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RESEARCH ARTICLE



Pragmatic municipalism or austerity urbanism? Understanding local government responses to fiscal stress

Yunji Kim ^b and Mildred E. Warner ^a

^aCity and Regional Planning, Cornell University, Ithaca, NY, USA; ^bGraduate School of Public Administration, Seoul National University, Seoul, South Korea

ABSTRACT

While national governments responded to the Great Recession with austerity, local government responses were varied. Two contrasting views are found in the literature: ‘austerity urbanism’ and ‘pragmatic municipalism’. We argue austerity urbanism best reflects local responses in contexts where local governments have limited autonomy and cuts in local government aid have been severe, such as Detroit in the US, England, and the southern states in the EU. Pragmatic municipalism best explains local responses in contexts where local governments have more fiscal autonomy, as in the US. Differences in state-local relations as well as methodology (case study or large-scale analysis) lead to these two different views. While responses to fiscal stress differ, we find the process opens up local government services to more marketisation in both contexts.

KEYWORDS Local government; austerity urbanism; pragmatic municipalism; fiscal stress; Great Recession

The Great Recession (2007–08; also known as the Global Financial Crisis) ended a decade ago, but the effects are still unfolding and under debate. This article looks at local government responses to fiscal stress under different state policy contexts. While national responses around the globe have converged on austerity (Blyth 2013; Peters 2012; Taylor-Gooby 2011) with negative effects on welfare and equity (Hastings et al. 2017; Karamessini and Rubery 2014; Webb and Bywaters 2018), different state-local relations yield different local government responses: pushback or acquiescence to state austerity (Aldag, Kim, and Warner 2019; Arampatzi 2017; Doussard 2015; Loh 2016; Warner and Clifton 2014).

We identify two views on local government responses to the Great Recession in the recent literature. The first is ‘austerity urbanism,’ which sees local governments following in the steps of national austerity and

CONTACT Mildred E. Warner  mwarner@cornell.edu  Cornell University, 106 W. Sibley Hall, Ithaca, NY, USA

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cutting and privatising services, especially in places with more need (e.g., Donald et al. 2014; Peck 2014; Lowndes and Gardner 2016; Webb and Bywaters 2018; Gray and Barford 2018). Higher levels of government push down austerity to lower levels of government in a process of ‘scalar dumping’ (Peck 2014) while simultaneously opening local services to more market penetration (Clifton 2014). This view interprets these local government responses as a symptom of further neoliberalisation. The second is the ‘pragmatic municipalism’ view that sees local governments balancing the pressures of fiscal stress with community needs (Cepiku, Mussari, and Giordano 2016; Lobao and Adua 2011; Lobao, Adua, and Hooks 2014) and using the tools of alternative revenue sources and alternative service delivery to ‘harness the market’ in an attempt to maintain services (e.g., Aldag, Kim, and Warner 2019; Kim and Warner 2016; Lowndes and McCaughie 2013; Warner and Clifton 2014). Pragmatic municipalism sees local governments as having more agency and using alternative revenue sources, such as user fees (Warner, Aldag, and Kim 2020; Kim 2017), and alternative service delivery, such as privatisation or intermunicipal cooperation (Kim and Warner 2016; Hefetz, Warner, and Vigoda-Gadot 2012), as tools to protect service delivery. This moves beyond a naïve acceptance of New Public Management’s promises of efficiency and lower costs (Pollitt and Bouckaert 2003), and instead shows local governments ‘ride the wave’ of marketisation as a means to maintain services (Warner and Clifton 2014).

How do we understand these two different views? Building on earlier works that emphasise context and institutions as drivers of different responses to austerity (e.g., Clifton, Díaz-Fuentes, and Gómez 2018; Lowndes and Leach 2004; Warner and Clifton 2014), we argue that the ‘austerity urbanism’ view is more typically an European Union (EU) story with a heavy English bias, while the ‘pragmatic municipalism’ view is a more common United States (US) story. The different views are largely due to the difference in state-local relations; local governments are more fiscally and politically autonomous in the US, but subject to more centralised control in England and the EU.

We begin with an introduction of the two views (austerity urbanism and pragmatic municipalism), including a discussion of their theoretical backgrounds. This is followed by an analysis of why we see the two different views. We point to the importance of method (case study versus large-scale quantitative analysis), and different fiscal structures (centralised as in England and many EU nations versus federalised in the US) to explain the relevance of the contrasting theories – top-down forced austerity urbanism versus bottom-up pragmatic municipalism. We end with a discussion of the shift from a Keynesian paradigm that prioritised social inclusion and redistribution to a deepening of marketisation of public services under both austerity urbanism and pragmatic municipalism.

