspection, the latest decentralisation measures focused on three sub-sections of social policies: social support, labour market participation, and youth care (Rijksoverheid, 2015a; Sociaal en Cultureel Planbureau, 2016). First, the 2015 Social Support Law (Dutch: *Wet maatschappelijke ondersteuning*) transferred responsibilities related to long-term care services to the local level. With the aim of enabling people to live in their own homes instead of a care institution for as long as possible, the municipalities provide relevant services to chronically ill, disabled, and elderly persons (Rijksoverheid, 2015b; van Nijendaal, 2014, p. 90 f.; Sociaal en Cultureel Planbureau, 2016).

Additional responsibilities for the municipalities were also implemented in the policy area of labour market participation as the second element of the reform. While the local level was already in charge of the support of people with low income and low labour market access for disabled persons, the 2015 Participation Law (Dutch: *Participatiewet*) expanded the responsibilities of the municipalities. The local level now organises the provision of benefits and job

search assistance for all citizens (van Nijendaal, 2014, p. 93; Sociaal en Cultureel Planbureau, 2016).

Third, decentralisation reforms included the pooling of youth care policies at the municipal level. Various public authorities at different administrative levels were previously in charge of youth-related public tasks, partially resulting in long waiting times, increasing costs, and various cases of serious incidents involving children in multi-problem families, which have been ascribed to co-ordination failures between the authorities in charge. Having the municipalities as the single point of contact in a unified legal and financial framework is expected to simplify the responsibilities and to increase efficiency also in this context. With the new 2015 Youth Law (Dutch: Jeugdwet), the municipalities will be in charge of all responsibilities regarding the support and care of young people (van Nijendaal, 2014, p. 95; Sociaal en Cultureel Planbureau, 2016).

Taken together, the 2015 decentralisation reforms can be considered as relatively extensive, compared to the changes in previous years. With the transfer of social services to the local level, budget cuts were realised, since the budget for the provision of the services was reduced, compared to the budget available for the service provision by central government. This approach was already chosen in previous decentralisation reforms in the Netherlands. In the context of the measures implemented in 2015, the intended budget cuts amounted to approximately 10% in general and considerably more for some separate tasks (Vermeulen, 2015, p. 3 f., 9 f.).

In summary, decentralisation measures have largely changed the distribution of tasks between the administrative levels in the Netherlands in a continuous process in recent decades. As a result, the municipal level in particular has gained additional importance (Allers & Steiner, 2015, p. 7). When considering the various reform initiatives in the Netherlands in the last decades, the decentralisation measures implemented in 2015, which partially relate back to the Financial Crisis since 2007, are among the largest in scope regarding the financial responsibilities transferred to a lower administrative level. Another important trend in Dutch local government is the formation of larger public authorities by municipal mergers, accompanied by municipal co-operation. These developments will be addressed in the next sub-chapter.

7.5.2. Municipal amalgamations and municipal co-operation

From a comparative perspective, the Netherlands is mid-ranging in terms of the scope of *amalgamations* in recent decades. Between 1950 and 2007, the number of municipalities decreased from 1,015 to 443, or 56%. Table 14 provides a long-term view of the development of the number of Dutch municipalities between 1851 and 2018. The data illustrate that territorial reforms including a decreasing number of municipalities because of amalgamations have been a continuing process since the establishment of the Kingdom of the Netherlands, and the pace of the reduction in that number has risen in recent decades. While the territorial boundaries of the municipalities experienced many changes, the borders of the provinces have remained

almost unchanged in recent decades (Backes & van der Woude, 2013, p. 234; Denters et al., 2014, p. 3; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 15 f.; Voermans & Waling, 2018, p. 207 ff.).

Table 14: Development of the number of Dutch municipalities, 1851–2018 (Data sources: Centraal Bureau voor de Statistiek, 2018a; De Ceuninck et al., 2010, p. 810)

Year	1851	1880	1900	1928	1960	1970	1990	1991	1992	1993	1994	1995
Count	1,209	1,126	1,120	1,079	994	913	672	647	647	646	636	633
Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Count	625	572	548	538	537	504	496	489	483	467	458	443
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Count	443	441	431	418	415	408	403	393	390	388	380	

Regarding the size of the municipalities in terms of inhabitants, a wide variation can be observed, existing already since the introduction of the current municipal structure in 1851 (Backes & van der Woude, 2013, p. 233). Geographical conditions, such as a number of islands, describe unusual difficulties in the context of municipal amalgamations. Taking into account the Dutch population of roughly 17.081 million people in 2017 (Centraal Bureau voor de Statistiek, 2018b), a municipality consisted of an average of approximately 44,023 inhabitants. As a result of the continuous process of amalgamations, this figure increased significantly from approximately 2,500 inhabitants per municipality in 1851 (Backes & van der Woude, 2013, p. 234; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 16 f.).

In the debates on municipal reforms, amalgamations in the Netherlands were generally justified by the lack of space and the need for larger areas for further industrialisation and urbanisation, without the possible interference of diverse political interests and administrative burdens, as well as the power to govern more efficiently and effectively at the local level (De Ceuninck et al., 2010, p. 815). The need to increase the municipal level's ability to address local and regional problems was also indicated when municipal amalgamations were discussed (Hendriks & Schaap, 2010, p. 113). In general, amalgamations were always encouraged by national government, while the municipalities involved were often not in favour of mergers. From a legal perspective, Cabinet and Parliament have the authorisation for territorial reorganisation, according to article 123, paragraph 1, of the Constitution. Provinces or municipalities do not need to approve intended territorial changes. However, in 1984, a law on the process of territorial reforms at the local level was introduced, which includes regulations on formal consultations of the municipalities if municipal mergers are intended (Rijksoverheid, 2014a).

In a government declaration in November 2012, Prime Minister Rutte justified the plans of “municipalities with populations of at least 100,000 inhabitants in principle” (2012), as stated in the coalition agreement by “considerations of cost and efficiency and to ensure continuing high quality” (2012). Taking into account the current Dutch population of about 17.081 million people (Centraal Bureau voor de Statistiek, 2018b), these plans imply a maximum of 170 municipalities – less than half the current number. Considering the current government's position, as well as the developments since 1851, it appears likely that the process of municipal

amalgamations and a decreasing number of Dutch municipalities will continue over the next years.

Allers and Geertsema (2016) recently conducted a quantitative analysis regarding the question of whether municipal amalgamations affected local government spending, taxation, and service provision in the Netherlands.¹¹⁴ They have concluded that “there is no significant effect on total per capita municipal spending before or after amalgamation” (p. 678) and that “property tax revenue is not affected by amalgamations either” (p. 678). However, a reduction of expenditures on administration affairs after amalgamations is a statistically proven result. Overall, economies of scale in the context of municipal mergers appeared to be relatively limited following this study. The question regarding the optimal size of a Dutch municipality was recently addressed by Bikker and van der Linde (2016). Based on an analysis of local-level expenditure in relation to the population, they found an optimum size of municipalities of 66,260 inhabitants in 2014, and hence unused economies of scale of 17% for an average municipality. Interestingly, this suggested number of inhabitants deviates significantly from the ideas of the current coalition government.

Apart from municipal amalgamations, *inter-municipal co-operation*, as a more flexible approach, has been a long-standing tradition in the Netherlands, and it can still be considered as increasing in recent years, especially regarding relatively expensive infrastructure services, such as waste collection and disposal (Niaounakis & Blank, 2017; Denters & Klok, 2005, p. 69; Steen et al., 2017, p. 60; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, pp. 15 f., 86 f.; Voermans & Waling, 2018, p. 226 ff.). The Municipalities Act of 1851 has already permitted co-operation between municipalities, but a narrow legal interpretation has prevented a broad dissemination (Hulst & van Montfort, 2007b, p. 143). Today, the Joint Arrangements Act (Dutch: *Wet gemeenschappelijke regelingen*, WGR), first issued in 1950 and largely revised in 1985, provides the main legal framework for co-operation between public authorities on the same administrative level as well as across different levels of the administrative sub-division. The introduction of the act also led to a high increase in inter-municipal co-operation in practice (Rijksoverheid, 2016d; Hulst & van Montfort, 2007b, pp. 143; 146 ff.; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 86 f.).

While co-operation is generally voluntary, and given that single-purpose arrangements dominate, in some areas, such as fire and ambulance services, inter-municipal co-operation is required by law (Hulst & van Montfort, 2007b, p. 145 ff.; Allers & de Greef, 2018, p. 131; Vereniging van Nederlandse Gemeenten, 2014, p. 41). The decentralisation measures implemented in 2015 can also be considered as intended to increase municipal co-operation, since many municipalities are hardly able to perform the additional tasks alone and at relatively short notice (Vereniging van Nederlandse Gemeenten, 2014, p. 48). In recent years, co-operation in the form of networks of multiple municipalities, aiming to provide certain public services together, has become more common in Dutch local government as well (Backes & van der Woude, 2013, p. 242 f.). However, as in many other countries, inter-municipal co-operation

¹¹⁴ Previous empirical studies, conducted in the 1980s and 1990s, questioned the efficiency gains realised as a result of municipal amalgamation in the Dutch case as well. A negative impact of territorial reforms on the relation between citizens and local government was also pointed out (Denters & Klok, 2005, p. 68).

often lacks democratic accountability in the Netherlands. Partially related to the low political profile and often technical questions in relation to most of the municipal tasks concerned, the co-operations are mainly managed by civil servants. Elected representatives are hardly involved in the decision-making processes in practice (Hulst & van Montfort, 2007b, p. 162; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 88).

From a statistical perspective, Dutch municipalities maintained 779 inter-municipal partnerships in 2016. Each municipality is part of 16 partnerships on average, and the average number of participants in each partnership is eight. However, a wide variation concerning the number of participants in inter-municipal co-operations can be observed. While the smallest co-operation includes two partners, the largest one has 54. Among the different policy areas with local competences, spatial planning, environmental affairs, and social services are most common in terms of co-operative agreements. Overall, approximately 16% of all municipal expenses were realised as part of inter-municipal co-operations in 2013 (Boogers et al., 2016, pp. 26, 29; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 87 f.).

While increases in efficiency are the main argument for inter-municipal co-operation, the results of a recent empirical study (Allers & de Greef, 2018) do not support this assumption based on analyses at the Dutch local level between 2005 and 2013. On closer inspection, there was no evidence that total spending reduced in the case of inter-municipal co-operation. On the contrary, while this form of co-operation left expenditure in medium-sized municipalities largely unaffected, expenditure in small and large municipalities seemed to increase as a result of the co-operation. However, in the area of tax collection, efficiency gains could be observed; however, considering a municipality's overall balance sheet, the share of this field is generally relatively small. While increases in the public service quality might provide an explanation for additional costs in the case of inter-municipal co-operation, the authors did not find evidence for this hypotheses when measuring the quality of public services indirectly by observing trends in house prices, which are considered to be indicators of the citizens' willingness to pay for housing in a certain municipality, partially linked to the municipality's provision of public services.

Another recent study (Niaounakis & Blank, 2017) has addressed the effects of inter-municipal co-operation in the Netherlands by solely focusing on collaboration between municipal tax departments and cost efficiency. In this regard, economies of scale were identified. While the provision of the related public services for roughly 10,000 inhabitants was calculated as about 30% less efficient, compared to the optimal value, it has also been concluded that additional efficiency gains are largely not given if the services are provided for more than 60,000 inhabitants. In this context, it needs to be noted that tax collection is a rather repetitive type of public service, and possibilities to increase efficiency might largely differ for other types of services.

Taken together, municipal amalgamations and municipal co-operation are long-standing traditions in the Netherlands. As a result of central government's intention to increase the administrative efficiency at the local level, municipalities were merged in a continuous process since the early days of the Kingdom of the Netherlands. This development can be expected to continue as long as there is no change in central government's position on this policy, which

is so far hardly ideologically influenced. Following these insights into territorial reforms and municipal co-operation in the Netherlands, changes in the management approaches within the municipalities' administrations are the topic of the next sub-chapter.

7.5.3. Management changes

In recent decades, local governance in the Netherlands has widely been influenced by two reform waves: the first one in line with NPM and the second one characterised by the partial abandonment of previous reform efforts. Apart from variation in the scope and the time period, both trends were common at various levels of government in many Western countries. Based on new financial-economic rationales, NPM-related ideas were adopted at the Dutch local level from the late 1970s onwards. As a result, the administration of many municipalities was slimmed down by the use of privatisation measures and the outsourcing of tasks. This was mainly realised by transferring municipal tasks to third-sector organisations, especially in the areas of culture, sports, and education, to private firms or newly established production units, together with other municipalities, for example in the context of waste collection and the maintenance of municipal property, and to local administrative agencies. A shift towards performance-based management is also recognisable at the Dutch local level. In the context of public services, attempts to measure customer satisfaction and to further improve services based on feedback also took place. While all the initiatives had similar intentions, the designs varied widely in practice (Denters & Klok, 2005, p. 78 f.; Kickert, 2003, pp. 378 f., 382; ter Bogt, 2008a, p. 31; Bekke, 1991).

Before NPM, local governance in the Netherlands was particularly characterised by the Dutch tradition of consensus, consultation, and compromise, and local government was organised according to the clerk-service model (Dutch: *secretarie-dienstenmodel*). It included a secretary (Dutch: *secretarie*), who was responsible for policy preparation, and public service departments that were in charge of the policy implementation. Already since the 1970s, an increasing politicisation was observed within the administration of the local level (Hendriks & Tops, 2003, pp. 303 f., 312), which might have challenged a purely bureaucratic functioning in some municipalities. The search for alternatives to the clerk-service model began in the late 1970s, where various models were discussed in academic literature, and some of these were implemented on an experimental basis. The global economic downturn of the early 1980s, in the context of the second oil crisis, increased the financial pressure on various nation states, including the Netherlands and its local level. In addition to financial constraints, the inefficiency and the lack of transparency within the administration were also used to justify the need for reforms (Hendriks & Tops, 2003, p. 305, 308 f.).

Privatisation was another prominent and partially contested topic in the reform rhetoric of the 1980s. However, the overall scope of privatisation measures in the Netherlands was relatively limited (Pollitt & Bouckaert, 2011, p. 294; van der Meer, 2008, p. 184), and privatisations were generally dealt with in a relatively pragmatic manner. Furthermore, privatisations were not realised for ideological reasons, but to increase efficiency (Bekke, 1991, p. 126 f.). Since

state-owned public service providers, for example in the areas of energy, transport, and infrastructure, were traditionally run more like private companies than public sector organisations, changes in ownership – partially realised through privatisations in the 1980s and 1990s – did not result in far-reaching management changes (van Damme, 2006). Moreover, further privatisation measures in these areas did not always imply the development of market systems (van der Meer, 2008, p. 183 f.). Apart from private entities, a number of autonomous (semi-) public organisations (Dutch: zelfstandige bestuursorganen, ZBO's) were established in the 1980s.¹¹⁵ Then, in the 1990s, a departmental agency became a common way in which to decentralise administrative authority (Pollitt & Bouckaert, 2011, p. 294). Overall, the contracting-out of public services became more common at the local level in the Netherlands, compared to the national one (van der Meer, 2008, p. 184).

While many Dutch municipalities reformed their administration in line with NPM, the city of Tilburg and the *Tilburg model*, implemented in 1985, became famous for their initiative – in the Netherlands as well as abroad.¹¹⁶ In this context, it needs to be noted that the Tilburg model was “exemplary rather than exceptional” (Hendriks & Tops, 2003, p. 308). Just as in many other municipalities, improving the quality, efficiency, and effectiveness of public services was the overall goal. The decentralisation of tasks within the administration, the professionalisation of management, and political control at key positions were the principles chosen to achieve the set targets (Hendriks & Tops, 2003, p. 308 ff.). While the city was certainly not a particularly unique case, “Tilburg was widely recognized as a paragon of a modern well-governed municipality” (Denters & Klok, 2005, p. 65).

From a more practical perspective, the Tilburg model focused on two elements: The first focus was on the reorganisation of the administration according to the concern-division model (Dutch: concern-diensten model), which is an organisational approach focusing on highly autonomous sectoral departments responsible for certain policy areas, in combination with the general decentralisation of powers and responsibilities. The second focus was on changes in the annual budgetary cycle. As a consequence, tasks were defined in a product-based manner, with a general focus on the output. As a further consequence, the number of staff members of the municipal administration was downsized noticeably. Some public services were also privatised, and others were phased out completely. In addition, practical attempts towards measurable policy goals were undertaken (Hendriks & Tops, 2003, p. 308 ff.). As a reaction to the various reform efforts of individual municipalities, including Tilburg, and also mostly in line with the general elements of NPM, the Ministry of the Interior and Kingdom Relations initiated a local-level *Public Management Initiative* (Dutch: Beleids- en Beheers Instrumentarium) in the late 1980s (van Helden, 1998; ter Bogt, 2008a; ter Bogt, 2008b; van Helden & Jansen, 2003). The initiative pursued the following three main goals: (1) strengthening the position of

¹¹⁵ Also known as quasi-autonomous non-governmental organisations (quangos) in the United Kingdom.

¹¹⁶ In fact, the Tilburg model became more famous abroad than in the Netherlands. Especially in Germany, the approach became popular, since the Communal Joint Office for Administrative Management (German: Kommunale Gemeinschaftsstelle für Verwaltungsmanagement, KGSt) (Kommunale Gemeinschaftsstelle für Verwaltungsmanagement, 1992) promoted it as a role model. In the Netherlands, the Tilburg model was often considered to be one approach out of many.

elected politicians, (2) improving the planning and control processes within the municipal administration, especially by introducing output budgeting, and (3) making municipalities more customer-oriented, partially by decentralising the municipal administration internally (van Helden, 1998, p. 86). In other words, the objectives were “to make political and administrative decision-making more transparent and effective, and to bridge the gap between authorities and citizens that was found to exist at the local level” (ter Bogt, 2008a, p. 32). To reach these goals, the Public Management Initiative had the three premises of (1) tailor-made information as the basis of decision-making, (2) a focus on information about the relation between policies and finances, and (3) an orientation towards specific tasks instead of broader goals (Kickert, 2003, p. 383). From a more practical perspective, output budgeting was the key component of the Public Management Initiative (van Helden 1998, p. 87).

A few years later, in the early 1990s, the management style in Dutch municipalities came under pressure once more. Apart from criticism from many quarters, also in line with weaknesses and newer approaches discussed in political-administrative theory, including concerns about the legitimacy of increased administrative powers, the turnout at local elections dropped considerably, especially in larger cities. This development was interpreted as the population’s general dissatisfaction with the administrative reforms implemented at the local level, including the ones initiated by the Ministry of the Interior and Kingdom Relations (Hendriks & Tops, 2003, pp. 311, 314). Subsequent changes were characterised by a mitigation and partial revision of the reforms a decade earlier. The focus was increasingly oriented back towards the external interaction of the municipal administration rather than the internal organisation. Citizens were again considered in their role as citizens rather than customers. Furthermore, the previous priority of budgetary discipline and management orientation was moderated, and political accountability and control were strengthened (Hendriks & Tops, 2003, p. 311; Kickert, 2003, pp. 378, 387 f.). However, in summary, NPM did not disappear at the local level in the Netherlands, but it became less prominent and more modest from the 1990s onwards (Hendriks & Tops, 2003, p. 313).

Another development of the 1990s is the attention private-public partnerships received in many Western countries, including the Netherlands, as an organisational approach. However, not many private-public partnerships were implemented at the Dutch local level (ter Bogt, 2008a, p. 44 ff.). The fact that public services outside the core administration were traditionally run more like private companies can be considered as the main reason that additional benefits from this type of agreement were assessed as being relatively low, similarly to privatisation measures in general.

In the late 1990s, central government began the initiative *From Policy Budgets to Policy Accountability* (Dutch: Van beleidsbegroting tot beleidsverantwoording), with the aim of implementing performance-based budgeting in the public sector. While the initiative focused on the national level, some municipalities changed their budgeting practice towards performance indicators and outcome-orientation as well (Rijksacademie voor Financiën, Economie en Bedrijfsvoering, 2013; Pollitt & Bouckaert, 2011, p. 294; van der Woude, 2018, p. 251). After recent developments towards the moderation of earlier NPM-related changes at the Dutch local

level, this measure can be interpreted as a renewed management change in line with private sector standards to increase the efficiency of local authorities.

Empirical evaluations of the various municipal reform initiatives in the Netherlands are generally rather critical regarding the achieved results in terms of gains in efficiency and effectiveness, and they noted, for example, that organisational changes often implied costly external advice, and that performance indicators are often of limited relevance for decisions in practice (ter Bogt, 2008a; ter Bogt, 2008b). Furthermore, it was pointed out that the usage of output-oriented planning and control instruments is often limited to larger municipalities (van Helden & Jansen, 2003, p. 72). In addition, it was mentioned that performance-related payments are still relatively uncommon in the Dutch civil service (van Helden & Jansen, 2003, p. 75). However, apart from personal incentives, other personnel-related factors, such as personnel management, were gradually shifted towards private sector standards (Pollitt & Bouckaert, 2011, p. 294).¹¹⁷

In summary, over the last four decades, as in many other countries, the public management reform rhetoric in the Netherlands, including at the Dutch local level, has been more extensive than the actual managerial and organisational changes. Compared to the reform waves in other countries, the implementation of management changes was also a rather incremental process in the case of the Netherlands (Pollitt & Bouckaert, 2011, p. 295). Considering the reform initiatives in line with NPM, mainly during the 1980s, and the partial attempts to moderate previous changes in later years, it can be concluded that discussions and new concepts for managerial reforms at the Dutch local level will also remain a topic in the future. Europeanisation is another issue that is likely to remain relevant in the coming years given the increasing influence of the EU as the supranational level of government of its member states. This aspect will be assessed in the Dutch context in the next sub-chapter.

7.5.4. Europeanisation

In the Netherlands, which is one of the founding members of the European Economic Community – created by the Treaty of Rome and becoming effective in 1958 – European co-operation has been a long-standing tradition. After more than 50 years of further steps towards European integration and the renaming of the supranational entity to the European Union, the Netherlands is still part of the community. Interestingly, when Dutch citizens were asked if they are for or against the Netherlands' approval of the Treaty establishing a Constitution for Europe in the context of the Dutch referendum in 2005, 61.5% rejected the proposal (Kiesraad, 2005). Together with the refusal of the French population, the Treaty establishing a Constitution for Europe did not enter into force, but was replaced by the Treaty of Lisbon in

¹¹⁷ See van der Meer and Dijkstra (2011), van der Meer and Raadschelders (2007), van der Meer et al. (2016), and van der Meer et al. (2012) for more details on the development of the Dutch civil service over time, especially at the national level.

2009. However, despite all reservations by the population, the general importance of the EU has increased at the Dutch local level over time (Denters & Klok, 2005, 73 ff.).

As in all other member states of the EU, the Dutch local level is mainly responsible for the execution of European legislation. A particularly strong influence of EU law can be observed in the policy areas of physical planning, environmental protection, and migration (Backes & van der Woude, 2013, p. 244 f.). Furthermore, various voluntary networking activities are a prime opportunity for the local level to strengthen its role within the system of multi-level governance. In the Netherlands, participation in the variety of European (knowledge) networks is promoted by the Association of Dutch Municipalities (Vereniging van Nederlandse Gemeenten, 2012). New contacts and ideas, as well as additional financial resources from European funds, are identified as the potential main benefits for the municipalities (p. 5 f.).

In addition to the formal representation of the Dutch local level in the Committee of the Regions, informal channels are also used to influence European legislation. In this regard, individual efforts, mainly restricted to lobbying by larger cities and their representatives in Brussels, and co-operative efforts, usually carried out by the Association of Dutch Municipalities, can be distinguished (Denters & Klok, 2005, p. 74).

Research on the Europeanisation of Dutch municipalities is relatively limited so far. De Rooij (2002) has examined the impact of the EU on the Dutch local government and the use of EU-related opportunities of eight municipalities (Rotterdam, Eindhoven, Haarlem, Enschede, Kerkrade, Delfzijl, Kersteren,¹¹⁸ and Renswoude). Following his interviews and document analyses, EU affairs did not play any role in the smaller villages under investigation, whereas they played a passive role in mid-sized municipalities and an active role in large cities. Apart from the size of the municipalities, as the main factor substantiating the level of Europeanisation, the socio-economic position is a further, but less strong factor explaining variation in EU-related activities. The worse the positions, the more the municipality attempts to use EU opportunities, such as the Structural Funds and the Cohesion Fund, if entitled. The level of urbanisation and the location in a border region were not suitable to explain variation in the use of EU opportunities at the Dutch local level. While a wide variety of EU-related associations were mentioned by local officials when asked for associations to which they are affiliated, only Eurocities – an informal network of major European cities founded in 1986 (Eurocities, 2016) – seem to play an important role in the support of EU fund matters at the municipal level and the expression of local views at the European level (de Rooij, 2002, p. 458).

In the context of a more general analysis of the impact of the EU at the local level of government in terms of opportunities and constraints, Fleurke and Willemse (2006, p. 92 ff.) have examined the situation in the municipality of Lelystad as a single case study. While focusing on the policy areas of physical planning and ground affairs, environment, as well as sanitation and green, the scholars analysed all relevant available files, which were created as part of the policymaking process. In addition, various interviews were conducted with senior officials to gain better insights into the interests of the municipality. Overall, a direct influence of the EU was identified in roughly 60% of the files investigated; in the policy area of environment in

¹¹⁸ In 2002, Kersteren was merged with two other municipalities and was later renamed Neder-Betuwe.

particular, this share was even higher at about 70%. Considering different types of influence, opportunities and constraints were detected in approximately 80% and one third of the files respectively.

A more recent study on the Europeanisation of Amsterdam and The Hague throughout the 1990s and 2000s has been conducted by Dukes and van der Wusten (2014). The research is based on the analysis of documents and interviews with officials. As a result of the increasing influence of the EU on local government, Amsterdam and The Hague, together with Rotterdam and Utrecht, intensified their co-operation on European affairs in 2001. As of 2012, the authors describe the Europeanisation of Amsterdam as “mostly [...] provisional and fragile” (p. 633). Furthermore, they characterise it as “strongly embedded in a much wider emphasis on international orientation, always present and now again foregrounded” (p. 633). Regarding The Hague, they have seen an intensification of EU activities, with a focus on the acquisition of subsidies and participation in international city networks, since the early 1990s. While the political representatives want to position The Hague as an international city, the authors attest “a lack of awareness and knowledge of Europe within the municipal organisation at large” (p. 634). Dutch cities’ engagement with the EU is generally described as a development from a formal practice with low priority, executed in various parts of the administration in the 1990s, towards a more active behaviour, including an identification with the topic, in recent years.

Taken together, the influence of the EU has increased at the Dutch local level over recent decades. While the local government’s lobbying activities, which are aimed towards the EU in the opposite direction, are mainly limited to larger cities or municipal networks, some relatively small villages have also begun to look into the options that the EU provides, especially regarding additional financial resources. However, particularly in the context of European regulation in policy areas with municipal competences, it must be taken into account that Europeanisation also implies an additional workload for local government. In general, the future developments of the relationships between the European and the local levels are certainly linked to the future of the EU, and further steps of integration and a dissolution in the longer run cannot be excluded as prospective scenarios. As a result of the sometimes stated alienation between politics and citizens, which is partially also related to the increasing influence of the European level, new approaches to involve the general public in municipal affairs beyond regular elections has emerged as well. These developments will be discussed in the next subchapter.

7.5.5. Citizen participation

Co-operation and consensus are long-standing traditions in the Netherlands. Involving citizens in decision-making is an important aspect to reach broad societal support in democratic policymaking. In this regard, the number and variety of initiatives are generally growing in the Netherlands (Michels, 2018). Some new initiatives can also be considered as reactions to the general perception that Dutch citizens have become less interested in politics in recent years, partially also indicated by decreasing numbers of political party members (van der Meer &

Raadschelders, 2007, p. 116). Participatory projects are especially common in the context of city planning and are mostly present at the local level (Michels & de Graaf, 2010, p. 481). From a legal perspective, local referenda are permitted as long as they are not binding (Hendriks & Schaap, 2010, p. 109). This implies an advisory role, while a variety of other, more active forms of citizen participation can be found at the Dutch local level as well.

Additional impulses for citizen participation emerged in the 1990s in the context of the attenuation of NPM-related reforms of previous years, and they call for strengthening public responsiveness (Denters & Klok, 2005, pp. 65, 79). Municipalities aimed to involve citizens more actively by establishing citizen polls and citizen panels, among other participatory instruments. Compared to previous initiatives, municipalities also began to involve citizens from the beginning of new projects, and not at a point where the options had already been formulated and only a decision needed to be taken between a small number of alternatives (Hendriks & Tops, 2003, p. 312; Kickert, 2003, p. 387 f.; Denters, 2011, p. 319). However, until today, the number of citizens taking part in participatory initiatives is still lower, compared to the voter turnout in municipal elections (Vollaard et al., 2018, p. 14).

A number of studies have analysed citizen participation in various Dutch municipalities in recent years. Michels and de Graaf (2010) have researched initiatives in Eindhoven and Groningen. While projects in Eindhoven focus on collaborative governance, participatory budgeting is the main attempt chosen to include the population of Groningen. First, the authors have concluded that citizen participation did not change the roles of citizens and politicians in general. The projects regarded were mainly limited to the consultation of citizens in order to collect their ideas and insights. In Eindhoven, it also became apparent that social organisations were more influential in the policy process than groups of unorganised citizens. While the influence of the attendees of participatory budgeting meetings in Groningen was considered to be relatively high, it has to be mentioned that mainly representatives from professional organisations participated in the projects. Taken together, independent citizens played a minor consultative role in both cities.

The actions that local government usually takes to facilitate citizens' initiatives have been researched by Bakker et al. (2012) in the case of 15 Dutch municipalities. They have concluded that local authorities have mainly employed network structuration and process management strategies to stimulate citizens' initiatives and to recruit participants in recent years. In contrast to the different local initiatives under varying conditions, the mobilisation strategies were relatively similar in all the municipalities under investigation.

A single case study on citizen participation has been presented by Geurtz and van de Wijdeven (2010). Their analysis of the experiences in Hoogeveen – a town in the north-eastern part of the Netherlands, with some more inhabitants than the Dutch average – and far-reaching programmes to involve citizens in policy decisions, such as participatory budgeting, focused on factors leading to successful initiatives. The authors have concluded that combining arrangements in the form of official committees, professional connectors, represented by individuals who connect parties and people, and steady political support are crucial for participatory democratic elements.

Also, in the context of an own research project on the transparency of Dutch municipal websites (Wille & Porth, 2015), data on the availability of information and services in relation to citizen participation were collected in November 2014 and November 2015. While focusing on specific content, such as contact information of the municipal council, descriptions of formal procedures for citizens' initiatives, and annual citizens' reports, an overall tendency towards the provision of more information online and therefore higher transparency was observed.

However, looking at citizen participation at the Dutch municipal level from a more long-term perspective, it can be stated in summary that a broad number of instruments, such as advisory committees and participatory budgeting, have been developed and implemented in recent decades. Especially in line with technological progress and digital communication, the costs to inform and to include citizens has decreased extensively, which has enabled new forms of participation. In general, it needs to be noted that, according to recent studies, various lobby groups have identified participatory instruments, usually originally addressed to unorganised citizens, as possibilities to spread their opinions. Digitalisation, as one enabler of initiatives to increase the involvement of citizens in municipal affairs, will also be addressed in the next subchapter, this time regarding rising attempts by the municipalities to provide their public services digitally.

7.5.6. Digitalisation of public services

From a global perspective, the Netherlands is among the leading nations in terms of the digitalisation of public services and e-government. In 2016, the United Nations (2016) ranked the country seventh (fourth within Europe) in its biannual E-Government Development Index. The associated 2016 E-Participation Index rates the Netherlands fifth (second within Europe). Furthermore, the Netherlands is one of the countries with the highest percentage of households (98%) connected to the Internet (Eurostat, 2017c), which is an important requirement for the digitalisation of public services provided to citizens. With the support of the national government, all levels of government have implemented initiatives to make public information and services available online in recent years. Initiatives to digitalise the communication within the administration have also been launched.

In 2012, the Council for Public Administration (Dutch: Raad voor het openbaar bestuur, Rob) claimed that governmental information should be more easily accessible online. From this council's perspective, in addition to laws and other juridical decisions that are already commonly available, citizens should also be able to find detailed information on the decision-making, implementation, and evaluation of policies, as well as research reports and advisory opinions online. In this context, from the Council for Public Administration's perspective, all levels of government, including the municipal level, should take a more active role (Raad voor het openbaar bestuur, 2012).

At the local level, the *Digital Agenda 2020* (Dutch: De Digitale Agenda 2020), which was agreed upon in June 2015, describes the intended digitalisation of public services and information for the period until 2020 (Rijksoverheid, 2015c, p. 40). With the support of the Association of Dutch Municipalities, all municipalities are motivated to participate in projects in the field of digital public services. The overall goals and strategies of the initiative are to make government more transparent and to make the administration more efficient, by largely expanding digitalisation, while taking local conditions into account. With the financial support of central government, separate projects focus on innovation, standardisation, and collective implementation from a more practical perspective (Vereniging van Nederlandse Gemeenten, 2016a; Kwaliteitsinstituut Nederlandse Gemeenten, 2016).

While the Digital Agenda 2020 is the guideline for municipalities to digitalise public services in the coming years, the *Implementation Agenda Digital Services 2017* (Dutch: Implementatieagenda Digitale Dienstverlening 2017) sets the focus on a number of specific initiatives and adds some further targets in this subject area to be implemented until 2017. The intentions include, for example, the identification of the 20 most relevant public services for citizens and companies in order to have a clear focus for future digitalisation measures, the purchase and distribution of software to receive and process digital invoices, and the development of a platform for co-operation between municipalities and ministries at the national level (Rijksoverheid, 2015c, p. 40 f.).

While the intention to digitalise public services at the Dutch local level is given, a question arises regarding the achieved degree of digitalisation. According to TNS Nipo, which is a survey agency, 18% of Dutch public services were available online in 2006. This share is expected to increase to 85% in 2017 (TNS Nipo, 2014). From a practical perspective, most digital public services can be accessed with a so-called DigiD, a special ID system to access Dutch governmental services.¹¹⁹ As of 2015, over 12 million people out of the Dutch population of 16.8 million were registered as DigiD users (Rijksoverheid, 2015d). Regarding governmental websites, as a potential source of various types of information, 2,093 websites and 3,889 domain names were counted in 2015, taking the official web presence of all types of governmental bodies into account (Open State, 2015).

The general availability of digital information has also been researched in an own project on the transparency of Dutch municipal websites (Wille & Porth, 2015). By conducting two consecutive content analyses in 2014 and 2015, the websites of almost all Dutch municipalities were evaluated based on the availability and findability of 100 items across four dimensions, namely (1) the composition of the municipal board, (2) the activities of the board, (3) municipal policies, and (4) general information on citizen participation. While the information provided on Dutch websites varied, some general patterns could be observed. General information on politicians and top-level bureaucrats were widely available, while detailed information on administrative activities were often not presented digitally. Especially information on the composition of political committees, policymaking, policy performance, and details on

¹¹⁹ This nationwide standard for digital interaction between citizens and government can already be considered as a technical advantage, compared to many other countries.

citizen participation were often not part of the content that municipalities presented on their websites.

The diffusion of personalised e-government services, describing services with an individual interaction between a citizen and government, has been analysed by Homburg and Dijkshoorn (2013) in the case of the Dutch local level. They have concluded that pressure to develop digital services further originates horizontally and vertically within the political-administrative system. In this context, the relevance of personalised e-government services is usually pointed out by referring to its essentiality for service delivery, contribution to efficiency, and an increase in reputation and organisational control (p. 195).

Considering the statistical data presented above and the performance of the Netherlands in international rankings, such as the E-Government Development Index and the E-Participation Index rates, it can be stated in summary that the country is among the leading nations in terms of digitalisation and the provision of public services and information online. However, specifically at the local level, and particularly in small municipalities, further potential exists to expand the opportunities for citizens to settle their public affairs online. As pointed out before, the six trends and developments in local government and local governance that were reflected upon in this chapter and in chapter 2 did not occur completely separate – neither in the Netherlands, nor in other Western countries. Common interactions, especially mutual reinforcements, will be discussed in the last sub-chapter hereinafter.

7.5.7. The interactions of trends and developments at the local level of government in the Netherlands and the accordance with general developments in local government and local governance

In recent decades, Dutch municipalities have undergone far-reaching changes. While some trends can be considered as part of overall developments in government and governance, such as an enabling state and multi-level governance, others solely concern the local level. One major aspect is the continuous process of *decentralisation measures*, which involves the transfer of tasks, primarily in the policy area of social affairs, from the national to the municipal level. In this regard, the scope of efficiency gains realised, as the main argument used to promote the provision of services at lower levels of government, is relatively difficult to assess. Alongside some smaller steps towards more public services provided by the local level, the decentralisation measures implemented at the beginning of 2015, partially as a reaction to financial pressure from the Financial Crisis since 2007, describe the most important development in the context of transferring responsibilities to the local level in recent years. A question that remains to be answered in a few years is whether the ambitious long-term savings intended by the 2015 reforms will be achieved.

From a comparative perspective, the Netherlands is among the European nations with a relatively high degree of decentralisation, measured by the share of local tasks and expenditures. Considering the share of own local income, in contrast to transfers from central government,

the country appears to more centralised than others (Kuhlmann & Bouckaert, 2016, p. 11 f.). This traditional, rather unusual relation between local dependence and independence at the revenues and expenditures side has not been essentially affected by the decentralisation measures of recent years. However, since the tasks of Dutch municipalities have increased in recent years, while legally authorised options to generate own revenues did not, a tendency towards a greater financial dependence of the local level on the national level can be concluded. Since shifts of tasks to lower levels of government do not change the fact that services are often provided more efficiently for a larger number of clients, decentralisation measures have promoted co-operation across the local level.

In the Netherlands, to increase the efficiency of the local administration by the formation of larger units, *municipal amalgamations* have a long history. Those territorial changes, mainly promoted by central government, have been implemented as a steady process over the last centuries. Compared to other European countries, the Netherlands is positioned in the upper middle range, with a 55.3% decrease in the number of municipalities between 1973 and 2013. Considering today's average number of inhabitants per municipality, the Netherlands is among the countries with the largest local government units in Europe (Steiner et al., 2016, p. 29). However, the country's relatively small area and dense settlement certainly foster the formation of larger units in comparison with the conditions in other countries.

As a closely related development and a potentially preceding step of a merger of local government units, *municipal co-operation* is a similarly long-standing tradition in the Netherlands, with an increasing tendency. In some policy areas, municipalities are even obliged to co-operate by law. However, a recent empirical study (Allers & de Greef, 2018) has concluded that inter-municipal co-operation has not led to lower total spending in Dutch municipalities in recent years. On the other hand, the necessity of working together has also recently been demonstrated with the decentralisation measures, which came into effect in 2015, and it has implied that the municipalities had to organise the provision of additional public service with a relatively short preparation time.

Apart from territorial changes, regular *managerial and organisational reforms* are long-standing traditions at the Dutch local level as well as elsewhere. In recent decades, the attempts to renew the public sector relate to two major reform waves. First, NPM, originating in the late 1970s, and, second, reforms aiming to moderate previous changes. From a theoretical perspective, the reform initiatives at the Dutch local level during the 1980s largely corresponded to the ideas of NPM; only the flexibilisation of personnel policies played a minor role in the Dutch case (van Helden, 1998, p. 98).

Compared to other European countries, the Netherlands was in the upper mid-range in terms of NPM (Hood, 1995), and the Dutch local government followed the trend relatively early, extensively, and closely linked to international, especially Anglo-Saxon, developments (John, 2001, p. 102 f.). In this context, Dutch municipalities can be considered as trendsetters in terms of NPM reforms at the local level, compared to municipalities in other countries. However, when criticism of NPM-related reforms gained broader attention and public authorities began to moderate previous changes, the Dutch local level followed this second development comparably early as well (Hendriks & Tops, 2003, pp. 301, 306). In addition to attempts to

increase the local level's accountability, further measures were taken to increase the involvement of citizens in municipal affairs as part of the second reform wave in the Netherlands.

The *Europeanisation* of the Dutch local government follows the general tendency of an increasing influence of EU legislation at all levels of its member states in recent decades. While legal requirements usually affect all municipalities from a top-down perspective to a similar extent, lobbying at the European level is mainly limited to larger cities or municipal networks from a bottom-up perspective. Compared to the Europeanisation of the local level in other European countries, no major deviations are recognisable when assessing the developments in the Netherlands.

In recent years, various local initiatives, involving, for example, advisory committees or participatory budgeting, have been launched to increase the *participation of citizens* in municipal affairs in the Netherlands. Often benefiting from technological developments, especially regarding digital communication, a large number of new instruments were developed. While the actual influence of the average citizen is often questioned, the development towards a general increase in attempts to involve citizens in governmental affairs can be observed in various other Western countries as well. However, it must be taken into account that this trend differs from the other ones discussed in this study, since it is not necessarily linked to the general motivation to increase efficiency. On the contrary, increased citizen participation might lead to higher costs, while other aspects, such as transparency in municipal decision-making and satisfaction with local politics, might benefit.

In the field of *digitalisation* and in relation to the provision of public services and information online, the Netherlands is among the leading nations from a global perspective, especially regarding the services provided by the national level (United Nations, 2014; United Nations, 2016). At the local level, especially in smaller municipalities, further potential exists to expand e-government-related activities. As a frequent enabler, digitalisation at the local level is also closely related to attempts to increase citizen participation. Apart from the digitalisation of communication with parties outside the municipal administration, major changes along the same lines have been implemented for communication within the administration in recent decades.

In summary, the Netherlands can be considered as a leading nation from a European or even global perspective regarding various aspects of public sector modernisation, thereby illustrating the country's progressive nature. Especially in terms of NPM-inspired reforms and digitalisation, the country and its local level are among the global trendsetters. Considering recent decentralisation measures and municipal mergers, as well as increased co-operation between municipalities over the last decades, more changes in local government and local governance took place in the Netherlands than in many other countries. However, the eventual effects of various reform initiatives, generally aiming to increase the efficiency of the public sector, are debated in the Netherlands – the same as elsewhere. The role that the already ongoing trends and developments played during the time of the Financial Crisis since 2007 will be assessed at a later stage in this study. In the following chapters, the events and implications of the recent Financial Crisis will first be addressed from a global perspective, before focusing specifically on the Netherlands.

8. The Financial Crisis since 2007 as a major challenge at all levels of government

Starting in the late summer of 2007, the Financial Crisis was, and partially still is, the dominating topic and a major challenge in industrial countries. Within a few months, the developments included scenarios not seen in most of the affected countries since the Great Depression of the 1930s. In retrospect, bank runs and bailout packages illustrated the drastic impact of the crisis in a number of countries. However, while the economic situation has begun to recover in recent years, it can be stated that the scenario could have been far worse.¹²⁰

As a further consequence of the Crisis and the high government expenditures to battle it, austerity measures followed in most industrial countries. Based primarily on the overall financial situation and the accumulation of public debt in the past in particular, those measures began sooner or later and had, or still have, a varying scope. It should be noted that wealthy and financially healthy countries also addressed the Crisis with tax cuts or similar opposing measures, especially during the Crisis' early phases (Bermeo & Pontusson, 2012b, p. 27).

At the time of writing, in autumn of 2018, the Financial Crisis since 2007 could be considered as fading, and it no longer receives much media coverage. New challenges, particularly in the areas of migration and terrorism, have evolved in the meantime. However, since various emergency measures, especially in the case of Greece, are still persisting, and because some effects of the Crisis, such as higher government debt, constrained public budgets, and slower economic growth, will be relevant factors for years to come (Lindquist et al., 2015a, p. 1), a complete overcoming of the Crisis cannot currently be reported.¹²¹ Apart from the beginning of an economic recovery in recent years, the limited amount of media attention, despite long-term solutions for at least some aspects of the crisis still being missing, can be explained by two additional reasons. The first reason comprises the duration of the crisis and the tendency to become accustomed, as well as indifferent, to an event if it lasts for a long period of time, without any noticeable changes. The second reason involves new crises, which overlay previous ones, and the associated limited capacity to perceive and assess multiple problems at the same time. In some of the countries affected by the Financial Crisis since 2007, the European

¹²⁰ There are also ways in which to benefit from a financial crisis, for example by counting on falling stock prices. However, in this study, it is assumed that the majority of citizens were negatively affected by the Financial Crisis since 2007.

¹²¹ This also explains the usage of the term Financial Crisis since 2007. The general difficulty in pinpointing the beginning and the end of a financial crisis is related to the delimitation of events that are part of the crisis and those which are not. In the case of the 1720 South Sea Bubble, for example, where parts of the liabilities linked to the crisis were paid back after centuries, a broad definition of the time period of a financial crisis would imply that the crisis lasted for almost three centuries. A too narrow definition, on the other hand, could exclude important consequences of the crisis, usually expressed by a sharp increase of government debt and further corresponding implications. In the case of the Financial Crisis since 2007, various levels of government in industrial countries are still directly dealing with the consequences of the Crisis, such as austerity policies – quite apart from the ongoing Greek government-debt crisis. Furthermore, low interest-rate policies, which central banks initiated as a reaction to the crisis, are still continuing in most industrial countries. Therefore, the crisis is considered to be ongoing; however, a decline in the Crisis' severity and an economic recovery in recent years can certainly be observed in the majority of industrial countries.

migrant crisis since 2015¹²² can be considered as a new crisis, alongside the partially connected challenge of increasing Islamic terrorist activities on European soil, both of which have gained attention in place of the Financial Crisis.

Building upon the theoretical economic insights from chapter 3, as well as the elaborations on crisis management from a political-administrative perspective in chapter 2, chapter 8 addresses the Financial Crisis since 2007 in detail. To analyse the impacts of and the responses to the crisis at the Dutch municipal level at a later stage, the first sub-chapter contains a chronological overview of events from a global and nation-state level perspective, which constitutes the overall time frame. The sub-chapter also includes socio-economic key figures to illustrate the developments from an empirical perspective, as well as an assessment of the Crisis from an economic and political-administrative perspective, including previous research on the topic (8.1). Then, in the next sub-chapter, the impact of the crisis on the public sector, especially local government, is described, based on academic sources and policy documents. By including countries other than the Netherlands, the question of lessons learned from experiences abroad will be answered at a later stage (8.2). Thereafter, governmental responses to the crisis are analysed, again with a focus on the local level and the same types of literature sources. Here, too, other countries are included to enable a comparison (8.3).

8.1. Developments at the global and national levels of government

The Financial Crisis since 2007 affected all levels of government. Within a system of multi-level governance, the different administrative layers need to be seen as part of the system because of various dependencies, including organisational and financial aspects. Therefore, chapter 8 starts with an overview of the developments at the global and national state level before the local level is analysed in the next step.

The first sub-chapter contains a chronological overview of the events shaping the Financial Crisis. In addition to global developments, the situation of the countries most affected by the crisis is outlined. This overview helps to demarcate the relevant time period for investigation in the Dutch context and at the local level later on (8.1.1). Empirical insights into the course of the Crisis are presented in the next sub-chapter. The key figures illustrating the socio-economic developments of a number of countries and groups of countries include data on economic growth, unemployment, and government debt (8.1.2). The Financial Crisis is subsequently assessed from an economic perspective, building upon the theoretical elaborations of chapter 3 (8.1.3). The sub-chapter closes with previous insights into the Crisis from a political-administrative perspective, building upon chapter 4 (8.1.4).

¹²² While the number of migrants coming to the European Union has decreased in recent months, this crisis can also still be considered as ongoing. Long-term solutions, addressing the root cause of migration and flight in particular, are still not found or at least not implemented.

8.1.1. A chronological overview

August 9th, 2007 is the day the world changed, as Adam Applegarth, then chief executive of the former British bank Northern Rock, remarked. That day, BNP Paribas, a French bank, froze three of its funds, arguing that it was no longer able to value the containing assets, especially packages of sub-prime loans. In retrospect, this event marked the first perception and corresponding measure of a commercial bank in the context of potentially excessive risks in the sub-prime mortgage market.¹²³ What followed in the next months and years were financial turbulences and a global economic decline without any comparison other than to the Great Depression of the 1930s, and one of the greatest challenges for industrial countries since the end of the Second World War (The Guardian, 2012; The Telegraph, 2011; BBC, 2012; European Commission, 2009, pp. 9, 14 ff.; van Ewijk & Teulings, 2009, pp. 11-51).¹²⁴

In September 2007, the trading prices of mortgages decreased, leading to liquidity crises of several banks, including Northern Rock. Many frightened customers consequently withdrew their savings from the bank, marking the first bank run in Britain in 150 years. A loan from the British government was necessary to improve the situation, and the nationalisation of the bank followed in February 2008. In March 2008, Bear Stearns, a former American investment bank, was sold to JP Morgan Chase, another American bank, to avoid bankruptcy as a result of the sub-prime mortgage turbulences. Only a few months later, in early September 2008, Fannie Mae and Freddie Mac, two American mortgage trading companies, were bailed out by the U.S. government because of similar liquidity problems and systemic risks (The Guardian, 2012; The Telegraph, 2011; BBC, 2012; European Commission, 2009, p. 9; van Ewijk & Teulings, 2009, pp. 11-51).

On September 15th, 2008, Lehman Brothers, a major American investment bank, filed for bankruptcy, marking the next climax in the financial market's turmoil. Furthermore, the day can also be considered as the point in time when the severity of the crisis became obvious to the general public. A few days later, Washington Mutual and Wachovia, two other American banks, collapsed. Around the same time, Ireland was the first European country that was experiencing a recession, generally defined as negative economic growth for two consecutive quarters. In early October 2008, the three largest commercial banks in Iceland collapsed as a consequence of the turmoil in the financial markets. In response, eight central banks cut their interest rates in an unprecedented global attempt to fight the crisis. Various governmental bailouts of banks in industrial countries followed. In the context of the bank rescue measures, Paul Myners, who was then the British Commercial Secretary to the Treasury, commented,

¹²³ A small number of individual investors and hedge fund managers, such as Michael J. Burry, recognised a bubble in the housing market already a few years earlier. In the case of Burry (2010), his analyses proved to be quite correct. On the other hand, when reading the business press, more or less detailed predictions of potential future crises can be found on an almost daily basis, which implies a certain likelihood of an applicable prediction of a financial crisis once in a while, also explained by economic cycles, including regular downward phases.

¹²⁴ While the Financial Crisis since 2007 comprised various events that were more or less directly linked to the crisis all over the world, this chapter focuses on the main developments as well as those relevant for both the Netherlands and local levels of government.

“[w]e will never appreciate how close we came to a collapse of the banking system” (As cited in The Guardian, 2012) In April 2009, the Group of Twenty, representing the world's major economies, agreed on a package of measures worth 5 trillion dollars to fight recession and stimulate economic growth (The Guardian, 2012; The Telegraph, 2011; BBC, 2012; European Commission, 2009, p. 9). Further recovery and stimulus measures amounting to 200 billion euro, to be implemented between 2009 and 2010, were arranged by the EU. At the national level of government, some countries opted for expansionary fiscal measures, while others mainly relied on automatic stabilisers as parts of their regular budgets. Variation was also observed regarding changes in financial market regulation (Cameron, 2012, pp. 91 f., 98 ff.).

On May 2nd, 2010, Greece was bailed out in a co-ordinated action by the European Commission, the European Central Bank, and the International Monetary Fund, also known as the troika, in order to avoid the country's sovereign default. In retrospect, the event marked the beginning of the Eurozone Crisis as part of the overall Financial Crisis. A few months later, in November 2010, the bailout of Ireland was arranged. Then, in May 2011, Portugal was the third country to receive a rescue package in the context of the Eurozone Crisis. Greece's second bailout followed in July 2011, after which rescue measures for Spain were arranged in July 2012. To improve the overall financial situation, all the emergency bailouts of national governments by international and European institutions were accompanied by instructions on measures to reduce public debt and to rebalance the states' budgets. Concerning the currency's stability and the non-standard monetary policy measures implemented to ensure it, Mario Draghi, president of the ECB, announced on July 26th, 2012, that “within our mandate, the ECB is ready to do whatever it takes to preserve the euro”; this statement clearly illustrated the seriousness of the situation. In April 2013, Cyprus was the fifth European country to receive a bailout package. The third rescue package for Greece was arranged in August 2015, with a duration of three years. By the time of writing, in autumn of 2018, Greece had obtained the final disbursement from its latest bailout package (The Guardian, 2012; The Telegraph, 2011; BBC, 2012; European Stability Mechanism, 2018; Stiglitz, 2016, p. 3 ff., 177 ff.; Teulings et al., 2011).¹²⁵

However, as with any other type of credit, the bailout packages include time plans for the loan repayments. For Spain, those repayments are scheduled between 2022 and 2027, for Cyprus between 2025 and 2031, for Portugal between 2025 and 2040, for Ireland between 2029 and 2042, and for Greece between 2023 and 2060 (European Stability Mechanism, 2018). However, a postponement of payments would not be atypical, as previous experiences with rescue measures have illustrated. In other words, the relatively direct consequences of the Financial Crisis since 2007 will remain at least for the next few decades to come. Considering the financial and economic situation of some countries, especially in southern Europe, a resurgence of the crisis would not come as a surprise either.

Apart from the bailout measures by supranational institutions, most industrial countries reacted to the Financial Crisis with national countermeasures. Those actions included costly rescue package for banks and other private companies under pressure, stimulus packages, often

¹²⁵ For an overview of the Euro Crisis and the significance of specific characteristics of the monetary union, see Hall (2012).

focusing on investments in the country's infrastructure, and austerity measures at a later stage. In this context, some countries focused on reacting to the short-term effects of the crisis, while others mainly addressed the long-term consequences (Bailey & Chapain, 2011b, p. 20). In general, when considering the details of the policies that were implemented, national governments reacted to and managed the crisis differently and adopted their countermeasures according to ongoing developments (Peters, 2011). However, while the overall intentions of the crisis reactions were similar, variation was also caused by factors such as political considerations and the search for broad compromises.

A comparative study by Kickert et al. (2015) on the consolidation measures and political decision-making processes in 14 European countries as a consequence of the increasing government expenditure, because of the Financial Crisis since 2007, has concluded that the consolidation measures, compared to the direct reactions to the crisis, followed relatively similar patterns. Hiring freezes and pay freezes were the most common measures implemented in almost all countries under investigation. Those two measures were accompanied by more drastic actions in some countries. The authors have also concluded that cutback measures usually followed as a series of separate decisions, often with a shift from across-the-board to more targeted cutbacks, which is a fairly typical chronology to lower expenditure in the context of a crisis, as already pointed out in chapter 2 of this study.

Considering the implementation of the cutback measures, the authors have recognised a generally gradual process. By realising more severe and rapid austerity measures, the European countries, which were bailed out by supranational institutions, were exceptions. In these countries, the far-reaching cutback measures also stem from reform pressure by the creditors as well as the perception of such pressure. Variation in consolidation measures can thus be best explained by economic factors and supranational influence, rather than political factors at the national level, according to the study (Kickert et al., 2015). However, taking into account the different political ideologies of coalition parties, as well as political fragmentation in legislative bodies in some countries, political considerations can be seen as necessary early steps to enact a policy to address the recent Financial Crisis. Furthermore, as already noted before, the developments of the Crisis were complex and highly interconnected across countries and industries, which makes implementing targeted countermeasures generally difficult and implies spillover effects to a high extent. Therefore, the possibility of assessing the success or failure of a certain policy reaction will always be relatively limited.

Further patterns can be observed within the governmental authorities dealing with the Financial Crisis and their decision-making. Since the beginning of the Crisis, decision-making processes within these organisations were usually centralised by involving limited numbers of persons in high positions. Furthermore, the power of the budgetary units within the organisations, as well as the power of the Ministries of Finance, increased because of their central role in policy planning from a political-administrative perspective (Kickert & Randma-Liiv, 2015, p. 128 f.).

Since about 2013, the eurozone's financial situation and Europe's economic situation generally improved. The same applies to the US and other industrial countries already since a few years earlier. In the case of the US, for example, where the Crisis mainly originated in the

housing market (Bartelsman, 2009, p. 33 ff.), it needs to be taken into account that the early impact led to early countermeasures, including a recovery act decided upon already in 2008. However, as pointed out before, because of ongoing bailout measures and a partial lack of long-term solutions to underlying problems, such as an unbalanced public budget and high government debt in combination with a weak economy in some countries, the crisis and its problems cannot be considered as completely solved yet. The developments since 2007 have also illustrated that financial problems in one country can lead to a global crisis.

Furthermore, the examples above demonstrate that the Financial Crisis since 2007 is mainly taking place in certain geographical regions from a global perspective. While the Crisis had an extensive impact on the economic situation in the US, Europe, and wide parts of Asia, Australia, for example, was much less affected (Bailey & Chapain, 2011b, p. 19). The same applies to most developing countries. The size and international orientation of the national financial markets can be considered as the main explanations. Also, central and eastern European countries were affected by the Crisis relatively differently than Western countries and subsequently opted for different reactions (Bideleux, 2011). However, while the direct impact of the Crisis, especially regarding consequences for the financial service industry, was limited, these countries were also severely affected by the global economic downturn at a later stage of the recent Financial Crisis (Staeher, 2010).

Overall, the emergence and course of the Financial Crisis since 2007 is comparable to previous financial crises involving unsustainable increases in asset prices, a credit boom, excessive debt, and therefore systemic risks as underlying causes, in combination with the failure of regulation and supervision. While unsustainable increases in asset prices were, for example, also the main causes in the cases of both the Dot-com bubble of the late 1990s and early 2000s and the 1986 Japanese asset price bubble, regulation and supervision can always be considered as insufficient if they do not prevent markets from failing. However, while all the aforementioned factors were not new as separate triggers of financial crises, the Financial Crisis since 2007 was caused by a particularly unfavourable combination of factors. In addition, some relatively new factors played a role in this latest crisis. Those include the widespread use of relatively complex financial instruments, the increased interconnectedness of financial markets, the high degree of leverage of financial operations, the involvement of the public sector in various financial activities, and excessive public debt. While the first symptoms of a crisis were experienced in the housing market, the problems quickly affected the highly related banking sector. Given the central role of private banks in modern economic systems, all other sectors also faced the Crisis to a certain extent (Carmassi et al., 2009; Allen & Carletti, 2010; Claessens & Kose, 2013, p. 21 f.; Bartelsman, 2009, p. 33 ff.).

In 2010, the U.S. government appointed a Financial Crisis Inquiry Commission (FCIC) to “examine the causes of the current financial and economic crisis in the United States” (Financial Crisis Inquiry Commission, 2011, p. xi), which is sometimes considered to be the starting point of the Financial Crisis at the global level. According to the FCIC’s final report, presented in January 2011, the “financial crisis was avoidable” (Financial Crisis Inquiry Commission, 2011, p. xvii). The commission substantiated this judgement by noting “widespread failures in finan-

cial regulation and supervision” (Financial Crisis Inquiry Commission, 2011, p. xviii) at the political-administrative level as the result of deregulation policies implemented over the last decades (Financial Crisis Inquiry Commission, 2011, pp. 52-66), which “proved devastating to the stability of the nation’s financial markets” (Financial Crisis Inquiry Commission, 2011, p. xviii), “dramatic failures of corporate governance and risk management at many systemically important financial institutions” (Financial Crisis Inquiry Commission, 2011, p. xviii) at the corporate level, and “a combination of excessive borrowing, risky investments, and lack of transparency” (Financial Crisis Inquiry Commission, 2011, p. xix) at both the household and corporate levels.

Furthermore, the commission pointed out that “the government was ill prepared for the crisis, and its inconsistent response added to the uncertainty and panic in the financial markets” (Financial Crisis Inquiry Commission, 2011, p. xxi). Its final conclusion states a “systemic breakdown in accountability and ethics” (Financial Crisis Inquiry Commission, 2011, p. xxii) of all actors involved as a contributing factor to the Crisis.¹²⁶

In summary, the nature of the developments shaping the recent Financial Crisis since August 2007 are not new. Collapsing prices for financial products and bank runs, for example, are events that have occurred quite regularly throughout the history of mankind, at least since barter trade became less important. However, what distinguishes this Crisis from others is the severity and connectedness of events; the latter was largely fortified by the globalisation of markets. The Crisis implied risks for global financial stability to an extent not been seen for several decades. Also, more than 10 years after the beginning of the Financial Crisis, certain types of systemic risks either remain or newly emerge. In more recent years, for example, the business models of many private banks have come under pressure because of the low interest-rate policies by most central banks (Bikker & Vervliet, 2018). Empirical insights into the developments of the Crisis will be presented in the next sub-chapter, with a focus on socio-economic indicators.

8.1.2. Socio-economic developments from an empirical perspective

From an empirical perspective, socio-economic data, such as the GDP growth rate, the unemployment rate, and government debt, are suitable to illustrate and analyse the chronological sequence and scope of the Financial Crisis since 2007.¹²⁷ It must be taken into account that in addition to the impact, reactions to the crisis are also reflected in the developments of the figures. An overview of the GDP growth rate of selected countries and groups of countries since 2000 is illustrated in table 15.

¹²⁶ For an overview of the Financial Crisis since 2007, including a timeline of the main events, see also Lindquist et al. (2015a).

¹²⁷ One further lesson from the recent Financial Crisis is that governmental statistics should be assessed carefully, as it turned out that in some countries, fiscal and economic figures were not reliable (Armington, 2012, p. 545).

Table 15: Annual percentage growth rate of the GDP, 2000–2015 (Data source: World Bank, 2017a)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
World	4.3	2.0	2.2	2.9	4.5	3.8	4.4	4.3	1.8	-1.7	4.4	3.1	2.4	2.5	2.7	2.6
European Union	3.9	2.2	1.3	1.3	2.6	2.1	3.4	3.1	0.5	-4.4	2.2	1.7	-0.5	0.2	1.6	2.2
Euro area ¹²⁸	3.9	2.2	1.0	0.7	2.3	1.7	3.2	3.0	0.4	-4.5	2.1	1.5	-0.9	-0.3	1.1	2.0
Austria	3.4	1.4	1.7	0.8	2.7	2.1	3.4	3.6	1.5	-3.8	1.9	2.8	0.7	0.1	0.6	1.0
Belgium	3.6	0.8	1.8	0.8	3.6	2.1	2.5	3.4	0.7	-2.3	2.7	1.8	0.1	-0.1	1.7	1.5
Denmark	3.7	0.8	0.5	0.4	2.6	2.4	3.8	0.8	-0.7	-5.1	1.6	1.2	-0.1	-0.2	1.3	1.0
Finland	5.6	2.6	1.7	2.0	3.9	2.8	4.1	5.2	0.7	-8.3	3.0	2.6	-1.4	-0.8	-0.7	0.2
France	3.9	2.0	1.1	0.8	2.8	1.6	2.4	2.4	0.2	-2.9	2.0	2.1	0.2	0.6	0.6	1.3
Germany	3.0	1.7	0.0	-0.7	1.2	0.7	3.7	3.3	1.1	-5.6	4.1	3.7	0.5	0.5	1.6	1.7
Greece	3.9	4.1	3.9	5.8	5.1	0.6	5.7	3.3	-0.3	-4.3	-5.5	-9.1	-7.3	-3.2	0.4	-0.2
Ireland	9.9	6.1	5.6	3.7	6.7	5.8	5.9	3.8	-4.4	-4.6	2.0	0.0	-1.1	1.1	8.5	26.3
Italy	3.7	1.8	0.2	0.2	1.6	0.9	2.0	1.5	-1.1	-5.5	1.7	0.6	-2.8	-1.7	0.1	0.7
Japan	2.3	0.4	0.3	1.7	2.4	1.3	1.7	2.2	-1.0	-5.5	4.7	-0.5	1.7	1.4	0.0	0.5
Luxembourg	9.5	3.6	3.6	1.4	4.4	3.2	5.1	8.4	-0.8	-5.4	5.7	2.6	-0.8	4.3	4.1	4.8
Netherlands	4.2	2.1	0.1	0.3	2.0	2.2	3.5	3.7	1.7	-3.8	1.4	1.7	-1.1	-0.2	1.4	2.0
Norway	3.2	2.1	1.4	0.9	4.0	2.6	2.4	2.9	0.4	-1.6	0.6	1.0	2.7	1.0	1.9	1.6
Portugal	3.8	1.9	0.8	-0.9	1.8	0.8	1.6	2.5	0.2	-3.0	1.9	-1.8	-4.0	-1.1	0.9	1.5
Spain	5.3	4.0	2.9	3.2	3.2	3.7	4.2	3.8	1.1	-3.6	0.0	-1.0	-2.6	-1.7	1.4	3.2
Sweden	4.7	1.6	2.1	2.4	4.3	2.8	4.7	3.4	-0.6	-5.2	6.0	2.7	-0.3	1.2	2.6	4.1
Switzerland	3.9	1.4	0.1	0.0	2.8	3.0	4.0	4.1	2.3	-2.1	3.0	1.8	1.0	1.8	2.0	0.8
United Kingdom	3.7	2.7	2.4	3.5	2.5	3.0	2.5	2.6	-0.6	-4.3	1.9	1.5	1.3	1.9	3.1	2.2
United States	4.1	1.0	1.8	2.8	3.8	3.3	2.7	1.8	-0.3	-2.8	2.5	1.6	2.2	1.7	2.4	2.6

Considering economic growth, the period between 2000 and 2007 was characterised by a continuous increase in most industrial countries. At the global level, the annual GDP growth rates ranged between 2.0% and 4.5%. In 2008, a number of countries, such as Ireland and Italy as well as the US, experienced negative growth rates or, in other words, an economic downturn. However, at the global level, in comparison with previous years, a significantly lower, but still positive growth rate was attained. This changed in 2009, when the global GDP decreased by -1.7%. Accordingly, an economic downturn was observable in most, if not all, industrial countries. As illustrated above, the economy shrunk by more than 5% in a number of countries, including many European ones. The year 2010 was characterised by economic growth in most industrial countries comparable to, or slightly below, the years before 2009. In the sample presented above, Greece is the only outlier, with a sustained negative growth rate. In the years since 2011, economic growth is generally lower, compared to the period between 2000 and 2007. Negative growth rates occurred in a number of countries, such as Greece, Portugal, Spain, and the Netherlands in 2012 and 2013. Overall, the development of economic growth and economic decline in the Netherlands since 2000 can be considered as a European average.

The unemployment rate is another indicator to assess the impact of and reactions to the Financial Crisis since 2007. Table 16 lists the share of persons of the total labour force without a job for a number of industrial countries and groups of countries.

¹²⁸ Euro area is the official name of the eurozone.

Table 16: Unemployment as percentage of the total labour force, 2000–2014 (Data source: World Bank, 2017b)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
World	6.4	6.4	6.5	6.4	6.3	6.2	5.9	5.5	5.7	6.3	6.1	6.0	6.0	6.0	5.9
European Union	9.2	8.7	9.0	9.0	9.2	8.9	8.2	7.2	7.0	9.0	9.6	9.6	10.5	10.9	10.2
Euro area	9.3	8.4	8.7	8.9	9.2	9.0	8.3	7.4	7.5	9.6	10.2	10.2	11.4	12.0	11.5
Austria	3.5	3.6	4.0	4.3	4.9	5.2	4.7	4.4	3.8	4.8	4.4	4.1	4.3	4.9	5.0
Belgium	6.6	6.2	7.5	8.2	8.4	8.4	8.2	7.5	7.0	7.9	8.3	7.1	7.5	8.4	8.5
Denmark	4.5	4.2	4.6	5.4	5.5	4.8	3.9	3.8	3.4	6.0	7.5	7.6	7.5	7.0	6.6
Finland	9.7	9.1	9.0	9.0	8.8	8.4	7.6	6.8	6.3	8.2	8.4	7.7	7.6	8.2	8.6
France	10.2	8.6	8.7	8.6	9.2	8.9	8.8	8.0	7.4	9.1	9.3	9.2	9.9	10.4	9.9
Germany	7.7	7.8	8.6	9.3	10.3	11.1	10.3	8.6	7.5	7.7	7.1	5.9	5.4	5.3	5.0
Greece	11.1	10.2	10.3	9.7	10.5	9.8	8.9	8.3	7.7	9.5	12.5	17.7	24.2	27.2	26.3
Ireland	4.3	3.7	4.2	4.5	4.5	4.3	4.4	4.6	6.0	12.0	13.9	14.6	14.7	13.1	11.6
Italy	10.8	9.6	9.2	8.9	7.9	7.7	6.8	6.1	6.7	7.8	8.4	8.4	10.7	12.2	12.5
Japan	4.8	5.0	5.4	5.2	4.7	4.4	4.1	3.9	4.0	5.0	5.0	4.5	4.3	4.0	3.7
Luxembourg	2.3	1.8	2.6	3.7	5.1	4.5	4.7	4.1	5.1	5.1	4.4	4.9	5.1	5.9	6.1
Netherlands	2.7	2.1	2.6	3.6	4.6	4.7	3.9	3.2	2.8	3.4	4.5	4.4	5.3	6.7	6.9
Norway	3.4	3.4	3.9	4.4	4.4	4.6	3.4	2.5	2.6	3.2	3.6	3.3	3.2	3.5	3.4
Portugal	3.9	4.0	5.0	6.3	6.7	7.6	7.7	8.0	7.6	9.5	10.8	12.7	15.6	16.5	14.2
Spain	14.2	10.7	11.6	11.5	11.2	9.3	8.6	8.4	11.5	18.1	20.2	21.7	25.2	26.3	24.7
Sweden	5.9	5.1	5.3	5.9	6.6	7.8	7.1	6.2	6.3	8.4	8.7	7.8	8.1	8.1	8.0
Switzerland	2.7	2.5	2.9	4.1	4.3	4.4	4.0	3.6	3.4	4.1	4.5	4.0	4.2	4.4	4.5
United Kingdom	5.6	4.8	5.2	4.9	4.7	4.8	5.5	5.4	5.4	7.8	7.9	7.8	8.0	7.5	6.3
United States	4.1	4.8	5.9	6.1	5.6	5.2	4.7	4.7	5.9	9.4	9.7	9.0	8.2	7.4	6.2

Interestingly, the global unemployment rate, ranging between 5.5% and 6.5%, did not change significantly between 2000 and 2014. However, in most industrial countries an increase in unemployment can be observed in recent years. Within the EU, the unemployment rate slightly decreased between 2000 and 2008. However, from 2009 onwards, more people were increasingly jobless, with a peak of 10.9% in 2013. While a turning point, from a decreasing to an increasing unemployment rate, can be observed in the US in 2008, most European countries faced the same development one year later. Until 2013, the most significant increases in unemployment took place in Greece and Spain. In both countries, more than one quarter of the total labour force have been without a job in recent years. From a comparative perspective, the Netherlands has been one of the countries with the lowest unemployment rates in Europe during the entire period. However, the country has not been exempt from an increasing number of people without jobs in recent years.

When comparing unemployment to economic growth, it can be observed on average, as generally expected that the latter figure decreased before the former one increased significantly. Furthermore, many industrial countries experienced economic growth rates similar to the long-term average in the years after 2009, while the unemployment rates continued to increase steadily. The often discussed time shift of unemployment in times of economic difficulties, as a result of contractual terms and other labour regulations, is illustrated by this development.

Government debt is the third key figure assessed in the context of global developments in recent years. Budget deficits commonly lead to increasing levels of public debt, while budget surpluses may result in debt reductions. The general government gross debt as a percentage of GDP is illustrated in table 17 for a number of industrial countries and groups of countries.

Table 17: General government gross debt as percentage of the GDP, 2000–2015 (Data source: Eurostat, 2017a)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
European Union	60.2	59.4	58.9	60.4	60.9	61.5	60.1	57.5	60.7	72.8	78.4	81.1	83.8	85.7	86.7	85.0
Euro area	68.1	67.0	66.9	68.1	68.4	69.2	67.4	65.0	68.6	78.4	83.8	86.1	89.5	91.3	92.0	90.4
Austria	65.9	66.5	66.5	65.7	65.1	68.6	67.3	65.1	68.8	80.1	82.8	82.6	82.0	81.3	84.4	85.5
Belgium	108.8	107.6	104.7	101.1	96.5	94.6	91.0	87.0	92.5	99.5	99.7	102.3	104.1	105.4	106.5	105.8
Denmark	52.4	48.5	49.1	46.2	44.2	37.4	31.5	27.3	33.4	40.4	42.9	46.4	45.2	44.7	44.8	40.4
Finland	42.5	41.0	40.2	42.8	42.7	40.0	38.2	34.0	32.7	41.7	47.1	48.5	53.9	56.5	60.2	63.6
France	58.6	58.1	60.0	64.1	65.7	67.1	64.4	64.3	68.0	78.9	81.6	85.2	89.5	92.3	95.3	96.2
Germany	58.9	57.7	59.4	63.1	64.8	67.0	66.5	63.7	65.1	72.6	81.0	78.7	79.9	77.5	74.9	71.2
Greece	104.9	107.1	104.9	101.5	102.9	107.4	103.6	103.1	109.4	126.7	146.2	172.1	159.6	177.4	179.7	177.4
Ireland	36.1	33.2	30.6	29.9	28.2	26.1	23.6	23.9	42.4	61.7	86.3	109.6	119.5	119.5	105.2	78.6
Italy	105.1	104.7	101.9	100.5	100.1	101.9	102.6	99.8	102.4	112.5	115.4	116.5	123.3	129.0	131.9	132.3
Luxembourg	6.5	7.0	6.9	6.9	7.3	7.5	7.9	7.8	15.1	16.0	19.9	18.8	21.8	23.5	22.7	22.1
Netherlands	51.8	49.2	48.5	49.7	49.9	49.3	44.8	42.7	54.8	56.9	59.3	61.6	66.4	67.7	67.9	65.1
Portugal	50.3	53.4	56.2	58.7	62.0	67.4	69.2	68.4	71.7	83.6	96.2	111.4	126.2	129.0	130.6	129.0
Spain	58.0	54.2	51.3	47.6	45.3	42.3	38.9	35.5	39.4	52.7	60.1	69.5	85.7	95.4	100.4	99.8
Sweden	50.7	52.1	50.2	49.7	48.7	48.9	43.7	39.0	37.5	41.0	38.3	37.5	37.8	40.4	45.2	43.9
United Kingdom	37.3	34.6	34.7	35.9	38.8	40.1	41.0	42.0	50.2	64.5	76.0	81.6	85.1	86.2	88.1	89.1

Within the EU, an increase in government debt from 60.2% of the GDP in 2000 to 85.0% in 2015 can be observed. While the debt growth took place relatively continuously in general, also including some minor decreases in two consecutive years, the most significant rise in public debt occurred in 2009 and 2010. The same applies to most member states of the EU. A significant debt reduction in more recent years cannot be observed. Until today, a number of industrial countries are highly indebted, exceeding 100% of their GDP. Compared to the other European countries, the indebtedness of the Netherlands increased, but ranks below average (Afman & van de Coevering, 2012, pp. 68 f., 75 ff.).

As the three above-mentioned key figures on global economic developments in recent years illustrate, an economic downturn from around 2009 onwards, with a partial mitigation in the following years, is perceptible. While there are certainly many potential causes for the developments, such as a general increase in unemployment, as described above, the events of the Financial Crisis since 2007 are closely related from a chronological perspective and seem to provide the best explanation. The number of bankruptcies is an additional indicator of a country's economic situation. While data are sometimes difficult to compare because of different legal backgrounds, the data available indicate that the insolvencies of private companies significantly increased in all countries of the Group of 7 (G7)¹²⁹ with the exceptions of Canada and a minor increase in Germany from 2007 onwards. After 2009, the number of companies that went bankrupt decreased again in most G7 countries; Italy and France are exceptions with still significantly higher insolvency rates in 2015, compared to 2007. After a decrease in

¹²⁹ The G7 consists of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

2008, the Netherlands experienced a volatile, but overall increasing insolvency rate until mid-2013. In 2015, the rate fell below the level of the year 2007 (Organisation for Economic Co-operation and Development, 2016, p. 20 f.).

Taken together, the data on economic growth, unemployment, and government debt of a number of industrial countries provide insights into the economic developments since 2000. While the recent Financial Crisis' course of time slightly varies from a cross-country perspective, the full impact of the Crisis can be identified in the broad economic decline of 2009 at the latest. The following sub-chapter addresses what characterised the Crisis from the perspective of economic theory.

8.1.3. The Financial Crisis from an economic perspective

Considering the distinction between different types of financial crises, discussed in chapter 3, the Financial Crisis since 2007 meets the characteristics of more than one type of crisis during its chronological development.¹³⁰ In 2007, the Crisis originated as a *banking crisis*. As a result of credit defaults and high default risks, particularly in the housing market (de Kam, 2009a, p. 85 ff.; Bartelsman, 2009, p. 33 ff.), commercial banks experienced refinancing problems. The global interlinkage of banks implied, and still implies, substantial systemic risks for the financial system if large banks face financial troubles. While the overall economic framework conditions for commercial banks have improved in recent years, banks must still deal with the late effects of the crisis, especially continuing low interest-rate policies by central banks and debt (Bikker & Vervliet, 2018). Governmental rescue packages had a negative impact on public finance in the course of the Financial Crisis since 2007. In addition to existing public indebtedness, the Crisis implied an even faster increase in public debt in most industrial countries, as demonstrated above. This aspect of the Crisis can be considered as a *sovereign debt crisis*, particularly illustrated by a number of European countries that were saved from sovereign default by supranational and international institutions. In addition, private debt has increased extensively in various industrial countries in recent years; this was also one of the causes of the credit defaults in the U.S. housing market in the first place.

Originating from financial difficulties of a number of eurozone countries, the euro as a currency and its exchange rates experienced pressure in the course of the Financial Crisis since 2007 (Teulings et al., 2011), fulfilling the general criteria of a *currency crisis*. From an empirical perspective, this development is illustrated by the exchange rate between the euro and the U.S. dollar, for example. While the euro increased in value in 2007 and early 2008 when the Crisis mainly affected the US, its value decreased since mid-2008, when the crisis emerged in European countries and eased in the US.

While indicators of these three types of crises can be found in a number of industrial countries since 2007 to a varying extent, signs of a *sudden-stop crisis*, which is the fourth type of crisis

¹³⁰ This is also the reason that some scholars see the Financial Crisis since 2007 as a sequence of multiple crises rather than one crisis.

and is most common in emerging markets, are not apparent in Western Europe and the US. However, the measures taken to prevent a number of European countries from sovereign default can be considered as measures preventing such a development. Furthermore, a number of Eastern European countries experienced a decline in capital inflow (Marer, 2010).

While each crisis is different, which makes the drawing of comparisons between them difficult from a historical perspective, a slightly different distinction between types of crises has also been used by Reinhart and Rogoff (2009, p. 248 ff.) to assess the overall scope of Financial Crises. Their banking, currency, default (domestic and external), and inflation composite (BCDI) index adds up the five eponymous types of crises per country, weighted by the country's share of world income, to one annual global figure. According to the latest available data (Reinhart, 2010), the Financial Crisis since 2007 had a scope only comparable to the Great Depression of the 1930s and is the largest economic downturn since the end of the Second World War, especially in advanced economies.

Considering the reactions to the Financial Crisis since 2007, which are also partly reflected in the key figures presented above, measures in line with all three main schools of economic thought, as discussed in chapter 3, can be observed in the course of the Crisis in different countries. However, it is questionable whether political-administrative decision makers agreed on certain policy measures because of theoretical economic beliefs. There is reason to argue that theoretical considerations were often limited and practical deliberations predominant.

Since the delimitation between regular economic fluctuations and a financial crisis is blurry, the exact time at which countermeasures are appropriate, if those measures are considered to be desirable at all, is difficult to determine. In the early stages of the Financial Crisis since 2007, there were also reasons to believe that the problems would remain limited to the real estate sector or the U.S. economy, which explains decisions by other countries not to intervene. In other words, not taking action can also reflect the belief in a lack of necessity of action, rather than a theoretical conviction.

In September 2008, the U.S. government took a passive approach, theoretically in line with *classical economic* thinking, by not preventing Lehman Brothers from bankruptcy, while two mortgage trading companies were bailed out just a few days before. The reason that this active decision for a passive approach was taken is questionable and still subject to various speculation. Official statements refer to legal concerns; however, it can also be argued that Lehman Brothers was used as a warning to the financial industry as a whole, since rescue measures can comprise adverse incentives. In addition, other non-interventions when private companies in various industrial sectors experienced severe financial troubles can also be considered as examples of passive policies.

Stimulus packages to promote economic growth and to secure employment are the most relevant measures that can be interpreted as counter-cyclical policies in line with *Keynesian economics*. Those investments, usually including a broad range of separate measures with a focus on improving the country's infrastructure, were often directly justified with the developments

of the Financial Crisis since 2007. Various examples of stimulus packages with different compositions can be found in European countries and the US from early 2008 onwards (Ter-Minassian, 2016, p. 26). Furthermore, economic stimuli were also realised through tax reductions (Hörisch, 2013, p. 118).

Pro-cyclical policies in line with *neo-liberal* beliefs are usually represented by austerity measures. These measures form a common approach to balance the budget, which is a necessity that can increase as a result of stimulus and rescue measures. Since 2010, austerity packages have been implemented in various European countries (Ter-Minassian, 2016, p. 26). In the case of Greece, for example, more than a dozen of these packages have been arranged until today. Compared to stimulus packages, austerity packages usually focus on either budget cuts in the public sector or measures to increase the public sector's efficiency, as well as attempts to decrease expenditures or increase revenues in the context of taxation and pensions.

The role of institutions is another aspect of the recent Financial Crisis that can be assessed from an economic perspective. A distinction can be made between banks and other financial service providers as financial institutions with certain internal rules and procedures, on the one hand, and regulatory and supervisory institutions responsible for specifying and monitoring certain standards for financial markets and market participants, on the other hand. At the corporate level, the Crisis revealed questionable incentives for employees of financial service providers, leading to excessive risk-taking. For example, bonuses as rewards for performance are usually calculated based on profits or revenues, while losses might not have a direct consequence for the individual staff members, at least in the short run.¹³¹ In addition, monitoring and supervising strategies at the company level – in other words, risk management – proved to be insufficient in some cases, as the necessity of external rescue measures illustrates.

Regulatory and supervisory institutions at the national, supranational, and international levels were also not able to prevent the Financial Crisis since 2007 from emerging and spreading. Their abilities to detect and prevent financial crises have thus been questioned for a long time, with reference to their limited competences and resources. However, discussions on the scope and methods of regulation, mainly from an economic perspective, were revitalised as a result of the Crisis, since existing regulation proved insufficient (Financial Crisis Inquiry Commission, 2011). At the international level, especially the Third Basel Accord, also known as Basel III, which was developed by the Basel Committee on Banking Supervision and implemented in 2013, can be considered a reaction to the recent Financial Crisis. The agreement includes a wide range of measures, most importantly higher capital requirements and additional liquidity requirements for banks, as well as increased transparency and disclosure duties (Bank for International Settlements, 2017). Further regulatory measures were taken at supranational and national levels of government, partially building upon the Third Basel Accord. However, while institutional failure could be observed in the context of the Financial Crisis since 2007 at all levels, ranging from the company to the international level, various measures – again ranging from changes in internal rules at the corporate level to a more strict regulation

¹³¹ Considering the underlying mechanisms, psychological aspects in relation to individuals and groups of people, for example regarding the effects of incentives on human behaviour as well as group dynamics, also need to be considered as relevant in this context.

of international financial markets – illustrate a certain willingness to change the institutional framework conditions towards a higher crisis resilience. The effectiveness of these measures remains to be seen.

In summary, the Financial Crisis since 2007 comprised aspects of multiple sub-types of financial crises distinguished in economic theory, thereby illustrating its severity once more. The complex and multi-dimensional nature made decisions on suitable countermeasures difficult as well. This is reflected in sequences of reactions in industrial countries, including measures ranging from bailouts and stimuli to austerity and cutbacks, in line with different, or even opposing, schools of economic thought. Therefore, it can be concluded that most decisions followed rather practical considerations and do not reflect profound economic beliefs. From a cross-country perspective, varying foci regarding the main types of countermeasures can also be observed, while striving towards the goal of overcoming the financial turbulences and their side effects. In addition, changes in the regulation and supervision of financial markets and market participants are further consequences of the Crisis. However, since economic considerations alone are not sufficient to assess a financial crisis with a dimension as seen since 2007, conclusions and lessons from a political-administrative perspective will be analysed in the next sub-chapter.

8.1.4. The Financial Crisis from a political-administrative perspective

Events such as extensive financial crises do not leave the institutions and predominant political views in the affected countries unchanged. Within government, personnel and financial means might be transferred to those units of the administration concerned with crisis management in the short run. A different alignment of the organisation's priorities might follow in the longer term. In this context it must be taken into account that organisational changes can also unintentionally reinforce a crisis. Furthermore, and partially also depending on crisis management, voters might lose confidence in the ruling parties. However, while many publications on financial crises usually focus on economic developments and interrelationships, political-administrative perspectives are often underrepresented.

In the context of the Financial Crisis since 2007, the Co-ordinating for Cohesion in the Public Sector of the Future (COCOPS) project has addressed the questions of how national governments in 14 European countries reacted to the Crisis and how decisions were made. Apart from official records, insights were primarily gained by interviewing senior civil servants with a standardised survey. According to the scholars' overall conclusion, European governments seem "to treat the immediate symptoms rather than long-term underlying causes of the crisis" (Kickert & Randma-Liiv, 2015, p. 215) and that "the crisis seems to have promoted pre-programmed responses, and not necessarily new ways of behaviour" (p. 215). The cutback measures taken typically consisted of a subsequent number of steps (Kickert et al., 2015, p. 574). Within the public sector, all countries under investigation froze payments and hiring. Reductions in salaries and the dismissal of civil servants predominantly occurred in countries that were most severely affected by the Crisis and bailed out by supranational institutions and

international organisations (Kickert & Randma-Liiv, 2015, p. 221). As previously mentioned, as necessary as these approaches might be to reduce expenditures, they are certainly not beneficial for finding solutions to the underlying problems and consequences of the Crisis. This is because these measures are not suitable to motivate the existing personnel, and they largely rule out the possibility of hiring new experts for new challenges.

On a political dimension, the assumption that governments politically oriented to the right opt for larger cutbacks than governments oriented to the left, as stated by Hibbs (1977), was not statistically confirmed. However, some statistical support has been found for the hypothesis that governments with a board majority in parliament take larger cuts; this is linked to the government's assertiveness (Kickert & Randma-Liiv, 2015, p. 222 f.). Furthermore, it has been observed that most European governments were not re-elected after the implementation of consolidation measures as a political consequence. Considering the fact that budget cuts are certainly not popular among those concerned, this is not a surprise. However, there are reasons for attempts to balance the budgets – financial and monetary stability in particular – but reasonable approaches unfortunately do often not prevail. Other parties thus did not really offer serious alternatives to the previous strategies (Kickert & Randma-Liiv, 2015, pp. 214, 224).

Regarding the scope of fiscal consolidation, a positive relation to the scope of the Crisis, indicated by the economic situation expressed by the GDP growth rate and the financial situation expressed by the budget deficit, was statistically proven (Kickert et al., 2015, pp. 574, 576; Kickert & Randma-Liiv, 2015, p. 222 f.). Interestingly, however, the correlation between fiscal consolidation and budget deficit reduction was relatively low, according to the study results. In addition, a relation between fiscal consolidation and economic growth resulting from it could not be confirmed, and some cases appeared in parts to be paradoxical (Kickert & Randma-Liiv, 2015, p. 223). Following the insights into fiscal consolidation and budget deficit reduction, the measures that European governments decided upon and implemented can be called into question quite generally, since lower deficits make up one of the main aims of fiscal consolidation. The lack of a positive effect of consolidation measures on economic growth is less surprising, since lower government expenditures are directly linked to a lower GDP in line with the usual method of calculation.

The research by Kickert and Randma-Liiv (2015) has also provided insights into changes within the national administrations of European countries during the Financial Crisis. Based on the survey results, it has been observed that the decision-making processes at the national level became more centralised in many countries during fiscal consolidation. The influence of politicians, the ministry of finance, and budget units within the organisations thus increased. The general information advantage of budget managers partially explains this development. In the case of politicians, attempts to influence organisational behaviour from the top have also been reported. In general, tendencies of centralisation in comparison with previous phases of decentralisation could be observed (Kickert & Randma-Liiv, 2015, p. 221; Raudla et al., 2015a; Peters et al., 2011, p. 18). This, together with the research of the COCOPS project, illustrates that the Financial Crisis since 2007 did indeed change political-administrative relations within European countries. While the analyses were limited to national levels of government, both

political and administrative shifts of power were concluded. Political parties implementing fiscal consolidation measures lost votes in recent elections, and the power within the administration shifted to those responsible for the budget. Statistical correlations between the scope of measures taken to address the crisis and their success, however, remained relatively low or non-existent.

The scope, composition, and timing of policy responses to the recent Financial Crisis in 28 OECD countries have been analysed by Wagschal and Jäkel (2010). The study was limited to the measures taken or decided upon until 2009, while monetary measures, financial guarantees for private banks, and legal changes were generally excluded. According to their results, socio-economic factors, such as the number of inhabitants, and the amount of existing debt limited the possibilities of anti-cyclical investments. Furthermore, election dates played an important role regarding the scope and timing of stimulus packages independent of the political orientation of the governing party. A higher degree of openness of the economy explained smaller stimulus packages, as a result of limited incentives, as well. Based on the expansionary measures implemented in recent years, the authors also expect a further increase in public debt in the medium to long term (p. 315 f.). An empirical study (Cameron, 2012) on European countries has also concluded that countries which reduced taxes, recovered earlier from the Crisis. However, the possibility of these measures correlates with the countries' general economic situations.

Regarding a moderating effect of the different political orientations of the political parties in charge, Wagschal and Jäkel (2010) have observed that parties at the centre of the political spectrum were most active regarding economic stimulus measures. This finding contradicts the classical partisan theory, which generally identifies parties on the left side of the political spectrum as most active regarding expansionary policies. Furthermore, according to their analysis, the number of veto players had a negative effect on the timing and scope of the policy responses to the Crisis (p. 315 f.).

Responses to the Financial Crisis since 2007 at the national level have also been investigated by Armingeon (2012). He addressed the question regarding the main strategies and some factors that could explain variation from a cross-country perspective already at an early stage of the Crisis by analysing responses until 2009. Following his results, most governments chose a limited expansionary strategy. In other words, government spending was somewhat increased. Apart from the intention to fight the Crisis, this strategy had the further advantages of demonstrating the ability to act towards the citizens and voters as well as limiting the increase in indebtedness (Armingeon, 2012, p. 544).

On closer inspection, the study distinguishes three groups of OECD countries regarding their fiscal responses. The first group consists of six countries, including the United States and the United Kingdom, with extensive counter-cyclical stimulus measures. A unified government is identified as a factor that enables and supports this strategy. The second group is made up of nine countries with pro-cyclical responses and the intention to reduce government spending in particular. Ireland and Hungary are mentioned as examples. The third group is comprised of 19 countries that opted for a slightly counter-cyclical response, which was the most com-

mon approach, as pointed out above. In addition to countries such as Germany and Switzerland, the Netherlands also belongs to this group (Armingeon, 2012, pp. 549, 559 f.). Regarding further factors that potentially determine variation in crisis responses, partisan politics had limited explanatory power, which is in turn explained by similar intentions of all political parties in challenging times (Armingeon, 2012, p. 561 f.). However, it generally needs to be taken into account that these observations and categorisations are limited to the developments until 2009, whereas various changes in governmental strategies to address the Financial Crisis since 2007 were observed in later years.

Similar research questions have been addressed by Hörisch (2013). He focused on the scope and composition of fiscal stimulus packages during the Financial Crisis since 2007 at national levels of government from a comparative perspective. Regarding the framework condition for stimulus packages, he has concluded that there was not one necessary condition for the implementation. However, he has found some support for the hypotheses that governments on the more left side of the political spectrum opt for larger fiscal policy reactions. Lower deficits were, to some extent, an additional factor related to a larger scope of fiscal stimulus packages.

Overall, the events of the Financial Crisis since 2007 were analysed by a number of scholars with a focus on political-administrative developments. Next to some studies with a focus on the impact on or responses by single countries, or both, country comparisons can be considered as particularly interesting in order to comprehend the implications for the public sector as well as the reactions decided upon by political-administrative actors. While various separate measures were implemented, ranging from economic stimuli to austerity, variation can be observed depending on the national contexts. After the discussion of these general insights into the global and national developments of the recent Financial Crisis from different perspectives, the following sub-chapters will address the situation at the local levels of government, starting with the crisis impact in the next sub-chapter.

8.2. The Financial Crisis' impact at the local level of government

The Financial Crisis since 2007 affected all levels of government. In Iceland, the United Kingdom, and the Netherlands, for example, local authorities lost assets as a result of the banking crisis (Dethier & Morrill, 2012, p. 9). In general, the types of impact and policy areas affected are closely linked to the administrative levels' main tasks. Furthermore, local levels of government are affected by measures from higher levels within the system of administrative subdivision. In other words, crisis reactions by national or regional levels of governments can be considered as part of the crisis impact from a municipal perspective. Furthermore, the local level is also differentiated from the national level, since a varying impact of a financial crisis on local entities is possible because of local conditions. The same applies to all other types of external effects.

In many countries, the local level is the main provider of social services and responsible for the largest share of public expenditures, depending on the structure of the administrative system. In times of an economic downturn, the demand for these public services can increase extensively, especially if many people lose their jobs. Even though the local level often largely depends on other levels of government on the income side, the financial situation can be affected if revenues at other levels of government decrease and if transfers are adjusted, or if decisions on austerity measures are taken (Vammalle & Hulbert, 2013). The municipalities' own resources, which are usually composed of local taxes and fees, might decrease in times of crisis as well. Taken together, the generally expected effects of a Financial Crisis at the local level are quite adverse on both sides of the budget.

As explained in chapter 3, the types of impacts of a financial crisis at the local level can be grouped into five categories. They are (1) people and the labour markets, (2) local economic resilience, (3) investment, construction, and property markets, (4) strategy and positioning, and (5) municipal assets and balance sheets (Clark & Huxley, 2011, p. 269 ff.). Regarding the consequences of the Financial Crisis since 2007, unemployment was, and still is, one of the main challenges. This type of impact within the category of *people and the labour markets* usually concerns all levels of government more or less directly. As the major provider of public services in many countries, local authorities must deal with increasing requests for social benefits and hence higher public expenses. The development of the unemployment rate in a number of industrial countries was presented in table 16 of the previous sub-chapter. A relatively significant increase in recent years can be observed in most countries included in this analysis, especially those in southern Europe. In addition to variation in the rise in unemployment as a result of the Financial Crisis from a cross-country perspective, further variation occurred within the nation states. Other effects of the Crisis within this category, such as fewer job openings, lower real wages, and labour immigration, are closely linked to the employment situation.

Before affecting employment, the Financial Crisis since 2007 had an impact on the economic situation of businesses in various sectors. Especially at the early stages of the Crisis, financial institutions and companies with business activities in real estate faced severe declines in demand. Over time, an increasing number of sectors were affected by the Crisis, which implied negative consequences for *local economic resilience*. Cities, which are financial centres within certain regions or countries, were affected the most. In contrast, rural areas, where the agricultural sector is most relevant from an economic perspective, were less affected.

Declining activities in the areas of *investment, construction, and property markets* were a further consequence of the Financial Crisis since 2007, relating to the negative impacts on business operations and employment, partially amplified by periodic market fluctuations. With the economic decline, the demand for new development areas decreased, and previous municipal investments in land development became partially unprofitable. As with all other types of impact, variation was given across the local level, dependent on other factors connected with the location. Since land development was traditionally a common source of income for many Dutch municipalities, and because it has decreased widely in profit since the beginning of the Financial Crisis, this aspect will be further analysed at a later stage of this study.

In terms of to changing framework conditions, local authorities began to reconsider their *strategy and positioning* in the context of the Financial Crisis since 2007. On the one hand, the increasing demand for social benefits and other welfare services, typically provided by local government, strengthened the importance of the local level within the administrative subdivision. On the other hand, increasing financial constraints led to considerations of potential cost reductions and increases in efficiency, which already describe aspects of a crisis reaction. Overall, the consequence of the Financial Crisis since 2007 – as the major challenge in recent years, apart from the migrant crisis since 2015 – was that officials at all levels of government called into question the importance of various tasks carried out at the local level and the way in which those responsibilities are performed. In addition to the general reasonableness of certain tasks, costs and benefits also came under scrutiny.

Partially related to the types of impacts discussed previously, the Financial Crisis since 2007 negatively affected *municipal assets and balance sheets*. Increased expenditure, especially in the context of welfare spending, and declining revenues because of fewer economic activities have unfavourable implications for both sides of the municipal balance sheet. In this context, financial pressure also encouraged reform activities. Comparable to the other types of impacts, various factors such as the resilience and autonomy of public finances led to broad variation across the local level in terms of consequences for the overall financial situation (Ladner, 2017, p. 28 f.; Ter-Minassian, 2016, pp. 23, 42 f.). Since municipal budgets are publicly available in most countries – because of transparency standards – financial impacts of a crisis are best to study. Therefore, changes in municipal revenues and expenditures will be the focus of the empirical analysis of the situation in the Netherlands in the next chapter.

Further insights into the impact of the Financial Crisis at the local level relate to the research of international organisations and scholars. In 2009, at an early stage of the Crisis, United Cities and Local Governments (UCLG), which is a worldwide organisation representing the interests of local governments, and the Council of European Municipalities and Regions (CEMR), which is the UCLG's European section, analysed the impact of the Crisis on the local authorities within their member states. They concluded that “the most significant direct impact of the crisis has been on the level and composition of local government finances on both the revenue and expenditure sides of the budget” (United Cities and Local Governments, 2009, p. 9).

On closer inspection, local government's own revenues usually declined faster than shared revenues and transfers from other levels of government. However, exceptions were observed. In this context, the developments mainly depend on the country's taxation and financial allocation system. Considering different types of own resources, those types with a fairly stable subject of taxation, such as property taxes, declined less than other types (United Cities and Local Governments, 2009, p. 9).¹³² According to a survey by the CEMR, 61% of local authorities in Europe experienced a decline in own revenues in the context of the Financial Crisis since 2007. More specifically, 61% reported lower tax revenues and 42% lower revenues from fees. 36% of the respondents indicated lower revenues from shared taxes. Furthermore, 55% of the

¹³² Interestingly, the Financial Crisis since 2007 emerged in the housing market. However, the value of real estate, as a type of property that is usually taxed, was considerably less affected by the Crisis outside the US.

municipalities participating in the survey experienced a decrease in intergovernmental transfers (United Cities and Local Governments, 2009, p. 10; Dethier & Morrill, 2012, p. 8 f.). It should be taken into account that the figures illustrate the situation as of 2009. Considering the socio-economic developments after 2009, as illustrated in tables 15 to 17 of the previous sub-chapter, a further deterioration of the financial situation of local government needs to be assumed in most countries.¹³³

In the context of the recent Financial Crisis' impact on revenues at the local level, UCLG (2009, p. 10 f.) has identified six separate types of changes in own revenues and transfers, namely the (1) reduction in own revenues obtained from own taxes, fees and charges, (2) reduction in yields of specific tax shares, (3) reduction in transfers from the national (or regional) budget, (4) constraints on local government access to their own revenues, (5) reduction in revenues from capital holdings, and (6) loss of assets and deposits. The first three types of impact were already discussed in previous paragraphs, and the fourth impact mainly applies to developing countries and capital shortages within the treasury system. Numbers five and six are related to the local level's financial operations. The public sector was affected by lower interest rates comparable to private businesses and households. In addition, some public authorities, for example in the Netherlands, experienced substantive losses from speculative investment decisions (United Cities and Local Governments, 2009, p. 11).

On the expenditure side, UCLG has observed that local authorities in various countries had to reduce their expenditures because of declining revenues. In this regard, the policy areas of social services and employment, which were usually less concerned about spending cuts in previous crises, were also affected (United Cities and Local Governments, 2009, p. 11 f.). However, it must be mentioned that welfare systems, especially in Western Europe, include mandatory payments by the public sector, with a limited leeway for local authorities to cut expenditures. Since the demand for social services usually increases in times of crisis, two competing developments affected municipal expenditures: the need to cut spending because of declining revenues on the one hand, and increasing expenditure for mandatory social services on the other hand. Therefore, the overall changes in municipal expenditures during the Financial Crisis since 2007 occurred in both directions, with variation across countries and periods under review. Following the CEMR's survey results, recurrent spending increased, according to 33% of the respondents. Higher expenditures were mainly reported in Western Europe and Scandinavia (United Cities and Local Governments, 2009, p. 11 f.). In those cases where expenditures increased, higher debt was a frequent further consequence. However, in some municipalities, where the financial situation deteriorated noticeably, it was also reported that municipalities experienced difficulties in lending money (Paulais, 2009, p. 10 ff.). Further limitations to expenditure increases originated from debt ceilings and other budgetary rules.

In addition to the types of impact outlined above, the Financial Crisis had further relatively indirect side effects from a local government perspective. It can be argued, for example, that the Crisis illustrated weaknesses from previous decentralisation measures. If local authorities have far-reaching responsibilities, but limited possibilities to influence their own financial

¹³³ For further aggregated survey results of the local level in Europe, see the Council of European Municipalities and Regions, 2009b.

means because of extensive dependencies on transfers from other levels of government, then their possible reactions to a financial crisis are also limited. Furthermore, local governments' financial situations can deteriorate quickly if other levels of government reduce transfers to the municipalities as a result of their own crisis reactions (United Cities and Local Governments, 2009, pp. 5, 8). In other words, changes on the expenditure side are difficult if limited possibilities exist for adjustments on the revenue side. The Financial Crisis consequently led to considerations regarding the distribution of tasks and the corresponding financing in a multi-level system. Administrative reforms might follow in some countries in the long run.

Furthermore, managerial weaknesses, for example regarding the refinancing of debt, became evident in some municipalities in the context of the Financial Crisis (Canuto & Liu, 2010). Considering crisis management more generally, politicians and civil servants partially appeared to be overstrained at all levels of government, including the local one. Enormous time pressure sometimes calls into question the capacity for action in line with existing procedures. Therefore, reflections on appropriate changes in the organisational structures and administrative procedures within local authorities, potentially leading to managerial reforms in the long term, can be considered as a further impact of the Crisis, closely related to considerations regarding changes in the distribution of tasks and sources of financial means within a system of multi-level governance.

In general, the financial position of local government has been more stable than that of central government in most industrial countries in recent decades, from an empirical perspective. Lower deficits and less volatility on the expenditure side are the main reasons. Tax revenues, on the other hand, were often subject to fluctuations comparable to the national level. In this regard, business and income taxes were generally more affected than property and consumption taxes –property taxes in particular were relatively stable (Blöchliger et al., 2010, p. 6, 14 f.). The circumstance that the latter types of taxes are more common at the local level explains a relatively stable tax income of the municipalities in some countries. As a consequence, the budgetary situation of local authorities was generally less affected by the Financial Crisis since 2007 than central government. This observation is comparable to the developments of previous economic downturns (Blöchliger et al., 2010, p. 5 f.). However, several simultaneous developments, such as common decentralisation measures in the time period of the recent Financial Crisis, make it difficult to identify a sole cause of a certain observation. Considering changes in transfers from the national level, it should be taken into account that potential adjustment based on political decisions usually takes a few years and affects the municipalities after a certain time period (Blöchliger et al., 2010, p. 14).

When comparing the impacts of the Financial Crisis since 2007 at the local level of government in Western countries, it appears that municipalities were affected differently (Ladner, 2017, p. 29). Variation in the general responsibilities of local government and the sources of income, as well as the overall financial situation, can be considered as the main reasons. The extent to which private companies and households within the country were affected by the Crisis is an additional factor describing variation in the impact of the Crisis on local government as a second-round effect. On average, local authorities in the UK and France seem to have been more affected by the Financial Crisis than those in Australia and Canada, for example. A comparably

low level of national debt before the crisis and a generally low impact on the commodities sector explain the situation in Australia, while banking regulations and less speculation in the real estate sector are the reasons in the case of Canada (Bailey & Chapain, 2011b, p. 20).

From a comparative perspective, a relation between the average size of a country's municipalities and the impact of the recent Financial Crisis has not been recognisable. While, for example, Portugal and Ireland have relatively large local units in terms of inhabitants, and Italy and Spain have relatively small ones, all these countries were considerably hit by the Crisis. Regarding local autonomy, the evidence of a relation in terms of a higher or lower average impact of the Crisis was also limited (Ladner, 2017, p. 29 f.).

In summary, the Financial Crisis since 2007 affected local authorities in various ways. In the context of public finances, it can be observed that revenues generally decreased. While the effect on the expenditure side was less uniform, higher spending, especially on social services, dominated in most Western European countries, when leaving out other developments during the same time period apart from the Crisis. Compared to central government, local authorities were often affected by the Financial Crisis less directly. Different factors, especially in the context of municipal responsibilities and sources of revenues, provide an explanation for variation in the Crisis' impact from a cross-country perspective. However, as is the case at all levels of government, the long-term impacts of the crisis, in combination with the success of the responses to it, remain to be seen. The following sub-chapter address the latter in more detail in the context of local government.

8.3. Local responses to the Financial Crisis

In the same way that all levels of government were affected by the Financial Crisis since 2007, all levels reacted to it, or at least attempted to react to it, within their spheres of possibility and capability, which are mainly linked to the policy areas in charge and financial means. Typical responses at the local level included austerity measures, higher tax rates, a reduction in investments, and, to a lesser extent, own stimulus plans (Blöchliger et al., 2010, p. 5; Paulais, 2009, p. 10 ff.). The different types of governmental measures followed different levels and mechanisms of impact (Ter-Minassian, 2016, pp. 23, 42 f.), as well as different assumptions from an economic perspective, and they were therefore often applied with a temporal offset. From a more practical perspective, increased co-operation with the private sector or other municipalities was an additional strategy sometimes observed to lower the costs for the provision of public services (Ladner, 2017, p. 45).

When analysing crisis reactions at the local level, it generally needs to be taken into account that budget rules are often stricter at lower levels of government than at the national level. Furthermore, fiscal regulations often rule out counter-cyclical reactions by the local level completely (Blöchliger et al., 2010, p. 13 f.). In other words, the measures to react to a financial crisis from which local officials can choose are relatively restricted. Apart from responses in order to improve the situation of citizens and local companies, the necessity of consolidating

the budgets is also justified to maintain both the ability to meet financial obligations and a certain financial leeway (Blöchliger et al., 2010, p. 23 f.). However, since local authorities in some countries largely depend on the national level from a financial perspective, as pointed out before, their own capacities to respond to the Crisis were often relatively limited (Bailey & Chapain, 2011b, p. 21). On the other hand, many national governments provided additional financial support to the local level or lifted borrowing constraints in order to help municipalities to cope with the Financial Crisis (Blöchliger et al., 2010, p. 2). However, while those measures represent a crisis reaction by national government, the measures can be considered as an additional, and in some ways even positive, second-round impact of the Crisis from the perspective of the local level.

As described in chapter 3, five categories of local-level reactions to a financial crisis, closely related to the five categories of impact, can be distinguished. Those categories are (1) people and the labour markets, (2) local economic resilience, (3) investment, construction, and property markets, (4) long-term strategy and positioning, and (5) local governance and leadership (Clark & Huxley, 2011, p. 273 ff.). By definition, welfare states provide help to those in need. While the cases that qualify for social assistance and the scope of benefits largely vary from one country to another, the services are usually relatively similar within a nation state. However, since the local level is often responsible for the provision and at least partially for financing these services, expenditure differs depending on the socio-economic composition of the local population. This explains why, apart from a general increase in welfare payments as a rather automatic consequence of and reaction to the Financial Crisis since 2007 within the category of *people and the labour markets*, some municipalities were affected more than others.

Apart from existing support measures, various additional measures were arranged, which illustrate the severity of the recent Crisis once more. In Germany, for example, the following measures were implemented as part of two stimulus packages: training programmes for older employees on the job and the extension of the funding period for reduced hours' compensation (German Bundestag, 2008; German Bundestag, 2009; Cameron, 2012, p. 92). While those packages, which included further measures such as infrastructure investments and tax breaks, were funded by federal government, the local level was involved from an administrative perspective. Local offices of the Federal Labour Office were responsible for implementing the additional measures as a reaction to the Financial Crisis since 2007, focusing on people and the labour market, for example.¹³⁴ In addition to measures initiated by the national level, a number of cities started their own programmes. Amsterdam, for instance, established a so-called mobility centre to help the newly unemployed to find jobs in other sectors, especially

¹³⁴ Since the measures were decided upon at the federal level, it can be argued that they are not measures taken by local government itself, but describe an additional external impact on the local level. However, for various reasons, especially the striving for comparable standards and procedures as well as limited decision-making capacities at the local level, the major decisions on how to react to the Financial Crisis were made at the national level in most Western countries. Within the general measures that were decided upon by central government, a certain room for local government to manoeuvre usually remained when implementing the policies. In addition, a more or less strong formal and informal influence by local authorities and their associations on central government's policy decisions can also be given, depending on the policy area of interest and the country under investigation. The same applies to the crisis reactions within the other categories.

those with labour shortage. Local job fairs are also examples of a relatively cost-effective measure taken in some larger cities. Along with helping those who lost their jobs, encouraging innovation and entrepreneurship is an additional type of reaction with a focus on people and the labour market. In recent years, various cities around the world have introduced training and support programmes to qualify and motivate persons to start new business (Clark & Huxley, 2011, p. 273 f.).

Further reactions to the Financial Crisis since 2007 focused on improving the situation of private companies in various sectors. While the measures primarily addressed businesses, *local economic resilience* was indirectly strengthened as well. Compared to the labour market and social benefits, automatic mechanisms are not common in this area; therefore, rescue measures for individual companies, as well as stimulus packages supporting certain sectors, were implemented. Co-operation between different levels of government was also common in this category.

In Germany, for example, the two stimulus packages included inexpensive credit lines and more advantageous depreciation rules for private companies (German Bundestag, 2008; German Bundestag, 2009). In case of economic problems of major companies, local government in the region had a mediating role; however, the decisions regarding supporting measures, such as credits and guarantees, were mainly taken by federal government. By doing so, insolvencies of some major companies under financial pressure and expected second-round effects within certain local areas were avoided. Various cities took additional countermeasures to the Financial Crisis since 2007, focusing on strengthening local economic resilience, for example by granting emergency loans for smaller companies and supporting investments in future technologies. In this regard, the city of Amsterdam, for instance, initiated an investment fund for innovative business ideas (Clark & Huxley, 2011, p. 274 f.).

With measures focusing on *investment, construction, and property markets*, all levels of government addressed the Financial Crisis since 2007, partially with joint initiatives. Apart from actions by local authorities, it was usually the national level that provided funds for additional investments by the local level, especially in the field of infrastructure.

In the case of Germany, for example, the stimulus packages included financial resources for investments in education, transport, hospitals, urban development, and information technologies, as well as inexpensive credit lines for municipalities in underdeveloped areas (German Bundestag, 2008; German Bundestag, 2009). While the financial means were provided by the federal and the Länder levels, decisions on the projects were taken by the municipalities. In other words, local authorities were financially supported in investing in projects focusing on various types of infrastructure. Compared to the other components of the stimulus packages discussed before, a high decision-making scope existed at the local level in the context of this measure to address the Financial Crisis. Alongside investments, local authorities' further reactions to the Crisis included simplifications regarding administrative approvals, information on investment opportunities, political help in finding new investors, and new financial solutions for intended investments. While those measures were closely linked to attempts to strengthen local economic resilience in general, they focused on providing development areas

and the necessary official building permits, as a field with typically many competences at the local level in particular (Clark & Huxley, 2011, p. 275 f.).

Compared to the previous categories, changes in local governments' *long-term strategy and positioning* are more difficult to assess, since intentions often include partially informal considerations. However, in the context of the Financial Crisis since 2007, some cities revised their economic development strategies by shifting the focus towards business ideas in the fields of innovation and knowledge, as well as the general promotion of economic diversification. Amsterdam, for example, adopted a new joint economic agenda together with the regional level. These measures can be considered as closely related to attempts to strengthen local economic resilience as well (Clark & Huxley, 2011, p. 276 f.).

Changes in the category of *local governance and leadership* can also be regarded as relatively difficult to assess, since governance and leadership both include formal and informal aspects. During the Financial Crisis since 2007, various local authorities changed internal procedures as a basis for other reactions to the Crisis. Those changes were in relation to communication channels and contact persons, for example, and reflect the circumstance that existing procedures reached their limitations because of the scope of the Crisis. Further measures on the administrative side involved collaborations and attempts at budget consolidation to expend the capacity for action in general (Clark & Huxley, 2011, p. 278).

From a political-administrative perspective, the Financial Crisis since 2007 comprised some further interesting developments. It can be observed, for instance, that the local level was hardly involved in crisis management in various countries, thereby calling into question its relevance within the political-administrative system. Rather centralised decision-making, which might be an effective choice in times of crisis, was observed as a common development during the crisis in countries such as Italy (Meneguzzo et al., 2013; Barbera et al., 2016; Bolgherini, 2014). This trend can also be interpreted as a disruption of the developments of previous decades, which were mainly characterised by a process of additional decentralisations. From a financial perspective, decreasing revenues and a smaller financial leeway are also not suited to strengthen the role of local government. Considering the broad responsibilities of the local level, citizen trust might be negatively affected in the long run if local authorities are not able to meet citizens' demands both in the context of a crisis and in general (United Cities and Local Governments, 2009, pp. 5, 8).

When all levels of governments began to reflect on possible reactions to the economic downturn of recent years, a partial lack of co-ordination and different political conceptions become apparent within some countries. This resulted in measures by local authorities that undermined the crisis reactions at higher levels of government in some cases, while local crisis reactions supported the strategies of the national level in most nation states, according to a study on OECD countries (Wolman, 2014; Wolman & Hincapie, 2014). However, the necessity of an improved co-ordination in crisis responses between the different administrative levels in order to increase the overall efficiency of the measures can be considered as a further general lesson from the recent Crisis (Blöchliger et al., 2010, p. 5 f.). Depending on the scope of contrary measures, structural, administrative, and fiscal reforms might be advisable in certain countries (Blöchliger et al., 2010, p. 23 f.).

More generally, the crisis raised questions about the capacities of local authorities to understand economic connections sufficiently before deciding on crisis reactions. Previous experiences seem to be a relevant factor in this context (Bailey & Chapain, 2011b, p. 21). However, the complexity of identifying relevant factors and their interaction in order to decide on efficient local reactions to a financial crisis can be considered as a major challenge, where external support is necessary in the short run, especially in small municipalities with a relatively limited number of employees.¹³⁵

In line with the crisis impact as well as financial and managerial capacities, crisis reactions by local authorities varied from a cross-country perspective as well as within countries. While one group of countries focused on counter-cyclical policies, another cut spending and increased taxes (Blöchliger et al., 2010, p. 6). According to a study on OECD countries (Wolman, 2014; Wolman & Hincapie, 2014), counter-cyclical fiscal policies by local government were more common, but in many cases less pronounced in comparison with the national level. The study has also concluded that most national governments aimed to steer local fiscal behaviour via increases or decreases in the grants allocated to the local level, in line with phases of fiscal stimuli or consolidation. However, when decisions on how to address the crisis were necessary, some local authorities also reacted relatively independently within their capacities, while in other countries, such as the UK, regional authorities played an important role in co-ordinating countermeasures and representing local interests at the national level (Bailey & Chapain, 2011b, p. 20).

In the context of the Financial Crisis since 2007, recommended countermeasures for local authorities were also published. The Organisation for Economic Co-operation and Development (OECD), for example, developed a number of suggestions based on a survey with local officials in 41 larger cities, including Amsterdam. These recommendations, known as the *Barcelona principles*, include aspects such as improving local leadership, expanding collaborations with external partners, and attracting external investments (Clark, 2009, pp. 80-86; Clark & Huxley, 2011). However, most of the Barcelona principles can be considered as rather general and hardly innovative. Since the principles focus primarily on larger cities and gained little attention in policy papers or academic literature, they will not be further addressed in this study.

Other suggestions on how to react to the recent Financial Crisis and increase the local level's resilience include the diversification of revenues and the search for new forms of income. Furthermore, the following might help to strengthen the local levels' financial position: new economic strategies, new investment strategies and tools, improved intergovernmental relations, and a new approach to delivery in order to more efficiently provide services in times of limited resources (Clark & Huxley, 2011, p. 285 f.). Further considerations on how to improve the situation of local government in times of crises mention territorial and internal reforms, which can strengthen the local position by forming larger units and increasing the efficiency of municipal administrations. In addition, it has also been pointed out that increased co-operation with the private sector or other municipalities can be helpful to ensure public service delivery

¹³⁵ In the event of a crisis, on the one hand, relevant expertise is usually required quickly. On the other hand, hiring experts for potential crisis situations cannot be considered as efficient. Therefore, major crises usually imply the necessity of increasing specific knowledge capacities in the short term.

by decreasing the associated costs. In a similar way, centralisation can also be considered as a strategy to realise economies of scale in the field of public services (Ladner, 2017, p. 41 f.).

Based on the aforementioned information in this chapter, local government was not the most relevant political-administrative entity regarding responses to the Financial Crisis since 2007 in Western countries. This role was usually fulfilled by central government, although the local level was a relevant player regarding joint reactions and the implementation of countermeasures. Traditionally limited financial and managerial resources and the dependency on transfers on the revenues side were the main reasons for the often supportive role of local authorities. Considering the crisis responses as such, relatively individual measures were often taken next to extensive stimulus packages. In general, a process from short-term responses towards more long-term recovery strategies can be observed regarding governments' attempts to fight the recent Financial Crisis and all its far-reaching consequences for society, private companies, and government itself, including public finances. Following this chapter on the Financial Crisis since 2007 from a global perspective, which included a focus on local government in Western countries, the next chapter will address the developments in the Netherlands, starting with the national level and successively moving on to the situation of the municipalities.

9. The Netherlands and the Financial Crisis since 2007: impacts and responses at the national, regional, and local levels of government

After providing theoretical insights into financial crises and potential reactions, an overview of the general trends and developments at the Dutch local level in recent years, as well as events and implications of the Financial Crisis since 2007 from a global perspective, this chapter focuses on the developments in the context of the recent Financial Crisis in the Netherlands. Beginning with the impact of and the reactions to the Crisis at the national and regional levels, the situation at the local level of government will be addressed by presenting and discussing previous research results.

Considering the overall economic situation, the Netherlands experienced a period of recession from the second quarter of 2008 until the second quarter of 2009 (Cameron, 2012, p. 96; Bartelsman, 2009, p. 39). However, before analysing the recent Financial Crisis in the Netherlands in detail, further background information is necessary to understand the country-specific mechanism behind the developments. First, the Netherlands is an open economy largely dependent on international trade. A considerable share of the country's GDP is directly or indirectly influenced by economic developments outside the nation's borders,¹³⁶ which implies a spillover effect in the context of a crisis as well as in general. In this context, the Dutch economy depends on economic developments in Germany in particular (de Vries & Degen, 2015, p. 155).

Second, the Netherlands has a comparably large and internationally oriented financial sector, and it is the home country of some of the world's leading financial institutions and insurance companies, supported by a system of corporate taxation with major exemptions.¹³⁷ Just as in many other industrial countries, financial businesses were growing in the years before the Crisis,¹³⁸ and financial products became more complex. As a result of the transformation towards more international business activities in pre-crisis years, the Netherlands had the ninth largest financial sector in the world. While financial activities contributed to just over 6% of the GDP, the total balance sheet of the financial institutions added up to several times the GDP in the years before the Crisis.¹³⁹ The only European countries with a higher balance-to-GDP ratio during the same period were Britain, Switzerland, and Ireland (de Vries & Degen, 2015, pp. 147, 154; Kickert, 2012d, p. 439; Kickert, 2012e, p. 51 f.; Engelen & Musterd, 2010, p. 701). Within the Dutch financial sector, ING, ABN AMRO, and Rabobank are the largest

¹³⁶ Estimates range between one third (de Vries & Degen, 2015, p. 155) and two thirds (Engelen & Musterd, 2010, p. 701) of the Dutch GDP, depending on economic developments abroad.

¹³⁷ Therefore, the Netherlands is sometimes considered as a tax haven or at least as a country enabling tax avoidance by paving the way for tax havens abroad (The Guardian, 2017b).

¹³⁸ In terms of employment, for example, approximately 233,000 persons were working in the Dutch financial and insurance sector in 1995. This figure increased relatively continuously until 2002, when about 288,000 persons were working in this industry. The following years were characterised by some volatility. In 2007, roughly 284,000 people were working for financial service and insurance companies in the Netherlands. Since 2008, this number is largely decreasing. In 2016, the number of employees was lower than in 1995 (Organisation for Economic Co-operation and Development, 2017).

¹³⁹ Estimates of the degree to which Dutch financial institutions' total balance sheets exceed the GDP range between three-and-a-half times (Kickert, 2012d, p. 439) and four times (de Vries & Degen, 2015, p. 147).

banks in terms of total assets, and they are also among the 100 largest banks in the world. The same applies to the three Dutch insurance companies Nationale-Nederlanden (NN), AEGON, and Delta (Kickert, 2012d, p. 439).

Third, it needs to be noted that corporate taxation and financial market regulation follow a more liberal approach in the Netherlands than in other countries in general (Lindquist et al., 2015b, p. 319). Considering that the Financial Crisis since 2007 began as a real estate and banking crisis, the aforementioned conditions suggest effects on the Netherlands above the average of industrial countries. However, compared to the United States, the Dutch housing market is more regulated, and the regulation of financial markets is at least less fragmented (Engelen & Musterd, 2010, p. 704).

Furthermore, it is necessary to assess the Netherlands' economic situation before the Financial Crisis since 2007 in order to provide a benchmark when analysing the effects of the Crisis. As tables 15 to 17 on economic growth, unemployment, and public debt in chapter 8.1.2 illustrate, the overall socio-economic developments in the Netherlands were relatively favourable in pre-Crisis years. Economic growth was relatively high, the unemployment rate comparably low, and government debt decreasing (de Vries & Degen, 2015, p. 150 f.; Kickert, 2012a, p. 301; Afman & van de Coevering, 2012, pp. 68 f., 75 ff.).

The sections in this chapter are outlined as follows. The first sub-chapter addresses the Dutch central government's reactions to the Financial Crisis since 2007. By providing an overview of the measures at the national and regional levels and the time course during which they were taken, the analyses of the situation at the local level is prepared, since some of the decisions can be considered as highly relevant for the municipalities. The crisis reactions are subdivided into three phases, starting with bank rescue measures, continuing with fiscal stimulus and economic recovery measures, and leading to austerity and consolidation measures (9.1). The current state of research on the developments in the context of the Financial Crisis at the Dutch local level is presented and discussed in the sub-chapter thereafter. Overall, six scientific publications, addressing the situation in one or more Dutch municipalities, are identified. Those previous studies are mostly based on interviews with local officials and use qualitative research designs limited to small numbers of municipalities. Furthermore, implications for public finances have hardly been addressed by previous research (9.2).

9.1. The recent Financial Crisis at the national and regional levels of government

Apart from supranational and international institutions and organisations, a financial crisis is first an event concerning nation states, and therefore the national level of government, since monetary¹⁴⁰ and fiscal policies as well as financial regulation are usually within the competencies of central government or independent national institutions. However, within a system of

¹⁴⁰ A monetary union, where monetary policies are decided upon at a supranational level, is considered to be an exception.

multi-level governance, lower levels are affected by decisions at higher levels of government. From a local level's perspective, some responses by national government can be considered as an additional type of crisis impact, for example in the case of a reduction in transfer payments. Therefore, analysing the reactions by central government is crucial to understand the complete situation that the local level has to deal with. In the case of the Netherlands, it needs to be taken into account that the provinces, representing the regional level of government, were hardly involved in managing the Crisis because of their main competences in policy areas such as physical planning as well as environmental and agricultural issues.

More importantly, crisis reactions by the Dutch national level were influenced by the EU and eurozone membership. Following the Stability and Growth Pact, EU member states need to ensure a government deficit below 3% of the GDP and a total government debt below 60% of the GDP in order to sustain fiscal stability (European Union, 2007, article 126). This budget deficit ceiling had a major influence on the national measures taken to address the Crisis, and it is even argued that "the primary objective of all successive fiscal consolidation measures was to reduce the budget deficit to that percentage [of a government deficit below 3% of the GDP]" (Kickert, 2015, p. 545).

In addition to accompanying crisis reactions by the ECB, joint decision-making by eurozone countries was both required and in the member states' own interest, since co-ordinated fiscal measures appear to be reasonable in the case of uniform monetary policies and expected spillover effects. Further co-ordination and negotiations took place at the international level, involving institutions such as the World Bank and the IMF, as well as at the EU level, since not all member states are part of the eurozone. The measures taken to prevent a number of eurozone members from national bankruptcy included loans and guarantees provided by other countries via different channels. In other words, default risks for highly indebted countries, mainly in southern Europe, were accepted by the Netherlands and other eurozone members.¹⁴¹ The Dutch Prime Minister thus had the most prominent role, representing the interests of the Netherlands in terms of crisis management at the supranational and international levels, while the Dutch Minister of Finance, on the other hand, had a more prominent role in crisis management at the national level (de Vries & Degen, 2015, pp. 148, 162, 167; Teulings et al., 2011).

Taken together, the Dutch central government's room for manoeuvrability in the context of the Financial Crisis was certainly limited by supranational commitments, since the Dutch government was aiming to fulfil the criteria of the Stability and Growth Pact (Kickert, 2015, p. 557). Therefore, supranational influence plays a major role in explaining cutbacks in the Netherlands as well as in other European countries (Kickert et al., 2015, p. 578). In this context, it is also argued that "the GFC [Global Financial Crisis] ratcheted up the level of European interference in national budgetary processes of the member states, leaving this as the main legacy of the GFC in Europe" (de Vries & Degen, 2015, p. 169).

¹⁴¹ In 2011, the Dutch Central Planning Bureau for Economic Policy Analysis published a report (Centraal Planbureau, 2011) wherein the risks and potential costs for the Netherlands and the Dutch taxpayers because of the rescue measures abroad are outlined. With a focus on Greece, it is also pointed out that it is assumed that too strict credit conditions do not work and might have adverse effects.

Given the duration of the Financial Crisis, it also needs to be taken into account that the political majorities and political orientations at the Dutch national level changed over the course of 10 years. In 2012, the Financial Crisis and disagreement on austerity measures were among the main reasons for the fall of the coalition cabinet and early elections. Similar events can be observed in other countries as political consequences of the Financial Crisis. More details on the political developments in the Netherlands will be provided in the sub-chapters hereinafter to assess these changing framework conditions, which local authorities have to deal with at a later stage.

In line with the phases of the Financial Crisis since 2007 and the measures taken by the Dutch central government, as well as the overall intention to provide a complete overview of the developments in context of the Crisis, the following sub-chapters are structured as follows. The first sub-chapter explains the measures taken to prevent private banks and insurance companies from bankruptcy in 2008 and 2009 (9.1.1), and the second one illustrates the fiscal stimuli and similar measures to promote an economic recovery decided upon in 2009, including additional investments until 2012 (9.1.2). Then, the third sub-chapter describes the austerity and consolidation measures that have followed since 2010 (9.1.3). A concluding summary is provided in a final sub-chapter (9.1.4).

9.1.1. Crisis phase 1: bank rescue measures

As pointed out before, the Dutch financial and insurance sector is relatively large and internationally oriented. Therefore, once the refinancing problems of major private banks began to spread in the summer of 2007, Dutch authorities should have been alarmed about the potential developments and implications for the Netherlands. However, at the beginning of the Financial Crisis, the estimation that the real estate and banking crisis would be mainly limited to the United States prevailed among Dutch politicians. While it was known that housing prices increased less in the Netherlands than in the United States, and sub-prime mortgages were also less common, it was not widely known that Dutch banks bought financial products, including insecure mortgages issued in the United States (Kickert, 2012d, p. 439; Teulings, 2014, p. 9 ff.; van Ewijk & Teulings, 2009, pp. 169-189).¹⁴²

However, a few weeks after September 15th, 2008 – the day Lehman Brothers went bankrupt – Dutch banks were visibly affected by the Financial Crisis. It needs to be mentioned, however, that at least ABN AMRO faced financial difficulties already before and relatively independent of the Crisis. When interbank interest rates increased sharply, Dutch banks, the Dutch central bank (Dutch: De Nederlandsche Bank, DNB), and central government appeared to be relatively surprised. The first warning by the Central Planning Bureau for Economic Policy Analysis was released in October 2008; this illustrates the lack of critically anticipating the possible consequences of the developments in the United States that had already been in effect since one

¹⁴² In the course of the Crisis, financial assets with a highly decreased value and no functioning market became known as “toxic assets”.

year earlier. As an early financial implication, Dutch banks wrote off approximately 10 billion euro of toxic assets in 2008, while the total of insecure assets was estimated at about 39 billion euro by that time. The unusual nature of these developments is also illustrated by the fact that 2008 was the first year since the end of the Second World War that the Dutch banking sector reported operational losses (Kickert, 2012d, p. 439; de Vries & Degen, 2015, p. 149 f.; Bijlsma et al., 2009, p. 49).

Once the scope of the financial troubles of Dutch banks became clear, including all the risks regarding the stability of the monetary and financial system as well as the national economy, central government began to act. The rescue measures were mainly comprised of bank nationalisations, capital injections, and credit guarantees. While some of the measures, especially nationalisations, are relatively unusual for market economies, they are comparable to the crisis reaction by other Western countries and once more illustrate the severity of the Crisis (Kickert, 2012a, p. 301).

Among the financial institutions in trouble in other countries were various banks in Iceland, where many Dutch citizens invested parts of their savings in the years before the Crisis because of profitable interest rates. Since these savings were secured via the Icelandic deposit protection fund to a relatively limited extent, the Dutch government also gave guarantees for these deposits in order to avoid an amplification of the ongoing Crisis (de Vries & Degen, 2015, p. 156; Kickert, 2012d, p. 440; de Kam, 2009a, p. 89 f.; van Ewijk & Teulings, 2009, pp. 169-189). Compared to previous crises, this step can also be considered as rather exceptional, illustrating the possible consequences of the globalisation of the banking industry also from a customer's perspective.

The first rescue measures involving a Dutch bank in 2008 concerned ABN AMRO. The Dutch government bought the company's stocks for 16.8 billion euro; these stocks were acquired by the Fortis Bank, together with the Royal Bank of Scotland and the Banco Santander, just one year earlier. Further credits and credit guarantees for ABN AMRO and Fortis followed, summing up the rescue of ABN AMRO to 29.4 billion euro. Anticipating the difficulties that Dutch financial institutions were facing, central government also created a 20 billion euro capital injections facility. In the course of the Crisis, ING (10 billion euro), AEGON (3 billion euro), and SNS Reaal Bank (750 million euro) received financial means from the fund in exchange for stocks, which were mostly sold in the following years. In addition, a bank loan guarantee facility of 200 billion euro was set up by national government. LeasePlan, NIBC Bank, SNS Bank, and ING were among the financial institutions that received guarantees. Despite all rescue measures, some smaller banks, including Indover Bank and Van der Hoop Bankiers, as well as some smaller insurance companies, went bankrupt (Kickert, 2012d, p. 439 f.; Kickert & Randma-Liiv, 2015, p. 8; Kickert, 2012e, p. 52; de Kam, 2009a, p. 89 f.; Bijlsma et al., 2009, p. 58 f.; de Haan, 2009, p. 95 ff.; van Ewijk & Teulings, 2009, pp. 169-189).

While some figures slightly vary because of differing definitions of financial operations as well as different periods under review, the interventions and financial injections by the Dutch central government in the context of the banking crisis in the years 2008 and 2009 can be summarised as follows:

- Acquisition of Fortis/ABN AMRO: 16.8 billion euro
- Acceptance of liability of Fortis' debts: 50 billion euro
- Capital injection facility: 13.75 billion euro (of 20 billion euro provided)
- Prefunding of bank deposit guarantee payments in Iceland: 1.236 billion euro
- Bank loan guarantee facility: 200 billion euro
- Backup facility for ING Bank: 27 billion euro (de Vries & Degen, 2015, p. 156; de Kam, 2009a, p. 89 f.; Bijlsma et al., 2009, p. 58 f.)

Taken together, the Dutch state provided financial securities of up to 308.786 billion euro to private banks and insurance companies. However, the financial means have not been claimed completely. While some credits have been paid back in recent years, the overall costs of this first phase of the Financial Crisis for the Dutch state are still uncertain, since some financial institutions are still partly state owned. Privatisations of previously nationalised banks are planned and have already partly been realised; however, they are not completed yet (de Vries & Degen, 2015, p. 157). It must thus be taken into account that price gains by the Dutch government are also possible.¹⁴³ That the Dutch government's capital injections to Dutch financial institutions in 2008–2009 and the guarantees correspond to 6.4% and 34.3% of the GDP, respectively, illustrates the scope of the banking crisis in the Netherlands. Compared to other European countries, the scope of Dutch bank rescue measures in relation to the GDP was the highest (Kickert & Randma-Liiv, 2015, p. 30; de Vries & Degen, 2015, p. 157; Kickert, 2012a, p. 301; de Haan, 2009, p. 95 ff.).¹⁴⁴

The Dutch central government's crisis management and decision-making during the banking crisis in 2008 and 2009 was characterised by its urgency. Therefore, far-reaching decisions for the Netherlands and its citizens were made by a group of only three people: the Prime Minister, the Minister of Finance, and the chairman of the Dutch National Bank. While the Minister of Finance played the most prominent role, the number of further persons assisting in the decision-making processes, such as civil servants and external advisors, was kept as low as possible to minimise the possibility of information becoming public and leading to undesired effects, such as capital withdrawals by citizens and institutional investors. As a consequence, the Dutch parliament was also hardly involved in the decisions taken (Kickert, 2015, p. 546; Kickert, 2012d, p. 440; Kickert, 2012e, p. 53). While this approach was certainly not favourable from the view of democratic theory, it represents a path similarly taken in other countries in times of crisis, and it illustrates the difficulty in attaining fast responses when following the regular decision-making process, especially in case of the absence of a parliamentary majority of one single party implying the need for a consensus. Following the Financial Crisis and its management, the need for better banking supervision and regulation, as well as the necessity

¹⁴³ See <http://kredietcrisis.rekenkamer.nl/> for a detailed and regularly updated overview of the financial operations performed.

¹⁴⁴ For more detailed information on the bank rescue measures in the Netherlands, see Algemene Rekenkamer (2009), Algemene Rekenkamer (2010a), Algemene Rekenkamer (2010b), and Algemene Rekenkamer (2010c). The latter report includes information on Dutch involvement in the European Financial Stability Facility and the European Stability Mechanism as well.

of changes in the governance of the Dutch National Bank, was also discussed in the Netherlands (van Hengel & van der Burg, 2008; Hazeu, 2011).

In summary, the Netherlands was strongly affected by the troubles in the banking sector, as part of the recent Financial Crisis, in 2008 and 2009. While the adequacy of rescue measures for private banks is debated, and some people argue that banks should become insolvent instead of being rescued with taxpayers' money, the Dutch central government, as well as other national governments around the globe, managed to stabilise the situation by opting for large-scale rescue operations. However, since the Crisis was not limited to banks, further support measures, addressing wider parts of the economy, were arranged in the Netherlands as well. These will be reflected upon in the next sub-chapter.

9.1.2. Crisis phase 2: fiscal stimulus and economic recovery measures

Next to the rescue measures for financial institutions, the Dutch central government aimed to support the national economy, which faced economic consequences, such as a generally lower demand, as a result of the economic downturn. In March 2009, the Dutch government announced an economic recovery plan named "Working on the future" (Dutch: Werken aan toekomst). Additional investments were planned in four areas: (1) employment, education, and knowledge, (2) sustainable economy, (3) infrastructure and housing, and (4) financial support for business. Taken together, the stimulus package amounted to 2.731 billion euro in 2009, 3.206 billion euro in 2010, 0.112 billion euro in 2011, and 0.465 billion euro in 2012. Further investments of 0.5 billion euro in 2009 and 1.0 billion euro in 2010 were also announced for the provinces and municipalities (Ministerie van Algemene Zaken, 2009; Kickert, 2012d, p. 440 f.; Kickert, 2012e, p. 53; Kickert, 2015, p. 542; de Vries & Degen, 2015, p. 158).¹⁴⁵

In the field of labour market policies, which was the main focus of the recovery package, part-time unemployment benefits were introduced for employees who were working in companies with economic problems and who would be dismissed otherwise (Ministerie van Algemene Zaken, 2009; Kickert & Randma-Liiv, 2015, p. 39; Kickert, 2012d, p. 441; de Vries & Degen, 2015, p. 158).¹⁴⁶ In addition, already existing automatic stabilisers, which provide unemployment benefits to those who lose their jobs, in combination with declining governmental revenues in social security contributions – amounting to approximately 60 billion euro in total – can be seen as a fiscal stimulus in a broader sense as well (de Kam, 2009b; de Vries & Degen, 2015, p. 158).

On closer inspection, the additional investments as part of the economic recovery strategy were relatively limited. On the one hand, some investments were already planned and implemented earlier as a reaction to the Financial Crisis. Some planned cutbacks, on the other hand,

¹⁴⁵ See Ministerie van Algemene Zaken, 2009, p. 9 f. for more details.

¹⁴⁶ It needs to be taken into account that additional expenditures of 1 billion euro in 2009, 3.9 billion euro in 2010, and 4.5 billion euro in 2011 in order to reduce unemployment were already planned before the economic recovery package was decided upon (Ministerie van Algemene Zaken, 2009, p. 20; Kickert, 2012d, p. 440 f.).

were postponed. The recovery plan also included an agreement on future budget cuts amounting to 3.2 billion euro in order to rebalance the state budget in times when the economic situation improves (Ministerie van Algemene Zaken, 2009; Kickert, 2012d, p. 441). However, overall public debt increased in the Netherlands in times of the recent Financial Crisis, mainly as a result of bank rescue measures and fiscal stimuli (Afman & van de Coevering, 2012, pp. 68 f., 75 ff.). To avoid an exceedance of the previously agreed debt ceiling, the expenditures for labour market policies and interest payments in the context of the recovery package were excluded from the debt calculations (de Vries & Degen, 2015, p. 158).

From a theoretical perspective, the economic recovery measures by the Dutch central government, as well as similar measures in other countries, followed the Keynesian logic of additional anti-cyclical investments in order to stimulate the economy (de Vries & Degen, 2015, p. 157 f.; den Butter, 2009, p. 258 ff.). However, the policies were not actively justified or promoted as Keynesian in the Netherlands, the same as in most countries.

The question of whether the economic recovery package was large or small is a matter of perspective and comparison; therefore, views differ. While one scholar (Kickert, 2015) labelled it “an expensive economic recovery package” (p. 542), other scholars (de Vries & Degen, 2015) have described it as relatively small in comparison with other OECD countries (p. 170). In the comparisons of fiscal stimulus packages by Wagschal and Jäkel (2010, p. 299) as well as Hörisch (2013, p. 119), the measures in the Netherlands range in the midfield of OECD countries. From an economic perspective, Armingeon (2012, p. 549) has evaluated the early fiscal response by the Dutch government in his cross-country comparison as slightly counter-cyclical in its characteristic – the same as the responses in most other OECD countries. However, considering the financial means that the Dutch central government invested and made available to rescue the country’s financial institutions, the amount used to stimulate the economy was relatively moderate.

After the urgent crisis management in the context of the banking crisis in 2008 and 2009, the decisions made to support the country’s economic recovery followed the regular political process. After political debates, the coalition parties decided upon the recovery plan and formally implemented it as an addition to their 2007 coalition agreement titled “Working together, living together” (Dutch: Samen werken, samen leven) (Kickert, 2015, p. 547; Kickert, 2012a, p. 306). The circumstance that the economic recovery package was agreed upon later than in other countries can be explained with concerns that investments flows abroad because of the highly internationally oriented nature of the Dutch economy; this issue applies to open economies quite generally, and it enables free-rider positions. In the Dutch case, it was expected that about 60% of any public investment would leak abroad. Furthermore, general scepticism of Keynesian policies played a role in the decision-making process and therefore delayed the stimulus package (de Vries & Degen, 2015, pp. 157 f., 170).

In summary, the measures by the Dutch central government to address the recent Financial Crisis were not limited to rescuing banks from insolvency, but contained additional policies focusing on fiscal stimulus and economic recovery between 2009 and 2012. While comparable measures, such as additional investments in infrastructure and labour market programmes, were also implemented in other Western countries, these actions are remarkable, since they

are in line with Keynesian ideas, indicating a move away from prevailing economic approaches of previous decades. However, since additional public expenditure usually requires cutbacks in other areas, the Dutch central government have also decided upon austerity and consolidation measures in recent years, comparable to other Western nations. The choices made in the Netherlands will be addressed in the following sub-chapter.

9.1.3. Crisis phase 3: austerity and consolidation measures

Considering the general goal of financial sustainability, fiscal consolidation seemed to be necessary in the case of the Netherlands after the bank rescue measures and the economic recovery package, as well as by taking the expected costs of the demographic change into account (Organisation for Economic Co-operation and Development, 2011, p. 158; Organisation for Economic Co-operation and Development, 2012, p. 186; de Geus & Kraan, 2011). As already agreed upon in the context of the economic recovery package in 2009, budget cutbacks of 3.2 billion euro were planned to be realised as soon as the economic situation improves.

However, while there was certainly fiscal pressure to implement more extensive consolidation measures in order to reduce the budget deficit and state debt, the cabinet had no incentive to take unpopular decisions on additional austerity measures in times of the upcoming general election in 2010. Therefore, to explore saving potentials, the central government installed 19 working groups, consisting of senior civil servants and covering all relevant policy areas. By doing so, the responsibility for further cutbacks was partially moved to the administrations. The working groups' reports on ideas for scenarios of different degrees of austerity measures were published before the general election. However, these did not receive much attention, neither at the political level nor in public debates (Kickert, 2015, pp. 542, 548 f.; Kickert & Randma-Liiv, 2015, pp. 47, 122 ff., 231; Kickert, 2012d, p. 441 f.; Kickert, 2012e, p. 54; Kickert, 2012a, p. 306; den Butter, 2009, p. 244 f.; Afman & van de Coevering, 2012, pp. 68 f., 75 ff.).

The first general election in the Netherlands since the beginning of the Financial Crisis was held on 9 June, 2010. In the run-up to the election, the Central Planning Bureau for Economic Policy Analysis published its economic forecast, which is an annual procedure.¹⁴⁷ In the 2010 report, an increasing budget deficit was pointed out. In addition, the Study Group on Budget Room (Dutch: Studiegroep Begrotingsruimte), consisting of senior officials from various ministries, the Central Planning Bureau for Economic Policy Analysis, and the Dutch National Bank, published their report on the assumed financial leeway within the national budget, which is also a regular process before general elections in the Netherlands. Their report built upon the CPB's economic forecast and provided a basis for discussions on financial-economic issues in the frequent coalition negotiations after the election.¹⁴⁸ In the 2010 report, major retrenchment options were pointed out (Centraal Planbureau, 2010; Studiegroep Begrotingsruimte,

¹⁴⁷ See <https://www.cpb.nl/en/publications?type=CEP> for the Central Planning Bureau for Economic Policy Analysis' annual Central Economic Plans since 1998.

¹⁴⁸ See <http://www.rijksbegroting.nl/beleidsevaluaties/studiegroep-begrotingsruimte> for all reports by the Study Group on Budget Room since its formation in 1971.

2010; Kickert, 2015, p. 547 f.; Kickert & Randma-Liiv, 2015, p. 131; Kickert 2012a, p. 307 f.; de Vries & Degen, 2015, p. 164 f.).

After the 2010 general election, the VVD and CDA formed a centre-right minority cabinet supported by the PVV, inaugurated in October 2010, and replacing the previous CDA, PvdA, and CU coalition. Mark Rutte (VVD) followed Jan Peter Balkenende (CDA) as Prime Minister of the Netherlands. The coalition agreement, named “Freedom and responsibility” (Dutch: *Vrijheid en verantwoordelijkheid*), included a retrenchment programme of up to 18 billion euro, involving a variety of measures, such as a wage freeze for civil servants, a merger of ministries, a reduction of regional police corps, an increase of the pension age to 66 years, savings on social service, higher tuition fees for long-term students, and a decrease in international development aid, starting in 2011 and all to be realised by the end of 2015, with the exception of the pension age raise, which was set to come into effect by 2020. This rather fragmented list of fiscal cutback measures can be explained by political compromises, which were reached during the coalition formation process. In relation to the Dutch GDP and in comparison with cutback initiatives in other countries, the scope of the intended cutbacks was medium to large. Furthermore, the programme included cutbacks to the total value of 1.1 billion euro at the provincial and municipal levels, realised via a reduction in the financial means of the provincial and municipal fund. The consolidation plans also included a reduction in the number of provinces and municipalities; however, hard figures were not mentioned (Rijksoverheid, 2010a; Rijksoverheid, 2010b; Rijksoverheid, 2010c; Rijksoverheid, 2010d; Kickert, 2015, pp. 548 f., 554 f.; Kickert & Randma-Liiv, 2015, pp. 95, 136 f.; Kickert, 2012d, p. 442; Kickert, 2012e, p. 55 f.; Weske et al., 2014, p. 407; Kickert, 2012a, p. 303 f.; de Vries & Degen, 2015, p. 165; Teulings, 2014, p. 14 f.; de Geus & Kraan, 2011).

Regarding the accompanying attempts to reform the Dutch civil service, it needs to be noted that a reform programme named Civil Service Renewal (Dutch: *Vernieuwing Rijksdienst*) was already initiated in 2007. The programme included budget cuts of 750 million euro that were to be partially realised via the reduction of 15,000 staff members at the national level. While the reform was decided upon shortly before the Financial Crisis, the implementation was accelerated by the Crisis. In 2011, the next civil service reform, named Compact Government (Dutch: *Compacte Rijksdienst*), followed and built upon the previous reform. The measures were mainly related to the cutbacks determined in the 2010 coalition agreement, as described before. A further strategy to lower expenditures was realised by forming shared infrastructure services for public authorities at the national level (Rijksoverheid, 2007; Rijksoverheid, 2011; Jilke et al., 2016, p. 76 f.; Kickert, 2015, p. 556; Kickert & Randma-Liiv, 2015, pp. 204 f., 224, 226).¹⁴⁹

The next cutback package was agreed upon in April 2012 after the CPB published a relatively pessimistic economic forecast. The agreement was reached between the two coalition parties and three opposition parties, after the PVV withdrew its support for additional cutback measures. The five-party compromise was reached relatively quickly, which is exceptional in Dutch consensual politics. With an additional scope of 14 billion euro to be saved in 2013, the

¹⁴⁹ For a more detailed overview of administrative reforms at the Dutch national level, see Jilke et al. (2016).

intended cutbacks contained a wide variety of measures, ranging from an earlier increase of the pension age, in contrast to the previous plans, a reduction in tax exemptions for house buyers, another round of wage freezes for civil servants, an additional reduction in social services, and an increase in the VAT rate. Cuts in local government were also proposed (Centraal Planbureau, 2012; Kickert, 2015, pp. 550 f., 555; Kickert & Randma-Liiv, 2015, pp. 95, 136 f.; Weske et al., 2014, p. 407; Teulings, 2014, p. 14 f.).

However, since the PVV withdrew its support not only for additional cutback measures but also for the coalition cabinet in general, early general elections were called for on 12 September, 2012. In the run-up to the election, the Study Group on Budget Room pointed out the risks for Dutch public finances emerging from the developments of the Eurozone Crisis and the need to further strengthen the resilience of the Netherlands' public finances, which included the recommendation to reduce national debts. After the election, a new Liberal-Social democratic coalition cabinet, comprising the VVD and the PvdA, was formed in November 2012, and Rutte remained Prime Minister. Promises within the coalition agreement included various measures to relieve the citizens in areas such as healthcare insurances and income taxes, which were withdrawn rather quickly. Cutbacks of 17.708 billion euro, on the other hand, were planned in areas such as tax exemptions for house buyers, student bursaries, the public sector, and international development aid (Rijksoverheid, 2012a; Rijksoverheid, 2012b; Rijksoverheid, 2012c; Studiegroep Begrotingsruimte, 2012; Kickert, 2015, p. 550 ff.; Kickert & Randma-Liiv, 2015, pp. 95, 136 f.).

Further cutbacks and reforms were also announced for sub-national levels of government. The plans included the merger of the provinces into five regions and municipal amalgamations in order to form municipalities with more than 100,000 inhabitants, although it was pointed out that territorial reforms needed to be realised voluntarily. On the other hand, large-scale decentralisation measures were planned as well. Taken together, larger local units with more responsibilities were intended (Rijksoverheid, 2012a; Kickert, 2015, pp. 552, 555; Kickert & Randma-Liiv, 2015, p. 95).

In summary, decision-making in the context of attempts to rebalance the budgets via cutbacks was mainly characterised by compromises, as expected in the consensual democracy of the Netherlands and a central government that is usually comprised of multi-party coalitions. These circumstances largely explain the incremental steps and cuts mostly across the board, illustrated by the broad variety of austerity measures. However, more targeted measures, following political priorities, can be observed along the process, which might also reflect a wider recognition of the necessity of cutbacks. During the whole period of fiscal consolidation, the administration – particularly senior civil servants of the Ministry of Finance and the Central Planning Bureau for Economic Policy Analysis – had a major influence on the types and scope of measures taken; this is because of their formal involvement in the process by providing economic and fiscal projections (Kickert, 2015, p. 541 f.).

The next regular general election took place on 15 March, 2017, and it resulted in a four-party coalition government. The report by the Study Group on Budget Room, published in the run-up to this election, pointed out that the immediate risks for public finances in the context of the Financial Crisis decreased and that the new focus of policymakers in the Netherlands

should shift towards the stabilisation of public finances and the promotion of economic growth (Studiegroep Begrotingsruimte, 2016).

Taken together, the Dutch central government decided not only on measures to rescue banks and to stimulate the economy in the context of the recent Financial Crisis, but also on austerity and consolidation measures to counterbalance the additional expenditure at least in parts. As a consequence, multiple rounds of cutbacks have been implemented since 2010. However, the political debates on the scope and areas of savings also led to an early general election. As outlined above, the Crisis and the Dutch central government's corresponding reactions included a broad range of measures that can be categorised into three phases. The links between these phases will be analysed in the final sub-chapter hereinafter.

9.1.4. From rescue measures and fiscal stimuli to austerity

The Financial Crisis since 2007 affected the Netherlands rather unexpectedly (de Vries & Degen, 2015, p. 169) and “had remarkable effects on Dutch government” (Kickert, 2012d, p. 443). Reflecting on the process of crisis management and its major aims, it can be said that “the primary objective of government during the crisis was to stabilize the financial markets, to support the economy and to keep people working. The emphasis soon shifted to the reduction of the deficit, which required severe budget reforms” (de Vries & Degen, 2015, p. 163).

As partially mentioned before, the Financial Crisis in the Netherlands and crisis management by central government can be subdivided into three phases, comparable to the developments and reactions in other countries: (1) Immediate rescue measures for financial institutions in order to avoid a collapse of the financial and monetary system were followed by (2) attempts to stimulate the economy with additional investments, And the third phase is characterised by (3) cutbacks to rebalance the budgets after comprehensive additional expenditures and public guarantees in the first and second phases. While the rescue measures for banks were decided upon by a small number of politicians and civil servants, the fiscal stimuli and cutbacks followed the usual political process (Kickert, 2012a, p. 309).

The way in which the Dutch central government addressed the Financial Crisis occurred in line with the theoretical expectations, as described in chapter 3.3. After a first short period of denial and postponement, because of the upcoming general election, far-reaching measures were taken. Cutbacks followed in a series of steps, developing from smaller measures to larger ones. In this context, the cutback method shifted from across-the-board cuts, mainly implemented in 2010, toward more targeted spending reductions, at least partially in line with political priorities in the following years (Kickert et al., 2015, pp. 558 f., 580 f.; Kickert & Randma-Liiv, 2015, p. 135; Kickert et al., 2015, p. 571 f.).¹⁵⁰ Interestingly, senior civil servants in the

¹⁵⁰ Other countries followed a similar process, and the sequence of steps was generally quicker in countries that were bailed out by international and supranational organisations, implying additional external reform pressure (Kickert et al., 2015, p. 580 f.).

Netherlands perceived the cuts to be more targeted than they actually were, according to the results of the COCOPS surveys (Kickert et al., 2015, p. 573).

From a financial perspective, the crisis reactions by the Dutch central government began with rescue packages for banks and insurance companies, where slightly more than 300 billion euro were provided as financial securities in 2008 and 2009. While not all the provided funds were claimed, and the money was partially paid back in the meantime, the sum reflects the dimension of the Dutch banking crisis as part of the overall Financial Crisis. Additional governmental expenditures of 6.514 billion euro followed to stimulate the economy between 2009 and 2012.

Cutbacks were the logical consequence in the following years. Savings of 18 billion euro were agreed upon in autumn of 2010, 14 billion euro in spring of 2012, and 17.708 billion euro in autumn of 2012. While the cuts realised between 2010 and 2012 were relatively moderate, the reduction in government expenditures increased in the following years. Regarding the main cutback strategy, a shift from across-the-board to more targeted savings could be observed. The focus of austerity in the Netherlands was mostly on central government, similarly to that in other European countries. During the whole period, cutback measures in the Dutch administration included hiring freezes, pay freezes, public sector job cuts, and reorganisation. Unlike some other European countries, wage cuts in the public sector were not realised in the case of the Netherlands (Kickert, 2015, p. 553; Kickert & Randma-Liiv, 2015, pp. 98 f., 108 f.; Kickert et al., 2015, p. 571 f.). An overview of the Dutch general government's annual deficit or surplus and the volume of fiscal consolidation measures in recent years, both expressed in terms of percentage of GDP, are presented in table 18.

Table 18: Developments of Dutch public finances, 2007–2015 (Data sources: Eurostat, 2017b; Kickert & Randma-Liiv, 2015, pp. 156, 268)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Government deficit/surplus as percentage of GDP	0.2	0.2	-5.4	-5.0	-4.3	-3.9	-2.4	-2.3	-1.9
Fiscal consolidation volumes as percentage of GDP	---	---	---	---	0.3	1.0	1.7	2.4	2.9

The data illustrate that the Dutch deficit in the years between 2009 and 2012 was not in accordance with the restrictions of the Stability and Growth Pact. However, the same applied to many other European countries during the Financial Crisis. As a consequence, the scope of attempts of fiscal consolidation has increased in the Netherlands in recent years, as the data also demonstrates. Apart from attempts to fulfil legal requirements, sound public finances and continuous economic growth can be considered as the overall goals.

The austerity measures decided upon by the Dutch central government comprised the local level as well. In addition to the provinces' and municipalities' joint additional investments of 0.5 billion euro in 2009 and 1.0 billion euro in 2010, which were announced in the context of the stimulus package, and the planned reduction in the financial resources of the provincial and municipal funds by 1.1 billion euro in total between 2010 and 2015, the budgets of central and local government are also generally coupled in the Netherlands, which implies that budget

cuts at the national level bring about cuts at the local level. The same mechanism applies for expenditures increases by central government. Furthermore, central government limited the tolerated budget deficit achieved by the municipalities during the Financial Crisis as a result of attempts to comply with the Stability and Growth Pact (Weske et al., 2014, pp. 408, 410).

Apart from reductions in financial transfers to the local level, further indirect cutbacks arose from the assignment of tasks without financial compensation. According to the VNG, some specific grants are lower than the actual costs emerging from the provision of the associated public services by local government. In the policy area of social assistance, for example, a deficit of more than 1 billion euro was reported between 2010 and 2011 (Weske et al., 2014, p. 410). Similar claims were made in the context of the 2015 decentralisation reforms. While estimates on the actual costs of public services are difficult to verify, the municipalities and their representatives certainly have an incentive to report high costs for the provision of public services in order to improve their position in future negotiations. The same applies to central government vice versa. However, what can be stated in general is a relatively high financial uncertainty at the local level in the longer run because of the dependence on central governments and potential future cutbacks (Weske et al., 2014, p. 411).

In the Netherlands, the Financial Crisis since 2007 also had a major impact on budgeting rules and procedures, especially at the national level. While broad societal consensus exists regarding budgeting procedures and balanced budgets, sticking to the existing rules – and which implies a relatively limited financial room to manoeuvre – would have presumably had a significant influence on the course of the Crisis in the Netherlands and, because of to the size of the Dutch financial service and insurance sector, probably even abroad. Rescuing private banks on short notice, without deciding upon the measures in parliament, for instance, would not have been possible. The bankruptcy of most Dutch major banks would have been the likely consequence. Following this line of thought, the rescue measures and the temporary relaxation or even abandonment of budgetary rules, combined with the intentions to return to previous agreements as soon as possible, can be understood. The alternatives would probably have led to even greater problems. However, considering the financial troubles in countries all across Europe and beyond, it is also argued that, as a lesson of the recent Financial Crisis, national budgeting needs to be seen in its supranational and international contexts. Therefore, co-ordinated budgetary decisions, as well as fiscal policies in general, should become the normality (de Vries & Degen, 2015, pp. 148, 160, 170 f.).

De Vries and Degen (2015) have conducted an analysis of the budgetary rules and procedures at the Dutch national level before and during the recent Financial Crisis, illustrating the formal and informal changes. Before the Financial Crisis, budgeting was characterised by an annual deadline for budgetary decisions based on cautious economic predictions and projections. Furthermore, revenues and expenditures were strictly separated for delimitation and control purposes. On the expenditure side, a certain ceiling was agreed upon, and a projected deficit of 2% of the GDP functioned as a signal value regarding the necessity of additional measures to balance the budget in order to comply with the Stability and Growth Pact (de Vries & Degen, 2015, pp. 152, 166).

These budgetary rules and procedures changed noticeably during the Financial Crisis. Expenditures and revenues in the context of the rescue measures for the Dutch financial service and insurance sector were generally excluded from the national budget. In addition, the previously clear distinction between the expenditure and revenue sides was relaxed. Crisis-related expenditures, such as the stimulus packages, unemployment benefits, and interest payments, were also excluded from the previous expenditure ceiling. The signal value regarding the annual deficit was temporarily suspended as well, and the provisions of the Stability and Growth Pact were consequently not fulfilled between 2009 and 2012 (de Vries & Degen, 2015, p. 159).

In more recent years, particularly after the rescue measures and fiscal stimulus, budgetary rules and procedures at the Dutch national level successively returned to the pre-Crisis mode, with an annual deadline for budgetary decisions and a clear separation between the revenue and the expenditure sides. The signal margin regarding the annual deficit was even lowered to 1% of the GDP, and the deficit limitations of the Stability and Growth Pact were achieved between 2013 and 2015. However, the expenditures and revenues from the rescue measures for the Dutch financial service and insurance sector, as well as payments and guarantees in the context of bailouts at the European level, still remained off the budget (de Vries & Degen, 2015, p. 166).

Comparable to many other countries, such as the United States (Financial Crisis Inquiry Commission, 2011), the Financial Crisis and its causes and reactions were investigated by a temporary parliamentary committee in the Netherlands. This so-called Committee for Investigating the Financial System (Dutch: Commissie Onderzoek Financieel Stelsel), which is also known as Committee de Wit, after its chairman Jan de Wit, focused on the bank rescue measures and issued two reports on the developments in the context of the Financial Crisis in the Netherlands. The first report concluded that the inspection and compliance monitoring of financial institutions by the Dutch central government and the Dutch Central Bank largely failed. The second report mainly criticised decision-making during the Crisis. In addition, the national Court of Audit (Dutch: Algemene Rekenkamer) was also relatively critical of the measures taken during the Crisis (Tweede Kamer der Staten-Generaal, 2010; Tweede Kamer der Staten-Generaal, 2012a; de Vries & Degen, 2015, p. 161).

According to the second and final report by the Committee for Investigating the Financial System, it can be concluded that “the Dutch authorities made major mistakes in the billion-euro interventions involving Fortis/ABN AMRO and ING. Both financial institutions ran into serious problems in the autumn of 2008 through their own actions, thereby jeopardising financial stability in the Netherlands. The Ministry of Finance and the Dutch central bank (DNB) were insufficiently prepared for a crisis of such magnitude, and they were overwhelmed by the crisis. The State was forced to take large-scale bailout measures. In many cases, the House [of Representatives] received late and incomplete information” (Tweede Kamer der Staten-Generaal, 2012b).

In summary, crisis management by the Dutch central government in the context of the recent Financial Crisis started with swift bank rescue measures in 2008 and continued with deliberated attempts to stimulate the economy. These additional expenditures led to policies aiming to reduce expenses in other areas in the following years for reasons of refinancing. While the

Crisis slowed down, the contributions, and therefore the success of measures by individual national governments, can be debated, because of far-reaching spillover effects as well as a possible relatively natural recovery as part of an economic cycle. Overall, it needs to be taken into account that the complexity of economic interrelationships in case of a financial crisis, as well as in general, make the assessment of causal relations difficult. However, what can be said is that the recent Financial Crisis was not limited to only national levels of government and above, but also affected regional and local government. In the case of sub-national levels of government, countermeasures to a crisis by higher levels of government within a country's political-administrative sub-division might imply additional direct or indirect consequences. Previous publications that have addressed the developments in the context of the recent Financial Crisis at the Dutch local level will be presented and discussed in the next sub-chapter to illustrate the current state of research.

9.2. Previous research results on the financial developments at the local level of government

Overall, previous insights into the situation of the Dutch local level in the context of the Financial Crisis since 2007 are relatively limited. Some studies have investigated the developments in individual municipalities or in a small number of municipalities in detail, while others have analysed certain aspects of the Crisis by collecting data from larger numbers of municipalities. However, especially broad comparisons, which might help to explain why some municipalities were more affected than others, are only sparsely available.¹⁵¹ Furthermore, these insights might prove helpful in preventing or moderating the consequences of potential future crises.

The results of previous studies on the impact of the recent Financial Crisis on Dutch municipalities as well as the responses – in other words, the current state of research – is presented and discussed in this chapter. A distinction is made between studies with primarily qualitative approaches (9.2.1) and those with primarily quantitative approaches (9.2.2). While the former group generally focused on relatively small groups of municipalities by analysing documents and conducting interviews, the latter group mostly included relatively large groups of municipalities in their research based on own survey data as well as assessments of official governmental statistics.

¹⁵¹ See appendix 1 for an overview of publications on the recent Financial Crisis at the local level of government in the Netherlands.

9.2.1. Primarily qualitative studies on financial developments of smaller groups of Dutch municipalities

Within the group of studies with a primarily qualitative approach, Overmans and Noordegraaf (2014) have analysed the austerity strategies of eight Dutch municipalities. Building upon this research, Overmans and Timm-Arnold (2016) have compared the municipal austerity plans of five Dutch municipalities and five municipalities in the German state of North Rhine-Westphalia with more than 100,000 inhabitants each. An early study on the situation of Amsterdam during the Crisis has been published by Engelen and Musterd (2010). The impact of the Financial Crisis on the Amsterdam Metropolitan Area was also one selected case in a study by the Local Economic and Employment Programme of the Organisation for Economic Co-operation and Development (2013), with the general intention to compare local developments in a number of cities around the globe. Overmans (2017) has focused on the financial resilience of four Dutch cities during the recent Financial Crisis. A study by Weske et al. (2014) has addressed local government austerity policies in two Dutch municipalities, with a focus on public employment and social dialogue.

Overmans and Noordegraaf (2014) have analysed 609 austerity strategies of eight Dutch municipalities, whose names were kept anonymous, in the context of the recent Financial Crisis. The municipalities were selected by taking into account different sizes in terms of inhabitants, political majorities, and budgetary challenges, among other factors. By conducting interviews with local officials in 2012, they collected information on the crisis responses by local government. All measures were assigned to four categories: (1) decline, (2) cutbacks, (3) retrenchment, and (4) downsizing. According to their chosen definitions, *decline* focuses on the stability of governance and factors within the organisation. The reduction of social services is a typical measure in this context. *Cutbacks* also have an emphasis on stability, but on a mostly fiscal dimension. Across-the-board cuts are the most typical strategy in this category. *Retrenchment* and *downsizing* both imply policy changes; however, retrenchment focuses on fiscal measures, while downsizing addresses the organisation. Increasing tax rates and higher fees for municipal services are typical measures in line with the former strategy, whereas the optimisation of work processes is an example of the latter.

While it needs to be taken into account that the measures analysed describe only intentions, certain patterns can be observed. First, almost all interviewees expressed the need for extensive austerity packages at the Dutch local level. In addition, most respondents stated the intention to reach balanced budgets again, also through the use of innovative strategies. Overall, 33.5% of the measures analysed in detail followed the logic of cutbacks, while 31.5%, 22.5%, and 12.6% followed the logic of retrenchment, decline, and downsizing respectively. While all four types of measures were intended in all eight municipalities, larger municipalities planned to use measures more broadly, compared to smaller municipalities, which in some cases mainly focused on one type of measure. Considering the four types of strategies, the variation in fiscal measures was higher than that in organisational measures. The control variables chosen were not able to explain variation within the small sample of eight municipalities. Furthermore, it was also observed that next to austerity measures, the municipalities

tried to increase their revenues as the second main approach to rebalance their budgets. More generally, Overmans and Noordegraaf (2014) have pointed out that “almost all Dutch cities are experiencing severe fiscal stress” (p. 103). Based on their research, they have also concluded that each municipality needs to find its own strategy to deal with austerity. In the context of managing fiscal stress in practice, they see leadership skills and carefully chosen responses as crucial factors (Overmans & Noordegraaf, 2014).

Building upon previous research, Overmans and Timm-Arnold (2016) have compared municipal austerity plans in the Netherlands and North Rhine-Westphalia between 2010 and 2012. Five Dutch municipalities and five municipalities in North Rhine-Westphalia were selected, and the names of the cities were not disclosed. All the cities had more than 100,000 inhabitants, and the intention was to match similar cases in both countries. The researchers analysed a total of 1,128 separate austerity measures; these measures needed to be agreed upon in the municipal decision-making process, but were not necessarily implemented.

In general, Overmans and Timm-Arnold (2016) have concluded that “the effects of the crisis took more time to be noticeable at the local level, but municipalities are now dealing with serious levels of fiscal stress” (p. 1054 f.). Regarding the measures taken to address these circumstances, similar strategies were observed in both countries. Lowering expenses for maintenance and higher fees for municipal services, for example, were among the most typical measures introduced in all 10 municipalities under investigation. Building upon the categorisation of Overmans and Noordegraaf (2014), the austerity measures were classed slightly differently, namely as (1) organisational cuts, (2) fiscal cuts, (3) fiscal changes, and (4) organisational change. While all five Dutch municipalities used all four strategies, variation could be observed regarding the distribution. Mainly depending on the scope of organisational changes, it has been pointed out that some austerity measures can also be considered as public management reforms or parts thereof. This relates to the fact that a crisis can be used to justify long-awaited reforms. In other words, a crisis can provide a window of opportunity for public management reforms or other types of reforms and might therefore lead to broader organisational or legal changes beyond adjustments directly related to the crisis.

In the Dutch case, organisational cuts, as the most common strategy, amounted to about 30% of the austerity measures in the longer run. Fiscal change, as the least common strategy, still amounted to approximately 20% of the measures chosen, which illustrates the relatively broad use of all four strategies. The distribution between the least and most common strategy varies across the five Dutch cities. However, the variation decreases in the longer run when taking the duration of the strategies into account. According to the authors, the commonness of organisational measures also implies that the “Dutch municipalities studied aim to restore the fiscal balance indirectly by reforming and reducing organizational activity” (Overmans & Timm-Arnold, 2016, p. 1058). However, apart from many similar strategies on the surface, the exact measures vary in detail. In some cases, it is also obvious that the Financial Crisis is seen not only as a burden, but also as a reform opportunity. Regarding the process of deciding upon and implementing austerity measures at the local level in the Netherlands, it needs to be taken into account that the initiative usually originates from the municipal council or the aldermen.

Local officials develop the plans in detail before the executive board issues its approval. Discussions amongst the municipal council and council committees then follow before a final decision is taken by the council. While the austerity measures are usually planned within the municipal administration, and even though specifications by higher levels of government are relatively limited, the decision-making process within the municipality itself can be generally described as top-down and highly political, according to Overmans and Timm-Arnold (2016).