Two views on local responses to the Great Recession

Austerity urbanism

The depth, breadth, and speed of expenditure cuts after the Great Recession have become evidence for 'austerity localism' (e.g., Ferry, Ahrens, and Khalifa 2019; Morris et al. 2017) or 'austerity urbanism' (e.g., Hastings et al. 2017; Peck 2014) wherein there is very little room for local governments to push back on top-down austerity pressures. Empirically, England has been a fruitful ground for research because local budget cuts have been extreme – the Department of Local Government and Communities lost over half of its funding in the 2010–15 period (Gray and Barford 2018).

One of austerity urbanism's claims is that cuts are deeper where need is greater, and studies have shown that the actual impacts of these expenditure cuts are also greater for marginalised populations. For example, Fitzgerald and Lupton (2015) examined three London boroughs in the 2009–14 period and found that the spending cuts were greater in the more deprived boroughs. Hastings et al. (2017) use a mixed methods study of Newcastle, Coventry, and Milton Keynes in the 2011–15 period and show how austerity policies in England 'targeting cities' lead to 'targeting the poor' (2021). Meegan et al. (2014) show that in both Bristol and Liverpool the central government funding cuts have resulted in significant reduction of revenue spending power (GBP 117 and GBP 329, respectively) and public sector jobs, and that the service cuts have been especially deep for the elderly, children, and disabled. Also examining Bristol and Liverpool through a household survey, Kennett et al. (2015) found the impacts of austerity were felt more severely among households with children.

Kennett et al. (2015) describe this as an example of the 'great risk shift' (Hacker 2006) that transfers risk and insecurity from the public to private and from the nation-state to local governments. Indeed, the combination of extreme budget cuts with a push for further devolution under the Big Society and New Localism agenda (Lowndes and Gardner 2016; Dowling and Harvie 2014; Lowndes and Pratchett 2012) is what made England a fruitful ground for austerity urbanism studies. Kennett et al. (2015) foresee even more challenges for English localities as more central grants are cut while service needs of low and middle-income household are increasing.

These concepts have not been limited to England. They also have been applied to Italy (e.g., Di Feliciano 2016; Pollio 2016), Ireland (van Lanen 2017), Greece (e.g., Chorianopoulos and Tselepi 2019), and Spain (e.g., Davies and Blanco 2017) – four of five EU countries that are pejoratively called the 'PIIGS' (Portugal, Italy, Ireland, Greece, Spain) for poor fiscal management (Ntampoudi 2014). In the EU, austerity has been pushed by the Troika (European Commission, European Central Bank, International Monetary Fund; Chorianopoulos and Tselepi 2019), especially on the periphery

countries where there was a larger ideological gap with the Troika's principles that privilege creditors' rights to profit above other citizen rights (Clifton, Díaz-Fuentes, and Gómez 2018). Even within the EU, there are vast differences in the severity of and responses to austerity (e.g., the Baltic countries vs. the Scandinavian countries, Germany, and France).

The idea also has been advanced in some US cities (Scorsone and Plerhoples 2010), such as in Detroit and Flint. Interestingly, these cities are both located in the State of Michigan where the subnational state made dramatic cuts in local aid and imposed emergency management (suspension of local governing board powers) on fiscally distressed cities (Atuahene and Berry 2019; Loh 2016). These cases led some scholars to claim a radical shift in local government responses to fiscal stress towards austerity urbanism (e.g., Davidson and Ward 2014; Donald et al. 2014; Martin, Levey and Cawley 2012; Peck 2012). Does this signal radical changes in the federal system of state-local relations?

US local governments already experienced fiscal stress in the 1970s and an infamous example of austerity response is New York City's decision to shut down fire stations in the poorest neighbourhoods leading to large-scale destruction of housing and subsequent public health issues (Wallace and Wallace 1998). Although the expenditure needs of large cities were growing faster than their revenue-raising capacities (Ladd and Yinger 1989), subnational state aid to local governments was increasing in the 1970–80s (Kim 2017). Subnational state aid also had a strong redistributive character in the 1980s and 1990s (Johnson et al. 1995; Warner 2001; Warner and Pratt 2005).

By contrast, subnational state aid to local governments has been decreasing since 2002 and continued to decline during and after the Great Recession as subnational states tried to reduce their own fiscal stress (Kim 2019; Kim and Warner 2018a; Hinkley 2017; Xu and Warner 2015; Peck 2014; Lobao and Adua 2011). While US local governments have relatively more fiscal autonomy than local governments in other countries in the Organisation for Economic Cooperation and Development (OECD 2016), US local governments are heavily reliant on the property tax, which the majority of subnational states constrain with property tax limitations (Wen et al. 2018). Austerity urbanism's low faith in local government agency acknowledges many of the drivers of fiscal stress are out of local governments' control. This implies that interjurisdictional inequality will increase unless there is higher-level government assistance for poorer localities.

The austerity urbanism view emphasises the agents and structures that exercise power over local government agency, especially corporate actors, positing that there is an 'austerity machine' at work (Donald et al. 2014; Peck 2014). The machine refers to a coalition of public and private actors (e.g., subnational state legislators, corporate lobbyists, local officials) that cut or privatise local services often to the detriment of already marginalised

populations (Peck 2014). Theoretically, austerity urbanism shares its roots with neoliberal urbanism that aims to promote a 'good business climate' (Peck, Theodore, and Brenner 2009, 63) in cities, usually through 'place-marketing, enterprise and empowerment zones, local tax abatements, urban development corporations, public-private partnerships, and new forms of local boosterism' (Brenner and Theodore 2002, 21). However, neoliberal urbanism is not simply about making profits; it protects some while exploiting others, exacerbating structural inequalities. For example, Peck, Theodore, and Brenner (2009) write, 'The overarching goal of [neoliberal] policy experiments is to mobilize city space as an arena both for market-oriented economic growth and for elite consumption practices, while at the same time securing order and control amongst marginalized populations' (58).

Historically, these theories build on older theories of regimes (Stone 1989) and growth machines (Logan and Molotch 1987). The difference between these older theories and the more recent theory of austerity machines lies in the agency of the city. Regime theory argues that local governments form regimes to increase their capacity to govern (Stone 1989). There is a common goal that brings benefits to both public and private actors. A growth machine is formed when the interests of land-based elites or place entrepreneurs (for profit) and local governments (for property tax revenue) converge on the shared goal of growth. Even though critics of the growth machine say that the wider public rarely gains from these coalitions (Logan and Molotch 1987), at least there is the promise of the public benefitting by increasing their home values and/or increasing revenues for the local government, which can potentially lead to more or better quality services. In contrast, austerity machines cut service expenditures as well as the management capacity of local governments (Peck 2014). Thus, the austerity urbanism view is darker than the older regime and growth machine theories as there is little benefit to local residents.

In sum, the austerity urbanism view builds on the deep national level cuts in England (e.g., Ferry, Ahrens, and Khalifa 2019; Gray and Barford 2018; Hastings et al. 2017; Kennett et al. 2015; Morris et al. 2017; Webb and Bywaters 2018) and the extreme outliers in the US, such as Detroit, Flint, Stockton, and Vallejo (e.g., Atuahene and Berry 2019; Davidson and Kutz 2015; Davidson and Ward 2014; Donald et al. 2014; Peck 2014). The view explains these cases well, but has limited application for understanding more resilient local responses. We turn to these responses in the next section.

Pragmatic municipalism

Large-scale, empirical studies show a more diverse response from local governments. For example, in a study of 1,756 US counties in 2008, Lobao and Adua (2011) found that counties with more capacity, rather than more

need or deprivation, adopt austerity measures earlier, and Lobao, Adua, and Hooks (2014) found that counties were protecting their local social safety nets rather than just privatising services. A study of all US counties in 2002 and 2007 found *higher* local fiscal effort among rural communities, those with ageing infrastructure, and those with greater income inequality (Xu and Warner 2016). US studies find divergence in policy contexts and local government responses across the subnational states (Kim and Warner 2018b). To account for this spatial diversity, US scholars have used fixed effects (Lobao and Adua 2011), subnational state weights (Warner 2001), neural networks and classification trees (Warner and Pratt 2005), spatial weights (Xu and Warner 2016), and geographically weighted regression (Xu and Warner 2015). These studies find subnational state centralisation of fiscal responsibility and state aid to localities are both important, but vary widely, as does local tax effort.