From a comparative perspective, the study has concluded that the five Dutch municipalities focused on organisational reforms and the expenditure side of the municipal budgets, while the five municipalities in North Rhine-Westphalia preferred fiscal-oriented measures with a focus on the revenue side. The general scope of measures was also influenced by the austerity plans of central government. The authors have deemed differences in the financial autonomy and administrative culture to be the key explanations for variation. It has been argued that a low degree of fiscal autonomy often leaves few options other than cutting costs, while a high degree allows for additional options, including the possibility to increase revenues in particular, which also leads to broader variation in austerity measures. More generally, other differences within the political-administrative system and the organisational structure of the local authorities can be considered as additional factors that potentially explain variation regarding municipal austerity plans. In summary, based on the insights from five municipalities in the Netherlands and five in Germany, austerity plans are not universal, but depend on politico-administrative features (Overmans & Timm-Arnold, 2016).

A single case study on the effects of the Financial Crisis on the city of Amsterdam¹⁵² has been presented by Engelen and Musterd (2010). Since the study was published in 2010, it needs to be taken into account that it captures only the early developments of the Crisis. In the case of Amsterdam, it is also important to know that the city was already hit rather heavily by the Dot-com bubble of the late 1990s and early 2000s. As a consequence, some banks and financial service firms moved to London or other destinations, and employment in financial services in Amsterdam had already been in slow decline since that time. While the troubles in the banking sector characterised the early stages of the recent Financial Crisis, the Amsterdam area, as the financial centre of the Netherlands, will face lower employment losses than other financial hubs around the world, according to the predictions of the authors. The partially more domestically oriented services provide the main explanation. A negative second-round effect is expected for the local economy in the Amsterdam region because of a declining number of tourists, also affecting Schiphol airport as a major employer.

Regarding public sector employment in the Amsterdam area, the authors (Engelen & Musterd, 2010) have argued that the state is “not only functioning as the buyer of last resort but also as the employer of last resort” (p. 705). Following this line of thought, they have argued that the public sector and public sector employment will only be affected by the Financial Crisis to

¹⁵² Amsterdam, the capital of the Netherlands, is located in the western part of the country (Province North Holland) and has roughly 850,000 inhabitants.

a relatively limited extent.¹⁵³ A moderating role of the state has also been observed in the area of real estate. In Amsterdam, the share of home ownership is relatively small, while that of social housing is relatively large. In this share of state-owned houses and apartments, speculation remained low, and the same applied to state-owned land. Based on these circumstances, a counter-cyclical effect on the local economy was postulated, since it enables the municipality to do both of the following: “stimulating growth and investment during the upswing and [...] protecting its citizens sufficiently during the downswing” (p. 707).

The economic and financial situation of the wider Amsterdam region has also been analysed as part of a study by the Organisation for Economic Co-operation and Development (2013). In the years before the Financial Crisis, the economy of the Amsterdam Metropolitan Area grew above the Dutch average. However, since most of the expansion occurred in the financial sector, the Crisis hit this region harder than others, characterised by a higher increase in unemployment, for example.¹⁵⁴ It has also been observed that major office capacities in the city remained empty as a result of the economic downturn. Moving towards a more diversified economy that is less dependent on the financial sector can be seen as the still-ongoing challenge that Amsterdam and its surrounding municipalities are facing. To improve the financial situation, the city of Amsterdam and the municipalities of the wider region implemented cut-backs in 2011. However, priority investments were still taken in areas such as information and communications technology, poverty reduction, sport events, and a new entrance to the Amsterdam central train station (Organisation for Economic Co-operation and Development, 2013, p. 53).

A book chapter by Overmans (2017) has focused on the financial resilience of four Dutch cities (Ede¹⁵⁵, Hengelo¹⁵⁶, Hoorn¹⁵⁷, and Zwolle¹⁵⁸) during the recent Financial Crisis; the cases were selected based on cities’ financial performance and financial volatility. The insights are based on interviews with local officials regarding the long-term consequences of the Crisis.

Ede experienced burdens not only because of the recent decentralisation measures without complete compensation, which are not directly linked to the Crisis, but also because of lower transfers from central government and less income for developing and selling construction land. To reach a balanced budget during the Crisis, the city had to use its reserves multiple times. Its responses to the Crisis are generally characterised by a relatively short-term focus,

¹⁵³ However, considering that women are overrepresented in the Dutch public sector, the authors have also pointed out an interesting side effect, namely that men are more likely to be affected by the Financial Crisis than women (Engelen & Musterd, 2010, p. 705 f.).

¹⁵⁴ These seemingly contradictory findings, in comparison with the study by Engelen and Musterd (2010), can be best explained by the circumstance that economic growth in recent years has mainly taken place in the surrounding municipalities, such as Amstelveen, rather than in Amsterdam itself.

¹⁵⁵ Ede is located in the centre of the Netherlands (Province Gelderland) and has about 115,000 inhabitants.

¹⁵⁶ Hengelo is located in the eastern part of the Netherlands (Province Overijssel) and has approximately 80,000 inhabitants.

¹⁵⁷ Hoorn is located in the north-western part of the Netherlands (Province North Holland) and has roughly 70,000 inhabitants.

¹⁵⁸ Zwolle is located in the north-eastern part of the Netherlands (Province Overijssel) and has about 125,000 inhabitants.

also including the reduction of operational costs, increased sale of land, and cancelling or postponing of planned investments. In addition, long-term responses involved the intention to increase administrative efficiency and the quality of partnerships with external actors (Overmans, 2017, p. 178 ff.).

Zwolle was also affected by the reduction in transfers from central government as well as losses from developing and selling construction land. However, the city had substantial resources and relatively low debts from pre-Crisis times. To address the Crisis, Zwolle employed a variety of strategies, including cost reductions, generating new sources of revenues by finding partners for new investments, terminating some public services, and postponing planned investments. Within the municipal administration, the working efficiency and the quality of partnerships with external actors, as well as risk management, were improved (Overmans, 2017, p. 180 f.).

Hengelo had not only balanced budgets and some financial reserves in the years before the recent Financial Crisis, but also high debts. The three burdens of higher expenditure, as a result of decentralisation measures, lower transfers from central government and less income from developing and selling construction land also affected the city. In addition, the high debts implied high interest payments, further reducing the city's financial leeway. Crisis responses included the termination of public services, the cancellation or postponement of planned investments, and general expenditure cuts. Starting with cuts across the board, they were shifted towards more targeted cuts further along in the process. Risk management was also improved. Lastly, shared services were introduced in the municipal administration to make the organisation more efficient (Overmans, 2017, p. 181 f.).

The three above-mentioned issues of higher expenditure also affected the city of Hoorn. An additional budgetary shock was the collapse of a theatre building under construction, implying extra costs for the reconstruction and legal settlement. Even though the city had relatively low debt before the Crisis, Hoorn's financial situation deteriorated. In the context of developing and selling land, it also needs to be taken into account that there is no municipal land left. As a consequence of the Crisis, municipal risk management was improved in particular. In addition, public services were terminated, costs were cut, and planned investments were postponed (Overmans, 2017, p. 182 f.).

Overall, similar responses to the recent Financial Crisis at the municipal level can be observed in the four case studies by Overmans (2017). Cutting costs and cancelling investments were part of the strategies of all municipalities; the former took place by reducing the number of staff members, reducing maintenance levels, and terminating certain public services. From a more practical perspective, both across-the-board and targeted budget cuts were realised. Interestingly, increases in local taxation were not reported. The respondents explained that given the small share of local taxation on the municipalities' revenue side, major increases in local taxes are necessary to generate a significant effect. Furthermore, it needs to be noted that local officials sometimes viewed the recent Financial Crisis as a welcome opportunity to improve the organisation.

The last study to be presented and discussed in this sub-chapter was published by Weske et al. (2014), with a focus on social dialogue, describing collective labour agreements and the accompanying consultation and negotiation processes, in times of austerity measures at the Dutch local level. As a result of lower budgets in the context of the Financial Crisis and the need for a reduction in public services, as well as a downgrade of municipal employment conditions, the authors have researched the role of social dialogue during this process. The situations of the two municipalities Leeuwarden¹⁵⁹ and Zwolle have been analysed in depth. The authors' general conclusion emphasises that the recent Financial Crisis did not have an impact on social dialogue at the Dutch local level. While pressure to reduce budgetary deficits was a given because of the Crisis, "social dialogue has to date been a resilient institution and has been able to influence austerity measures in which municipal budget cuts are balanced with employment interests of municipal employees" (p. 415). Following the collective bargaining, the civil servants employed at the local level even received minor wage increases between 2009 and 2014 to adjust for inflation. In 2012, a flexibilisation of the working hours was accepted in return. A personal career budget for further training and development on the job was also part of the deal. Civil servants at the national level, on the other hand, faced a payment freeze during this period.

In the case of Leeuwarden, municipal budget cuts of 14 million euro, including spending reductions on certain public services as well as on the costs of the general administration, were planned for the time period 2011 to 2017. Regarding the cuts in public services, the focus was on the following policy areas: sports, the maintenance of the public space, and social assistance. The savings within the municipal administration were planned with 3 million euro to be realised between 2011 and 2015 and 3.4 million euro between 2015 and 2017. Apart from across-the-board cuts with a scope of 5% to 10%, the spending reductions were planned to be achieved via a higher standardisation of products and services in order to increase efficiency. As a consequence of these measures, a reduction in municipal employment estimated between 80 and 100 full-time equivalents could be achieved via natural fluctuation (Weske et al., 2014).

In Zwolle, as the second case under investigation, budget cuts of 8 million euro were planned in 2010, and they were increased to 11 million euro one year later. While a cut of 5 million euro was intended to be achieved through cutbacks within the administration, the remaining 6 million euro addressed public services in different policy areas, focusing on sheltered workplaces in the context of social services, maintenance of the public space, and public safety. The reduction in administrative costs were planned to be reached via more efficient management, process optimisation, and increased co-operation with partners outside the municipal administration. Additional budget cuts of 8 million euro, split equally between the administration and public services, were introduced in 2012. Cutbacks in public services focused on the cultural sector, with lower subsidies for institutions such as museums, which also implied a reduction in the number of staff members. Within the municipal administration, savings

¹⁵⁹ Leeuwarden is located in the northern part of the Netherlands (Province Friesland) and has about 110,000 inhabitants.

mainly implied a reduction in the number of employees of various positions, including managers. Between 2011 and 2015, a total decrease of 120 full-time equivalents was planned (Weske et al., 2014).

Taken together, the six primarily quantitative studies provide insights into the developments in Dutch municipalities in the context of the recent Financial Crisis mainly based on document analyses and interviews. While this approach enables detailed insights, they are not necessarily generalisable to other municipalities or to the local level as a whole. This characteristic is a general advantage of studies with a larger number of objects of research, which will be addressed in the next sub-chapter.

9.2.2. Primarily quantitative studies on financial developments of larger groups of Dutch municipalities

Within the group of studies that have primarily applied quantitative methods, a policy paper by the Central Planning Bureau for Economic Policy Analysis (Centraal Planbureau, 2016) has identified four financial shocks that Dutch municipalities have faced in recent years and has analysed their impact from a comparative perspective. Two of these shocks are directly linked to the Financial Crisis since 2007. The studies by Allers and Bolt (2010) and Allers and Hoebe (2010) are based on two own surveys. While the former focuses on changes in municipal revenues and expenses as a result of the Financial Crisis, the latter analyses planned austerity measures as reactions to the Crisis. Furthermore, a survey by the Council of European Municipalities and Regions (2009a), in co-operation with the Association of Dutch Municipalities, has provided some information on the developments during the early phases of the Crisis. A report by van der Lei (2015) has offered further insights into changes in municipal debt. Lastly, eight mainly quantitative reports on the financial developments in municipal land development have been published by two consultancies (Deloitte, 2010; Deloitte, 2011; Deloitte, 2012; Deloitte, 2013; Deloitte, 2014; Deloitte, 2016; Deloitte, 2017; Ernst & Young, 2015).

The policy paper by the Central Planning Bureau for Economic Policy Analysis (Centraal Planbureau, 2016)¹⁶⁰ has identified four financial shocks that Dutch municipalities experienced between 2007 and 2013. The first shock was the increased need for social assistance, mainly provided by the local level in the Netherlands, as a result of the recent Financial Crisis. According to the Central Planning Bureau's calculations, the net expenses for social support increased by 17 euro per capita between 2005 and 2011. The second shock concerns social services and relates to legal changes in the Social Support Act (Dutch: *Wet maatschappelijke ondersteuning, Wmo*), including additional local-level tasks in the area of household care from 2007 onwards. In 2009, the sales of Essent and Nuon, two energy companies, marked the third shock. Almost half of all Dutch municipalities previously owned shares in the two companies, and while many municipalities benefited from the sales, it needs to be taken into account that long-term revenues in the form of dividends ceased at that point in time. Similar to the first

¹⁶⁰ See Kattenberg et al. (2016) for a summary of the research.

shock, the fourth shock is again linked to the recent Financial Crisis. As a result of the declining real estate market, the revenues of many Dutch municipalities from land development and sale decreased significantly. Taking into account development costs, which were planned in the longer run, deficits also occurred. According to the Central Planning Bureau's calculations, the decrease in net revenues in this area amounted to 55 euro per capita on average between 2007 and 2013.

All four shocks have in common that they were relatively heterogeneous and affected the municipalities to differing extents, implying wide variation in the additional burdens on municipal finances in recent years across the local level in the Netherlands. Considering changes in municipal assets and debts as possible consequences, linkages to the financial shocks could not be observed, according to the study. However, some effects might be visible on the balance sheets with a certain temporal delay, including possible variation in time periods across the local level, which complicates comparisons. Furthermore, various other socio-economic developments and political decisions imply continuous changes in the municipalities' financial positions even without specific shocks (Centraal Planbureau, 2016).

Already in early 2010, Allers and Bolt (2010) conducted a survey among Dutch municipalities on financial changes in revenues and expenses as a consequence of the recent Financial Crisis. With 174 participants, about 40% of all Dutch municipalities took part in the research. According to the overall results, the Crisis is expected to entail lower revenues and higher expenses at the Dutch local level amounting to 1,769 million euro in 2009 and 1,329 million euro in 2010. Approximately three quarters are the result of lower revenues, especially in the context of land development, while the remaining quarter concerns the expenditure side. According to the data, larger cities are expected to be more affected by these adverse financial developments than small municipalities.

Expressed in euros per capita, the decline in revenues from land development is estimated to amount to roughly 70 euro in 2009 and about 42 euro in 2010. In the cases of building permits, property taxes on immovable property, and dividends from public assets, as the three other types of income under research, the negative impact of the Crisis is expected to be much smaller. With additional expenses of approximately 10 euro per capita in 2009 and 10 euro per capita in 2010, the highest additional expenses in the context of the recent Financial Crisis are awaited in the policy area of social services. In addition to the financial changes on both sides of the budget, the survey has also included a question on counter-cyclical measures taken to address the Crisis by stimulating the economy. While the two predefined methods, namely performing investments faster than originally planned and paying bills quicker than usual, did not both take place in the majority of municipalities, financial effects of roughly 16 euro per capita in 2009 and about 42 euro per capita in 2010 were estimated in the case of the first method. While the authors have pointed out that their research focuses on the short-term effects of the recent Financial Crisis, possible long-term effects also imply the possibility of a moderation or neutralisation of previously estimated effects. Furthermore, the financial changes of only a limited number of balance sheet items were included in the research, and given the early timing of the research, most figures are preliminary (Allers & Bolt, 2010).

A second survey was realised by Allers and Hoebe (2010) in late 2010, with a focus on Dutch municipalities' austerity plans; 253 municipalities participated in this survey, which equals a response rate of about 59%. According to the results, the local level intends to reduce its expenditures by about 7% in 2011 and approximately 12% in 2012, both in relation to 2010. Expressed per capita, this implies a decrease of roughly 258 euro and 445 euro respectively. The expenditures in the policy areas of public housing and urban renewal are expected to be reduced the most. In 2011, roads and public space were expected to be the policy area with the second highest cuts; this also applied to social work in 2012. In addition to the variation across the different policy areas, larger cities also indicated plans to save more per capita than smaller municipalities. The same applies to municipalities with a weak social structure, compared to those with a strong one.

Furthermore, many municipalities stated the intention of budget cuts within their own administrations. On average, the expenditure reductions were expected to amount to about 19 euro per capita in 2011 and approximately 31 euro per capita in 2012, both in relation to 2010. Again, larger cities and municipalities with a weak social structure planned to cut more in comparison with smaller villages and municipalities with a strong social structure. Overall, it needs to be taken into account that the research by Allers and Hoebe (2010) mainly works with preliminary financial data during an early phase of the recent Financial Crisis, similar to the first study by Allers and Bolt (2010). In addition, the research is limited to a few selected policy areas.

Following the survey results of the Council of European Municipalities and Regions (2009a, p. 45 f.), in co-operation with the Association of Dutch Municipalities, 14 Dutch municipalities invested parts of their savings in Icelandic banks. The total sum was specified as 85 million euro, and it has also been pointed out that a share of the investment was transferred back. Total or individual losses were not specified. From a more general perspective, according to the survey result, Dutch municipalities, similar to many other state and non-state actors, experienced difficulties in borrowing money and had to accept higher interest rates, implying higher costs, during the early stages of the Crisis. However, this effect has certainly diminished in more recent years, and borrowing money can currently be considered as cheaper, compared to the long-term average. According to the recommendations of the VNG in February 2009, presented as part of the aforementioned study, additional expenditures at the Dutch local level should focus on investments in public lighting, the energy performance of public buildings, the energy performance of private buildings, and the renovation of national and local monuments, since an investment backlog has been identified in these areas. The total cost of potential projects is estimated at 2 billion euro.

Empirical insights into the financial developments at the Dutch local level in times of the recent Financial Crisis have also been published by van der Lei (2015) as part of an annual report by the VNG. In the context of the general increase in public debt in the Netherlands between 2007 and 2014, it has been pointed out that the debt ratios in net terms were more adverse for central government in comparison with the local level. However, the net debt of all Dutch municipalities combined was specified at 31.9 billion euro in 2014, after a significant increase from 13.6 billion euro in 2007, even though the sales of shares of two energy companies led

to unusually high municipal revenues in 2009. Overall, the financial position of the local level in the Netherlands has deteriorated in recent years because of lower revenues and additional investments. However, while the indebtedness has increased, the interest payments for the debt have even slightly decreased as a result of lower interest rates. In the context of the statistical analyses, it has also been observed that larger municipalities in terms of inhabitants experienced higher increases in debt, which also led to lower degrees of solvency. As a consequence, the expectation of a future increase in the number of article-12 municipalities has been stated, but has not yet occurred.

As an area of municipal activities extensively affected by the recent Financial Crisis, the Dutch central government and partially also the VNG commissioned private consultancies to analyse the financial changes in municipal land development. According to Deloitte (Deloitte, 2010; Deloitte, 2011; Deloitte, 2012; Deloitte, 2013; Deloitte, 2014; Deloitte, 2016; Deloitte, 2017), effects concerning the related balance sheet items are observable since 2009, and were followed by reactions by local government in the form of delaying and cancelling of development projects. The latest data have identified losses and lower revenues with regard to municipal land development amounting to about 3.5 billion euro in total. While it has also been pointed out that the book values of municipal land decreased during the recent Financial Crisis, it must be taken into account that this effect might be temporary and disappearing over time without municipal action. As part of its reports, Deloitte has also analysed the market demand and market prices for houses, flats, and office space, representing the demand side in relation to land development. While price increases for flats have once again been observed in more recent years, after continuous price decreases since the beginning of the Crisis, the demand for real estate is still volatile. Overall, Deloitte's reports are based on varying numbers of municipalities included in the different case studies, which might also be part of the explanation for why the calculations of the total Crisis effects on municipal land development in the Netherlands slightly differ over time. Regarding the predictions formulated in the reports, it needs to be noted that, in general, the annual losses and lower revenues in land development were lower than the forecasts and that also the expected sharp increase of article-12 municipalities did not occur until now.

Furthermore, a report by Ernst & Young (2015) has calculated the total financial impact of the recent Financial Crisis on municipal land development in the Netherlands to be about 4 billion euro by considering losses as well as lower revenues. The study has also pointed out the comparably higher risks of land development in the form of municipal co-operation and private-public partnerships, since the influence of the individual municipalities on the decisions taken by the joint ventures can be limited. Based on a forecasted oversupply and declining prices for flats and company sites, as well as office space to a lesser extent, Ernst & Young predicts further losses in municipal land development in the near future.

Taken together, a small number of studies have aimed to measure the consequences of the Financial Crisis since 2007 at the local level in the Netherlands by collecting data on a relatively large number of municipalities and multiple areas of crisis effects. However, most of the studies were conducted during an early phase of the Crisis, which implies mainly preliminary data

and a high uncertainty when estimating long-term effects. In addition, potential problems with the validity of survey data should be taken into account.

Reflecting on the six primarily qualitative studies, the five mainly quantitative studies, and the eight predominantly quantitative consultancy reports on the situation of Dutch municipalities in the context of the recent Financial Crisis presented and discussed above, the uniform experiences of fiscal stress and the searches for strategies to reduce expenditures describe the shared challenges in recent years, and they can be expected to remain crucial issues at least for the near future. Alongside excessive spending in the past, which in some cases has resulted in relatively high levels of existing debts, the Financial Crisis since 2007 can be considered as the main reason for the various cutback initiatives discussed in local political bodies, sometimes also gaining wider public attention, and implemented in the last few years. However, since only a relatively small group out of the almost 400 Dutch municipalities was included in some studies, which might not be representative of local government in the Netherlands as a whole, while other studies mainly worked with preliminary financial data or focused on selected policy areas, questions remain regarding the overall patterns of financial development at the Dutch local level in the context of the Financial Crisis since 2007 and the factors responsible for variation. Therefore, official financial data of all Dutch municipalities will be analysed in the following chapters as the main contribution of this study. Starting with aggregated data on financial changes in all Dutch municipalities combined in order to assess common developments, the statistical analyses will continue with a focus first on variation between the municipalities and then on the explaining factors.

10. Empirical analyses of the impact of and responses to the recent Financial Crisis at the local level of government in the Netherlands

After presenting and discussing different policy reports as well as academic publications on countermeasures and political intentions addressing the recent Financial Crisis in the Netherlands, mainly including cutbacks in different policy areas, partially also implying changes in municipal finances, as well as a number of scholarly studies on relatively small groups of municipalities and their experiences during the Crisis, this chapter will analyse official government statistics, provided by the Central Agency for Statistics (Dutch: Centraal Bureau voor de Statistiek, CBS), to answer the question of how the financial position of the Dutch local level has actually changed in recent years. In other words, the relation between political ambitions and the financial reality will be investigated from a quantitative perspective. The main objective is to identify balance sheet items and policy areas with noticeable changes in recent years in comparison with the long-term trends. Taken together, these analyses will constitute the first empirical component of this study.

Accordingly, the following sub-chapters will address in detail the long-term developments in municipal finances as well as the changes on the revenues and expenditures side in more recent years. Also, against the background of public finances generally being highly path-dependent based on multi-year planning and with often relatively long contractual periods, the first sub-chapter presents a brief overview of the financial developments since 1900, and it pays closer attention to the changes since 2000, including figures such as the balance sheet total of all municipalities combined and total municipal debt (10.1). Then, sub-chapter (10.2) provides more detailed insights into the changes in municipal revenues and expenditures within the different policy areas with municipal competences between 2004 and 2014. In the last sub-chapter (10.3), special attention is paid to the developments of the different types of municipalities' own income between 2004 and 2015.

10.1. Municipal finances from a long-term perspective

Government budgets, which are comprised of revenues and expenditures, are generally planned for the longer run and continuously adjusted in detail. Most public services, representing offers for citizens they make use of more or less frequently, for example, are usually provided with an open time horizon. While the number of users of a certain public service and an obligatory usage fee, if applicable, can change – which also applies to tax revenues, based on the number of taxpayers and tax rates – a large share of the cost arising from the provision of public services and the collection of taxes is generally relatively stable, at least in the short term. Changes in the financial affairs of public bodies are usually incremental, thereby also guaranteeing a certain degree of continuity. While major shifts in public finances are not impossible, as the example of the Dutch central government's reactions to the banking crisis already illustrated, events of this dimension are an exception in relation to rather continuous financial developments over decades or even centuries. More generally, far-reaching changes

in public finances are almost exclusively caused by different types of crises or large-scale reforms. However, the developments of Dutch municipal finances since 1900 (10.1.1) as well as the developments since 2000 (10.1.2), including a number of key figures in both cases, are illustrated and discussed in the two following sub-chapters.

10.1.1. Financial developments since 1900

Aggregated financial data of the Dutch local level are provided by the Central Agency for Statistics from 1900 onwards (Dataset: Municipal finance from 1900). The dataset includes information on income and expenses, as well as the resulting balance and potential debts accumulated over time. All figures in this sub-chapter are directly based on data extracted from municipal accounts and are therefore not adjusted for inflation. An overview of the total income and total expenses of all Dutch municipalities between 1900 and 2015, both illustrated as positive values, is provided in figure 2. However, it must be noted that the data for 2015 are preliminary, while all the other data are definitive.¹⁶¹

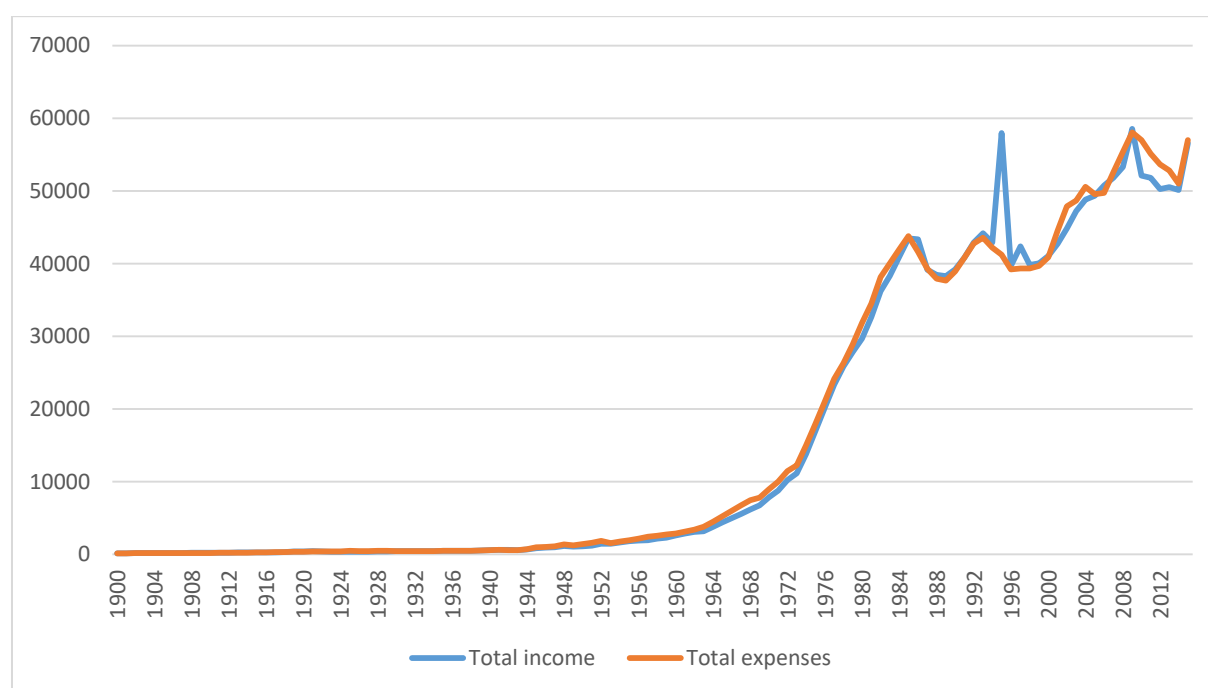


Figure 2: Total income and total expenses of all Dutch municipalities combined in million euro, 1900–2015 (Data source: CBS, Municipal finance from 1900)

In the course of more than 100 years, the financial positions of both sides of the budgets of all Dutch municipalities combined increased significantly. Starting with revenues of 158 million euro and expenses of 161 million euro in 1900, both converted from Dutch guilder,¹⁶² the total

¹⁶¹ The same applies to all further analyses in chapter 10.1.

¹⁶² The same applies to other financial data addressing the years before 1999.

sums amounted to 56.537 billion euro on the income side and 57.010 billion euro on the expenditure side in 2015. However, looking at the developments over time, the expansion was not constant.¹⁶³

While having an increasing tendency, the financial resources of the Dutch local level were relatively limited in nominal terms before the 1950s and 1960s. A major expansion began in the following years, lasting until the mid-1980s, which corresponds to the general extension of welfare states in the Western world during this period of time. However, fluctuations with a continuing overall increasing tendency characterise Dutch municipal finances in the times since then. In the years before 2009, it can also be observed that municipal revenues and expenditures developed relatively homogenously, while a wider gap between the two figures can be recognised in the following years.

The peak in municipal income in 1995 describes an exception originating from organisational changes in municipal housing. Before 1995, housing corporations received annual subsidies from central government. Those subsidies were abolished and bought off for approximately 16 billion euro or 5% of the GDP, resulting in the particularly high municipal revenues in one year (Bos, 2013, p. 39). Apart from the municipal housing reform, three other important events that impacted on municipal finances have also been pointed out by the CBS within the dataset. The first event involved changes in the financing of retirement homes, resulting in an additional 2 billion euro on the municipalities' income side in 1986. Second, the shares of Nuon and Essent, two energy companies, were sold, resulting in municipal gains of 5.2 billion euro in 2009. The third event addresses the recent decentralisation measures as of 2015, already discussed in chapter 7.5.1. As a result of the transfer of tasks and responsibilities from central to local government in three policy areas, generally addressing social affairs, the CBS expects municipal revenues and expenses to increase by approximately 4 billion euro.

To gain a more detailed impression of municipal finances in the Netherlands, figure 3 builds upon figure 2 and illustrates the development of municipal total income and total expenses per person. Again, income and expenses are pictured as positive values.

¹⁶³ See also Steen and Toonen (2010) for an overview of the developments of Dutch municipal finances between 1900 and the 2000s, as well as Toonen (1991) for changes between the 1950s and 1980s.

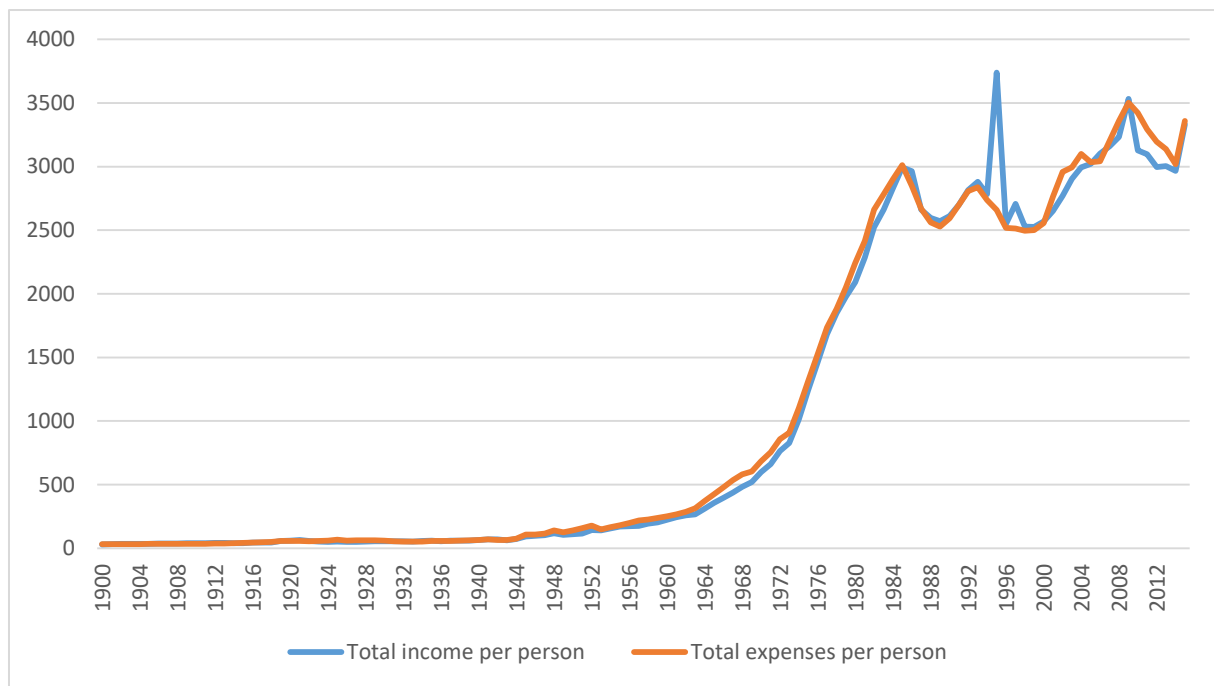


Figure 3: Total income and total expenses of all Dutch municipalities combined in euro per person, 1900–2015 (Data sources: CBS, Municipal finance from 1900; CBS, Population, households and population development from 1899; own calculations)

As a result of the relatively constant growth of the Dutch population since 1900, the courses of the graphs in figure 2 and figure 3 are similar. However, the data on municipal income and expenses per person offers better insight into the general extent of public service provision at the local level. As pointed out before, the main increase in municipal budgets started around the 1950s and lasted until the mid-1980s. During this period, municipal income and expenditure per person grew more than fifteen-fold, from less than 200 euro per person to about 3,000 euro per person. While the developments in the following years also included decreases in municipal income and expenditure, an overall increasing tendency on both sides of the balance sheet can be observed.

Debts or surpluses are the results of unbalanced budgets. An overview of the development of the annual balance of income and expenses of all Dutch municipalities combined is presented in figure 4. The data originate from the same dataset as the previous figures and cover the time period from 1900 to 2015 as well.



Figure 4: Total balance of income and expenses of all Dutch municipalities combined in million euro, 1900–2015 (Data source: CBS, Municipal finance from 1900)

While the time period between the 1960s and mid-1980s was characterised by municipal deficits, expressed by negative values in figure 4, the following years until 2000 mainly entailed a positive balance, as the positive values illustrate. The highest surplus was achieved in 1995 as a result of the reform in municipal housing described before. In general, the nominal nature of the data needs to be taken into account when assessing the total municipal balance and accompanying debts and surpluses over time. However, recent years have been more volatile, as the graph illustrates, including the highest deficits in absolute figures of 4.913 billion euro in 2010 and declining deficits in the following years.

Since municipal income and expenses have generally grown over the last century, the balance as share of the total budget can be considered as more informative when analysing the overall developments in the longer run. Therefore, figure 5 illustrates the total balance of all Dutch municipalities as share of the total municipal expenses between 1900 and 2015.

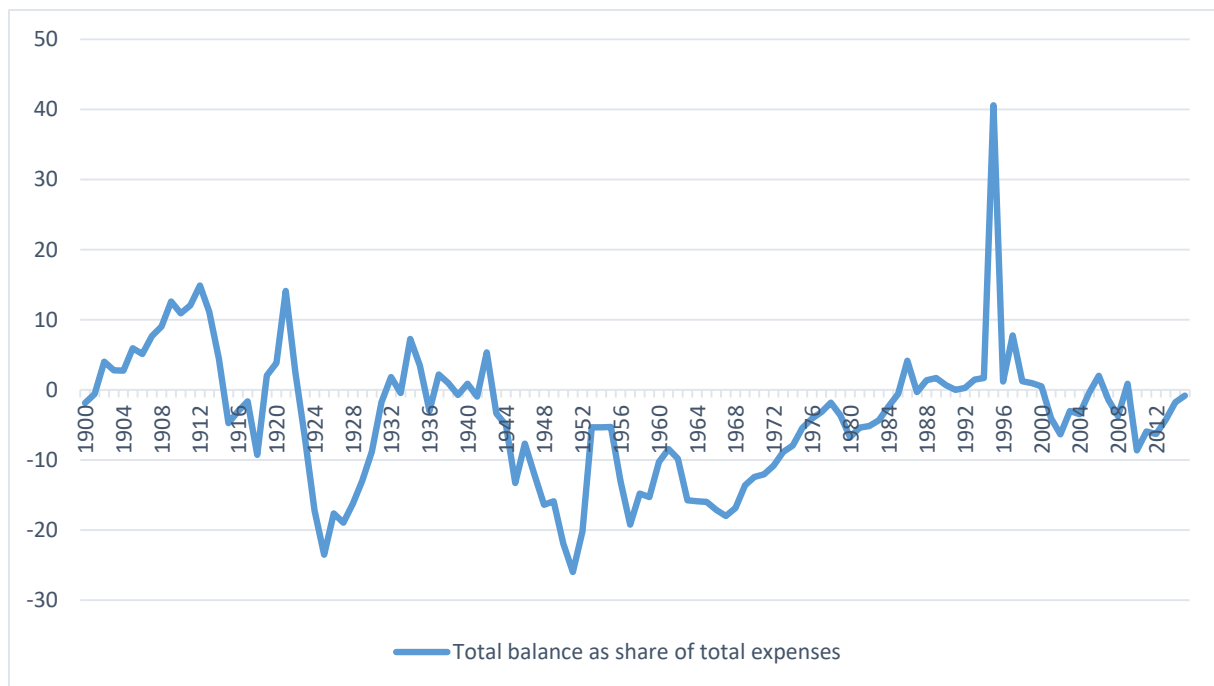


Figure 5: Total balance of income and expenses as share of the total expenses of all Dutch municipalities combined, 1900–2015 (Data source: CBS, Municipal finance from 1900; own calculations)

Interestingly, figure 5 indicates a different picture, compared to figure 4, at least for the years before the 1980s. Relatively high surpluses, which exceeded 10% of the total expenses, were achieved in the late 1900s and early 1910s as well as in 1921, apart from the previously mentioned exception of 1995, as the positive values in figure 5 illustrate. The highest annual budget deficit at the Dutch local level in relative terms occurred in 1951, with a scope of approximately 26%, pictured on the negative range of the scale. Also, in the late 1920s and early 1930s, during the Great Depression, the municipal balance sheets closed with major deficits, partially exceeding 20%. Relatively high deficits can also be observed from the late 1940s until the early 1970s, often exceeding the level of 10%. The deficits in relative terms in more recent years, on the other hand, were generally lower, compared to the deficit levels more than 40 years ago.

However, high debts are the usual consequence of continuous deficits over time. The development of the total debt of all Dutch municipalities since 1900 combined is presented in figure 6, whose data originate from the same dataset already used for the previous elaborations.

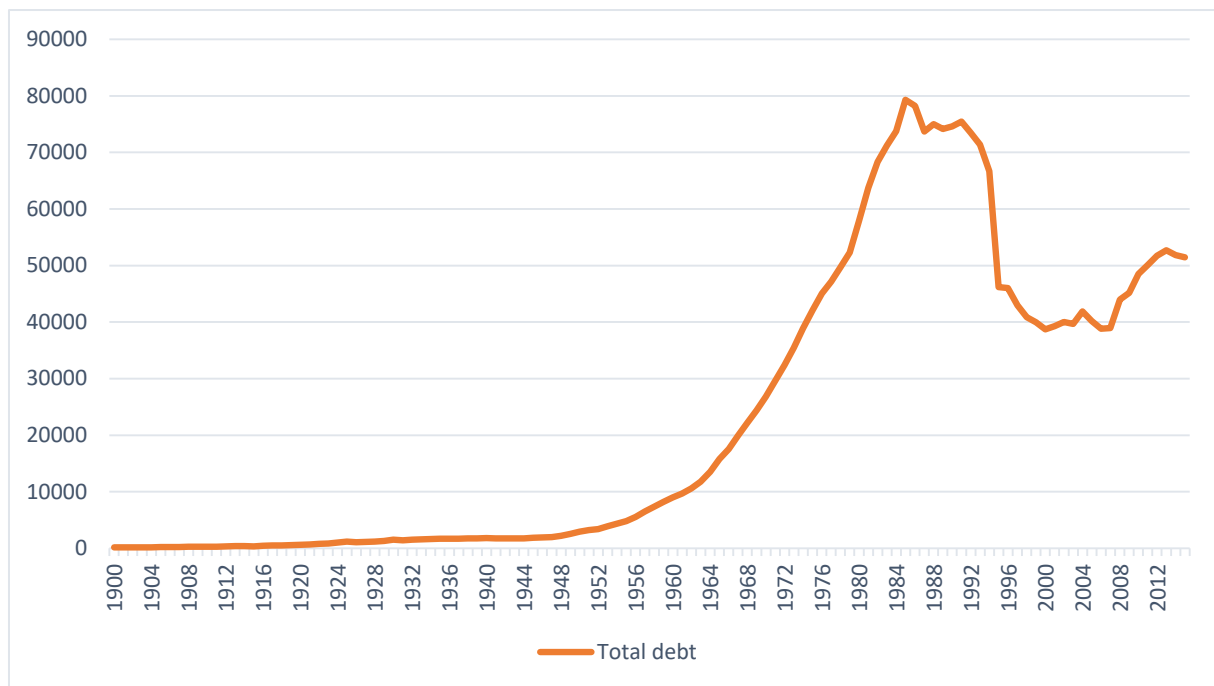


Figure 6: Total debt of all Dutch municipalities combined in million euro, 1900–2015 (Data source: CBS, *Municipal finance from 1900*)

Between 1900 and the mid-1980s, the total debt of all Dutch municipalities combined, depicted as positive values in figure 6, grew relatively exponentially, reaching its all-time high of 79.286 billion euro in 1985. Especially during the 1960s and 1970s, local government debt also amounted to the most relevant share of total government debt in the Netherlands (Bos, 2013, p. 32 ff.). In the years after 1985, debts were reduced significantly, also as a result of the replacement payments for subsidies in the context of the previously explained municipal housing corporations in 1995. In the late 1990s and early 2000s, municipal debts maintained at a relatively constant level of about 40 billion euro, which is half the value of that in the mid-1980s. However, in more recent years, including the time period of the Financial Crisis, the total debt of the Dutch local level increased again. By the end of 2015, the total debt of all Dutch municipalities combined was reported at 51.437 billion euro.

Considering debt in the context of public finances, debt per person as a relative measure is usually more illustrative in comparison with the total amount. Therefore, an overview of the development of this indicator since 1900 is presented in figure 7.

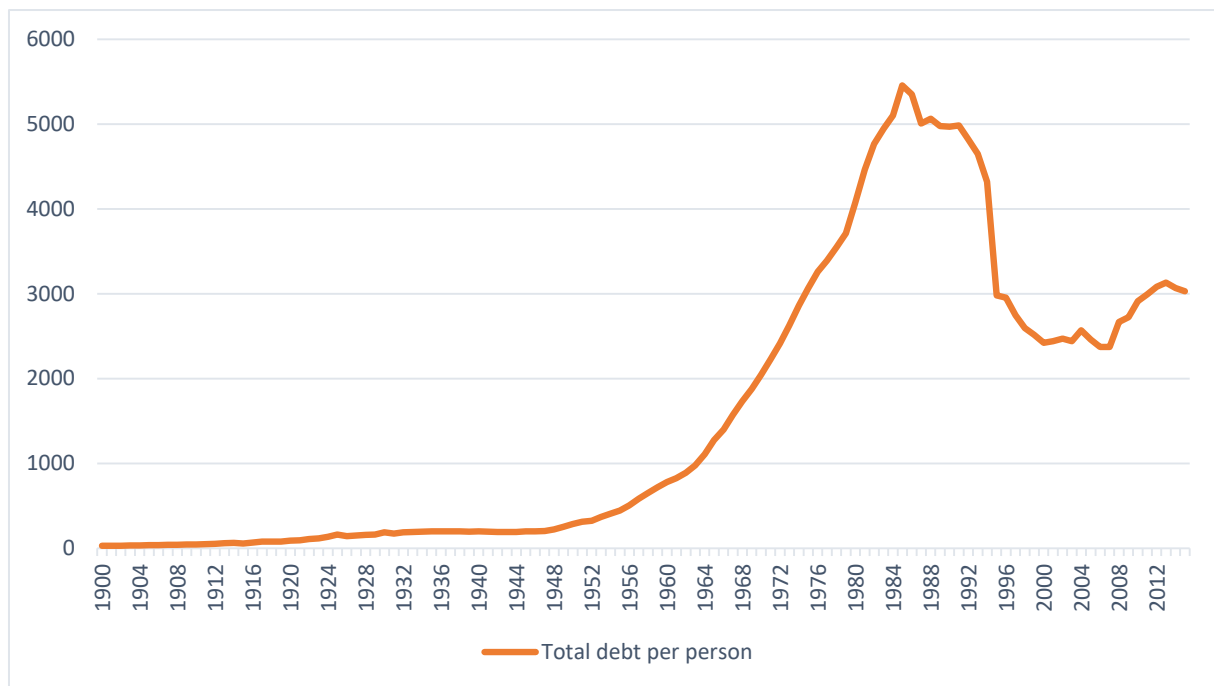


Figure 7: Total debt of all Dutch municipalities combined in euro per person, 1900–2015 (Data sources: CBS, Municipal finance from 1900; CBS, Population, households and population development from 1899; own calculations)

Based on the relatively linear increase in the Dutch population since 1900, as already pointed out in the context of the developments of income and expenses at the Dutch municipal level per capita, the debt per person evolved comparable to the total local debt, and liabilities are again pictured as positive values in figure 7. After a rather exponential increase over decades, the highest indebtedness was reached in 1985, when every Dutch citizen had an average municipal debt of 5,457 euro. The decrease in the following years resulted in a relatively stable debt level of approximately 2,500 euro per person in the late 1990s and early 2000s. However, in later years, a time period that was characterised by the Financial Crisis, the municipal debt level of 3,000 euro per person was surpassed again.

As pointed out at the beginning of this sub-chapter, the data presented therein are not adjusted for inflation,¹⁶⁴ but represent figures directly taken from municipal accounts. However, in the context of financial developments, for example in the area of municipal finances, inflation rates can be considered in order to understand balance sheet totals and other key monetary figures in relation to the accompanying purchasing power, which is particularly important if the purchasing power was subject to major changes. In economic analyses, the inflation rate is usually calculated by the annual percentage change in a price index. In this regard, consumer price indices (CPIs), which indicate the price level of a typical market basket, consisting of goods and services purchased by an average household, are most common. The annual percentage changes in the official Dutch consumer price index between 1900 and 2016, calculated by the CBS, are illustrated in figure 8. Positive values denote years of inflation, and negative values indicate years of deflation.

¹⁶⁴ The data of the more detailed analyses from the next sub-chapter onwards, on the other hand, will be adjusted for inflation.

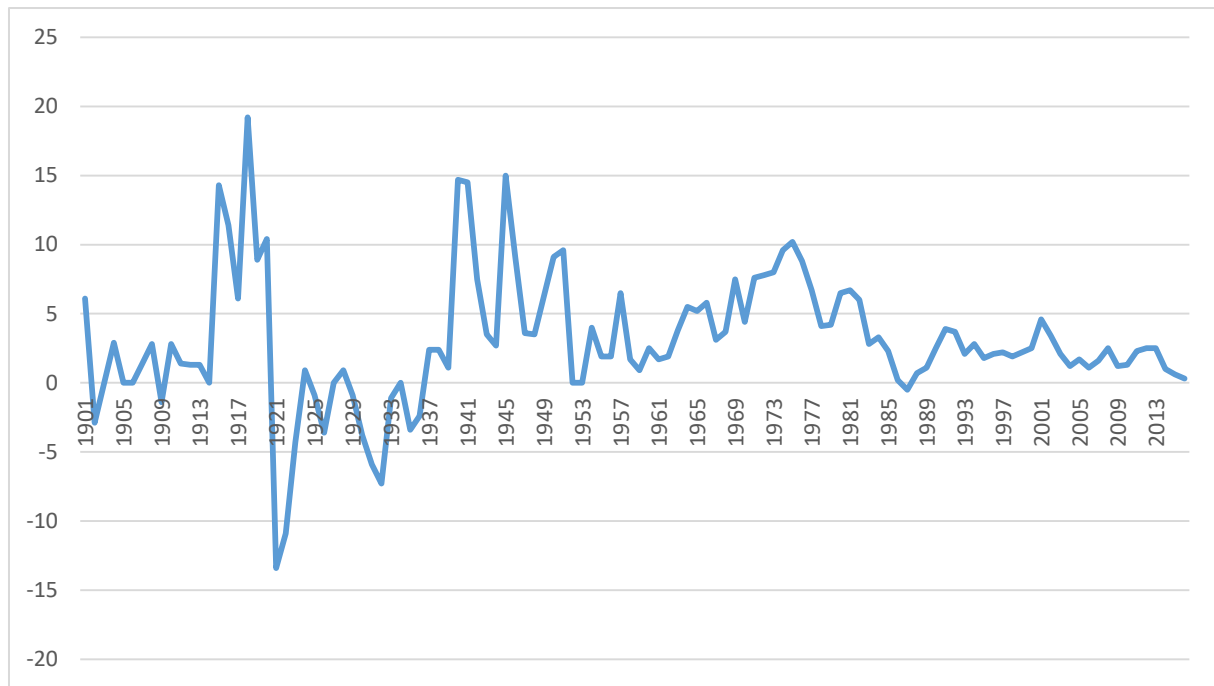


Figure 8: Annual percentage changes in consumer prices, 1901–2016 (Data source: CBS, Consumer prices; price index 1900 = 100)

First, reflecting on the inflation and deflation rates in the Netherlands since 1900, expressed by the consumer price index, declining fluctuations can be observed. While the highest peaks were recorded in the first half of the 20th century, the annual inflation rates since 1988 are below 5%. Years of deflation can be observed in the 1920s and 1930s as well as in 1987. Overall, the price stability has increased in the Netherlands over the last century.

In summary, the balance sheets of Dutch municipalities have significantly increased in nominal terms over the last century. Although balanced budget laws apply to the local level, the municipalities build up increasing debts over time. Debt reductions in the 1990s can be explained by a reform in municipal housing. Furthermore, recent renewed increases in municipal debt correlate temporally with the time period of the Financial Crisis. However, following this rather historical overview, which is intended to introduce the position of Dutch municipal finances and accompanying path dependencies from a long-term perspective, the following sub-chapter will examine the developments since 2000 in more detail to move the attention closer to the times of the Financial Crisis.

10.1.2. Financial developments since 2000

In line with the focus of this study on the Financial Crisis since 2007, more detailed insights into the financial situation of the Dutch local level in recent years are provided next. To take inflation and changes in the purchasing power into account, the financial data are adjusted to

the Dutch consumer price level of the year 2007, unless stated otherwise.¹⁶⁵ Figure 9 includes the data on municipal total income and total expenses that were already presented in figure 2, but limited to the time period from 2000¹⁶⁶ to 2015. Income and expenses are again pictured as positive values.

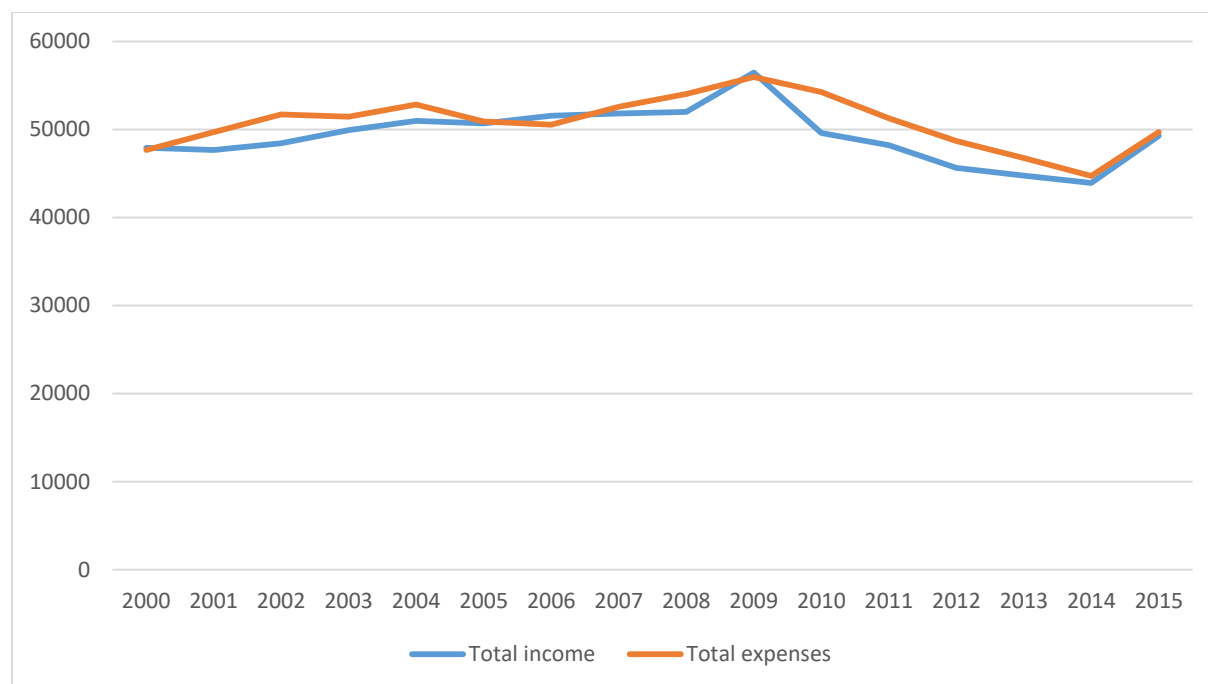


Figure 9: Total income and total expenses of all Dutch municipalities combined in million euro (adjusted for inflation, consumer price level of the year 2007), 2000–2015 (Data sources: CBS, Municipal finance from 1900; CBS, Annual change of the consumer price index from 1963; own calculations)

Based on this closer inspection, it can be observed that municipal total revenues and total expenditures increased by roughly 15%, or 8 billion euro, between 2000 and 2009. After this recent peak slightly above 55 billion euro on both sides of the municipal budgets, the following years until 2014 were characterised by a downward trend towards 45 billion euro. In other words, municipal total income and total expenses decreased by approximately 10 billion euro, or 18%.

In 2015, total local revenues and total expenditures increased again in the Netherlands, largely as a result of the decentralisation measures, implying additional municipal tasks and responsibilities, as already outlined in chapter 7.5.1. In this context, the CBS's estimated expansion of municipal budgets of about 4 billion euro as a result of the decentralisation measures, can also be understood when looking at the graph in figure 9. However, what can be considered

¹⁶⁵ The year 2007 was chosen as the baseline, since it represents the last year before the first consequences of the recent Financial Crisis became evident in the Netherlands. According to the CBS, the Dutch consumer price index (CPI) changed in relation to the previous year between 2000 and 2015 as follows: 2000: 2.6%; 2001: 4.5%; 2002: 3.4%; 2003: 2.1%; 2004: 1.2%; 2005: 1.7%; 2006: 1.1%; 2007: 1.6%; 2008: 2.5%; 2009: 1.2%; 2010: 1.3%; 2011: 2.3%; 2012: 2.5%; 2013: 2.5%; 2014: 1.0%; 2015: 0.6% (Data source: CBS, Annual change of the consumer price index from 1963).

¹⁶⁶ Apart from some disputes regarding the exact beginning of the recent Financial Crisis, the year 2000 was chosen to provide a number of benchmark values by including the years shortly before the beginning of the Crisis.

as most interesting in the graph is the gap between total income and total expenses, implying unbalanced budgets, which is most notable between 2009 and 2014. During this period, the expenses were higher than the income, which describes an unfavourable budgetary scenario. Also, by taking into account the long-term developments since 1900, as presented in figure 2, the gap between income and expenditure is largest during this period in absolute terms. Interestingly, the period of time correlates, at least temporally, with the years of the recent Financial Crisis.

Closely related to the total balance sheets, and building upon figure 3, the inflation-adjusted developments of the average municipal total income and total expenses per person between 2000 and 2015 are illustrated in figure 10. In this figure, both income and expenses are also pictured as positive values.

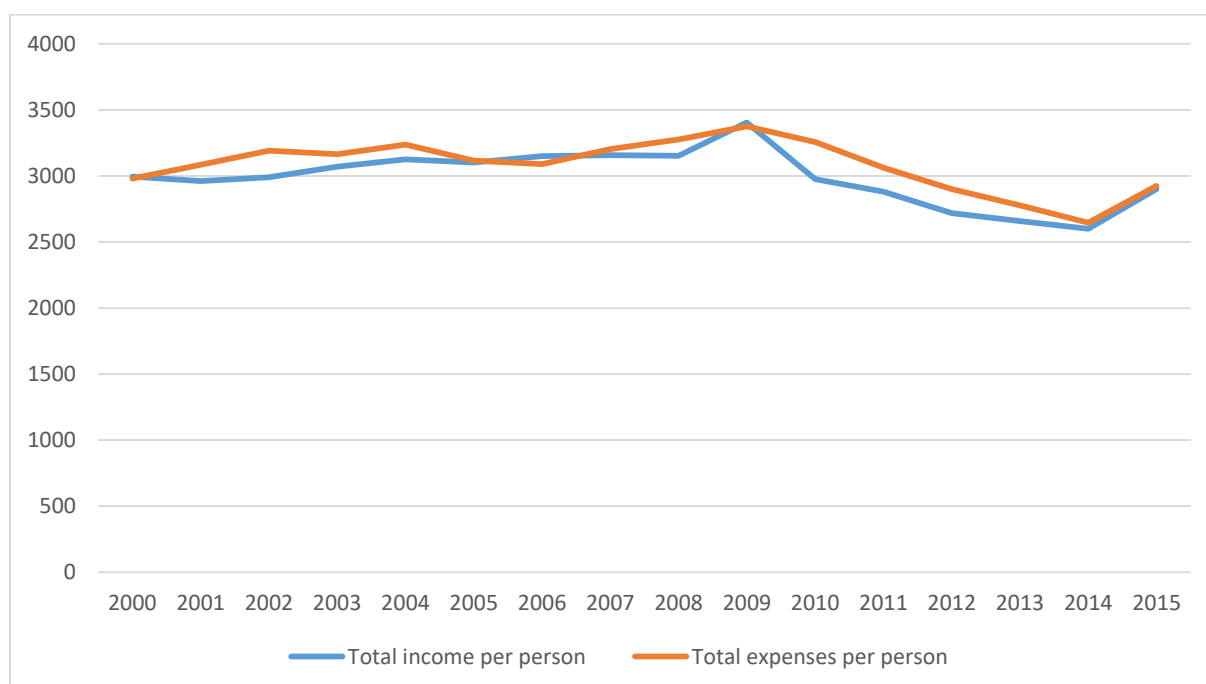


Figure 10: Total income and total expenses of all Dutch municipalities combined in euro per person (adjusted for inflation, consumer price level of the year 2007), 2000–2015 (Data sources: CBS, Municipal finance from 1900; CBS, Population, households and population development from 1899; CBS, Annual change of the consumer price index from 1963; own calculations)

Based on to the stable growth of the Dutch population, the developments of the average municipal total income and total expenses per person were relatively similar to those of the total income and total expenses at the local level, presented in figure 9. Starting with an average total income and total expenses of about 3,000 euro per person in 2000, an increase to 3,500 euro followed on both sides of the budget until 2009. The subsequent decrease between 2009 and 2014 implied a 1,000 euro reduction in the average total income and total expenses per citizen. A renewed increase to 3,000 euro followed on both sides of the budgets in more recent years and can be considered as mainly being caused by the corresponding decentralisation measures.

Building upon figure 4, the following figure 11 illustrates the inflation-adjusted development of the total balance of Dutch municipalities between 2000 and 2015.

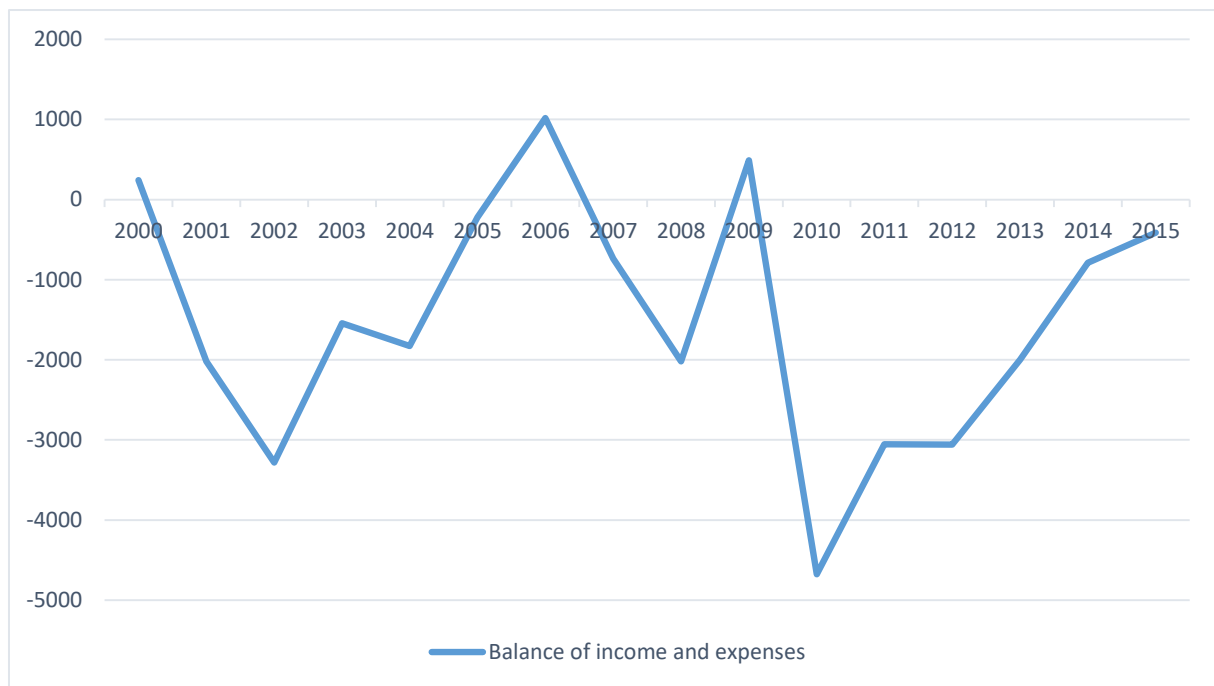


Figure 11: Total balance of income and expenses of all Dutch municipalities combined in million euro (adjusted for inflation, consumer price level of the year 2007), 2000–2015 (Data sources: CBS, Municipal finance from 1900; CBS, Annual change of the consumer price index from 1963; own calculations)

Considering the years between 2000 and 2015, all Dutch municipalities combined achieved budget surpluses only in 2000, 2006, and 2009, as the positive values in figure 11 illustrate. With approximately 1 billion euro, the highest surplus in later years was realised in 2006. All the other years resulted in total municipal deficits, which are pictured as negative values. On closer inspection, these were the highest in 2010, with 4.676 billion euro, followed by relatively high deficits above 3 billion euro in the two subsequent years.

For a better understanding of the municipal surpluses and deficits in relative terms, the total balance of income and expenses as share of the total expenses of all Dutch municipalities between 2000 and 2015 is presented in figure 12, building upon figure 5.

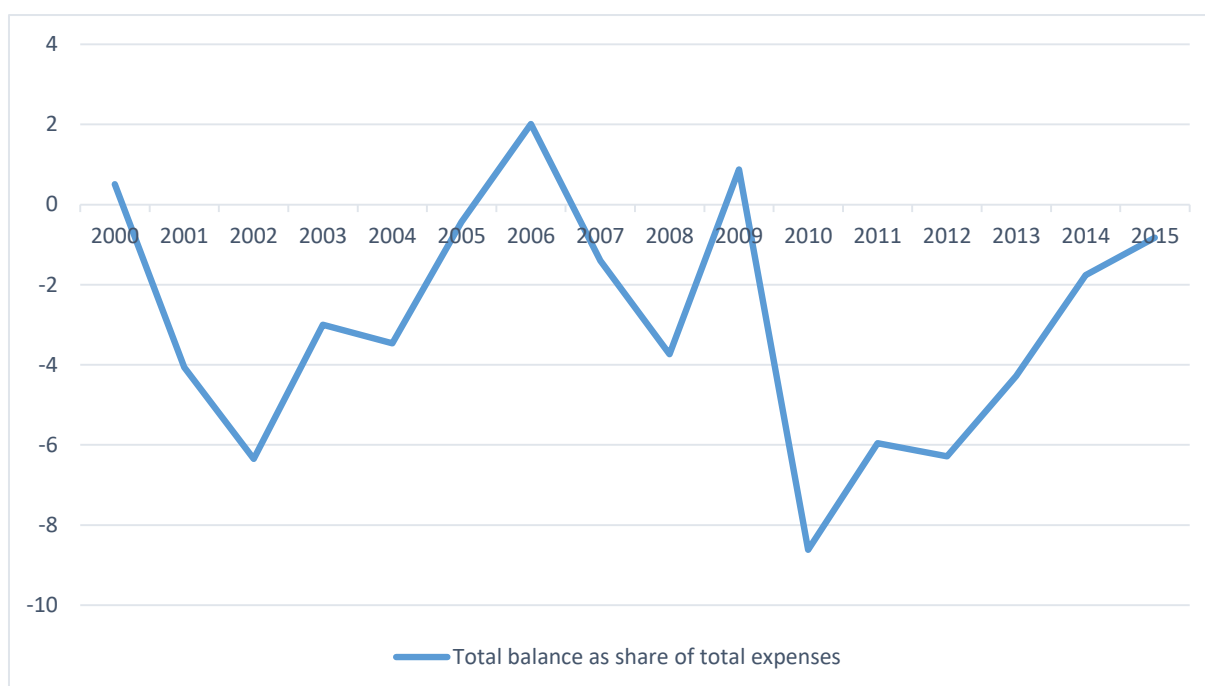


Figure 12: Total balance of income and expenses as share of the total expenses of all Dutch municipalities combined (adjusted for inflation, consumer price level of the year 2007), 2000–2015 (Data sources: CBS, Municipal finance from 1900; CBS, Annual change of the consumer price index from 1963; own calculations)

As previously mentioned, the annual total accounts of all Dutch municipalities combined were mostly negative in the years since 2000; especially between 2009 and 2014, particularly unfavourable budgetary developments could be observed, as the negative values in figure 12 illustrate. Expressed as the share of the total expenses, the highest deficit was reached in 2010, with 8.6%. In the two following years, the annual deficit amounted to about 6%.

Following the logic that deficits often lead to increasing levels of debt in the longer run, figure 13 illustrates the inflation-adjusted development of the total municipal debt in the Netherlands between 2000 and 2015, building upon figure 6.

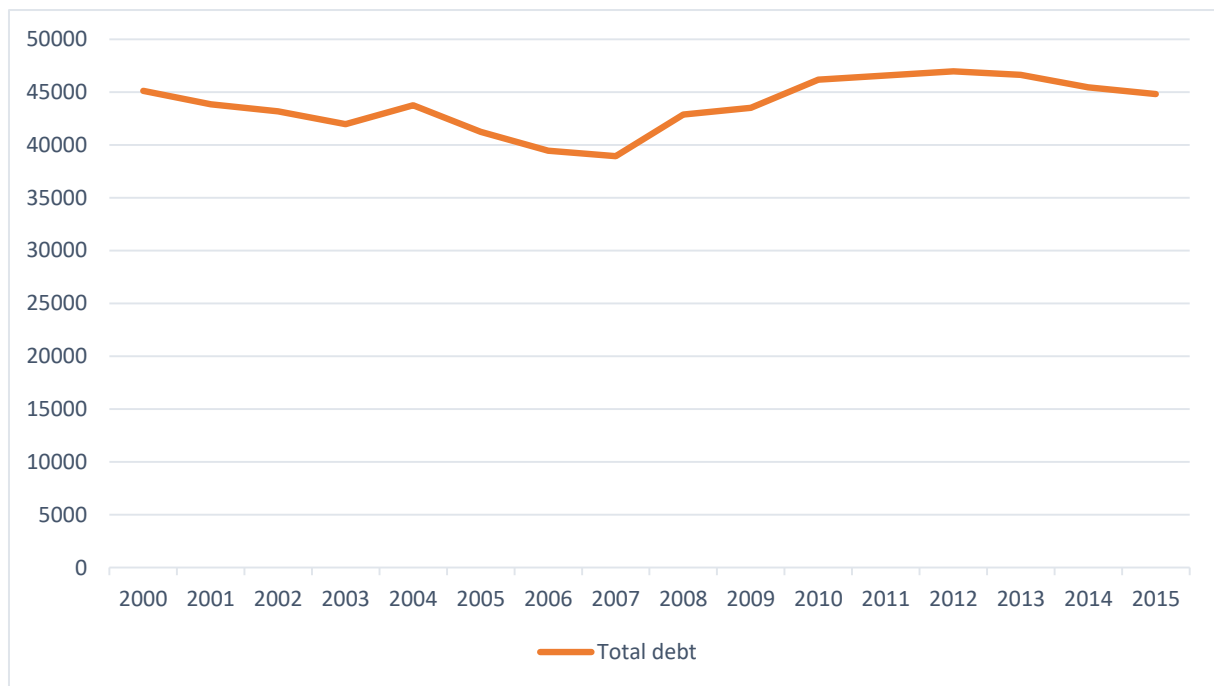


Figure 13: Total debt of all Dutch municipalities combined in million euro (adjusted for inflation, consumer price level of the year 2007), 2000–2015 (Data sources: CBS, Municipal finance from 1900; CBS, Annual change of the consumer price index from 1963; own calculations)

While municipal debt, pictured as positive values in figure 13, decreased in the Netherlands between 2000 and 2007, an increase can be observed in the following years until 2012. This rise from roughly 40 billion euro to about 47 billion euro corresponds to a growth of approximately 18% in only five years. In the following years, the total debt of the Dutch local level remained relatively stable with a minor decreasing tendency.

Closely related, the accompanying inflation-adjusted development of the average municipal debt per person in the Netherlands between 2000 and 2015 is illustrated in figure 14.

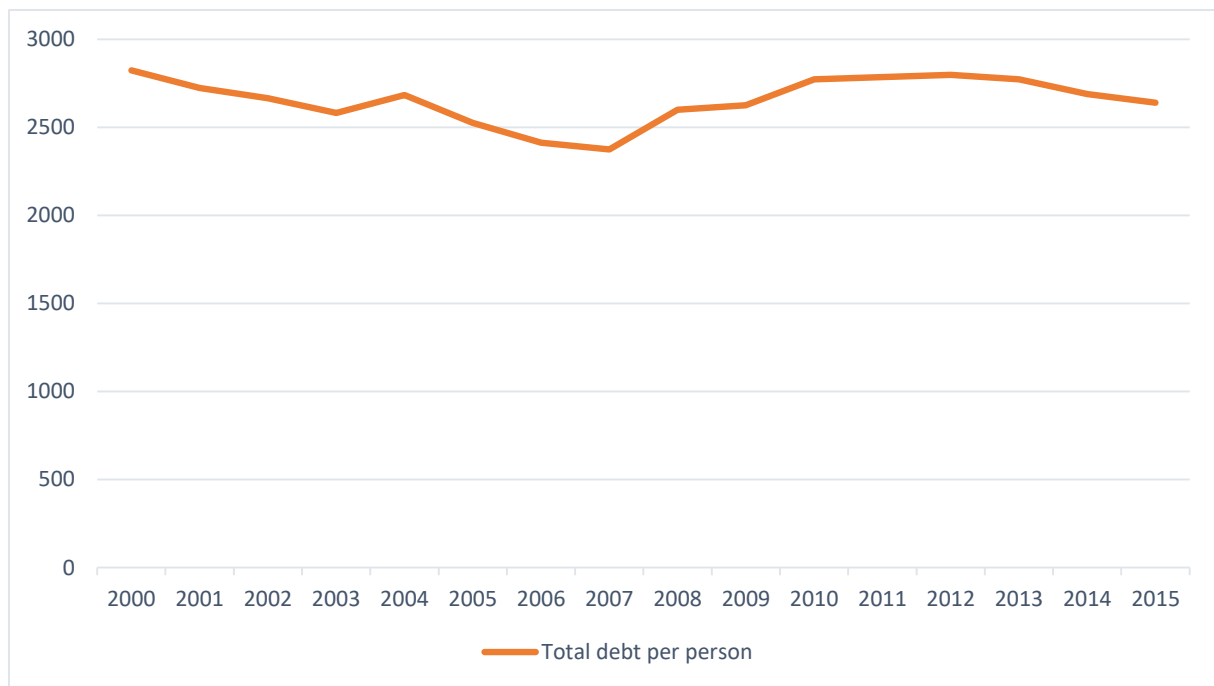


Figure 14: Total debt of all Dutch municipalities combined in euro per person (adjusted for inflation, consumer price level of the year 2007), 2000–2015 (Data sources: CBS, Municipal finance from 1900; CBS, Population, households and population development from 1899; CBS, Annual change of the consumer price index from 1963; own calculations)

Based on the relatively linear growth of the Dutch population, as pointed out before, the course of the average municipal debt per person developed comparable to the total municipal debt, as the positive values in figure 14 illustrate. Between 2000 and 2007, the local debt per person decreased below 2,500 euro, followed by an increase until 2012. A minor decrease subsequently took place in the three following years. As of 2015, the average municipal debt per person in the Netherlands amounted for roughly 2,640 euro.¹⁶⁷

As argued before with a focus on the national level, the recent Financial Crisis hardly affected the Netherlands before late 2008. Considering the regular budgetary process, apart from crisis budgeting and back-room decisions taken in the middle of the night, such as in the case of some bank bailouts, as well as the role and functioning of the sub-national level in the Netherlands, Crisis effects can be expected with a further time shift in comparison with central government. However, in 2008, the balance of all Dutch municipalities combined had a negative inflation-adjusted total of 2.018 billion euro, followed by a positive total of 492 million euro the year after. The years 2010, 2011, and 2012 rank first, fourth, and third respectively in terms of the highest negative balance totals of Dutch municipalities since 2000. The negative balance amounted to 4.676 billion euro in 2010, 3.054 billion euro in 2011, and 3.059 billion euro in 2012. With 2.001 billion euro, the deficit in 2013 was still relatively large. In 2014 and 2015, Dutch municipalities still spent 788 million euro and 412 million euro more, respectively, than they earned. Taken together, the expenses of Dutch municipalities exceeded their revenues by 15.516 billion euro between 2008 and 2015.

¹⁶⁷ See appendix 3 for a summary of the official financial data of the Dutch local level between 2000 and 2015 in nominal terms, not adjusted for inflation.

On the one hand, while a direct link between these financial developments and the recent Financial Crisis is not provided yet, high imbalances in Dutch municipal finances can be observed during the times of the recent Crisis. On the other hand, a correlation to the electoral cycle in line with the argument of increasing expenditure before elections cannot be observed.¹⁶⁸ As also already mentioned before, apart from all fiscal stress in recent years, the number of article-12 municipalities did not increase since the beginning of the Financial Crisis. An increase could possibly point to structural problems unlike problems of individual municipalities.

Taking the above-mentioned findings together, a comparably extensive gap between the total inflation-adjusted municipal expenses and income can be observed in the Netherlands between 2009 and 2014, while both figures decreased. Accordingly, inflation-adjusted municipal debt grew during this period of time. However, to gain better insights into the municipal tasks and related policy areas responsible for the financial changes and financial stress, more detailed analyses will follow in the next sub-chapter.

10.2. Developments of municipal revenues and expenses in the different policy areas in recent years

After providing an overview of the financial situation of local government in the Netherlands since 1900, this chapter will address the developments in recent years in more detail based on aggregated financial data also provided by the Central Agency for Statistics (Dataset: Municipal accounts (revenues and expenses by region and by size)). While the changes in the total net balances of all 10 policy areas with municipal responsibilities, as well as varying numbers of balance sheet items within these policy areas, will primarily be analysed, it needs to be taken into account that all the items contain both income and expenditure.¹⁶⁹ Levying a certain tax, for example, implies administrative costs for collecting the money.¹⁷⁰

However, to first provide an impression of the importance of the different policy areas at the local level in the Netherlands, represented by the corresponding balance sheet categories, table 19 provides an overview of the revenues and expenses within the different categories, as well as their share as part of the total budget of all municipalities combined in 2014. The data are not adjusted for inflation, based on the intention to illustrate the scope of the budgets in nominal terms as well.

¹⁶⁸ Regular municipal elections take place in the Netherlands every four years, with the most recent election having occurred in 2018. Representatives at the provincial and national levels are elected for four years as well, and early elections were held several times at the national level in recent decades (Kiesraad, 2018).

¹⁶⁹ See appendix 2 for a more detailed subdivision of policy areas with municipal expenses and revenues.

¹⁷⁰ See appendix 4 for an overview of the balance of revenues and expenses of all Dutch municipalities combined in nominal terms, not adjusted for inflation.

Table 19: Revenues and expenses of all Dutch municipalities combined in the different policy areas in 2014 (Data source: CBS, Municipal accounts (revenues and expenses by region and by size); own calculations)

	Revenues (in billion euro)	Revenues (percentage share of all revenues)	Expenses (in billion euro)	Expenses (percentage share of all expenses)	Balance of revenues and expenses (in billion euro)
General administration	0.721	1.36	3.416	6.42	-2.695
Public order and safety	0.134	0.25	1.796	3.38	-1.661
Traffic, transport and water management	1.797	3.38	5.124	9.63	-3.326
Economic affairs	0.801	1.51	0.914	1.72	-0.114
Education	0.821	1.54	3.109	5.84	-2.288
Culture and recreation	0.817	1.54	5.233	9.83	-4.416
Social services	10.284	19.33	16.874	31.71	-6.590
Public health and environment	4.119	7.74	5.259	9.88	-1.141
Spatial planning and housing	6.556	12.32	8.243	15.49	-1.687
Financing and means for universal coverage	27.159	51.04	3.242	6.09	23.917
Total	53.209	100.00	53.210	100.00	-0.001

As table 19 indicates, revenues and expenses were given in all 10 balance sheet categories. On closer inspection, the highest net expenses¹⁷¹ were realised in *social affairs* (6.590 billion euro), *culture and recreation* (4.416 billion euro), and *traffic, transport and water management* (3.326 billion euro). While some local taxes and fees are recognised within the appropriate policy areas, *financing and means for universal coverage* (23.917 billion euro) was the only category with a positive balance, since most revenues, especially the transfers from central government, are accounted for in this section of the balance sheet.

In line with the imbalances of revenues and expenses within the different policy areas, represented by the corresponding categories of the balance sheet, their shares of the total budget differed depending on the side of the budget under investigation. On the income side, *financing and means for universal coverage* (51.04%), *social services* (19.33%), and *spatial planning and housing* (12.32%) accounted for the largest shares. A different composition was given on the expenditure side, where *social services* (31.71%), *spatial planning and housing* (15.49%), and *public health and environment* (9.88%) marked the largest shares.

However, public revenues and public expenses are naturally subject to continuous changes. Therefore, an overview of the developments of the net balances of all the policy areas of all Dutch municipalities combined between 2004 and 2014 is illustrated in figure 15. Within the figure, positive values indicate areas where municipal revenues exceed expenses – in other words, areas of net revenues, where municipalities receive or earn money. In the cases of negative values, on the other hand, the expenses are higher than the revenues in the corresponding areas, resulting in net expenses. Since the following analyses address financial developments over time, all data are again adjusted to the Dutch consumer price level of the year 2007.

¹⁷¹ Indicated by negative values.

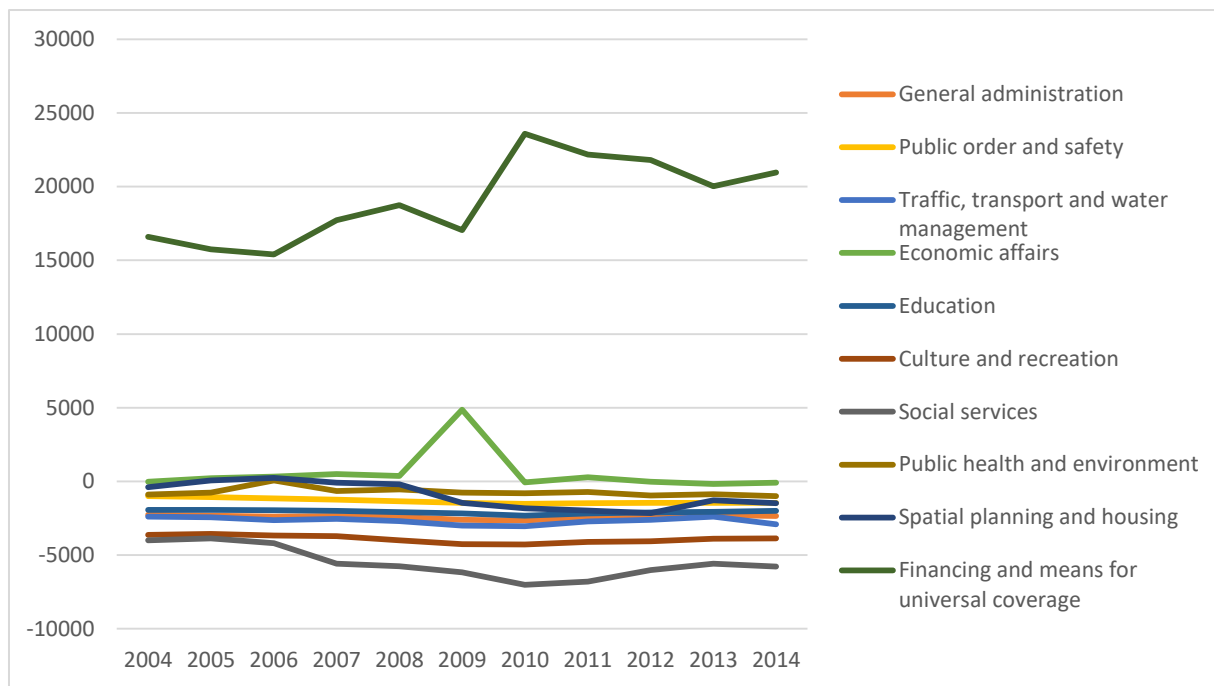


Figure 15: Budget balance of all Dutch municipalities combined in the different policy areas in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

Considering the changes in recent years, it can be observed that the net revenues in the category of *financing and means for universal coverage* increased overall, particularly between 2009 and 2010. An overall increase can also be recognised for the net expenses for *social services* during the period under investigation, but to a lesser extent in direct comparison. The year 2009 is also characterised by unusually high net revenues in the policy area of *economic affairs*, which stem from the sales of shares of energy companies by a large number of municipalities as a one-time event. At first glance, all other policy areas remained rather unchanged during the period under investigation. However, this does not exclude the possibility of far-reaching changes of the composition of revenues and expenses within the policy areas. Furthermore, it needs to be taken into account that the scale of the figure, which was chosen to display all graphs, makes it difficult to recognise changes in the policy areas with relatively low net balances.

To address the former issue, the developments of the total income and total expenses of all Dutch municipalities in the different policy areas between 2004 and 2014, represented by the corresponding balance sheet categories, are illustrated separately in the two following figures. By paying closer attention to all the areas with municipal activities in the following sub-chapters, the second issue will also be addressed. However, figure 16 first provides an overview of the inflation-adjusted financial changes on the income side of local government in the Netherlands in recent years. Within the figure, the revenues are illustrated as positive values.

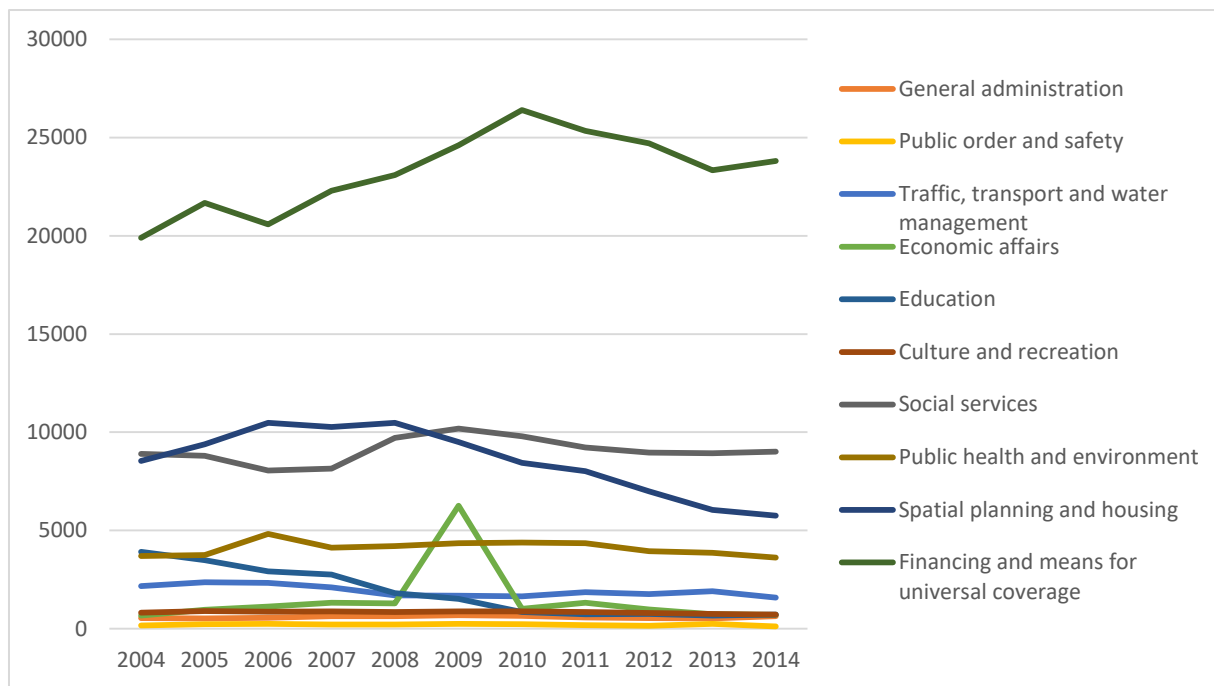


Figure 16: Total income of all Dutch municipalities combined in the different policy areas in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

As already mentioned before, transfers from central government account for the largest source of local government's income. Together with most types of local taxes and local fees, the transfers are predominantly recorded in the category of *financing and means for universal coverage*, which is illustrated by the relevance of this category in terms of the scope of revenues. Also, in the policy areas of *social services*, *spatial planning and housing*, and *public health and environment*, the Dutch municipalities generated some notable financial inflows, even though the expenses outweigh the income in recent years, which was not always the case for *spatial planning and housing* in particular. In the other policy areas, including, for example, *public order and safety*, hardly any income was attained, which is not unusual considering the nature of the related tasks. In terms of recent financial changes, the lower revenues in *spatial planning and housing* after 2008 are most notable. Furthermore, in the policy area of *education*, the revenues decreased significantly already during the first half of the period under investigation. Some fluctuations can be further observed regarding the income in relation to *financing and means for universal coverage* and *social services*, next to the one-time exception in revenues in the context of *economic affairs* in 2009, as already mentioned before.

Following these more detailed insights into local revenues, the developments of inflation-adjusted local expenditure of all Dutch municipalities combined in the different policy areas between 2004 and 2014 are illustrated as positive values in figure 17.

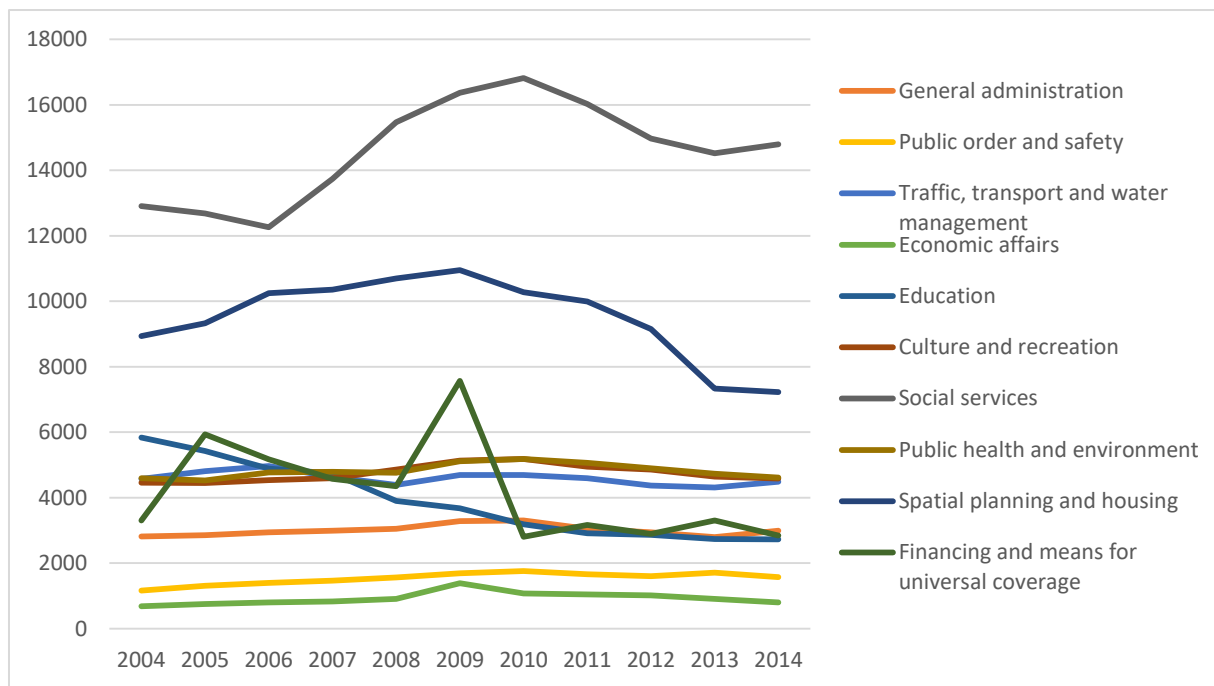


Figure 17: Total expenses of all Dutch municipalities combined in the different policy areas in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

On the expenditure side of municipal balance sheets, *social services* accounted for the highest costs during the whole time period under investigation. Comparable to the income side, some fluctuations with an overall increasing tendency can also be observed for the expenses in this policy area. Also, the aforementioned declines in revenues in *spatial planning and housing* as well as in *education* are reflected by declining expenditures. While the expenses in the category of *financing and means for universal coverage* – in other words, the costs for administering the transfers from central government and for raising most types of local taxes and local fees – declined since 2005; the year 2009, however, marks a notable exception. Moreover, the expenses within the remaining policy areas were predominantly characterised by minor but continuous increases between 2004 and 2014.

Following these insights into developments in local government finances in the Netherlands at the level of policy areas, the sub-chapter hereinafter addresses the balance sheet items within the policy areas in detail. In line with the distinction of policy areas, the sub-chapters are structured accordingly: general administration (10.2.1), public order and safety (10.2.2), traffic, transport and water management (10.2.3), economic affairs (10.2.4), education (10.2.5), culture and recreation (10.2.6), social services (10.2.7), public health and environment (10.2.8), spatial planning and housing (10.2.9), and financing and means for universal coverage (10.2.10). The chapter closes with a summary highlighting the most relevant financial changes in line with the Financial Crisis since 2007 (10.2.11).

10.2.1. General administration

General administration is the first policy area analysed in detail. The changes in the inflation-adjusted net balance of each individual item within this policy area between 2004 and 2014 for all Dutch municipalities combined are illustrated in figure 18. Again, positive values indicate areas of net revenues, and negative values denote those with net expenses.

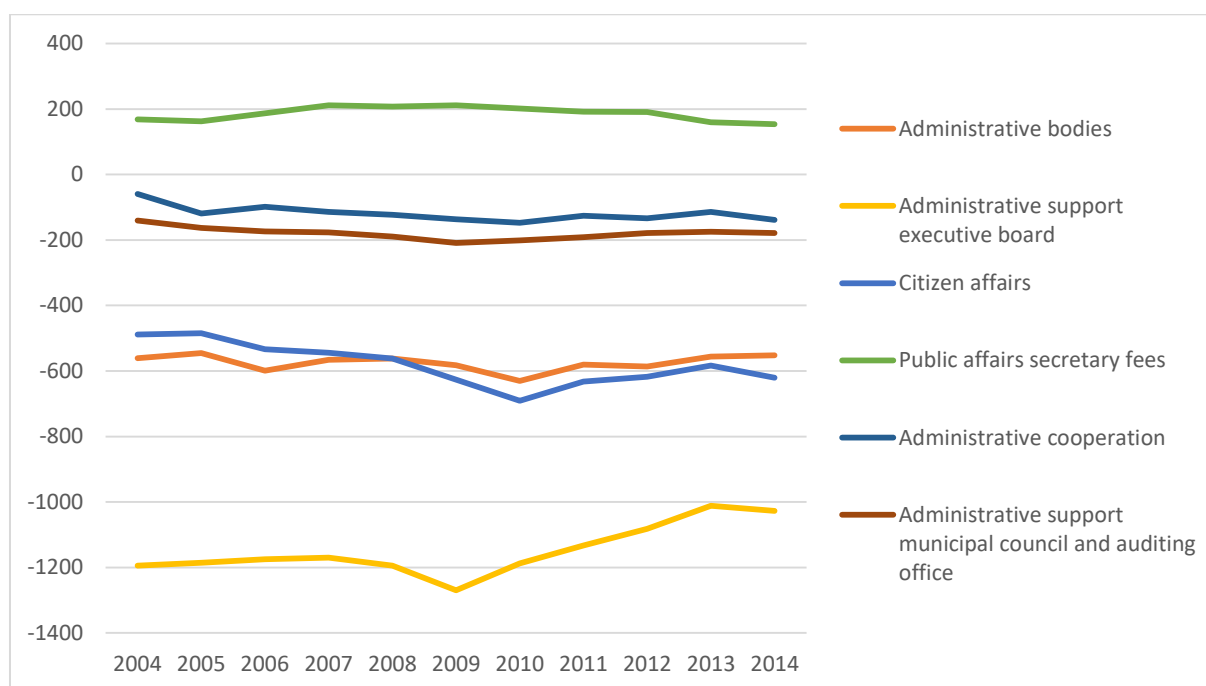


Figure 18: Budget balance of all Dutch municipalities combined in the policy area of general administration in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

In the policy area of general administration, it can be observed that *public affairs secretary fees* provided a fairly stable net income of about 200 million euro between 2004 and 2014. On the expenditure side, net spending overall increased, particularly for *citizen affairs*. The net expenses for the *administrative support of the executive board*, involving parts of the civil service, the city manager, and other services mainly in relation to the preparation of the municipal budget and the realisation of the financial planning¹⁷² – as the most relevant type of expenditure in this category – were subject to some volatility, with an overall decreasing tendency. However, the highest expenses for this balance sheet item took place during the years of the climax of the recent Financial Crisis, which possibly implied a more extensive need for administrative support in times of political decision-making, apart from previous routines also at the local level. The financial developments in the policy area of public order and safety will be addressed in the next sub-chapter.

¹⁷² All the information and definitions of policy areas and separate balance sheet items within the policy areas, addressed in chapter 10.2, are based on the descriptions within the corresponding data sets.

10.2.2. Public order and safety

While maintaining public order and safety is an important task of Dutch municipalities, the relevance of this policy area in terms of overall revenues and expenses can be considered as comparably low. An overview of the inflation-adjusted developments of the individual balance sheet items in this category between 2004 and 2014 is presented in figure 19, where the negative values indicate net expenses.¹⁷³

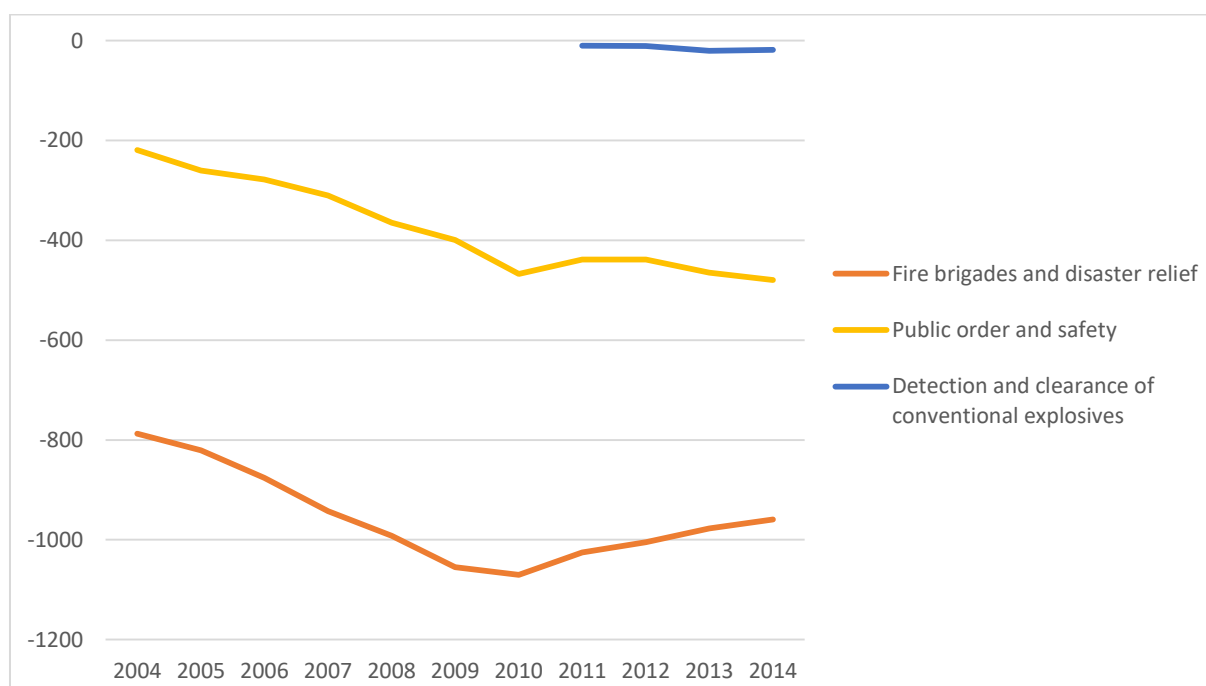


Figure 19: Budget balance of all Dutch municipalities combined in the policy area of public order and safety in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

According to figure 19, *fire brigades and disaster relief* characterise the highest net expenses in this category. While these costs increased significantly from 2004 to 2010, they decreased in the following years. The Dutch municipalities' general costs for *public order and safety*, on the other hand, rose relatively constantly during the complete time period under investigation. However, a contextual connection between this policy area and the recent Financial Crisis is not evident. The financial changes in the policy area of traffic, transport and water management will be analysed in the following sub-chapter.

¹⁷³ As a result of changes in the delimitation of balance sheet items for statistical purposes, data are not available for all items for the entire period 2004–2014. The same applies to a small number of balance sheet items in the following sub-chapters.

10.2.3. Traffic, transport, and water management

The policy area of traffic, transport and water management consists of several individual items. Figure 20 displays the inflation-adjusted net balances for all of these items and the changes between 2004 and 2014. While positive values indicate areas of net revenues, negative values point to areas of net expenses.

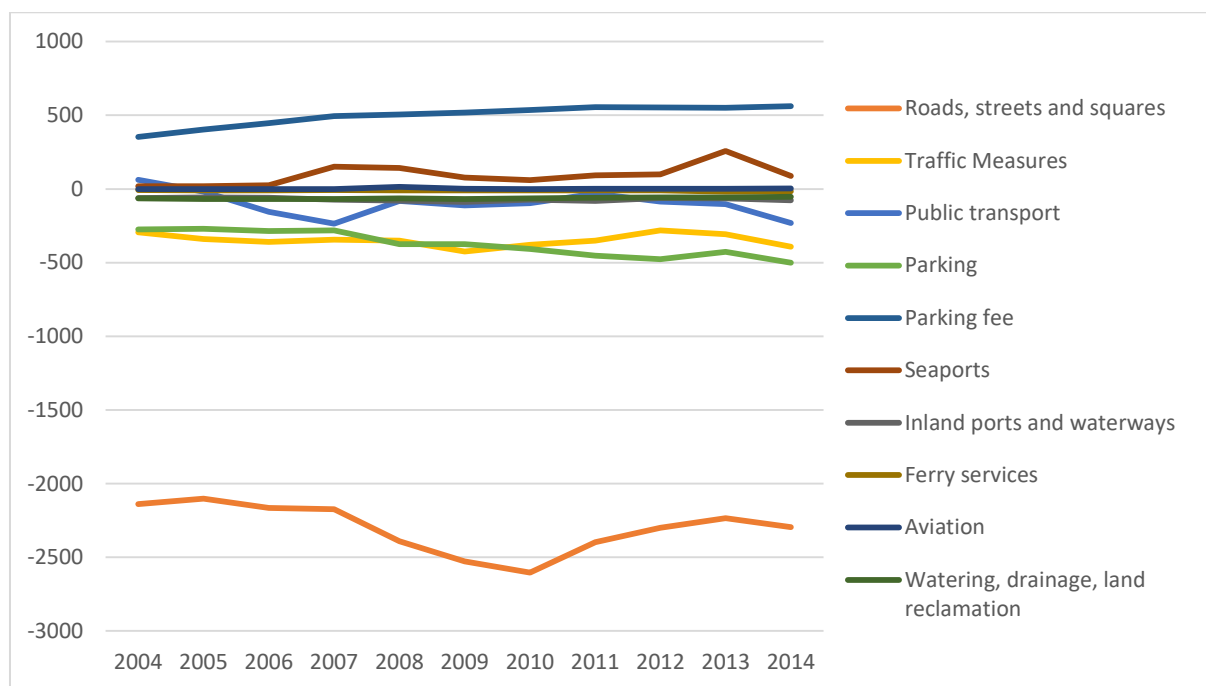


Figure 20: Budget balance of all Dutch municipalities combined in the policy area of traffic, transport and water management in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

As figure 20 illustrates, *parking fees* are the main source of revenues in this policy area. While this type of income increased constantly in more recent years, so did expenses for *parking*. With a net expenditure of about 2.3 billion euro in 2014, the most relevant type of net expenses in this policy area are for *roads, streets and squares*. It needs to be noted that the spending for these types of public infrastructure increased between 2005 and 2010, followed by decreases in more recent years. However, considering the start of the rise, there are no indications of anti-cyclical investments in infrastructure as are often suggested in times of crises. The same applies to the other infrastructure-related balance sheet items. In the next subchapter, the policy area of economic affairs will be addressed.

10.2.4. Economic affairs

The policy area of economic affairs also includes a number of separate balance sheet items. The developments of the inflation-adjusted net balances of these items between 2004 and

2014 are depicted in figure 21. Areas of net revenues are again presented on the positive range of the scale and areas with net expenses on the negative range.

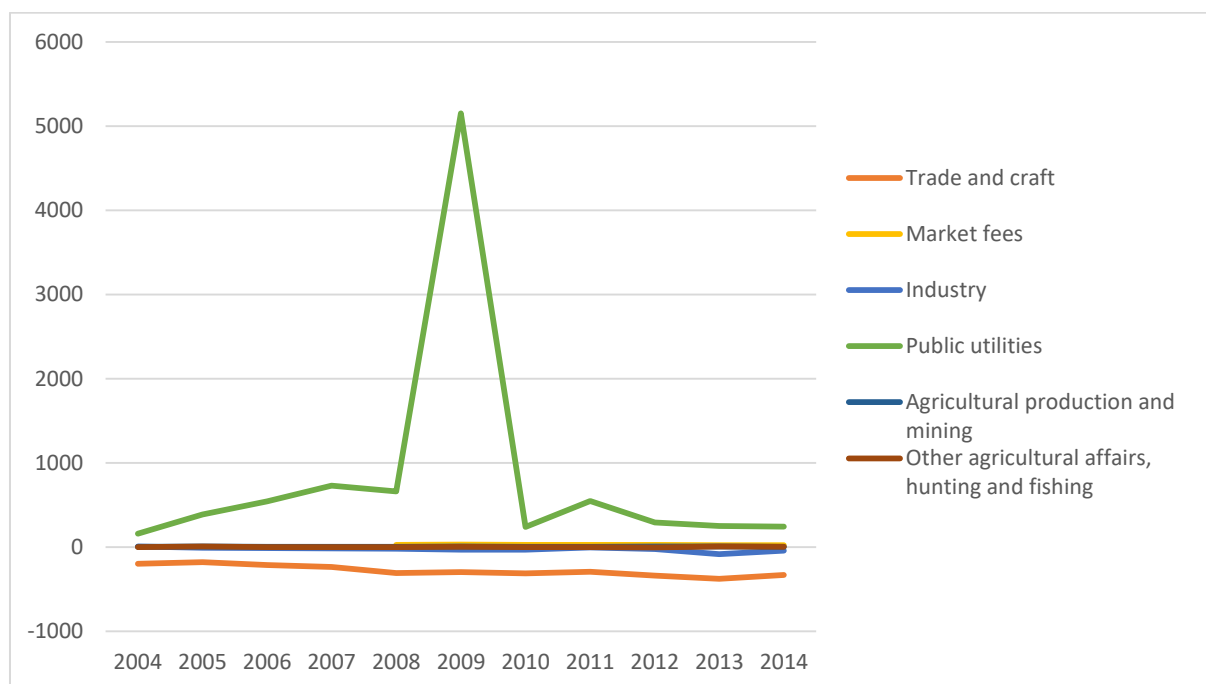


Figure 21: Budget balance of all Dutch municipalities combined in the policy area of economic affairs in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

As figure 21 illustrates, the main net revenues in this policy area are collected with *public utilities*, which includes services in the domain of electricity, gas, drinking water, heat, and communication, which are provided by companies that are at least partly owned by municipalities. An income peak in 2009 is most notable. It can be explained by the sales of Essent and Nuon, two energy companies, whose shares were held by almost half of all Dutch municipalities, bringing along one-time gains in the year of the disposition (Centraal Planbureau, 2016; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 41; van der Lei, 2015, p. 175).¹⁷⁴ Already in the years before 2009, the net income in *public utilities* increased, while a slightly decreasing tendency can be observed afterwards. Most net expenses occurred in *trade and craft*¹⁷⁵, consisting of measures focusing on local business development and promotion, including activities such as local markets and fairs, as well as, to a minor extent, subsidies. The costs of this balance sheet item as a whole almost doubled between 2004 and 2014, also when taking the changes in statistical accounting into account. However, considering the timeframe of the recent Financial Crisis, the development of the trade and craft balance sheet item did not change noticeably. Following these insights into economic affairs at the Dutch local level, the next sub-chapter addresses the policy area of education.

¹⁷⁴ See also chapter 9.2.2.

¹⁷⁵ Before 2008, *market fees* were accounted for as part of this balance sheet item.

10.2.5. Education

In the policy area of education, various tasks at the local level can be distinguished in the Netherlands. Different levels of education, in combination with the associated financial flows for educational services and housing, can be differentiated on closer inspection. An overview of the inflation-adjusted net balances for all separate items between 2004 and 2014 is provided in figure 22. Areas of net expenses are indicated by negative values and areas of net revenues by positive values.

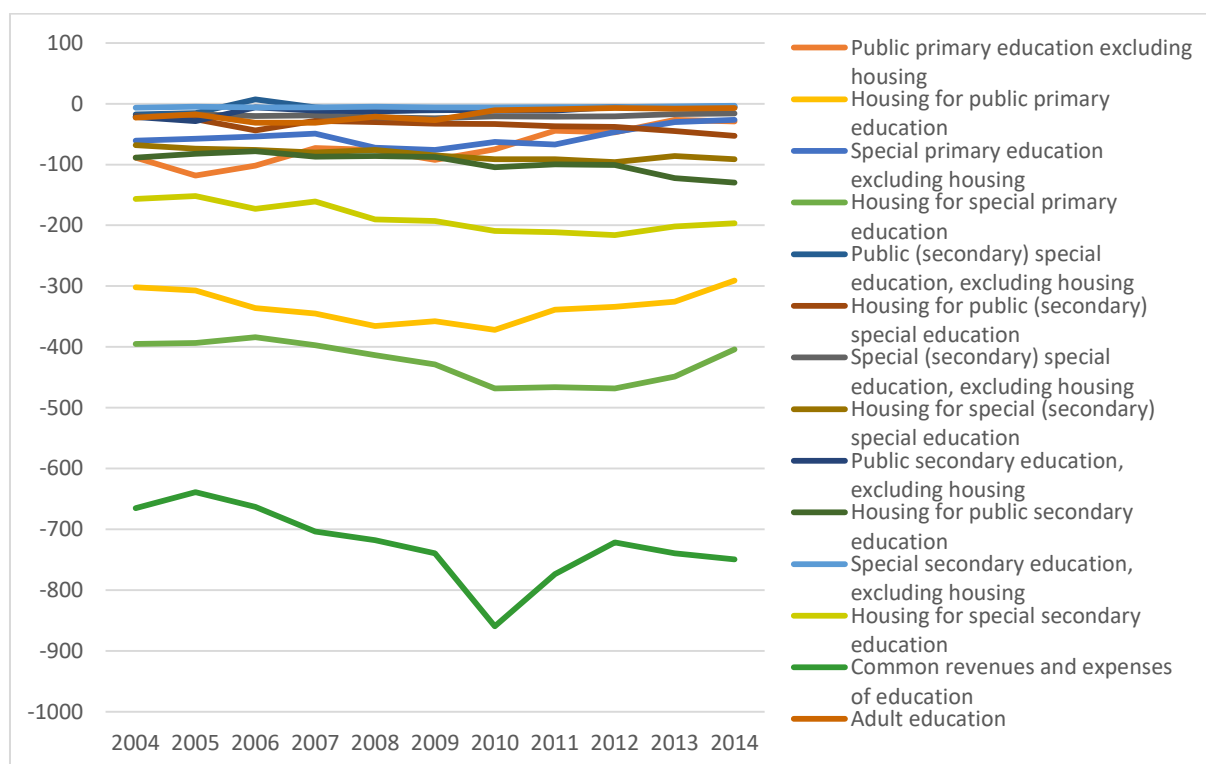


Figure 22: Budget balance of all Dutch municipalities combined in the policy area of education in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

First, it can be seen that within the policy area of education, expenses largely prevail at the local level. The highest annual expenses between 2004 and 2014 were recorded in the general category of *common revenues and expenses of education*. In 2014, the net expenditures for this balance sheet item amounted to approximately 750 million euro. In comparison with previous years, an increasing tendency, with particularly high costs in 2010, can be observed. The same tendency applies to most other balance sheet items within this policy area, especially those with the already highest financial scopes, until the most recent years. Considering the costs for the different types of education and associated housing, it can be observed that housing usually comprises the higher proportions of costs. In the case of *adult education*, it could also be argued that the demand for these services might increase in times of economic troubles, when unemployment rates generally increase and those concerned might try to enhance their chances of finding a job by extending their professional qualifications. However, in the Netherlands, such an effect cannot be observed in the context of the recent Financial

Crisis. On the contrary, expenses for *adult education* slightly decreased in recent years. In the next sub-chapter, the policy area of culture and recreation is addressed.

10.2.6. Culture and recreation

The policy area of culture and recreation is also characterised by net expenses at the local level in the Netherlands. Figure 23 provides an overview of the inflation-adjusted expenditures in different areas of activity, pictured as negative values, and the developments between 2004 and 2014.

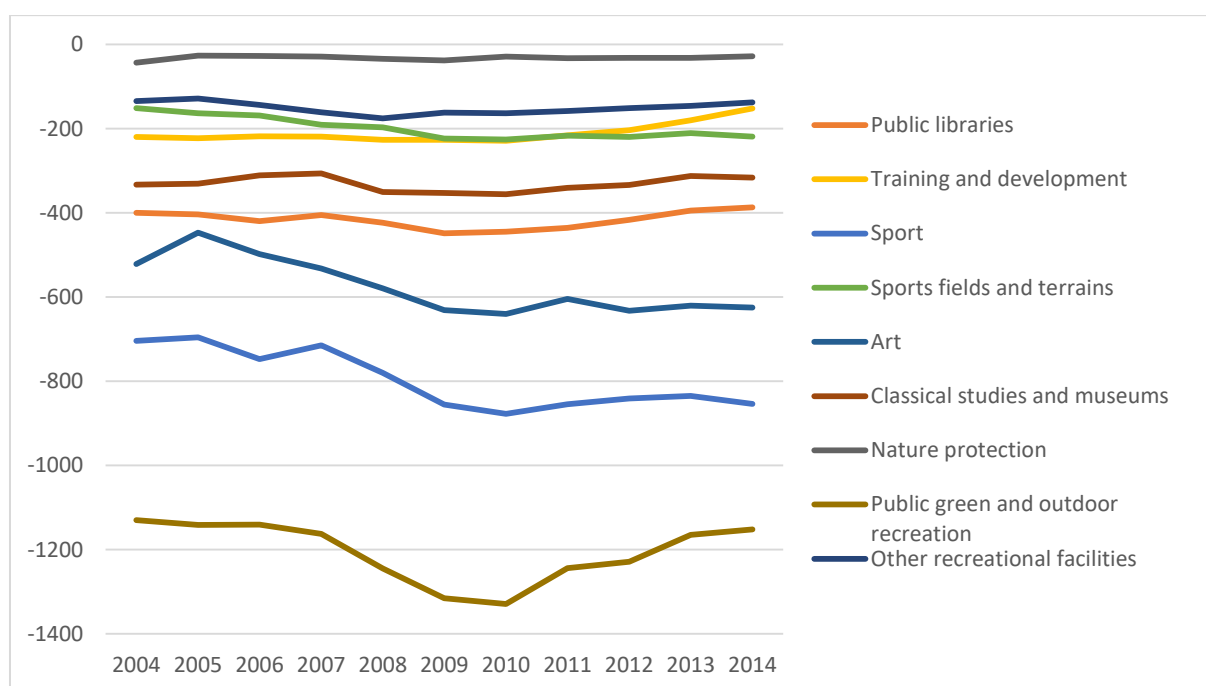


Figure 23: Budget balance of all Dutch municipalities combined in the policy area of culture and recreation in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

According to the data in figure 23, *public green and outdoor recreation*, *sport*, and *art* are the three activities with the highest expenses for Dutch municipalities within the policy area culture and recreation in recent years. While the overall costs for all of these balance sheet items increased from 2004 to 2014, the expenses related to *public green and outdoor recreation* were characterised by a declining development since 2010. Considering the other sub-fields, the expenses were mostly relatively stable or slightly declining in their tendencies during the time of investigation. Since culture and recreation is a typical area that includes many voluntary tasks at the local level, it is often mentioned in the context of searches for policy areas where cost cuts can be realised in times of tight budgets. However, far-reaching austerity measures during the recent Financial Crisis cannot be observed in this field with municipal activities in the case of the Netherlands. The policy area of social services will be examined in the next sub-chapter.

10.2.7. Social services

As the largest share on the expenditure side, social services account for roughly one third of all municipal expenses in the Netherlands. An overview of the inflation-adjusted net balances of all separate balance sheet items within this policy area and the developments between 2004 and 2014 is provided in figure 24. Negative values illustrate areas of net expenses, and positive values denote those with net revenues.

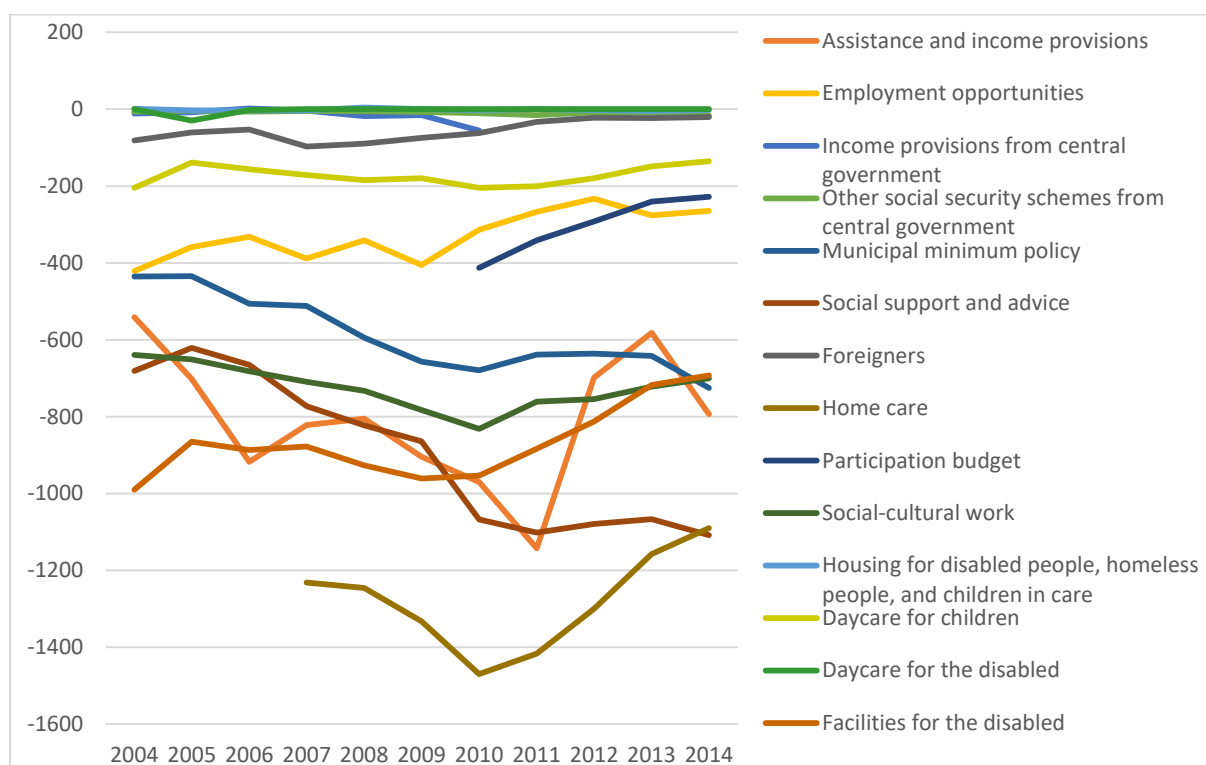


Figure 24: Budget balance of all Dutch municipalities combined in the policy area of social services in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

Following figure 24, *social support and advice* is the type of social service with the highest net expenses at the Dutch local level in 2014; the costs increased significantly between 2005 and 2014. In the years before 2014, the highest costs for a specific type of social service by far took place in the field of *home care*. However, local-level expenditures to provide this service decreased significantly since 2010, after a previous rise. The item *assistance and income provisions* was also characterised by rather unstable developments; however, an overall cost increase can be observed during the time period under investigation. A relatively constant growth of expenditures, on the other hand, can be observed for the balance sheet item *municipal minimum policy*, mainly entailing the possibilities for local authorities to abate local taxes and fees as well as to offer discounts on cultural activities for comparably poor citizens.

However, in total, the local expenses for social services increased in the Netherlands, particularly between 2006 and 2010, as already illustrated in figure 15 and figure 17. Considering the different types of services, it must be taken into account that some citizens might benefit from multiple social services simultaneously or sequential services over time. While an impact of a

financial crisis on social services for the disabled and the elderly is not plausible from a content-related perspective, those types of services provided to the unemployed in particular might increase in demand in times of economic troubles. However, in the case of the Netherlands, a continuation or further rise of existing tendencies can be observed rather than major changes in the relevant time period. In addition, various reforms in social affairs, also including changes in responsibilities between the different levels of government, need to be taken into account when assessing the financial developments in recent years in the Netherlands. The financial changes in the policy area of public health and environment will be analysed in the following sub-chapter.

10.2.8. Public health and environment

Public health and environment is the policy area with the third highest expenditures at the local level in the Netherlands in recent years. An overview of the associated balance sheet items and the inflation-adjusted financial changes between 2004 and 2014 is illustrated in figure 25. Again, positive values represent areas of net revenues, while negative values indicate those with net expenses.

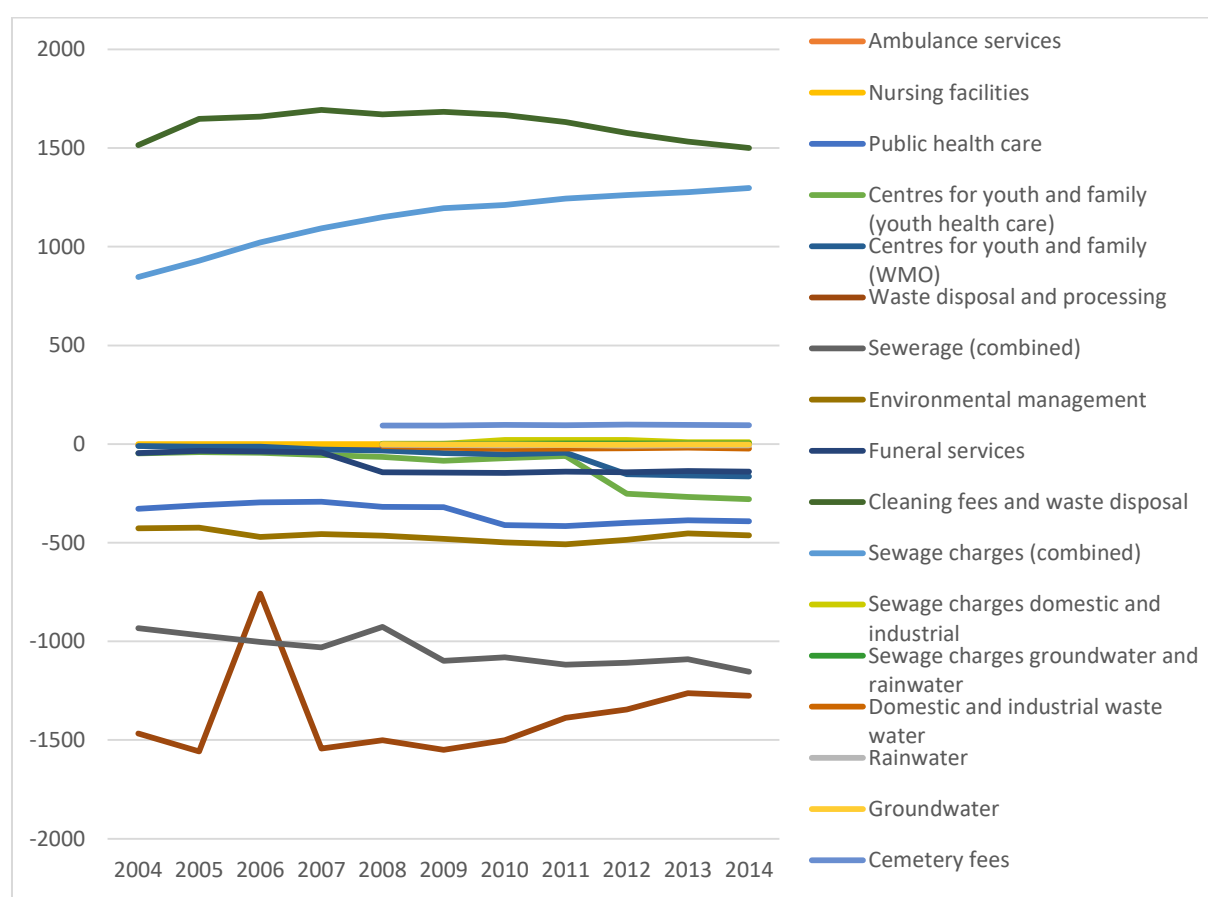


Figure 25: Budget balance of all Dutch municipalities combined in the policy area of public health and environment in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

As figure 25 illustrates, the policy area of public health and environment is comprised of balance sheet items with net revenues as well as those with net expenses. However, some of the items are directly linked. The income from *cleaning fees and waste disposal* is the counterpart to the costs for *waste disposal and processing*. The same applies to *sewage charges (combined)* and *sewerage (combined)*: the income and expenses increased significantly and relatively continuously in this field between 2004 and 2014. The expenses in other areas, such as *environmental management*, can be considered as relatively stable over the last decade. However, the different balance sheet items in this policy area have in common that a direct impact of a financial crisis on the associated financial flows is not obvious from a content-related perspective. This is different for the policy area of spatial planning and housing, which will be addressed in the following sub-chapter.

10.2.9. Spatial planning and housing

Albeit with some distance, spatial planning and housing is the policy area with the second highest expenses at the local level in the Netherlands in recent years. More details on the separate balance sheet items within this field and inflation-adjusted financial changes between 2004 and 2014 are provided in figure 26. Areas of net revenues are shown on the positive range of the scale and areas of net expenses on the negative range.

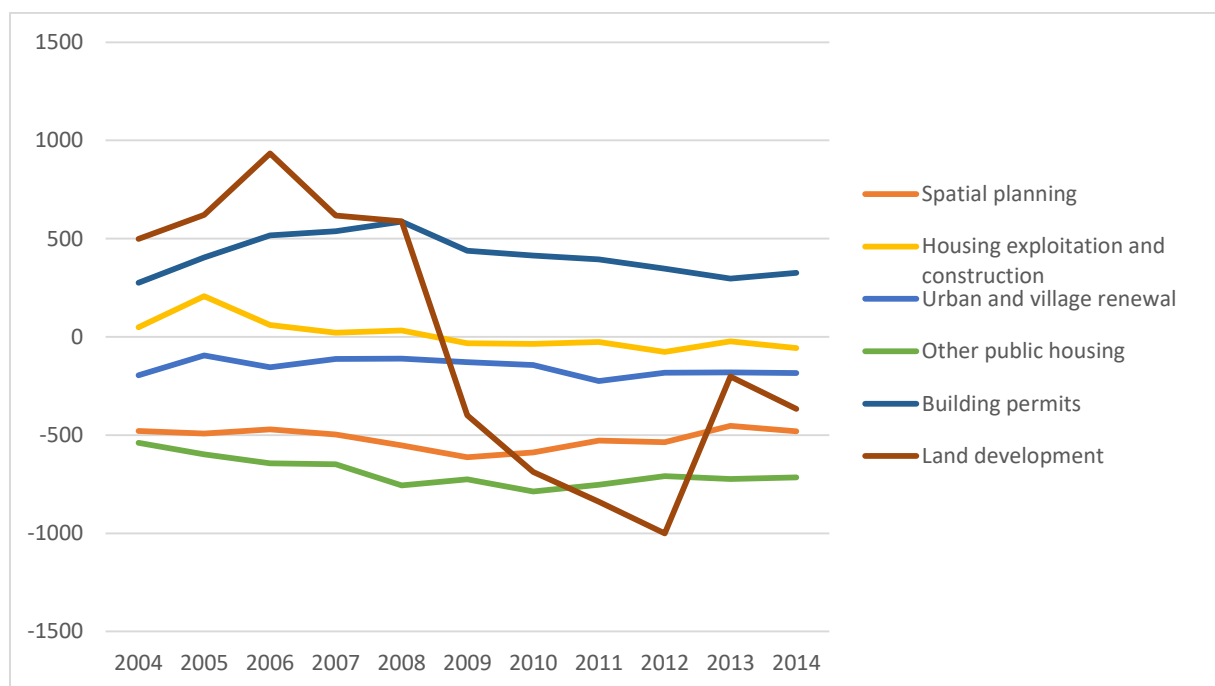


Figure 26: Budget balance of all Dutch municipalities combined in the policy area of spatial planning and housing in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

As the data in figure 26 illustrate, the policy area of spatial planning and housing consisted of balance sheet items with net revenues as well as those with net expenses during the time

period under investigation. Changes from revenue items to expenditure items can also be observed. *Land development* includes all local activities related to the acquisition and exploitation of land, such as site and infrastructure preparations, in order to sell the areas to individuals or companies, and it is traditionally an area in which municipalities earn money. Apart from some uneven developments, the municipal income in this area of activity increased between 2004 and 2008. Also, the issuance of *building permits*, as an administrative service provided by the municipalities in the Netherlands, mainly including inspection and regulation tasks, is traditionally a source of revenues. Between 2004 and 2008, the municipal net income in this area increased fairly constantly. In 2008, Dutch municipalities earned approximately 600 million euro in revenues from *land development* and about a further 600 million euro in revenues from *building permits*. In other words, each Dutch municipality gained more than 1.5 million euro in both of these two areas of activity on average.

The financial developments of both balance sheet items changed considerably from 2009 onwards. In the case of *building permits*, the downturn was comparably moderate and continuous. The revenues in this areas still amounted to about 325 million euro in 2014. In the case of *land development*, the balance sheet item changed from net income to net expenses from 2009 onwards. With expenditures of roughly 1.0 billion euro, the highest losses were achieved in 2012, followed by significant cost reductions in later years. However, the range between the net revenues from *land development* in 2008 and the net expenses in 2012 amounted to approximately 1.6 billion euro. In other words, based solely on this area of activity, the financial situation of Dutch municipalities deteriorated by about 4 million euro on average during the aforementioned time period. In addition, *housing exploitation and construction*, which involve tasks in the context of the development of public housing, changed from a field with municipal net revenues to one with net expenses from 2009 onwards. It must be taken into account, however, that the financial scope of the related activities, especially in comparison with *land development*, is traditionally relatively low. Furthermore, a direct link between a financial crisis and changes in the municipalities' choices in relation to investments in social housing is not necessarily given.

Other public housing, which involves activities such as rent allowances and fire prevention, as the main type of net expenditure in this policy area in most years during the time period under investigation, increased overall between 2004 and 2014. The net expenses for *spatial planning*, as a preliminary step for some of the other activities in this category, as well as *urban and village renewal*, as a municipal planning and preparation task, on the other hand, were relatively stable over time. In the case of the former, it needs to be taken into account that large shares of the administrative costs in the policy area of spatial planning and housing are mostly fixed in the short run, while slumps in demand for the related services might also occur rapidly.

Overall, the consequences of the recent Financial Crisis at the Dutch local level become most evident in the municipal activities of *land development* and to some extent also *building permits*. This is because of both public budgets and the logic that companies or private households do not usually choose to invest in business locations or to start building a home in times of crises and uncertainty. From an economic perspective, the observations can be described

as demand shocks. As the last remaining category on municipal balance sheets, financing and means for universal coverage will be addressed in the next sub-chapter.

10.2.10. Financing and means for universal coverage

While financing and means for universal coverage is not exactly a policy area with municipal competences, but a category of municipal income and expenses for accounting purposes, transfers from central government and hence most revenues of the local level are booked within this category. An overview of the separate inflation-adjusted balance sheet items and the developments between 2004 and 2014 is presented in figure 27. Also in this figure, positive values indicate areas of net revenues, while negative values illustrate those with net expenses.

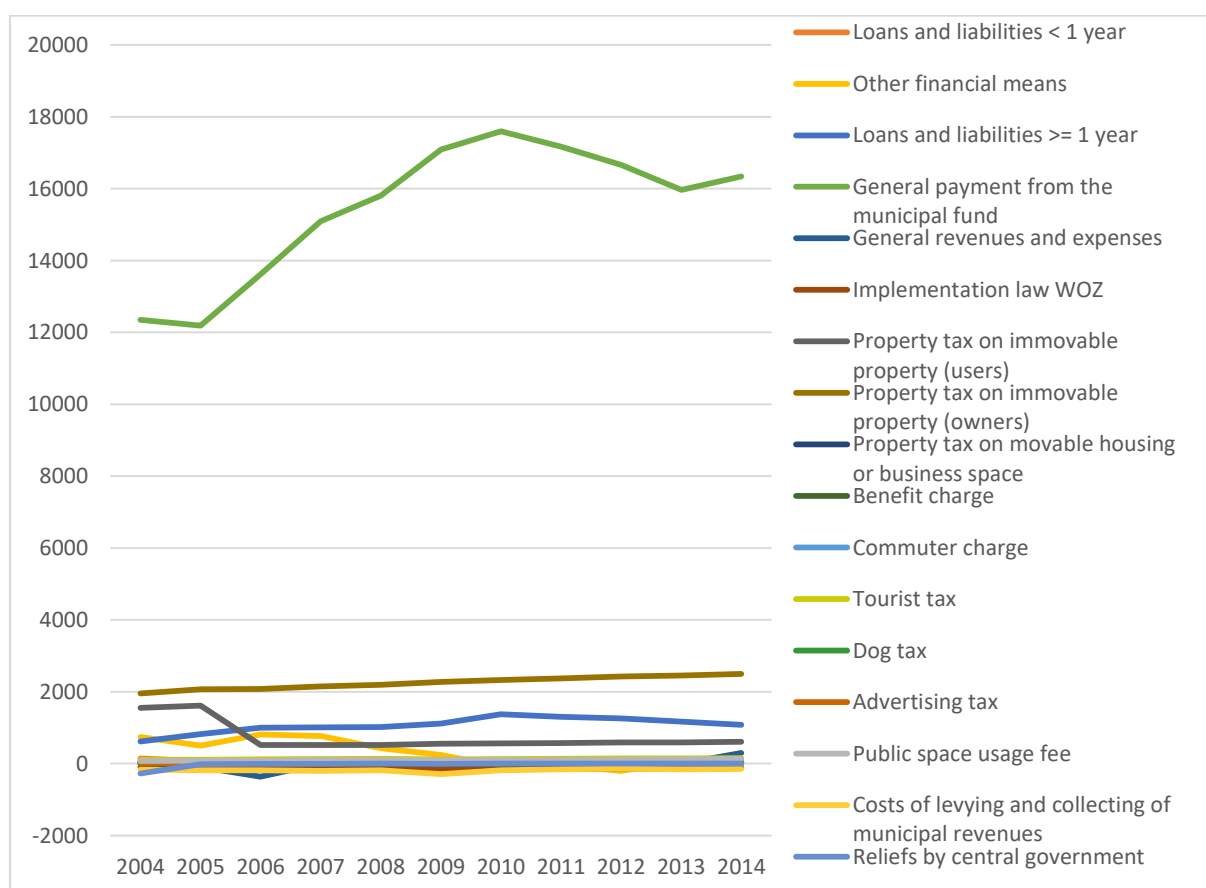


Figure 27: Budget balance of all Dutch municipalities combined in the policy area of financing and means for universal coverage in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

As figure 27 illustrates, *general payment from the municipal fund* is of major importance on the income side for Dutch municipalities. Payments within this sub-category increased significantly between 2005 and 2010. In the following years, this type of income slightly declined

after adjusting for inflation. In 2014, about 16.3 billion euro were transferred to all Dutch municipalities combined via this funding mechanism, which equals more than 40 million euro per municipality on average. In direct comparison, the revenues from local taxes, which are mostly also accounted for within this category, were relatively low. However, municipal own income will be addressed separately in chapter 10.3 based on a more detailed dataset. Prior to that, the last sub-chapter of this chapter summarises the most relevant financial changes at the Dutch local level, with a focus on the recent Financial Crisis.

10.2.11. Identified changes in municipal finances in times of the Financial Crisis since 2007

While many items on municipal balance sheets in the Netherlands have been subject to changes in recent years, the Financial Crisis since 2007 does not offer an explanation in all cases. Higher expenditure for certain social services, for example, are partially caused by legal changes and modifications in the distribution of responsibilities between the different levels of government, as the latest major decentralisation reforms, which entered into force in 2015, illustrate. However, in some policy areas or in the case of certain tasks and related balance sheet items within a policy area, an impact of the recent Financial Crisis or the effects of responses and countermeasures by local authorities can be causally explained and empirically recognised.

As demonstrated in chapter 8.1.2., the recent Financial Crisis implied an increase in unemployment in the Western world. In countries with social security provisions, such as the Netherlands, the corresponding costs for these services consequently rose. While some programmes are directly linked to unemployment, with a focus on assisting people to find jobs, others are linked indirectly. If parents, for example, lose their jobs, then this might imply that their children also qualify for certain types of social support. Therefore, the policy area of *social services* provided by local government will be addressed in the following analyses as a whole.¹⁷⁶

In addition, some balance sheet items within certain policy areas were likely affected by the recent Financial Crisis, as already pointed out in the previous sub-chapters. In the case of *administrative support of the executive board*, as part of the general administration policy area, the high complexity and time pressure of policymaking in times of crises provides an explanation for higher expenditures. Not only central government and the ministerial administration but also the executive boards at the local level faced an increased workload. Therefore, the costs for the support of local officials, particularly provided by parts of the civil service and the city manager, and hence policymaking in general became more expensive. Against this background, the balance sheet item administrative support of the executive board will also be included in the following analyses.

¹⁷⁶ Since the latest data included in the analyses in this policy area refer to the year 2011, potential effects of the 2015 decentralisation reforms will be excluded.

Within the policy area of spatial planning and housing, revenues collected through the issuance of *building permits*, as a municipal administrative task, also declined during the Financial Crisis in the Netherlands. This development can be explained by a decreasing demand for construction sites, since times of economic uncertainties are usually not chosen as periods in which to make new investments. Accordingly, the balance sheet items will be included in the following analyses.

As pointed out in previous studies (Overmans, 2017, p. 173; Weske et al., 2014, p. 411; Bos, 2013, p. 46 f.; Allers, 2009, p. 283; Centraal Planbureau, 2016; Kattenberg et al., 2016; Deloitte, 2010; Deloitte, 2011; Deloitte, 2012; Deloitte, 2013; Deloitte, 2014; Deloitte, 2016; Deloitte, 2017; Ernst & Young, 2015), the income of Dutch municipalities from *land development* and sale decreased significantly during the Financial Crisis since 2007. According to the literature, the main impact of the Crisis at the Dutch local level can be observed in the case of this balance sheet item. Considering an economic downturn, as the GDP growth rates in chapter 8.1.2 illustrate in the context of the recent Financial Crisis, most private companies are not concerned with further expanding their business operations. On the contrary, many corporations are pleased if they are able to keep their activities stable. As a consequence, the revenues from municipal land development declined similar to the other balance sheet items within the policy area of spatial planning and housing. Therefore, the financial developments in relation to land development will be further analysed as well.

During the recent Financial Crisis and the corresponding austerity measures by the Dutch central government, various initiatives to reduce the transfers to local government were discussed, as already pointed out in chapter 9.1.3 in particular. To assess the actual scope of these measures for individual municipalities, the balance sheet item *general payments from the municipal fund*, within the category of financing and means for universal coverage, will also be included in the further analyses. However, since the distribution of payments to the municipalities in the Netherlands is based on a number of given factors, as described in chapter 7.4.1.1, no regression analysis of factors of influence will be performed in the case of this balance sheet item.

Representing the overall financial result of municipal actions and reactions or revenues and expenses, *short-term debt* and *long-term debt* will also be included in the empirical part. Taken together, the following policy area, balance sheet items, and financial results¹⁷⁷ will be analysed more closely in part 4 of this study.

Policy area:

- Social services

Balance sheet items:

- Administrative support of the executive board within the policy area of general administration
- Building permits within the policy area of spatial planning and housing

¹⁷⁷ Financial results are understood as overall balance sheet results in terms of surpluses or deficits.

- Land development within the policy area of spatial planning and housing
- General payment from the municipal fund within the category of financing and means for universal coverage

Financial results:

- Short-term debt
- Long-term debt

However, before focusing on variation in the impact of and responses to the Financial Crisis since 2007 at the Dutch local level in part 4, the following sub-chapter addresses financial changes in municipal own income. While the data originate from a different data set, they partly overlap with the financial changes in the separate balance sheet items, in line with the policy areas with municipal competences presented in this sub-chapter. This enables a comparison and control of some of the previously discussed figures.

10.3. Developments of the different types of municipal own income in recent years

Alongside data on changes in municipal revenues and expenses, or net results, detailed statistics, compiled by the Central Agency for Statistics, are also available specifically for the financial developments of the Dutch local level's own income since 2004 (Dataset: Municipal accounts (charges by region and by size)). Apart from general grants and specific grants, both of which describe transfers from central government, the municipalities are entitled to generate certain types of own revenues, which can be subdivided into local taxes and other own resources in the form of fees. Building upon the previous sub-chapter, this sub-chapter will again evaluate aggregated values for all Dutch municipalities combined in order to assess overall patterns, before focusing on variation between the municipalities at a later stage. Since the next analyses address financial developments over time, all data are adjusted to the Dutch consumer price level of the year 2007.¹⁷⁸

The inflation-adjusted developments of the own income of all Dutch municipalities, as well as the corresponding subdivision into local taxes and local fees, between 2004 and 2015¹⁷⁹ are illustrated as positive values in figure 28.

¹⁷⁸ See appendix 5 for an overview of the own income of all Dutch municipalities combined in nominal terms, not adjusted for inflation.

¹⁷⁹ All figures for 2015 in this sub-chapter are preliminary.

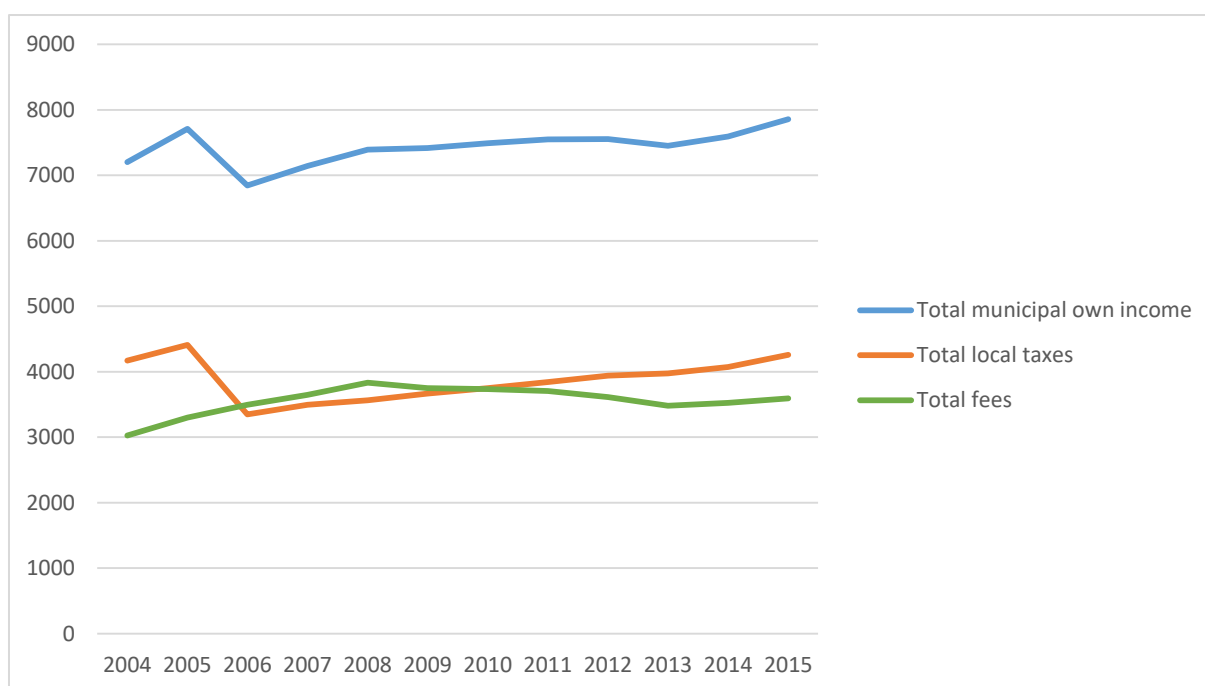


Figure 28: Total own income of all Dutch municipalities combined in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2015 (Data sources: CBS, Municipal accounts (charges by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

Reflecting on the total own income of Dutch municipalities, a continuous increase can be observed from 2006 onwards. While amounting to approximately 7 billion euro in 2006, close to 8 billion euro were earned in 2015. Higher revenues from local taxation are the main explanation for the increase in the municipalities' own income in total. Between 2006 and 2015, the sum that Dutch municipalities earned by taxing their citizens increased from about 3.5 billion euro to roughly 4.25 billion euro. The earnings from municipal fees, on the other hand, slightly decreased since 2008 after adjusting for inflation. In 2015, the income from this source amounted to about 3.5 billion euro.

Considering the Financial Crisis since 2007, with an impact on the Netherlands since 2008 at the latest, as discussed in chapter 9, a noticeable structural impact on the total own income of all Dutch municipalities, local taxes, or local fees cannot be observed during the time period under investigation. Previous financial trends concerning these shares of municipal revenues mostly continued rather unimpaired. However, while an overall effect cannot be observed, this does not exclude the possibilities that some balance sheet items within these categories or individual municipalities experienced different developments.

In line with the common distinction between types of own income of Dutch municipalities, the two following sub-chapters will address local taxes (10.3.1) and local fees (10.3.2) more closely. A summary of noticeable financial developments will be provided in a final sub-chapter (10.3.3), building upon the concluding reflections in the previous sub-chapter.

10.3.1. Local taxes

More detailed insights into the developments of local taxes in the Netherlands will be provided next. Figure 29 illustrates the inflation-adjusted income from local taxes in total, as well as the revenues from the different types of property taxes on the immovable property of all Dutch municipalities combined, between 2004 and 2015 as positive values. Since the extent of financial resources collected via the other types of local taxes is comparably smaller, those are separately illustrated in figure 30 to guarantee sufficient visibility of the graphs.

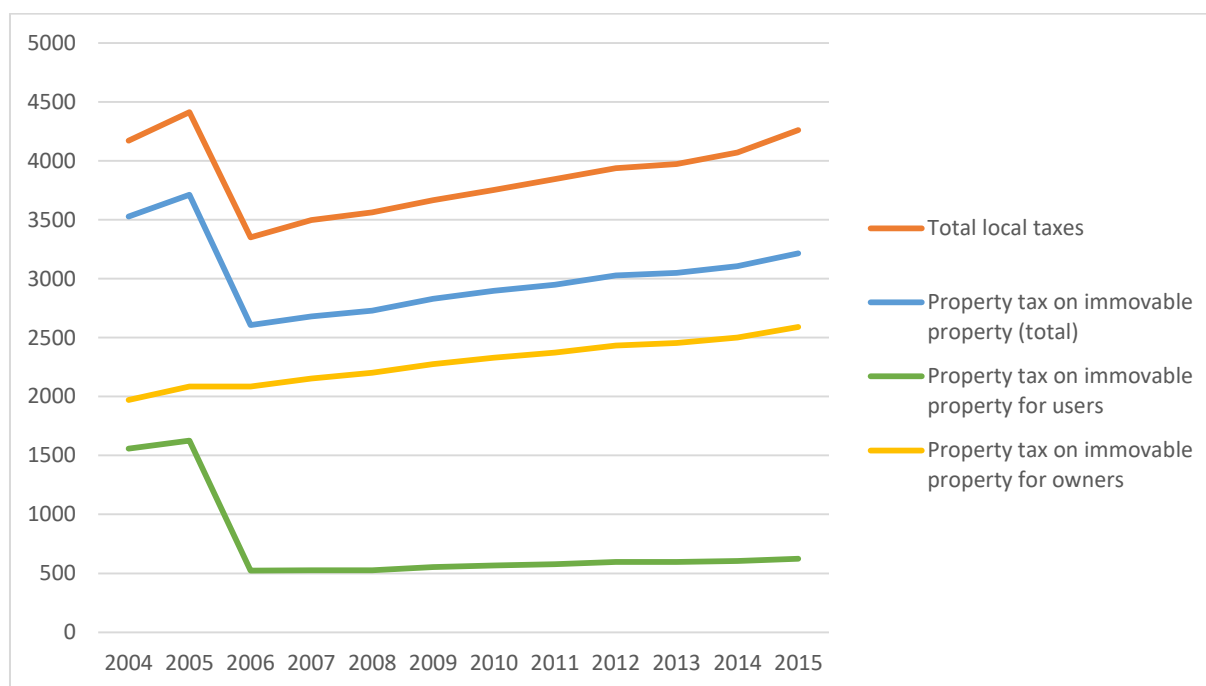


Figure 29: Total income from local taxes and income from different types of property taxes on immovable property of all Dutch municipalities combined in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2015 (Data sources: CBS, *Municipal accounts (charges by region and by size)*; CBS, *Annual change of the consumer price index from 1963*; own calculations)

First, it can be observed that *property taxes on immovable property* amounted to about three quarters of all local taxes in the Netherlands during the whole period of time under investigation. On closer inspection, property taxes on immovable property can be further subdivided into a tax for users and one for owners. The tax income from *property taxes on immovable property for owners* increased relatively continuously between 2004 and 2015. Adjusted for inflation, the total earnings from these types of municipal revenues rose from about 2 billion euro to approximately 2.5 billion euro during the aforementioned time period. After a major decrease between 2005 and 2006, as a result of legal changes,¹⁸⁰ *property taxes on immovable property for users* also increased relatively continuously, from roughly 500 million euro in 2006 to about 625 million euro in 2015. Overall, a structural impact of the recent Financial Crisis,

¹⁸⁰ While the property tax on immovable property for users covered users of dwellings and non-dwellings until 2005, the taxation of the former was abolished. However, the municipalities received additional financial resources from the municipal fund as compensation (Centraal Bureau voor de Statistiek, 2006; van der Woude, 2018, p. 244; Bos, 2013, p. 40).

usually expressed by a deviation from previous financial trends, cannot be observed in case of the illustrated types of local taxes. Considering home ownership as the object of taxation, this circumstance can be understood (Allers, 2009, p. 288).

As pointed out before, property taxes on immovable property amount to roughly three quarters of local taxes in the Netherlands. The composition of the remaining quarter and the inflation-adjusted financial developments between 2004 and 2015 are illustrated in figure 30. Again, areas of revenue are pictured on the positive range of the scale.

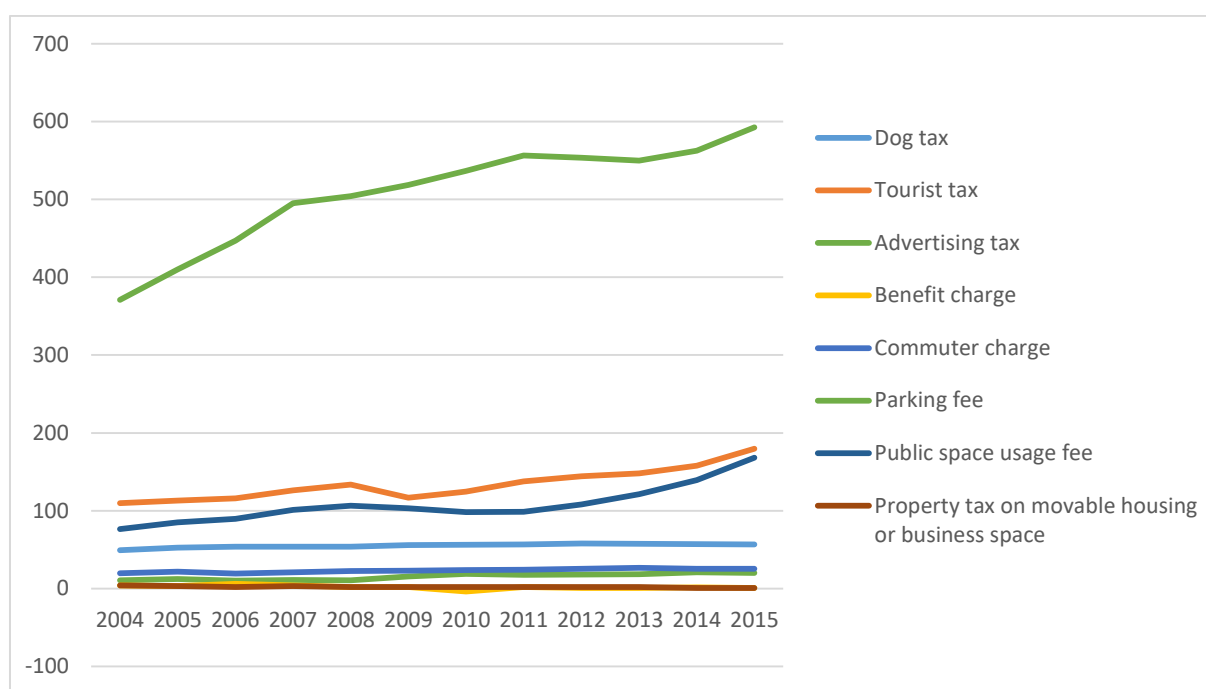


Figure 30: Income from different types of local taxes of all Dutch municipalities combined in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2015 (Data sources: CBS, Municipal accounts (charges by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

Within this group of eight types of local taxes in the Netherlands, apart from the property taxes on immovable property, *parking fees* have by far the largest share in the whole period under investigation. This type of local tax also increased relatively continuously from about 370 million euro in 2004 to approximately 590 million euro in 2015. Revenues from *tourist taxes* also rose extensively during this period of time. Starting with roughly 110 million euro in 2004, all Dutch municipalities combined earned about 180 million euro in 2015. *Public space usage fees* followed a relatively similar development, and the increase mainly occurred in more recent years. The revenues from *dog taxes*, on the other hand, remained relatively unchanged, amounting to about 55 million euro during the whole period under investigation. However, a slightly increasing tendency can be observed for this type of local tax as well.

Commuter charges, *advertising taxes*, *benefit charges*, and *property tax on movable housing or business space*, as the four remaining types of Dutch local taxes, each amounted to less than 30 million euro annually in more recent years; this corresponds to less than 75,000 euro per municipality on average. In comparison with the other types of local taxes, particularly the property taxes on immovable property, those four types of local taxes are of limited relevance

considering the total amount of local tax revenues as well as the total local revenues. However, the income from commuter charges, advertising taxes, benefit charges, and property tax on movable housing or business space remained relatively stable in more recent years considering the amount all Dutch municipalities earned in total.

Reflecting on the recent Financial Crisis as an event with a potential impact on municipal revenues and expenditures a significant impact on the eight additional types of local taxes in the Netherlands, other than property taxes on immovable property, cannot be observed. Solely the revenues from *tourist taxes* slightly decreased from about 134 million euro in 2008 to approximately 117 million euro in 2009. This decline of 17 million euro can be explained by the decisions of individuals affected by the Financial Crisis, or those expecting to be affected by the Crisis in the near future, to waive their holidays in the Netherlands. In this context, the socio-economic developments in the home countries of the potential tourists must be taken into account as well. However, even though the noticeable impact of the Financial Crisis since 2007 on the revenues from tourist taxes was relatively small in scope and temporarily restricted, it will still be further analysed at a late stage of this study.

In summary, according to the data published by the CBS, the revenues from the different types of local taxes were either relatively stable or followed existing financial trends during the years of the recent Financial Crisis in the Netherlands. A minor impact of the Crisis on tourist taxes, which was relatively limited in terms of its extent and its duration, is the notable exception. The financial developments of local fees will be addressed in the next sub-chapter.

10.3.2. Local fees

Next to local taxes, local fees generate the second share of municipal own income in the Netherlands. The inflation-adjusted financial developments of the revenues from the different types of local fees of all municipalities combined between 2004 and 2015 are pictured as positive values in figure 31.

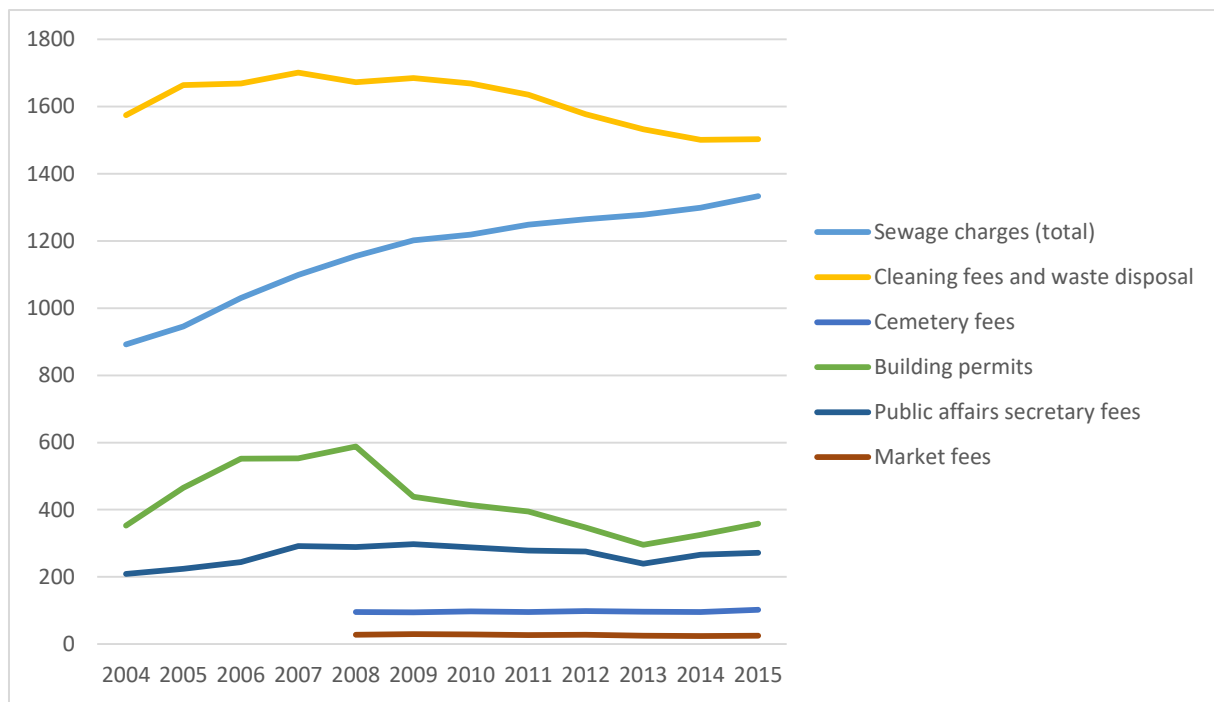


Figure 31: Income from different types of fees of all Dutch municipalities combined in million euro (adjusted for inflation, consumer price level of the year 2007), 2004–2015 (Data sources: CBS, Municipal accounts (charges by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

Comparing the six types of local fees, it can be observed that the highest annual revenues at the Dutch local level were generated from *cleaning fees and waste disposal* in the last decade. However, over the time period 2004 to 2015, an overall decrease of revenues from this type of fee can be noticed after adjusting for inflation. All Dutch municipalities combined collected about 1.6 billion euro in the area of cleaning fees and waste disposal in 2004 and roughly 1.5 billion euro in 2015. Increases in earlier years of this period in time were followed by declines in later years.

*Sewage charges*¹⁸¹ rank second in terms of revenues collected by the Dutch local level via fees in recent years. This type of fee is characterised by the strongest rise in direct comparison to the other fees, which took place continuously between 2004 and 2015. While approximately 890 million euro were collected in sewage charges in 2004, the amount increased to about 1.3 billion euro in 2015.

Building permits comprise the type of municipal fees that have developed most unstably over the last decade. Starting with total revenues of about 350 million euro in 2004, an increase to 590 million euro occurred in 2008. From 2008 to 2009, a significant decrease to 400 million euro followed. This tendency continued until 2013, when a value just below 300 million euro was reached. The two subsequent years were again characterised by minor increases, resulting in revenues from building permits of about 360 million euro in 2015. In the case of building permits, it also needs to be taken into account that the fees for a dwelling of a certain financial scope vary widely across the local level in the Netherlands (Bos, 2013, p. 44 f.).

¹⁸¹ The two sub-types – *sewage charges domestic/industrial* and *sewage charges groundwater and rainwater* – are included in the following.

Public affairs secretary fees experienced increases in the early years of the time period under investigation, followed by a more stable development thereafter. Starting with about 210 million euro in 2004, approximately 270 million euro were earned by all Dutch municipalities combined in 2015. With annual revenues of roughly 100 million euro and 30 million euro, Dutch municipalities' collective income from *cemetery fees* and *market fees* respectively was also fairly stable in more recent years.

Considering the overall developments of the recent Financial Crisis, the decreasing revenues from *building permits* in the Netherlands after 2008 correspond to the course of the Crisis from a temporal perspective. Following the logic that economic troubles and times of uncertainty imply lower investments in construction projects by private companies and households, the decreasing revenues can be explained, as already argued in the previous sub-chapter. On closer inspection, Dutch municipalities earned about 200 million euro less from building permits annually in the following years in comparison with 2008. Expressed per municipality, this corresponds to annual lower revenues of about 500,000 euro on average. However, on the other hand, it needs to be noted that the revenues from building permits since 2009 are comparable to those between 2004 and 2005.

Taken together, the revenues from local fees in the Netherlands have developed rather differently in recent years, according to the data provided by the CBS. The most abrupt change can be observed in the case of income from building permits after 2008. A more detailed summary of the financial changes in municipal own income in the years since the beginning of the recent Financial Crisis will be provided in the next sub-chapter, building upon previous insights.

10.3.3. Identified changes in municipal own income in times of the Financial Crisis since 2007

Considering local taxes and local fees in the Netherlands in recent years, the most notable changes can be observed regarding *building permits* and *tourist taxes*. Both types of municipal own income decreased at an aggregated level since the beginning of the Financial Crisis, and the link between these developments and the Crisis can be explained in terms of the underlying causal mechanisms. That times of economic uncertainty are not the most common periods for investments in real estate or holidays is understandable. On closer inspection, the financial impact on municipal budgets as a result of lower revenues from building permits appears to be larger in direct comparison with tourist taxes.

Overall, the observations based on the dataset regarding municipal budgets in chapter 10.2 can also be identified in the dataset regarding municipal accounts in chapter 10.3, for those parts where the same policy areas and balance sheet items or the corresponding types of municipal own income are addressed within the datasets. Based on the insights from this chapter, tourist taxes, as part of the category of financing and means for universal coverage, are added to the list of policy areas and balance sheet items to be examined more closely in the last part

of this study, including analyses on the variation across the Dutch municipal level. However, before doing so, the mayors' perceptions of various aspects of the recent Financial Crisis within their municipalities will be addressed in the next chapter of this study based on three consecutive own surveys.

11. Dutch mayors' perceptions of the impact of the Financial Crisis since 2007 at the local level of government in the Netherlands and the countermeasures taken

Official statistics are usually the most reliable data source in terms of government finance. However, the subjective impression of a financial situation can differ from official statements for various reasons. As a result of news reports on serious financial problems in many major economies around the globe, for example, local officials might also perceive the financial situation of their municipality as worse than the real budgetary position suggests. Another example concerns the belief in a high likelihood of being affected by a crisis in the future, which might prevail in local officials' financial considerations. Both aspects have in common that they might lead to budgetary decisions based on assumptions which do not reflect reality.

To assess the perception of the Financial Crisis since 2007 at the Dutch municipal level and possible deviations from official financial data, three own consecutive surveys were conducted with local officials, particularly mayors, between 2013 and 2015. The focus on mayors is motivated by their central role in Dutch local politics and far-reaching competences, especially in relation to the implementation of municipal policies and some exclusive powers. Answers to questions, for example, regarding changes in certain types of revenues and expenditures in the municipalities also enable a comparison between the perceptions and official data. Building upon these insights, it might be possible to explain some less obvious crisis reactions.

The results of the municipal surveys in the form of quantitative data, as well as qualitative statements, are presented in this chapter. In the first sub-chapter, the Financial Crisis since 2007 is addressed in relation to other challenges at the local level in order to assess its perceived relevance from a comparative perspective (11.1). Thereafter, the perceptions of recent changes in municipal revenues (11.2) and municipal expenses (11.3) are analysed in detail and compared to official governmental statistics. Survey results on municipal cutback management strategies are subsequently presented, including insights beyond official statistics on municipal budgets (11.4).

11.1. The Financial Crisis in comparison with other challenges at the local level of government

The Financial Crisis since 2007 is certainly not the only challenge that European countries have been facing in recent years. While other problems, such as rising unemployment and government debt, are typically considered to be closely intertwined with the Crisis and the accompanying economic downturn, climate change is an example of a challenge that is usually interpreted as interacting with the Financial Crisis only to a very limited extent, in line with the argumentation that a lower industrial output leads to a lower emission of greenhouse gases as a positive side effect in the longer run.

In addition, it needs to be taken into account that political challenges vary over time. Immigration, for instance, had a very steep ascent on the political agenda of European countries in the summer of 2015, when considerably higher numbers of migrants and refugees started coming to the EU compared to previous years. The deprioritising of a certain topic on the political agenda, on the other hand, can be caused by, for example, either a far-reaching political or technical solution, which might be generally possible in the case of some challenges, but rare in practice, or a shift of attention towards other problems. In other words, the decline of news reports on a certain topic does not necessarily mean that it is no longer an issue.

In Europe, systematic empirical research on public opinion has been realised by the European Commission's biannual Eurobarometer surveys since 1973. Apart from various questions on the perception of European institutions, one question about the two most important issues that one's home country is facing at the moment¹⁸² has been included in the surveys since 2005 (European Commission, 2018). By not mentioning a specific level of government, the question assesses the challenges of a country as a whole. The distribution of Dutch citizens' answers¹⁸³ over time is illustrated in figure 32.

¹⁸² Original question: "What do you think are the two most important issues facing (OUR COUNTRY) at the moment?" (European Commission, 2018, Question QA3a).

¹⁸³ The answering options changed slightly over time. In some cases, items were renamed or replaced. To increase the presentability, some similar items were combined in the following analysis.

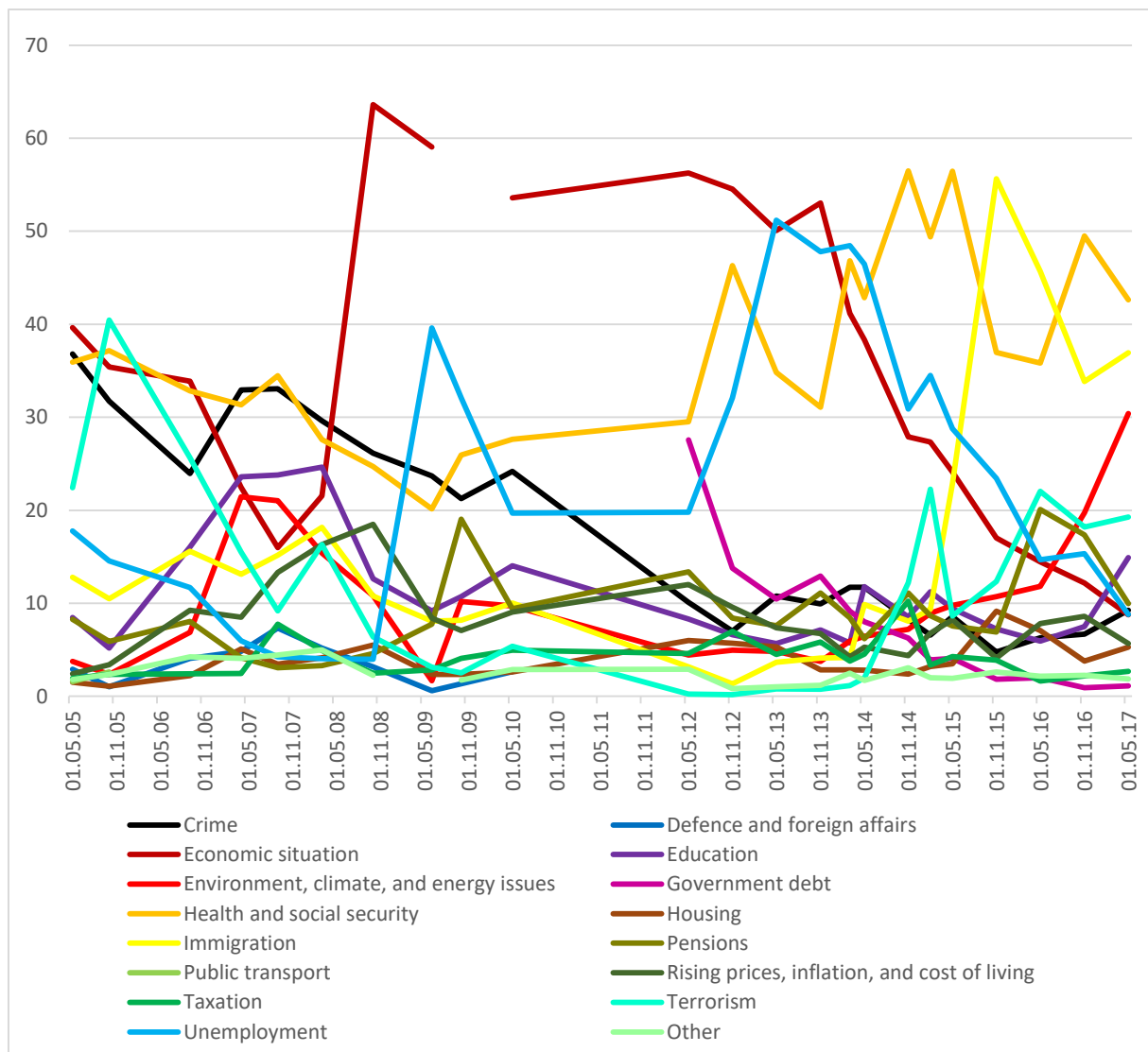


Figure 32: Public opinion on important issues in the Netherlands, percentage shares, 2005–2017 (Data source: European Commission, 2018)

Following the Eurobarometer surveys, various issues were considered to be relevant to a certain extent in the Netherlands, according to public opinion in recent years. However, on closer inspection, a number of significant shifts regarding the highest ranking topics can be observed. The perception of the *economic situation* as one of the two most important issues increased from 22% to 64% between April and October 2008 – in other words, around the time when the recent Financial Crisis began to widely affect European countries and their economies. A second peak in the perception of the economic situation as being among the most important challenges in the Netherlands occurred in May 2012, with 56%, around the time when the Eurozone Crisis reached its climax up to now, after a minor previous decline of the issue on the public agenda. Following public opinion, the importance of the economic situation decreased again after 2014. Similarly, *unemployment* was perceived to be an important issue in the Netherlands, with a peak of 40% in June 2009 and another peak of 51% in May 2013. Comparing the courses of the two graphs illustrates the close connection between both issues as well as a certain time lag in terms of the consequences of a crisis. However, in more recent

years, *healthcare and social security* and *immigration* were perceived as the two largest public issues, according to the Dutch population.