A large-scale survey of US local governments responses since the Great Recession (1,580 US municipalities in 2012) found local governments balance the pressures of fiscal stress with community needs and largely maintain public services with alternative service delivery and alternative revenue tools (Kim and Warner 2016). Based on these national studies, Kim and Warner (2016) posit that local governments practice 'pragmatic municipalism,' which focuses on maintaining services, in response to fiscal stress. In a study of New York State counties and municipalities, Aldag, Kim, and Warner (2019) found that pragmatic municipalism explains local government behaviour better than austerity urbanism even in places with greater anti-tax sentiments, poverty, and lack of resources for innovation. In a national survey of US local governments in 2017, those with older infrastructure and more unemployment reported more fiscal stress (Kim, Aldag, and Warner *forthcoming*), and those with more stress reported using a balanced set of responses (cuts, revenue supplements, and expenditure deferrals) (Warner, Aldag, and Kim 2020).

Local governments using service delivery and revenue tools in response to fiscal stress are not specific to the Great Recession. The goal of maintaining services during fiscal stress was identified in studies of US local governments in the 1970s, leading to the theory of cutback management (Levine 1978). Defining cutback management as 'managing organizational change towards lower levels of resource consumption and organizational activity' (180), Levine (1978) argued that public managers would act strategically and adopt different sets of tactics, depending on the cause of decline and the purpose of the tactic: 'resistance' or 'smoothing.' Levine posited that managers would try to resist decline at first, but soon would switch to smoothing tactics since resistance tactics carry the risk of losing control over *where* cuts will take place. Resistance tactics include educating the public about the importance of the organisation, cutting an important service temporarily to

demonstrate the organisation's importance, luring new public and private investments, adopting user charges, and experimenting with less costly service delivery. Smoothing tactics include cutting low prestige programmes, cutting programs to politically weak clients, installing rational choice techniques (e.g., zero-base budgeting), and deferring maintenance. Thus, Levine's model shows public managers as rational and strategic decision-makers who focus on the survival of the organisation.

Levine's model is called a step-by-step approach to emphasise the sequential characteristic of local government actions in response to decline. Empirical studies have largely found support for cutback management in practice. In a review of 2,500 cities across ten western countries, Mouritzen (1993) found diversity in cause and effect of fiscal stress. Wolman (1983) found local governments first turn to strategies that are the least disruptive, such as drawing down reserves or utilising one-time revenue, before turning to service cuts as a last resort. Using survey data of 234 US cities, Pagano (1988) found cities adjust to fiscal stress using cost-shifting mechanisms and Hendrick (2011) found in a study of 257 suburban municipalities in the Chicago metropolitan region in 1993–94 that they follow a series of steps in response to fiscal stress (from lowest disruption to services to more extreme strategies).

Post-Great Recession studies also find support for Levine's model. Using 2015 national survey data of 268 US cities, Jimenez (2017) found that most cities turned to less disruptive strategies, such as relying on reserves and controlling personnel expenditures rather than cutting service, borrowing, or raising revenues. However, scholars have also noted some limits (Martin, Levey and Cawley 2012; Scorsone and Plerhoples 2010). Nelson (2012) conducted a case study of sixteen US municipalities and found strategic responses, but also found that the responses are not as sequential and straight-forward as cutback management predicts.

The difference between the recent 'pragmatic municipalism' view and older cutback management theory is the explicit recognition of 'publicness' in the more recent works. Cutback management studies drew many insights from studies of private organisations. For example, they argued environmental stress will push organisations to search for solutions to cope, leading to innovation (Cyert and March 1963; March and Simon 1958). However, this view ignores the publicness of local governments that leads to several paradoxes in responding to fiscal stress (Pandey 2010). In fact, Ansell (2011, 4) described public agencies as 'the democratic institutions that face the largest gap between discretion (low) and responsibility (high).'

The 'publicness' (Goodsell 2017) of local governments constrains their responses and creates unique challenges (Salem and Shields 2011). For example, Levine (1978) suggested that in the early stages of fiscal stress, local governments could cut essential services to demonstrate the organisation's importance. However, this ignores the multilevel governance structure

in the US – essential services may be mandated by subnational states. In addition, local governments are more sensitive to community needs because of their high fiscal and political autonomy. Voter responses are more direct and immediate than responses to higher levels of government; it is easier to complain to and unseat your local mayor or council member in the US than a subnational state or federal legislator. Local governments also face a competitive inter-local landscape regarding the mix of taxes and services (Tiebout 1956). Cutting services can encourage out-migration of residents and businesses, exacerbating fiscal stress. This possibility of out-migration is less concerning for subnational state or federal governments; it is easier to leave a city than a subnational state or country.