While Eurobarometer analyses the situation in European countries as a whole, the challenges – also in line with the areas of responsibilities – can vary within a country’s administrative subdivision. To assess the situation at the local level, similar questions were posed to the Dutch mayors in an own survey in late 2015. The overall intention was to assess the perceived relevance of the recent Financial Crisis in comparison with other challenges.

To estimate the expectations of future developments as well as interaction effects, apart from the current impact of the Financial Crisis, the original Eurobarometer question was split into three separate questions. First, the mayors were asked to rate a number of given issues in terms of being current challenges for their municipalities. Instead of the Eurobarometer approach of naming the two greatest ones, a five-point Likert scale, ranging from “not at all” to “very big”, was employed for each item.¹⁸⁴ Second, the extent to which the topics are expected to be challenges for the municipalities over the next five years was questioned. The listed issues and the scale range to choose from were identical to the previous question. Third, the participants were asked how all the named challenges were influenced by the Financial Crisis, based on their own impressions. In this case, the possible answers ranged from “much smaller” to “much bigger”, also on a five-point Likert scale.¹⁸⁵

While a generally wide range of answers can be observed for each of the named challenges, the differences between the issues are relatively low. In other words, according to the mayors, no single challenge is considered to be by far the most or least relevant. However, *immigration* (very big: 7.4%; rather big: 20.4%), *unemployment* (very big: 6.5%; rather big: 20.7%), and *housing* (very big: 6.0%; rather big: 34.4%) are among the challenges that were named as most relevant. The *economic situation* (very big: 5.5%; rather big: 24.9%), as well as *health and social security* (very big: 4.6%; rather big: 20.8%), can also be considered as relevant, according to the survey results. Interestingly, *terrorism* (not at all: 39.3%; rather small: 44.9%) is not considered to be a major issue. In this context, it needs to be taken into account that the survey participants include a large number of mayors from smaller cities and villages. Other topics that are currently considered to be smaller challenges in direct comparison are *government debt* (not at all: 17.1%; rather small: 31.8%) and *taxation* (not at all: 12.5%; rather small: 37.5%).

The second question asked for the mayors’ expectations regarding the challenges for their municipalities over the next five years. On the one hand, comparable to the current challenges, the *economic situation* (very big: 5.7%; rather big: 26.9%), *unemployment* (very big: 4.7%; rather big: 20.5%), *immigration* (very big: 4.2%; rather big: 35.8%), and *environment, climate, and energy* (Very big: 4.2%; rather big: 29.1%) are expected to remain challenges in the near future. Also, *housing* (very big: 3.7%; rather big: 35.0%) will continue to be a greater challenge, according to the mayors’ projections. *Terrorism* (not at all: 24.2%; rather small:

¹⁸⁴ In comparison with the latest Eurobarometer surveys, the issues of *inflation* and *pensions* were excluded in all questions, since they are considered to be topics beyond municipal influence.

¹⁸⁵ See appendix 8 for the detailed survey results.

40.2%), *taxation* (not at all: 8.9%; rather small: 29.6%), and *government debt* (not at all: 8.4%; rather small: 25.6%), on the other hand, are expected to be least relevant in comparison with the other named issues. Taken together, no major changes can be observed between the challenges currently perceived by the Dutch mayors and their expectations for the near future.

The Financial Crisis since 2007 undoubtedly was and partially still is one of the most relevant topics in recent years, and it affects municipalities in various ways. Apart from financial aspects, the interaction with other challenges is also possible. To gain a better understanding of the scope of influence, the mayors were asked about the extent to which the challenges mentioned in the previous questions increased or decreased as a result of the recent Financial Crisis. As the results of this survey question illustrate, especially *government debt* (much bigger: 11.4%; bigger: 53.6%), *unemployment* (much bigger: 8.0%; bigger: 71.7%), and the *economic situation* (much bigger: 6.6%; bigger: 71.1%) worsened because of the recent Financial Crisis, according to the mayors. Also, *housing* (much bigger: 4.8%; bigger: 35.4%) and *immigration* (much bigger: 4.7%; bigger: 24.5%) are perceived to be somewhat more challenging as a result of the Crisis. In the case of all the other named issues, the impact of the Crisis was indicated as fairly low in terms of a relatively unchanged situation. A significant reduction in any of the challenges resulting from the Financial Crisis cannot be observed according to the data.

In summary, based on the answers provided by the mayors in an own survey, the Financial Crisis since 2007 affected the Dutch municipalities in different areas based on various mechanisms. In line with the nature of the Crisis, a negative influence on *government debt*, *unemployment*, and the *economic situation* can be considered as almost unavoidable; this was also confirmed by the perception of the mayors. However, other issues, such as *housing* and *immigration*, were often mentioned as also being negatively affected by the Crisis. While it must be taken into account that the survey data were collected in late 2015, when the recent Financial Crisis was already declining in some respects, it is interesting to observe that unemployment and the economic situation were still considered to be among the major local challenges by that time. Concerning future challenges, the two topics are expected to remain important, and other issues, particularly immigration, housing, and *environment, climate and energy*, are forecasted to be of major relevance as well. Following these insights into the relevance of the recent Financial Crisis as a challenge at the local level in the Netherlands, the next sub-chapter will address changes in municipal revenues.

11.2. Perceptions of changes in municipal revenues

Municipal revenues in the Netherlands were the focus of the second municipal survey, conducted in spring of 2014. In line with the distinction between transfers from central government and both local taxes and local fees, as types of own resources,¹⁸⁶ the survey questions

¹⁸⁶ With regard to a less formal distinction between the different types of revenues, not all types are grouped in line with the schemes used by the CBS. Furthermore, to limit the scope of the survey, not all types of revenues were included in the questionnaire.

addressed changes in municipal revenues in recent years, expected changes in the near future, and personal preferences in the area of municipal income.¹⁸⁷

The extent to which the different types of municipal revenues changed between 2008 and 2013 was polled in the first survey question on a seven-point Likert scale ranging from “decreased very strongly” to “increased very strongly”. At first glance, the mayors mostly reported decreases in transfers from central government, some additional earnings with local taxes and local fees, and somewhat lower revenues from other sources during the time period under investigation. On closer inspection, *general grants* (decreased strongly: 30.0%; decreased to some extent: 43.8%) and *specific grants* (decreased strongly: 22.8%; decreased to some extent: 40.5%) were mostly indicated as decreasing in recent years. Especially in the case of general grants, more than 80% of the participants indicated a reduction in the transfers from central government.

Regarding local taxes and local fees, it needs to be taken into account that not all different types are levied in each municipality. Within the survey, most mayors responded that a tax or fee is not applicable in their municipality in the cases of *parking fees* (67.1%), *advertising taxes* (63.5%), *public space usage fees* (44.0%), and *dog taxes* (38.0%). Also, *tourist taxes* (17.5%) are not levied in a considerable number of municipalities.

While the income from almost all types of local taxes and local fees has slightly increased on average in recent years, according to the survey results, this is particularly the case for *other fees* (increased to some extent: 57.5%; unchanged: 33.8%), *property taxes on immovable property* (increased to some extent: 55.7%; unchanged: 19.0%), *tourist taxes* (increased to some extent: 42.5%; unchanged: 31.3%), and *sewage charges* (increased to some extent: 40.5%; unchanged: 27.8%). Also, *dog taxes* (increased to some extent: 22.8%; unchanged: 34.2%), *parking fees* (increased to some extent: 19.0%; unchanged: 11.4%), *public space usage fees* (increased to some extent: 10.7%; unchanged: 37.3%), and *advertising taxes* (increased to some extent: 5.4%; unchanged: 21.6%) had the tendency towards slightly higher revenues. Only in the case of *cleaning fees* (increased to some extent: 29.5%; unchanged: 23.1%; decreased to some extent: 35.9%) did more mayors indicate a minor decrease rather than an increase.

While the transfers from central government as well as local taxes and local fees represent the main types of revenues at the local level in the Netherlands, a few other possible sources of own income exist. In this category, based on the mayors’ statements, *income from investments* (decreased strongly: 22.5%; decreased to some extent: 28.8%; unchanged: 35.0%) and *income from own land/buildings* (decreased strongly: 25%; decreased to some extent: 27.5%; unchanged: 26.3%) have decreased on average in most Dutch municipalities in recent years. *Rates*, on the other hand, were not applicable (55.0%) in many municipalities, and if collected, they remained mainly unchanged (30.0%).

The mayors’ expectations regarding financial changes on the revenue side of their municipalities’ budgets in the coming years were also investigated as part of the survey. A seven-point

¹⁸⁷ See appendix 7 for the detailed survey results.

Likert scale similar to the first survey question was used. In general, it needs to be noted that this type of forecast provides insights beyond official statistics. Overall, the Dutch mayors do not expect fundamental changes regarding the different types of municipal revenues over the next years. Transfers from central government are generally estimated to decrease, while local taxes and local fees are expected to slightly increase. On closer inspection, *general grants* (decrease strongly: 21.5%; decrease to some extent: 48.1%) and *specific grants* (decrease strongly: 25.3%; decrease to some extent: 35.4%) are both expected to decrease rather strongly in the near future.

All types of local taxes and local fees, on the other hand, are expected to slightly increase in the coming years; it needs to be taken into account that the decisions regarding changes concerning these types of municipal income are made within the municipalities as far as national laws allow. However, *parking fees* (68.4%), *advertising taxes* (56.6%), *public space usage fees* (40.3%), *dog taxes* (38.2%), and *tourist taxes* (16.7%) are expected to be inapplicable to many Dutch municipalities in the near future. Since these figure are comparable to the results of the previous survey question on recent changes, it can be stated that an additional introduction of these taxes or fees does not seem to be widely planned. Considering the scope of the awaited financial changes, the mayors expect *property taxes on immovable property* (increase to some extent: 57.7%; unchanged: 26.9%), *sewage charges* (increase to some extent: 46.2%; unchanged: 41.0%), *tourist taxes* (increase to some extent: 44.9%; unchanged: 34.6%), and *other fees* (increase to some extent: 40.3%; unchanged: 50.6%) to increase in many municipalities, though at a relatively low level. Also, for *dog taxes* (increase to some extent: 18.4%; unchanged: 40.8%), *parking fees* (increase to some extent: 15.8%; unchanged: 14.5%), *public space usage fees* (increase to some extent: 14.3%; unchanged: 37.7%), and *advertising taxes* (increase to some extent: 7.9%; unchanged: 30.3%), a slightly increasing tendency can be observed on average, according to the mayors' forecasts. In the case of *cleaning fees* (increase to some extent: 36.4%; unchanged: 33.8%; decrease to some extent: 23.4%), on the other hand, the expectations regarding financial changes on the municipalities' income side are more balanced.

In the category of possible further own resources, *income from investments* (decrease to some extent: 29.9%; unchanged: 33.8%) and *income from own land/buildings* (decrease to some extent: 33.3%; unchanged: 35.9%) are expected to decrease on average in the coming years. *Rates* are mostly expected to be inapplicable (52.6%) to most municipalities. If applicable, no major changes (Unchanged: 30.8%) are expected in the case of this possible type of municipal income. Overall, a continuation of previously perceived developments in municipal financial affairs is largely expected by the Dutch mayors. In the cases of income from investments and income from own land/buildings, the situation is expected to slightly improve by a mitigation of previous decreases. However, increasing revenues from these types of income are still not expected on average.

In addition to the projections of future developments in municipal revenues, the survey also included a question on personal preferences in terms of the scope of income from the different types of municipal revenues in the future. For reasons of simplification, the choices fo-

cused on “increase” and “decrease”, instead of allowing for more detailed statements. Regarding the data collected, they provide insights beyond official statistics and are also intended to offer an impression of local officials’ preferences concerning the diversification of revenues at the municipal level in the Netherlands. Overall, the results reveal a mixed picture; moreover, many respondents had no preferences regarding changes in certain types of municipal revenues in the Netherlands. However, most mayors personally favour higher *general grants* (increase: 84.4%) from central government, whereas in the case of *specific grants* (increase: 54.7%; decrease: 21.3%; no preference: 24.0%), the opinions are more diverse. This circumstance can be best explained by the higher flexibility of the usage of general grants, in contrast to specific grants, and hence the general preference for the former as well as debates on the replacement of specific grants by general grants. When comparing the mayors’ personal preferences with their expectations from the previous survey question, the mayors largely prefer the opposite of what they are expecting in the category of transfers from central government. However, receiving more financial means from other levels of government, or third parties in general, can always be considered as more comfortable than generating own revenues; however, the far-reaching restrictions of the Dutch Municipalities Act need to be taken into account. Thinking of the sometimes expressed calls for more financial independence of the Dutch local level, this aspiration is also not traceable in the survey data.

In the case of *property taxes on immovable property*, as one of the main types of local taxes, the mayors’ preferences are also diverse (increase: 38.7%; decrease: 33.3%; no preference: 28.0%). Regarding the other types of local taxes and local fees, many respondents did not state a wish in terms of a future increase or decrease. Notable exceptions are *tourist taxes* (increase: 25.7%), where many respondents are in favour of an increase, and both *cleaning fees* (decrease: 45.3%) and *sewage charges* (decrease: 33.3%), where the preferences for decreases were frequently stated.

Concerning the additional types of possible financial resources, higher *income from investments* (increase: 60.0%) and higher *income from own land/buildings* (increase: 60.0%) are in most mayors’ favour. Taking into account that these two types of revenues have largely decreased in recent years, those preferences are not unexpected. Furthermore, it also needs to be taken into consideration that the aforementioned types of revenues do not imply burdens for the citizens, in contrast to local taxes and local fees in particular. In the case of *rates*, on the other hand, not many preferences were stated.

After collecting data on perceived recent changes, future expectations, and personal preferences concerning different types of municipal revenues, the following survey question addressed possibilities to increase revenues. While there was a choice between four answering options, developed based on talks with experts in the field of municipal finance, it was also possible to further elaborate on these options as well as to state other ideas. In this regard, the open part of the question represents a qualitative addition. In the case of the given answering options, it needs to be noted that multiple choices were possible. The question was answered by 56 Dutch mayors. About half of the mayors (48.2%) who participated in the survey see the *introduction of additional taxes or fees* as an option to increase their municipalities’ revenues. On closer inspection, many respondents mentioned existing taxes or fees,

which are currently not levied in their municipality, such as advertising taxes, public space usage fees, and dog taxes. Other answers included the idea of a new resident tax, which could be levied in general or for the use of a certain group of public services, according to the survey participants. In addition, it was stated that specific fees could be introduced for the use of some municipal services; this is not the case at the moment. Some mayors mentioned the idea of a municipal income tax, which is similar to a resident tax, but would be based on personal income. Regarding the property taxes on immovable property, as one of the most important sources of municipal own income, it was also mentioned that alternatives would be preferred. Other ideas for new taxes included the taxation of roads, cables, and pipes. Overall, it needs to be taken into account that the introduction of new local taxes would require changes in the Constitution and/or the Municipalities Act. Along this line of thought, one respondent also expressed the wish for more autonomy of Dutch municipalities in terms of generating own revenues in general.

Selling municipal waste, as a relatively new strategy to increase municipal revenues, was the second answering possibility given. A relatively large share of the participating mayors (41.1%) viewed this strategy as an option to generate additional income for their municipalities. Closely related are *renewable energy sources*, as the third answering option. A similar number of participants (39.3%) were in favour of this strategy. In the open part of the question, wind turbines and solar panels were mentioned as practical approaches.

The last answering option was *establishing business clusters in a certain sector*. While only a small number of respondents (10.7%) saw this strategy as an option to increase revenues in their municipalities, it should be taken into account that this strategy can be considered as being limited to large cities. One participant also pointed out that municipalities could utilise additional charges for shops in the centre of a city for investments in industrial areas outside the city centres instead.

Other mentioned ideas to increase municipal own revenues included the sale of land and the sale of other public property, which cannot be considered as new strategies. The same applies to supporting tourism in order to generate more income from the corresponding type of tax. Private-public partnerships and the private co-financing of public projects, as well as increased municipal co-operation with various actors, were also mentioned in the context of the question; however, they can be considered as strategies to lower public expenses. Another answer, which also focuses on the expenditure side and which has already been debated in line with management strategies and public sector reforms for decades, is increasing the efficiency of the municipal administration. Furthermore, two mayors expressed ideas involving rather far-reaching changes. One wrote that local taxes and local fees could be abolished completely and replaced by additional transfers from central government. The second one mentioned that government should become smaller in general in a process of privatisation.

The last survey question, which was open-ended, addressed the largest obstacles expected in the context of increasing municipal revenues in the coming years. In other words, various statements by the mayors were collected by following a qualitative approach. Looking at the results, the legal situation, referring to the limited autonomy of Dutch municipalities to levy taxes and fees within a system of multi-level governance, was mentioned frequently. Another

answer that was given multiple times refers to the role of central government. On closer inspection, a perceived lack of willingness of central government to co-operate with local government in financial affairs and a perceived lack of confidence of central government in local government were stated. Closely related, decentralisation measures – or, more generally, additional tasks – which are assigned by central government without sufficient financial compensation, were also mentioned as obstacles when aiming to increase municipal revenues. In addition, a lack of political willingness to increase own financial resources was also pointed out by the mayors with regard to some members of the municipal councils.

Some other issues were mentioned that address the local level and its citizens more directly, and which likely correspond to the reasons that some councilmen disapprove of the increase in local taxes and local fees. In particular, the personal opinion that tax burdens are already high at the local level in the Netherlands and should hence not be increased, was frequently stated by the mayors. Next to the general tax burden for citizens, the high housing costs for families, as well as the high taxation of local companies, were highlighted by some mayors. More specifically, it was also pointed out that the property tax on immovable property only addresses official residents and therefore not all persons making use of municipal services. This latter statement is in line with the calls for a replacement of the property tax on immovable property, as the main type of municipal own income, by a broader tax that is based either on residency independent of property or on income.

Another group of obstacles mentioned involves the recent Financial Crisis. A number of mayors mentioned the stagnating economy and low interest rates, which led to lower tax revenues and lower income from investments. The cutback measures, decided upon by the Dutch central government as a reaction to the Crisis, were also criticised in this context, where a lack of codetermination and choices of the local level were pointed out.

Lastly, a few mayors also questioned the intention to increase municipal revenue itself. One wrote that “increasing [municipal] income is not an end in itself. It involves dealing efficiently and effectively with the available resources and making clear choices” (Own translation). Another mayor wrote that one should, “above all, strive for smaller government with fewer tasks, so less income is needed” (Own translation).

In summary, the own survey on municipal revenues provided broad insights into the Dutch mayors’ perceptions of the recent financial developments on this side of the balance sheets as well as their future expectations and personal preferences. When comparing their statements on recent changes in municipal revenues with official governmental statistics, the mayors’ average perception of substantially lower transfers from central government does not comply with the data already presented in chapter 10.2. The extensive political discussions on austerity measures, including intended cutbacks of the municipal fund in the context of the Financial Crisis since 2007, might provide an explanation for these survey results. In contrast, regarding local taxes and local fees, as well as other types of local own income, the average statements by the mayors largely comply with the official governmental statistics discussed in chapters 10.2 and 10.3. While the Dutch mayors largely expect a continuation of previously perceived developments in the area of municipal revenues in the near future, they do not personally prefer what they suspect will occur in the case of all separate types of income. This

is most notable for cleaning fees and sewage charges, where most mayors are in favour of a decrease, while expecting an increase in revenues from this source. The same applies to income from financial investments and income from own land and buildings. However, in these cases, the mayors expect lower revenues in the near future, but would prefer higher ones.

Reflecting on the survey results, it is also interesting to observe that a certain trade-off exists between the Dutch mayors' wishes for more transfers from central government on the one hand and their calls for more local autonomy in financial affairs and the creation of own revenues on the other hand. Following these insights into the mayors' perceptions, expectations, and preferences in the context of municipal revenues, the results of another own survey focusing on municipal expenses are presented in the next sub-chapter.

11.3. Perceptions of changes in municipal expenses

The first municipal survey, conducted in the summer of 2013, focused on municipal expenses and austerity measures in the Netherlands. The intention was again to gain insights into the Dutch mayors' perceptions, expectations, and preferences to complement official governmental statistics on this second side of municipal balance sheets.¹⁸⁸

The first content-related question asked about the extent to which the budgets changed in the different policy areas with municipal competences since 2008. Participants could choose from answers on a six-point scale, ranging from "additional investments" and unchanged budgets to four degrees of savings. According to the mayors' statements, the recent financial changes on the expenditure side were subject to some variation. Additional investments were most often indicated in the policy areas of *safety* (32.7%), *education* (29.9%), *traffic* (26.2%), and *spatial planning* (25.2%). Next to *integration* (43.0%) and *youth* (36.4%), *safety* (33.6%) is also among the policy areas in which most Dutch mayors mentioned an unchanged budget in recent years.

Considering the sum of the four different degrees of savings, *culture* (83.2%) is the policy area where most mayors indicated savings in their municipalities' budgets since 2008. *Managing public space* (79.6%), *welfare* (79.4%), and *sport* (70.1%) are further policy areas in which many respondents mentioned budget cuts. On closer inspection, savings to a very high extent were hardly indicated by the mayors. Saving to a high extent were stated in *culture* (21.5%) most often. Also, savings to a medium extent were specified most often in the policy area of *culture* (40.2%), followed by *welfare* (38.3%), *sport* (33.6%), *traffic* (30.8%), and *managing public space* (30.6%). Taken together, the perceived budget changes in recent years can be considered as relatively diverse along the different policy areas as well as across the local level, potentially illustrating distinct priorities. However, while the shares of municipalities with addi-

¹⁸⁸ See appendix 6 for the detailed survey results.

tional investments, unchanged budgets, and budget cuts are roughly balanced in the two policy areas of safety and education, savings are more common than additional investments in all other policy areas, according to the mayors' statements.

Interestingly, not all the survey results on recent changes in municipal expenditures comply with the official governmental statistics presented in chapter 10.2. According to the aggregated data provided by the CBS, decreasing municipal expenses in *spatial planning and housing* as well as in *education* – both in combination with decreasing revenues – were noticed between 2008 and 2013. Regarding all the other policy areas, relatively continuous increases on the expenditure side can be observed. Especially in *culture and recreation*, major budget cuts, as indicated by many Dutch mayors in the survey, cannot be confirmed on average. Reflecting on the possible reasons for the discrepancies, social desirability in terms of cutting costs in certain areas that are considered to be less essential for the municipality and its citizens in direct comparison, while omitting others, might have played a role.

Expectations about future savings at the local level in the Netherlands comprised the topic of the following survey question. The mayors were asked to rank the 13 policy areas regarding the expected situation in their municipality. Rank 1 describes the highest expectations on savings, and rank 13 the lowest ones. Each rank could only be assigned once. Reflecting on the results, the variety of expectations is illustrated by the fact that almost every rank was stated for each policy area at least once. According to the average ranks, measured on a scale ranging from 1 to 13, the Dutch mayors expect the highest future savings in *culture* (4.6), *welfare* (4.8), and *managing public space* (5.3). The lowest expectations on budget cuts were stated for *safety* (10.3), *education* (8.1), and *youth* (8.0). Considering the results of the previous survey question on perceived recent financial changes on the expenditure side, it can be concluded that the mayors largely expect a continuation of prior financial developments.

The last survey question on municipal expenses to be presented and discussed in this subchapter asked about the policy areas in which the mayors personally have the least and the greatest number of reservations regarding savings in the near future. Participants were allowed to state up to three policy areas for each of the two categories of least and greatest reservations. In absolute figures, the Dutch mayors most frequently mentioned having the greatest reservations concerning future budget cuts in the areas of *safety* (70), *youth* (56), and *social policies* (43). In contrast, *development co-operation* (49), *spatial planning* (44), and *traffic* (37) were most often named as the policy areas with which mayors had the least amount of reservations in terms of future savings. Considering the percentage distribution of the votes of each policy area, the picture is largely similar. In addition to *safety* (97.2%), *youth* (96.6%), and *social policies* (82.7%), *education* (87.2%) is also part of the group of policy areas with which mayors had the most concerns in terms of future cutbacks. Regarding the fewest reservations with future savings, *development co-operation* (94.2%) and *spatial planning* (89.8%) are still among the leading policy areas, when assessing the percentage distributions. High values were also assigned to *sport* (84.0%) and *integration* (81.8%). Interestingly, the vote shares for *welfare* (least reservations with future savings: 53.2%; most reservations with future savings: 46.8%) and *culture* (least reservations with future savings: 42.5%; most reservations with future savings: 57.5%) are relatively balanced.

When comparing the mayors' expectations in relation to future financial developments on the expenditure side of municipal budgets with their personal preferences, the picture is largely uniform, especially in the case of some policy areas, such as *safety*, *education*, and *youth*, where the least amount of savings are expected and favoured. Regarding *welfare* and *culture*, the mayors on average expect somewhat higher cutbacks than they would prefer. In the cases of *development co-operation*, *spatial planning*, *sport*, and *integration*, on the other hand, reservations about future budget cuts are comparably low, while the mayors also do not expect extensive future savings in these areas.

In summary, the Dutch mayors' statements concerning budget changes on the expenditure side in policy areas with municipal competences in recent years were generally relatively diverse. However, while the majority of survey participants mentioned budget cuts in most policy areas, this does not comply with official government statistics in all cases. Regarding the mayors' expectations about future savings and their personal preferences, similarities can be observed in many, but not all, policy areas. Building upon these insights into the Dutch mayors' perceptions, expectations, and preferences in terms of municipal expenses, the next subchapter will focus on the related cost-cutting approaches based on data from the same own survey.

11.4. Austerity measures and cutback management strategies

If budget cuts are intended, then there are various ways in which to achieve those cuts, as already discussed in chapter 2.3.4 based on theoretical considerations. To obtain an overview of the dissemination of different methods of savings, also referred to as cutback management strategies, in Dutch local government, the topic was also addressed in a question of the first municipal survey in 2013. By asking for the austerity methods that have been utilised in the mayor's municipality since the beginning of the Financial Crisis, as well as the austerity methods that the respondent would personally choose, provided that such measures are necessary and decisions could be made independently, the question consisted of two parts. Ten answering options were given for both parts, and multiple choices were possible. One-hundred participants were recorded for the first part of the question, and 94 for the second.¹⁸⁹ At first glance, it can be observed that all 10 cutback methods from which to choose were recently implemented at the Dutch local level, but with different levels of frequency, according to the mayors. Among the selection of methods, *savings in personnel costs* were generally most popular. On closer inspection, expenditures for *internal staff* were cut in 87.0% of the participating municipalities, and expenditures for *external staff* were cut in 83.0% of the cases. The *lawnmower approach*, which describes equal reductions of funds in all policy areas, was also relatively popular: it was employed in 78.0% of the municipalities, according to the survey data. Furthermore, *savings by reducing political ambitions* (64.0%), *savings by ceding or ceas-*

¹⁸⁹ See appendix 6 for the detailed survey results.

ing municipal responsibilities (55.0%), *increasing the involvement of societal and private partners in the execution of services* (48.0%), and *outsourcing of tasks* (47.0%) are cutback methods that have been applied in many Dutch municipalities in recent years as well.

Apart from the methods that were used since the beginning of the Financial Crisis, the second part of the survey question inquired about the participants' future preferences if further cutbacks are necessary. *Savings by ceding or ceasing municipal responsibilities* (71.3%) and *savings by reducing political ambitions* (60.6%) were stated most often. *Outsourcing of tasks* (52.1%), *savings in personnel costs for external staff* (50.0%), and *increasing the involvement of societal and private partners in the execution of services* (46.8%) were also among the answers given fairly often.

The comparison between both parts of the question illustrates a certain disagreement between the cutback methods recently implemented at the Dutch local level and the mayors' preferences. While recent austerity measures often focused on lowering personnel costs and across-the-board cuts, the mayors stated higher preferences for the reduction of municipal tasks and political ambitions. Apart from general disagreements regarding the most appropriate and promising strategies, this trade-off might also reflect experiences with cutback methods used in recent years, which fell short of expectations.

In terms of the nature of the recently popular cutback methods, they are rather short-term oriented, simple to implement, and executable with little public attention, and their focus is often on human resources. Leaving vacancies unfilled and not prolonging expired contracts are practical examples, where limited resistance can also be expected. Furthermore, by cutting costs equally across all departments and policy areas in line with the lawnmower approach, decisions on political priorities are not necessary, and competitive thinking, possibly leading to occasional resistance, is not supported. The mayors' most preferred methods, on the other hand, are generally more difficult to realise, especially in the case of reducing municipal tasks, because of provisions by central government. Similarly, lowering the political ambitions is also only possible to a limited extent, because of, for example, mandatory public services provided by the local level on behalf of central government. Overall, the relatively small leeway of local government in the Netherlands in terms of organising its own affairs becomes evident once more.

In summary, according to the mayors, the most common cutback methods that have been implemented at the local level in the Netherlands in recent years involve across-the-board cuts at the beginning of times of austerity, followed by more targeted methods of realising savings at a later stage. These methods have also frequently been observed during various types of crises in the past. However, reflecting on the three municipal surveys, it must also be recognised that not all survey results appear to be completely reliable, as the comparison with official governmental statistics illustrated, particularly regarding the financial developments of some types of revenues and expenses. Since there are no signs of an unrepresentative group of survey participants, social desirability and limited detailed knowledge in financial affairs might provide partial explanations for these circumstances. However, while the insights based on the own surveys presented in this chapter can be helpful in understanding rather

irrational crisis reactions, because of a perception of a crisis impact, which does not fully comply with real events, the next part of this study will focus on variation across the local level in the Netherlands in terms of the impact of and responses to the recent Financial Crisis, as well as the factors explaining the differences based on official data.

Part 4: Variation at the local level of government in the Netherlands in the context of the Financial Crisis since 2007

Part four includes the second empirical component of this study. After analysing the overall financial implications of the recent Financial Crisis at the Dutch local level by examining all municipalities combined in the previous part, this part focuses on the variation between municipalities as well as the explanatory factors. Building upon the previous analyses, the inflation-adjusted financial changes in a number of selected areas with competences of the local level, such as social services and land development, will be further investigated by assessing the situation of the approximately 400 municipalities in the Netherlands separately and discussing the relevant statistical key figures. Overall, the financial changes at the level of individual municipalities in the selected areas of interest will be the dependent variables in the analyses at a later stage.

While potential factors of influence on the financial position of local government during a financial crisis were already identified and discussed in the theory section and operationalised in the methodological section of this study, the statistical distributions of the related figures in the context of Dutch municipalities and the Financial Crisis since 2007 will be presented in this part. These variables within the groups of structure-based, institution-based, and interest-based factors will subsequently be utilised as independent variables in the analytical model. With linear regressions, the correlations between the factors and the financial changes at the Dutch local level during the recent Financial Crisis will be investigated. This also includes the testing of the hypotheses formulated in the theory section and the presentation of the empirical findings.

What follows is a more general discussion of the statistical results in terms of factors and groups of factors with a noticeable influence in relation to financial changes in the municipal balance sheets during the recent Financial Crisis in the Netherlands. Further reflections will also include the results of the own surveys as well as the findings of other studies. To assess the role of contextual factors, the empirical results will also be discussed in connection with the general trends and developments identified at the Dutch local level. Thereafter, various limitations of this study will be pointed out, before the research question will be answered. Lastly, a number of policy recommendations for the Dutch case, as well as some wider lessons from the recent Financial Crisis in relation to local government and local governance, will also be part of the conclusion.

12. The impact of and responses to the Crisis' at the local level of government in the Netherlands from a comparative perspective

Measuring the impact of a crisis is certainly a challenge because of complex and interacting mechanisms as well as the problem of taking temporal demarcations of developments with effects over decades or even centuries.¹⁹⁰ While the latter circumstance can be understood as a claim to examine as-long-as-possible time periods, certain crisis effects might be counter-balanced in the long run. Similar problems can be observed in the context of crisis reactions. Some types of countermeasures, such as labour market reforms, usually take time to have an effect. Furthermore, various spillover effects across all national levels of government, as well as measures taken in other countries or by international institutions, might be of influence over the course of a crisis in a certain territorial entity.

While the first empirical component focused on aggregated data of all Dutch municipalities combined, where certain effects might be outbalanced on average, the second empirical component will address the Dutch municipalities separately. In this chapter, the changes in the account balances of income and expenses in all the areas where effects of the recent Financial Crisis were identified, as well as the changes in municipal short-term debt and municipal long-term debt, will be analysed in detail. The situation during the Crisis will be compared to the situation before. Since the analyses address financial developments over time, all data will again be adjusted to the Dutch consumer price level of the year 2007. To balance possible fluctuations and outliers independent of the recent Financial Crisis, the variables will also be calculated as three-year averages.

As already pointed out in chapter 9, the recent Financial Crisis became notable in the Netherlands in late 2008, first affecting central government primarily in terms of bank rescue measures before attempts at fiscal stimulus and austerity measures were undertaken, both of which were also intended to target local government. Following this line of argumentation, the years 2005 to 2007 represent the financial situation before the Crisis. Because of time differences in terms of the effects of a crisis in various policy areas, different time periods from 2008 onwards were chosen for the financial situation during the Crisis. In other words, the three-year time spans were selected based on identifiable changes in the aggregated data of each balance sheet item¹⁹¹, policy area, and financial results¹⁹² of interest. The change in the pairs of variables will also be utilised as dependent variables of the linear regressions in the following chapter.¹⁹³

Building upon the analyses of chapter 10, figure 33 and figure 34 provide an overview of aggregated account balances of income and expenses of the policy area and balance sheet items where impacts of or reactions to the recent Financial Crisis were identified. The developments

¹⁹⁰ See footnote 121 in chapter 8 for a discussion of the difficulty in defining the beginning and the end of a financial crisis in general and in the case of the recent Financial Crisis in particular.

¹⁹¹ Balance sheet items are specific budgetary sections, for example in line with certain public tasks, within a policy area.

¹⁹² Financial results are understood as overall balance sheet results in terms of surpluses or deficits.

¹⁹³ A similar research design was also chosen by Wolman (2014) and Wolman and Hincapie (2014).

of municipal short-term and long-term debt are also included to illustrate the overall financial results. Regarding the inflation-adjusted data in the figures, it needs to be taken into account that positive values stand for municipal revenues or levels of municipal debt, while negative values indicate municipal expenses.¹⁹⁴

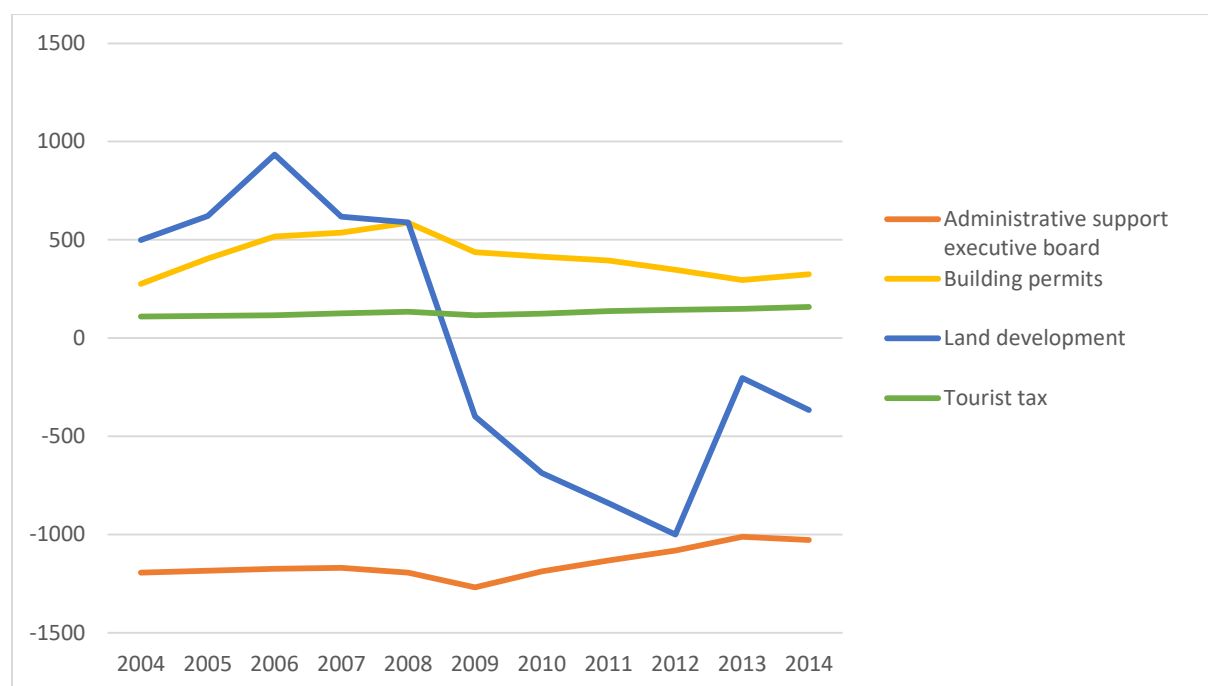


Figure 33: Budget balance of selected balance sheet items of all Dutch municipalities combined in million euro (adjusted for inflation, consumer price level of the year 2007), part 1, 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

¹⁹⁴ The division into two figures was chosen for reasons of visibility.

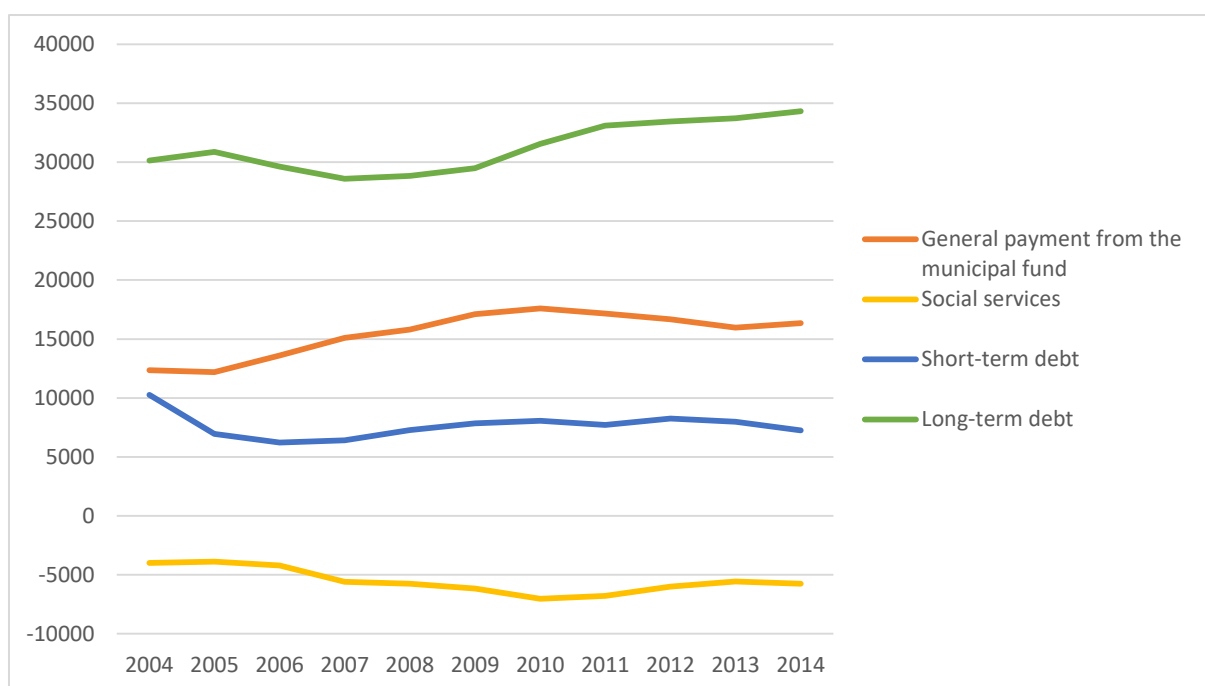


Figure 34: Budget balance of selected balance sheet items and policy areas of all Dutch municipalities combined in million euro (adjusted for inflation, consumer price level of the year 2007), part 2, 2004–2014 (Data sources: CBS, Municipal accounts (revenues and expenses by region and by size); CBS; Municipal accounts (balance by region and by size); CBS, Annual change of the consumer price index from 1963; own calculations)

As already pointed out in chapter 10.2.11, the overall consequences of the Financial Crisis at the Dutch local level were most notable in the case of *land development*; however, other areas with municipal competences and activities were also affected, as was the municipal administration itself. Accordingly, increases in municipal short-term and long-term debt can be observed in the years after 2008, and possible variation across the local level needs to be taken into account. While the total effect of the Crisis on *land development* was relatively extensive in comparison with other balance sheet items, this does not necessarily imply negative developments in all municipalities. In some municipalities, revenues from *land development* might even have grown during the years of the recent Financial Crisis. On the other hand, some municipalities might have been concerned about the financial consequences of the Crisis in certain areas of activity, such as *tourist taxes*, where the aggregated effect appeared to be relatively low.

In line with the different municipal activities of interest identified in chapter 10, the following sub-chapters are structured as follows: social services (12.1), administrative support of the executive board (12.2), building permits (12.3), land development (12.4), tourist taxes (12.5), and general payments from the municipal fund (12.6). The overall financial results in terms of changes in short-term and long-term debt will be addressed in a final sub-chapter (12.7).

12.1. Social services

In welfare states, times of crisis are usually linked to higher expenditures for *social services*. Higher unemployment and increases in short-time work are among the main reasons. Building upon the previous insights from chapter 10.2.7 into the changes in expenses in this area with responsibilities of local government in the Netherlands over time, variation between the individual municipalities will be analysed next.

According to a study (Allers, 2009) published during an early phase of the recent Financial Crisis, the increase in unemployment, as a major cause of higher expenses in social affairs, is not expected to be equally distributed across the Netherlands. In municipalities where many employees work for government, in the healthcare sector, or in the education sector, such as in The Hague and Groningen, the effect of the Crisis is expected to be smaller in comparison with regions where many persons are traditionally employed in the financial sector, transport, and the manufacturing industry, such as Amsterdam and Eindhoven (p. 287). Whether these expectations can be confirmed by changes in social expenses, according to official statistics, will also be addressed below.

From a methodological perspective, the mean account balance in the policy area of social services in pre-crisis times was calculated by building the average of the annual account balances of the years 2005 to 2007. For the times during the Crisis, the years 2009 to 2011 were taken into account. To recognise the differences regarding the size of the municipalities in terms of inhabitants and changes in the price levels, all values are expressed in euro per capita and are adjusted for inflation.

Table 20 includes statistical key figures of the distribution of both variables as well as the changes between both mean values. While positive values of the three-year mean values imply municipal revenues, negative values denote municipal expenses. In the case of the change between both variables, calculated by subtraction, positive values indicate an increase, while negative values indicate a decrease.¹⁹⁵

Table 20: Statistical key figures of the distribution of Dutch municipalities' account balances of revenues and expenses for social services in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

	Mean value 2005–2007	Mean value 2009–2011	Change between the two mean values
N	369	410	339
Mean	-215.62	-311.93	96.61
Std. Deviation	70.04	97.83	45.84
Range	516.10	710.65	315.10
Min.	-569.30	-786.99	-74.06
Max.	-53.21	-76.34	241.03

¹⁹⁵ The same logic also applies to the calculation in the following sub-chapters.

According to the data, social services account for expenses in all Dutch municipalities in recent years considering the two groups of three-year averages. In other words, no municipality earned more money by providing the accompanied public services than it paid for them. While the Dutch local government spent 215.62 euro per citizen on average between 2005 and 2007, 311.93 euro were spent between 2009 and 2011, which implies an increase close to 100 euro per capita.¹⁹⁶ Interestingly, a range above 500 euro can be observed during the first period of time and above 700 euro during the second period of time. In other words, municipal expenses on social services vary significantly across the Dutch local level, and this variation increased over time. In the context of the financial changes between both time periods, variation can also be observed among the municipalities. While the costs increased in most municipalities, there are also cases where the expenses for social services decreased.

To obtain a better insight into the variation across the local level in the Netherlands, an overview of the individual municipalities with the highest and lowest inflation-adjusted financial changes in social services is presented in table 21, building upon the calculations presented in the previous table.¹⁹⁷

Table 21: Highest and lowest changes in the mean values regarding Dutch municipalities' account balances of revenues and expenses for social services in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

Municipalities with the 10 highest cost increases	Euro per capita	Municipalities with the 10 highest cost decreases / lowest cost increases	Euro per capita
Heeze-Leende	241.03	Boekel	-74.06
Leeuwarden	233.91	Someren	-19.11
Vlaardingen	233.05	Aalsmeer	-10.48
Amsterdam	230.35	Vlieland	-7.50
Venlo	228.22	Hendrik-Ido-Ambacht	1.70
Vlissingen ¹⁹⁸	222.65	Ameland	6.73
Nijmegen	220.78	Scherpenzeel	8.99
's-Gravenhage ¹⁹⁹	211.84	Ubbergen	14.38
Tilburg	203.36	Woudrichem	15.39
Doetinchem	200.36	Graafstroom	20.21

¹⁹⁶ Since the number of cases used to calculate the statistical key figures of the three variables' distributions is subject to some variation, relating to changes in the number of municipalities over time as a result of municipal amalgamations and data availability, the mean value of the distribution of the *change between the two mean values* does not exactly match the subtraction of the mean values of the distribution of the two *mean values*. On closer inspection, the first *mean value* (three-year average) was calculated for all municipalities where the necessary financial data were available for the first time span. The second *mean value* (three-year average) was calculated for all municipalities where the necessary financial data were available for the second time span. Calculating the *change between two mean values* requires a pair of variables. In other words, it was only possible to calculate the *change between the two mean values* for municipalities where the financial data were available for both time spans. The same logic also applies to the calculation in the following sub-chapters.

¹⁹⁷ See appendix 9 for the financial changes within this policy area of all Dutch municipalities, as well as for the balance sheet items and financial results presented and discussed in the following sub-chapters.

¹⁹⁸ Article-12 municipality 2015–2016

¹⁹⁹ 's-Gravenhage is the official Dutch name for *The Hague*.

According to the data, the highest cost increase for the provision of social services between the two time periods under investigation can be observed in the case of Heeze-Leende. Some of the largest cities, such as Amsterdam and The Hague, are also among the group of municipalities where the cost for social services rose the most. In only four municipalities, the expenditures for social services decreased during the time periods under investigation, and this development is most significant in the case of Boekel.

Considering the expectations stated in a previous study (Allers, 2009) regarding variation in the growth of unemployment across the Netherlands, the overview of changes in expenses related to social services in table 21 does not fully comply. While Amsterdam, as a city with many persons traditionally employed in the financial sector, transport, and the manufacturing industry, is among the municipalities with the highest increases in social expenditures from a comparative perspective, this also applies to The Hague, where many employees traditionally work for government or in the healthcare and education sectors. However, it must be taken into account that unemployment is not the only possible cause of higher expenditures in social affairs. Other factors, such as the social composition of the population, might be relevant as well. Overall, the data indicate that higher expenses for social services in times of the recent Financial Crisis affected larger cities more than smaller municipalities. Financial changes in relation to the administrative support of the executive board will be addressed in the next sub-chapter.

12.2. Administrative support of the executive board

The first separate balance sheet item analysed, with a focus on variation across the local level in the Netherlands, is *administrative support of the executive board* within the policy area of general administration. In general, this task is mainly characterised by municipal expenses. However, a few municipalities have generated minor net revenues in the context of this balance sheet item in recent years.²⁰⁰ During a crisis, it can generally be concluded that the necessity of support of a municipal executive board and hence the costs increase. The need for comprehensive external advice might be an example of the origin of higher expenses from a more practical perspective.

Comparable to the methodological approach introduced in the previous sub-chapter, the inflation-adjusted changes between two three-year averages were calculated to assess the effects of the recent Financial Crisis on the account balance of expenses and revenues in the administrative support of the executive board. Again, the mean for the years 2005, 2006, and 2007 was calculated for each municipality, and it represents the pre-Crisis level. Assuming that local officials evaluated the developments of a crisis and discussed potential measures right from the start, in combination with the logic that the administrative support of the executive

²⁰⁰ This is best explained by difficulties in allocating certain costs and income to individual balance sheet items as well as possible refunds from external parties.

board is needed most during the peak of a crisis, the second mean value was calculated by including the years 2009, 2010, and 2011.

Statistical key figures of the distributions of the two mean values, as well as the changes between the mean values at the level of individual municipalities, are listed in table 22. With the exception of the number of cases, all other values are stated in euro per capita.

Table 22: Statistical key figures of the distribution of Dutch municipalities' account balances of revenues and expenses for the administrative support of the executive board in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

	Mean value 2005–2007	Mean value 2009–2011	Change between the two mean values
N	369	410	339
Mean	-62.77	-66.27	4.98
Std. Deviation	43.79	49.18	26.13
Range	559.07	602.70	296.11
Min.	-546.96	-602.80	-108.73
Max.	12.10	-0.10	187.38

According to the calculations, on average, Dutch municipalities spent 62.77 euro per capita annually for the administrative support of the executive board between 2005 and 2007. Between 2009 and 2011, this average value increased to 66.27 euro per capita. In other words, the average costs for this balance sheet item increased by almost 5 euro per capita since the beginning of the recent Financial Crisis. On closer inspection, a broad dispersion of the municipalities' expenses for the administrative support of the executive board can be observed, with annual expenditure per capita ranging from close to 0 to above 600 euro.

An overview of the 10 municipalities with the highest inflation-adjusted increases in costs for the administrative support of the executive board and the 10 municipalities with the highest inflation-adjusted decreases is presented in table 23.

Table 23: Highest and lowest changes in the mean values regarding Dutch municipalities' account balances of revenues and expenses for the administrative support of the executive board in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

Municipalities with the 10 highest cost increases	Euro per capita	Municipalities with the 10 highest cost decreases	Euro per capita
Schiermonnikoog	187.38	Dongen	-108.73
Kapelle	131.00	Utrecht	-85.57
Laren (NH.)	109.39	Meppel	-74.83
Zeevang	80.11	Boekel	-68.31
Zoeterwoude	75.79	Breda	-63.13
Veenendaal	71.60	Oldebroek	-54.09
Texel	67.71	Rheden	-49.53
Tubbergen	58.53	Uithoorn	-48.42
Wieringermeer	56.57	Drechterland	-47.97
Terschelling	55.83	Vlaardingen	-45.52

During the time period under investigation, the average costs per capita for the administrative support of the executive board increased the most in Schiermonnikoog. In contrast, in the municipality of Dongen, the costs for this task were reduced the most. Considering both ends of the list of municipalities, many relatively small municipalities in terms of the number of inhabitants are among the two groups with the highest changes in expenses for the administrative support of the executive board in recent years. However, Utrecht and Breda – two large cities – are also part of the group of municipalities with the highest cost decreases. Building permits comprise the next balance sheet item to be addressed in terms of recent changes in times of the Financial Crisis since 2007 and variation across Dutch municipalities.

12.3. Building permits

While the policy area and the balance sheet item analysed in the previous sub-chapters were characterised by average net expenses by local government, issuing *building permits* is an activity whereby most municipalities in the Netherlands traditionally earn money. However, in the context of a financial crisis, it can be argued that private investments in construction are likely to decrease, implying lower revenues for local government from licensing activities in this field. To compare the financial changes since the beginning of the recent Financial Crisis, the inflation-adjusted mean values of the account balances per capita were calculated for each municipality for the years 2005 to 2007 and 2011 to 2013. The latter time span is justified by a temporal delay of crisis impacts on the activity of issuing building permits in comparison with effects in other policy areas, since investments by private companies and households are often planned in the longer run.

Table 24 contains the statistical key figures of the distributions of both three-year averages as well as for the changes between the two time periods.

Table 24: Statistical key figures of the distribution of Dutch municipalities' account balances of revenues and expenses for building permits in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

	Mean value 2005–2007	Mean value 2011–2013	Change between the two mean values
N	369	402	324
Mean	29.65	20.72	-8.58
Std. Deviation	13.53	9.92	13.66
Range	119.08	65.24	132.73
Min.	-9.44	3.66	-81.95
Max.	109.64	68.91	50.78

According to the data, issuing building permits was and still is an activity whereby most Dutch municipalities earn money. Between 2005 and 2007, the income amounted to 29.65 euro per capita on average. This value decreased by almost 10 euro per capita to 20.72 euro per capita between 2011 and 2013. In other words, the average revenues of Dutch municipalities in this area decreased during the times of the recent Financial Crisis. Again, a wide variation can be

observed across the local level. This applies to the two three-year averages as well as to the change between the pairs of variables. While the income from building permits decreased by more than 50 euro per capita in three municipalities, it also increased by more than 50 euro per capita in one municipality.

An overview of the municipalities with the highest inflation-adjusted increases and decreases in this context is provided in table 25.

Table 25: Highest and lowest changes in the mean values regarding Dutch municipalities' account balances of revenues and expenses for building permits in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

Municipalities with the 10 highest revenue increases	Euro per capita	Municipalities with the 10 highest revenue decreases	Euro per capita
Mill en Sint Hubert	50.78	Aalsmeer	-81.95
Wassenaar	33.43	Eemsmond	-65.97
Haarlemmerliede en Spaarnwoude	30.75	Pijnacker-Nootdorp	-63.53
Veere	29.40	Geertruidenberg	-38.13
Oudewater	27.38	Houten	-37.80
Sluis	23.53	Gilze en Rijen	-35.44
Haren	20.56	Boarnsterhim ²⁰¹	-34.56
Wormerland	19.60	Rijswijk (ZH.)	-34.17
Reimerswaal	18.95	Laren (NH.)	-32.93
Zoeterwoude	17.63	Noordwijk	-31.92

According to the calculations, Aalsmeer is the Dutch municipality with the highest decreases in revenues from building permits in recent years. In Mill en Sint Hubert, the highest increases were recorded, followed by Wassenaar, which is known as a municipality with many wealthy inhabitants and as the official residence of the Dutch royal family. Overall, relatively small municipalities in terms of the number of inhabitants form both groups. Changes in land development, as a second balance sheet item within the policy areas of spatial planning and housing, will be addressed in the next sub-chapter.

12.4. Land development

Next to building permits, *land development* is an activity, where Dutch municipalities gained considerable revenues in the past. However, as the analyses in chapter 10.2.9 illustrated and previous studies pointed out already, the recent Financial Crisis became most apparent at the local level in the Netherlands in the context of this balance sheet item. Again, following the logic that private companies and individuals do not usually choose to expand their businesses or to invest in real estate respectively in times of crises, many areas that were developed by local government were unsellable, leading to lower revenues or even considerable losses. To recognise a certain temporal delay in the potential effects of a financial crisis in the context of this area of activity, the inflation-adjusted three-year mean values of income and/or expenses

²⁰¹ Article-12 municipality 2012–2014

per capita were calculated for the time period 2011 to 2013, representing crisis times, next to the time period 2005 to 2007 as the starting position directly before the Crisis.

The statistical key figures of the distributions of these two variables as well as those of the changes between them are listed in table 26.

Table 26: Statistical key figures of the distribution of Dutch municipalities' account balances of revenues and expenses for land development in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

	Mean value 2005–2007	Mean value 2011–2013	Change between the two mean values
N	369	402	324
Mean	29.12	-41.75	-68.37
Std. Deviation	62.21	87.75	102.18
Range	611.56	816.39	823.62
Min.	-127.26	-564.18	-569.29
Max.	484.30	252.21	254.33

While land development was a source of income for approximately three quarters of the Dutch municipalities between 2005 and 2007, it became an item of expenses for about three quarters of municipalities between 2011 and 2013. Correspondingly, the average income of 29.12 euro per capita changed to average expenses of 41.75 euro per capita during the aforementioned periods of time, which equals a decrease of roughly 70 euro per capita. Considering the average level of income before the Financial Crisis, this financial change can be described as highly extensive, also in comparison with other municipal balance sheet items. However, the ranges above 600 euro per capita before the Crisis and above 800 euro per capita during the Crisis, illustrate the wide variation in income and expenses for land development across the local level in the Netherlands in general. In addition, wide variation can be observed for the changes between the two time spans, also expressed by a range above 800 euro per capita.

To gain a better insight into the differences across the local level, the municipalities with the 10 highest inflation-adjusted increases in revenues from land development, as well as those with the 10 highest inflation-adjusted decreases, are named in table 27.

Table 27: Highest and lowest changes in the mean values regarding Dutch municipalities' account balances of revenues and expenses for land development in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

Municipalities with the 10 highest revenue increases	Euro per capita	Municipalities with the 10 highest revenue decreases	Euro per capita
Muiden ²⁰²	254.33	Heerenveen	-569.29
Beemster	193.65	Geldermalsen	-556.21
Cuijk	149.45	Zevenaar	-501.99
Noordwijk	145.06	Laren (NH.)	-473.16
Beverwijk	122.92	Best	-441.59
Bergen op Zoom	108.70	Veghel	-432.25
Zoeterwoude	100.76	Brielle	-383.25
Edam-Volendam	92.24	Zeewolde	-335.35
Vianen	86.30	Nuenen, Gerwen en Nederwetten	-332.67
Boskoop ²⁰³	69.37	Bunnik	-292.09

According to the calculations, the Dutch municipality of Muiden has managed to increase its revenues from land development the most per capita in recent years. On closer inspection, the municipality's account balance in this area changed from a minor deficit to a respectable income. Heerenveen can be found at the other end of the list. There, a minor positive result changed into a relatively high deficit. Overall, many small and some mid-sized municipalities – in terms of the number of inhabitants – can be found at both ends of the distribution. Changes in tourist taxes will be addressed in the next sub-chapter.

12.5. Tourist taxes

The previous analyses of chapter 10.3.1 also indicated a minor impact of the recent Financial Crisis on revenues from *tourist taxes* at the Dutch local level, as a result of a decline in tourism. In times of crisis, it can be expected that less people go on holiday, while others reduce the lengths of their stay. This applies to Dutch citizens and holidays within the Netherlands as well as to foreign tourists coming to the country. By also taking into account that these effects occur faster than those of other crises, partially because of shorter planning periods, such as in the case of spontaneous holidays, as well as because of a general reduction in expenses for pleasure, also originating from anticipated potential future concerns with the Crisis, the time period 2008 to 2010 was selected for the calculation of the inflation-adjusted mean revenues per municipality during the Financial Crisis, next to the time period 2005 to 2007, representing pre-Crisis times. However, since changes in tourism are mainly caused by developments outside potential holiday destinations, regression analyses on own characteristics of territorial entities determining variation will not be conducted for this balance sheet item at a later stage of this study.

²⁰² Article-12 municipality 2015

²⁰³ Article-12 municipality 2000–2010

The statistical key figures of the distributions of both variables, as well as for the changes between them, are listed in table 28.

Table 28: Statistical key figures of the distribution of Dutch municipalities' account balances of revenues and expenses for tourist taxes in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

	Mean value 2005–2007	Mean value 2008–2010	Change between the two mean values
N	369	425	353
Mean	14.15	14.23	1.57
Std. Deviation	62.77	66.19	10.57
Range	790.70	858.52	173.00
Min.	0.00	-0.04	-11.86
Max.	790.70	858.48	161.14

Overall, approximately three quarters of all Dutch municipalities earned money from tourist taxes, as a type of local tax, during both time periods under investigation, which also implies that the number of municipalities levying the tax did not change considerably. Net losses from the tax were the absolute exception, occurring in one case. Between 2005 and 2007, the municipality that was most successful in earning money from tourism had an income of 790.70 euro per capita of the own population. As already pointed out before, not all Dutch municipalities raise this type of tax, which explains both the minimum revenue of 0.00 euro and the average value of 14.15 euro per capita when assessing the Dutch local level as a whole. Between 2008 and 2010, Dutch municipalities collected, on average, 14.23 euro per capita of the own population from taxing tourists, which implies a minor increase. The maximum income also rose, when assessing the financial developments between the two time spans. While the times of the recent Financial Crisis did not, on average, have a negative impact on revenues from tourist taxes in the Netherlands, not all municipalities experienced an increase in this type of revenue, as the minimum value of the change between the two mean values illustrates.

An overview of the highest inflation-adjusted changes in tourist taxes at the level of individual municipalities is provided in table 29.

Table 29: Highest and lowest changes in the mean values regarding Dutch municipalities' account balances of revenues and expenses related to tourist taxes in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

Municipalities with the 10 highest revenue increases	Euro per capita	Municipalities with the 10 highest revenue decreases	Euro per capita
Ameland	161.14	Waterland	-11.86
Schiermonnikoog	67.79	Nijefurd	-9.26
Vlieland	56.96	Gaasterlân-Sleat	-6.80
Texel	47.60	Noordwijk	-5.35
Terschelling	46.97	Bloemendaal	-5.29
Goedereede	15.45	Graft-De Rijk	-4.87
Enkhuizen	9.77	Gulpen-Wittem	-4.39
Noord-Beveland	9.05	Haarlemmermeer	-3.63
Hilvarenbeek	9.04	Zeewolde	-3.42
Bergen (NH.)	8.80	Epe	-2.88

When comparing the two time periods under investigation, revenues from tourist taxes increased the most per capita in the Dutch municipality of Ameland. On closer inspection, many West Frisian Islands are among the group of municipalities with higher revenues from tourist taxation in recent years. Waterland, on the other hand, is the municipality whose income from tourist taxes declined the most per capita when comparing the time periods 2005 to 2007 and 2008 to 2010. Overall, many relatively small municipalities in terms of the number of inhabitants can again be found at both ends of the distribution. Changes in the general payments from the municipal fund will be addressed in the next sub-chapter.

12.6. General payments from the municipal fund

As a result of the relatively limited fiscal autonomy, Dutch municipalities largely rely on transfers from central government. While the total sum of the transfers is directly linked to the budget at the national level, on the one hand, and various political intentions for a reduction of the municipal fund were expressed in recent years, on the other hand, the inflation-adjusted financial developments of this balance sheet item, as the most important source of municipal revenues, will be more closely examined next. Alongside the average financial means per capita between 2005 and 2007, representing the years before the Financial Crisis, the payments between 2011 and 2013, representing a time period of austerity and consolidation measures as a consequence of the Crisis, was selected for the comparison. However, since the distribution of financial means to the municipalities takes place based on various exactly defined factors, such as the social composition of the population and the size of the territory,²⁰⁴ and is both largely beyond municipal own influence and without changes as a result of a financial crisis, general payments from the municipal fund will not be part of the regression analyses in the following chapter.

²⁰⁴ See also chapter 7.4.1.1.

The statistical key figures of the distributions of the calculations for both time spans, as well as those of the changes in the mean values in the context of general transfers from the municipal fund, are listed in table 30.

Table 30: Statistical key figures of the distribution of the account balances of revenues and expenses related to general payments from the municipal fund to Dutch municipalities in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

	Mean value 2005–2007	Mean value 2011–2013	Change between the two mean values
N	369	402	324
Mean	717.15	846.15	136.84
Std. Deviation	170.80	190.58	54.67
Range	1,693.51	1,805.47	546.59
Min.	470.38	602.91	3.56
Max.	2,163.89	2,408.38	550.15

As the data illustrate, all Dutch municipalities receive financial means from the municipal fund. However, considered per capita, the transfers from central government vary significantly. In recent years, some municipalities have received less than 500 euro per capita, while others have received more than 2,400 euro per capita, depending on a number of factors, as explained before. On average, 717.15 euro per capita were transferred to the municipalities between 2005 and 2007 and 846.15 euro per capita between 2011 and 2013. This equals an average increase of approximately 130 euro per capita between the two periods. On closer inspection, it can be observed that more money was transferred to all municipalities overall, but to different extents.

Table 31 provides an overview of the 10 municipalities in which transfers from central government changed the most and the least after adjusting for inflation.

Table 31: Highest and lowest changes in the mean values regarding the account balances of revenues and expenses of general payments from the municipal fund to Dutch municipalities in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (per municipality; revenues and expenses, taxes); CBS, Annual change of the consumer price index from 1963; own calculations)

Municipalities with the 10 highest revenue increases	Euro per capita	Municipalities with the 10 lowest revenue increases	Euro per capita
Boarnsterhim ²⁰⁵	550.15	Nieuwkoop ²⁰⁶	3.56
Rozendaal	507.51	Boskoop ²⁰⁷	10.87
Heerlen	366.83	Drechterland	19.44
Leeuwarden	308.57	Neder-Betuwe ²⁰⁸	33.69
Vlissingen ²⁰⁹	285.76	Houten	35.65
Millingen aan de Rijn ²¹⁰	279.06	Bronckhorst	42.26
Rotterdam	266.23	Staphorst	43.06
Venlo	260.10	Wageningen	59.12
Dordrecht	253.82	Urk	60.72
Gouda	246.27	Littenseradiel	62.02

The highest increases in payments from the municipal fund per capita in recent years took place in Boarnsterhim. In contrast, the increase was the lowest in Nieuwkoop. Overall, some smaller municipalities, as well as some larger cities, are among the group with the highest increases, while mainly smaller municipalities can be found at the lower end of the distribution.²¹¹ Representing the results of all financial activities, changes in municipal debt will be analysed in the next sub-chapter.

12.7. Changes in municipal debt

Since the sums of assets and liabilities are necessarily balanced in double-entry accounting, debt and changes in debt can serve as indicators of the financial situation and financial developments. In this context, a distinction between short-term debt (Dutch: kortlopende schuld) and long-term debt (Dutch: vaste schuld) is common. While short-term debt includes negative bank and giro balances, as well as all other liabilities with maturities of one year or less in the context of the Dutch local government, long-term debt mainly consists of bonds, private loans, money invested by third parties, and deposit guarantees, as well as all other liabilities with maturities longer than one year.

Comparable to the previous analyses, the inflation-adjusted mean values for short-term debt, long-term debt, and total debt were calculated for the time periods 2005 to 2007 and 2009 to 2011. In a second step, the changes between the pairs of mean values were calculated for

²⁰⁵ Article-12 municipality 2012–2014

²⁰⁶ Article-12 municipality 2004–2006

²⁰⁷ Article-12 municipality 2000–2010

²⁰⁸ Article-12 municipality 2004–2006

²⁰⁹ Article-12 municipality 2015–2016

²¹⁰ Article-12 municipality 2011–2014

²¹¹ See Kwakkel and Allers (2015) and van Gelder and Allers (2013) for similar calculations, but focusing on more recent years.

each municipality. While short-term debt and long-term debt will also be utilised as independent variables in the regression analyses in the next chapter, this does not apply to the sum of both types of debt, since the two former enable more detailed analyses.

An overview of the distribution of the total debt per municipality, being composed of short- and long-term debt, and the financial changes in recent years is provided in table 32. Also, comparable to the previous analyses, debt and changes in debt are expressed in euro per capita within this sub-chapter.

Table 32: Statistical key figures of the distribution of Dutch municipalities' total debt in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (balance per municipality); CBS, Annual change of the consumer price index from 1963; own calculations)

	Mean value 2005–2007	Mean value 2009–2011	Change between the two mean values
N	369	410	339
Mean	1,704.45	1,882.37	169.37
Std. Deviation	1,257.41	1,248.96	650.17
Range	6,961.03	7,059.07	5,150.47
Min.	101.45	77.69	-1,599.24
Max.	7,062.48	7,136.75	3,551.23

Between 2005 and 2007, Dutch municipalities had an average total debt of 1,704.45 euro per capita. This value increased to 1,882.37 euro per capita between 2009 and 2011. In other words, the debt per person rose by about 180 euro per capita between the two time periods under investigation.²¹² In addition, a broad variation can be observed between the municipalities. While the total debt amounted to roughly 100 euro per capita in some municipalities, others had a debt per person above 7,000 euro during the first time span. This range was also comparable during the second time span. However, the changes in total debt between the two periods were subject to broad variation across the local level as well. While an increase of more than 3,500 euro per capita occurred in one municipality, another one managed to reduce its total debt by more than 1,500 euro per capita.

An overview of the 10 municipalities with the highest inflation-adjusted debt growths, as well as those with the highest inflation-adjusted decreases, is provided in table 33.

²¹² The deterioration in the financial position of Dutch municipalities in recent years was also pointed out in an overview of developments in the Netherlands from an administrative perspective, published by the Ministry of the Interior and Kingdom Relations in 2016 (Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 41 ff.).

Table 33: Highest and lowest changes in the mean values regarding the total debt of Dutch municipalities in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (balance per municipality); CBS, Annual change of the consumer price index from 1963; own calculations)

Municipalities with the 10 highest debt increases	Euro per capita	Municipalities with the 10 highest debt decreases	Euro per capita
Maasdonk	3,551.23	Hoorn	-1,599.24
Blaricum	3,190.04	Amersfoort	-1,407.82
Geldermalsen	3,108.17	Groningen	-1,269.72
Rijswijk (ZH.)	1,983.21	Zeewolde	-1,148.12
Gouda	1,899.39	Rijnwaarden	-1,102.77
Beverwijk	1,865.98	Valkenburg aan de Geul	-1,066.36
Nuenen, Gerwen en Nederwetten	1,835.49	IJsselstein	-1,007.93
Barneveld	1,682.88	Nederweert	-961.80
Zevenaar	1,595.14	Borne	-946.27
Lelystad ²¹³	1,580.10	Papendrecht	-944.11

According to the data, Maasdonk, with a debt increase of 3,551.23 euro per capita, was the municipality in which the total debt per person increased the most in recent years. The municipality of Hoorn, in contrast, managed to reduce its total debt the most. In comparison with the time period 2005 to 2007, the total debt per person was 1,599.24 euro lower between 2009 and 2011. With Amersfoort and Groningen, it can be noticed that two of the largest Dutch cities in terms of the number of inhabitants are among the group of municipalities whose total debt per person decreased the most in recent years.

Next, to gain more detailed insights into the inflation-adjusted changes in the financial situation of Dutch municipalities in times of the recent Financial Crisis, short-term debt and long-term debt are looked at separately. An overview of the statistical key figures of the distributions of municipal short-term debt in the Netherlands and the related changes between the time period 2005 to 2007 and the time period 2009 to 2011 is presented in table 34.

Table 34: Statistical key figures of the distribution of Dutch municipalities' short-term debt in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (balance per municipality); CBS, Annual change of the consumer price index from 1963; own calculations)

	Mean value 2005–2007	Mean value 2009–2011	Change between the two mean values
N	369	410	339
Mean	269.14	340.88	86.37
Std. Deviation	268.23	273.02	259.76
Range	3,951.63	2,417.15	3,081.04
Min.	-111.35	23.32	-839.31
Max.	3,840.28	2,440.47	2,241.73

Between 2005 and 2007, the municipal short-term debt per capita amounted to 269.14 euro in the Netherlands on average, or about 15.8% of the total debt. A wide variation was given when comparing the municipalities. Some municipalities accumulated short-term debt of close to 4,000 euro per capita, while others even had a positive balance, which is possible

²¹³ Article-12 municipality since 1987

because the compilations include current accounts. With 340.88 euro per capita, the average short-term debt was higher between 2009 and 2011, representing the second time period under investigation. Amounting to about 70 euro per capita on average, this growth in cash credits over only a few years has a considerable scope. Regarding the share of short-term debt in relation to total debt, an increase to approximately 18.1% can be observed. However, between 2009 and 2011, it can also be noted that the range of short-term debt among Dutch municipalities decreased in comparison with the previous time period. The highest debt per capita amounted to more than 2,400 euro during this second period. In addition, the changes in the financial positions of the individual municipalities during the time period under investigation were subject to broad variation. While the short-term debt increased by more than 2,000 euro in one municipality, others managed to decrease it by several hundred euros.

Table 35 provides an overview of the 10 municipalities with the highest inflation-adjusted increases and decreases of short-term debt per capita by comparing the time periods 2005–2007 with 2009–2011.

Table 35: Highest and lowest changes in the mean values regarding Dutch municipalities' short-term debt in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (balance per municipality); CBS, Annual change of the consumer price index from 1963; own calculations)

Municipalities with the 10 highest debt increases	Euro per capita	Municipalities with the 10 highest debt decreases	Euro per capita
Maasdonk	2,241.73	Zeewolde	-839.31
Rijswijk (ZH.)	1,872.96	Slochteren	-542.36
Hendrik-Ido-Ambacht	1,329.81	Vlieland	-352.43
Culemborg	1,307.45	Amersfoort	-327.47
Weesp	1,224.78	Lingewaard	-285.10
Beuningen	1,109.58	Amsterdam	-280.92
Beemster	1,070.40	Leiderdorp	-266.40
Assen	696.31	Goirle	-265.58
Gilze en Rijen	595.65	Gorinchem	-218.87
Boxmeer	501.59	Haren	-217.65

The highest increase in short-term debt in recent years was recorded for Maasdonk, with a scope of 2,241.73 euro per capita. In a number of other municipalities, the short term-debt rose by more than 1,000 euro per capita as well. Zeewolde, at the other end of the distribution, managed to reduce its short-term debt by 839.31 euro per capita. With Amersfoort and Amsterdam, two of the largest Dutch cities are also among the municipalities that have lowered their cash credits extensively in recent years.

The inflation-adjusted financial developments in the context of long-term debt, as the more common type of debt at the local level in the Netherlands in comparison with short-term debt, will be assessed next. Therefore, table 36 provides an overview of the statistical key figures of the distributions of the means values for the two time periods 2005 to 2007 and 2009 to 2011 as well as the accompanying changes.

Table 36: Statistical key figures of the distribution of Dutch municipalities' long-term debt in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (balance per municipality); CBS, Annual change of the consumer price index from 1963; own calculations)

	Mean value 2005–2007	Mean value 2009–2011	Change between the two mean values
N	369	410	339
Mean	1,435.31	1,541.48	83.00
Std. Deviation	1,173.43	1,147.81	586.94
Range	6,367.53	6,647.23	4,836.64
Min.	0.00	0.00	-1,751.15
Max.	6,367.53	6,647.23	3,085.49

Between 2005 and 2007, the average municipal long-term debt amounted to 1,435.31 euro per capita in the Netherlands. Within the time period 2009 to 2011, this value increased by about 110 euro per capita to be 1,541.48 euro per capita. During both periods of time, the variation across the local level was significant, ranging from a small number of municipalities without any long-term debt to those with long-term debt above 6,000 euro per capita. Considering the changes between the two time periods, a municipality with an increase above 3,000 euro per capita, as well as several municipalities with decreases above 1,000 euro, can be observed. In other words, the financial developments in relation to long-term debt have also been subject to broad variation at the Dutch local level in recent years.

Table 37 provides an overview of the 10 municipalities at both ends of the distribution of inflation-adjusted changes in long-term debt.

Table 37: Highest and lowest changes in the mean values regarding Dutch municipalities' long-term debt in euro per capita (adjusted for inflation, consumer price level of the year 2007) (Data sources: CBS, Municipal accounts (balance per municipality); CBS, Annual change of the consumer price index from 1963; own calculations)

Municipalities with the 10 highest debt increases	Euro per capita	Municipalities with the 10 highest debt decreases	Euro per capita
Geldermalsen	3,085.49	Hoorn	-1,751.15
Blaricum	2,700.94	Hendrik-Ido-Ambacht	-1,686.84
Gouda	2,006.07	Groningen	-1,384.27
Beverwijk	1,887.16	Rijnwaarden	-1,155.23
Zevenaar	1,577.52	Borne	-1,150.85
Veghel	1,577.22	Beuningen	-1,140.96
Barneveld	1,466.98	Amersfoort	-1,080.34
Nuenen, Gerwen en Nederwetten	1,464.36	Nijmegen	-1,041.34
Maasdonk	1,309.49	Ilsselstein	-1,029.74
Lelystad ²¹⁴	1,275.45	Valkenburg aan de Geul	-967.37

The highest increase in long-term debt in recent years was recorded for Geldermalsen, with a rise of 3,085.49 euro per capita. Hoorn, on the other hand, managed to reduce its long-term debt by 1,751.15 euro per inhabitant. While both municipalities represent the two maximum values of the distribution, they cannot be considered as outliers from a statistical perspective, since other municipalities experienced similar changes. There are also three major cities,

²¹⁴ Article-12 municipality since 1987

namely Groningen, Amersfoort, and Nijmegen, among the municipalities where the financial situation improved the most. Amersfoort is also the only municipality among the 10 municipalities with the highest decreases in short-term debt as well as among the 10 municipalities with the highest decreases in long-term debt. Maasdonk, on the other hand, can be found among both groups of municipalities with the highest increases in short- and long-term debt. Interestingly, Hendrik-Ido-Ambacht and Beuningen managed to reduce their long-term debt rather extensively in comparison with other municipalities, while their changes in short-term debt are among the highest increases, which indicates measures of debt restructuring.

Taken together, a number of unfavourable financial developments at the Dutch local level can be observed when comparing the years of the Financial Crisis to pre-Crisis times. After adjusting for inflation, the expenditures for social services increased by 96.61 euro per capita or 44.81% on average.²¹⁵ Also, the administrative support of the executive board became more expensive. For this balance sheet item, an average increase of 4.98 euro per capita or 7.93% was recorded. In addition to the expenditure side, the situation on the revenue side deteriorated. The income from building permits decreased by 8.58 euro per capita or 28.94% on average. The same applies to land development, where the average income reduction amounted to 68.37 euro per capita or 234.79%. In other words, this balance sheet item changed from net revenues to net expenses. Partially in consequence of these developments, both short and long-term debt have increased at the local level in the Netherlands in recent years. While the former rose by 86.37 euro per capita or 32.09% on average, the latter grew by 83.00 euro per capita or 5.78% on average, which also implies changes in the debt structures. All these specific changes in public finances will serve as dependent variables in the linear regressions in the next chapter. However, before the calculations, the statistical distributions of the factors potentially determining variation will be presented as independent variables.

²¹⁵ The absolute figures in this paragraph refer to the changes between the mean values of two time periods for each policy area, balance sheet item, and financial result of interest. The percentage figures are calculated based on these changes in relation to the mean value of the first time period.

13. Factors determining variation in crisis impact and crisis responses at the local level of government in the Netherlands

As the results in chapter 12 illustrate, financial changes in times of the recent Financial Crisis did not affect all Dutch municipalities to the same extent. Some municipalities even experienced positive developments in the form of higher revenues or lower expenses in the context of the selected balance sheet items and policy areas of interest. The question thus arises as to what the potential factors of influence identified previously explain the variation. That question will be addressed in this chapter as a continuation of the second empirical component of this study.

While the calculations of financial changes, presented in the previous chapter, will serve as dependent variables in the following analyses, the potential factors of influence, which were introduced in chapter 4 and operationalised in chapter 5, will be utilised as independent variables. Accordingly, the statistical characteristics of the independent variables' distributions will be presented and discussed in the first sub-chapter (13.1). Linear regressions will be used to estimate the associations between these factors and the financial changes in the next sub-chapter, which also includes the testing of the hypotheses formulated in chapter 4 (13.2). Lastly, the main empirical findings will be summarised in a final sub-chapter (13.3).

13.1. Potential factors of influence

Municipal finances can be affected by various common trends and developments as well as individual factors. Financial changes can concern either the revenue or the expenditure side of the balance sheets, or they can involve both sides at once. Although the corresponding dependencies are given at any time, they are even more important to understand in times of considerable budgetary pressure, for example caused by a financial crisis. While various factors and their potential influence in the case of such an event were already derived theoretically in chapter 4 and operationalised in chapter 5, this chapter will present the statistical key figures of the variables' distributions in the case of Dutch municipalities and the Financial Crisis since 2007. Following the previous distinction of theoretical approaches to understand policymaking, the three sub-chapters focus on structure-based factors (13.1.1), institution-based factors (13.1.2), and interest-based factors (13.1.3). While structure-based models focus on the socio-economic structure and associated problems in society to provide explanations for the policy outcome, formal and informal institutional structures are of interest in institution-based models. Furthermore, actors within the political-administrative system and their preferences describe the main explanatory approach in interest-based models (Knill & Tosun, 2012, p. 69 ff.). Since all financial data in the three sub-chapters relate to the year 2007, as the base year of the adjustments for inflation in the previous chapters, no adjustments for changes in the price level are necessary in the following analyses.

13.1.1. Structure-based factors

Within the group of structure-based factors with a potential influence on financial developments at the local level in times of a financial crisis, a distinction can be made between socio-economic factors and factors in relation to the cleavage approach. The socio-economic school focuses on societal and economic influences on policymaking, as well as the resulting pressure to address accruing problems because of societal and economic developments (Schmidt & Ostheim, 2007, p. 29; Obinger, 2015, p. 35 f.). The cleavage approach considers factors of long-term socio-economic fissions and their influence to be most relevant in understanding policymaking (Lipset & Rokkan, 1967).

The following three variables were operationalised as part of the first sub-group: the *change in unemployment*, the *share of the financial sector*, and the *share of persons aged 65 and older*. In addition, two variables, namely the *number of inhabitants* and the *share of agricultural soil usage*, were defined as part of the second sub-group. The statistical key figures of these five variables' distributions in the case of the Dutch municipalities are listed in table 38.

Table 38: Potential structure-based factors of influence on municipal finances in times of a financial crisis (Data sources: see table 4; own calculations)

	Change in unemployment in percentage points between 2005–2007 and 2010–2012	Share financial sector 2007	Share of persons aged 65 and older 2007	Population 2007	Share of agricultural soil usage 2006
N	403	443	443	443	458
Mean	0.1983	0.0727	0.1506	37,032.50	0.5617
Std. Deviation	0.2958	0.0230	0.0267	58,740.11	0.2355
Range	2.17	0.1754	0.1965	746,142	0.9409
Min.	-1.00	0.0000	0.0689	951	0.0007
Max.	1.17	0.1754	0.2654	747,093	0.9415

On average, the *unemployment rate* increased by 0.1983 percentage points²¹⁶ in the Netherlands when comparing the times of the recent Financial Crisis to pre-Crisis times. However, when looking at the municipalities separately, the development was not uniform. While the highest increase was recorded in Rijswijk (+1.17 percentage points), the highest decrease occurred in Roermond (-1.00 percentage points).²¹⁷ The *size of the financial sector*, expressed as the share of branches of companies with related activities of all branches of companies within a certain municipality, varied in 2007 as well. While 7.27% of the businesses within a municipality were part of the group on average, none of the local companies performed activities in the area of financial services in Schiermonnikoog and Vlieland. In Bloemendaal, on the other

²¹⁶ A percentage point is the unit of measurement of the result of a subtraction of one percentage value from another percentage value. It describes the change on the percentage scale as an absolute value instead of a relative value.

²¹⁷ See appendix 10 for a complete list of the data of all Dutch municipalities for this factor as well as all the factors hereafter.

hand, 17.54% of all companies were part of the financial sector. Also, the *share of persons aged 65 and older* was not equally distributed across the Netherlands in 2007. While 15.06% of the population was part of this age group on national average, the variation at the local level ranged from 6.89% (Urk) to 26.54% (Laren).

As a result of various factors, such as geographic conditions and historical developments, the *size of municipalities in terms of inhabitants* is subject to variation within a country. In 2007, an average of 37,032.50 persons lived in a Dutch municipality. While the smallest village (Schiermonnikoog) had 951 inhabitants, 747,093 persons resided in the largest city (Amsterdam). Quite naturally, the usage of the soil also differs for similar reasons. In 2006, the average *area used for agriculture* amounted to 56.17% at the Dutch local level. The individual share ranged from 0.07% of the total surface area in Vlieland to 94.15% in Littenseradiel. Overall, the distributions of the independent variables in line with structure-based factors illustrate wide variation, which affirms their potential role as explanatory factors of variation in municipal finances. Following this overview on structure-based factors, institution-based factors will be considered in the next sub-chapter.

13.1.2. Institution-based factors

New institutionalism is a theoretical approach within the group of institution-based models. In line with the earlier developments of behaviouralism and rational choice theory since the 1950s, new institutionalism can be considered as a movement away from the previous focus on formal structures of institutions towards informal processes, also including political factors (March & Olsen, 1984). Historical institutionalism represents one type of new institutionalism, focusing on path dependencies in policy decisions as a result of former choices by an institution and historical contingencies in general (Peters, 2005, pp. 19 f., 71 ff.; Hall & Taylor, 1996, p. 937 ff.; Thelen & Steinmo, 1992, pp. 1 f., 10; Raadschelders, 1998).

Existing municipal debt was identified as a potential parameter of influence on financial developments in times of crisis, based on historical institutionalism. More specifically, a distinction was made between *short-term debt* and *long-term debt* in the operationalisation, in line with the maturities of the liabilities. The statistical key figures of the distributions of both types of debt in Dutch municipalities in 2007 are listed in table 39.

Table 39: Potential institution-based factors of influence on municipal finances in times of a financial crisis (Data sources: see table 4; own calculations)

	Short-term debt in euro per capita 2007	Long-term debt in euro per capita 2007
N	425	425
Mean	274.67	1,438.24
Std. Deviation	288.16	1,154.36
Range	4,091.00	5,884.00
Min.	-189.00	0.00
Max.	3,902.00	5,884.00

As already pointed out in the context of the changes of debt in the years of the recent Financial Crisis, Dutch municipalities were and still are in debt to differing degrees. In 2007, the *short-term debt* at the local level amounted to 274.67 euro per capita on average. Since this category involves current accounts, positive balances are also possible. However, with seven municipalities in 2007, this can be considered as an exception. On the one hand, the highest positive cash position was given in Zeewolde, with 189.00 euro per capita. The highest negative position, on the other hand, was recorded in Margraten, with an indebtedness of 3,902.00 euro per capita. From a comparative perspective, the Dutch local government's long-term debt is usually higher than its short-term debt. With an average *long-term debt* of 1,438.24 euro per capita, this applies also to the situation in 2007. However, while eight municipalities (Blaricum, Dantumadeel, Geldermalsen, Lopik, Ouder-Amstel, Scherpenzeel, Voorschoten, and Waalre) did not possess any long-term debt, the highest indebtedness was recorded in Borne, with 5,884.00 euro per capita, again illustrating a wide variation. Taken together, the two types of debt are also unevenly distributed across Dutch municipalities. In line with the resulting financial leeway, the two variables might be part of the explanation for unequal developments of other balance sheet items. As the last group of potential factors of influence on municipal finances in times of crisis, interest-based factors are the focus of the next sub-chapter.

13.1.3. Interest-based factors

Institutions and their activities are characterised by elected and appointed officials, as well as the employees working for them. Following this line of thought, interest-based models focus on the role of people or groups of persons in conjunction with their views and objectives in policymaking (Peters, 2005, pp. 123 ff., 136). A further subdivision into party-focused and bureaucracy-focused approaches is common. On the one hand, party-focused approaches see political parties and their officials, who are presumed to generally be aiming to increase their political influence, as crucial for the policy outcome (Strøm, 1990; Hibbs, 1977). Bureaucracy-focused approaches, on the other hand, emphasise the role of the administration in the process of policymaking, also beyond the implementation of policies (Niskanen, 1971; Dunleavy, 1991).

In the context of the intended analyses, the *share of left parties* and the *political fragmentation* of the municipal council were identified and operationalised as part of the former group of theoretical approaches. The same applies to the *number of civil servants* and the *administrative budget* as part of the latter group of approaches. The statistical key figures of the distributions of these four variables with a potential influence on municipal finances in times of crisis are listed in table 40 for the case of the Netherlands.

Table 40: Potential interest-based factors of influence on municipal finances in times of a financial crisis (Data sources: see table 4; own calculations)

	Share of left parties 2006	Fragmentation 2006	Civil servants (FTE) per 1,000 inhabitants 2007	Administrative costs in euro per capita 2007
N	418	418	373	425
Mean	0.3084	0.7843	8.1126	-147.81
Std. Deviation	0.1531	0.0493	3.2758	75.69
Range	0.7692	0.3528	26.0358	974.66
Min.	0.0000	0.5319	2.0066	-858.35
Max.	0.7692	0.8847	28.0424	116.31

According to the calculations, *left parties* gained an average of 30.84% of the municipal council seats in the 2006 municipal election. A broad variation can be observed across the local level. While parties on this side of the political spectrum gained no seats in 30 municipalities, the highest seat share of 76.92% was recorded in Reiderland. Correspondingly, the *fragmentation of the seat shares* within the municipal council – measured on a scale from 0 to 1, where 0 implies the lowest and 1 the highest possible fragmentation – varied across the Dutch local level and is closely related to the number of parties that participated in the 2006 municipal election in each municipality. An average fragmentation of 0.7843 was calculated. The lowest fragmentation of the municipal council was observed in Tubbergen, with a value of 0.5319, and the highest fragmentation occurred in Waalwijk, with a value of 0.8847.

The *number of civil servants* in full-time equivalents per 1,000 inhabitants was also subject to variation across the local level in the Netherlands. In 2007, an average of 8.1126 civil servants per 1,000 inhabitants were employed by each municipality. This average share ranged from 2.0066 civil servants per 1,000 inhabitants in Ten Boer²¹⁸ to 28.0424 civil servants per 1,000 inhabitants in Schagen. Furthermore, *administrative affairs* are mainly associated with costs at all levels of government. However, revenues can be generated, for example with fees for services of the public affairs secretary. Therefore, positive account balances are possible in this policy area. In 2007, administrative costs amounted to 147.81 euro per capita at the local level in the Netherlands. The highest expenses took place in Schiermonnikoog, with 858.35 euro per capita. The only positive result, at the other end of the distribution, was recorded for Veenendaal, with revenues of 116.31 euro per capita. Overall, the independent variables in line with interest-based factors also have a sufficient variance to serve as potential explanations for differences in financial developments at the municipal level. After introducing all the dependent and independent variables, as well as their statistical characteristics, in case of the Dutch local level and the Financial Crisis since 2007, the results of linear regressions will be presented in the next chapter.

²¹⁸ Article-12 municipality 2014–2016

13.2. Empirical analyses of factors potentially determining variation in crisis impact and crisis responses

Following the identifications, operationalisations, and calculations of six dependent variables and 11 independent variables, linear regressions, which represent a statistical approach to model the relationship between variables, will be utilised to quantify the correlations between the potential factors determining variation and the financial developments at the Dutch local level in times of the recent Financial Crisis. Separate regressions are calculated for all dependent variables, while the same set of independent variables is included.²¹⁹ Since the analyses involve the variables of the previous chapters, all data in the following analysis are adjusted to the Dutch price level of the year 2007. An overview of the regression results is provided in table 41.

²¹⁹ While data for other potential independent variables, such as wealth and population density, are available, the models were limited to a set of independent variables with relatively low correlations between these variables in order to reduce multicollinearity.

Table 41: Results of the linear regressions (Data sources: see table 4; own calculations)

		Dependent variables					
		Social services	Administrative support executive board	Building permits	Land development	Short-term debt	Long-term debt
Independent variables	Change in unemployment between 2005–2007 and 2010–2012	-14.596 (8.374)	2.376 (5.328)	0.335 (2.877)	-11.259 (20.809)	139.393 (52.000)**	27.686 (119.488)
	Share financial sector 2007	-472.057 (127.554)***	62.636 (81.160)	47.064 (43.826)	-451.451 (316.980)	1.522 (792.096)	1554.192 (1820.134)
	Share of persons aged 65 and older 2007	469.092 (94.631)***	10.969 (60.211)	73.976 (32.514)*	503.637 (235.164)*	613.456 (587.646)	466.713 (1350.335)
	Population 2007 ²²⁰	0.194 (0.044)***	-0.033 (0.028)	0.022 (0.015)	-0.089 (0.110)	-0.322 (0.274)	-0.532 (0.629)
	Share of agricultural soil usage 2006	-12.148 (12.726)	2.512 (8.097)	13.881 (4.373)**	-46.514 (31.625)	-21.386 (79.028)	393.894 (181.596)*
	Short-term debt 2007 ²²¹	-16.133 (11.776)	0.882 (7.493)	-5.695 (4.046)	-13.177 (29.265)	-28.395 (73.129)	476.791 (168.041)**
	Long-term debt 2007 ²²²	-0.587 (2.081)	0.275 (1.324)	-0.326 (0.715)	-2.726 (5.171)	11.958 (12.922)	-137.196 (29.692)***
	Share of left parties 2006	52.082 (17.328)**	-25.100 (11.025)*	2.651 (5.954)	36.363 (43.061)	107.851 (107.603)	-187.501 (247.258)
	Political fragmentation 2006	50.544 (54.615)	-32.016 (34.750)	18.592 (18.765)	7.547 (135.722)	22.148 (339.153)	1104.516 (779.329)
	Civil servants 2007	1.994 (0.991)*	0.282 (0.631)	0.219 (0.340)	-4.479 (2.463)	3.451 (6.154)	29.457 (14.141)*
	Administrative costs 2007	0.105 (0.037)**	-0.074 (0.023)**	-0.026 (0.013)*	-0.144 (0.092)	0.157 (0.229)	0.038 (0.526)
	(Constant)	11.057 (52.471)	17.124 (33.386)	-51.070 (18.028)**	-72.667 (130.394)	-78.131 (325.840)	-1282.163 (748.738)
N		296	296	296	296	296	296
Adjusted R square		0.302	0.080	0.027	0.030	0.003	0.088

Note: Unstandardised coefficients with standard errors in parentheses.

Significance: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

296 Dutch municipalities were included in each of the six linear regressions. Missing data were mainly caused by municipal mergers, which implied that data were not available for some or all variables. This circumstance primarily occurred with variables based on time spans. Also, in other cases, individual data were not available. All corresponding cases were excluded list-wise. However, considering the number of municipalities – 408 – in 2013 (Centraal Bureau voor de Statistiek, 2018a), representing the last year with data incorporated into this part of

²²⁰ The measuring scale of the variable *population 2007* was divided by 1,000 inhabitants in order to increase the presentability of the coefficients.

²²¹ The measuring scale of the variable *short-term debt 2007* was divided by 1,000 euro in order to increase the presentability of the coefficients.

²²² The measuring scale of the variable *long-term debt 2007* was divided by 1,000 euro in order to increase the presentability of the coefficients.

the empirical analyses, it was possible to include the financial developments in 72.55% of all Dutch municipalities.

According to the adjusted R squared, between 30.2% (dependent variable: social services) and 0.3% (dependent variable: short-term debt) of the variation is explained by the independent variables correlating with the dependent variables in the different models. Considering the explorative nature of this research and the large number of other factors potentially affecting municipal finances, the explanatory power of the models with the dependent variables social services, long-term debt (adjusted R squared: 8.8%), and administrative support of the executive board (adjusted R squared: 8.0%) is particularly satisfactory. Furthermore, multicollinearity, which is a potential problem in regression models with a high correlation between the independent variables and a reduced reliability of the coefficients, does not appear to apply to the six regression models above, with the highest variance inflation factor (VIF) of 2.185 and all other values below 2.0.

In the first regression model, with the policy area *social services* as the dependent variable, three independent variables, namely the share of the financial sector in 2007, the share of persons aged 65 and older in 2007, and the population in 2007, have a highly statistically significant²²³ association with the dependent variable. Since higher positive values of the dependent variables express higher cost increases for social services in recent years, positive coefficients imply reinforcing effects of the related independent variables. This is the case for the share of persons aged 65 and older in 2007 and the population in 2007. In other words, the higher the share of the elderly or the higher the number of inhabitants, the higher the cost increases for social services when comparing the time periods 2005–2007 with 2009–2011. In the case of the share of the financial sector, the relation to changing costs for social services is also highly significant, but negative, which means that a higher share is associated with lower cost increases. Some limited statistical significance is also given for the three independent variables, namely share of left parties in the 2006 municipal election, administrative costs in 2007, and the number of civil servants in 2007 in relation to the financial developments, with the provision of social services as a dependent variable. In the case of left parties, where higher positive values of the independent variable imply more seats in the municipal councils, the regression results point to a positive interrelation with higher cost increases for social services. Higher administrative costs, expressed by higher negative values of the independent variable, on the other hand, are associated with lower cost increases for social services. Lastly, a higher number of civil servants is related to more extensive rises in social spending, according to the results.

In the second regression model, with the *administrative support of the executive board* as the dependent variable, the analysis identified no highly significant independent variables. Some limited statistical significance can be observed for the administrative costs in 2007 and the seat shares of left parties in the 2006 municipal election. In this regard, higher positive values of the dependent variable indicate higher cost increases. Accordingly, higher administrative

²²³ In this case as well as in the following, *highly (statistically) significant* refers to a significance level of $p < 0.001$. Terms, such as *(statistically) significant* or *limited (statistical) significance*, will be used to describe significance levels of $0.001 \leq p < 0.05$.

expenses are related to higher rises in expenditures for the administrative support of the executive board. In the case of left parties, more seats are associated with lower cost increases of the administrative support under investigation.

Building permits formed the dependent variable in the third regression model. Here, higher positive values represent increasing revenues in this area of municipal activities, while negative values imply a decrease. According to the results, no independent variable is highly significant, while the share of agricultural soil usage in 2006, the share of persons aged 65 and older in 2007, and the administrative costs in 2007 have a limited statistical significance. In the case of agricultural soil usage, a higher share of soil used for related purposes indicates a lower degree of urbanisation, which is associated with higher revenue increases from building permits in the regression model. Also, in case of a higher share of the elderly, a higher increase of the dependent variable can be observed. The same connection applies to administrative costs, where higher expenses are related to higher revenues from building permits.

Interestingly, hardly any of the included factors is statistically linked to the financial changes in *land development* as the dependent variable in the fourth regression model and the balance sheet item, where the highest impact of the recent Financial Crisis can be observed at the local level in the Netherlands in comparison with the other areas of municipal activities. Some limited statistical significance is only given for the share of persons aged 65 and older in 2007. In this regard, a higher share of the elderly relates to lower decreases in revenues from land development.

In regression model number five, with *short-term debt* as the dependent variable, again no highly significant independent variables can be observed based on the calculations. However, some limited statistical significance is given for the change in unemployment. The independent variable positively relates to the dependent variable. In other words, a larger growth in unemployment is linked to higher increases in short-term debt at the local level in the Netherlands. Interestingly, there is no statistical evidence regarding a relation between the existing short-term debt in 2007 and the increases in short-term debt in the following years.

The sixth and last regression model of this study comprises *long-term debt* as the dependent variable. According to the results, the existing long-term debt in 2007 is the only factor that is statistically connected to changes in long-term debt with a high significance. The negative coefficient implies that a higher long-term debt in 2007 is associated with a higher decrease in long-term debt in the following years. In addition, the links between the existing short-term debt in 2007, the share of agricultural soil usage in 2006, the number of civil servants in 2007, and the changes in long-term debt are statistically significant to a limited degree. Higher short-term debt in 2007 is related to higher increases in long-term debt in more recent years. Furthermore, according to the regression results, a higher share of soil usage for agricultural purposes and a higher number of civil servants are also associated with higher increases in long-term debt.

Taken together, the brief overview of the results of the six linear regression models demonstrates that some of the 11 independent variables turned out to be highly significantly correlated with the financial developments at the Dutch local level in times of the Financial Crisis

since 2007. However, as is usual in social sciences, it was not possible to identify one specific factor that could explain large shares of the variation in multiple regression models. In other words, the detected factors that influence financial changes in the separate balance sheet items, policy areas, and financial results differ. The detailed implications of the regression results for the hypotheses proposed in chapter 4 will be assessed in the next step. In line with the three groups of independent variables, also referred to as potential factors of influence on municipal finances, the successive sub-chapters are structured as follows: structure-based factors (13.2.1), institution-based factors (13.2.2), and interest-based factors (13.2.3).

13.2.1. The influence of structure-based factors

As already illustrated in table 41 and described above, none of the independent variables are significantly linked to all six dependent variables. This implies that none of the hypotheses formulated in chapter 4 can be confirmed for all balance sheet items, policy areas, and financial results of interest. Furthermore, statistical significance does not necessarily mean that the relation between the variables follows the direction formulated in the hypotheses. Building upon the statistical results presented in the previous chapter, the hypotheses in line with structure-based factors will be tested for the dependent variables separately in this sub-chapter.

Hypothesis 1 focuses on the relation between the increase in unemployment and financial changes at the local level during a financial crisis, and it was formulated as follows:²²⁴

H1: The higher the increase in unemployment, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

Considering a significance level of at least 5% ($p < 0.05$)²²⁵ and the sign of the coefficient, this hypothesis is confirmed for the financial changes in *short-term debt*.²²⁶ According to the regression results, none of the other dependent variables are significantly associated with the changes in unemployment. The share of the financial sector is the focus of the second hypotheses, which reads as follows:

H2: The higher the share of the financial sector, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

A high statistical significance of the size of the financial sector can be observed for financial changes in the policy area of *social services*. However, the relation is negative, which implies

²²⁴ As pointed out before, the second part of the hypothesis depends on whether the balance sheet area under investigation is an area with net expenditures or an area with net revenues. The same applies to all other hypotheses.

²²⁵ The same significance level will also be applied when assessing the following hypotheses.

²²⁶ It is argued that higher increases in municipal net expenditures per capita and/or higher decreases in municipal net revenues per capita lead to higher levels of debt. This relation will also be applied in the following.

that the hypothesis is not confirmed for any of the dependent variables. The third hypothesis addresses the share of the elderly population and was formulated as follows:

H3: The higher the share of persons aged 65 and older, the lower the increase in municipal net expenditures per capita or alternatively the lower the decrease in municipal net revenues per capita during a financial crisis.

A statistically significant link can be recorded between this independent variable and the following policy areas: *social services*, *building permits*, and *land development*. However, in the case of social services, the observed relation is again opposite to the hypothesis, which implies that it is not confirmed. For building permits and land development, on the other hand, the hypothesis is confirmed. The next hypothesis in line with potential structure-based factors of influence on municipal finances in times of crisis addresses the size of the municipalities in terms of the number of inhabitants. This hypothesis was formulated as follows:

H4: The more inhabitants, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

In this case, a statistically significant association was observed between the independent variable and *social services*. Considering the direction of the relation, the hypothesis is confirmed for this dependent variable. The fifth and last hypothesis in line with potential structure-based factors of influence on municipal finances in times of crisis focuses on the share of soil used for agricultural purposes as a measure of urbanisation. Here, a larger share of agricultural soil usage indicates a lower degree of urbanisation. Accordingly, the following hypothesis was formulated:

H5: The higher the share of soil used for agricultural purposes, the lower the increase in municipal net expenditures per capita or alternatively the lower the decrease in municipal net revenues per capita during a financial crisis.

Statistical significance for the expected relation can be observed in the cases of *building permits* and *long-term debt*. Based on the directions of statistical links, the hypothesis is confirmed for building permits, but not for long-term debt. The hypotheses in line with potential institution-based factors of influence on changes in municipal finances will be addressed in the next sub-chapter.

13.2.2. The influence of institution-based factors

Two hypotheses were formulated with a focus on potential institution-based factors of influence on financial developments in local government in times of a financial crisis. In both cases, the role of debt is assessed, and the maturities of the liabilities differ. The first hypothesis addresses the role of existing short-term debt and was proposed as follows:

H6: The higher the existing municipal short-term debt per capita, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

Statistical evidence in line with this relation can only be observed regarding the changes in *long-term debt*. The direction also corresponds to the hypothesis, which is confirmed. The existing long-term debt is the independent variable of interest in the second hypothesis, with a focus on institution-based factors, and it was set up as follows:

H7: The higher the existing municipal long-term debt per capita, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

According to the calculations, statistical significance can only be observed for the relation between existing long-term debt and the development of *long-term debt*. However, the linkage is not in line with the direction proposed in the hypothesis, which is consequently not confirmed. The influence of potential interest-based factors in the context of financial changes at the local level in times of crisis will be addressed in the next and last sub-chapter.

13.2.3. The influence of interest-based factors

Within the group of interest-based factors, four hypotheses were formulated. The first one addresses the seat share of left parties in the 2006 municipal election, representing the last regular election before the recent Financial Crisis, and it reads as follows:

H8: The higher the share of left parties in the municipal council, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

Statistically significant results were found for the financial developments in *social services* and the *administrative support of the executive board* as dependent variables. In the former case, the direction is aligned with the expected relation. Therefore, the hypothesis is confirmed for the policy area of social services. In the latter case, the hypothesis is not confirmed. The political fragmentation based on the results of the 2006 municipal election is the focus of the next hypothesis within the group of interest-based factors. The hypothesis was formulated as follows.

H9: The lower the political fragmentation of the municipal council, the higher the increase in municipal net expenditures per capita or alternatively the higher the decrease in municipal net revenues per capita during a financial crisis.

Since this independent variable does not have a statistically significant association with any of the six dependent variables, the hypothesis is rejected. The number of civil servants in relation to the local population is the next factor of interest. The corresponding hypothesis reads as follows:

H10: The higher the number of municipal staff members in relation to the inhabitants, the lower the increase in municipal net expenditures per capita or alternatively the lower the decrease in municipal net revenues per capita during a financial crisis.

According to the regression results, this independent variable is statistically significantly linked to *social services* and *long-term debt*. However, in both cases, the hypothesis is not confirmed, since the direction of the relation is not in line with the formulated expectations. The last hypothesis addresses the role of the administrative budget, and was formulated as follows:

H11: The higher the administrative budget per capita, the lower the increase in municipal net expenditures per capita or alternatively the lower the decrease in municipal net revenues per capita during a financial crisis.

In this case, statistically significant results were found for the dependent variables *administrative support of the executive board*, *social services*, and *building permits*. Since the direction of the statistical relation regarding the first dependent variable is in line with the formulated dependency, the hypothesis is confirmed for the administrative support of the executive board. In the cases of the two latter variable, namely social services and building permits, on the other hand, the hypothesis is not confirmed. Following the testing of the 11 hypotheses in combination with the six dependent variables, the main results of the statistical analyses will be summarised in the last sub-chapter of chapter 13.

13.3. Factors of influence on municipal finances in times of the recent Financial Crisis

Aiming to determine the influence of 11 factors on financial changes at the local level in the Netherlands during the recent Financial Crisis, six linear regressions were calculated. Considering the 11 independent variables and the 11 corresponding hypotheses, in combination with the six dependent variables, 66 separate sub-hypotheses can be distinguished. Only eight of these sub-hypotheses were confirmed in the statistical analyses, and they are listed below:

- Hypothesis 1: (change in unemployment) for the dependent variable *short-term debt* ($p < 0.01$)
- Hypothesis 3: (share of persons aged 65 and older) for the dependent variable *building permits* ($p < 0.05$)
- Hypothesis 3: (share of persons aged 65 and older) for the dependent variable *land development* ($p < 0.05$)
- Hypothesis 4: (population) for the dependent variable *social services* ($p < 0.001$)
- Hypothesis 5: (share of agricultural soil usage) for the dependent variable *building permits* ($p < 0.01$)
- Hypothesis 6: (existing short-term debt) for the dependent variable *change in long-term debt* ($p < 0.01$)
- Hypothesis 8: (share of left parties) for the dependent variable *social services* ($p < 0.01$)

- Hypothesis 11: (administrative budget) for the dependent variable *administrative support of the executive board* ($p < 0.01$)

Reflecting on the share of sub-hypotheses confirmed, it was not possible to identify one factor, or a set of factors, that explains a large part of the variation in financial changes across multiple policy areas at the local level in the Netherlands in times of the recent Financial Crisis. Given the very large number of potential factors affecting a research object of interest, this circumstance can be considered as usual in social sciences (Mill, 1843; Scharpf, 1997b, p. 22 ff.).

Accordingly, the detected factors of influence in certain areas of municipal activities largely vary. It must also be noted that the significance levels of some of those factors are relatively high. Apart from the statistical results, it should be taken into account that other unidentified factors, which were not included in the analyses, potentially influenced the financial developments. In addition, relatively unsystematic financial changes are always a possibility as well. Following the statistical results, the conclusion of this study, which includes a discussion of the implications and limitations of the insights, as well as an answer to the research question, will be provided in the last chapter.

14. Changes in the financial situation of Dutch municipalities in times of the Financial Crisis since 2007

The Financial Crisis since 2007 was certainly one of the most disadvantageous events in recent decades, and it included wide-ranging consequences for citizens across the globe. Representing a result of human action, it was also argued that this Crisis could have been prevented (Financial Crisis Inquiry Commission, 2011). More generally, the Crisis also illustrated how quickly financial and economic difficulties can spread across national borders, as a result of the increasing complexity and highly interlinked nature of financial markets and the global economy.

While the economic situation in most affected countries began to recover already a few years ago, as the economic growth rates indicate (World Bank, 2017a), it needs to be taken into account that ongoing consequences of the Financial Crisis can still be observed, especially in the areas of public debt and monetary policies. Given the high increases in public debt, a number of cutback initiatives might still be necessary in many countries, including the Netherlands, in the near future (Kickert, 2015, p. 560). Rising interest rates might also reinforce this necessity. In other words, some of the long-term consequences of the Financial Crisis since 2007 remain to be seen.

By combining mainly quantitative analyses with qualitative additions, this study provides detailed insights into the financial developments at the local level in the Netherlands in time of the Financial Crisis since 2007, with a focus on variation between the municipalities. This chapter concludes the study. The first sub-chapter includes the main empirical findings in general as well as in comparison with other studies (14.1). Then, the relations between the financial changes identified at the Dutch local level and the contextual factors in terms of general trends and developments in Dutch local government and local governance are discussed (14.2). Remarks on the overall limitations of this study follow thereafter (14.3). The next sub-chapter provides an answer to the research question (14.4). This is followed by reflections on crisis management and policy recommendations focusing on the Dutch case (14.5) and some broader thoughts on the more general lessons from the recent Financial Crisis (14.6).

14.1. Conclusions from the empirical results

Even though none of the 11 hypotheses on factors potentially explaining variation – formulated in line with the study's conceptual model – were confirmed for all balance sheet items, policy areas, and the financial results of Dutch municipalities previously identified as affected by the Financial Crisis since 2007, the quantitative analyses provide various interesting insights. In this regard, it should be taken into account that the absence of a statistically significant relation between two variables can be seen as an interesting discovery in some cases as well.

The empirical results validate that municipal expenses for social services increased more in larger cities in comparison with smaller villages. Also, a higher seat share for left parties in the 2006 municipal election relates to higher increases in social expenses. Accordingly, the expectation formulated based on the party difference hypothesis by Hibbs (1977) is confirmed for this policy area. Furthermore, the relation between a lower degree of urbanisation and lower revenue decreases from building permits is validated, and it reflects the general importance of the availability of land for construction activities.

Among the variables that are not statistically significantly related, it is interesting to observe that changes in unemployment, which are generally considered to be one of the most relevant societal consequences of the recent Financial Crisis, hardly affected any of the balance sheet items and the policy area of interest. This is particularly surprising for expenses for social services; however, it might be explained by relatively low increases in unemployment on average as well as limited competences of the local level in this area during the time period under investigation. Nevertheless, higher increases in unemployment relate to higher increases in short-term debt.

Another interesting observation is that the size of the financial sector does not explain variation in any of the financial areas under investigation, apart from social services, where a higher share of financial service companies of all businesses is associated with declining expenses. In other words, municipalities with many banks and other types of financial service companies, which represent enterprises affected by the recent Financial Crisis the most, thereby implying reductions in their numbers of employees, experienced decreases in social expenditure. In line with the previous observation that increases in unemployment are not associated with higher social expenses at the Dutch local level in times of the recent Financial Crisis, a general demographic structure in these municipalities with a relatively young population might provide an explanation for this relation. This assumption is also supported by the empirical finding that a higher share of the elderly is associated with cost increases for social services.

Regarding the financial results, it is interesting to note that existing debt is not always relevant for the development of debt. It was revealed that short-term debt in 2007 was not linked to the development of short-term debt in the following years. In the case of long-term debt on the one hand, a higher level of debt in 2007 is related to a higher reduction in this type of debt in the following years, which might be interpreted as success in debt reduction. On the other hand, a higher level of short-term debt in 2007 is associated with higher increases in long-term debt in more recent years, which points to measures of debt restructuring.

In the case of land development, as a traditional source of local revenues in the Netherlands and as the municipal activity that previous studies (Overmans, 2017, p. 173; Weske et al., 2014, p. 411; Bos, 2013, p. 46 f.; Allers, 2009, p. 283; Centraal Planbureau, 2016; Kattenberg et al., 2016; Deloitte, 2010; Deloitte, 2011; Deloitte, 2012; Deloitte, 2013; Deloitte, 2014; Deloitte, 2016; Deloitte, 2017; Ernst & Young, 2015) pointed out as being most affected by the recent Financial Crisis, the number of relevant factors identified and their statistical significances on the financial developments in recent years is relatively low. Limited statistical evidence can be observed only for the share of persons aged 65 and older, in line with the ac-

companying hypothesis, namely that the higher the share of the elderly, the lower the decreases in municipal net revenues. Moreover, in the case of building permits, the share of the elderly was also revealed to be a factor of influence.

The fact that most of the hypotheses and sub-hypotheses of this study were not confirmed is best explained by the overall complexity of budgetary developments in municipal finances and changes in the supply and demand of public services. Apart from the factors identified and included in the statistical analyses, certainly other factors of influence exist. However, even if these hidden factors would be known, it might be difficult to operationalise and measure them. Next to specific factors, there are many more individual reasons for certain decisions. In case of the decision by a private company to invest in new land within a certain region at a particular point in time, for example, the considerations might be based on aspects ranging from labour supply to the competitive situation. The multitude of reasons for certain developments apply in general as well as in times of financial crises. As a consequence, it might be possible to detect changes in demand within areas of interest in aggregated figures, representing the cumulated decisions by a large number of actors, such as in the case of declines in revenues from land development at the local level in the Netherlands during the Financial Crisis since 2007; however, confirming relevant factors statistically to explain the reasons for changes is rather difficult. On the supply side, possible factors and reasons for certain policy decisions are also manifold. In the area of land development, for example, municipal councils might be influenced in their plans to establish new industrial zones by aspects ranging from the suitability of certain areas within the municipal territory to predictions of future demand.

While some financial or other types of developments might be explainable in statistical models by taking the interactions of a large number of factors into account, in many cases the underlying causes, such as policy decisions, might take place relatively unsystematically, which makes the detection and explanation of holistic patterns impossible by definition. In such a context, other quantitative research methods are also unable to identify and determine associations between certain factors and changes in public budgets in a large number of cases. This is also illustrated by many single case studies or studies with a relatively small number of cases being published, focusing on the detection and explanation of mechanisms and relationships with qualitative methods.

Given that the potential factors of influence on municipal finances included in the empirical analyses of this study were mostly rejected, the validity and applicability of the political-administrative and socio-economic theories from which the factors were derived may be questioned as well. This applies to the structure-, institution-, and interest-based models to similar extents. However, as the conceptual model of this study already illustrated, theory building and testing in the area of municipal finances is complicated because of numerous factors of influence and different legal frameworks. Similar experiences were also found in many other empirical studies.

Against this background, it must be assumed that, on the one hand, more specific theories in the context of municipal finances, applicable to a larger number of jurisdictions, will certainly remain difficult to establish and that, on the other hand, more general theories, such as his-

torical institutionalism with its focus on path dependencies, will further turn out to be unverifiable for many subjects of research. However, it should not be forgotten that identifying and statistically verifying factors which are not related to one another, enhances the scientific knowledge on a certain topic as well.

Overall, the lack of far-reaching explanations for financial variation both in this study and in other research implies a difficulty in taking appropriate measures to reduce the potential effects of future crises not only in the area of land development but also in relation to other items of the municipal balance sheets. However, also rather restricted insights, such as the empirical finding that in times of the recent Financial Crisis, municipal expenses for social services per capita increased more in larger cities in comparison with smaller villages, can be helpful when aiming to address other crises in future.

From a theoretical perspective, budgeting was described as the challenge of deciding on the allocation of public funds to different areas of governmental activities already several decades ago (Key, 1940, p. 1138). This difficulty is also reflected in the broad variation of financial developments in the different municipalities, as illustrated by the statistical distributions of the dependent variables included in this study on the Netherlands. In combination with the limited significance of factors possibly determining variation in the regression analyses, Wildevsky's (1961, p. 184) view – that a subjective dimension is always involved when assigning financial resources to certain areas of responsibility, which also makes a normative theory of budgeting utopian – can also be agreed with.

Regarding the already long-lasting theoretical debate on the advantageousness of counter-cyclical and pro-cyclical policies in times of a financial crisis, the financial data of Dutch municipalities analysed in this study do not reveal a general pattern in line with one of the two approaches. Especially extensive counter-cyclical investments in infrastructure, which are often suggested in times of crises to stimulate the economy, cannot be identified at the Dutch municipal level during the Financial Crisis since 2007. However, together with the relatively limited financial room for manoeuvrability at the local level of government in the Netherlands, it needs to be taken into account that financial changes often originate from changes on the demand side rather than from own policy decisions. In the case of the recent Financial Crisis, further budgetary decisions at the national level, which included both counter-cyclical and pro-cyclical policies, implied financial changes for Dutch municipalities. In this context, the growing challenge to design and implement countermeasures to a crisis, because of more complex framework conditions (Raudla et al., 2015b, p. 448 f.), can also be confirmed for the Dutch case.

Considering individual municipalities, it is interesting to observe that *Geldermalsen*, *Zenvenaar*, *Veghel*, and *Nuenen*, *Gerwen en Nederwetten* are part of the group of municipalities in which the revenues from land developments decreased the most, as well as the group with the highest increases in long-term debt. For *Gilze en Rijen* and *Rijswijk*, a similar situation is found. Both municipalities are among those whose revenues from building permits decreased the most, while short-term debt saw the largest increases. As the cases of these six municipalities illustrate, unfavourable financial developments in relation to certain balance sheet items possibly explain higher levels of municipal debt.

At the local level in the Netherlands, municipalities with article-12 status – in other words, municipalities receiving additional funds from central government as a result of financial imbalances – are a group of particular interest in the context of the Financial Crisis since 2007. However, while the number of article-12 municipalities was generally relatively low in recent decades, even a decreasing tendency can be observed of late, which does not comply with the predictions of other studies (cf. Deloitte, 2011; Deloitte, 2012; van der Lei, 2015). According to the data published by central government, financial pressure in times of the recent Financial Crisis leading to an article-12 status is an exception (Rijksoverheid, 2016f; van der Woude, 2018, p. 255).

Regarding the municipalities experiencing the most extensive financial changes in times of the recent Crisis, the numbers of article-12 municipalities within the separate groups are also relatively low. Some of these municipalities are among the local authorities with the highest and lowest adjustments to the general payments from the municipal fund; this mainly illustrates changes because of their article-12 status. No article-12 municipality is part of the group with the highest revenue decreases in land development. In the group with the highest revenue decreases in relation to building permits, *Boarnsterhim*, which was an article-12 municipality between 2012 and 2014, is the only exception. In contrast, *Muiden* and *Boskoop*, which were article-12 municipalities in 2015 and 2000–2010 respectively, are part of the group that realised the highest revenue increases in land development despite the Crisis. However, in the latter case, the time period of the article-12 status indicates that financial imbalances were already a problem for the municipality long before the beginning of the recent Financial Crisis. Next to *Boarnsterhim*, *Vlissingen* is another local entity with financial troubles possibly related to the Financial Crisis since 2007. The municipality was among those with the highest cost increases for social services, and it was an article-12 municipality between 2015 and 2016. Lastly, it is also interesting to observe that, apart from *Lelystad*, which has received additional financial contributions from central government since 1987, none of the article-12 municipalities in recent years can be found among the groups of municipalities with the highest increases in debt per capita.

Another group of municipalities of particular interest are those that have recently merged, since municipal amalgamations are often justified by lower administrative costs in the longer run and a higher quality of public services, which also applies to the case of the Netherlands (Rutte, 2012). From a practical perspective, small municipalities that are highly in debt are often incorporated into larger municipalities with a better financial position. However, since recently merged municipalities were largely excluded from the statistical analyses, because of a lack of suitable data for the time span before or after the territorial changes, no statements on the financial success of municipal mergers are possible based on the calculations of this study.

The qualitative results, which mainly describe the Dutch mayors' subjective perceptions of financial implications of the Financial Crisis since 2007 within their municipalities, revealed interesting insights. According to the mayors' statements in 2015, the Crisis can be considered as an ongoing challenge also for the near future, especially in the context of negative second-round effects on other issues, such as government debt, unemployment, and the economic

situation. Reflecting on the survey results regarding the financial developments on both sides of the municipal balance sheets on average, it needs to be noted that they are not completely in line with official governmental statistics provided by the CBS. On the revenue side, for example, the common perception of lower transfers from central government in recent years does not comply with official data. For income from local taxes and local fees, on the other hand, such inconsistencies cannot be observed. Certain deviations between the mayors' perceptions and official statistics can also be observed on the expenditure side, when comparing the data at an aggregated level. On closer inspection, the scopes of recent budget cuts were often overestimated.

Regarding the discrepancies between the survey results and governmental statistics, the political discussions on austerity measures, including, for instance, cutbacks of the municipal fund, might provide an explanation, alongside social desirability and limited detailed knowledge about financial affairs. Furthermore, it is interesting to observe that, on the one hand, the majority of mayors' favour higher transfers from central government, while, on the other hand, many of them called for more local autonomy in financial affairs. This more general debate will be continued in the next sub-chapter.

In the area of recently implemented cutback methods, the survey results revealed that the approaches chosen were generally rather short-term oriented, easy to implement, and executable with little public attention. The common focus on human resources is illustrated by the practical examples of leaving vacancies unfilled for a certain time period and not prolonging temporary contracts. Moreover, across-the-board cuts were relatively common, which implies that decisions on political priorities were not necessary. Overall, it is recognisable that the cutback strategies with the least-anticipated resistance were chosen. Again, a certain trade-off between the implemented measures and the mayors' preferences can be observed. The cutback methods they are most in favour of on average include reducing municipal tasks and lowering political ambitions in future, both of which certainly require the setting of priorities.

Considering the results of previous studies on financial changes at the local level in the Netherlands in times of the Financial Crisis since 2007 – presented and discussed in chapter 9.2 – the empirical results of this study are largely comparable, even though the possibilities of direct comparisons are limited because of different data sources, varying groups of municipalities surveyed, and different observation periods. The main finding of other studies, namely that the most important impact of the Crisis can be observed in the area of land development, can be generally confirmed based on the data analyses of this study. Moreover, the figures of losses and lower revenues in this field, amounting to a total of 3.5 to 4 billion euro in recent years at the Dutch local level according to calculations by private consultancies were also verified.

Overall, this study provided detailed new insights into the implications of the Financial Crisis since 2007 at the municipal level in the Netherlands, and it contributed to a better scientific understanding of public finances and budgetary changes at the local level of government in times of a financial crisis and beyond. The wider policy implications of the findings will be

further discussed at a later stage. Before doing so, the following sub-chapter reflects on contextual factors and developments with possible confounding impacts on municipal finances during the time period under investigation.

14.2. Financial changes in times of the recent Financial Crisis and general trends and developments at the local level of government

Government and governance are subject to permanent changes. At the local level, the decentralisation of tasks, municipal amalgamations and municipal co-operation, management changes, Europeanisation, citizen participation, and the digitalisation of public services were previously identified as the most important trends and developments in recent decades. Therefore, they were included in the conceptual model, and a certain relevance of all these aspects is also given in the case of Dutch municipalities. However, in the context of the Netherlands, it needs to be taken into account that initiatives for changes at the local level mainly originate from central government.

Developments towards a smaller and more decentralised welfare state can be observed in the Netherlands since 1983. *Decentralisations of tasks* to local government took place in the form of multiple steps of different scales, as discussed in chapter 7.5.1. The 2015 decentralisation reform can be considered as the most important and extensive measure of transferring responsibilities to the local level in recent decades. While the reform was generally intended to lower total government spending through efficiency gains by the provision of public services closer to the citizens, its necessity was also justified with the additional budgetary pressure emerging from the Financial Crisis since 2007 (Rijksoverheid, 2015a; Sociaal en Cultureel Planbureau, 2016). However, considering the detailed data analyses of this study, covering the years 2005 to 2013 in the search for variation regarding the impact of and responses to the Crisis across the local level, municipal finances during this time period were not notably influenced by decentralisation measures.

Municipal amalgamations and increased *municipal co-operation* are also ongoing developments, which have been occurring for a long time, at the local level in the Netherlands, as described in chapter 7.5.2. Reductions in the number of municipalities through mergers have been taking place since the establishment of the Kingdom of the Netherlands, and the frequency has increased lately. It should be taken into account that, in practice, the amalgamation of two or more municipalities is a long process that extends beyond the official date of the merger (Backes & van der Woude, 2013, p. 234; Denters et al., 2014, p. 3; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, p. 15 f.; Voermans & Waling, 2018, p. 207 ff.). Municipal co-operation has gained in importance in recent decades as well. Also in the context of the 2015 decentralisation reform, co-operation was a common strategy of local authorities to fulfil the additional tasks (Niaounakis & Blank, 2017; Denters & Klok, 2005, p. 69; Steen et al., 2017, p. 60; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016, pp. 15 f., 86 f.; Voermans & Waling, 2018, p. 226 ff.). Considering the times since the beginning of the recent Financial Crisis in 2007, an approximate 14% reduction in the number of Dutch

municipalities can be observed until 2018. The Crisis served as an additional reason when justifying the need for larger territorial units in order to increase the efficiency of local government. However, since the municipalities that were part of a merger in the relevant period of time were largely excluded from the detailed statistical analyses of municipal finances, because of a lack of data availability, the calculations are not biased on the basis of territorial reforms.

Furthermore, *management changes*, mainly prompted at the national level, have concerned municipal administrations in the Netherlands for decades, as discussed in chapter 7.5.3. However, while the reform initiatives in line with NPM were mainly implemented in the 1980s, followed by subsequent attempts to moderate previous changes, far-reaching reforms in this area were not realised in more recent years (Denters & Klok, 2005, p. 78 f.; Kickert, 2003, pp. 378 f., 382; ter Bogt, 2008a, p. 31; Bekke, 1991). Therefore, management changes did not considerably affect municipal finances during the time period in the statistical analyses of this study.

The same applies to *Europeanisation* as another ongoing development at the local level, described in chapter 7.5.4. While an increasing influence of the EU on policy areas with traditional competences of local government in the Netherlands can be observed in general, the process is characterised by rather gradual steps (Denters & Klok, 2005, 73 ff.; Backes & van der Woude, 2013, p. 244 f.). However, major financial changes, as result of European integration, did not take place at the local level during the time period considered in the statistical analyses of this study.

While *citizen participation* has been a long-standing tradition in the Netherlands in general, some new initiatives were started at the local level of government in recent years, as a reaction to declining turnouts in local elections, among other factors (Michels, 2018; Michels & de Graaf, 2010, p. 481; Hendriks & Tops, 2003, p. 312; Kickert, 2003, p. 387 f.; Denters, 2011, p. 319), as pointed out in chapter 7.5.5. While measures to increase citizen participation differ from the other trends and developments, since they usually imply additional expenses in comparison with the general intentions to reduce expenditures, the financial resources used for the initiatives are usually relatively low. Therefore, they are not relevant for the overall financial situation of Dutch municipalities.

The *digitalisation of public services* in line with e-government strategies was previously identified as the last major development at the local level in the Netherlands and discussed in chapter 7.5.6. While related technological changes usually imply additional expenses in the form of conversion costs in the short term, cost reductions are the general aim in the longer run (Rijksoverheid, 2015c, p. 40 f.; Vereniging van Nederlandse Gemeenten, 2016a; Kwaliteitsinstituut Nederlandse Gemeenten, 2016). However, reflecting on the initiatives at the local level in the Netherlands to date, it can be concluded that they did not have a relevant impact on municipal balance sheets, thereby implying that the statistical analyses of this study are not biased in this respect. Keeping the previous considerations in mind, the next sub-chapter will discuss the overall limitations of this study from a more general perspective.

14.3. Limitations of the study

As with any empirical research in social sciences, this study has a number of limitations. First, the link between financial changes and the underlying cause or causes is difficult to determine for each transaction of a municipality's total budget. Especially in the policy area of social services, many other factors of influence on financial developments, such as an ageing population, are imaginable. If a municipal council takes a decision on a certain policy programme, then it can be further argued from a more practical perspective that the overall financial position of the municipality is most relevant, independent of the origin of a financial leeway or financial pressure. However, following the previous studies on the budgetary situation of the Dutch local level in times of the recent Financial Crisis – presented and discussed in chapter 9.2 – as well as the own survey results, the Crisis can be considered as the main reason for the budgetary pressure of Dutch municipalities in recent years, particularly as a result of lower revenues from land development.

Assessing the impact of a crisis also largely depends on the time period under review. While early analyses might not cover all the effects, late analyses can face the problem that certain developments are already counterbalanced because of a decline of the crisis. Furthermore, it needs to be noted that some consequences of a financial crisis, especially in terms of debt and debt repayments, can last for centuries, as in the case of the 1720 South Sea bubble (Castle, 2014), which usually implies certain compromises when deciding on the time spans of empirical analyses. However, in the context of this study, it was possible to identify the relevant time frame of the recent Financial Crisis by carefully assessing the financial developments of all separate balance sheet items between 2004 and 2014.

Further limitations of this study might also originate from the reliability and validity of some of the data included. Apart from possible inconsistencies or mistakes in the municipalities' reporting of income and expenses, as well as other key figures, the employment figures of civil servants within the administrations, for example, also depend on the organisation of municipal co-operation and the degree of privatisation of public services. As a consequence, the comparability of some figures, such as personnel capacities, might be restricted to some extent. In other words, a municipality's individual situation matters, and this is difficult to include in quantitative analyses. However, there is no evidence of structural distortions of the empirical results in this study arising from unreliable or inaccurate data.

Apart from all limitations, and in comparison with previous studies, this study has the following main advantage: it was possible to include financial data of the majority of Dutch municipalities, which enabled the calculations of average effects and the further investigations of factors determining variation for all policy areas and separate balance sheet items identified as affected by the Financial Crisis since 2007. Following the detailed analyses and considerations, the next sub-chapter provides an answer to the research question.

14.4. Answering the research question

In the first chapter, the research question of this study was formulated as follows:

How did the Financial Crisis since 2007 have an impact on Dutch municipalities and their financial situation, how did local authorities respond to the Crisis, and what factors explain variation?

With regard to the first part of the research question, a number of negative implications of the recent Financial Crisis on the financial situation of local government in the Netherlands were observed in the empirical analyses of this study. At the level of aggregated data of all Dutch municipalities combined and after adjusting for inflation, adverse financial developments and burdens were identified in the policy area of *social services* and for the separate balance sheet items *administrative support of the executive board*, within the policy area of general administration, and *building permits* and *land development*, both within the policy area of spatial planning and housing. However, in line with the analytical focus on aggregated developments, these findings do not exclude the possibility that individual municipalities experienced either severe financial problems in other policy areas or no financial stress at all.

When comparing the Dutch municipalities' average expenses for social services between 2005 and 2007 with those between 2009 and 2011, the costs increased by 44.8%. During the same time periods, the average expenditures for the administrative support of the executive board rose by 7.9%. In the cases of building permits and land developments, the time period 2005–2007 was compared to the time period 2011–2013, since a certain temporal lag of the effects was recognised. For building permits, a decrease in the average income by 28.9% was identified, while for land development, which other studies pointed out as the area of local government activities in the Netherlands that was most affected by the recent Financial Crisis, a decrease of 234.8% was calculated. In the latter case, the balance sheet item changed from average revenues to average expenses at the municipal level.

To assess the budgetary situation of local government in the Netherlands in general and the wider financial consequences of the recent Financial Crisis in particular, the inflation-adjusted development of the financial results is of interest. When comparing the time periods 2005–2007 and 2009–2011, the average *short-term debt* increased by 32.1%, while the average *long-term debt* rose by 5.8%. In other words, the financial situation of Dutch municipalities deteriorated significantly in times of the Crisis.

Overall, it needs to be taken into account that variation in the financial changes at the Dutch local level was relatively high and that the recent Financial Crisis was not the only factor of influence. However, in combination with the qualitative survey results, it can be concluded that the Crisis was the main reason for financial changes. Table 42 summarises the inflation-adjusted financial developments at the local level in the Netherlands in times of the Financial Crisis since 2007.

Table 42: Inflation-adjusted financial changes at the local level of government in the Netherlands in times of the Financial Crisis since 2007

Area of activity / Type of debt	Financial implication
Social services	Increase in average expenditures by 44.8%
Administrative support of the executive board	Increase in average expenditures by 7.9%
Building permits	Decrease in average revenues by 28.9%
Land development	Decrease in average revenues by 234.8%
Short-term debt	Increase in average debt by 32.1%
Long-term debt	Increase in average debt by 5.8%

The way in which local authorities responded to the recent Financial Crisis is the focus of the second part of the research question. Municipalities' reactions that imply financial changes are already included in the budgetary developments presented above, since changes in municipal balance sheets can originate from impacts, especially in the area of tax revenues on the income side, and responses by political-administrative decision maker, mainly concerning the expenditure side. Regarding the methods used to address the Crisis, far-reaching austerity measures, with a focus on personnel costs and in the form of across-the-board cuts, were further identified in the qualitative part of this study. The area of human resources included strategies such as leaving vacancies unfilled for a certain time period and not prolonging temporary contracts. Across-the-board cuts had the advantage that decisions on political priorities were not necessary. Overall, the approaches chosen were generally short-term oriented, easy to implement, and executable with little public attention.

The focus of the third part of the research question is on the factors that determine variation in the impact of and responses to the recent Financial Crisis at the local level of government in the Netherlands. Based on the statistical analyses of this study, it was not possible to identify one factor that explains variation in the financial developments across multiple policy areas, balance sheet items, or financial results of interest. Considering the high complexity of financial crises and public finances, this is not unexpected. However, statistically significant interrelations were revealed for some separate cases.

Increases in expenditures related to social services turned out to be linked to both the size of the municipality in terms of the number of inhabitants and the share of left parties in the municipal council. In the context of higher costs for the administrative support of the executive board, the overall administrative budget appeared to be relevant. Regarding building permits, as a source of municipal revenues, the share of the elderly and the degree of urbanisation were identified as influential factors for the financial developments. In the case of land development, as the area of activities by Dutch local government most affected by the recent Financial Crisis and hence of particular interest in the analyses, the share of the elderly was the only factor with some limited statistical significance in terms of explaining variation.

According to the statistical results for Dutch municipalities, higher short-term debt, as a common consequence of the recent Financial Crisis, depended on the change in unemployment. Lastly, for long-term debt, the existing amount of short-term debt appeared to be associated with the increases.

Overall, the empirical results illustrate that developing strategies to reduce the effects of potential future financial crises at the local level of government is difficult. This is because of economic mechanisms of high complexity and because of a lack of general factors explaining large shares of the variation in financial implications from a political-administrative and economic perspective. However, in summary, the quantitative and qualitative analyses of this study and the aforementioned findings contribute to a better scientific understanding of the implications of the Financial Crisis since 2007 at the local level of government in the Netherlands as well as the relations between a financial crisis and municipal finances more generally. Following these answers to the research question, the next sub-chapter summarises further insights in relation to crisis management and points out some policy recommendations in the Dutch context.

14.5. Lessons from crisis management and policy recommendations

Considering crisis management in the context of the Financial Crisis since 2007, various relatively un-co-ordinated and short-term-oriented measures by national governments and central banks could be observed, and the lack of a clear long-term strategy was often apparent. In other words, what could be witnessed was a process of trial and error or muddling through (cf. Lindblom, 1959), which is highly risky in an environment where market participants do not necessarily act rationally and where unpredictable dynamics can emerge quickly. In retrospect, some governmental responses can also be considered as mistakes (Saliterer et al., 2017, p. 2).

Against the background of the scope of the decisions that public leaders needed to take after 2007, when the Financial Crisis threatened the financial system, such framework conditions for decision-making are highly unsatisfactory, and, in retrospect, the consequences of the Crisis could have been even worse. Minor misinterpretations or misunderstandings during back-room negotiations in the middle of the night could have led to the collapse of the global financial system, and the further consequences for society would have been severe.

However, reflecting on the different approaches to explain and address financial crises in economic and political-administrative theory – best illustrated by the ongoing debates on the advantages and disadvantages of pro-cyclical and counter-cyclical measures – a universalistic approach to reacting to a certain type of crisis might not be realistic in general. In other words, as already pointed out before, each crisis is different.

Diverse national and local circumstances in terms of the legal framework and administrative responsibilities further contribute to the difficulties in developing general strategies in crisis management (Saliterer et al., 2017, p. 13), since not only each crisis, but also each territorial entity potentially affected by it, is different. However, apart from these relatively sobering realisations, the recent Financial Crisis also demonstrates the importance of co-ordination in arranging and managing countermeasures; this applies in particular to nation states organised

in supranational entities, such as the EU, from a more practical perspective (van den Noord, 2011, p. 50).

Taking a closer look at the implications of a financial crisis for public finances, a distinction can be made between two types of effects: expenses or the absence of revenues on the one hand and a lower valuation or an unsaleability of assets on the other. Costs for providing social services to individuals who have lost their jobs are an example of the first category. The related payments have a direct impact on municipal balance sheets, and possible compensations for the costs are only relevant in the longer run. In the context of social services, the latter mechanism could, for example, include higher revenues from local taxes and fees, if the persons supported are successfully reintegrated into the labour market.

Examples of the second category are developed construction sites that are currently not in demand. In this context it is often forgotten that lower valuations only imply financial losses when they are realised. From a short-term perspective, investments for the exploration and development were taken, while the book values of the sites might have decreased. Overall, this weakens the financial position of the affected public authority. However, considering the economic situation of today's industrial countries in the long run, economic growth has been observed for centuries. This growth was certainly disrupted by numerous crises of various types and scopes, but the overall expansive nature of economic developments has not changed. In such a context, a lower valuation or unsaleability of assets, such as land, is temporary in most cases. While it is not impossible for losses in asset value to be permanent, for example in the context of new products based on technological progress, many assets can be expected to regain in value in the long term. In other words, time is of importance for the valuation.

As a consequence, for many assets, lower valuations should not be realised by the sale of the asset; instead, waiting for better market conditions is the better choice, even though this might exceed typical political planning horizons. Against this background, it can also be concluded that politicians as well as bankers should focus on more long-term perspectives in their decision-making. In the Dutch case, proceeding with lower asset valuations is most relevant for municipal land, which local government develops with the intention to sell it to private companies or households and which is exactly the area in which the recent Financial Crisis became most apparent for the municipalities.

In addition, the already long-lasting debate on the necessity of more fiscal autonomy and taxation power of Dutch local government gained new attention in the context of the Financial Crisis since 2007 (Overmans, 2017, p. 185; van der Woude, 2018, p. 250). As explained before, Dutch municipalities largely depend on financial transfers from central government, also in comparison with other industrial countries. In general, more fiscal autonomy leads to more possibilities for municipalities to adjust their finances to local needs. While this would also enable more room to manoeuvre in the context of policy reactions in times of crises, there are also sound reasons to argue that local capacities and competences to find tailor-made solutions to highly complex economic problems will remain relatively low, even if the local autonomy increases extensively.

Overall, it needs to be taken into account that more fiscal autonomy and taxation power of the municipalities could lead to more variation in terms of living conditions as well as the financial position of local authorities across the local level. While the current system in the Netherlands is designed to minimise the differences between the municipalities, the decision to enable more variation or not is mainly a political one. However, the recent Financial Crisis can certainly be seen as an occasion to further rethink the system of Dutch municipal finance with the aim of strengthening financial resilience.

In the context of municipal finances, possible improvements of the Dutch system of financial supervision, including the supervision of the municipalities by the provinces, are also part of an ongoing topic, even though the number of article-12 municipalities, which represent municipalities with considerable financial imbalances, remained relatively low in times of the recent Financial Crisis. In late 2018, the Ministry of the Interior and Kingdom Relations, the Ministry of Finance, the VNG, and the Association of Provinces (Dutch: Interprovinciaal Overleg, IPO) published a report (Rijksoverheid, 2018) with suggestions for possible changes in the system of financial supervision. Based on the increasing complexity of administrative affairs in general and the higher responsibilities of the municipalities in relation to financial affairs as a result of the recent decentralisation measures, they propose improving financial supervision with a focus on experience-based learning and more constructive dialogues between the parties involved. More specifically, they suggest making horizontal checks and balances possible by enabling municipalities to do the following: learn from one another with an improved provision of financial data and benchmarks, focus on potential risks within the budgets, perform the financial supervision more uniformly while allowing for more customised measures, and combine the various types of financial insights as much as possible.

According to the report, it should also be taken into account that technical advances and digitalisation offer new possibilities in the area of financial supervision. This includes not only more advanced tools for data and risk analyses, but also the possibility of more transparency in municipal finances by providing data on the Internet. In this context, two new websites²²⁷ were recently launched that enable citizens and local officials to obtain interactive insights into municipal finances and to compare the financial situation of their municipality with other municipalities (Rijksoverheid, 2018).

Closely related to the debates on municipal finances, and in line with the institutional problems and challenges identified in the context of the recent Financial Crisis, ongoing debates on the necessity of territorial reforms and the optimal size of territorial entities in relation to their tasks in general (cf. Dahl & Tufte, 1973) and in the case of the local level in particular (cf. Denters et al., 2014) might also intensify in the coming years. This is especially likely in countries with relatively small municipalities in terms of the number of inhabitants, as well as in the Netherlands, where a process of municipal amalgamations, aiming to form municipalities with at least 100,000 inhabitants, is already on its way (Rijksoverheid, 2012a). It could be argued that the formation of larger units in sub-national government ensures a more reliable

²²⁷ The website <https://www.financiengemeenten.nl/> is operated by the Ministry of the Interior and Kingdom Relations, and the website <https://www.waarstaatjegemeente.nl/> is operated by the VNG.

fulfilment of tasks in crises situations. In addition, requests might arise to transfer certain responsibilities, especially in the area of financial supervision, to higher levels of the political-administrative subdivision with civil servants specialising in increasingly complex circumstances.

However, larger is not necessarily better. With larger territorial entities at the local level, new challenges might emerge, for example in the context of democratic participation and representation. From an administrative perspective, it can be argued that the functioning of each level of government mainly depends on sufficient personnel and financial resources, which could also justify more local fiscal autonomy, including further possibilities for local entities to generate own revenues (Ahmad et al., 2016, p. 17). Accordingly, more political-administrative research on the most suitable institutional design of local government, including appropriate room for manoeuvrability in relation to administrative decisions and financial affairs within a system of multi-level governance, can be considered as important. Especially comparative empirical studies that include municipalities and their financial situations in different nation states might help to better understand the advantages and disadvantages of the different political-administrative systems in practice. These types of studies could also aim to identify the system with the highest level of resilience in times of financial crises. Furthermore, economic research on interrelations and mechanisms below national and international levels of government would be helpful to gain better insights into the role of sub-national authorities within the economic system.

Even though the political-administrative framework conditions might differ, the aforementioned lessons on crisis management and policy suggestions based on the insights from this study on the Netherlands are also of relevance for municipalities in other countries. This concerns the situation of a lower valuation or an unsaleability of assets in particular. However, questions regarding the optimal level of local fiscal autonomy, the most suitable design of financial supervision, and the optimal size of territorial entities are also issues that are similarly relevant in every country with a political-administrative subdivision below the national level of government.

In summary, crisis management in the context of the Financial Crisis since 2007 illustrates the difficulty in deciding on adequate countermeasures. More universalistic strategies to react to financial crises unfortunately appear to be unrealistic from a theoretical perspective. In such an environment, building upon past experiences as much as possible can be considered as crucial, and this study contributed to a better scientific as well as practical understanding of crisis management. In addition, the recent Financial Crisis revived some long-lasting debates in public administration and political science. Following these reflections on crisis management and the wider implications for the political-administrative system, primarily with a focus on the Netherlands, the last sub-chapter addresses more general lessons from the recent Financial Crisis.

14.6. General lessons from the Financial Crisis since 2007

Once a crisis needs to be combatted, it is already too late. Therefore, more general lessons from the recent Financial Crisis, potentially also contributing to crises prevention in future, are needed. Reflecting upon the global developments since 2007, general lessons are most obvious regarding the regulation of the financial sector, as a typical area of competence of national governments and international organisations.

Even though insufficient regulation might not have directly caused the Crisis, the existing framework conditions were unable to prevent the adverse development from occurring. Accordingly, it can be argued that improvements in the form of more precise financial regulations are required to avoid comparable incidents in the future. Functioning regulatory institutions are also crucial for the confidence of market participants (Shiller, 2008, p. 171 ff.; Car-massi et al., 2009). Apart from filling identified gaps in the regulatory framework of financial markets, additional areas of focus should include the enforcement of existing rules and critical reflections on potential new types of financial problems.

Considering some recent market developments, public leaders should make haste with such measures. By the time of writing, in autumn of 2018, the share prices of many technology companies had declined noticeably, potentially marking the beginning of the end of the latest boom phases. Also, in comparison with earlier boom-and-bust cycles, the duration of the economic growth of recent years is already taking longer than average. In addition, the latest developments of the yield curves of U.S. treasury bonds are not very encouraging. The spread between the yield on 10-year and 2-year bonds is gradually moving closer to zero percentage points, describing a market environment wherein long-term and short-term interest rates converge. An inverted yield curve, where short-term interest rates are higher than long-term interest rates, served as a simple, but meaningful predictor of recessions in the past (The Economist, 2018). In other words, the US might experience its next recession in only a few months or years, which would certainly imply global consequences.

Furthermore, local governments were affected by the Financial Crisis since 2007 and attempted to react within their organisational and budgetary capacities. The necessity of co-ordination within systems of multi-level governance because of distributed responsibilities and competences became apparent. Considering the high complexity of global economic developments, it is also comprehensible that decision makers at the local level might lack sufficient detailed information about the developments and potential implications for their level of government (Ahmad et al., 2016, p. 1). This further illustrates the importance of co-operation across all levels of the political-administrative subdivision. In addition, problems regarding the reliability of financial supervision within municipal administrations, as well as that of local authorities by the highest levels of government, were observed in some countries. Considerations might thus be required regarding the adequacy of the responsibilities of the actors involved. Also, the elimination of related legislative loopholes and ambiguities, for example in the context of the financial evaluation of municipal companies, appears to be helpful (Ter-Minassian, 2016, p. 32 f., 43).

As already pointed out in the first chapter, the Financial Crisis since 2007 is fading, and ongoing consequences are mostly limited to public debt and monetary policies. For other aspects, such as average stock market valuations and unemployment, the Crisis can be considered as over. However, reflecting on the first warning signals and the recurring nature of financial difficulties and crises, as the economic history of industrial countries has taught over the last centuries, watchful eyes need to be maintained on financial as well as socio-economic developments.

Apart from all the negative effects discussed and analysed in this study, it should finally be taken into account that financial crises can also include positive aspects and consequences. For example, they generate opportunities for necessary reforms that are long overdue, and they enable the expansion of co-operation between various actors that was previously considered impossible (Bailey & Chapain, 2011b, p. 21). In other words, as the economist Paul Romer once said in a similar context, “a crisis is a terrible thing to waste” (As cited in The New York Times, 2009).

Appendix 1: Publications on the Financial Crisis since 2007 at the local level of government in the Netherlands

Scientific publications and policy reports on the Financial Crisis since 2007 and the impact on and responses by public authorities at the local level of government in the Netherlands

Author(s) and year of publication	Title	Focus	Remarks
Council of European Municipalities and Regions, 2009a	The economic and financial crisis, Impact on local and regional authorities	Impact	Multiple country study; discusses potential responses
Allers & Bolt, 2010	Financiële gevolgen van de recessie voor de eigen inkomsten en uitgaven van gemeenten	Impact and response	Survey-based research
Allers & Hoeben, 2010	Bezuinigingen en crisisbeheersing: Financiële plannen van gemeenten 2010-2012	Impact and response	Survey-based research
Engelen & Musterd, 2010	Amsterdam in Crisis: How the (Local) State Buffers and Suffers	Impact	Single case study of Amsterdam
Deloitte, 2010	Financiële effecten crisis bij gemeentelijke grondbedrijven	Impact	Focus on land development
Deloitte, 2011	Financiële effecten crisis bij gemeentelijke grondbedrijven, Update 2011	Impact	Focus on land development
Deloitte, 2012	Financiële effecten crisis bij gemeentelijke grondbedrijven, Actualisatie 2012	Impact	Focus on land development
Organisation for Economic Co-operation and Development, 2013	Delivering Local Development, New Growth and Investment Strategies	Impact and response	Case study of the Amsterdam Metropolitan Area
Deloitte, 2013	Financiële situatie bij gemeentelijke grondbedrijven 2013	Impact	Focus on land development
Overmans & Noordegraaf, 2014	Managing austerity: rhetorical and real responses to fiscal stress in local government	Response	Study of eight Dutch municipalities
Weske et al., 2014	Local government austerity policies in the Netherlands: the effectiveness of social dialogue in preserving public employment	Response	
Deloitte, 2014	Monitor gemeentefinanciën 2014, Special: grond en vastgoed	Impact	Focus on land development
Ernst & Young, 2015	Financiële positie gemeentelijke grondbedrijven	Impact	Focus on land development
Van der Lei, 2015	De financiën van gemeenten tijdens en na de grote recessie	Impact	
Overmans & Timm-Arnold, 2016	Managing Austerity: Comparing municipal austerity plans in the Netherlands and North Rhine-Westphalia	Response	Qualitative approach
Centraal Planbureau, 2016	Hoe gaan gemeenten om met financiële meen tegenvallers	Impact	
Kattenberg et al., 2016	Hoogte gemeentelijke belasting ongevoelig voor mee- of tegenvallers	Impact	Summary of Centraal Planbureau, 2016
Deloitte, 2016	Grondposities bij gemeenten eind 2015	Impact	Focus on land development
Overmans, 2017	Financial Resilience: How Dutch Cities have buffered and adapted to the Financial Crisis	Response	Study of four Dutch municipalities
Deloitte, 2017	Gemeentelijke grondposities gehalveerd	Impact	Focus on land development

Appendix 2: Municipal functions and the composition of municipal balances sheets in the Netherlands

Iv3 Code 228	Function (Dutch)	Function (English)	Municipal tax	Municipal fee
	Totaal gemeentelijke functies na best.	Total		
0	Totaal algemeen bestuur	Total general administration		
	Bestuursorganen	Administrative bodies		
	Bestuursondersteuning college van B en W	Administrative support executive board		
	Burgerzaken	Citizen affairs		
	Baten secretarieleges burgerzaken	Public affairs secretary fees		x
	Bestuurlijke samenwerking	Administrative cooperation		
	Bestuursondersteuning raad en rekenkamer	Administrative support municipal council and auditing office		
1	Totaal openbare orde en veiligheid	Total public order and safety		
	Brandweer en rampenbestrijding	Fire brigades and disaster relief		
	Openbare orde en veiligheid	Public order and safety		
	Opsporing en ruiming conv. explosieven	Detection and clearance of conventional explosives		
2	Totaal verkeer, vervoer en waterstaat	Total traffic, transport and water management		
	Wegen, straten en pleinen	Roads, streets and squares		
	Verkeersmaatregelen te land	Traffic Measures		
	Openbaar vervoer	Public transport		
	Parkeren	Parking		
	Baten parkeerbelasting	Parking fee	x	
	Zeehavens	Seaports		
	Binnenhavens en waterwegen	Inland ports and waterways		
	Veerdiensten	Ferry services		
	Luchtvaart	Aviation		
	Waterkering, afwatering, landaanwinning	Watering, drainage, land reclamation		
3	Totaal economische zaken	Total economic affairs		
	Handel en ambacht	Trade and craft		
	Baten marktgelden	Market fees		x
	Industrie	Industry		
	Nutsbedrijven	Public utilities		
	Agrarische productie en ontginning	Agricultural production and mining		
	Overige agrar. zaken, jacht en visserij	Other agricultural affairs, hunting and fishing		
4	Totaal onderwijs	Total education		
	Openb. basisonderwijs, ex. onderw.huisv.	Public primary education excluding housing		
	Openb. basisonderwijs, onderw.huisv.	Housing for public primary education		
	Bijz. onderwijs, excl. onderwijshuisv.	Special primary education excluding housing		
	Bijz. onderwijs, onderwijshuisvesting	Housing for special primary education		
	Openb. (vrtg.) spec. onderw., ex. huisv.	Public (secondary) special education, excluding housing		

²²⁸ Cf. Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2017b

Iv3 Code 228	Function (Dutch)	Function (English)	Municipal tax	Municipal fee
	Openb. (vrtg.) spec. onderw., huisv.	Housing for public (secondary) special education		
	Bijz. (vrtg.) spec. onderw., ex. huisv.	Special (secondary) special education, excluding housing		
	Bijz. (vrtg.) spec. onderw., huisv.	Housing for special (secondary) special education		
	Openb.voortg. onderwijs, ex. huisv.	Public secondary education, excluding housing		
	Openb.voortg. onderwijs, huisv.	Housing for public secondary education		
	Bijz. voortg. onderwijs, ex huisv.	Special secondary education, excluding housing		
	Bijz. voortg. onderwijs, huisv.	Housing for special secondary education		
	Gemeenschapp. b. en l. v.h. onderwijs	Common revenues and expenses of education		
	Volwasseneneducatie	Adult education		
5	Totaal cultuur en recreatie	Total culture and recreation		
	Openbaar bibliotheekwerk	Public libraries		
	Vormings- en ontwikkelingswerk	Training and development		
	Sport	Sport		
	Groene sportvelden en -terreinen	Sports fields and terrains		
	Kunst	Art		
	Oudheidkunde / musea	Classical studies and museums		
	Natuurbescherming	Nature protection		
	Openbaar groen en openluchtrecreatie	Public green and outdoor recreation		
	Overige recreatieve voorzieningen	Other recreational facilities		
6	Totaal soc. voorz. en maatsch. dntstverl.	Total social services		
	Bijstandsverlening en inkomensvoorz.	Assistance and income provisions		
	Werkgelegenheid	Employment opportunities		
	Inkomensvoorzieningen vanuit het Rijk	Income provisions from central government		
	Overige sociale zekerheidsregeling Rijk	Other social security schemes from central government		
	Gemeentelijk minimabeleid	Municipal minimum policy		
	Maatschappelijke begeleiding en advies	Social support and advice		
	Vreemdelingen	Foreigners		
	Huishoudelijke verzorging	Home care		
	Participatiebudget	Participation budget		
	Sociaal-cultureel werk	Social-cultural work		
	Tehuizen	Housing for disabled people, homeless people, and children in care		
	Kinderdagopvang	Daycare for children		
	Dagopvang gehandicapten	Daycare for the disabled		
	Voorzieningen gehandicapten	Facilities for the disabled		
7	Totaal volksgezondheid en milieu	Total public health and environment		
	Ambulancevervoer	Ambulance services		
	Verpleeginrichtingen	Nursing facilities		
	Openbare gezondheidszorg	Public health care		
	Centra jeugd gezin (jeugdgezondh.)	Centres for youth and family (youth health care)		
	Centra voor jeugd en gezin (ond. WMO)	Centres for youth and family (WMO)		
	Afvalverwijdering en -verwerking	Waste disposal and processing		
	Riolering (gecombineerd)	Sewerage (combined)		

Iv3 Code 228	Function (Dutch)	Function (English)	Municipal tax	Municipal fee
	Milieubeheer	Environmental management		
	Lijkbezorging	Funeral services		
	Baten reinigingsrechten en afvalstofheff	Cleaning fees and waste disposal		x
	Baten rioolheffing (gecombineerd)	Sewage charges (combined)	x	x
	Baten rioolheffing huishoudelijk/bedrijf	Sewage charges domestic and industrial	x	x
	Baten rioolheffing grond- en hemelwater	Sewage charges groundwater and rainwater	x	x
	Huishoudelijk/bedrijfsafvalwater	Domestic and industrial waste water		
	Hemelwater	Rainwater		
	Grondwater	Groundwater		
	Baten begraafplaatsrechten	Cemetery fees		x
8	Totaal ruimtelijke ord. en volkshuisv.	Total spatial planning and housing		
	Ruimtelijke ordening	Spatial planning		
	Woningexploitatie / woningbouw	Housing exploitation and construction		
	Stads- en dorpsvernieuwing	Urban and village renewal		
	Overige volkshuisvesting	Other public housing		
	Bouwvergunningen	Building permits		x
	Bouwgrondexploitatie	Land development		
(no- ne)	Totaal financiering en alg. dekkingsmid.	Total financing and means for universal coverage		
	Totaal gemeentelijke functies voor best.	Total municipal functions		
	Totaal financ. en alg. dekking. na best	Total financing and general financial means		
	Geldleningen en uitzettingen < 1 jaar	Loans and liabilities < 1 year		
	Overige financiële middelen	Other financial means		
	Geldleningen en uitzettingen >= 1 jaar	Loans and liabilities >= 1 year		
	Algemene uitkering gemeentefonds	General payment from the municipal fund		
	Algemene baten en lasten	General revenues and expenses		
	Uitvoering wet WOZ	Implementation law WOZ		
	Baten onroerende zaakbelasting gebr.	Property tax on immovable property (users)	x	
	Baten onroerende zaakbelasting eigenaren	Property tax on immovable property (owners)	x	
	Baten roer. woon- en bedrijfsr. belast.	Property tax on movable housing or business space	x	
	Baten baatbelasting	Benefit charge	x	
	Baten forensenbelasting	Commuter charge	x	
	Baten toeristenbelasting	Tourist tax	x	
	Baten hondenbelasting	Dog tax	x	
	Baten reclamebelasting	Advertising tax	x	
	Baten precariobelasting	Public space usage fee	x	
	Lasten heffing en invorder. gem. belast.	Costs of levying and collecting of municipal revenues		
	Lastenverlichting Rijk	Reliefs by central government		
	Saldo van kostenplaatsen	Balance of costs		
	Saldo van rekening van baten en lasten	Balance of calculation of revenues and expenses		
	Mutaties reserves ivm h-functie 0-9	Changes in reserves related to the main function 0 to 9		
	Result. van rekening van baten en lasten	Result of calculation of revenues and expenses		

Appendix 3: A brief overview of Dutch municipal finance, 2000–2015

Nominal data, not adjusted for inflation.

	2000	2001	2002	2003	2004	2005	2006	2007
Total income (in million euro)	41074	42717	44849	47203	48805	49345	50740	51817
Total expenses (in million euro)	40866	44526	47888	48663	50556	49559	49740	52554
Annual balance (in million euro)	208	-1809	-3039	-1460	-1751	-214	1000	-737
Annual balance as share of the total expenses	0.5	-4.1	-6.3	-3.0	-3.5	-0.4	2.0	-1.4
Total income per person (in euro)	2569.21	2652.41	2769.65	2903.37	2993.07	3021.00	3101.85	3158.61
Total expenses per person (in euro)	2556.20	2764.73	2957.33	2993.17	3100.45	3034.10	3040.71	3203.54
Total debt (in million euro)	38700	39300	40000	39700	41894	40167	38847	38949
Total debt per person (in euro)	2420.72	2440.24	2470.20	2441.87	2569.24	2459.10	2374.80	2374.22
	2008	2009	2010	2011	2012	2013	2014	2015 ²²⁹
Total income (in million euro)	53294	58550	52090	51816	50261	50536	50114	56537
Total expenses (in million euro)	55362	58040	57003	55099	53631	52796	51013	57010
Annual balance (in million euro)	-2068	510	-4913	-3283	-3370	-2260	-899	-473
Annual balance as share of the total expenses	-3.7	0.9	-8.6	-6.0	-6.3	-4.3	-1.8	-0.8
Total income per person (in euro)	3232.68	3532.43	3127.40	3097.19	2995.29	3002.91	2965.15	3329.82
Total expenses per person (in euro)	3358.12	3501.66	3422.37	3293.42	3196.13	3137.20	3018.34	3357.68
Total debt (in million euro)	43953	45143	48521	50082	51740	52686	51850	51437
Total debt per person (in euro)	2666.08	2723.56	2913.12	2993.54	3083.43	3130.67	3067.87	3029.45

(Data sources: CBS, Municipal finance from 1900; CBS, Population, households and population development from 1899; own calculations)

²²⁹ Preliminary data.