Despite the position of local governments as the first interface between the government and citizens, cutback management theories leave little space for democracy. For example, Loh (2016) found in a case study of six Michigan cities where the State of Michigan had suspended local governing board powers due to a ‘fiscal emergency,’ that local planning processes were critical spaces for resident voices to be heard. Pragmatic municipalism finds more space for local government agency. The most recent national survey of 2,341 US local governments in 2017 finds those that engage both citizens and unions are more likely to pursue a balanced response across cuts, deferrals, and revenue supplements (Warner, Aldag, and Kim 2020). Only a few governments focus just on cuts, as austerity urbanism claims, while the majority employ a balanced approach.

In sum, the pragmatic municipalism view builds on the diverse responses in the US, rather than the handful of extreme cases. Even studies in Italy (e.g., Cepiku, Mussari, and Giordano 2016), Spain (e.g., Davies and Blanco 2017; Medir et al. 2017), and the UK (e.g., Lowndes and McCaughie 2013) have found more resilience in local governments than the austerity urbanism view implies. In the next section, we argue the difference between a federal structure in the US and more centralised authority over local governments in England and the EU can explain these different views.

Explaining the divergent views

What explains the different local responses in the EU and the US? One of the biggest drivers of austerity in EU countries is the EU itself. The ‘austerity urbanism’ theory talks about the subnational state legislators, local officials, and corporate lobbyists that make up the austerity regime in the US (Peck 2014). In the EU, the austerity regime is led by supra-national institutions – the European Commission, the European Central Bank, and the International Monetary Fund (‘the Troika’) – that have required austerity in exchange for financial bailouts of member states and overpower any alternative local responses. Chorianopoulos and Tselepi (2019) argue, ‘what we are witnessing

in Greece is something that Brussels does to the states, the states do to cities, and cities do to low-income neighborhoods' (92). While scholars have found counter-austerity movements in Athens (e.g., Arampatzi 2017; Chorianopoulos and Tselepi 2019), especially in collaborations between the city government and non-governmental organisations, they note that these institutions are unable to solve the root cause – a supra-national organisation that demands austerity. In Spain, the Troika's demands led to a constitutional amendment to prioritise budget stability and loan repayments (Law 2/2012 and Law 27/2013).

Still, there have been instances of pushback at the local level in Greece (Arampatzi 2017; Chorianopoulos and Tselepi 2019), Spain (Medir et al. 2017), and Italy (Cepiku, Mussari, and Giordano 2016) that do not fit into the austerity urbanism perspective, but these diverse responses are overshadowed by the English bias in academia. Much of the literature on local government responses to the Great Recession is focused on England. A basic search for 'austerity' in the Web of Science search engine shows 4,684 results in the 2009–2019 period and of these, 1,656 results are from England (followed by 645 from USA, 302 from Spain, 270 from Greece, 253 from Italy) and 4,397 results are in English (followed by 112 in Spanish, 39 in German).¹ There is also an English language bias in rural and urban studies (Gkartzios and Remoundou 2018) which we also see in local government studies of austerity.

Cox (2009) already noted the Eurocentric bias in the state rescaling literature and the limitations of applying these theories to the US due to the different state-local structures and levels of decentralisation. In the austerity literature, the Eurocentric bias is really an English bias that stands in stark contrast to the US case, because the US has always been highly decentralised with high levels of fiscal autonomy for local governments (OECD 2016), while England remains a highly centralised country. In 2008–09, approximately 60% of English local government revenues came from the central government (only 40% from locally raised revenue). While this high level of centralisation shielded localities from the Great Recession when it first began (Chapain and Renney 2011), in the post-Great Recession context, the cuts were deeper in the most deprived localities because central government funding was designed to be greater in places with more need (Meegan et al. 2014). Gray and Barford (2018) argue cuts in central aid to local governments also target services most used by the poor.

This is part of why the English view is so dark. English localities have managed austerity with efficiency tactics (or 'doing more with less'), but scholars note that the savings a local government can achieve with efficiency are drying up, and with announcements of more central government spending cuts they foresee more service cuts (Fitzgerald and Lupton 2015; Hastings et al. 2015). English local governments heavily rely on central government grants and are required to balance their budgets. This leaves them with few responses other than cutting expenditures (Davies and Blanco 2017).