Appendix 4: Balance of revenues and expenses of all Dutch municipalities combined, 2004–2014

Nominal data, not adjusted for inflation; all figures in million euro

	2004	2005	2006	2007	2008	2009
General administration (total)	-2178	-2274	-2355	-2358	-2484	-2710
Public order and safety (total)	-964	-1053	-1136	-1253	-1390	-1508
Traffic, transport and water management (total)	-2304	-2380	-2590	-2538	-2758	-3126
Economic affairs (total)	-24	212	322	485	378	5049
Education (total)	-1853	-1883	-1935	-1997	-2154	-2249
Culture and recreation (total)	-3483	-3466	-3618	-3721	-4112	-4413
Social services (total)	-3840	-3775	-4143	-5595	-5904	-6414
Public health and environment (total)	-863	-756	54	-668	-566	-799
Spatial planning and housing (total)	-377	48	237	-83	-217	-1515
Financing and means for universal coverage (total)	15886	15325	15165	17727	19209	17685
	2010	2011	2012	2013	2014	
General administration (total)	-2791	-2656	-2651	-2573	-2695	
Public order and safety (total)	-1616	-1584	-1603	-1652	-1661	
Traffic, transport and water management (total)	-3193	-2934	-2888	-2713	-3326	
Economic affairs (total)	-72	305	-35	-193	-114	
Education (total)	-2454	-2348	-2329	-2333	-2288	
Culture and recreation (total)	-4511	-4411	-4474	-4402	-4416	
Social services (total)	-7392	-7311	-6629	-6311	-6590	
Public health and environment (total)	-840	-774	-1054	-986	-1141	
Spatial planning and housing (total)	-1921	-2128	-2378	-1452	-1687	
Financing and means for universal coverage (total)	24790	23840	24041	22616	23917	

	2004	2005	2006	2007	2008	2009
General administration (total)	-2178	-2274	-2355	-2358	-2484	-2710
Administrative bodies	-537	-531	-590	-566	-576	-604
Administrative support executive board	-1143	-1154	-1156	-1170	-1224	-1317
Citizen affairs	-468	-472	-525	-544	-576	-650
Public affairs secretary fees	161	158	184	212	213	220
Administrative cooperation	-57	-116	-97	-114	-126	-142
Administrative support municipal council and auditing office	-134	-159	-171	-177	-194	-217
	2010	2011	2012	2013	2014	
General administration (total)	-2791	-2656	-2651	-2573	-2695	
Administrative bodies	-662	-624	-646	-628	-630	
Administrative support executive board	-1248	-1218	-1192	-1142	-1172	
Citizen affairs	-726	-680	-680	-659	-708	
Public affairs secretary fees	212	206	210	181	176	
Administrative cooperation	-155	-135	-147	-129	-158	
Administrative support municipal council and auditing office	-211	-206	-197	-197	-204	

	2004	2005	2006	2007	2008	2009
Public order and safety (total)	-964	-1053	-1136	-1253	-1390	-1508
Fire brigades and disaster relief	-754	-799	-862	-943	-1017	-1094
Public order and safety	-210	-253	-274	-310	-374	-414
Detection and clearance of conventional explosives						
	2010	2011	2012	2013	2014	
Public order and safety (total)	-1616	-1584	-1603	-1652	-1661	
Fire brigades and disaster relief	-1125	-1102	-1107	-1104	-1094	
Public order and safety	-491	-471	-483	-525	-547	
Detection and clearance of conventional explosives		-11	-12	-23	-21	

	2004	2005	2006	2007	2008	2009
Traffic, transport and water management (total)	-2304	-2380	-2590	-2538	-2758	-3126
Roads, streets and squares	-2047	-2047	-2131	-2173	-2452	-2623
Traffic Measures	-282	-330	-354	-344	-359	-441
Public transport	60	-18	-153	-236	-84	-116
Parking	-263	-263	-281	-281	-385	-388
Parking fee	339	392	439	494	517	537
Seaports	18	19	25	151	147	79
Inland ports and waterways	-59	-56	-58	-73	-81	-91
Ferry services	-7	-10	-10	-7	-11	-10
Aviation	0	0	0	0	14	1
Watering, drainage, land reclamation	-62	-66	-68	-69	-65	-72
	2010	2011	2012	2013	2014	
Traffic, transport and water management (total)	-3193	-2934	-2888	-2713	-3326	
Roads, streets and squares	-2737	-2577	-2535	-2525	-2619	
Traffic Measures	-398	-376	-309	-348	-448	
Public transport	-102	-33	-95	-116	-264	
Parking	-427	-487	-525	-481	-570	
Parking fee	564	598	610	621	642	
Seaports	63	100	108	292	100	
Inland ports and waterways	-76	-87	-68	-72	-89	
Ferry services	-11	-10	-11	-21	-19	
Aviation	0	1	2	2	3	
Watering, drainage, land reclamation	-67	-65	-63	-65	-61	

	2004	2005	2006	2007	2008	2009
Economic affairs (total)	-24	212	322	485	378	5049
Trade and craft	-190	-173	-209	-236	-317	-309
Market fees					29	31
Industry	8	-7	-12	-16	-19	-33
Public utilities	155	379	537	731	677	5346
Agricultural production and mining	3	8	5	4	6	10
Other agricultural affairs, hunting and fishing	1	6	1	2	1	5

	2010	2011	2012	2013	2014	
Economic affairs (total)	-72	305	-35	-193	-114	
Trade and craft	-329	-316	-373	-425	-379	
Market fees	30	29	31	28	28	
Industry	-32	-5	-24	-93	-49	
Public utilities	251	591	323	283	278	
Agricultural production and mining	6	5	10	7	3	
Other agricultural affairs, hunting and fishing	2	1	-3	7	5	

	2004	2005	2006	2007	2008	2009
Education (total)	-1853	-1883	-1935	-1997	-2154	-2249
Public primary education excluding housing	-85	-115	-100	-73	-78	-96
Housing for public primary education	-289	-299	-331	-345	-375	-371
Special primary education excluding housing	-58	-56	-53	-49	-74	-79
Housing for special primary education	-378	-383	-378	-397	-424	-445
Public (secondary) special education, excluding housing	-17	-15	7	-6	-12	-11
Housing for public (secondary) special education	-20	-25	-43	-28	-31	-34
Special (secondary) special education, excluding housing	-21	-17	-20	-19	-23	-25
Housing for special (secondary) special education	-65	-72	-75	-80	-78	-88
Public secondary education, excluding housing	-21	-28	-6	-11	-13	-10
Housing for public secondary education	-85	-80	-77	-87	-88	-91
Special secondary education, excluding housing	-6	-5	-6	-6	-5	-6
Housing for special secondary education	-150	-148	-170	-161	-195	-200
Common revenues and expenses of education	-637	-622	-653	-704	-736	-767
Adult education	-22	-17	-31	-31	-22	-28

	2010	2011	2012	2013	2014	
Education (total)	-2454	-2348	-2329	-2333	-2288	
Public primary education excluding housing	-79	-48	-52	-30	-33	
Housing for public primary education	-391	-364	-368	-368	-332	
Special primary education excluding housing	-66	-72	-51	-34	-30	
Housing for special primary education	-492	-501	-516	-507	-461	
Public (secondary) special education, excluding housing	-10	-8	-6	-6	-5	
Housing for public (secondary) special education	-35	-40	-42	-51	-60	
Special (secondary) special education, excluding housing	-22	-23	-23	-19	-18	
Housing for special (secondary) special education	-96	-98	-106	-97	-104	
Public secondary education, excluding housing	-12	-12	-6	-7	-7	

	2010	2011	2012	2013	2014	
Housing for public secondary education	-110	-107	-111	-138	-148	
Special secondary education, excluding housing	-6	-6	-6	-5	-4	
Housing for special secondary education	-220	-227	-238	-228	-224	
Common revenues and expenses of education	-903	-832	-795	-835	-855	
Adult education	-11	-10	-8	-9	-8	

	2004	2005	2006	2007	2008	2009
Culture and recreation (total)	-3483	-3466	-3618	-3721	-4112	-4413
Public libraries	-383	-393	-413	-405	-434	-465
Training and development	-210	-217	-215	-219	-232	-235
Sport	-674	-677	-736	-715	-800	-887
Sports fields and terrains	-145	-159	-166	-191	-202	-232
Art	-499	-435	-490	-532	-594	-655
Classical studies and museums	-319	-322	-306	-306	-359	-366
Nature protection	-41	-26	-27	-29	-35	-39
Public green and outdoor recreation	-1082	-1111	-1123	-1163	-1276	-1365
Other recreational facilities	-129	-125	-141	-161	-180	-168

	2010	2011	2012	2013	2014	
Culture and recreation (total)	-4511	-4411	-4474	-4402	-4416	
Public libraries	-467	-468	-459	-446	-441	
Training and development	-240	-232	-224	-203	-173	
Sport	-922	-919	-927	-943	-974	
Sports fields and terrains	-237	-233	-242	-238	-250	
Art	-673	-650	-697	-701	-713	
Classical studies and museums	-374	-366	-368	-353	-361	
Nature protection	-30	-35	-35	-36	-32	
Public green and outdoor recreation	-1397	-1337	-1354	-1316	-1314	
Other recreational facilities	-172	-170	-167	-165	-157	

	2004	2005	2006	2007	2008	2009
Social services (total)	-3840	-3775	-4143	-5595	-5904	-6414
Assistance and income provisions	-518	-683	-903	-822	-825	-938
Employment opportunities	-403	-349	-327	-389	-350	-420
Income provisions from central government	-11	-8	2	-4	-18	-16
Other social security schemes from central government	-6	-4	-6	-5	-6	-7
Municipal minimum policy	-417	-423	-498	-512	-609	-681
Social support and advice	-652	-605	-655	-773	-843	-897
Foreigners	-78	-59	-52	-97	-92	-77
Home care				-1232	-1277	-1382
Participation budget						
Social-cultural work	-612	-634	-671	-709	-751	-812
Housing for disabled people, homeless people, and children in care	1	-3	-3	-3	5	0
Daycare for children	-196	-135	-154	-171	-189	-186
Daycare for the disabled	0	-29	-2	0	0	0
Facilities for the disabled	-948	-842	-873	-878	-950	-997

	2010	2011	2012	2013	2014	
Social services (total)	-7392	-7311	-6629	-6311	-6590	
Assistance and income provisions	-1019	-1228	-770	-657	-905	
Employment opportunities	-330	-287	-257	-312	-302	
Income provisions from central government	-58					
Other social security schemes from central government	-11	-17	-9	-11	-19	
Municipal minimum policy	-714	-686	-701	-725	-827	
Social support and advice	-1122	-1184	-1189	-1205	-1264	
Foreigners	-65	-35	-24	-26	-23	
Home care	-1545	-1523	-1432	-1307	-1243	
Participation budget	-434	-367	-322	-271	-260	
Social-cultural work	-874	-818	-831	-815	-799	
Housing for disabled people, homeless people, and children in care	-2	0	-2	-5	-2	
Daycare for children	-215	-215	-198	-168	-154	
Daycare for the disabled	0	0	0	0	0	
Facilities for the disabled	-1002	-950	-895	-811	-790	

	2004	2005	2006	2007	2008	2009
Public health and environment (total)	-863	-756	54	-668	-566	-799
Ambulance services	-5	-4	-4	-7	-6	1
Nursing facilities	-1	0	-1	0	0	-1
Public health care	-314	-302	-291	-293	-326	-331
Centres for youth and family (youth health care)	-46	-40	-43	-55	-67	-87
Centres for youth and family (WMO)	-9	-13	-13	-28	-34	-47
Waste disposal and processing	-1404	-1517	-746	-1543	-1538	-1607
Sewerage (combined)	-893	-943	-987	-1031	-950	-1140
Environmental management	-408	-412	-464	-456	-476	-499
Funeral services	-43	-33	-37	-42	-146	-150
Cleaning fees and waste disposal	1450	1605	1633	1694	1713	1747
Sewage charges (combined)	810	904	1006	1094	1179	1240
Sewage charges domestic and industrial					2	1
Sewage charges groundwater and rainwater					1	1
Domestic and industrial waste water					-11	-18
Rainwater					-3	-6
Groundwater					0	-2
Cemetery fees					97	98

	2010	2011	2012	2013	2014	
Public health and environment (total)	-840	-774	-1054	-986	-1141	
Ambulance services	-5	-6	4	-3	-1	
Nursing facilities	-2	-4	-4	-4	-4	
Public health care	-431	-446	-440	-436	-447	
Centres for youth and family (youth health care)	-75	-65	-278	-303	-319	
Centres for youth and family (WMO)	-55	-47	-168	-179	-187	
Waste disposal and processing	-1578	-1491	-1482	-1425	-1455	
Sewerage (combined)	-1135	-1202	-1221	-1232	-1316	
Environmental management	-523	-547	-535	-512	-527	
Funeral services	-154	-151	-157	-154	-160	

	2010	2011	2012	2013	2014	
Cleaning fees and waste disposal	1753	1755	1738	1731	1712	
Sewage charges (combined)	1274	1337	1391	1441	1481	
Sewage charges domestic and industrial	22	23	23	10	10	
Sewage charges groundwater and rain-water	2	3	3	3	3	
Domestic and industrial waste water	-25	-24	-23	-21	-27	
Rainwater	-7	-6	-9	-8	-8	
Groundwater	-2	-3	-4	-3	-3	
Cemetery fees	102	103	108	109	109	

	2004	2005	2006	2007	2008	2009
Spatial planning and housing (total)	-377	48	237	-83	-217	-1515
Spatial planning	-459	-479	-464	-497	-566	-635
Housing exploitation and construction	46	202	59	21	33	-34
Urban and village renewal	-188	-92	-152	-113	-113	-133
Other public housing	-516	-582	-633	-649	-775	-753
Building permits	264	393	508	537	602	454
Land development	477	605	919	618	603	-414

	2010	2011	2012	2013	2014	
Spatial planning and housing (total)	-1921	-2128	-2378	-1452	-1687	
Spatial planning	-618	-568	-590	-511	-548	
Housing exploitation and construction	-38	-28	-84	-25	-65	
Urban and village renewal	-150	-242	-201	-205	-210	
Other public housing	-827	-810	-781	-817	-817	
Building permits	435	424	382	334	371	
Land development	-723	-903	-1103	-229	-418	

	2004	2005	2006	2007	2008	2009
Financing and means for universal coverage (total)	15886	15325	15165	17727	19209	17685
Total municipal functions	0	0	0	0	0	0
Total financing and general financial means	15886	15326	15165	17727	19209	17685
Loans and liabilities < 1 year	142	68	112	110	68	20
Other financial means	714	488	800	767	441	251
Loans and liabilities >= 1 year	589	802	984	1007	1045	1159
General payment from the municipal fund	11823	11865	13400	15093	16200	17731
General revenues and expenses	66	-88	-358	1	59	-29
Implementation law WOZ	-91	-94	-98	-95	-96	-168
Property tax on immovable property (users)	1488	1578	514	525	538	574
Property tax on immovable property (owners)	1870	2019	2050	2153	2249	2360
Property tax on movable housing or business space	4	3	2	3	2	2
Benefit charge	4	3	5	2	2	2
Commuter charge	19	21	19	21	23	24
Tourist tax	104	110	114	125	137	121
Dog tax	47	51	53	54	55	58
Advertising tax	10	11	10	11	11	16

	2004	2005	2006	2007	2008	2009
Public space usage fee	73	79	85	101	109	107
Costs of levying and collecting of municipal revenues	-162	-175	-180	-197	-187	-296
Reliefs by central government	-263	-14	-4	-2	0	-1
Balance of costs	149	-255	-60	-246	-240	66
Balance of calculation of revenues and expenses	-699	-1147	-2283	-1707	-1205	-4312
Changes in reserves related to the main functions	-114	-330	-770	-339	-157	-2881
Account balance of revenues and expenses	-585	-816	-1513	-1369	-1048	-1431
	2010	2011	2012	2013	2014	
Financing and means for universal coverage (total)	24790	23840	24041	22616	23917	
Total municipal functions	0	0	0	0	0	
Total financing and general financial means	24790	23840	24041	22616	23917	
Loans and liabilities < 1 year	96	55	42	44	29	
Other financial means	-89	-45	-217	93	72	
Loans and liabilities >= 1 year	1443	1402	1390	1321	1234	
General payment from the municipal fund	18493	18459	18355	18034	18646	
General revenues and expenses	-184	-78	-108	6	338	
Implementation law WOZ	-163	-155	-150	-150	-139	
Property tax on immovable property (users)	595	619	657	673	691	
Property tax on immovable property (owners)	2447	2550	2679	2772	2851	
Property tax on movable housing or business space	2	2	2	2	1	
Benefit charge	-4	2	1	1	2	
Commuter charge	25	26	28	30	29	
Tourist tax	131	148	159	167	180	
Dog tax	59	61	64	65	65	
Advertising tax	20	19	20	21	24	
Public space usage fee	103	106	119	135	156	
Costs of levying and collecting of municipal revenues	-192	-167	-150	-178	-171	
Reliefs by central government	0	0	0	0	0	
Balance of costs	-59	-92	-79	-283	-163	
Balance of calculation of revenues and expenses	2067	929	1230	-137	74	
Changes in reserves related to the main functions	2233	1005	1893	940	950	
Account balance of revenues and expenses	-166	-76	-663	-1077	-876	

(Data source: CBS, Municipal accounts (revenues and expenses by region and by size))

Appendix 5: Own income of all Dutch municipalities combined, 2004–2015

Nominal data, not adjusted for inflation; all figures in million euro

	2004	2005	2006	2007	2008	2009
Own income (total)	6893	7506	6735	7142	7578	7692
Local taxes	3994	4295	3297	3497	3652	3802
Local fees	2898	3211	3438	3645	3926	3890
	2010	2011	2012	2013	2014	2015 ²³⁰
Own income (total)	7869	8112	8320	8417	8662	9013
Local taxes	3942	4132	4339	4488	4643	4888
Local fees	3926	3981	3981	3929	4019	4124

	2004	2005	2006	2007	2008	2009
Local taxes (total)	3994	4295	3297	3497	3652	3802
Property tax on immovable property (total)	3377	3613	2565	2681	2797	2934
Property tax on immovable property for users	1491	1583	514	527	539	574
Property tax on immovable property for owners	1886	2030	2051	2154	2258	2360
Dog tax	47	51	53	54	55	58
Tourist tax	105	110	114	126	137	121
Advertising tax	10	12	10	11	11	16
Benefit charge	4	3	6	4	2	2
Commuter charge	19	21	19	21	23	24
Parking fee	355	399	440	495	517	538
Public space usage fee	73	83	88	101	109	107
Property tax on movable housing or business space	4	3	2	3	2	2
	2010	2011	2012	2013	2014	2015 ²³¹
Local taxes (total)	3942	4132	4339	4488	4643	4888
Property tax on immovable property (total)	3043	3170	3336	3445	3542	3690
Property tax on immovable property for users	596	620	657	673	691	717
Property tax on immovable property for owners	2447	2550	2679	2772	2851	2973
Dog tax	59	61	64	65	65	65
Tourist tax	131	148	159	167	180	206
Advertising tax	20	19	20	21	24	23
Benefit charge	-4	2	1	1	2	1
Commuter charge	25	26	28	30	29	29
Parking fee	564	598	610	621	642	680
Public space usage fee	103	106	119	137	159	193

²³⁰ Preliminary data.

²³¹ Preliminary data.

	2010	2011	2012	2013	2014	2015 ²³²
Property tax on movable housing or business space	2	2	2	2	1	1

	2004	2005	2006	2007	2008	2009
Local fees (total)	2898	3211	3438	3645	3926	3890
Sewage charges (total)	854	920	1014	1099	1184	1247
Sewage charges domestic/industrial					2	1
Sewage charges groundwater and rain-water					1	1
Cleaning fees and waste disposal	1507	1620	1642	1701	1714	1748
Cemetery fees					98	98
Building permits	338	453	543	553	603	455
Public affairs secretary fees	200	218	240	292	296	309
Market fees					29	31
	2010	2011	2012	2013	2014	2015 ²³³
Local fees (total)	3926	3981	3981	3929	4019	4124
Sewage charges (total)	1281	1342	1393	1443	1482	1530
Sewage charges domestic/industrial	22	23	23	10	10	
Sewage charges groundwater and rain-water	2	3	3	3	3	
Cleaning fees and waste disposal	1753	1758	1738	1731	1712	1725
Cemetery fees	102	103	108	109	109	117
Building permits	435	424	382	334	371	411
Public affairs secretary fees	303	299	304	270	304	312
Market fees	30	29	31	28	28	29

(Data source: CBS, Municipal accounts (charges by region and by size))

²³² Preliminary data.

²³³ Preliminary data.

Appendix 6: Questions and results of the first municipal survey

1. How many inhabitants does your municipality have?

Up to 15,000	Between 15,000 and 25,000	Between 25,000 and 50,000	Between 50,000 and 100,000	More than 100,000	Missing	Total
32 (28.3%)	19 (16.8%)	43 (38.1%)	11 (9.7%)	8 (7.1%)	0 (0.0%)	113

2. What is your position within the municipality?²³⁴

Mayor	Deputy mayor	City manager	Deputy city manager	Other	Total
113	53	141	47	70	429

3. Which political party is the largest in the municipal council of your municipality?

VVD	PvdA	PVV	CDA	SP	D66	Groen Links	Christen Unie	SGP	Partij voor de Dieren	A local party	Other	Missing	Total
27 (23.9%)	21 (18.6%)	0 (0.0%)	26 (23.0%)	0 (0.0%)	2 (1.8%)	1 (0.9%)	2 (1.8%)	2 (1.8%)	0 (0.0%)	27 (23.9%)	5 (4.4%)	0 (0.0%)	113

4. To what extent have there been cuts in your municipality in the different policy areas since 2008?

	Additional investments	Budget unchanged	Savings to a limited extent	Savings to a medium extent	Savings to a high extent	Savings to a very high extent	I don't know / not applicable	Total
Spatial planning	27 (25.2%)	17 (15.9%)	26 (24.3%)	26 (24.3%)	7 (6.5%)	2 (1.9%)	2 (1.9%)	107
Traffic	28 (26.2%)	12 (11.2%)	28 (26.2%)	33 (30.8%)	3 (2.8%)	1 (0.9%)	2 (1.9%)	107
Environment	15 (14.2%)	31 (29.2%)	34 (32.1%)	19 (17.9%)	2 (1.9%)	0 (0%)	5 (4.7%)	106
Education	32 (29.9%)	30 (28%)	28 (26.2%)	14 (13.1%)	1 (0.9%)	0 (0%)	2 (1.9%)	107
Welfare	7 (6.5%)	15 (14%)	26 (24.3%)	41 (38.3%)	17 (15.9%)	1 (0.9%)	0 (0%)	107
Culture	6 (5.6%)	11 (10.3%)	21 (19.6%)	43 (40.2%)	23 (21.5%)	2 (1.9%)	1 (0.9%)	107
Sport	15 (14%)	15 (14%)	28 (26.2%)	36 (33.6%)	11 (10.3%)	0 (0%)	2 (1.9%)	107
Youth	15 (14%)	39 (36.4%)	27 (25.2%)	20 (18.7%)	5 (4.7%)	0 (0%)	1 (0.9%)	107
Integration	1 (0.9%)	46 (43%)	23 (21.5%)	13 (12.1%)	8 (7.5%)	1 (0.9%)	15 (14%)	107
Social policies	17 (15.9%)	25 (23.4%)	36 (33.6%)	15 (14%)	11 (10.3%)	1 (0.9%)	2 (1.9%)	107
Development cooperation	1 (0.9%)	21 (19.6%)	16 (15%)	9 (8.4%)	13 (12.1%)	4 (3.7%)	43 (40.2%)	107
Safety	35 (32.7%)	36 (33.6%)	22 (20.6%)	9 (8.4%)	4 (3.7%)	0 (0%)	1 (0.9%)	107
Managing public space	12 (11.1%)	10 (9.3%)	36 (33.3%)	33 (30.6%)	15 (13.9%)	2 (1.9%)	0 (0%)	108

²³⁴ While the results for the second survey question illustrate the distribution of all participants, the results presented for the other survey questions just include the answers given by mayors.

5. In which of the policy areas do you expect the highest and the lowest cuts in the coming years in your municipality? Rank the policy areas from 1 (highest cuts) to 13 (lowest cuts).

	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Rank 7	Rank 8	Rank 9	Rank 10	Rank 11	Rank 12	Rank 13	Average rank	Total
Spatial planning	8 (7.8%)	12 (11.7%)	8 (7.8%)	7 (6.8%)	8 (7.8%)	8 (7.8%)	8 (7.8%)	11 (10.7%)	9 (8.7%)	10 (9.7%)	7 (6.8%)	3 (2.9%)	4 (3.9%)	6.4	103
Traffic	2 (2%)	8 (7.8%)	12 (11.8%)	10 (9.8%)	12 (11.8%)	11 (10.8%)	10 (9.8%)	9 (8.8%)	12 (11.8%)	8 (7.8%)	3 (2.9%)	4 (3.9%)	1 (1%)	6.3	102
Environment	1 (1%)	2 (2%)	9 (8.9%)	10 (9.9%)	14 (13.9%)	5 (5%)	11 (10.9%)	11 (10.9%)	15 (14.9%)	7 (6.9%)	10 (9.9%)	5 (5%)	1 (1%)	7.2	101
Education	1 (1%)	2 (2%)	5 (5.1%)	7 (7.1%)	6 (6.1%)	6 (6.1%)	12 (12.2%)	13 (13.3%)	10 (10.2%)	17 (17.3%)	6 (6.1%)	6 (6.1%)	7 (7.1%)	8.1	98
Welfare	15 (14.7%)	11 (10.8%)	14 (13.7%)	17 (16.7%)	7 (6.9%)	13 (12.7%)	7 (6.9%)	3 (2.9%)	3 (2.9%)	5 (4.9%)	5 (4.9%)	2 (2%)	0 (0%)	4.8	102
Culture	18 (18%)	15 (15%)	10 (10%)	12 (12%)	7 (7%)	11 (11%)	7 (7%)	5 (5%)	9 (9%)	3 (3%)	2 (2%)	1 (1%)	0 (0%)	4.6	100
Sport	3 (2.9%)	9 (8.7%)	8 (7.8%)	7 (6.8%)	11 (10.7%)	11 (10.7%)	12 (11.7%)	14 (13.6%)	12 (11.7%)	8 (7.8%)	6 (5.8%)	2 (1.9%)	0 (0%)	6.5	103
Youth	1 (1%)	3 (3%)	6 (6%)	3 (3%)	8 (8%)	12 (12%)	11 (11%)	8 (8%)	8 (8%)	15 (15%)	12 (12%)	11 (11%)	2 (2%)	8	100
Integration	5 (5.2%)	10 (10.4%)	7 (7.3%)	10 (10.4%)	5 (5.2%)	2 (2.1%)	10 (10.4%)	7 (7.3%)	4 (4.2%)	8 (8.3%)	9 (9.4%)	12 (12.5%)	7 (7.3%)	7.3	96
Social policies	9 (9%)	10 (10%)	9 (9%)	5 (5%)	3 (3%)	4 (4%)	3 (3%)	5 (5%)	5 (5%)	9 (9%)	14 (14%)	7 (7%)	17 (17%)	7.7	100
Development cooperation	20 (23.3%)	7 (8.1%)	4 (4.7%)	5 (5.8%)	8 (9.3%)	3 (3.5%)	2 (2.3%)	2 (2.3%)	1 (1.2%)	2 (2.3%)	4 (4.7%)	9 (10.5%)	19 (22.1%)	6.8	86
Safety	1 (1%)	1 (1%)	3 (3%)	1 (1%)	3 (3%)	5 (5.1%)	3 (3%)	5 (5.1%)	6 (6.1%)	9 (9.1%)	15 (15.2%)	27 (27.3%)	20 (20.2%)	10.3	99
Managing public space	19 (18.4%)	12 (11.7%)	9 (8.7%)	12 (11.7%)	9 (8.7%)	9 (8.7%)	3 (2.9%)	5 (4.9%)	6 (5.8%)	7 (6.8%)	3 (2.9%)	6 (5.8%)	3 (2.9%)	5.3	103

6. Which are the three policy areas where you have the least reservations with cuts in the coming years, and which are the three policy areas where you have the most reservations with cuts in the coming years?

	Least reservations with future savings	Most reservations with future savings	Total
Spatial planning	44 (89.8%)	5 (10.2%)	49
Traffic	37 (77.1%)	11 (22.9%)	48
Environment	24 (75%)	8 (25%)	32
Education	5 (12.8%)	34 (87.2%)	39
Welfare	25 (53.2%)	22 (46.8%)	47
Culture	17 (42.5%)	23 (57.5%)	40
Sport	21 (84%)	4 (16%)	25
Youth	2 (3.4%)	56 (96.6%)	58
Integration	27 (81.8%)	6 (18.2%)	33
Social policies	9 (17.3%)	43 (82.7%)	52
Development cooperation	49 (94.2%)	3 (5.8%)	52
Safety	2 (2.8%)	70 (97.2%)	72
Managing public space	31 (70.5%)	13 (29.5%)	44

7. Saving methods and preferred measures.

	Austerity measures implemented since the beginning of the Financial Crisis	Personally preferred austerity measures
Lawnmower approach	78 (78%)	21 (22.3%)
Elimination of redundancies in administrative processes	26 (26%)	27 (28.7%)
Redistribution of financial resources across the policy area	15 (15%)	21 (22.3%)
Outsourcing of tasks (including private-public partnerships)	47 (47%)	49 (52.1%)
Savings by ceding or ceasing municipal responsibilities	55 (55%)	67 (71.3%)
Savings in personnel costs (internal staff)	87 (87%)	32 (34%)
Savings in personnel costs (external staff)	83 (83%)	47 (50%)
Limiting the involvement of societal and private partners in decision making	9 (9%)	16 (17%)
Increasing the involvement of societal and private partners in the execution of services	48 (48%)	44 (46.8%)
Savings by reducing political ambitions	64 (64%)	57 (60.6%)

Appendix 7: Questions and results of the second municipal survey

1. What is your position within the municipality?²³⁵

Mayor	Deputy mayor	City manager	Deputy city manager	Other	Total
92	40	68	46	104	350

2. How many inhabitants does your municipality have?

Up to 15,000	Between 15,000 and 25,000	Between 25,000 and 50,000	Between 50,000 and 100,000	More than 100,000	Missing	Total
28 (30.4%)	18 (19.6%)	36 (39.1%)	4 (4.3%)	6 (6.5%)	0 (0.0%)	92

3a. Which political party is the largest in the municipal council of your municipality? (one answer possible)

VVD	PvdA	PVV	CDA	SP	D66	Groen Links	Christen Unie	SGP	Partij voor de Dieren	A local party	Other	Missing	Total
15 (16.3%)	14 (15.2%)	0 (0.0%)	22 (23.9%)	2 (2.2%)	3 (3.3%)	0 (0.0%)	3 (3.3%)	2 (2.2%)	1 (1.1%)	30 (32.6%)	0 (0.0%)	0 (0.0%)	92

3b. Which political parties form the coalition within the executive board? (multiple answers possible)

VVD	PvdA	PVV	CDA	SP	D66	Groen Links	Christen Unie	SGP	Partij voor de Dieren	A local party	Other	Missing	Total
57	41	0	50	2	24	16	14	10	1	51	6	1	92

4. To what extent did the different types of income change in the period 2008-2013?

	Decreased very strongly	Decreased strongly	Decreased to some extent	Unchanged	Increased to some extent	Increased strongly	Increased very strongly	I don't know	Not applicable	Total
General grants	5 (6.3%)	24 (30%)	35 (43.8%)	2 (2.5%)	13 (16.3%)	1 (1.3%)	0 (0%)	0 (0%)	0 (0%)	80
Specific grants	1 (1.3%)	18 (22.8%)	32 (40.5%)	9 (11.4%)	13 (16.5%)	2 (2.5%)	1 (1.3%)	3 (3.8%)	0 (0%)	79
Property tax on immovable property	0 (0%)	0 (0%)	6 (7.6%)	15 (19%)	44 (55.7%)	11 (13.9%)	1 (1.3%)	0 (0%)	2 (2.5%)	79
Parking fee	0 (0%)	0 (0%)	0 (0%)	9 (11.4%)	15 (19%)	1 (1.3%)	0 (0%)	1 (1.3%)	53 (67.1%)	79
Public space usage fee	0 (0%)	0 (0%)	0 (0%)	28 (37.3%)	8 (10.7%)	4 (5.3%)	1 (1.3%)	1 (1.3%)	33 (44%)	75
Advertising tax	0 (0%)	0 (0%)	0 (0%)	16 (21.6%)	4 (5.4%)	4 (5.4%)	2 (2.7%)	1 (1.4%)	47 (63.5%)	74
Cleaning fees	0 (0%)	6 (7.7%)	28 (35.9%)	18 (23.1%)	23 (29.5%)	3 (3.8%)	0 (0%)	0 (0%)	0 (0%)	78

²³⁵ While the results for the first survey question illustrate the distribution of all participants, the results presented for the following survey questions just include the answers given by mayors.

	De-creased very strongly	De-creased strongly	De-creased to some extent	Un-changed	In-creased to some extent	In-creased strongly	In-creased very strongly	I don't know	Not applicable	Total
Other fees (passports etc.)	0 (0%)	0 (0%)	3 (3.8%)	27 (33.8%)	46 (57.5%)	3 (3.8%)	0 (0%)	1 (1.3%)	0 (0%)	80
Sewage charge	1 (1.3%)	1 (1.3%)	12 (15.2%)	22 (27.8%)	32 (40.5%)	10 (12.7%)	1 (1.3%)	0 (0%)	0 (0%)	79
Tourist tax	1 (1.3%)	0 (0%)	0 (0%)	25 (31.3%)	34 (42.5%)	4 (5%)	1 (1.3%)	1 (1.3%)	14 (17.5%)	80
Dog tax	1 (1.3%)	0 (0%)	2 (2.5%)	27 (34.2%)	18 (22.8%)	1 (1.3%)	0 (0%)	0 (0%)	30 (38%)	79
Other	0 (0%)	0 (0%)	0 (0%)	1 (3.1%)	1 (3.1%)	0 (0%)	0 (0%)	0 (0%)	30 (93.8%)	32
Income from investments (e.g. interests and dividends)	0 (0%)	118 (22.5%)	23 (28.8%)	28 (35%)	4 (5%)	3 (3.8%)	0 (0%)	0 (0%)	4 (5%)	80
Income from own land/buildings	5 (6.3%)	120 (25%)	22 (27.5%)	21 (26.3%)	6 (7.5%)	1 (1.3%)	2 (2.5%)	0 (0%)	3 (3.8%)	80
Rates (muse-ums etc.)	0 (0%)	0 (0%)	4 (5%)	24 (30%)	7 (8.8%)	0 (0%)	0 (0%)	1 (1.3%)	44 (55%)	80
Remaining	0 (0%)	0 (0%)	0 (0%)	9 (17%)	3 (5.7%)	0 (0%)	0 (0%)	2 (3.8%)	39 (73.6%)	53

5. To what extent do you expect the different types of income to change in the coming years?

	De-crease very strongly	De-crease strongly	De-crease to some extent	Un-changed	Increase to some extent	Increase strongly	Increase very strongly	I don't know	Not applicable	Total
General grants	5 (6.3%)	17 (21.5%)	38 (48.1%)	3 (3.8%)	8 (10.1%)	4 (5.1%)	4 (5.1%)	0 (0%)	0 (0%)	79
Specific grants	3 (3.8%)	20 (25.3%)	28 (35.4%)	6 (7.6%)	10 (12.7%)	10 (12.7%)	2 (2.5%)	0 (0%)	0 (0%)	79
Property tax on immovable property	0 (0%)	0 (0%)	5 (6.4%)	21 (26.9%)	45 (57.7%)	4 (5.1%)	2 (2.6%)	1 (1.3%)	0 (0%)	78
Parking fee	0 (0%)	0 (0%)	1 (1.3%)	11 (14.5%)	12 (15.8%)	0 (0%)	0 (0%)	0 (0%)	52 (68.4%)	76
Public space usage fee	0 (0%)	0 (0%)	0 (0%)	29 (37.7%)	11 (14.3%)	2 (2.6%)	2 (2.6%)	2 (2.6%)	31 (40.3%)	77
Advertising tax	0 (0%)	0 (0%)	0 (0%)	23 (30.3%)	6 (7.9%)	1 (1.3%)	1 (1.3%)	2 (2.6%)	43 (56.6%)	76
Cleaning fees	0 (0%)	2 (2.6%)	18 (23.4%)	26 (33.8%)	28 (36.4%)	0 (0%)	0 (0%)	0 (0%)	3 (3.9%)	77
Other fees (passports etc.)	0 (0%)	0 (0%)	6 (7.8%)	39 (50.6%)	31 (40.3%)	0 (0%)	0 (0%)	1 (1.3%)	0 (0%)	77
Sewage charge	0 (0%)	2 (2.6%)	5 (6.4%)	32 (41%)	36 (46.2%)	2 (2.6%)	1 (1.3%)	0 (0%)	0 (0%)	78
Tourist tax	0 (0%)	0 (0%)	1 (1.3%)	27 (34.6%)	35 (44.9%)	1 (1.3%)	0 (0%)	1 (1.3%)	13 (16.7%)	78

	De-crease very strongly	De-crease strongly	De-crease to some extent	Un-changed	Increase to some extent	Increase strongly	Increase very strongly	I don't know	Not ap-plicable	Total
Dog tax	0 (0%)	0 (0%)	1 (1.3%)	31 (40.8%)	14 (18.4%)	1 (1.3%)	0 (0%)	0 (0%)	29 (38.2%)	76
Other	0 (0%)	0 (0%)	0 (0%)	3 (7.9%)	2 (5.3%)	0 (0%)	0 (0%)	1 (2.6%)	32 (84.2%)	38
Income from investments (e.g. interests and dividends)	0 (0%)	11 (14.3%)	23 (29.9%)	26 (33.8%)	11 (14.3%)	0 (0%)	0 (0%)	3 (3.9%)	3 (3.9%)	77
Income from own land/buildings	1 (1.3%)	5 (6.4%)	26 (33.3%)	28 (35.9%)	11 (14.1%)	1 (1.3%)	0 (0%)	3 (3.8%)	3 (3.8%)	78
Rates (muse-ums etc.)	0 (0%)	0 (0%)	5 (6.4%)	24 (30.8%)	7 (9%)	0 (0%)	0 (0%)	1 (1.3%)	41 (52.6%)	78
Remaining	0 (0%)	0 (0%)	0 (0%)	7 (15.6%)	3 (6.7%)	0 (0%)	0 (0%)	2 (4.4%)	33 (73.3%)	45

6. What types of income do you personally like to see changing in the coming years?

	Increase	Decrease	No preference	Not applicable	Total
General grants	65 (84.4%)	5 (6.5%)	7 (9.1%)	---	77
Specific grants	41 (54.7%)	16 (21.3%)	18 (24%)	---	75
Property tax on immovable property	29 (38.7%)	25 (33.3%)	21 (28%)	0 (0%)	75
Parking fee	7 (9.2%)	7 (9.2%)	14 (18.4%)	48 (63.2%)	76
Public space usage fee	11 (14.9%)	7 (9.5%)	28 (37.8%)	28 (37.8%)	74
Advertising tax	9 (12.2%)	7 (9.5%)	22 (29.7%)	36 (48.6%)	74
Cleaning fees	10 (13.3%)	34 (45.3%)	27 (36%)	4 (5.3%)	75
Other fees (passports etc.)	12 (16%)	14 (18.7%)	48 (64%)	1 (1.3%)	75
Sewage charge	14 (18.7%)	25 (33.3%)	35 (46.7%)	1 (1.3%)	75
Tourist tax	19 (25.7%)	14 (18.9%)	30 (40.5%)	11 (14.9%)	74
Dog tax	8 (10.7%)	9 (12%)	30 (40%)	28 (37.3%)	75
Other	0 (0%)	2 (5.3%)	5 (13.2%)	31 (81.6%)	38
Income from investments (e.g. interests and dividends)	45 (60%)	2 (2.7%)	24 (32%)	4 (5.3%)	75
Income from own land/buildings	45 (60%)	4 (5.3%)	19 (25.3%)	7 (9.3%)	75
Rates (museums etc.)	4 (5.4%)	4 (5.4%)	23 (31.1%)	43 (58.1%)	74
Remaining	0 (0%)	1 (2.5%)	4 (10%)	35 (87.5%)	40

7. What other options to increasing municipal income do you see? (multiple answers possible)

Introduction of additional taxes or fees	27
Selling municipal waste	23
Generating revenues from renewable energy sources	22
Establishing business clusters in a certain sector	6

8. What are the biggest obstacles for increasing municipal income in the coming years?
(open question)

Appendix 8: Questions and results of the third municipal survey

1. What is your gender?

Female	Male	Missing	Total
47 (21.6%)	171 (78.4%)	0 (0.0%)	218

2. What is your year of birth?

1942	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
1 (0.5%)	1 (0.5%)	5 (2.3%)	5 (2.3%)	7 (3.2%)	14 (6.4%)	8 (3.7%)	15 (6.9%)	7 (3.2%)	13 (6.0%)	12 (5.5%)	9 (4.1%)
1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
11 (5.0%)	10 (4.6%)	8 (3.7%)	8 (3.7%)	6 (2.8%)	10 (4.6%)	3 (1.4%)	3 (1.4%)	9 (4.1%)	6 (2.8%)	4 (1.8%)	6 (2.8%)
1969	1970	1971	1972	1973	1975	1976	1977	1978	1980	Missing	Total
5 (2.3%)	3 (1.4%)	2 (0.9%)	2 (0.9%)	1 (0.5%)	1 (0.5%)	1 (0.5%)	1 (0.5%)	2 (0.9%)	1 (0.5%)	18 (8.3%)	218

3. How long have you been active as mayor of your municipality?

Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	More than 10 years	Missing	Total
34 (15.6%)	19 (8.7%)	70 (32.1%)	61 (28.0%)	34 (15.6%)	0 (0.0%)	218

4. How long have you been active as mayor if you add up all your positions as mayor?

Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	More than 10 years	Missing	Total
22 (10.1%)	12 (5.5%)	55 (25.2%)	45 (20.6%)	83 (38.1%)	1 (0.5%)	218

5. Which political party are you a member of?

CDA	VVD	D66	PvdA	SP	Groen Links	Chris-ten Unie	SGP	A local party	Other	No member	Not speci-fied	Miss-ing	To-tal
67 (30.7%)	61 (28.0%)	6 (2.8%)	53 (24.3%)	0 (0.0%)	4 (1.8%)	6 (2.8%)	7 (3.2%)	4 (1.8%)	2 (0.9%)	6 (2.8%)	1 (0.5%)	1 (0.5%)	218

6. Which political party(s) form the coalition within the executive board? (multiple answers possible)

CDA	VVD	D66	PvdA	SP	Groen Links	Christen Unie	SGP	A local party	Other	Missing	Total
150	112	73	76	19	36	42	32	146	21	0	218

7. How many inhabitants does your municipality have?

Up to 15,000	Between 15,000 and 25,000	Between 25,000 and 50,000	Between 50,000 and 100,000	More than 100,000	Missing	Total
48 (22.0%)	53 (24.3%)	82 (37.6%)	20 (9.2%)	14 (6.4%)	1 (0.5%)	218

8. To what extent are the following issues challenges for your municipality at the moment?

	Not at all	Rather small	Medium	Rather big	Very big	I don't know	Total
Unemployment	9 (4.1%)	55 (25.3%)	94 (43.3%)	45 (20.7%)	14 (6.5%)	0 (0%)	217
Economic situation	8 (3.7%)	43 (19.8%)	100 (46.1%)	54 (24.9%)	12 (5.5%)	0 (0%)	217

	Not at all	Rather small	Medium	Rather big	Very big	I don't know	Total
Immigration	18 (8.3%)	66 (30.6%)	72 (33.3%)	44 (20.4%)	16 (7.4%)	0 (0%)	216
Health and social security	2 (0.9%)	49 (22.7%)	110 (50.9%)	45 (20.8%)	10 (4.6%)	0 (0%)	216
Government debt	37 (17.1%)	69 (31.8%)	59 (27.2%)	42 (19.4%)	10 (4.6%)	0 (0%)	217
Taxation	27 (12.5%)	81 (37.5%)	88 (40.7%)	17 (7.9%)	2 (0.9%)	1 (0.5%)	216
Crime	7 (3.3%)	112 (52.1%)	62 (28.8%)	28 (13%)	6 (2.8%)	0 (0%)	215
Education	16 (7.4%)	83 (38.4%)	93 (43.1%)	23 (10.6%)	1 (0.5%)	0 (0%)	216
Environment, climate and energy	6 (2.8%)	46 (21.5%)	111 (51.9%)	49 (22.9%)	2 (0.9%)	0 (0%)	214
Housing	3 (1.4%)	32 (14.9%)	93 (43.3%)	74 (34.4%)	13 (6%)	0 (0%)	215
Terrorism	84 (39.3%)	96 (44.9%)	26 (12.1%)	4 (1.9%)	1 (0.5%)	3 (1.4%)	214

9. To what extent do you expect the following issues to be challenges for your municipality over the next five years?

	Not at all	Rather small	Medium	Rather big	Very big	I don't know	Total
Unemployment	6 (2.8%)	63 (29.3%)	91 (42.3%)	44 (20.5%)	10 (4.7%)	1 (0.5%)	215
Economic situation	4 (1.9%)	47 (22.2%)	91 (42.9%)	57 (26.9%)	12 (5.7%)	1 (0.5%)	212
Immigration	6 (2.8%)	37 (17.5%)	81 (38.2%)	76 (35.8%)	9 (4.2%)	3 (1.4%)	212
Health and social security	2 (0.9%)	40 (18.9%)	112 (52.8%)	51 (24.1%)	6 (2.8%)	1 (0.5%)	212
Government debt	18 (8.4%)	55 (25.6%)	89 (41.4%)	48 (22.3%)	3 (1.4%)	2 (0.9%)	215
Taxation	19 (8.9%)	63 (29.6%)	107 (50.2%)	20 (9.4%)	3 (1.4%)	1 (0.5%)	213
Crime	10 (4.7%)	84 (39.1%)	80 (37.2%)	34 (15.8%)	4 (1.9%)	3 (1.4%)	215
Education	16 (7.5%)	72 (33.6%)	103 (48.1%)	21 (9.8%)	1 (0.5%)	1 (0.5%)	214
Environment, climate and energy	5 (2.3%)	35 (16.4%)	101 (47.4%)	62 (29.1%)	9 (4.2%)	1 (0.5%)	213
Housing	3 (1.4%)	35 (16.4%)	92 (43%)	75 (35%)	8 (3.7%)	1 (0.5%)	214
Terrorism	52 (24.3%)	86 (40.2%)	60 (28%)	6 (2.8%)	0 (0%)	10 (4.7%)	214

10. To what extent did the following issues become smaller or larger challenges due to the recent Financial Crisis?

	Much smaller	Smaller	Unchanged	Bigger	Much bigger	I don't know	Total
Unemployment	0 (0%)	0 (0%)	41 (19.3%)	152 (71.7%)	17 (8%)	2 (0.9%)	212
Economic situation	0 (0%)	3 (1.4%)	43 (20.4%)	150 (71.1%)	14 (6.6%)	1 (0.5%)	211
Immigration	3 (1.4%)	4 (1.9%)	137 (64.6%)	52 (24.5%)	10 (4.7%)	6 (2.8%)	212
Health and social security	1 (0.5%)	4 (1.9%)	140 (66.7%)	61 (29%)	1 (0.5%)	3 (1.4%)	210
Government debt	1 (0.5%)	3 (1.4%)	69 (32.7%)	113 (53.6%)	24 (11.4%)	1 (0.5%)	211
Taxation	2 (0.9%)	4 (1.9%)	130 (61.3%)	71 (33.5%)	4 (1.9%)	1 (0.5%)	212
Crime	2 (0.9%)	6 (2.8%)	168 (79.2%)	33 (15.6%)	1 (0.5%)	2 (0.9%)	212
Education	2 (1%)	5 (2.4%)	197 (93.8%)	5 (2.4%)	0 (0%)	1 (0.5%)	210
Environment, climate and energy	2 (0.9%)	11 (5.2%)	158 (74.5%)	40 (18.9%)	0 (0%)	1 (0.5%)	212
Housing	1 (0.5%)	5 (2.4%)	118 (56.5%)	74 (35.4%)	10 (4.8%)	1 (0.5%)	209
Terrorism	6 (2.9%)	14 (6.7%)	169 (80.9%)	10 (4.8%)	0 (0%)	10 (4.8%)	209

Appendix 9: Changes in the account balances of selected balance sheet items per municipality (dependent variables)

Inflation-adjusted changes in the mean values of net income/expenses and types of debt in euro per capita between the following two time periods:

- (1) Total social services: 2005–2007 and 2009–2011
- (2) Administrative support executive board: 2005–2007 and 2009–2011
- (3) Building permits: 2005–2007 and 2011–2013
- (4) Land development: 2005–2007 and 2011–2013
- (5) Tourist taxes: 2005–2007 and 2008–2010
- (6) General payment from the municipal fund: 2005–2007 and 2011–2013
- (7) Total debt: 2005–2007 and 2009–2011
- (8) Short-term debt: 2005–2007 and 2009–2011
- (9) Long-term debt: 2005–2007 and 2009–2011

Note: Missing values are often the consequence of municipal amalgamations.

	(1) Total social services	(2) Administrative support executive board	(3) Building permits	(4) Land development	(5) Tourist taxes	(6) General payment from the municipal fund	(7) Total debt	(8) Short-term debt	(9) Long-term debt
Aa en Hunze	96.92	6.28	-20.22	-30.19	8.65	111.57	-154.04	24.08	-178.12
Aalburg	44.80	14.14	0.05	0.39	0.00	119.31	311.14	240.77	70.37
Aalsmeer	-10.48	-32.30	-81.95	-177.90	-0.05	140.55	393.18	332.43	60.75
Aalten	108.64	40.00	-9.51	-78.19	0.75	85.14	-559.67	31.89	-591.56
Ter Aar									
Abcoude									
Achtkarspelen	96.80	-15.93	-8.98	-13.08	0.00	135.88	-367.39	74.97	-442.35
Alblasserdam									
Albrandswaard									
Alkemade									
Alkmaar	188.69	10.23	-5.19	-31.65	0.00	186.93	-50.56	142.32	-192.89
Almelo	145.40	39.76	-14.75	-251.38	0.00	178.70	1029.88	280.91	748.97
Almere	138.35	10.40	-24.92	-2.19	0.00	166.44	-0.85	-40.28	39.43
Alphen aan den Rijn	104.61	8.43	-16.66	-147.27	0.02	148.15	634.37	78.04	556.33
Alphen-Chaam	71.63	-17.26	6.18	-36.72	-0.38	117.11	569.88	105.52	464.36
Ambt Montfort									
Ameland	6.73	46.08	0.82	-3.44	161.14	103.83	-504.12	190.03	-694.14
Amerongen									
Amersfoort	121.09	9.66	-17.07	-96.68	-0.46	124.78	-1407.82	-327.47	-1080.34
Amstelveen	107.26	-3.43	-16.20	6.34	-0.41	130.50	135.91	-51.17	187.08
Amsterdam	230.35	1.61	3.51	-216.14	-0.19	194.68	-327.92	-280.92	-46.99
Andijk					3.40				
Anna Paulowna	58.72	53.46			0.00		798.51	122.18	676.33
Apeldoorn	176.04	2.55	-11.26	-260.74	0.73	168.17	862.09	-5.42	867.51
Appingedam	158.28	29.67	-8.84	-70.23	0.00	202.26	39.58	152.25	-112.67
Arcen en Velden									
Arnhem	123.15	-5.17	-14.78	-105.85	-0.02	184.32	-701.47	185.84	-887.31
Assen	163.40	-38.25	-22.72	-243.54	-0.01	215.88	1178.01	696.31	481.70
Asten	54.08	10.91	-4.89	-127.41	6.15	140.98	-75.45	37.40	-112.85
Baarle-Nassau	89.48	36.39	-29.48	-49.80	-0.46	149.75	-433.34	-116.38	-316.96

	(1) Total social ser- vices	(2) Ad- ministra- tive sup- port exec- utive board	(3) Build- ing per- mits	(4) Land develop- ment	(5) Tour- ist taxes	(6) Gen- eral pay- ment from the municipal fund	(7) Total debt	(8) Short- term debt	(9) Long- term debt
Baarn	106.51	-4.44	11.55	-22.76	-0.25	146.74	-680.97	32.18	-713.15
Barendrecht									
Barneveld	84.55	12.61	0.02	-234.54	1.18	117.02	1682.88	215.89	1466.98
Bedum	118.55	9.21	-7.88	-43.62	0.00	125.90	-127.87	25.14	-153.01
Beek (L.)	138.44	3.33	-11.25	-18.41	0.09	164.02	-167.83	-48.33	-119.50
Beemster	50.51	44.50	6.69	193.65	0.16	101.78	1132.99	1070.40	62.59
Beesel	148.64	39.60	-26.61	-18.03	-2.00	159.76	-462.34	84.64	-546.98
Bellingwedde	168.60	14.10	-0.60	0.00	0.95	130.10	59.67	301.80	-242.14
Bennebroek									
Bergambacht	89.47	11.22	-17.95	1.10	-1.35	143.49	-23.54	-22.70	-0.84
Bergeijk	64.99	-11.85	-25.07	-34.50	3.15	107.89	251.65	-122.37	374.02
Bergen (L.)	187.44	11.16	-13.44	-46.31	1.52	157.34	241.08	253.94	-12.86
Bergen (NH.)	69.44	9.39	-8.63	0.88	8.80	128.80	-48.90	-100.54	51.64
Bergen op Zoom	158.79	0.77	-16.03	108.70	2.79	188.60	813.74	120.14	693.60
Bergschenhoek									
Berkel en Rodenrijs									
Berkelland	103.56	14.70	-9.46	6.50	1.33	103.60	-484.92	-19.34	-465.58
Bernheze									
Bernisse	66.16	14.90	3.05	-66.92	0.00	109.15	-361.25	78.75	-440.01
Best	53.92	3.50	7.40	-441.59	0.00	132.43	-134.01	90.49	-224.50
Beuningen	84.09	3.36	5.33	-84.79	-0.05	110.54	-31.38	1109.58	-1140.96
Beverwijk	96.13	-2.09	-21.81	122.92	0.31	161.07	1865.98	-21.19	1887.16
het Bildt	91.49	4.65	-11.49	41.36	0.00	113.82	-143.46	54.02	-197.48
De Bilt	61.77	31.67	-9.96	-51.99	0.00	138.69	94.18	-111.51	205.69
Binnenmaas									
Bladel	100.91	20.94	-15.95	-46.43	1.05	147.28	451.74	197.11	254.63
Blaricum	38.90	46.17	0.15	26.88	0.48	132.52	3190.04	489.10	2700.94
Bleiswijk									
Bloemendaal	103.08	7.17	3.03	-19.59	-5.29	159.10	162.52	-67.49	230.00
Boarnsterhim	84.77	-28.90	-34.56	-47.16	0.28	550.15	-512.61	-189.11	-323.50
Bodegraven									
Bodegraven-Reeuwijk									
Boekel	-74.06	-68.31	-17.24	-169.54	-0.65	84.97	1050.64	-94.38	1145.01
Ten Boer									
Bolsward					0.00				
Borger-Odoorn	119.95	30.41	-13.32	-41.87	7.23	123.34	-272.52	205.79	-478.31
Borne	82.80	-10.85	-10.09	-63.96	0.00	121.59	-946.27	204.58	-1150.85
Borsele	98.31	-7.87	-9.69	36.01	0.00	97.71	502.10	124.04	378.07
Boskoop	64.99	3.01	-2.92	69.37	0.00	10.87	-499.10	-167.12	-331.98
Boxmeer	74.25	0.82	5.00	-50.08	1.10	142.42	1163.32	501.59	661.72
Boxtel	129.10	12.56	-6.90	-62.90	-0.05	112.12	150.08	-16.06	166.14
Breda	163.86	-63.13	-17.77	-37.21	0.00	120.05	-440.98	148.86	-589.84
Breukelen					-0.33				
Brielle	48.38	9.14	-22.44	-383.25	0.33	101.72	40.62	228.96	-188.35
Bronckhorst	97.67	4.07	-4.53	-88.74	-1.12	42.26	187.63	77.16	110.47
Brummen	124.19	37.64	-16.48	-250.86	3.13	139.35	4.54	17.84	-13.30
Brunssum									
Bunnik	37.34	5.21	14.92	-292.09	0.21	115.99	72.42	125.68	-53.26
Bunschoten	63.09	6.23	-14.86	-125.15	-0.02	83.62	896.29	-19.27	915.56
Buren	52.58	6.54	15.04	-41.21	0.02	68.70	-30.38	94.63	-125.01
Bussum									
Capelle aan den IJssel	150.00	24.84	-11.02	9.23	-0.20	183.19	-209.44	-12.09	-197.35
Castricum	69.77	5.29	5.42	9.32	0.93	134.83	209.63	-69.35	278.98
Coevorden	118.08	5.22	-0.49	-129.63	8.73	138.54	139.37	-61.69	201.07

	(1) Total social services	(2) Administrative support executive board	(3) Building permits	(4) Land development	(5) Tourist taxes	(6) General payment from the municipal fund	(7) Total debt	(8) Short-term debt	(9) Long-term debt
Cranendonck	108.41	-17.19	3.87	7.93	-0.17	127.64	-220.45	-33.11	-187.34
Cromstrijen	78.86	-1.90	4.41	-74.77	-0.20	90.77	-212.91	28.31	-241.21
Cuijk	121.01	15.29	4.89	149.45	0.62	156.01	-217.95	4.97	-222.92
Culemborg	118.38	0.00	-11.70	24.30	0.15	162.18	921.76	1307.45	-385.70
Dalfsen	95.85	11.56	-19.78	-155.67	-0.70	114.41	-242.90	-12.99	-229.91
Dantumadeel									
Dantumadiel									
Delft	169.94	6.06	-20.94	-112.22	0.01	180.46	808.68	478.09	330.58
Delfzijl	164.66	-29.00	-10.42	-2.38	1.40	225.97	1024.75	134.08	890.67
Deurne									
Deventer	106.31	17.64	-1.20	-178.18	-0.06	159.00	313.93	169.03	144.90
Diemen									
Dinkelland	102.00	3.66	-28.43	-44.97	0.01	91.12	-618.15	-35.40	-582.75
Dirksland	100.64	16.19			-0.42		-105.74	19.52	-125.26
Doesburg	134.51	-4.52	-17.06	-32.95	2.89	162.39	-728.22	58.78	-787.00
Doetinchem	200.36	-35.37	-4.51	-175.59	-0.09	186.18	1226.66	104.84	1121.82
Dongen	132.00	-108.73	-6.93	-102.91	0.00	134.24	415.68	98.98	316.70
Dongeradeel	68.04	6.25	-15.31	-13.20	5.07	136.63	147.43	137.10	10.33
Doorn									
Dordrecht	124.57	-2.96	-12.45	-195.85	0.00	253.82	1394.38	314.19	1080.19
Drechterland	71.58	-47.97	-6.93	-187.49	-0.12	19.44	-214.55	-1.22	-213.33
Driebergen-Rijsenburg									
Drimmelen	43.59	-2.54	-0.25	33.88	2.08	124.31	72.55	46.40	26.15
Dronten									
Druten	117.21	5.68	-12.82	-10.76	0.00	136.55	398.83	0.78	398.05
Duiven	105.37	4.49	-10.14	-161.99	0.00	102.87	-637.68	73.44	-711.12
Echt-Susteren	132.61	-4.57	-18.36	8.03	1.18	130.47	511.76	106.42	405.34
Edam-Volendam	31.25	13.99	-7.34	92.24	8.25	115.75	-95.10	200.90	-295.99
Ede	88.71	1.13	-2.85	-37.30	1.26	142.42	-129.78	30.17	-159.95
Eemnes									
Eemsmond	176.07	21.98	-65.97	-86.24	0.00	87.82	-854.17	-96.48	-757.68
Eersel	67.88	4.69	-3.70	-48.63	1.55	105.46	45.67	34.81	10.86
Eijsden					0.14				
Eijsden-Margraten									
Eindhoven									
Elburg	99.87	20.66	-6.87	-112.90	0.07	115.02	177.36	-38.36	215.72
Emmen									
Enkhuizen	104.70	-2.34	-15.47	-20.31	9.77	97.28	-774.48	21.71	-796.18
Enschede									
Epe	111.80	-6.16	-11.65	-58.56	-2.88	123.14	7.25	137.56	-130.31
Ermelo	121.18	-14.31	-8.81	27.52	0.35	138.13	-412.67	-24.79	-387.88
Etten-Leur	89.80	18.27	-18.02	-61.87	0.00	134.17	-159.19	-51.64	-107.55
Ferwerderadiel	51.25	5.12	5.01	3.79	0.17	117.25	245.24	4.30	240.94
Franekeradeel	99.62	11.54	-11.32	-172.80	0.00	123.23	37.02	34.82	2.20
De Friese Meren									
Gaasterlân-Sleat	117.26	-7.54			-6.80		-264.36	13.26	-277.62
Geertruidenberg	50.24	-8.01	-38.13	-3.89	0.00	149.20	-641.73	-88.48	-553.25
Geldermalsen	91.68	12.74	-9.38	-556.21	-0.03	96.35	3108.17	22.68	3085.49
Geldrop-Mierlo	137.19	0.33	-7.82	-240.07	3.38	141.77	437.52	23.21	414.31
Gemert-Bakel	145.36	-0.90	-15.75	-142.45	0.63	109.50	1042.30	-217.62	1259.92
Gennep	176.34	-0.54	-13.42	-145.60	2.12	118.80	328.12	49.17	278.95
Giessenlanden									
Gilze en Rijen	96.88	36.68	-35.44	-187.32	0.48	121.41	176.27	595.65	-419.38

	(1) Total social services	(2) Administrative support executive board	(3) Building permits	(4) Land development	(5) Tourist taxes	(6) General payment from the municipal fund	(7) Total debt	(8) Short-term debt	(9) Long-term debt
Goedereede	59.59	31.69			15.45		-138.08	-57.62	-80.47
Goeree-Overflakkee									
Goes	120.48	-1.59	-7.71	34.98	-0.41	137.78	363.13	32.73	330.40
Goirle	93.67	0.61	-18.11	-20.22	0.00	139.65	11.91	-265.58	277.49
Gorinchem	141.35	24.85	-5.80	-271.44	0.00	158.79	-387.30	-218.87	-168.43
Gouda	73.82	-9.49	-11.48	5.64	-0.07	246.27	1899.39	-106.67	2006.07
Graafstroom	20.21	-32.59			0.73		749.87	102.66	647.21
Graft-De Rijp	46.59	18.56	13.96	-11.25	-4.87	73.85	-277.54	-63.49	-214.05
Grave	136.73	19.32	-4.04	-39.59	0.00	140.47	-7.64	75.56	-83.20
's-Gravendeel									
's-Gravenhage	211.84	29.46	9.95	-48.80	-1.34	188.10	-269.76	-185.79	-83.97
Groenlo									
Groesbeek	137.31	-3.57	14.35	45.23	0.82	153.66	347.17	64.20	282.97
Groningen	120.89	8.59	-25.70	-99.17	1.56	153.80	-1269.72	114.55	-1384.27
Grootegast	75.82	-10.62	-10.59	-48.05	0.06	81.24	283.29	-28.95	312.24
Gulpen-Wittert	132.25	31.11	-7.92	12.67	-4.39	161.08	-272.45	31.94	-304.39
Haaksbergen	92.21	2.78	-4.01	-49.87	0.75	129.55	519.19	47.58	471.62
Haaren									
Haarlem									
Haarlemmerliede en Spaarnwoude	50.90	10.17	30.75	-25.62	-1.82	131.55	91.12	34.35	56.77
Haarlemmermeer	79.19	3.45	10.74	-18.97	-3.63	112.26	855.63	215.85	639.78
Haelen									
Halderberge	103.97	18.64	-30.75	-170.77	-0.09	118.59	360.14	-118.33	478.47
Hardenberg	85.58	0.19	-20.12	-94.17	-0.67	114.42	902.21	73.67	828.54
Harderwijk	104.15	7.98	-11.73	-113.61	-2.61	134.03	60.27	-96.73	157.00
Hardinxveld-Giessendam	97.67	3.60	-17.08	-22.61	0.00	96.00	381.67	95.79	285.88
Haren	82.60	18.68	20.56	-15.59	0.35	197.42	-22.64	-217.65	195.01
Harenkarspel									
Harlingen	80.97	15.53	-14.61	-216.30	-0.20	126.40	264.94	147.67	117.26
Hattem	63.42	5.78	8.16	7.32	0.65	113.94	699.62	-3.51	703.13
Heel									
Heemskerk	94.83	-0.91	-21.10	10.75	0.14	172.46	518.84	92.08	426.77
Heemstede									
Heerde	65.18	7.11	-12.06	-116.90	0.74	110.61	569.76	53.86	515.90
Heerenveen	101.74	5.41	-5.90	-569.29	0.02	143.25	586.73	149.88	436.85
Heerhugowaard	92.19	0.88	6.18	-211.76	0.00	89.47	812.01	59.42	752.60
Heerlen	189.92	-39.05	-1.78	1.49	-0.05	366.83	174.52	0.59	173.93
Heeze-Leende	241.03	0.52	-5.61	-48.65	2.74	146.17	35.81	134.52	-98.70
Heiloo	83.77	3.69	-8.09	-115.60	-0.39	123.61	630.15	-106.23	736.38
Helden									
Den Helder	66.63	0.95	-8.58	-30.04	2.11	190.57	-397.61	-79.43	-318.18
Hellendoorn	79.54	-8.79	-1.16	-64.10	3.63	112.85	1079.17	110.46	968.71
Hellevoetsluis	51.82	5.21	-14.28	-129.59	2.00	114.10	590.85	76.59	514.26
Helmond	124.32	30.62	-12.51	-186.26	0.00	183.39	-597.96	-63.17	-534.79
Hendrik-Ido-Ambacht	1.70	-9.05	-26.89	-114.09	0.00	85.80	-357.04	1329.81	-1686.84
Hengelo (O.)	158.68	-41.62	-4.91	-5.64	0.03	168.88	1491.53	248.17	1243.36
's-Hertogenbosch	155.88	14.72	-11.57	-29.13	0.00	197.12	-205.66	351.06	-556.72
Heumen	102.14	23.15	14.62	-72.36	0.00	114.39	759.73	110.98	648.74
Heusden									
Heythuysen									
Hillegom	85.45	5.43	-5.28	38.98	0.00	124.39	8.03	8.15	-0.12
Hilvarenbeek	91.73	6.72	-6.70	4.29	9.04	118.90	-342.99	163.60	-506.60

	(1) Total social services	(2) Administrative support executive board	(3) Building permits	(4) Land development	(5) Tourist taxes	(6) General payment from the municipal fund	(7) Total debt	(8) Short-term debt	(9) Long-term debt
Hilversum	158.46	-7.19	5.40	-25.13	0.00	208.59	427.79	-216.36	644.16
Hof van Twente	124.78	-3.66	-15.77	-63.50	0.33	115.44	-77.16	169.01	-246.17
Hollands Kroon									
Hoogeveen	122.15	-0.22	-15.14	-27.85	0.43	130.82	724.52	-31.65	756.17
Hoogezand-Sappemeer	182.87	-4.32	-13.62	-68.98	0.06	144.77	444.95	74.48	370.47
Hoorn	99.53	9.56	-15.99	-77.21	0.04	137.61	-1599.24	151.90	-1751.15
Horst aan de Maas	42.74	-15.43	-21.13	-37.63	4.45	108.72	-564.38	79.00	-643.38
Houten	54.06	-7.36	-37.80	-9.14	0.00	35.65	561.85	32.23	529.62
Huizen	94.32	-3.01	-13.10	-65.62	0.55	146.30	-25.38	-24.48	-0.90
Hulst	89.57	-9.05	-4.51	-5.34	0.14	106.97	56.57	131.54	-74.97
Hunsel									
IJsselstein	84.81	-4.31	-12.47	8.29	0.00	102.59	-1007.93	21.81	-1029.74
Jacobswoude									
Kaag en Braassem									
Kampen									
Kapelle	60.57	131.00	-16.10	-156.72	-1.45	91.57	-96.74	100.74	-197.48
Katwijk									
Kerkrade									
Kessel									
Koggenland									
Kollumerland en Nieuwkruisland	65.44	-0.79	-8.89	-102.84	0.00	127.37	230.95	198.68	32.26
Korendijk	95.40	5.29	-8.70	-62.76	0.00	110.89	-339.13	-4.43	-334.70
Krimpen aan den IJssel									
Laarbeek	47.21	0.53	-3.69	-81.50	0.00	112.86	-92.07	1.59	-93.66
Landerd	46.91	34.91	-19.12	-196.06	2.40	86.53	298.85	191.59	107.25
Landgraaf	133.83	7.65	-9.87	-51.50	0.70	182.06	-176.69	77.19	-253.88
Landsmeer	72.54	6.30	-11.63	-53.86	-0.02	125.84	378.57	309.05	69.52
Langedijk	78.31	-2.22	10.43	-204.10	-0.06	102.10	806.67	174.62	632.06
Lansingerland									
Laren (NH.)	115.21	109.39	-32.93	-473.16	0.00	180.25	382.16	153.65	228.51
Leek	93.68	-1.18	-6.36	-124.52	0.00	115.49	1014.42	92.02	922.40
Leerdam	111.97	3.34	-7.51	-41.84	-0.05	145.85	446.50	206.00	240.50
Leersum									
Leeuwarden	233.91	-0.79	-9.87	18.60	-0.55	308.57	600.43	-197.31	797.74
Leeuwarderadeel	114.04	-31.21	-6.62	-73.18	0.00	135.92	-463.93	-58.19	-405.74
Leiden	110.50	-16.46	-15.31	-202.43	-2.37	77.54	-843.75	-16.16	-827.59
Leiderdorp	62.87	26.26	-8.48	21.91	1.19	125.36	-528.31	-266.40	-261.91
Leidschendam-Voorburg	116.80	10.19	-3.20	-4.00	-0.14	174.73	126.86	71.84	55.02
Lelystad	131.36	13.90	-30.11	-200.53	0.00	125.64	1580.10	304.65	1275.45
Lemsterland	94.88	13.87			6.19		-151.06	-42.10	-108.96
Leudal									
Leusden	58.37	11.14	-16.33	-67.44	0.06	98.94	-470.36	-173.68	-296.67
Liemeer									
Liesveld	32.87	-11.20			0.00		130.26	88.06	42.20
Lingewaal	62.65	45.42	4.13	43.76	0.15	98.47	466.19	74.02	392.16
Lingewaard	70.18	0.00	-16.70	17.41	0.26	118.11	331.29	-285.10	616.38
Lisse									
Lith					-1.19				
Littenseradiel	67.62	16.70	-3.54	-4.51	0.00	62.02	304.23	-92.58	396.80
Lochem	99.69	16.20	-16.86	-64.60	1.91	100.23	104.73	337.14	-232.41

	(1) Total social ser- vices	(2) Ad- ministra- tive sup- port exec- utive board	(3) Build- ing per- mits	(4) Land develop- ment	(5) Tour- ist taxes	(6) Gen- eral pay- ment from the municipal fund	(7) Total debt	(8) Short- term debt	(9) Long- term debt
Loenen					0.14				
Loon op Zand									
Lopik	80.14	-17.66	-17.05	0.02	-0.14	67.28	65.83	64.74	1.09
Loppersum	72.65	21.21	4.73	-52.48	0.00	232.51	-217.49	45.45	-262.94
Losser	91.80	4.43	-4.00	-97.47	0.83	146.10	-310.46	-119.99	-190.47
Maarn									
Maarssen					0.13				
Maasbracht									
Maasbree									
Maasdonk	79.47	18.61	1.81	-93.61	0.48	106.41	3551.23	2241.73	1309.49
Maasdriel	78.32	3.99	-18.34	-54.09	0.40	104.88	599.42	154.77	444.66
Maasgouw									
Maassluis	95.14	14.14	-5.70	24.05	0.00	151.47	183.33	-168.66	351.99
Maastricht									
Margraten					-0.10				
De Marne	62.20	-34.21	3.05	-38.74	3.42	200.27	-32.90	-46.64	13.74
Marum	78.94	-1.66	-20.58	-52.11	0.00	86.31	55.05	161.40	-106.35
Medemblik									
Meerlo-Wanssum									
Meerssen	95.85	2.49	2.16	-7.00	-0.10	134.67	-273.36	-153.38	-119.99
Meijel									
Menaldumadeel					0.00				
Menameradiel									
Menterwolde	109.32	18.77	2.50	-27.72	0.20	128.52	287.78	97.99	189.79
Meppel	72.99	-74.83	-11.11	-115.45	0.00	99.00	-147.23	54.18	-201.41
Middelburg (Z.)	100.22	27.19	-19.82	-114.99	0.44	125.48	217.89	-32.18	250.07
Middelharnis	95.29	7.92			0.26		73.34	143.59	-70.25
Midden-Delfland	47.07	30.59	-7.77	-123.88	0.00	95.85	-560.82	-37.02	-523.81
Midden-Drenthe	128.83	-1.61	-7.70	-35.44	5.07	85.42	-90.23	204.37	-294.60
Mill en Sint Hubert	79.00	12.77	50.78	-9.41	0.00	123.00	188.86	231.12	-42.26
Millingen aan de Rijn	158.01	47.98	-8.55	55.06	0.71	279.06	396.55	333.64	62.92
Moerdijk	124.94	18.43	-7.84	-96.60	0.27	102.85	101.55	48.09	53.45
Molenwaard									
Montferland	143.06	12.55	1.15	-17.70	-0.23	107.45	260.76	327.50	-66.74
Montfoort	62.84	3.62	-12.49	-144.32	0.00	99.95	458.58	254.87	203.71
Mook en Middelaar	133.77	-20.45	10.25	64.49	-0.17	145.84	-262.82	52.49	-315.31
Moordrecht									
Muiden	65.33	-17.60	-15.39	254.33	0.90	188.92	69.57	69.59	-0.02
Naarden									
Neder-Betuwe	85.37	-35.87	-4.35	-61.66	0.29	33.69	681.92	1.51	680.41
Nederlek	86.67	12.42	-16.68	-5.28	0.00	134.40	634.16	236.39	397.77
Nederweert	76.39	6.08	-28.20	-42.68	0.08	124.99	-961.80	-63.21	-898.59
Neerijnen	48.41	28.91	-2.42	-44.64	0.02	98.02	282.42	-137.54	419.96
Niedorp	46.18	20.14			0.00		-227.52	28.75	-256.27
Nieuwegein	47.82	-7.98	-0.78	-27.63	0.00	127.29	1269.60	107.74	1161.87
Nieuwerkerk aan den IJssel									
Nieuwkoop	76.03	4.13	7.55	-235.56	0.00	3.56	653.00	30.95	622.05
Nieuw-Lekkerland	67.61	-29.05			0.00		831.43	-6.55	837.97
Nijefurd					-9.26				
Nijkerk	95.28	-1.30	-2.41	-71.19	0.62	130.35	-663.08	-4.33	-658.75
Nijmegen	220.78	-31.49	1.98	-186.81	1.44	166.49	-855.24	186.10	-1041.34
Noord-Beveland	124.92	7.94	-21.13	-46.15	9.05	152.68	-236.44	-113.95	-122.49
Noordenveld	159.88	10.72	-4.14	-88.79	0.76	183.41	811.81	39.58	772.23

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Noorder-Koggenland									
Noordoostpolder	117.94	16.90	-3.11	-127.09	1.08	116.45	-32.08	-0.40	-31.68
Noordwijk	56.52	24.16	-31.92	145.06	-5.35	111.46	131.56	-68.81	200.38
Noordwijkerhout	97.64	23.18	-7.34	5.04	3.03	141.42	96.22	121.85	-25.63
Nuenen, Gerwen en Nederwetten	61.37	18.14	-10.60	-332.67	0.06	122.53	1835.49	371.13	1464.36
Nunspeet	68.57	20.79	-10.98	-97.83	0.59	137.96	279.95	164.00	115.95
Nuth	94.85	0.04	-9.71	-71.78	0.05	156.85	-437.80	-113.23	-324.57
Obdam									
Oegstgeest									
Oirschot	40.70	3.94	-28.91	-155.59	0.71	90.45	114.97	-1.80	116.78
Oisterwijk									
Oldambt									
Oldebroek	52.52	-54.09	-20.60	-4.44	3.00	88.58	-499.26	-153.81	-345.45
Oldenzaal	117.43	-5.03	-30.17	-109.56	-0.05	127.36	-252.38	1.11	-253.49
Olst-Wijhe	93.27	5.79	2.75	-80.07	1.01	100.89	891.58	407.61	483.97
Ommen	104.89	39.00	-19.07	-270.49	-2.56	150.63	466.24	172.46	293.78
Onderbanken	198.19	21.00	-3.67	-41.43	0.06	191.93	-38.52	84.37	-122.89
Oost Gelre									
Oosterhout	52.09	14.80	-2.11	-143.53	-0.29	130.21	122.44	115.95	6.49
Oostflakkee	70.18	9.46			0.07		-215.18	-15.28	-199.90
Ooststellingwerf									
Oostzaan									
Opmeer	84.36	25.41	-13.87	-139.27	0.12	107.30	-489.67	-57.78	-431.89
Opsterland									
Oss	65.99	-0.02	5.01	-180.65	0.71	176.22	45.19	132.43	-87.25
Oud-Beijerland									
Oude IJsselstreek									
Ouder-Amstel	74.41	5.80	16.16	-49.07	4.94	144.17	-61.37	-61.37	0.00
Ouderkerk	113.39	-4.88	8.56	24.31	0.00	130.53	332.17	-64.58	396.75
Oudewater	57.30	2.86	27.38	-4.74	0.00	111.07	80.99	21.24	59.75
Overbetuwe	98.03	14.49	-26.35	-152.32	0.00	125.75	-242.50	-191.51	-50.99
Papendrecht	37.50	11.88	-14.74	-96.51	0.00	154.31	-944.11	-94.72	-849.39
Peel en Maas									
Pekela	123.20	-11.39	-1.60	-8.08	0.00	163.79	58.72	7.95	50.77
Pijnacker-Nootdorp	45.75	-16.08	-63.53	-184.99	1.41	71.31	-154.44	-103.84	-50.60
Purmerend									
Putten	77.68	0.20	-14.79	11.82	1.58	98.82	-459.97	130.91	-590.88
Raalte	105.36	-31.50	-6.24	-116.19	-0.20	132.03	201.20	-74.82	276.02
Reeuwijk									
Reiderland									
Reimerswaal	63.65	0.39	18.95	51.50	-0.09	100.40	-145.95	-14.11	-131.85
Renkum	114.83	4.40	-14.90	-15.24	1.98	158.80	-262.12	63.35	-325.47
Renswoude									
Reusel-De Mierden									
Rheden	129.61	-49.53	-5.73	-64.86	0.08	178.36	311.81	224.33	87.48
Rhenen	49.03	9.26	-3.73	35.29	0.23	103.50	-467.42	39.02	-506.44
Ridderkerk									
Rijnsburg									
Rijnwaarden	88.21	12.77	-20.09	-37.86	0.77	163.21	-1102.77	52.45	-1155.23
Rijnwoude	60.75	5.54	-16.54	-140.63	0.00	119.30	618.84	334.48	284.36
Rijssen-Holten									
Rijswijk (ZH.)	118.49	8.97	-34.17	-93.67	-0.54	214.94	1983.21	1872.96	110.25
Roerdalen									

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Roermond									
Roggel en Neer									
De Ronde Venen	75.09	6.97	-19.91	-181.37	0.54	160.37	834.33	56.47	777.87
Roosendaal	180.50	11.90	-10.43	5.07	0.22	148.81	22.33	164.09	-141.76
Rotterdam	133.00	-11.18	-10.91	-63.03	-0.61	266.23	629.88	212.28	417.60
Rozenburg									
Rozendaal	52.46	-23.17	-20.52	-28.62	0.00	507.51	-14.94	-11.71	-3.23
Rucphen	188.78	22.29	-12.31	-41.72	-1.70	108.85	21.44	41.41	-19.98
Sassenheim									
Schagen	88.08	2.69	7.34	-26.80	0.11	137.88	487.11	123.54	363.57
Scheemda									
Schermer	33.41	21.18	-11.13	-24.53	0.68	86.84	-295.61	-30.16	-265.45
Scherpenzeel	8.99	37.73	-2.74	-72.00	2.83	113.69	584.49	-6.49	590.98
Schiedam	180.97	-39.14	-13.98	-130.93	0.00	190.63	-150.59	384.01	-534.60
Schiermonnikoog	172.11	187.38	-22.34	8.78	67.79	244.49	-166.09	199.05	-365.15
Schijndel	53.51	3.78	-5.72	-7.13	-0.04	163.18	450.68	242.13	208.55
Schinnen	105.01	33.76	-16.55	0.00	0.22	133.96	-201.32	108.50	-309.82
Schoonhoven	99.51	22.90	16.90	-8.45	-0.05	198.23	598.22	64.09	534.13
Schouwen-Duiveland									
Sevenum									
Simpelveld	108.66	-19.83	-5.00	1.34	-0.54	73.64	-587.82	162.88	-750.71
Sint Anthonis	65.41	1.71	-1.02	-114.57	-2.79	93.05	114.60	10.00	104.60
Sint-Michielsgestel	81.91	46.28	-9.40	-31.09	1.05	105.95	87.36	19.10	68.26
Sint-Oedenrode	93.65	4.34	-11.08	-1.47	0.16	104.31	124.33	9.21	115.12
Sittard-Geleen	100.60	-1.64	-11.41	-20.94	0.29	175.63	-225.51	-48.38	-177.13
Skarsterlân	113.07	-1.29			0.10		187.45	-108.01	295.46
Sliedrecht	63.00	14.61	-7.91	-42.30	0.00	139.23	-202.74	4.54	-207.29
Slochteren	48.00	9.95	-19.90	-16.28	-1.53	102.38	31.19	-542.36	573.56
Sluis	85.92	-7.42	23.53	-11.62	-0.03	173.37	521.34	71.56	449.78
Smallingerland	100.96	0.07	-2.35	-47.91	0.00	131.76	-869.81	-33.15	-836.66
Sneek					0.67				
Soest									
Somerens	-19.11	-38.97	-1.28	39.53	0.69	128.32	55.50	76.10	-20.61
Son en Breugel									
Spijkenisse									
Stadskanaal	197.79	3.42	-5.43	-24.89	1.29	178.04	-72.72	225.39	-298.11
Staphorst	59.14	14.69	-4.04	-56.13	-0.02	43.06	-246.52	104.79	-351.31
Stede Broec	61.86	-10.18	4.07	9.71	0.00	81.34	-288.09	45.26	-333.35
Steenbergen									
Steenwijkerland	125.35	4.42	8.68	-74.31	0.96	125.47	-683.53	-109.53	-574.00
Stein (L.)	112.32	-29.93	-1.32	-0.17	-0.07	148.33	-225.60	-66.65	-158.95
Stichtse Vecht									
Strijen	99.83	-2.93	-8.09	-9.68	0.29	127.24	57.31	95.01	-37.69
Súdwest-Fryslân									
Swalmen									
Terneuzen	79.89	4.27	1.57	-23.75	0.17	106.06	919.15	-7.02	926.17
Terschelling	57.57	55.83	-12.14	3.68	46.97	104.40	257.58	-185.86	443.44
Texel	71.29	67.71	-7.61	-26.02	47.60	129.32	395.73	7.40	388.34
Teylingen									
Tholen	108.27	12.40	-21.20	-84.48	-0.79	109.87	1296.82	60.96	1235.86
Thorn									
Tiel	80.63	7.24	-6.94	-32.81	0.04	155.53	-755.98	132.48	-888.46
Tilburg	203.36	-0.91	-7.41	-241.61	0.00	221.46	-266.15	120.35	-386.51
Tubbergen	31.41	58.53	-17.20	-99.62	0.71	113.04	-447.43	131.06	-578.49

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Twenterand									
Tynaarlo									
Tytsjerksteradiel	119.98	-7.41	-5.26	-94.35	0.89	134.77	568.17	50.40	517.77
Ubbergen	14.38	-4.91	-17.49	-80.89	-0.55	176.36	-90.80	-16.01	-74.79
Uden									
Uitgeest	134.64	45.64	-3.92	-166.86	-0.19	75.39	-62.76	96.81	-159.57
Uithoorn	63.41	-48.42	-23.79	-221.67	0.00	160.85	935.93	453.75	482.18
Urk	41.29	10.57	-12.78	-41.62	-0.04	60.72	-366.34	29.88	-396.22
Utrecht	112.18	-85.57	-0.99	-5.91	-0.49	124.78	461.17	401.56	59.61
Utrechtse Heuvelrug									
Vaals	120.24	5.82	-15.79	0.00	6.34	192.24	870.25	86.15	784.10
Valkenburg (ZH.)									
Valkenburg aan de Geul	119.37	15.11	-7.23	-48.32	7.61	197.75	-1066.36	-98.99	-967.37
Valkenswaard	107.70	1.97	-16.60	-86.61	-0.05	157.76	-185.89	175.48	-361.37
Veendam									
Veenendaal	94.28	71.60	-8.25	-33.21	0.00	141.69	298.60	153.20	145.41
Veere	34.41	19.59	29.40	-44.26	5.76	97.19	294.05	54.28	239.77
Veghel	71.73	1.55	-9.79	-432.25	0.00	109.01	1548.03	-29.19	1577.22
Veldhoven									
Velsen	90.00	1.69	-4.21	-93.59	0.47	153.40	-629.95	94.87	-724.82
Venhuizen									
Venlo	228.22	-2.57	-4.43	-50.65	3.08	260.10	798.54	165.82	632.72
Venray	95.05	3.41	-28.65	-67.85	2.13	169.11	131.34	-52.42	183.76
Vianen	124.64	-10.37	12.97	86.30	3.29	123.03	747.16	183.86	563.30
Vlaardingen	233.05	-45.52	0.71	-158.50	0.00	218.54	1370.09	446.63	923.46
Vlagtwedde	185.70	8.53	-2.91	-73.93	-1.34	168.55	136.42	148.64	-12.22
Vlieland	-7.50	-8.22	5.11	0.00	56.96	234.58	-554.08	-352.43	-201.64
Vlissingen	222.65	-32.76	-12.22	-59.22	1.09	285.76	322.99	423.36	-100.37
Vlist									
Voerendaal	103.28	18.08	-2.19	29.26	0.75	153.48	388.15	56.53	331.62
Voorhout									
Voorschoten									
Voorst									
Vught	115.44	11.42	-18.51	12.89	2.19	106.46	-178.94	149.88	-328.83
Waalre	57.76	-11.71	-28.86	-81.88	0.00	130.54	-34.07	-34.06	-0.01
Waalwijk	83.97	3.11	3.43	11.75	1.39	172.29	57.99	111.93	-53.94
Waddinxveen	37.54	-9.29	-18.56	-99.15	-0.01	122.50	1264.61	440.13	824.48
Wageningen	47.98	-0.53	-26.09	36.01	1.27	59.12	-369.15	17.36	-386.51
Warmond									
Wassenaar	35.77	0.06	33.43	-154.10	-2.36	181.86	338.67	192.50	146.16
Waterland	33.25	-13.24	-20.80	-13.91	-11.86	94.57	-173.31	8.93	-182.24
Weert	126.60	7.04	-10.44	-59.25	1.64	144.86	458.24	-22.63	480.88
Weesp	140.61	-1.08	-9.80	-38.96	0.00	176.36	1380.78	1224.78	156.00
Werkendam	45.46	2.13	-0.04	-36.03	0.20	137.97	-90.49	44.32	-134.81
Wervershoof					-0.36				
West Maas en Waal	63.82	14.29	-4.13	-21.14	0.25	117.17	591.14	100.85	490.28
Wester-Koggenland									
Westerveld	108.41	17.17	8.27	-30.01	-0.37	124.74	-250.81	-26.91	-223.90
Westervoort	149.55	-29.96	-2.71	-51.74	0.00	130.22	-199.84	-57.73	-142.10
Westland	93.09	-34.01	-21.07	-116.66	2.47	88.93	474.06	116.24	357.82
Weststellingwerf	127.10	5.51	-8.00	-32.53	0.00	112.54	122.50	144.78	-22.27
Westvoorne									
Wierden	79.17	-2.77	-20.02	-84.76	0.56	105.16	1030.85	44.20	986.64

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Wieringen	99.22	3.76			0.37		-477.19	-63.80	-413.38
Wieringermeer	23.95	56.57			0.47		51.83	199.63	-147.80
Wijchen									
Wijdemeren	67.47	-0.62	-19.97	-122.03	-0.54	100.07	358.51	142.04	216.46
Wijk bij Duurstede	36.39	3.87	8.39	-34.07	0.00	90.34	694.87	309.45	385.42
Winschoten									
Winsum	85.08	5.61	-7.24	-16.26	0.00	114.35	-416.22	52.99	-469.21
Winterswijk	183.87	-3.63	-13.53	-41.69	3.13	153.50	850.94	-115.81	966.75
Woensdrecht	125.41	19.44	-12.94	24.83	-0.32	113.76	37.10	141.53	-104.44
Woerden	59.02	4.28	-12.70	-91.90	0.00	137.67	153.43	-39.76	193.19
Wognum									
De Wolden	114.04	1.48	8.55	-49.16	1.84	86.45	-153.62	12.07	-165.69
Wormerland	102.38	16.16	19.60	16.65	0.00	177.81	183.76	113.72	70.04
Woudenberg	63.77	8.63	-7.67	-146.18	0.23	85.53	114.91	2.86	112.05
Woudrichem	15.39	-13.00	-4.70	-130.03	0.01	109.73	545.24	-2.30	547.54
Wûnseradiel					-2.74				
Wymbritseradiel					-0.52				
Zaanstad	99.24	2.10	-25.84	-41.66	-0.31	220.91	-10.27	101.06	-111.33
Zaltbommel									
Zandvoort	126.47	-9.12	11.29	7.33	3.19	200.25	1368.38	156.78	1211.60
Zederik	109.09	7.92	-13.21	-36.31	-0.53	93.17	227.12	132.66	94.46
Zeevang	64.18	80.11	-12.61	51.38	-0.15	97.99	-581.76	-28.78	-552.97
Zeewolde	60.24	-23.10	9.91	-335.35	-3.42	93.38	-1148.12	-839.31	-308.82
Zeist	74.53	-3.65	-14.29	-4.66	1.43	124.96	-469.71	-66.90	-402.82
Zevenaar	85.76	-3.77	-8.61	-501.99	0.39	114.64	1595.14	17.62	1577.52
Zevenhuizen-Moerkapelle									
Zijpe	70.39	14.48			4.41		445.72	9.58	436.14
Zoetermeer	141.69	-14.93	-22.57	-96.37	-0.25	137.48	0.24	17.70	-17.46
Zoeterwoude	81.78	75.79	17.63	100.76	0.00	72.49	451.80	120.50	331.31
Zuidhorn	98.56	-36.44	-9.12	-70.73	0.00	106.03	1166.19	76.13	1090.06
Zuidplas									
Zundert									
Zutphen									
Zwartewaterland	102.12	-16.49	-5.50	-192.11	-0.07	85.74	877.94	52.84	825.10
Zwijndrecht	39.48	-7.05	-10.73	-12.14	0.00	190.11	318.05	267.94	50.12
Zwolle	194.56	3.14	-12.96	-177.16	0.31	210.32	370.15	146.84	223.32

(Data sources: (1)-(6): CBS, Municipal accounts (per municipality; revenues and expenses, taxes); (7)-(9): CBS, Municipal accounts (balance per municipality); CBS, Annual change of the consumer price index from 1963; own calculations)

Appendix 10: Potential factors of influence on municipal finances per municipality (independent variables)

The variables below are expressed in the following units of measurement:

- (1) Change in unemployment: percentage points
- (2) Share of financial sector: share (ranging from 0 to 1)
- (3) Share of persons aged 65 and older: share (ranging from 0 to 1)
- (4) Population: absolute value
- (5) Share of agricultural soil usage: share (ranging from 0 to 1)
- (6) Short-term debt: euro per capita
- (7) Long-term debt: euro per capita
- (8) Share of left parties: share (ranging from 0 to 1)
- (9) Political fragmentation: coefficient (ranging from 0 to 1)
- (10) Civil servants: full-time equivalents per 1,000 inhabitants
- (11) Administrative costs: euro per capita

Note: Missing values are often the consequence of municipal amalgamations.

	(1) Change unem- plov- ment 2005..2 007- 2010..2 012	(2) Share of fi- nancial sector 2007	(3) Share of per- sons aged 65 and older 2007	(4) Pop- ulation 2007	(5) Share of agri- cultural soil use- age 2006	(6) Short- term debt 2007	(7) Long- term debt 2007	(8) Share of left parties 2006	(9) Po- litical frag- menta- tion 2006	(10) Civil serv- ants 2007	(11) Ad- minis- trative costs 2007
Aa en Hunze	0.00	0.0564	0.1769	25598	0.6919	54.00	435.00	0.5238	0.7120	6.6138	-107.54
Aalburg	0.10	0.0448	0.1244	12386	0.8255	176.00	366.00	0.1333	0.8178	5.6112	-136.58
Aalsmeer	0.57	0.0935	0.1545	26386	0.3142	193.00	289.00	0.0000	0.7424	4.8890	-126.94
Aalten	0.23	0.0650	0.1599	27568	0.8340	108.00	1742.00			5.6442	-106.09
Ter Aar					0.7665						
Abcoude		0.1208	0.1563	8688	0.8032			0.2308	0.8047		
Achtkarspelen	0.40	0.0449	0.1393	28088	0.8470	288.00	1795.00	0.4762	0.7800	7.2130	-154.78
Alblasserdam	0.03	0.0657	0.1653	18718	0.3032			0.3529	0.7612	5.8019	
Albrandswaard	0.40	0.1161	0.1292	22453	0.4661	393.00	2149.00	0.2105	0.8033	5.6251	-158.20
Alkemade		0.0901	0.1360	14481	0.7079	215.00	2133.00	0.2667	0.7467		-184.03
Alkmaar	0.33	0.0710	0.1342	93876	0.1791	178.00	2118.00	0.5135	0.8400	14.4638	-122.57
Almelo	-0.17	0.0786	0.1468	72287	0.5300	587.00	2493.00	0.5143	0.7820	11.3810	-141.13
Almere	0.50	0.0564	0.0718	183270	0.1444	348.00	2358.00	0.4872	0.8337	7.9620	-142.44
Alphen aan den Rijn	0.40	0.0808	0.1180	71658	0.6217	612.00	285.00	0.3714	0.8490	11.4139	-173.18
Alphen-Chaam	0.30	0.0523	0.1509	9455	0.7127	141.00	420.00	0.0000	0.7929	6.7583	-178.31
Ambt Montfort					0.6942						
Ameland	0.30	0.0385	0.1497	3456	0.0748	1142.00	4903.00	0.1818	0.7603	21.7882	-442.77
Amerongen											
Amersfoort	0.17	0.0743	0.1171	141211	0.3412	109.00	4676.00	0.4359	0.8494	7.0455	-69.66
Amstelveen	0.53	0.1104	0.1853	78980	0.4064	86.00	1.00	0.3714	0.8229	8.9174	-100.91
Amsterdam	0.07	0.0602	0.1125	747093	0.1279	2140.00	3336.00	0.7333	0.7249	19.9559	-220.91
Andijk		0.0702	0.1254	6581	0.3521	410.00	875.00	0.3846	0.7692		-172.91
Anna Paulowna		0.0437	0.1207	14123	0.8529	121.00	1049.00	0.3333	0.7022		-218.50
Apeldoorn	0.53	0.0810	0.1580	155108	0.2542	321.00	3079.00	0.3846	0.8402	11.0400	-117.75
Appingedam	-0.67	0.0652	0.1941	12131	0.7266	261.00	1455.00	0.4667	0.6933	11.5737	-168.05
Arcen en Velden		0.0632	0.1501	8743	0.5082	279.00	359.00	0.0000	0.6746		-175.06

	(1) Change unem- ploy- ment 2005..2 007- 2010..2 012	(2) Share of fi- nancial sector 2007	(3) Share of per- sons aged 65 and older 2007	(4) Pop- ulation 2007	(5) Share of agri- cultural soil us- age 2006	(6) Short- term debt 2007	(7) Long- term debt 2007	(8) Share of left parties 2006	(9) Po- litical frag- menta- tion 2006	(10) Civil serv- ants 2007	(11) Ad- minis- trative costs 2007
Arnhem	0.10	0.0610	0.1267	143582	0.1615	631.00	4410.00	0.5897	0.8179	15.7575	-115.10
Assen	-0.37	0.0617	0.1419	65487	0.4820	192.00	933.00	0.4848	0.8173	14.6365	-144.00
Asten	0.13	0.0798	0.1380	16392	0.6540	138.00	548.00	0.0000	0.7820	8.0527	-105.78
Baarle-Nassau	0.50	0.0403	0.1879	6664	0.8355	233.00	384.00	0.0000	0.7456	7.2179	-179.35
Baarn	0.07	0.0960	0.1825	24406	0.2343	68.00	1475.00	0.3158	0.8033	6.0846	-126.77
Barendrecht	0.57	0.1137	0.1170	44962	0.2053	248.00	1339.00	0.3333	0.7984	5.4802	-133.31
Barneveld	0.13	0.0731	0.1256	51486	0.5580	61.00	2895.00	0.1613	0.8241	8.0371	-112.50
Bedum	0.20	0.0510	0.1365	10550	0.8701	104.00	2197.00	0.2667	0.7733	6.8152	-84.24
Beek (L.)	-0.07	0.0633	0.1737	16696	0.6343	162.00	248.00	0.0000	0.7197	5.2108	-157.80
Beemster	0.37	0.0759	0.1546	8474	0.9051	142.00	2377.00	0.2308	0.7219	9.1220	-204.58
Beesel	0.27	0.0992	0.1433	13643	0.6518	155.00	1042.00	0.2000	0.8089	6.1570	-189.21
Bellingwedde	-0.03	0.0354	0.1867	9497	0.8444	177.00	1741.00	0.5385	0.7456	6.0440	-196.34
Bennebroek		0.1607	0.2576	5094	0.0391	249.00	42.00	0.2727	0.6612		-330.29
Bergambacht	0.37	0.1168	0.1537	9517	0.8276	127.00	1.00	0.2308	0.7337		-139.21
Bergeijk	0.17	0.0801	0.1486	18099	0.6162	833.00	804.00	0.1765	0.6782	5.8512	-132.70
Bergen (L.)	0.30	0.0584	0.1499	13499	0.5359	105.00	267.00	0.4000	0.6844	7.8450	-124.84
Bergen (NH.)	0.20	0.1116	0.2094	31220	0.3557	34.00	2686.00	0.3043	0.8166	7.5496	-157.67
Bergen op Zoom	0.40	0.0659	0.1541	65242	0.3815	541.00	1297.00	0.3030	0.8558	8.5390	-134.86
Bergschenhoek					0.4298						
Berkel en Rodenrijs					0.6446						
Berkelland	0.27	0.0660	0.1653	45150	0.8302	185.00	2498.00			6.6047	-149.80
Bernheze	0.37	0.0786	0.1357	29663	0.7459	264.00	745.00	0.0952	0.8435	5.6434	-139.18
Bernisse	-0.13	0.0915	0.1467	12540	0.7344	172.00	4030.00	0.2000	0.7733		-142.79
Best	0.27	0.0861	0.1266	29089	0.4499	209.00	329.00	0.2381	0.8163	7.9549	-159.48
Beuningen	0.53	0.0735	0.1190	25321	0.6648	-38.00	4173.00	0.3810	0.7982	5.8292	-123.82
Beverwijk	0.30	0.0547	0.1666	37347	0.1909	337.00	915.00	0.5200	0.7520	10.6247	-102.78
het Bildt	0.13	0.0310	0.1452	10933	0.7102	110.00	609.00	0.3333	0.7289	6.2197	-152.42
De Bilt	0.33	0.1102	0.2025	41998	0.5215	380.00	1041.00	0.3704	0.8230	5.4550	-124.24
Binnenmaas	0.30	0.0941	0.1474	28797	0.7232	81.00	608.00			6.4729	-143.04
Bladel	0.37	0.0799	0.1391	19114	0.5789	291.00	704.00	0.2353	0.8443	7.2617	-163.29
Blaricum	0.20	0.1358	0.1769	9036	0.2561	205.00	0.00	0.1538	0.7929		-345.59
Bleiswijk					0.6658						
Bloemendaal	0.20	0.1754	0.2133	16873	0.1003	608.00	624.00	0.2941	0.7820	9.3226	-183.93
Boarnsterhim		0.0396	0.1346	19270	0.7935	369.00	2475.00	0.5882	0.7405		-181.01
Bodegraven		0.0896	0.1273	19423	0.8094	411.00	1145.00	0.2353	0.8235		-153.83
Bodegraven-Reeuwijk	0.23										
Boekel	0.43	0.0398	0.1266	9646	0.8569	455.00	1959.00	0.0000	0.7337	6.0129	-250.97
Ten Boer	-0.03	0.0390	0.1205	7276	0.8994	179.00	4217.00	0.3846	0.7456	2.0066	-184.79
Bolsward		0.0598	0.1745	9730	0.5637	84.00	1708.00	0.3846	0.7219		-197.94
Borger-Odoorn	-0.20	0.0581	0.1647	26201	0.7761	82.00	1456.00	0.4762	0.7483	7.8241	-123.13
Borne	0.17	0.0939	0.1496	20764	0.6673	702.00	5884.00	0.3158	0.7258	7.4648	-162.86
Borsele	0.20	0.0690	0.1438	22531	0.6094	234.00	535.00	0.3158	0.7424	7.7582	-119.22
Boskoop		0.0616	0.1316	15217	0.7146	634.00	1765.00	0.2941	0.8028		-157.59
Boxmeer	0.03	0.0585	0.1435	28635	0.7216	294.00	1122.00	0.2857	0.8435	5.7727	-100.05
Boxtel	0.17	0.0827	0.1384	30241	0.5626	206.00	1687.00	0.2857	0.8617	11.8713	-91.80
Breda	0.60	0.0827	0.1511	170960	0.4664	118.00	3040.00	0.4615	0.8205	12.3105	-96.09
Breukelen		0.0844	0.1520	14674	0.7605	229.00	1076.00	0.2000	0.8444		-151.40
Brielle	0.13	0.0833	0.1456	15762	0.6237	294.00	942.00	0.4118	0.7889	9.2184	-114.65
Bronckhorst	0.33	0.0640	0.1783	37833	0.8003	100.00	840.00			7.1604	-78.38
Brummen	0.33	0.0789	0.1744	21200	0.6996	246.00	2296.00	0.4211	0.7036	6.1462	-194.12
Brunssum	-0.63	0.0594	0.1857	29742	0.1076	704.00	836.00	0.2857	0.8345	9.2630	-185.54

	(1) Change unem- plovment 2005..2 007- 2010..2 012	(2) Share of fi- nancial sector 2007	(3) Share of per- sons aged 65 and older 2007	(4) Pop- ulation 2007	(5) Share of agri- cultural soil us- age 2006	(6) Short- term debt 2007	(7) Long- term debt 2007	(8) Share of left parties 2006	(9) Po- litical frag- menta- tion 2006	(10) Civil serv- ants 2007	(11) Ad- minis- trative costs 2007
Bunnik	0.07	0.0864	0.1758	14258	0.7698	59.00	399.00	0.0000	0.6844	6.4385	-162.29
Bunschoten	0.20	0.0669	0.1082	19611	0.7176	117.00	1064.00	0.0000	0.7128	5.3133	-138.69
Buren	0.10	0.0611	0.1253	25727	0.8175	166.00	292.00	0.2857	0.8073	6.0326	-124.34
Bussum	0.43	0.0944	0.1982	31704	0.0493	80.00	724.00	0.3913	0.7902	16.4869	-115.18
Capelle aan den IJssel	0.47	0.1029	0.1410	65022	0.0473	216.00	1426.00	0.3333	0.8320	7.3837	-163.03
Castricum	0.40	0.1047	0.1758	34705	0.3929	125.00	1941.00	0.2800	0.8352	6.5639	-89.24
Coevorden	-0.40	0.0558	0.1720	35993	0.7822	111.00	3010.00	0.3600	0.7584	6.3623	-132.08
Cranendonck	0.37	0.0814	0.1548	20263	0.4832	228.00	500.00	0.2632	0.8033	6.3021	-96.54
Cromstrijen	0.17	0.1036	0.1435	12853	0.6719	63.00	566.00	0.2667	0.8267	9.8498	-131.12
Cuijk	0.23	0.0574	0.1344	24226	0.6447	159.00	906.00	0.3158	0.8366	9.9315	-143.63
Culemborg	0.33	0.0710	0.1193	27298	0.6078	498.00	2643.00	0.5714	0.7982	7.6013	-123.63
Dalfsen	0.13	0.0551	0.1472	26735	0.8148	182.00	347.00	0.1905	0.7664	6.3063	-126.94
Dantumadeel		0.0435	0.1534	19399	0.8342	163.00	0.00	0.3529	0.8028		-160.47
Dantumadiel	0.50										
Delft	0.73	0.0489	0.1325	96168	0.1175	809.00	2362.00	0.4865	0.8444	14.7086	-94.41
Delfzijl	-0.07	0.0476	0.1842	27314	0.4536	247.00	1948.00	0.4286	0.7392	13.6670	-182.22
Deurne	0.20	0.0657	0.1466	31643	0.6454			0.1304	0.8015	6.9526	
Deventer	0.10	0.0758	0.1411	97342	0.6519	30.00	1227.00			8.4609	-133.81
Diemen	0.83	0.0789	0.1352	24046	0.1532	306.00	3014.00	0.5263	0.8255	7.3651	-156.48
Dinkelland	0.37	0.0763	0.1608	26116	0.8128	236.00	1425.00	0.1429	0.6757	7.3212	-85.45
Dirksland		0.0532	0.1387	8324	0.5287	135.00	717.00	0.2308	0.7929		-131.23
Doesburg	-0.10	0.0734	0.1431	11567	0.5853	162.00	1191.00	0.6000	0.7556	7.3571	-168.46
Doetinchem	0.20	0.0852	0.1506	56253	0.6400	222.00	2187.00			9.6048	-202.05
Dongen	0.10	0.0634	0.1450	25442	0.6898	198.00	1099.00	0.3810	0.8163	7.5702	-224.77
Dongeradeel	0.40	0.0358	0.1581	24694	0.5272	274.00	2465.00	0.4286	0.7755	8.9576	-95.67
Doorn											
Dordrecht	0.23	0.0701	0.1449	118182	0.3063	473.00	319.00	0.3846	0.8297	18.4241	-132.21
Drechterland	0.07	0.0623	0.1267	18818	0.6457	160.00	355.00			5.2822	-121.26
Driebergen-Rijsen- burg											
Drimmelen	0.13	0.0526	0.1415	26623	0.5902	144.00	229.00	0.2381	0.7937	5.2811	-130.35
Dronten	0.40	0.0626	0.1204	38528	0.6303	-109.00	1927.00	0.3600	0.8192	7.0209	-87.03
Druuten	0.17	0.0679	0.1208	18082	0.6634	500.00	1856.00	0.0000	0.8720	5.8677	-124.60
Duiven	0.43	0.0787	0.1204	25560	0.6671	327.00	3571.00	0.3333	0.8027	6.5493	-122.98
Echt-Susteren	-0.50	0.0623	0.1664	32172	0.6918	97.00	1623.00	0.1739	0.8129	6.6704	-75.44
Edam-Volendam	0.33	0.0837	0.1181	28448	0.4015	128.00	1253.00	0.1905	0.8118	6.2430	-190.57
Ede	0.30	0.0752	0.1408	107686	0.3554	328.00	2585.00	0.2308	0.8534	7.9193	-179.28
Eemnes	0.30	0.0750	0.1140	8964	0.7654	370.00	84.00	0.3077	0.7811	22.3896	-211.34
Eemmond	-0.83	0.0314	0.1559	16542	0.2833	182.00	2299.00	0.4706	0.7820	9.6361	-125.43
Eersel	0.13	0.0800	0.1605	18072	0.6200	237.00	138.00	0.1765	0.7405	5.8931	-197.88
Eijsden		0.0635	0.1612	11495	0.6975	24.00	2809.00	0.2000	0.7111		-160.30
Eijsden-Margraten	-0.03										
Eindhoven	0.43	0.0755	0.1551	210333	0.1466	137.00	881.00	0.5111	0.8306	11.5612	-283.06
Elburg	0.13	0.0648	0.1323	22231	0.4575	358.00	1221.00	0.1579	0.8421	7.3681	-100.51
Emmen	0.03	0.0635	0.1648	109151	0.6912			0.5385	0.7219	9.8900	
Enkhuizen	-0.03	0.0649	0.1395	17804	0.0593	51.00	1803.00	0.4118	0.8304	7.4815	-161.90
Enschede	0.17	0.0818	0.1399	154753	0.4909	840.00	1911.00	0.5385	0.7837	12.4456	-161.56
Epe	0.27	0.0993	0.1831	32970	0.4459	132.00	211.00	0.3043	0.8431	6.4331	-93.73
Ermelo	0.13	0.0833	0.1683	26270	0.2376	178.00	796.00	0.0000	0.7982	7.1222	-138.15
Etten-Leur	0.43	0.0737	0.1331	40435	0.7035	266.00	877.00	0.2593	0.8148	7.1151	-89.60
Ferwerderadiel	0.03	0.0273	0.1376	8865	0.6222	175.00	1047.00	0.3846	0.7929	6.3734	-244.32

	(1) Change unem- ployment 2005..2 007- 2010..2 012	(2) Share of fi- nancial sector 2007	(3) Share of per- sons aged 65 and older 2007	(4) Pop- ulation 2007	(5) Share of agri- cultural soil us- age 2006	(6) Short- term debt 2007	(7) Long- term debt 2007	(8) Share of left parties 2006	(9) Po- litical frag- menta- tion 2006	(10) Civil serv- ants 2007	(11) Ad- minis- trative costs 2007
Franekeradeel	0.33	0.0407	0.1512	20542	0.8382	133.00	823.00	0.4737	0.8033	10.0915	-114.14
De Friese Meren	0.27										
Gaasterlân-Sleat		0.0366	0.1880	10215	0.3636	233.00	667.00	0.4000	0.7822		-192.98
Geertruidenberg	0.47	0.0601	0.1397	20742	0.5358	228.00	1663.00	0.3684	0.8255	6.3639	-94.58
Geldermalsen	0.20	0.0682	0.1261	26285	0.7644	279.00	0.00	0.2381	0.8118	12.6003	-186.44
Geldrop-Mierlo	0.33	0.0829	0.1569	37982	0.3488	293.00	1474.00	0.2000	0.8288	6.0976	-111.20
Gemert-Bakel	0.07	0.0619	0.1329	28103	0.6582	1180.00	4374.00	0.1905	0.7800	6.9743	-130.12
Gennep	0.20	0.0741	0.1498	16890	0.6446	116.00	1615.00	0.2353	0.7682	6.3173	-171.97
Giessenlanden	0.20	0.0742	0.1309	14422	0.8811	413.00	917.00	0.2667	0.8000	7.0795	-120.71
Gilze en Rijen	0.13	0.0570	0.1370	25644	0.5718	148.00	1576.00	0.2857	0.8118	7.0660	-161.53
Goedereede		0.0859	0.1562	11589	0.2242	225.00	423.00	0.1333	0.7911		-180.75
Goeree-Overflakkee	0.00										
Goes	0.03	0.0956	0.1796	36706	0.6919	123.00	3409.00	0.4000	0.7968	13.7035	-108.25
Goirle	0.27	0.0726	0.1451	22319	0.5762	495.00	767.00	0.2105	0.8089	4.8793	-100.30
Gorinchem	0.57	0.0686	0.1477	34472	0.3688	391.00	4689.00	0.5652	0.7977	11.5833	-155.19
Gouda	0.70	0.0831	0.1372	70857	0.1939	460.00	1885.00	0.4286	0.8522	10.8049	-177.85
Graafstroom		0.0634	0.1226	9796	0.8987	125.00	890.00	0.1538	0.7811		-177.04
Graft-De Rijp	0.37	0.0860	0.1426	6539	0.7853	252.00	548.00	0.3846	0.6982		-206.19
Grave	0.53	0.0588	0.1300	12717	0.7293	247.00	557.00	0.2667	0.8267	7.1872	-42.36
's-Gravendeel					0.7255						
's-Gravenhage	0.77	0.0599	0.1343	475681	0.0266	651.00	1475.00	0.4889	0.8099	15.4896	-148.26
Groenlo					0.8268						
Groesbeek	0.50	0.0854	0.1877	18976	0.5009	220.00	368.00	0.2941	0.8166	10.6714	-170.52
Groningen	-0.50	0.0576	0.1139	182484	0.3451	414.00	4335.00	0.6154	0.8258	15.7729	-141.80
Grootegast	-0.17	0.0352	0.1341	12208	0.8982	157.00	1474.00	0.2000	0.7644	7.2248	-148.58
Gulpen-Wittem	-0.30	0.0535	0.1738	14712	0.8009	132.00	1503.00	0.2353	0.7612	8.9315	-181.93
Haaksbergen	0.27	0.0753	0.1632	24378	0.6886	148.00	2908.00	0.2632	0.7535	7.1417	-166.71
Haaren	0.33	0.0888	0.1457	13769	0.7227			0.0000	0.7378	6.2459	
Haarlem	0.17	0.0567	0.1525	147640	0.1370			0.5641	0.8297	13.1631	
Haarlemmerliede en Spaarnwoude	0.50	0.1053	0.1418	5429	0.5555	258.00	321.00	0.2727	0.7107		-194.89
Haarlemmermeer	0.63	0.0907	0.1063	140648	0.6186	377.00	1152.00	0.3846	0.8297	7.8949	-142.32
Haelen					0.4624						
Halderberge	0.33	0.0825	0.1567	29488	0.7888	524.00	881.00	0.1905	0.8390	6.4942	-104.94
Hardenberg	0.10	0.0495	0.1401	58207	0.8118	155.00	1306.00	0.2903	0.7575	7.5094	-60.13
Harderwijk	0.17	0.0915	0.1328	42333	0.2030	140.00	609.00	0.1481	0.8477	9.6473	-148.48
Hardinxveld-Giessen- dam	0.37	0.0944	0.1399	17604	0.5716	269.00	1562.00	0.2353	0.8166	6.8905	-120.84
Haren	-0.10	0.1280	0.2324	18706	0.6349	300.00	2319.00	0.4706	0.7958	8.0669	-136.96
Harenkarspel		0.0744	0.1176	15932	0.8470	137.00	13.00	0.2353	0.7336		-148.33
Harlingen	0.43	0.0613	0.1635	15567	0.0439	173.00	59.00	0.4706	0.7612	8.2611	-151.24
Hatterum	0.23	0.0866	0.1679	11657	0.5326	264.00	883.00	0.4000	0.7111	7.0430	-145.83
Heel					0.3186						
Heemskerk	0.23	0.0786	0.1678	38381	0.2127	103.00	218.00	0.4400	0.7776	6.6752	-62.81
Heemstede	0.20	0.1201	0.2224	25626	0.1629	310.00	1250.00	0.3333	0.8118	6.8407	-108.82
Heerde	-0.03	0.0718	0.1675	18212	0.4970	380.00	329.00	0.2941	0.7682	6.8087	-131.46
Heerenveen	0.17	0.0649	0.1751	43027	0.7176	292.00	3425.00	0.5556	0.7407	7.9694	-111.72
Heerhugowaard	0.57	0.0769	0.1044	50390	0.5614	163.00	1084.00	0.3103	0.8181	7.7099	-77.89
Heerlen	-0.67	0.0513	0.1821	89671	0.1864	550.00	833.00	0.5405	0.8181	12.3451	-179.77
Heeze-Leende	0.33	0.0909	0.1744	15133	0.4200	116.00	767.00	0.1765	0.7889	6.5949	-114.89
Heiloo	0.30	0.1089	0.2036	22024	0.5292	130.00	1628.00	0.3158	0.7978	6.9697	-88.36
Helden		0.0595	0.1457	19527	0.7011	237.00	1597.00	0.2353	0.7059		-109.08

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Den Helder	-0.10	0.0718	0.1497	57795	0.0985	395.00	3403.00	0.4194	0.8470	9.0406	-110.82
Hellendoorn	0.33	0.0831	0.1575	36059	0.5940	373.00	2737.00	0.2000	0.7584	8.5776	-120.54
Hellevoetsluis	-0.10	0.0877	0.1205	39620	0.4085	297.00	675.00	0.4074	0.7764	4.4573	-91.79
Helmond	-0.03	0.0809	0.1249	86767	0.2962	656.00	1873.00	0.3784	0.8503	9.9243	-176.83
Hendrik-Ido-Ambacht	0.37	0.0973	0.1312	24854	0.2619	457.00	5005.00	0.2632	0.7867	4.7638	-147.83
Hengelo (O.)	-0.13	0.0796	0.1549	81088	0.4257	210.00	5475.00	0.5135	0.8181	11.0103	-108.19
's-Hertogenbosch	0.23	0.0780	0.1339	136481	0.3932	697.00	1263.00	0.4615	0.8679	13.8459	-153.89
Heumen	0.20	0.0918	0.1507	16628	0.5709	167.00	839.00	0.4118	0.7405	5.6291	-199.12
Heusden	0.23	0.0839	0.1343	42942	0.5836	134.00	1382.00	0.1852	0.8258	6.1758	-108.48
Heythuysen					0.7710						
Hillegom	0.33	0.0714	0.1585	20348	0.5772	108.00	1.00	0.2632	0.8033	6.3004	-180.78
Hilvarenbeek	0.17	0.0625	0.1405	15107	0.6077	171.00	1764.00	0.1333	0.7644	7.0630	-106.84
Hilversum	0.43	0.0675	0.1786	83815	0.1259	617.00	1257.00	0.4324	0.8488	7.8530	-122.18
Hof van Twente	0.03	0.0755	0.1829	35181	0.7363	-35.00	1237.00	0.2800	0.7456	6.7480	-120.67
Hollands Kroon	0.20										
Hoogeveen	-0.17	0.0623	0.1604	54468	0.6980	752.00	799.00	0.3548	0.7763	8.1608	-81.64
Hoogezand-Sappe- meer	-0.93	0.0753	0.1672	34417	0.6293	723.00	1274.00	0.6087	0.7259	10.2914	-96.42
Hoorn	0.27	0.0685	0.1215	68696	0.0465	181.00	4087.00	0.4545	0.8062	10.3310	-86.72
Horst aan de Maas	0.17	0.0684	0.1463	28975	0.6954	317.00	1768.00	0.4762	0.6939	10.5470	-139.12
Houten	0.37	0.0843	0.0879	46475	0.7048	184.00	1200.00	0.3704	0.8450	7.6428	-102.57
Huizen	0.33	0.1070	0.1397	41880	0.0485	102.00	8.00	0.2963	0.8505	6.1414	-71.41
Hulst	0.43	0.0567	0.1790	27944	0.6164	145.00	1573.00	0.2857	0.8435	7.1572	-114.23
Hunsel					0.8364						
IJsselstein	0.40	0.0944	0.1010	34059	0.6438	110.00	2962.00	0.5217	0.7788	7.4254	-81.40
Jacobswoude		0.0848	0.1378	10771	0.7936	86.00	1230.00	0.0000	0.6400		-151.00
Kaag en Braassem	0.43										
Kampen	-0.03	0.0655	0.1319	49385	0.7249	305.00	528.00	0.2414	0.8419	8.0531	-64.87
Kapelle	-0.07	0.0735	0.1446	12047	0.5660	264.00	594.00	0.2000	0.8089	5.9849	-142.40
Katwijk	0.20	0.0802	0.1310	61180	0.2415	329.00	1407.00			6.8813	-166.35
Kerkrade	-0.70	0.0424	0.1886	48334	0.1926	246.00	1481.00	0.3793	0.8133	7.5227	-139.74
Kessel		0.0714	0.1441	4266	0.7155	97.00	3045.00	0.0000	0.6281		-247.25
Koggenland	0.40	0.0613	0.1215	21495		189.00	186.00			5.7083	-163.19
Kollumerland en Nieuwkruisland	0.57	0.0347	0.1415	13085	0.7415	772.00	1941.00	0.4000	0.7733	9.0409	-87.81
Korendijk	-0.07	0.0791	0.1385	10934	0.6555	84.00	1215.00	0.2000	0.7911	5.1857	-121.11
Krimpen aan den IJ- ssel	0.17	0.1141	0.1750	28807	0.0470			0.3333	0.8027	7.3940	
Laarbeek	0.13	0.0772	0.1442	21783	0.7029	169.00	282.00	0.1579	0.7922	5.6374	-119.37
Landerd	0.27	0.1013	0.1350	14796	0.6551	137.00	63.00	0.0000	0.8178	5.3393	-140.36
Landgraaf	-0.73	0.0436	0.1677	38748	0.3240	102.00	490.00	0.3600	0.8352	6.1758	-147.64
Landsmeer	0.13	0.1020	0.1645	10173	0.5670	128.00	1319.00	0.4000	0.7822	6.0356	-125.88
Langedijk	0.37	0.0939	0.1156	26047	0.4728	171.00	1529.00	0.2857	0.8299	5.6936	-116.95
Lansingerland	0.20	0.0962	0.1122	49411		1552.00	3906.00			5.7234	-109.77
Laren (NH.)	0.53	0.1542	0.2654	10958	0.0412	183.00	16.00	0.1333	0.7556		-204.94
Leek	-0.23	0.0814	0.1509	19289	0.8211	133.00	3609.00	0.4706	0.7612	8.5800	-147.26
Leerdam	0.23	0.0664	0.1466	20624	0.7984	29.00	899.00	0.3158	0.8033	6.1288	-137.37
Leersum											
Leeuwarden	0.23	0.0583	0.1451	92864	0.5251	439.00	2266.00	0.6486	0.7757	14.4243	-109.67
Leeuwarderadeel	0.33	0.0575	0.1320	10383	0.8690	108.00	1688.00	0.4000	0.7556	7.4160	-151.94
Leiden	0.33	0.0541	0.1176	116878	0.1187	699.00	1881.00	0.5385	0.8429	18.3807	-204.43
Leiderdorp	0.40	0.0757	0.1555	26376	0.4312	431.00	879.00	0.3810	0.8027	6.9495	-279.56

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Leidschendam-Voorburg	0.87	0.0925	0.1959	72862	0.4871	127.00	243.00	0.3429	0.8163	8.5957	-170.97
Lelystad	0.47	0.0562	0.0955	73063	0.1509	254.00	500.00	0.4857	0.8327	13.4911	-185.75
Lemsterland		0.0561	0.1390	13430	0.5353	263.00	1389.00	0.4000	0.8178		-138.53
Leudal	-0.03	0.0632	0.1532	36744		177.00	1629.00			6.6977	-130.29
Leusden	0.27	0.0987	0.1381	28540	0.4978	275.00	148.00	0.3333	0.8073	5.9075	-162.81
Liemeer					0.8928						
Liesveld		0.0667	0.1209	9771	0.8123	1424.00	2196.00	0.1538	0.7692		-129.50
Lingewaal	0.10	0.0780	0.1296	10916	0.7227	320.00	799.00	0.3333	0.7556	5.6523	-238.52
Lingewaard	0.47	0.0814	0.1302	44617	0.6649	840.00	1383.00	0.2593	0.8340	5.6548	-120.26
Lisse	0.40	0.0824	0.1533	22131	0.5264			0.2105	0.8255	8.0746	
Lith		0.0667	0.1179	6716	0.8285	369.00	1096.00	0.0000	0.6982		-161.11
Littenseradiel	0.33	0.0255	0.1211	10885	0.9415	393.00	956.00	0.5333	0.7378	6.3482	-156.31
Lochem	0.07	0.0761	0.2097	33045	0.7406	140.00	783.00			6.1764	-106.24
Loenen		0.1192	0.1711	8280	0.7478	204.00	593.00	0.2308	0.7929		-148.68
Loon op Zand	0.30	0.0842	0.1543	22885	0.4619			0.2632	0.7590	4.6668	
Lopik	0.17	0.0541	0.1098	14047	0.8777	116.00	0.00	0.2667	0.7644	6.9054	-135.58
Loppersum	0.03	0.0333	0.1439	10702	0.9160	368.00	1634.00	0.4000	0.8000	6.3166	-166.48
Losser	0.30	0.0690	0.1594	22492	0.7212	265.00	1464.00	0.2632	0.7701	7.2737	-159.62
Maarn											
Maarssen		0.0778	0.1176	39361	0.4744	180.00	470.00	0.4400	0.7552		-116.70
Maasbracht					0.4469						
Maasbree		0.0629	0.1236	12939	0.7034	136.00	1500.00	0.2667	0.7467		-170.87
Maasdonk	0.37	0.0718	0.1389	11260	0.8119	143.00	510.00	0.0000	0.7556		-152.14
Maasdriel	0.30	0.0574	0.1325	23631	0.7108	136.00	937.00	0.2632	0.7479	4.6718	-91.99
Maasgouw	-0.37	0.0706	0.1753	24545		228.00	401.00			6.9627	-188.55
Maassluis	0.53	0.0890	0.1532	31394	0.2542	481.00	1423.00	0.4348	0.7977	9.9605	-165.84
Maastricht	0.23	0.0564	0.1738	118004	0.3523			0.5385	0.8126	12.2140	
Margraten		0.0549	0.1717	13531	0.8205	3902.00	1101.00	0.0000	0.6844		-143.78
De Marne	-0.43	0.0395	0.1672	10696	0.5039	468.00	2769.00	0.4667	0.7733	9.3212	-188.12
Marum	-0.07	0.0547	0.1328	10218	0.8789	230.00	1294.00	0.4000	0.6933	5.0108	-116.43
Medemblik	0.23	0.0574	0.1271	26682	0.0424	127.00	1688.00			8.9461	-57.51
Meerlo-Wanssum		0.0566	0.1283	7672	0.6769	150.00	4.00	0.1538	0.7101		-96.74
Meerssen	0.27	0.0566	0.1791	19744	0.6236	37.00	4656.00	0.1176	0.7197	4.8673	-119.31
Meijel		0.0706	0.1455	5956	0.7665			0.4545	0.6777		
Menaldumadeel		0.0327	0.1335	13710	0.8739	126.00	1552.00	0.6000	0.8089		-189.88
Menameradiel	0.33										
Menterwolde	-0.30	0.0661	0.1289	12498	0.8235	205.00	1145.00	0.6667	0.7733	6.7531	-116.93
Meppel	0.10	0.0574	0.1471	31536	0.7152	199.00	3566.00	0.3478	0.7713	9.8681	-144.56
Middelburg (Z.)	-0.20	0.0839	0.1634	47325	0.5861	80.00	5289.00	0.4138	0.8585	13.4960	-175.96
Middelharnis		0.0722	0.1611	17689	0.5883	292.00	1709.00	0.1765	0.8512		-129.16
Midden-Delfland	0.43	0.0868	0.1284	17451	0.7837	212.00	1182.00	0.3462	0.7515	7.1801	-147.87
Midden-Drenthe	-0.33	0.0452	0.1592	33587	0.7422	157.00	1314.00	0.1429	0.7653	6.9342	-117.57
Mill en Sint Hubert	0.37	0.0556	0.1466	10996	0.7293	122.00	63.00	0.1333	0.7822	6.8752	-93.58
Millingen aan de Rijn	0.53	0.0385	0.1389	5876	0.5339	96.00	765.00	0.4545	0.6942		-197.41
Moerdijk	0.30	0.0623	0.1455	36724	0.6353	118.00	227.00	0.3200	0.8032	7.5618	-132.81
Molenwaard	0.23										
Montferland	0.37	0.0931	0.1590	34995	0.7022	141.00	1689.00			6.4581	-112.23
Montfoort	0.30	0.1015	0.1084	13493	0.8731	181.00	231.00	0.0000	0.8089	5.7660	-159.12
Mook en Middelaar	0.30	0.1290	0.1663	8084	0.3774	93.00	1245.00			7.1994	-194.30
Moordrecht		0.0777	0.1192	8155	0.7298	374.00	988.00	0.2308	0.7929		-207.61

	(1) Change unem- ploidment 2005..2 007- 2010..2 012	(2) Share of fi- nancial sector 2007	(3) Share of per- sons aged 65 and older 2007	(4) Pop- ulation 2007	(5) Share of agri- cultural soil us- age 2006	(6) Short- term debt 2007	(7) Long- term debt 2007	(8) Share of left parties 2006	(9) Po- litical frag- menta- tion 2006	(10) Civil serv- ants 2007	(11) Ad- minis- trative costs 2007
Muiden	0.60	0.0965	0.1550	6608	0.2618	234.00	1.00	0.3077	0.7692	5.7809	-283.01
Naarden	0.33	0.1070	0.1904	17140	0.2098	134.00	1232.00	0.4118	0.7543	7.3221	-133.04
Neder-Betuwe	0.17	0.0579	0.1156	22424	0.7185	171.00	729.00	0.3158	0.7645	5.1864	-96.64
Nederlek	0.47	0.0760	0.1563	14308	0.6648	220.00	88.00	0.3333	0.7733		-88.15
Nederweert	0.23	0.0659	0.1490	16665	0.7400	379.00	409.00	0.1765	0.7266	7.1827	-124.43
Neerijnen	0.33	0.0543	0.1266	11851	0.7747	802.00	781.00	0.2667	0.7911	5.9236	-106.58
Niedorp		0.0550	0.1204	12046	0.8778	124.00	382.00	0.3333	0.7378		-166.86
Nieuwegein	0.23	0.0725	0.1131	61087	0.1752	280.00	339.00	0.4848	0.8356	8.0639	-147.69
Nieuwerkerk aan den IJssel		0.1287	0.1101	21741	0.5604	118.00	1414.00	0.2105	0.7812		-126.16
Nieuwkoop	0.37	0.0721	0.1245	26777	0.5140	372.00	844.00			6.2068	-128.99
Nieuw-Lekkerland		0.0617	0.1104	9503	0.5262	249.00	799.00	0.3077	0.7692		-213.15
Nijefurd		0.0263	0.1808	11040	0.2873	177.00	844.00	0.4667	0.7911		-179.04
Nijkerk	0.07	0.0836	0.1288	38982	0.7112	361.00	1545.00	0.1200	0.8384	6.0643	-82.51
Nijmegen	0.30	0.0621	0.1300	161251	0.1912	208.00	4072.00	0.6154	0.8323	14.5612	-169.40
Noord-Beveland	0.03	0.0547	0.1913	7289	0.5894	345.00	1326.00	0.2308	0.7929	7.7102	-211.64
Noordenveld	0.17	0.0732	0.1890	31253	0.7158	212.00	1246.00	0.3913	0.7524	8.3640	-147.59
Noorder-Koggenland					0.8941						
Noordoostpolder	0.17	0.0489	0.1314	45716	0.6871	209.00	72.00	0.2069	0.8109	6.9122	-91.73
Noordwijk	0.30	0.1014	0.1468	24906	0.1617	211.00	1206.00	0.2105	0.8476	8.5040	-209.19
Noordwijkerhout	0.10	0.0593	0.1573	15399	0.6427	390.00	1502.00	0.2941	0.7405	4.6951	-139.27
Nuenen, Gerwen en Nederwetten	0.37	0.1003	0.1473	22598	0.5831	115.00	1437.00	0.2105	0.8255	5.9297	-123.04
Nunspeet	0.23	0.0738	0.1530	26567	0.2378	98.00	829.00	0.0952	0.7846	6.4064	-111.54
Nuth	-0.23	0.0625	0.1911	15851	0.7814	155.00	1760.00	0.2941	0.7682	5.9744	-63.05
Obdam					0.8442						
Oegstgeest	0.30	0.1100	0.1636	22367	0.2155	418.00	3330.00	0.3158	0.7368	6.5498	-138.18
Oirschot	0.10	0.0799	0.1457	17855	0.5791	398.00	3218.00	0.2353	0.7889	6.8664	-129.79
Oisterwijk	0.23	0.0841	0.1687	25743	0.5683	137.00	805.00	0.3333	0.7755	7.2719	-99.29
Oldambt	0.23										
Oldebroek	0.03	0.0563	0.1319	22771	0.5914	293.00	864.00	0.2632	0.7590	6.6839	-135.48
Oldenzaal	0.40	0.1047	0.1559	31584	0.3312	262.00	1441.00	0.2609	0.7410	8.9476	-104.06
Olst-Wijhe	0.03	0.0615	0.1497	17334	0.8234	276.00	1005.00	0.3529	0.7059	6.7901	-180.70
Ommen	0.30	0.0569	0.1577	17419	0.6306	202.00	1034.00	0.1176	0.7820	8.0028	-172.78
Onderbanken	-0.67	0.0317	0.1649	8240	0.6601	50.00	537.00	0.0000	0.7101	5.9709	-252.17
Oost Gelre	0.50	0.0746	0.1503	29873		97.00	1962.00			9.3998	-151.24
Oosterhout	0.60	0.0912	0.1523	53785	0.4645	172.00	653.00	0.4194	0.8408	7.5411	-110.50
Oostflakkee		0.0465	0.1481	10178	0.5550	227.00	796.00	0.3333	0.7911		-213.81
Ooststellingwerf	0.13	0.0433	0.1676	26398	0.7370			0.4286	0.7574	7.5119	
Oostzaan	0.73	0.0833	0.1530	9205	0.3329	522.00	3137.00	0.4615	0.7929	4.9321	-170.96
Opmeer	0.33	0.0592	0.1324	11244	0.8809	447.00	1040.00	0.2000	0.7556	7.4262	-131.82
Opsterland	0.77	0.0334	0.1472	29703	0.7886			0.3810	0.7710	5.6930	
Oss	0.87	0.0804	0.1439	76732	0.6246	150.00	1495.00	0.4857	0.7967	9.2856	-64.04
Oud-Beijerland	0.33	0.1060	0.1339	23824	0.6242	221.00	313.00	0.3158	0.8476	8.3739	-52.79
Oude IJsselstreek	0.53	0.0830	0.1638	39905	0.8257	175.00	2170.00			6.8262	-120.25
Ouder-Amstel	0.37	0.0970	0.1608	13046	0.6253	262.00	0.00	0.3333	0.7289	6.5231	-138.29
Ouderkerk	0.23	0.0708	0.1430	8156	0.8615	176.00	992.00	0.3077	0.7692		-256.99
Oudewater	0.37	0.0872	0.1457	9917	0.9099	136.00	1.00	0.1538	0.7811	6.2216	-176.33
Overbetuwe	0.40	0.0766	0.1289	44226	0.7592	322.00	908.00	0.2963	0.8176	6.0598	-120.29
Papendrecht	0.30	0.0882	0.1506	31573	0.1300	158.00	1679.00	0.3478	0.8280	6.3124	-143.84
Peel en Maas	-0.07										
Pekela	0.00	0.0377	0.1586	13262	0.7914	0.00	943.00	0.7333	0.7111	5.9870	-138.98

	(1) Change unem- ployment 2005..2 007- 2010..2 012	(2) Share of fi- nancial sector 2007	(3) Share of per- sons aged 65 and older 2007	(4) Pop- ulation 2007	(5) Share of agri- cultural soil us- age 2006	(6) Short- term debt 2007	(7) Long- term debt 2007	(8) Share of left parties 2006	(9) Po- litical frag- menta- tion 2006	(10) Civil serv- ants 2007	(11) Ad- minis- trative costs 2007
Pijnacker-Nootdorp	0.80	0.0626	0.1087	43762	0.6023	342.00	2652.00	0.3333	0.7984	6.8256	-90.21
Purmerend	0.40	0.0645	0.1370	78434	0.1584			0.4286	0.8490	9.0547	
Putten	0.23	0.0815	0.1509	23183	0.5496	119.00	565.00	0.1053	0.8089	5.8750	-109.46
Raalte	0.17	0.0578	0.1467	37030	0.8178	326.00	640.00	0.2800	0.7840	6.6406	-167.83
Reeuwijk		0.1032	0.1567	12803	0.6623	790.00	1919.00	0.2000	0.8000		-180.38
Reiderland		0.0149	0.1702	7014	0.5110	658.00	3608.00	0.7692	0.7219		-157.22
Reimerswaal	0.00	0.0943	0.1477	21296	0.3117	178.00	1492.00	0.2105	0.7645	6.1608	-107.82
Renkum	-0.07	0.1066	0.2237	31719	0.3330	265.00	599.00	0.4348	0.7977	7.4876	-85.37
Renswoude	0.03	0.0595	0.0968	4482	0.8440	217.00	4288.00	0.0000	0.7107	6.2026	-182.84
Reusel-De Mierden	0.27	0.0490	0.1281	12384	0.6278			0.2667	0.7289	7.1786	
Rheden	0.23	0.0807	0.2244	43763	0.3029	291.00	256.00	0.4444	0.8203	7.6754	-156.68
Rhenen	0.30	0.1061	0.1627	18779	0.5078	146.00	1940.00	0.4118	0.8166	6.6138	-100.51
Ridderkerk	0.27	0.0981	0.1908	44689	0.3741	167.00	717.00	0.3103	0.8276	6.7377	-73.84
Rijnsburg											
Rijnwaarden	-0.03	0.0796	0.1346	11008	0.6383	87.00	3793.00	0.2000	0.8000	6.7133	-138.10
Rijnwoude		0.0644	0.1370	18704	0.8570	319.00	92.00	0.2353	0.7958		-118.27
Rijssen-Holten	0.30	0.1058	0.1466	36667	0.5833	283.00	1499.00	0.2000	0.8160	7.1727	-93.95
Rijswijk (ZH.)	1.17	0.0852	0.2191	46833	0.1243	1015.00	1070.00	0.2759	0.8181	7.5225	-152.40
Roerdalen	-0.57	0.0667	0.1661	21142	0.4230	123.00	856.00			6.4469	-157.79
Roermond	-1.00	0.0761	0.1572	54446	0.3313	351.00	980.00			12.1552	-95.56
Roggel en Neer					0.6691						
De Ronde Venen	0.43	0.0982	0.1312	34569	0.6842	185.00	444.00	0.1739	0.8355	8.2531	-98.77
Roosendaal	0.53	0.0804	0.1561	77277	0.6697	318.00	899.00	0.3714	0.8147	11.1171	-103.37
Rotterdam	0.37	0.0669	0.1451	582951	0.0652	516.00	1832.00	0.5111	0.7269	24.3684	-330.73
Rozenburg		0.0500	0.1478	12553	0.1923	321.00	92.00	0.2000	0.7911		-168.53
Rozendaal	0.10	0.1739	0.2502	1511	0.0161	344.00	5.00	0.0000	0.6420		-472.17
Rucphen	0.00	0.0494	0.1513	22473	0.6646	217.00	253.00	0.1579	0.7701	6.3943	-99.52
Sassenheim											
Schagen	0.23	0.0720	0.1595	19064	0.6382	375.00	806.00	0.4118	0.7682	28.0424	-88.93
Scheemda		0.0588	0.1491	14234	0.8010	326.00	1336.00	0.5333	0.7644		-110.72
Schermer	0.40	0.0549	0.1241	5307	0.8818	234.00	522.00	0.2727	0.7438		-197.12
Scherpenzeel	0.30	0.1066	0.1365	9037	0.6850	151.00	0.00	0.2308	0.7811	6.0972	-176.00
Schiedam	0.57	0.0643	0.1525	74947	0.1704	-116.00	2806.00	0.5714	0.7951	14.0820	-153.87
Schiermonnikoog	-0.07	0.0000	0.1945	951	0.0162	691.00	4896.00	0.0000	0.6667	22.8181	-858.35
Schijndel	0.50	0.0745	0.1391	22878	0.6797	503.00	769.00	0.3684	0.8476	6.6221	-102.00
Schinnen	0.00	0.0519	0.1730	13418	0.7078	121.00	1608.00	0.2000	0.7556	5.8280	-183.45
Schoonhoven	0.70	0.0974	0.1371	12132	0.5489	233.00	8.00	0.3333	0.8178		-180.74
Schouwen-Duiveland	0.13	0.0796	0.1932	33994	0.3250	154.00	1738.00	0.2609	0.8507	10.4842	-100.05
Sevenum		0.0686	0.1486	7652	0.7008	224.00	2274.00	0.0000	0.6746		-165.77
Simpelveld	-0.27	0.0625	0.1826	11206	0.7486	155.00	1866.00	0.1333	0.7822	5.2561	-102.04
Sint Anthonis	0.13	0.0542	0.1592	11789	0.7829	216.00	652.00	0.0000	0.6844	6.9980	-108.28
Sint-Michielsgestel	0.13	0.0909	0.1594	28100	0.7571	67.00	201.00	0.1905	0.8481	5.1673	-172.74
Sint-Oedenrode	0.43	0.0669	0.1483	17220	0.7891	111.00	1015.00	0.0000	0.8166	7.1080	-70.53
Sittard-Geleen	-0.83	0.0571	0.1729	95691	0.4059	305.00	3245.00	0.3514	0.8473	11.5842	-163.66
Skarsterlân		0.0501	0.1528	27097	0.7259	190.00	1039.00	0.5714	0.7392		-140.51
Sliedrecht	0.07	0.0803	0.1641	23765	0.4721	339.00	909.00	0.3158	0.7313	6.4969	-192.61
Slochteren	-0.53	0.0437	0.1377	15564	0.8082	198.00	1574.00	0.4000	0.7911	7.7808	-101.28
Sluis	-0.23	0.0583	0.2130	24238	0.8117	449.00	1984.00	0.2105	0.8199	9.1220	-192.35
Smallingerland	0.77	0.0489	0.1582	54962	0.7077	0.00	2170.00	0.5161	0.7888	9.8577	-63.51
Sneek		0.0602	0.1621	33216	0.4932	432.00	2011.00	0.6087	0.7864		-196.28
Soest	0.43	0.0898	0.1647	45560	0.2769	87.00	388.00	0.4138	0.8276	7.0149	-100.82

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Someren	0.10	0.0805	0.1451	18211	0.6851	172.00	21.00	0.0000	0.8304	6.6004	-117.84
Son en Breugel	0.20	0.0898	0.1872	15448	0.4734	132.00	399.00	0.1765	0.7889	6.6675	-125.77
Spijkenisse	0.00	0.0720	0.1227	73107	0.3037	72.00	4773.00	0.2857	0.6824		-133.18
Stadskanaal	-0.50	0.0627	0.1842	33817	0.7748	335.00	872.00	0.4348	0.7183	10.1872	-99.46
Staphorst	0.30	0.0386	0.1123	15973	0.8049	111.00	595.00	0.1176	0.7612	6.8115	-129.88
Stede Broec	0.13	0.0634	0.1219	21372	0.4756	299.00	4365.00	0.2632	0.8255	5.6990	-87.98
Steenbergen	-0.03	0.0607	0.1530	23211	0.8019	128.00	19.00	0.2105	0.8255	5.5706	-138.45
Steenwijkerland	0.13	0.0437	0.1653	43282	0.6016	270.00	1745.00	0.3704	0.8313	7.2848	-98.11
Stein (L.)	-0.30	0.0420	0.1675	26091	0.4284	277.00	2194.00	0.1429	0.8073	6.1094	-147.73
Stichtse Vecht	0.27										
Strijen	0.47	0.0752	0.1363	9055	0.7609	89.00	2226.00	0.3077	0.7692	5.8421	-160.26
Súdwest-Fryslân	0.73										
Swalmen					0.5329						
Terneuzen	-0.17	0.0578	0.1823	55155	0.6226	177.00	1976.00	0.3548	0.7992	10.6627	-105.03
Terschelling	-0.20	0.0400	0.1678	4705	0.0220	626.00	1734.00	0.2727	0.7438	16.5143	-768.01
Texel	-0.03	0.0651	0.1554	13547	0.2200	333.00	3024.00	0.2667	0.8089	12.7113	-275.37
Teylingen	0.43	0.0900	0.1427	35308	0.5453	155.00	1025.00			5.7522	-141.57
Tholen	0.30	0.0513	0.1398	25264	0.4730	99.00	410.00	0.3158	0.7867	7.3543	-123.67
Thorn					0.5614						
Tiel	0.20	0.0625	0.1179	41132	0.4989	267.00	1907.00	0.4444	0.7654	12.3456	-149.38
Tilburg	1.03	0.0565	0.1314	202091	0.3516	278.00	728.00	0.4872	0.8363	9.9025	-61.92
Tubbergen	0.33	0.0689	0.1360	20797	0.8617	59.00	1849.00	0.1579	0.5319	6.0441	-142.40
Twenterand	-0.20	0.0676	0.1293	33461	0.7490	93.00	988.00	0.2174	0.7637	6.0937	-133.26
Tynaarlo	-0.03	0.0789	0.1946	31974	0.7613	177.00	1992.00	0.3913	0.8393	6.7023	-106.33
Tytsjerksteradiel	0.40	0.0478	0.1630	32243	0.7747	78.00	879.00	0.5217	0.7788	7.4280	-102.53
Ubbergen	0.33	0.0762	0.1947	9325	0.6211	202.00	258.00	0.3077	0.7574		-186.89
Uden	0.30	0.0890	0.1422	40126	0.6255	461.00	2068.00	0.3333	0.8422	9.2359	-71.44
Uitgeest	0.37	0.0876	0.1270	12205	0.6683	-56.00	429.00	0.2000	0.8089	5.1372	-41.46
Uithoorn	0.53	0.0916	0.1562	27501	0.5572	296.00	7.00	0.3333	0.7800	6.0652	-119.44
Urk	0.13	0.0974	0.0689	17825	0.0399	317.00	3779.00	0.0000	0.7197	6.5189	-106.85
Utrecht	0.07	0.0583	0.1037	294737	0.2728	188.00	364.00	0.6000	0.8277	14.8627	-215.35
Utrechtse Heuvelrug	0.20	0.0899	0.1963	48979	0.3698	205.00	1374.00			5.9046	-170.56
Vaals	-0.40	0.0396	0.1949	9838	0.6100	475.00	1986.00	0.2000	0.7556	8.4875	-195.20
Valkenburg (ZH.)											
Valkenburg aan de Geul	-0.10	0.0598	0.2064	17099	0.6754	338.00	2091.00	0.2941	0.8235	6.8074	-147.45
Valkenswaard	0.10	0.1038	0.1737	30867	0.4500	164.00	1277.00	0.2609	0.8393	7.1695	-91.46
Veendam	-0.20	0.0681	0.1655	28058	0.7369	441.00	767.00	0.5238	0.6939	12.5811	-141.27
Veenendaal	0.17	0.0919	0.1271	61769	0.2408	45.00	1358.00	0.2727	0.8485	7.2172	116.31
Veere	0.03	0.0669	0.1847	21998	0.4807	157.00	1472.00	0.2632	0.7645	8.0462	-130.11
Veghel	0.27	0.0841	0.1354	36913	0.7108	390.00	401.00	0.1200	0.8064	7.4581	-114.53
Veldhoven	0.17	0.0887	0.1506	43056	0.4038	148.00	1974.00	0.2222	0.7846	6.0990	-103.73
Velsen	0.27	0.0792	0.1669	67556	0.0681	-6.00	2812.00	0.4242	0.8613	7.1245	-76.72
Venhuizen											
Venlo	-0.03	0.0700	0.1607	91872	0.3697	411.00	1603.00	0.3784	0.8430	12.7449	-126.90
Venray	0.40	0.0647	0.1387	39100	0.6816	299.00	1977.00	0.3200	0.8032	7.3274	-125.73
Vianen	0.23	0.0769	0.1272	19637	0.6519	254.00	458.00	0.2353	0.8235	7.7914	-100.16
Vlaardingen	0.33	0.0812	0.1815	70860	0.1936	285.00	1475.00	0.5429	0.8163	9.5597	-169.60
Vlagtwedde	-0.07	0.0493	0.1925	16325	0.8336	227.00	63.00	0.4118	0.7682	7.7366	-187.35
Vlieland	-0.23	0.0000	0.1390	1124	0.0007	1583.00	5658.00	0.3333	0.6667	25.2669	-785.40
Vlissingen	-0.57	0.0480	0.1730	44798	0.0356	99.00	4088.00	0.4138	0.8466	10.3375	-152.88

	(1) Change unem- ploy- ment 2005..2 007- 2010..2 012	(2) Share of fi- nancial sector 2007	(3) Share of per- sons aged 65 and older 2007	(4) Pop- ulation 2007	(5) Share of agri- cultural soil us- age 2006	(6) Short- term debt 2007	(7) Long- term debt 2007	(8) Share of left parties 2006	(9) Po- litical frag- menta- tion 2006	(10) Civil serv- ants 2007	(11) Ad- minis- trative costs 2007
Vlist	0.37	0.1090	0.1539	9853	0.9020			0.1538	0.7811		
Voerendaal	-0.13	0.0667	0.1848	12757	0.8174	223.00	1387.00	0.2000	0.8267	4.6406	-139.48
Voorhout											
Voorschoten	0.40	0.0921	0.1863	22861	0.3969	142.00	0.00	0.3684	0.7590	7.5675	-166.60
Voorst	0.23	0.0772	0.1720	23660	0.7990			0.3158	0.7756	7.9374	
Vught	0.17	0.1101	0.1677	25337	0.4808	167.00	2137.00	0.4286	0.7937	6.9582	-72.31
Waalre	0.37	0.1307	0.1899	16695	0.3844	239.00	0.00	0.2941	0.8235	6.4331	-212.64
Waalwijk	0.03	0.0754	0.1496	45641	0.6480	98.00	3292.00	0.2759	0.8847	9.4958	-92.12
Waddinxveen	0.27	0.1065	0.1450	25638	0.6628	190.00	1017.00	0.2381	0.8027	6.5918	-123.34
Wageningen	0.03	0.0646	0.1300	36215	0.4733	130.00	2066.00	0.5600	0.8384	7.6073	-112.05
Warmond											
Wassenaar	0.50	0.1412	0.2170	25763	0.1963	139.00	173.00	0.1429	0.7664	7.7941	-228.05
Waterland	0.10	0.0815	0.1579	17026	0.3885	102.00	265.00	0.3529	0.8097	5.8029	-136.53
Weert	0.10	0.0825	0.1647	48305	0.5582	560.00	1394.00	0.3448	0.7990	8.6678	-89.89
Weesp	0.37	0.0714	0.1549	17575	0.7107	174.00	920.00	0.2941	0.8166	7.2831	-125.94
Werkendam	0.50	0.0407	0.1352	26415	0.6528	160.00	1014.00	0.1905	0.7483	6.1972	-96.01
Wervershoof		0.0872	0.1313	8600	0.5759	116.00	429.00	0.1538	0.8284		-179.55
West Maas en Waal	0.17	0.0607	0.1487	18320	0.7663	173.00	1571.00	0.1176	0.8720	5.5677	-128.09
Wester-Koggenland					0.8426						
Westerveld	0.07	0.0536	0.2052	19333	0.5664	340.00	573.00	0.4706	0.7889	7.1484	-157.05
Westervoort	0.10	0.0714	0.1055	15478	0.3890	236.00	1625.00	0.5882	0.6920	5.9504	-214.69
Westland	0.20	0.0777	0.1392	99299	0.5444	395.00	2382.00	0.1081	0.7772	8.5600	-66.21
Weststellingwerf	0.20	0.0302	0.1801	25674	0.8110	215.00	2640.00	0.4762	0.7528	7.1200	-206.35
Westvoorne	0.10	0.1173	0.1901	14084	0.3025	352.00	3205.00	0.2667	0.7644	8.6481	-140.08
Wierden	0.20	0.0866	0.1444	23365	0.7720	231.00	414.00	0.0000	0.6814	7.1218	-132.47
Wieringen		0.0672	0.1680	8636	0.0980	180.00	1161.00	0.3077	0.7692		-174.46
Wieringermeer		0.0415	0.1424	12614	0.5712	0.00	424.00	0.2000	0.8267		-129.85
Wijchen	0.13	0.0773	0.1281	39660	0.6498	255.00	1062.00	0.2800	0.7744	6.1397	-104.33
Wijdemeren	0.30	0.0903	0.1739	23432	0.3586	256.00	623.00	0.2632	0.8144	6.2863	-125.49
Wijk bij Duurstede	0.17	0.0790	0.1000	23306	0.7376	255.00	339.00	0.5263	0.8421	6.7279	-138.02
Winschoten		0.0637	0.2054	18358	0.4366	292.00	3152.00	0.7059	0.6574		-203.83
Winsum	0.00	0.0559	0.1323	13925	0.9175	101.00	1191.00	0.4000	0.8178	6.2478	-117.19
Winterswijk	0.33	0.0615	0.1727	29182	0.7616	165.00	2511.00	0.2857	0.7347	8.1557	-106.53
Woensdrecht	-0.03	0.0750	0.1634	21637	0.4626	194.00	505.00	0.2632	0.7812	5.3381	-152.53
Woerden	0.33	0.0832	0.1253	48383	0.7928	375.00	1111.00	0.2414	0.8109	7.1492	-121.71
Wognum					0.8478						
De Wolden	0.03	0.0475	0.1741	23554	0.8295	155.00	615.00	0.2632	0.7922	7.2684	-95.12
Wormerland	0.73	0.0691	0.1579	15901	0.7273	85.00	890.00	0.4706	0.7958	5.0563	-156.28
Woudenberg	0.20	0.0892	0.1413	11592	0.6304	354.00	1355.00	0.1333	0.7733	5.8920	-148.21
Woudrichem	0.23	0.0597	0.1345	14421	0.7930	143.00	1401.00	0.2000	0.7733	5.5960	-175.74
Wûnseradiel		0.0244	0.1305	11855	0.4465	161.00	1186.00	0.5333	0.7644		-130.71
Wymbritseradiel		0.0429	0.1288	16078	0.7808	167.00	553.00	0.4118	0.7958		-172.25
Zaanstad	0.70	0.0715	0.1447	142863	0.4155	275.00	2680.00	0.5128	0.8389	9.0331	-151.11
Zaltbommel	0.30	0.0635	0.1290	26185	0.7181	675.00	1161.00	0.2857	0.8481	6.7711	-117.93
Zandvoort	0.10	0.0870	0.1932	16665	0.0025	303.00	1312.00	0.2941	0.8028	9.5530	-242.85
Zederik	0.23	0.0548	0.1371	13389	0.8517	148.00	1853.00	0.2000	0.8178	5.7585	-140.34
Zeevang	0.40	0.0947	0.1255	6306	0.6263	107.00	889.00	0.2308	0.6982	5.2965	-221.43
Zeewolde	0.27	0.0625	0.0800	20286	0.6438	-189.00	2326.00	0.1765	0.7958	8.0795	-159.31
Zeist	0.33	0.1139	0.1744	60488	0.1248	172.00	889.00	0.3939	0.8522	12.9315	-80.96
Zevenaar	0.20	0.0806	0.1598	31816	0.6749	217.00	1912.00			8.1971	-110.81

	(1) Change unem- ploy- ment 2005..2 007- 2010..2 012	(2) Share of fi- nancial sector 2007	(3) Share of per- sons aged 65 and older 2007	(4) Pop- ulation 2007	(5) Share of agri- cultural soil us- age 2006	(6) Short- term debt 2007	(7) Long- term debt 2007	(8) Share of left parties 2006	(9) Po- litical frag- menta- tion 2006	(10) Civil serv- ants 2007	(11) Ad- minis- trative costs 2007
Zevenhuizen- Moerkapelle		0.0934	0.1460	10314	0.8350	311.00	1087.00	0.2000	0.8267		-170.80
Zijpe		0.0503	0.1406	11512	0.6607	194.00	586.00	0.2667	0.7822		-205.05
Zoetermeer	0.57	0.0708	0.1158	119504	0.2032	258.00	62.00	0.4103	0.8442	10.6105	-171.84
Zoeterwoude	0.57	0.0694	0.1364	8303	0.8079	330.00	2248.00	0.0000	0.6154	8.2139	-248.10
Zuidhorn	0.03	0.0490	0.1291	18374	0.8907	459.00	531.00	0.4118	0.7889	6.6017	-138.86
Zuidplas	0.57										
Zundert	0.57	0.0526	0.1598	20947	0.8112			0.1053	0.8421	5.3516	
Zutphen	-0.43	0.0614	0.1398	46762	0.4708	246.00	3285.00			9.9974	-124.63
Zwartewaterland	0.40	0.0874	0.1091	21930	0.7856	275.00	2224.00	0.2105	0.7922	6.5527	-167.34
Zwijndrecht	0.23	0.0915	0.1752	44472	0.2670	302.00	2369.00	0.3793	0.8062	6.1050	-93.85
Zwolle	0.23	0.0578	0.1268	116365	0.5723	499.00	2653.00	0.4615	0.8560	11.2654	-162.92

(Data sources: (1): CBS, Arbeidsdeelname; regionale indeling 2014, 2003-2014; (2): CBS, Vestigingen van bedrijven; bedrijfstak, gemeente; (3): CBS, Regionale kerncijfers Nederland; (4)+(10): CBS, Bevolkingsontwikkeling; regio per maand; (5): CBS, Bodemgebruik; uitgebreide gebruiksvorm, per gemeente; (6)-(7): CBS, Gemeenterekeningen; balans per gemeente 2005-2014; (8)-(9): Kiesraad, Verkiezingsuitslagen 2006; (10): Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, Werknemers Overheid en Onderwijs-Personen en FTE (instellingen openbaar bestuur en veiligheid); (11): CBS, Gemeenterekeningen; per gemeente, baten en lasten, heffingen 2005-2014; own calculations)

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Summary

Local Government in Times of Global Challenges. The Implications of the Financial Crisis since 2007 on Public Finances at the Municipal Level in the Netherlands

The Financial Crisis since 2007 is one of the most important challenges in recent decades. Starting with financing problems in the United States' real estate market, the financial difficulties developed into a major crisis affecting nearly all economic sectors in industrial countries. Next to citizens who have lost their jobs and companies that went bankrupt, the public sector was – and partially still is – affected by lower tax revenues and higher expenses. These rather unfavourable developments of public budgets are caused by a variety of direct and indirect implications of the Crisis, ranging from lower income and corporate taxes to higher social expenditures and bailout packages.

On closer inspection, the impact of and responses to the recent Financial Crisis involved all levels of government, depending on the division of tasks and responsibilities within systems of multi-level governance. While the roles of the national, supranational, and international levels during the Crisis were widely reported in news coverage and academic research, the implications for sub-national government received far less attention. Taking into account that local government is the main provider of public services in many countries, the importance of the financial position of this level of government should not be underestimated. Furthermore, the usual division into a large number of territorial units with identical tasks enables broad variation regarding the consequences of external events, such as a financial crisis. To understand why certain municipalities were more affected than others can also be considered as crucial when aiming to take measures to lessen the negative consequences of similar developments in the future.

Analysing how the financial situation of local government was affected by the Financial Crisis since 2007 and what factors determined variation was the main intention of this study. The Netherlands, along with its roughly 400 municipalities, was chosen as the object of research. By following a multidisciplinary approach, the study combined theoretical considerations from the academic disciplines of public administration, political science, economics, law, psychology, and sociology. From a methodological perspective, mainly quantitative analyses were supplemented by qualitative additions.

Based on official governmental statistics of municipal revenues and expenses, the negative implications of the recent Financial Crisis on the financial positions of Dutch municipalities were identified in the first step of the empirical analyses. At an aggregated level and after adjusting for inflation, adverse financial developments and burdens became evident in the policy area of *social services*. These adverse consequences were also found for the separate balance sheet items *administrative support of the executive board*, within the policy area of general administration, as well as *building permits* and *land development*, the latter two of which are within the policy area of spatial planning and housing. The financial problems in

land development, mainly originating from municipal investments in exploiting industrial areas, which turned out to be unsaleable during the Financial Crisis, also represent the most relevant impact of the Crisis in the case of Dutch municipalities according to previous research.

When comparing the average expenses for social services between 2005 and 2007 with those between 2009 and 2011 for all Dutch municipalities, the costs increased by 44.8%. During the same time periods, the average expenditures for the administrative support of the executive board rose by 7.9%. In the cases of building permits and land developments, the time period from 2005 to 2007 was compared to the time period from 2011 to 2013, since a certain temporal lag of the effects was recognised. For building permits, a 28.9% decrease in the average income was identified, while for land development, a decrease of 234.8% was calculated. In the latter case, the balance sheet item changed from average revenues to average expenses at an aggregated level.

To assess the wider financial consequences of the recent Financial Crisis at the Dutch local level, the inflation-adjusted development of the budgetary situation in terms of the financial results was also of interest. When comparing the time periods 2005–2007 with 2009–2011, the average *short-term debt* increased by 32.1%, while the average *long-term debt* rose by 5.8%. In other words, the financial situation of Dutch municipalities has deteriorated significantly in recent years.

Overall, it can be observed that the variation in financial changes was relatively high across the Dutch local level. This also implies that individual municipalities experienced no financial problems in the policy area and balance sheet items under closer inspection, had financial difficulties in other areas, or even improved their financial position in general. Furthermore, it needs to be taken into account that the recent Financial Crisis was not the only factor of influence on municipal finances in recent years. Particularly in the policy area of social services, other factors of influence are plausible. However, by assessing various trends and developments in local government and governance in general, as well as in the case of the Netherlands in particular, it was concluded that they did not substantially influence the financial changes identified in the context of the Financial Crisis since 2007.

In addition, the results of three consecutive surveys among Dutch mayors provided further evidence regarding the recent Financial Crisis as the main reason for financial changes at the local level in the Netherlands. Furthermore, the survey data revealed that austerity measures focused primarily on personnel costs and across-the-board cuts. On the other hand, the mayors' statements regarding financial changes on both sides of the budget illustrated that their perceptions did not always comply with official governmental statistics. This is particularly interesting considering their role in crisis management.

The factors that determine variation at an individual level were the focus of the second step of the empirical analyses of public finances at the Dutch local level in times of crisis. Therefore, financial data on areas of municipal activities previously identified as affected by the Financial Crisis since 2007 were combined with data on 11 structure-, institution-, and interest-based factors with a potential influence on municipal finances during a financial crisis derived based on theoretical considerations. As a result, it was not possible to identify one factor explaining

variation in the financial developments across multiple policy areas, balance sheet items, or financial results of interest. This is not unexpected considering the high complexity of financial crises and public finances. However, statistically significant interrelations were revealed in some separate areas.

Increases in expenditures related to social services turned out to be influenced by both the size of the municipality in terms of the number of inhabitants and the share of left parties in the municipal council. In the context of higher costs for the administrative support of the executive board, the overall administrative budget appeared to be relevant. With respect to building permits, as a source of municipal revenues, the share of the elderly and the degree of urbanisation were identified as influential factors for the financial developments. In the case of land development, which is the area of activities by Dutch local government that was most affected by the recent Financial Crisis and therefore of particular interest in the analyses, the share of the elderly was the only factor with some limited statistical significance in terms of explaining variation.

Higher short-term debt, as a common consequence of the recent Financial Crisis, depended on the change in unemployment, according to the statistical results for Dutch municipalities. Lastly, for long-term debt, the existing amount of short-term debt appeared to have an influence on the increases.

Most of the potential relationships between financial developments and possible factors of influence analysed in the empirical part of this study were not confirmed statistically. This is best explained by the overall complexity of budgetary developments in municipal finances and policy decisions, which take place rather unsystematically, thereby making the detection and explanation of holistic patterns impossible by definition. Given that many factors of potential influence on public finances were rejected in this study as well as in other research, the validity and applicability of the political-administrative and socio-economic theories from which the factors were derived may be questioned as well.

In summary, this study provided detailed new insights into the implications of the Financial Crisis since 2007 at the municipal level in the Netherlands and contributed to a better scientific understanding of public finances and budgetary changes at the local level of government in times of a financial crisis and beyond.

Summary in Dutch

De lokale overheid in tijden van mondiale uitdagingen. De gevolgen van de Financiële Crisis sinds 2007 op publieke financiën op het gemeentelijk niveau in Nederland

De Financiële Crisis die begon in 2007 is één van de grootste uitdagingen in afgelopen decennia. De financiële moeilijkheden, die begonnen met de financieringsproblemen in de huizenmarkt van de Verenigde Staten, ontwikkelden zich tot een grote crisis, die bijna alle economische sectoren in industriële landen raakte. Naast dat burgers hun baan verloren en bedrijven bankroet gingen, werd – en deels wordt – de publieke sector aangetast door lagere belastinginkomsten en hogere uitgaven. Deze enigszins ongunstige ontwikkelingen van de publieke begrotingen werden veroorzaakt door een diversiteit van directe en indirecte gevolgen van de Crisis, variërend van lagere inkomsten- en bedrijfsbelastingen tot hogere sociale uitgaven en bailout-pakketten.

Uit nader onderzoek blijkt dat de impact van, en reacties op, de Financiële Crisis alle overheidsniveaus betroffen, afhankelijk van de verdeling van taken en verantwoordelijkheden binnen systemen van multi-level governance. Terwijl de rollen van het nationale, het supranationale en het internationale niveau tijdens de Crisis uitgebreid in het nieuws en academisch onderzoek besproken werden, kregen de gevolgen voor het sub-nationale niveau minder aandacht. Er mee rekening houdende dat lokale overheden in veel landen de hoofdleverancier zijn van publieke diensten, mag het belang van de financiële positie van dit overheidsniveau niet onderschat worden. De gangbare verdeling in een groot aantal territoriale eenheden met identieke taken, maakt een grote variëteit op het gebied van externe gebeurtenissen, zoals de financiële crisis, mogelijk. Om beleid dat negatieve gevolgen van gelijkaardige ontwikkelingen in de toekomst beperkt, te kunnen ontwikkelen, is het van cruciaal belang te begrijpen waarom sommige gemeenten meer getroffen zijn dan anderen.

Het belangrijkste doel van deze studie was het analyseren van hoe de financiële positie van lokale overheden werd beïnvloed door de Financiële Crisis en welke factoren deze variatie verklaren. Nederland met haar ongeveer 400 gemeenten, is gekozen als object van deze studie. Door in deze studie een multidisciplinaire aanpak te gebruiken, was het mogelijk om inzichten van zowel bestuurskunde, politieke wetenschappen, economie, rechten, psychologie, en sociologie te combineren. Vanuit een methodologisch perspectief werden hoofdzakelijk kwantitatieve analyses gebruikt, aangevuld met kwalitatieve inzichten.

In een eerste fase van de empirische analyse werden de negatieve gevolgen van de recente Financiële Crisis op de financiële positie van lokale overheden in kaart gebracht, gebaseerd op officiële overheidsstatistieken. Nadat correctie op inflatie, werd het op een geaggregeerd niveau duidelijk dat er negatieve financiële lasten en ontwikkelingen konden geïdentificeerd worden in de volgende gebieden: het beleidsdomein ‘*sociale voorzieningen en maatschappelijke dienstverlening*’ in het algemeen; binnen het beleidsdomein ‘algemeen bestuur’ het subdomein ‘*bestuursondersteuning van het college van burgemeester en wethouders*’; en de sub-

domeinen ‘*bouwvergunningen*’ en ‘*bouwgrondexploitatie*’ binnen het beleidsdomein ‘ruimtelijke ordening en volkshuisvesting’. Eerder onderzoek had reeds aangetoond dat financiële moeilijkheden rond ‘*bouwgrondexploitatie*’, voornamelijk te herleiden tot gemeentelijke investeringen in industriële gebieden die door de Financiële Crisis niet verkoopbaar waren, de belangrijkste impact van de Crisis op Nederlandse gemeenten genereerde.

Indien de gemiddelde kosten voor ‘sociale voorzieningen en maatschappelijke dienstverlening’ tussen 2005 en 2007 voor alle Nederlandse gemeenten worden vergeleken met de gemiddelde kosten tussen 2009 en 2011, kan een kostenverhoging worden geobserveerd van 44.8%. Gedurende deze zelfde perioden gingen de gemiddelde kosten voor ‘bestuursondersteuning van het college van burgemeester en wethouders’ omhoog met 7.9%. Voor de subdomeinen ‘*bouwvergunningen*’ en ‘*bouwgrondexploitatie*’, werd een vergelijking gemaakt tussen de perioden 2005 en 2007, en 2011 en 2013, gezien er hier sprake van een temporele vertraging van de effecten (i.e.: de effecten van de Financiële Crisis zijn pas trager merkbaar). Wat betreft ‘*bouwvergunningen*’ werd een vermindering van de gemiddelde inkomsten geobserveerd van 28.9%, terwijl het wat betreft ‘*bouwgrondexploitatie*’ ging het om een vermindering van 234.8%. Bij laatstgenoemde betekende dit dat op geaggregeerd niveau het subdomein niet langer op de jaarbalans bij gemiddelde inkomsten werd geplaatst, maar bij gemiddelde uitgaven.

Het is ook relevant om de algemene ontwikkeling van de budgettaire situatie te bekijken, na inflatiecorrectie, dit om de bredere financiële gevolgen van de recente Financiële Crisis op het Nederlandse lokale niveau te kunnen beoordelen. Wanneer de perioden tussen 2005 en 2007, en tussen 2009 en 2011 worden vergeleken, kan een verhoging van de gemiddelde *kortlopende schuld* met 32.1% en de *vaste schuld* met 5.8% worden waargenomen. Met andere woorden verslechterde de financiële toestand van Nederlandse gemeenten in significante mate gedurende deze periode.

Over het algemeen was er een behoorlijk grote variatie ten aanzien van financiële wijzigingen op het Nederlandse lokale niveau. Dit betekent ook dat een aantal gemeenten geen financiële moeilijkheden hebben ondervonden in de hierboven aangeduide domeinen en sub-domeinen, dat sommige gemeenten moeilijkheden ondervonden in andere gebieden en andere gemeenten zelfs hun algemene financiële positie verbeterd hebben. Tevens moet er rekening worden gehouden met het feit dat de Financiële Crisis niet de enige factor is geweest die in de afgelopen jaren invloed heeft gehad op de gemeentelijke financiën. In het bijzonder in het beleidsdomein ‘sociale voorzieningen en maatschappelijke dienstverlening’ is het plausibel dat ook andere factoren invloed hadden. Desalniettemin kan op basis van een analyse van verscheidene trends en ontwikkelingen in lokale overheden en bestuur in het algemeen, en specifiek in de Nederlandse context, geconcludeerd worden dat deze factoren geen substantiële invloed hebben gehad op de conclusies die getrokken zijn omtrent de financiële wijzigingen geïdentificeerd in de context van de Financiële Crisis.

Daarnaast gaven de resultaten van drie opeenvolgende enquêtes verdere fundering voor het idee dat de Financiële Crisis de voornaamste reden was voor financiële veranderingen op het lokale niveau in Nederland. De resultaten van de enquêtes onthulden verder dat bezuinigings-

maatregelen voornamelijk toegespitst waren op personeelskosten en besparingen over de gehele linie. Tegelijkertijd illustreerden de antwoorden van de burgemeesters rond de wijzigingen in de jaarbalans dat hun percepties niet steeds overeenkwamen met de officiële overheidscijfers. Dit is in het bijzonder relevant gezien hun rol in crisismanagement.

Het tweede gedeelte van de empirische analyse van publieke financiën op het Nederlandse lokale niveau in tijden van crisis richtte zich op de factoren die de variatie op een individueel niveau verklaren. Om dit te bewerkstelligen, werden, gebaseerd op theoretische overwegingen, elf op structuur, institutie, en belangen gebaseerde factoren met een potentiële invloed op gemeentelijke financiën tijdens een financiële crisis geïdentificeerd. Deze werden vergeleken met de financiële data op het gebied van gemeentelijke activiteiten waarvoor in de vorige fase werden vastgesteld dat er een invloed was van de Financiële Crisis. Het was echter niet mogelijk om een enkele factor te identificeren die de variatie in de financiële ontwikkelingen verklaard tussen de verscheidene van belang zijnde beleidsterreinen, balansposten, of financiële resultaten. Dit is niet onverwacht gezien de hoge complexiteit van financiële crises en publieke financiën. Echter, zijn in sommige gescheiden gebieden wel statistisch significante onderlinge relaties te onderscheiden.

Verhogingen van uitgaven met betrekking op ‘sociale voorzieningen en maatschappelijke dienstverlening’ bleken te worden beïnvloed door de grootte van de gemeente op het gebied van inwoners en door het aandeel linkse partijen in de gemeenteraad. In de context van hogere kosten voor de ‘bestuursondersteuning van het college van burgemeester en wethouders’ bleek het totale budget voor het algemeen bestuur van belang. Op het gebied van ‘bouwvergunningen’ als bron van gemeentelijke inkomsten, werden het aandeel ouderen en de mate van verstedelijking gevonden als invloedrijke factoren voor de financiële ontwikkelingen. Ten aanzien van ‘bouwgrondexploitatie’ – het activiteitsgebied van de Nederlandse lokale overheid die het meest geraakt is door de recente Financiële Crisis, en dus van specifiek belang in de analyses – bleek het aandeel ouderen de enige factor met enige, doch beperkte, statistische significantie voor het verklaren van variatie.

Hogere kortlopende schuld – een veelvoorkomend gevolg van de recente Financiële Crisis – was op basis van de statistische resultaten voor Nederlandse gemeenten afhankelijk van de verandering in werkloosheid. Als laatste, bleek de bestaande hoeveelheid kortlopende schuld van invloed op de toename van vaste schuld.

De meeste potentiële relaties tussen de financiële ontwikkelingen en mogelijke factoren die van invloed zijn - zoals geanalyseerd in het empirische gedeelte van deze studie – werden niet statistisch bevestigd. Dit kan het best worden verklaard door de algehele complexiteit van budgettaire ontwikkelingen in gemeentelijke financiën en besluiten voor beleid, die nogal onsystematisch plaatsvinden, en het onderscheiden en verklaren van holistische patronen daarom per definitie onmogelijk maken. Dit betekent ook dat de validiteit en toepasbaarheid van de politiek-administratieve en sociaaleconomische theorieën die gebruikt werden om de vele factoren met een potentiële invloed op publieke financiën te identificeren, in vraag kunnen gesteld worden.

Alles bij elkaar genomen heeft deze studie gedetailleerde nieuwe inzichten gegenereerd in de implicaties van de Financiële Crisis sinds 2007 voor het gemeentelijke niveau in Nederland, en heeft het bijgedragen aan een beter wetenschappelijk begrip van publieke financiën en budgettaire veranderingen op het lokale overheidsniveau in tijden van en na een financiële crisis.

Curriculum Vitae

Jan Porth was born on 12 January, 1985, in Bad Kreuznach, Germany. After completing secondary education at the Paul-Schneider-Gymnasium in Meisenheim, Germany, in 2004, followed by mandatory civilian service and some ensuing work experience building upon that service, he began his university studies in 2007. He first pursued a Bachelor programme in Economics and Business Administration at the University of Hagen, Germany. After an exchange semester at the University of Klagenfurt, Austria, in the same field of studies, he decided to broaden his focus of interest and enrolled in a second Bachelor programme in Politics and Public Administration at the University of Konstanz, Germany, in 2009. He received his Bachelor of Arts in this field in 2012 and continued at the University of Konstanz with a Master programme in the same field of studies. The master programme included a semester abroad at Leiden University, the Netherlands, in 2012/13, where he took courses in public administration. He subsequently enrolled in a second master programme in Public Administration at Leiden University. In 2013, he graduated with a Master of Arts in Politics and Public Administration from the University of Konstanz as well as a Master of Science in Public Administration from Leiden University. His second undergraduate degree as Bachelor of Science in Economics and Business Administration from the University of Hagen followed one year later.

Between 2013 and 2015, he worked as Research and Education Assistant at Leiden University's Institute of Public Administration. His teaching and teaching support comprised Bachelor and Master courses in Public Management, Report and Presentation, Politics Governance and the Media, Performance Management, Private Security, Research in Public Administration, and EU Politics and Policy. In addition to his teaching responsibilities, he supported the work of Prof Dr Ezra N. Suleiman and Prof Dr Caspar F. van den Berg as a Research Assistant. For Prof Dr Caspar F. van den Berg, he mainly worked on the project "Patterns of Politicization in 14 Democracies". In 2013, during his time at Leiden University, he commenced with his PhD research on the impact of the Financial Crisis on the Dutch local government, supervised by Prof Dr Frits M. van der Meer and Prof Dr Caspar F. van den Berg.

In 2016, he started working as Research Assistant to Prof Dr Stephan Grohs at the German University of Administrative Sciences Speyer and as Research Associate at the German Research Institute for Public Administration. Furthermore, at the German University of Administrative Sciences Speyer, he teaches a course in Public Policy. Within the German Research Institute for Public Administration, he moved to the Institute for Regulatory Impact Analysis and Evaluation in 2017, while keeping his position as Research Associate. There, he works on various consulting projects for all levels of government.