The longer history of devolution and decentralisation in the US means local governments have had more experience with the various tools to maintain services without assistance from higher levels of government, while English local governments are just beginning to learn these tools. For example, Meegan et al. (2014) found that local officials in Bristol and Liverpool were looking at charging fees for services, outsourcing, and intermunicipal cooperation to manage the cuts in central government funding. These are tools in which US local governments have wide discretion and deep experience (Hefetz, Warner, and Vigoda-Gadot 2012). While privatisation has not risen in US local governments since the Great Recession, the use of intermunicipal cooperation and user fees has (Warner, Aldag, and Kim 2019; Kim 2017; Kim and Warner 2016; Lobao and Adua 2011).

In addition to the steep central funding cuts, English localities are having to manage fiscal pressures that the central government has put on their revenue raising abilities. In the 2011 Localism Act, the English central government required localities to hold a referendum when they want to increase local council taxes by more than 2% (Sandford 2014). These types of constraints on local budgets (called 'tax and expenditure limitations' or TELs) have been in place in the US to varying degrees across the subnational states, and currently, local governments in 47 (of 50) subnational states are subject to these constraints (Wen et al. 2018). However, empirical studies show in subnational states where TELs have been in place longer, local overrides (i.e., exceeding these limits via a referendum or local governing board vote) are more common (Roscoe 2014), and recent research on New York State found overrides also occur in municipalities that are more stressed (Aldag, Warner, and Kim 2018). US studies find that local governments figure out ways to work through these constraints (Kim 2017; Wang 2018; Wen et al. 2018).

The longer history of decentralisation in the US also means that American fiscal federalism has had the time to shift from the earlier versions that believed in decentralisation's promises of efficiency and effectiveness. First-generation fiscal federalism was a largely normative theory that argued fiscal assignment should go to the level most capable to fulfil the role (Oates 2005). National and subnational state governments were expected to fulfil redistributive functions and local governments to play a development role. This would promote positive fiscal competition at the local level. However, empirical results challenge the efficiency claims of fiscal federalism and show rising inequality as a result of decentralisation in the US (Warner 2001; Warner and Pratt 2005; Lobao and Adua 2011; Xu and Warner 2016) and across the OECD countries (Rodríguez-Pose and Ezcurra 2011). More recently we have seen a shift to 'second generation fiscal federalism' which focuses instead on 'taming the Leviathan' of local budget-maximising bureaucrats (Oates 2005; Weingast 2009). This is the justification the EU uses to rationalise its austerity policies, and the US subnational states and England use to justify local tax and

expenditure limitations. Fiscal stress has been changing the level of municipal autonomy, as well as local discretion to arrange provision of various functions (Kim and Warner 2018a; Gray and Barford 2018).

England is unique within the EU because it has not been subject to the Troika's push for austerity. Rather, England's austerity is self-imposed. Bailey et al. (2015) note that England's national debt levels were similar to that of Germany and France and argue, 'The current "austerity" policy has to be seen as a *political choice*, not as an inevitable or unavoidable adjustment' (572, emphasis added). Austerity urbanism has been more noticeable in England because austerity was forced on itself. For example, the Big Society/New Localism narrative argued that the central government should not be intervening in a top-down manner but that governance decisions and power should be returned to local civil society. Critics see this as an excuse for the central government to shirk its service responsibilities (Pike and Tomaney 2009; Scott 2015), especially when the rhetoric of localism is combined with starving local governments of necessary resources. As efficiency savings run out, local governments have few alternatives to cutting services and this makes local governments, rather than central governments, responsible for the service cuts (Hastings et al. 2015; Lowndes and Gardner 2016; Lowndes and Pratchett 2012). This creates an 'austerity/devolution paradox' (Lowndes and Gardner 2016) that says local governments can do things better but should do so with less resources. Ironically, scholars note England's devolution rhetoric has resulted in more centralisation of governance power (Bailey and Wood 2017). Thus, while the responsibility of cutting services and implementing austerity falls on local governments, the power to make alternative choices and act on them is removed.

The New Localism narrative also argues for decentralisation as a growth-promoting strategy (Lowndes and Pratchett 2012), but these ideas of local 'growth machines' are old in the US. Cities have been thought of as growth machines for a long time (Logan and Molotch 1987), and scholars have found support for post-growth machines in the sense that US localities try to balance the goals of growth and social equity (Lobao and Adua 2011; Xu and Warner 2016). Some US scholars have called for a new localism that enables city power to address growth and equity (Katz and Nowak 2018; Schragger 2016), but this stands in contrast to recent subnational state legislation that pre-empts local authority in a wide range of policies, including taxes, economic, social, and environmental arenas (Bravo, Warner, and Aldag 2020; Kim and Warner 2018a; Riverstone-Newell 2017). While subnational states play an important role for local government tax effort and economic recovery (Xu and Warner 2015, 2016), studies have found that they have also become targets of corporate actors searching for ways to avoid or decrease government regulation (Schragger 2018; Bravo, Warner, and Aldag 2020).

From social inclusion to marketisation?

While the mechanisms driving austerity and the local responses are different in the EU and US, we also see potential in both places for the increased marketisation of public services. In both the US and the UK/EU we are seeing a shift from a Keynesian agenda of redistribution, social inclusion, and redistributive funding, to a market-promoting agenda emphasising local efficiency and competition (Shortall and Warner 2010). US community development policy has become more competition based, building in part on city boosterism proposals by popular scholars like Porter (1995), Glaeser (2011), and Florida (2002). While the EU has a stronger focus on social cohesion than the US, it has also pushed for competition policy to build a Europe-wide competitive market for public services. Clifton (2014) argues these EU policies are meant to 'straightjacket' the state and limit local control.

Austerity can force local governments to open up services to market-type competition and delivery (Dowling and Harvie 2014). In the UK, this marketisation shift has generated new finance mechanisms, such as social impact bonds (SIBs), which are now spreading to the US and elsewhere in the EU (Fraser et al. 2018). These SIBs build on New Public Management ideas of pay for performance, but tightly link performance measures to payment and encourage private profit-making from social services (Warner 2013). They change the disciplinary structure to one primarily focused on financial, not social, outcomes (Chiapello and Knoll 2019) and they result in a narrowing of social rights (Tse and Warner 2019). Lake (2016) sees this as part of a broader reversal of means and ends in urban policy that shifts the role of government from providing public goods to creating financial profits.

Post-Great Recession austerity has opened the door to more marketisation of local services in the US, UK, and EU. While pragmatic municipalism sees this as local governments 'riding the market wave' in a strategic effort to provide basic services (Warner and Clifton 2014), austerity urbanism sees this financialization of basic services as undermining the social contract (Gray and Barford 2018; Peck 2014). If austerity urbanism's darker view of the impacts on social rights is correct, then pragmatic municipalism may just be a slower means to the same end. But in showing that the majority of cities, at least in the US where local autonomy is high, are holding on to public services, gives hope that local governments may emerge from this crisis with social values intact. The recent trends towards re-municipalisation of city services are heralded as an effort by cities to reclaim public control over service delivery after earlier privatisation (Clifton et al. 2019; Wollmann and Marcou 2010). But re-municipalisation is not higher among cities that face more fiscal stress (Warner and Aldag 2019) and is actually lower in cities with higher levels of unionisation (Warner and Hefetz 2019). Reasserting the public role and maintaining social values requires capacity, which may be further eroded by austerity.

Note

1. A similar search in SCOPUS, which is considered to be a little less biased towards the English language and a better tool to analyse publications in social sciences in Europe, shows 6,004 results in the 2009–2019 period and of these, 2,429 results are from the UK (followed by 861 from the USA, 333 from Italy, 327 from Spain, 291 from Greece) and 5,734 results are in English (followed by 113 in Spanish, 56 in German).

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Notes on contributors

Yunji Kim is an assistant professor in the Graduate School of Public Administration, Seoul National University (Korea). Her research focuses on how local governments collect revenues and deliver services within the constraints of demography, economy, and state policy; and how these choices shape community wellbeing. More information can be found at www.yunjikim.com.

Mildred E. Warner is Professor in the Department of City and Regional Planning at Cornell University. Her research is on local government finance and service delivery, and economic development, environmental and social policy. Current work looks at state policy, remunicipalization, and the links between planning and public health. Her website is www.mildredwarner.org.

ORCID

Yunji Kim  <http://orcid.org/0000-0002-6618-7168>

Mildred E. Warner  <http://orcid.org/0000-0002-0109-338X>

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